

**NORTHAMPTON BOROUGH COUNCIL
AUDIT COMMITTEE**

Your attendance is requested at a meeting to be held in the
The Jeffrey Room, The Guildhall, St. Giles Square, Northampton, NN1
1DE
on Monday, 28 July 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. PERFORMANCE OUTTURN REPORT

Silvina Katz
(Corporate Policy
Manager)

7. FINANCE AND MONITORING OUTTURN REPORT 2013-14

Phil Morrison
(Assistant Head of
Finance)

8. DRAFT STATEMENT OF ACCOUNTS AND DRAFT ANNUAL GOVERNANCE STATEMENT 2013-14

Glenn Hammons
(Chief Finance
Officer)

9. LOCAL AUDIT REFORMS - OVERVIEW AND RESPONSE TO CONSULTATION PAPER

Glenn Hammons
(Chief Finance
Officer)

- | | |
|---|--|
| <p>10. EXTERNAL AUDIT UPDATE
Verbal update</p> | <p>Yola Geen, External Auditor</p> |
| <p>11. INTERNAL AUDIT UPDATE</p> | <p>Kate Mulhearn,
Internal Auditor
(PWC)</p> |
| <p>(A) ANNUAL REPORT -2013/14 - FINAL DRAFT</p> | <p>Internal Auditor
(PWC)</p> |
| <p>(B) AUDIT PLAN - 2014/15 - FINAL DRAFT</p> | <p>Internal Auditor
(PWC)</p> |
| <p>(C) ABSENCE MONITORING REPORT</p> | <p>Internal Auditor
(PWC)</p> |

12. 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.”

SUPPLEMENTARY AGENDA

Exempted Under Schedule, 12A of L.Govt Act 1972, Para No: -

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.

Agenda Item 2

NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE

Monday, 19 May 2014

PRESENT: Councillor Larratt (Chair); Councillor Hibbert (Deputy Chair); Councillors Nunn, Palethorpe and Strachan

1. APOLOGIES

None.

2. MINUTES

The Minutes of the meeting held on 17 March 2014 were confirmed and signed by the Chair as a true record.

3. DEPUTATIONS / PUBLIC ADDRESSES

There were none.

4. DECLARATIONS OF INTEREST

Councillor Larratt declared a personal, non-pecuniary interest in agenda item 12 – KPMG Fraud Briefing – as a blue badge holder.

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

There were none.

6. CALL CARE REPORT

The Committee received an update report from the Head of Customer and Cultural Services on the Call Care Service. Of the three options being considered for the service the recommended option being pursued was to retain and grow the service, subject to the service being kept under review. The Head of Customers and Communities gave details of the initiatives being undertaken, including looking into partnership working.

The Chief Finance Officer stated that the service initially made a surplus but as customers had left, the service had made a deficit of £30-50,000 per year in recent years.

The Committee welcomed the action being taken regarding the Call Care service but were concerned at the lack of partnership working and considered that opportunities for closer working with Olympus (NCC's service) and other providers should be investigated. A further report was requested to a future meeting.

RESOLVED:

1. That the current position of the Call Care Service, potential future options and the option currently being pursued be noted.
2. That the actions required to enable the Call Care Service to transform into a fit for purpose service with potential for future growth be noted.
3. That a further report be provided at the earliest opportunity explaining the lack of Partnership Working with Olympus (NCC's service) and how such working can

positively be pursued and achieved.

4. That a report be presented to a future meeting, including the number of customers who have left the Call Care service, the outcome of the marketing exercise and progress being made on the option to grow the service.

7. FINANCIAL MONITORING REPORT

The Chief Finance Officer submitted a report and elaborated thereon. The report presented the financial position, an update on parking income and the Council's outstanding debt as at 31 March 2014.

In answer to Members' questions the Chief Finance Officer stated that:

- He would supply further information on Post Room costs as set out under the Office Accommodation line;
- There would be a request to carry forward the underspend of £237k on Delapre Abbey;
- Recent S106 agreements included an element for inflation but older ones probably did not, although that would depend on the nature of the agreement in each case. Interest is not added to agreements. Any funding gaps would need to be met by the Council unless it could generate external funding;
- In relation to sundry debts, invoices were sent at the end of one financial year to seek to receive payments early in the following financial year (in which they fell due).
- In relation to sundry debts, some large invoices issued in late 2013/14 are yet to be paid and therefore the sundry debtor outstanding balance appears high. As officers seek to receive payments early in the following financial year this will be rectified.

The Committee thanked the officers for their work with regard to Council Tax payments and for improving the system of identifying debtors and taking action.

RESOLVED:

1. That the following finance reports be noted:
 - 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 28 February 2014 (Appendix 5) be noted.
3. That the latest position in relation to the Council's outstanding debts as at 31 March 2014 (Appendix 6) be noted.

8. ACCOUNTING POLICIES

The Assistant Head of Finance presented the accounting policies for approval, the policies being updated annually. The policies had been first presented to the Committee in September 2013, when they had been approved.

Members asked that the full policies be presented to the Committee each time they were updated, with the amendments highlighted as in the officer's report.

RESOLVED:

1. That the accounting policies set out in Appendix 1 to the officer's report be approved.
2. That the accounting policies document be brought to future meetings for approval with the amendments highlighted in the document.

9. EXTERNAL AUDIT UPDATE - EXTERNAL AUDIT PLAN 2012/13

The External Auditor (KPMG) presented the external Audit Plan prepared by KPMG for 2013-14 for consideration. It was noted that some of the work scheduled for July had been undertaken in April and the plan would be finalised during the summer.

RESOLVED:

That the Audit Plan 2013/14 be noted.

10. DRAFT INTERNAL AUDIT ANNUAL REPORT

The Internal Auditor (PWC) presented the draft Internal Audit Report for 2013/14 for the Committee's consideration. The final report was being studied by management but it was not anticipated there would be any changes and it was intended to present the final report and the plan for 2014/15 to the Committee's next meeting.

It was noted that although some risks had been identified this was not unusual and was not a major point of concern.

In answer to a Member's question the Internal Auditor (PWC) confirmed that LGSS would undertake their own audits and PWC would not be able to provide an opinion on them. However, the Committee would receive a report from LGSS plus the Internal Audit report on the Council and would be able to form an opinion on the overall position.

It was noted that some specific reports had been in draft format for some considerable time without being finalised and reported. The Committee requested that these reports be agreed, finalised and reported by the time of the next meeting.

The Committee thanked all staff involved in the internal audit work.

RESOLVED:

That the report be noted.

11. EXCLUSION OF PUBLIC AND PRESS

The Chair moved that the Public and Press be excluded from the remainder of the meeting on the grounds that there was 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 paragraph 3 of Schedule 12A to such Act.

The Motion was Carried.

12. KPMG FRAUD BRIEFING

Councillor Larratt declared a personal, non-pecuniary interest in this item as a blue badge holder.

The External Auditor (KPMG) presented the local Fraud Briefing prepared by KPMG on the Audit Commission's "Protecting the Public Purse: Fighting Fraud Against Local Government" report for consideration.

RESOLVED:

That the KPMG Briefing and the Audit Commission report be noted.

The meeting concluded at 7:55 pm

Appendices:
1



AUDIT COMMITTEE REPORT

Report Title	2013/14 Corporate Performance Outturn
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	28 th July 2014
Policy Document:	No
Directorate:	Borough Secretary
Accountable Cabinet Member:	Cllr Alan Bottwood

1. Purpose

1.1 To inform the Audit Committee of the Council's outturn performance for the 2013/14 financial year

2. Recommendations

2.1.1 That the content of the report be reviewed, and any issues arising be addressed

3. Issues and Choices

3.1 Report Background

3.1.1 Performance data is collected across a range of locally developed indicators which are collected on a monthly, quarterly or annual basis and they form the basis of our performance monitoring process. Cabinet members receive detailed information on all the measures monitoring the Corporate Plan within their portfolios on a regular basis.

3.1.2 This report summarises the outturn performance data for 2013-14 (1 April 2013 to 31 March 2014):

Part 1 – A performance dashboard overview for each of the corporate priorities and summary detail against the priority outcomes

Part 2 – Detailed KPI results and commentary

3.2 Issues

3.2.1 Progress against Corporate Plan priorities

Overall, both Corporate Plan priorities met their targets (blue, green, or amber status). 75% of measures (where data is available) have met target, this translates to an overall rating of “Green”.

3.2.2 Overall indicator performance against targets

- 60% of indicators have ‘blue’ or ‘green’ status
- 15% of indicators have ‘amber’ status
- 25% of indicators have ‘red’ status

3.2.3 Data Quality

The Council has processes in place to ensure that the data and information it provides to support management decision-making is as reliable as possible. The Council has a strategy to improve data quality and service areas are working to achieve the objectives within it. This is closely linked to the Council’s risk assessment processes and is monitored each month as part of the Council’s Performance Management Framework.

3.3 Choices (Options)

3.3.1 Audit Committee to review the Outturn Performance Report 2013/14 (appendix 1) and note its contents.

4. Implications (including financial implications)

4.1 Policy

4.1.1 The report has no known impact on any current policy

4.2 Resources and Risk

4.2.1 The report and recommendations introduce no known risk or adverse financial implications to the Council

4.3 Legal

4.3.1 There are no known legal implications arising from this report as it is for information only

4.4 Equality

4.4.1 There are no known Equalities issues arising from this report as it is for information only.

4.5 Consultees (Internal and External)

- 4.5.1 Heads of Service and Management Board are consulted monthly as part of the Performance Management Framework which is currently in place.
- 4.5.2 Cabinet are presented with a Quarterly exception report to enable performance to be monitored
- 4.5.3 Performance data is published on the NBC external website on a Quarterly basis

4.6 Other Implications

- 4.6.1 There are no other implications arising from this report

5. Background Papers

- 5.1 2013-2014 Outturn Report (appendix 1)

Francis Fernandes, Borough Secretary (Ext:7334)



2013 - 2014 Outturn Report

Are we achieving our priorities?

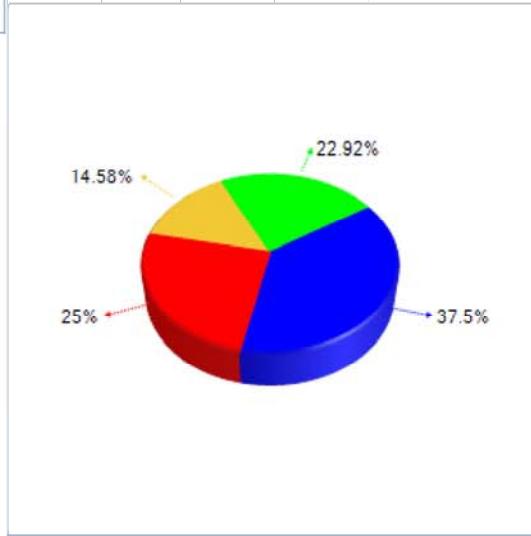
Part 1: Overview

Overall, 75% of performance measures reached their targets in 2013/14. "Your Town" performed well with 81% of indicators on target, however "You" was lower at 63%.

- Exceptional or over performance
- ★ On or exceeding target
- ⚠ Within target tolerance
- ▲ Outside agreed target tolerance

NBC Corporate Plan	
	Score YTD
Northampton alive with innovation, enterprise and opportunity	75 % ★
Theme	
	YTD
Your Town - A town to be proud of	●
You - How your Council will support and empower you and your community	⚠

Performance Indicator alert summary					
▲	⚠	★	●		Total
12	7	11	18		48



Part 2: The measures that tell us how we have performed under each priority

The following pages detail the performance of the measures that support the Corporate Priorities.

2013-14 performance is compared to 2012-13 and 2013/14.

Where population or household figures are required, the following values have been used:

Population: 212,100

Number of households: 92,860

Key

- Exceptional or over performance
- ★ On or exceeding target
- Within agreed tolerances
- ▲ Outside agreed target tolerance
- ↓ Good to be low: Better
- ↑ Good to be low: Worse
- ↓ Good to be High: Better
- ↑ Good to be High: Worse
- No change
- ?! No data or target available
- ? No data available
- ! No target available



YOUR TOWN







Northampton - on track

Invest in safer, cleaner neighbourhoods

Celebrating our heritage and culture

Making every £ go further

	Measure ID & Name	2011-12 Outturn	2012-13 Outturn	2013-14 Outturn	2013-14 Target	Direction of Travel (12/13 to 13/14)	Notes:
Bigger is Better	AST05a External rental income demanded against budgeted income (M)	112.74 %	97.18 %	94.24 %	100.00 %	✖	
We are currently below the agreed target due to vacant properties but these are being actively marketed and are generating interests. Also a number of rent free periods expire at the end of March which will help to boost the rental income.							
Smaller is Better	AST05b % commercial rent demanded within the last 12 months (more than 2 months in arrears) (M)	3.38 %	4.75 %	3.53 %	3.75 %	✔	
The amount of rent in arrears for 2013/14 is currently 3.53% of the total due. The represents a good performance for the year, and is on target.							
Bigger is Better	AST12 % achieved where return on (sub group) investment properties meets agreed target rate (M)	92.50 %	91.25 %	91.25 %	90.00 %	➡	
Currently, the vacancy rates for NBC's investment property are very low due to a proactive approach to property management. This approach has resulted in a higher turnover of tenants for some assets in some locations. Property reviews are on-going and underperforming assets are reviewed and may be considered for reinvestment or disposal.							
Smaller is Better	BV012_12r Ave. no. of days/shifts lost to sickness for rolling 12 month period (M)	11.88	10.68	10.24	9.50	✔	
March 2014 figure at 10.24 days lost per FTE shows a slight improvement on last year's performance, March 2013 of 10.68 FTE, with best performance to date October 2013 at 10.11 FTE.							
Bigger is Better	CH10 No. of unique visits to Museum Pages (M)			49,608	43,000	➡	New measure introduced in 2013/14
Performance at end of year was 13% above target.							
Smaller is Better	ESC01 No. of missed Bins/Boxes as a % of those collected (M)	0.0663 %	0.0293 %	0.0219 %	0.0200 %	✔	
The number of justified missed bins for the year was 2927 which is above the maximum target of 2880. Work is underway to improve on this which includes replacing the type of container used for collections in a number of areas. Other measures are also in place to improve general performance in this area							
Bigger is Better	ESC02 % missed bins corrected within 24hrs of notification (M)	84.92 %	82.57 %	36.45 %	100.00 %	✖	
The performance in this area is well below target with only 22.9% of missed bins corrected. Many areas that are currently collected by bags are being provided with Wheelie bins this year and flats on bag collections are being provided with large Euro bin containers. Both these changes will improve rates and speed of collections. Other measures are also in place to improve general performance in this area							
Bigger is Better	ESC04 % household waste recycled and composted (NI192) (M)	42.37 %	43.68 %	41.55 %	47.00 %	✖	

	Measure ID & Name	2011-12 Outturn	2012-13 Outturn	2013-14 Outturn	2013-14 Target	Direction of Travel (12/13 to 13/14)	Notes:
The YTD recycling performance has decreased by 0.48% in comparison to last year. The council is working with its contractor and other agencies to promote recycling. The amount of composting material available for collection is also affected by the annual weather patterns.							
Smaller is Better	ESC05 % of Land and Highways assessed falling below an acceptable level - Litter (NI195a) (4M)	4.33 % 	2.33 % 	1.33 % 	4.00 %		
Performance for the year was above target							

	Measure ID & Name	2011-12 Outturn	2012-13 Outturn	2013-14 Outturn	2013-14 Target	Direction of Travel (12/13 to 13/14)	Notes:
Smaller is Better	ESC06 % of Land and Highways assessed falling below acceptable level - Detritus (NI195b) (4M)	6.44 %	4.56 %	1.83 %	6.00 %		
Performance for the year was above target							
Smaller is Better	ESC07 % of Land and Highways assessed falling below acceptable level - Graffiti (NI195c) (4M)	2.28 %	1.83 %	0.39 %	0.33 %		
This has seen considerable improvements in the last year and is now well within target							
Smaller is Better	ESC08 % of Land and Highways assessed falling below acceptable level - FlyPosting (NI195d) (4M)	0.61 %	0.17 %	0.00 %	0.33 %		
Performance for the year was above target							
Bigger is Better	ESC09 % of Fly Tipping incidents removed within 2 working days of notification (SO2) (M)	99.35 %	100.00 %	99.92 %	100.00 %		
9913 reports of flytipping were received in 2013/14, 99.9%(9905) was collected within 24 hours.							
Smaller is Better	ESC10 Level of quality against an agreed standard - Open Spaces & Parks - Litter (%) (Q)	1.39 %	0.41 %	0.00 %	4.00 %		
Performance for the year was above target							
Smaller is Better	ESC11 Level of quality against an agreed standard - Open Spaces & Parks - Detritus (%) (Q)	4.51 %	2.87 %	2.92 %	6.00 %		
Although performance slightly declined it is still within the target							
Smaller is Better	ESC12 Level of quality against an agreed std - Open Spaces & Parks - Graffiti & Fly Posting (%) (Q)	6.25 %	0.82 %	0.00 %	3.33 %		
This has seen considerable improvements in the last two years and is now well within target							
Smaller is Better	HI 01 Average time taken to re-let local authority homes (days) (M)	21.32	15.84	28.84	16.00		
There has been a degree of success towards the end of the year in identifying suitable applicants for low demand properties There has also been a change in personnel within the in house voids team which has started to show an increase in performance delivery of the longer term major works voids. An improving trend is expected going forward into next year							
Bigger is Better	HI 12 Rent collected as a proportion of rent owed on HRA dwellings % exc.arrears brought forward (M)	99.87 %	99.70 %	99.90 %	98.32 %		
The annual collection rate of 99.9% is well above the target set for the year and represents a very positive result.							

	Measure ID & Name	2011-12 Outturn	2012-13 Outturn	2013-14 Outturn	2013-14 Target	Direction of Travel (12/13 to 13/14)	Notes:
Smaller is Better	HI 13 Rent arrears as a percentage of the annual debit (M)	2.97 %	2.83 %	2.61 %	3.64 %		
Total current tenants rent arrears were £1,313,774 at the year end. The debit for the year totalled £50,406,307 therefore the arrears as a percentage of the debit ended the year at 2.61%. This is well within the target set and a significant reduction on last years figure of 2.83%. In total rent arrears have reduced by just over £40,000 from last years year end total. This is a very positive result especially in light of welfare reforms which commenced in April 2013, such as the removal of spare room subsidy and benefit cap.							
Bigger is Better	NI154 Net additional homes provided (A)	423.00	516.00	834.00	939.00		
New targets have been set following the revocation of the East Midlands Plan - the target is more reflective of likely delivery rates.							
Bigger is Better	NI157a % Major Planning applications determined within 13 weeks (M)	>>	>>	70.59 %	60.00 %	>>	New measure introduced in 2013/14
During 2013/14, 70.6% of Major planning applications were determined within 13 weeks. This is a particularly good result given the low number of applications which causes large variations in performance							
Bigger is Better	NI157b Percentage of 'minor' planning apps determined within 8 weeks (M)	85.14 %	85.54 %	87.10 %	86.00 %		
During 2013/14, 87% of all minor planning applications were determined within 8 weeks. This is on target, and in line with expectations.							
Bigger is Better	NI157c Percentage of 'other' planning apps determined within 8 weeks (M)	90.16 %	92.96 %	92.74 %	90.00 %		
During 2013/14, 92.7% of all "Other" planning applications were determined within 8 weeks. This equates to 626 out of 675 applications.							
Bigger is Better	NI159 Supply of ready to develop housing sites (A)	46.45 %	48.72 %	100.49 %	100.00 %		
The West Northamptonshire Joint Core Strategy Submission - Proposed Modifications identifies the 5 year housing supply target. It supersedes Regional Planning targets, which although no longer part of the development plan, were the last housing targets set for the town. Against the target set the housing trajectory identifies how delivery will occur. Delivery is stronger due to the increase in confidence in the housing market.							
Smaller is Better	NI170 Previously developed land that has been vacant or derelict for more than 5 years (A)	0.49 %	0.72 %	1.46 %	0.78 %		
Performance is poorer than the target set - this has largely been down to lack of progress on the development of some older industrial land. The encouraging signs in the economy should see active development proposals come forward for these sites ensuring most are removed over the next 3-4 years.							
Smaller is Better	PP06 % change in serious acquisitive crime from the baseline (M)	5.60 %	16.94 %	-27.72 %	-10.00 %		
SAC has reduced by 27.7% (-1131 crimes) in 2013-14. This is primarily due to low levels of vehicle crime and undercutting the high volume of burglary dwelling last winter. All sectors had a strong reduction, particularly the South West sector (-39%). Improvements were made in comparative performance, the CSP moved up 2 ranking places.							
Bigger is Better	PP07 % change in anti social behaviour victimisation (A)	8.50 %	11.32 %	1.49 %	10.00 %		
ASB incidents reported to the police have increased marginally this year (+1.5%, 198 incidents). There has been an increase across all sectors of Northampton.							

	Measure ID & Name	2011-12 Outturn	2012-13 Outturn	2013-14 Outturn	2013-14 Target	Direction of Travel (12/13 to 13/14)	Notes:
Smaller is Better	PP09 Overall crime figure for the period (M)	20,518.00 !	19,972.00 ●	16,555.00 ●	20,068.00	✓	There's been a reduction of 17.1% (-3423 crimes) in overall crime in Northampton. All key crime types have reduced in volume, excluding Arson, which has increased by just 7 crimes. Criminal damage, violence and theft offences have reduced considerably this year. Victim based crime has also reduced by 16.4% (-2953 crimes). As of February 2014, have had the 2nd greatest percentage reduction in victim based crime of all CSPs in England and Wales.
Smaller is Better	PP14 % change in Violence Offences (M)	>>	-17.80 % ●	-17.38 % ●	-5.00 %	✗	New measure introduced in 2012/13 Northampton has had a 17.4% (615 crimes) reduction in violent crime this year; 13% in NE and SW sector and 27% in Central sector. All but one month (December) had fewer crimes than the equivalent month in 2012/13. As of Feb 2014. Northampton had the 10th highest reduction in 12 months.
Bigger is Better	PP21 % Licensing enforcement checks completed (M)	>>	>>	96.76 % ●	80.00 %	>>	New measure introduced in 2013/14 During 2013/14, 96.76% of planned checks were completed. This is a strong performance which demonstrates our commitment to the licensing objectives.
Bigger is Better	PP22 % Hackney Carriage and private hire vehicles inspected which comply with regulations (M)	>>	>>	51.86 % !	65.00 %	>>	New measure introduced in 2013/14 51.86% of the vehicles checked were compliant during 2013-14. The most common vehicle faults were tyre conditions and faulty lights. Drivers not having relevant documentation (e.g. insurance and conditions booklets) was also a key reason for non-compliance.
Bigger is Better	TCO01 Number of events delivered in partnership: Town Centre (Q)	13 ●	19 ●	18 ●	12	✗	In 2013/14 events in the town centre ranged from International Women's Day, Armed Forces Day, and National and International Markets, to various seasonal themed events leading up to the Christmas period.
Bigger is Better	TCO02 Number of events delivered in partnership: parks and open spaces (Q)	5 !	12 ●	27 ●	6	✓	2013/14 has seen a wide range of events being held in the towns parks and open spaces. The most notable being Alive at Delapre, and The Beer Festival, both of which are due to return during 2014/15.
Bigger is Better	TCO05n Town Centre footfall (Q)	15,344,833 ▲	14,663,067 ▲	13,814,047 !	14,369,805	✗	During the last 12 months, 13.8 million visitors were recorded in the Town Centre. This was slightly lower than expected however still within target.

Regeneration Project Progress

	Current Progress
<p>EZ - Progress the NORTHAMPTON WATERSIDE ENTERPRISE ZONE with partners as a key investment and employment opportunity for Northamptonshire</p> <p>Delivery of our 2015 EZ Committed projects and the commencement of some key priorities for 2015-2020, for example: completion of the St John's Student accommodation, progress on Phase 1 of Castle Station, Innovation Centre, Cosworth and Church's Shoes expansions, Sixfields and commencement by UoN of site clearance at Avon Nunn Mills. Following a successful audit of all EZ companies, we reported a total of 322 new jobs in the EZ in 2013/14, a cumulative total of 485, which is well on the way to our 2015 target of 908.</p>	★
<p>Grosvenor/Greyfriars Project - Continuing to work closely with Legal & General</p> <p>A key milestone was met during 2013/14 with the closure and agreement to demolish Greyfriars bus station.</p> <p>We continue to work with L&G to improve the Grosvenor Centre retail offer.</p>	★
<p>Bus Interchange - Delivery of a new Bus Interchange at the Fish Market site which will help facilitate Stagecoach relocation and delivery of a new mixed use retail centre at Grosvenor/Greyfriars</p> <p>Construction completed and Station was operational within the planned timescales.</p>	★
<p>St Johns - Delivery of the development with key partners, including the University of Northampton, to provide residential accommodation.</p> <p>Student accommdation open and now operational. Hotel construction about to be started on site</p>	★

YOU



































Better homes for the future

Creating empowered communities

Promoting health and wellbeing

Responding to your needs

	Measure ID & Name	2011-12 Outturn	2012-13 Outturn	2013-14 Outturn	2013-14 Target	Direction of Travel (12/13 to 13/14)	Notes:
Bigger is Better	BV008 Percentage of invoices for commercial goods & serv. paid within 30 days (M)	98.06 %	98.68 %	96.21 %	98.53 %		
A below target result for the year, largely caused by several process failures. Monthly results have recovered following the implementation of improvement measures, which are expected to deliver sustained results going forward.							
Smaller is Better	CEX01 Total number of Local Government Ombudsman First Enquiries (cases completed) (Q)	15	14	25	12		
Due to the way that the LGO now reports decisions, in many cases the Council's stage 1 and 2 responses have been adequate enough for them to make a decision without investigating.							
Smaller is Better	CEX02 Av no. of days taken to deal with LG Ombudsman First Enquiries (cases completed) (Q)	20.67	19.64	7.80	19.50		
Due to the way that the LGO now reports decisions, in many cases the Council's stage 1 and 2 responses have been adequate enough for them to make a decision without investigating which is distorting the performance figure.							
This measure is being removed for the 2014/15 reporting year, and will be replaced with an equivalent which takes into account the revised LGO processes.							
Smaller is Better	CR03 Total no. of people sleeping rough on the streets (A)	15	5	9	5		
Figure returned to DCLG and Homeless Link this year is 9.							
NBC completed an estimate of a typical night on 7th November, in partnership with other agencies.							
Bigger is Better	CS05 Percentage satisfied with the overall service provided by the Customer Service Officer (M)	91.16 %	93.11 %	91.54 %	90.00 %		
Over the whole year, 91.5% of customers surveyed were satisfied with the service provided.							
Bigger is Better	CS13a % of calls for NBC managed services into contact centre answered (M)	88.51 %	88.76 %	87.12 %	90.00 %		
The NBC Contact centre achieved target and answered an average over the year of 87% of calls. The average wait time was 1 minute 49 seconds							
NBC and LGSS contact centre have been working together to support each other through busy periods. During March 2014 13,000 rent increase letters and 90,000 revenue bills were posted resulting in increased call volumes.							

	Measure ID & Name	2011-12 Outturn	2012-13 Outturn	2013-14 Outturn	2013-14 Target	Direction of Travel (12/13 to 13/14)	Notes:
Overtime, extended opening hours until 6:30pm, have eased the pressure and reduced wait times.							
Bigger is Better	CS14 One-Stop shop: % of all customers seen on time (excl. licensing) (M)	85.12 % 	86.64 % 	77.93 % 	90.00 %		
Overall 78% of all customers were seen within 15 mins. This is lower than planned, and is affected by the volume of customers using the drop in service.							
95.9% of customers with an appointment were seen on time during 2013/14.							
Smaller is Better	HI 33 Percentage of non-decent council homes (NI 158)(A)	50.70 % 	48.90 % 	27.64 % 	41.00 %		
72% of council properties meet the decent homes standard							
Smaller is Better	HMLS01a Number of households living in B&B accommodation (M)	38 	17 	27 	40		
As of 31st March, the number of people in B&B style accommodation is 27.							
Bigger is Better	HMLS03 Homeless households for whom casework advice resolved their situation (M)	2,006 	1,586 	1,725 	1,500		
Despite not having a result for March, the YTD position as of the end of February was already better than the year end target. An alert of Blue will be fed into the year end outturn report in respect of this.							
Smaller is Better	HR32 Stonewall Equality Index rating (A)	210 	199 	232 	190		
The results from this years survey are being analysed, and will be used to inform the Council's equality strategy.							
Bigger is Better	HSE01 Number of affordable homes delivered (Q)	101 	190 	232 	290		
Delivery is below levels anticipated in the target setting process last year although the level is up on previous years. Whilst demand for market dwellings has picked up over the year, this has not been as large as was predicted, consequently the handover of affordable dwellings from house builders to registered providers has been slower than anticipated.							
Bigger is Better	LT01 Total Visits to Leisure Centres (M)	875,567 	888,961 	931,329 	902,190		
There were 931K visits to leisure centres during 2013/14. This is on target and in line with expectations							
Bigger is Better	LT02 Total No. of people enrolled in swimming program (M)	2,054 	2,479 	2,846 	2,800		
At the end of the year, 2846 people were enrolled in the swimming program. This is on target, and in line with expectations.							

Appendices: 1



AUDIT COMMITTEE REPORT

Report Title	Financial Monitoring Report 2013/14
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	28th July 2014
Policy Document:	No
Directorate:	Finance Directorate LGSS
Accountable Cabinet Member:	Cllr Alan Bottwood

1. Purpose

This report introduced the attached Cabinet report that set out the pre audit outturn position for the Council’s General Fund, Housing Revenue Account and Capital Programme for the financial year 2013/14.

2. Recommendations

- 2.1 To consider the contents of the report attached at Appendix A and it’s attached Appendices:
 - General Fund Revenue outturn;
 - HRA Revenue Account outturn;
 - General Fund Capital outturn;
 - HRA Capital outturn

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

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.

3.2 Issues

- 3.2.1 The major variances on outturn to budget are detailed in:
- Paragraph 3.2.2 General Fund Revenue
 - Paragraph 3.3.3 to 3.3.7 Housing Revenue Account
 - Paragraph 3.4 Capital for General Fund and Housing Revenue Account

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



CABINET REPORT

Report Title	FINANCE AND MONITORING REPORT 2013/2014
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AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	9 July 2014
Key Decision:	No
Within Policy:	Yes
Policy Document:	No
Directorate:	Management Board
Accountable Cabinet Member:	Cllr A Bottwood
Ward(s)	N/A

1. Purpose

- 1.1 This report sets out the monitoring outturn position for the Council's General Fund, Housing Revenue Account (HRA), and Capital Programme for the financial year 2013/14.

2. Recommendations

- 2.1. That Cabinet note the draft outturn for the General Fund and Housing Revenue Account for the financial year 2013/14 as set out at **Appendix 1** and **Appendix 4**.
- 2.2 That Cabinet note the contributions to General Fund Revenue Earmarked Reserves as shown in **Appendix 3**.
- 2.3 That Cabinet note the net movement in Housing Revenue Account Reserves and working balances as set out at **Appendix 6**.
- 2.4 That Cabinet note the draft outturn for the Council's Capital Programme for 2013/14 and how the expenditure was financed as set out at **Appendix 7**.
- 2.5 That Cabinet approve the carry forward of unfinished capital schemes from 2013/14 into the 2014/15 Capital Programme as set out at **Appendix 7**.

3. Issues and Choices

3.1 The Council's budget is divided across two accounts, the General Fund and the Housing Revenue Account (HRA). These two accounts, together with their respective sources of funding, are kept entirely separate from each other as required by statute. HRA expenditure and income relate solely to the Council's role as a housing landlord, whilst the General Fund encompasses all other services.

3.2 General Fund

3.2.1 The General Fund draft outturn for controllable service budgets shows an underspend of £2,797k. This is listed in **Table 1** below and detailed in **Appendix 1**. Please note that the accounts for the year will include a number of technical accounting adjustments that will be taken in the draft Statement of Accounts to Audit Committee in July.

Table 1 - Controllable Service Budget Outturn	Revised Budget £000	Outturn £000	Variance £000
Director of Regeneration, Enterprise and Planning	3,292	2,705	-587
Director of Housing	1,704	1,599	-105
Borough Secretary	14,354	13,349	-1,005
Director of Customers and Communities	14,446	13,346	-1,100
Total Controllable Spending	33,796	30,999	-2,797
Debt Financing	2,046	2,103	57
Outturn before technical adjustments	35,842	33,102	-2,740

3.2.2 Major variations between the revised budget and outturn, which are set out in more detail in **Appendix 2**. The main variations are:

3.2.2.1 Regeneration, Enterprise and Planning

- Significant increase in Development control income over and above what was budgeted reflecting the impact of the local economic upturn and the promotion of regeneration around the Borough.

3.2.2.2 Borough Secretary

- The realisation of savings post transfer of back office support to LGSS.
- Reflection of a more equitable share of Corporate and Democratic Core charge to the Housing Revenue Account
- Realisation of better recovery of Housing Benefit subsidy over what was budgeted.

3.2.2.3 Customers and Communities

- The recognition of Pay Mechanism deductions to the Environmental Services contract for 13/14 due to the rigorous monitoring of the contract performance by the Partnership Unit team.

3.2.3 The above variations are mainly due to the improvements made to the economy since the budget was originally worked up in December 2012. All outturn variations will be reviewed as part of a robust review of the current 14/15 budget and Medium Term Financial Plan going forward.

3.2.4 It has been agreed that the underspend is prudently used to set up the following reserves to protect against known future business risks:

- Business Rates Retention
 - Regeneration Contingencies
 - Environmental Services
 - Council Improvement
- 3.2.5 Further details regarding recommended budget revisions and management actions required to ensure that the budget remains in balance will be included in the next budget monitoring report to Cabinet. This will provide a robust basis for the Medium Term Financial Strategy and service delivery planning.

General Fund Balances

- 3.2.6 The Chief Finance Officer has undertaken a risk-based assessment of working balances. This assessment suggests that, taking all known risks into account along with the Council's gross expenditure requirement, the minimum level of balances should be in the order of £3.2m. The unaudited outturn shows that this can be achieved as at 31 March 2014.
- 3.2.7 The Council also holds General Fund earmarked reserves (excluding technical reserves) of £17.44m to mitigate specific risks to which the Council may be exposed, including the need for service improvement. These are detailed in **Appendix 3**.
- 3.2.8 After technical adjustments and contributions to earmarked reserves there was a surplus of £526k which will increase general balances, leaving a working balance carried forward to underpin the 2014/15 budget of £3.654m, as shown in **Table 2** below.

Table 2 - General Fund Balances	£000
Balance as at 1 April 2013	3,128
Surplus/(Deficit) for the year	526
Balance as at 31 March 2014	3,654

- 3.2.9 As part of the budget setting for 2014/15 the reserves of the Council were subject to a robust review which resulted in a shift in reserves from Earmarked reserves to General Fund balances. The 2014/15 budget shows an increase in levels of working balances which reflects this review.

3.3 Housing Revenue Account

- 3.3.1 The draft HRA outturn position shows an underspend on controllable spending of £1.077m. After technical accounting adjustments this position moves to an overspend of £0.633m., This allows for a contribution to reserves of £3.745m, while the HRA working balance remains unchanged at £5m.
- 3.3.2 **Appendix 4** provides a summary of the HRA. Major variations in HRA income and expenditure against revised budget are detailed in the analysis and notes contained in **Appendix 5**.

Major Variances

3.3.3 **Table 3** below summarises the main variances detailed in **Appendix 4**. All outturn variations are already being reviewed to identify ongoing issues which need to be reflected within the current forecast and future year budgets.

Table 3 – HRA Service Budget Outturn	Revised Budget £000	Outturn £000	Variance £000
Rent Income - Dwellings	-49,464	-49,154	310
Service Charge income	-2,748	-2,321	427
Repairs and Maintenance	15,263	14,404	-859
General Management	6,133	5,316	-817
Special Services	3,571	3,710	139
Rents Rates Taxes and Other Charges	81	289	208
Increase in Bad Debt Provision	750	359	-391
Capital Charges	11,823	12,711	888
Net Support Service Recharges	5,246	6,041	795
Other Minor Variations	4,967	4,900	-67
HRA Net Expenditure 2013/2014	-4,378	-3,745	633
Net Contribution to/(from) Reserves	4,378	3,745	287
Housing Revenue Account Deficit/(Surplus)	0	0	0

The major variations between the revised budget and outturn, which are set out in more detail in **Appendix 5**, are as follows:-

3.3.4 General Management:-

- Savings of £543k as a result of Stock Options works funded by the earmarked reserve prudently set up last year end, and
- Increase in Rents Rates Taxes and other charges £208k reflecting the changes to Council Tax payable on void dwellings higher than forecast.

3.3.5 Repairs and Maintenance

- Additional identification of void expenditure on Decent Homes work resulted in lower revenue spend on capitalisation.
- Lower levels of interim staff used than forecast and increase in service vacancies over the year.

3.3.6 Rents and Service Charges

- Income Due lower due to the higher level of Right To Buys completed than budgeted (85 completions against 25 budgeted). In addition to this there was a reduction in external funding for Supporting People reflecting in a lower Service Charge outturn.

3.3.7 Other Major Savings:-

- Lower contribution to the Bad Debt provision that budgeted reflecting the good performance managing arrears and also the delayed implementation of the wider Welfare reforms offset by:-
- £888k increase in Capital Charges and £796k net Support Service Recharges as a partly as a result of reflecting a true Corporate and

Democratic Core charge and partly through a technical adjustment post LGSS transfer.

- 3.3.8 Further details regarding recommended budget revisions and management actions required to ensure that the budget remains in balance will be included in the next budget monitoring report to Cabinet. This will provide a robust basis for the Medium Term Financial Strategy and service delivery planning ahead of moving to ALMO status.

Contribution to HRA Working Balances and Reserves.

- 3.3.9 The total balance on all HRA reserves and balances at 31 March 2014 is £21.294m. **Appendix 6** details the movement to and from HRA reserves, excluding working balances. It should be noted that the Capital programme reserve is to be utilised as part of the planned delivery of the Decent Homes programme in 2015/16. Contributions to and from working balances and earmarked reserves are summarised in **Table 4** below.

- 3.3.10 Cabinet are asked to note the contributions to reserve levels.

Table 4 – HRA Working Balances and Reserves	Balance 1 April 2013 £000	Movement in Year £000	Balance 31 March 2014 £000
Working Balance	5,000	0	5,000
Capital Programme Reserve	8,794	4,205	12,999
Leaseholders Reserve	168	0	168
Service Improvement and Project Reserve	1,395	0	1,395
Stock Options Appraisal	1,333	-460	873
Supporting People Reserve	558	0	558
Insurance reserve	300	0	300
Total HRA Balances	17,549	3,745	21,294

3.4 Capital

- 3.4.1 The Council's final approved budget for capital expenditure in 2013/14 was £58.26m, a net increase of £28.14m from the original budget of £30.12m. The budget initially increased due to carry forwards from 2012/13 of £11.51m, During 2013/14 Cabinet agreed loans to Northampton saints and Northampton Town Football Club totalling £10m, remediation works to land within the Enterprise Zone of £0.685m, an increase in funding for Disabled Facilities Grants of £0.975m and an initial £0.5m to commence demolition works to Greyfriars Bus Station.
- 3.4.2 The HRA capital programme increased by £1.6m in relation to the Community Energy Savings Programme (CESP). Other changes largely relate to increases in external financing from grants and contributions and self-funded schemes..
- 3.4.3 The overall Capital Programme includes revenue expenditure funded from capital under statute (REFCUS). This is expenditure, such as grants to homeowners for disabled facilities, which can be funded from capital resources under statute and regulations.
- 3.4.4 Capital expenditure for 2013-14 totalled £48.49m against the final approved budget of £58.26m, a net underspend of £9.77m (17%). This includes

£2.37m in relation to schemes with specific earmarked funding, e.g. specific government grants, section 106 contributions, earmarked reserves or self-funded borrowing, meaning that any underspend does not create a saving to Northampton Borough Council.

3.4.5 The position by Directorate is summarised in **Table 5** below, with further details set out in **Appendix 7**.

Table 5 Capital Expenditure by Directorate	Final Approved Budget	Outturn	Variance
2013-14			
GF	£m	£m	£m
Customers & Communities	1.455	0.841	-0.614
Regeneration, Enterprise & Planning	13.196	10.484	-2.712
Resources	0.255	0.240	-0.015
Housing General Fund	4.011	2.549	-1.462
Loans	10.000	10.000	0
GF Total	28.917	24.114	-4.803
HRA			
Housing	29.342	24.371	-4.971
Total	58.259	48.485	-9.774

3.4.6 **Table 6** below shows how the Capital Programme for 2013/14 has been funded. In line with the approved Capital Strategy and the Treasury Management Strategy, capital receipts have been utilised to fund expenditure on short-life assets, whilst prudential borrowing has been used where assets have a longer life.

Table 6 Financing of Capital Programme 2013-14	General Fund	HRA	Total
	£m	£m	£m
Prudential Borrowing	16.083	-	16.083
Capital Receipts	3.002	3.065	6.067
Major Repairs Allowance	-	4.286	4.286
Government Grants	4.245	17.020	21.265
Third Party Contributions	0.652	-	0.652
Revenue Contributions	0.132	-	0.132
Total	24.114	24.371	48.485

Capital Carry Forward 2013/14

3.4.7 **Table 7** below shows the amount of carry forward from 2013/14 into the 2014/15 Capital Programme. Details are shown on a scheme by scheme basis at **Appendix 7**.

Table 7 Capital Carry forward 2013-14 by Directorate	£m
General Fund	
Customers & Communities	0.530
Regeneration, Enterprise & Planning	2.544
Housing General Fund	0.475
HRA	
Housing	2.156
Total	5.705

- 3.4.8 The proposed carry forwards on General Fund Capital Schemes are required to complete schemes and realise the outcomes set out in the original appraisals.. After taking account of these carry-forwards, the net saving in funding by corporate borrowing and capital receipts is £0.211m. The funding released from the schemes not carried forward will be made available for future years.
- 3.4.9 The proposed HRA carry forwards, as detailed in Appendix 9 are limited to a few specific schemes. Given staff turnover and absences this may not be the full picture. However, given the ring-fencing of HRA resources, the context of transition to ALMO and revisions required to the 30-year business plan, these can be revisited at a later date.
- 3.4.10 The carry forward schemes will be incorporated into the 2014/15 agreed capital programme and monthly monitoring processes.

3.5 Choices (Options)

- 3.5.1 Cabinet is invited to note the report and the explanations of the actual outturn on controllable income and expenditure for the General Fund, Housing Revenue Account and Capital Programme.
- 3.5.2 Cabinet is asked to note the movements in the General Fund and HRA reserves.
- 3.5.3 Cabinet is asked to agree the capital budgets to be carried forward to 2014/15.

4. Implications (including financial implications)

4.1 Policy

- 4.1.1. Actual outturn impacts upon the level of reserves.

4.2 Resources and Risk

- 4.2.1 This report informs Cabinet of the outturn for the General Fund, Housing Revenue Account and Capital Programme for 2013/14. The impact of individual outturn variances needs to be assessed against current and future years' budgets.

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 equality implications arising from this report.

4.5 Consultees (Internal and External)

- 4.5.1 Chief Executive, Directors, Heads of Service and Budget Managers have been consulted.

4.6 How the Proposals Deliver Priority Outcomes

- 4.6.1 Annual outturn reporting contributes to the priority of delivering value for money to protect local services by sustaining effective and prudent financial management.

4.7 Other Implications

4.7.1 Not applicable

5. Background Papers

5.1 Cabinet Reports – Budget Setting and Budget Monitoring throughout 2013/14

**Glenn Hammons
Section 151 Officer
0300 330 7000**

General Fund Summary Outturn 2013/14

Appendix 1

Key

"-" figure denotes a budget under spend or an income budget

"+" figure denotes a budget overspend or an expenditure budget

	Revised Budget £000	Actual Outturn £000	(Under) / Over Spend £000
Director of Regeneration, Enterprise and Planning	3,292	2,705	-587
Director of Housing	1,704	1,599	-105
Borough Secretary	14,354	13,349	-1,005
Director of Customers and Communities	14,446	13,346	-1,100
Total Controllable	33,796	30,999	-2,797
Interest and Financing	2,046	2,103	57
Total Corporate Budgets	2,046	2,103	57
General Fund (under)/over spend before Technical Adjs	35,842	33,102	-2,740
Net Contribution to/(from) Reserves before Technical Adjs	-1,455	-2,220	-765
Year end Draft Technical Adjustments	-34,387	-31,408	2,979
General Fund Deficit (Surplus)	0	-526	-526
Balance b/fwd		-3,128	
Balance c/fwd		-3,654	

General Fund Revenue Budget
Service Budget Outturn Position 2013/14

Key

"-" figure denotes a budget under spend or an income budget or improvement in outturn

"+" figure denotes a budget overspend or an expenditure budget or deterioration in outturn

		2013/2014 Revised Budget	Outturn	Outturn Variance	Explanation
		£000	£000	£000	
FA01	Asset Management	1,456	1,368	-89	(£64k) overachievement of income in relation to challenges of the rateable value of Car Parks. Income received for sale of land (£28k) and vacant post not filled causing underspend of (£35k). This is offset by an overspend on Office Moves of £29k due to moves from Westbridge Depot and Exeter Place to the Guildhall and costs of advertising for vacant properties and North Gate Bus Interchange £11k.
FA06	Other Buildings & Land	-1,481	-1,425	55	Variance due to reduction in External Rent due to vacant properties on St Giles Street and Mounts Business Centre.
Division Total - Asset Management		-25	-58	-33	
DR02	Director of Regeneration, Enterprise and Planning	234	237	4	
32	Division Total - Director of Regeneration, Enterprise & Planning	234	237	4	
RG01	Head of Major Projects and Enterprise	139	217	78	Employee costs £77k higher than budget due to the vacant Head of Service post being filled by agency on an interim basis.
RG02	Major Projects and Enterprise	1,655	1,740	84	£85k Employee costs for the post of Principal Regen Officer.
Division Total - Major Projects and Enterprise		1,794	1,956	162	
PE02	Building Control	-34	-12	22	
PE03	Development Control	10	-638	-648	Overachievement of income due to very high levels of planning applications in the year. Some of these applications were due to the Enterprise Zone and also a number were for major developments where the planning fees were high due to the nature of the application.
PE06	Head of Planning	115	108	-7	
PE15	Joint Planning Unit	258	246	-11	
PE17	Planning & Regn Project Support	106	97	-8	
PE18	Town Centre Team	187	146	-41	Delay in implementation of restructure has resulted in employee saving.
RG04	Planning Policy & Heritage	600	575	-25	
RG09	Bus Service Contribution	48	48	0	
Division Total - Head of Planning		1,289	570	-718	
Directorate Total - Director of Regeneration, Enterprise & Planning		3,292	2,706	-586	

General Fund Revenue Budget
Service Budget Outturn Position 2013/14

Key

"-" figure denotes a budget under spend or an income budget or improvement in outturn

"+" figure denotes a budget overspend or an expenditure budget or deterioration in outturn

		2013/2014 Revised Budget	Outturn	Outturn Variance	Explanation
		£000	£000	£000	
DR05	Director of Housing	263	167	-96	Staff savings as a result of vacant posts for part of the year.
Division Total - Director of Housing		263	167	-96	
CS02	Call Care	-65	25	90	Overspend mainly due to reduced income from external contracts offset by staff reductions.
HS05	Home Choice & Resettlement	563	452	-111	Underspend of (£59k) due to Staff vacancies across the service area. The remaining (£52k) relates mainly to additional income for Choice Based Lettings adverts.
HS12	Housing Options	605	565	-39	Underspend mainly due to Staff vacancies across the service area.
HS13	Head of Housing Needs	187	137	-50	Underspend mainly due to a Staff vacancy in the service area for part of the year.
PE09	Travellers Sites	30	83	52	Overspend due to additional agency costs, water and electricity charges.
PE13	Private Sector Housing Solutions	16	76	60	Overspend is due to several reasons. There was an additional £49k of HMO enforcement costs offset by additional income of £21k in the year. There were additional Professional fees amounting to £25k. There was a £45k deficit in DFG fees resulting from income relating to 2013/14 being taken against last year. Variance includes £47k carry forward relating to Empty Homes recycled income.
RG03	Housing Strategy	105	93	-12	
Division Total - Head of Strategic Housing		1,441	1,432	-9	
Directorate Total - Housing		1,704	1,598	-105	
DR03	Director of Resources	72	65	-7	
FA02	Financial Services	184	189	5	
FA03	Audit	215	205	-10	
FA04	Non Distributed Costs	4,654	4,572	-82	Mainly due to additional charges to the HRA.
FA05	Investments	9	1	-9	
FA19	Exchequer Services	85	67	-18	
HS01	Benefits	-1,605	-1,951	-346	This saving is offset by a contribution to the Bad Debt Provision of £371k that is shown below the line in non-controllable service costs.
HS02	Head of Finance & Resources	15	15	0	
HS03	Revenues	-614	-536	78	£138k of expenditure incurred that is funded by grant income in Ksa HS01. Due to increase in the number of summons issued for Council Tax Collection there has been an increase in the amount of recovered court costs (59k).
PR01	Procurement	24	18	-5	
Division Total - Corporate		3,038	2,644	-394	
GC08	Communications	260	255	-5	
GC15	Emergency Planning	52	53	1	
HR01	Human Resources	148	147	-1	

General Fund Revenue Budget
Service Budget Outturn Position 2013/14

Key

"-" figure denotes a budget under spend or an income budget or improvement in outturn

"+" figure denotes a budget overspend or an expenditure budget or deterioration in outturn

		2013/2014 Revised Budget	Outturn	Outturn Variance	Explanation
		£000	£000	£000	
HR02	Single Status	50	50	0	
HR14	Business Improvement	246	178	-68	This underspend is partially offset by the overspend in Performance & Change.
PI20	Performance and change	-13	89	102	This overspend is partially offset by the underspend in Business Improvement. Net variance overall £34k
Division Total - Business Change		744	772	28	
CX01	Chief Executive	299	296	-3	
GC02	Civic and Mayoral Expenses	116	128	13	
GC05	Overview & Scrutiny	44	45	1	
GC06	Councillor & Managerial Support	536	564	28	
LD02	Electoral Services	187	102	-85	£59K income received which relates to previous years elections and other income received in advance for 2014-15
LD03	Land Charges	15	4	-10	
LD04	Legal	281	52	-229	Additional income received from LGSS. Savings also attributed to staff vacancies.
LD08	Democratic Services	300	277	-23	
Division Total - Borough Secretary		1,778	1,468	-310	
LGSS	Local Government Shared Service	8,794	8,464	-331	Mainly due to ICT savings on the LGSS contract.
Division Total - LGSSX		8,794	8,464	-331	
Directorate Total - Borough Secretary		14,354	13,348	-1,006	
DR01	Director of Customers & Communities	282	255	-28	
Division Total - Director of Customers & Communities		282	255	-28	

General Fund Revenue Budget
Service Budget Outturn Position 2013/14

Key

"-" figure denotes a budget under spend or an income budget or improvement in outturn

"+" figure denotes a budget overspend or an expenditure budget or deterioration in outturn

		2013/2014 Revised Budget	Outturn	Outturn Variance	Explanation
		£000	£000	£000	
CE30	Leisure - NBC	0	0	0	
Division Total - Leisure & Culture Services		0	0	0	
CE03	Events	237	282	45	
CE06	Museums and Arts	670	713	43	Increase in employee costs of £26k due to an Interim Manager filling a vacant post. Utilities for Abington Museum generated savings of (£6k). Donations and sponsorship were unachieved by £33k. The Public Programming was £9k overspent but offset against savings of (£11k) in Art Development.
CE23	Town Centre Management	-1	-1	0	
CE24	Car Parking	-1,458	-1,469	-11	
CE26	Bus Station	262	250	-12	
CS03	Head of Customer & Cultural Services	105	109	5	
CS04	Customer Services	1,307	1,221	-87	Various vacant posts within the One Stop Shop and the Contact Centre (£60k). (£12k) savings on hardware in the Contact Centre.
CS05	Print Unit	181	249	68	Overspend due to increased costs and underachievement of income.
FA08	Office Accommodation	1,495	1,406	-89	Underspend due to improved income and a reduction in NNDR.
FA09	Markets	75	88	13	
PI02	Information Technology	341	283	-58	This service has transferred to LGSS based on the apportionment of the budget remaining with NBC for two months there is an underspend of (£46k) on hardware maintenance and software licences. There is also a savings of (£12k) due to vacant posts not being filled.
PI14	Telephones	36	65	29	
Division Total - Head of Customer & Cultural Services		3,251	3,196	-55	

General Fund Revenue Budget
Service Budget Outturn Position 2013/14

Key

"-" figure denotes a budget under spend or an income budget or improvement in outturn

"+" figure denotes a budget overspend or an expenditure budget or deterioration in outturn

		2013/2014 Revised Budget	Outturn	Outturn Variance	Explanation
		£000	£000	£000	
CE02	Community Safety	476	526	50	CCTV income reduction due to a change in external service provision.
CE04	Leisure Contract	763	759	-3	
GC04	Policy	12	20	8	
GC09	Community and Other Grants	1,280	1,229	-51	Underspend due to rollover to 2014-15 of Councillor Community Fund and carry forward for larger grant funded projects.
GC10	Community Developments	95	110	16	
GC11	Community Centres	420	367	-53	(£15k) savings on employee costs. Tapering grants for Blackthorn (£18k) and Lodge Farm (£6k) were overstated in the budget. (£12k) for transitional grants for Community Centres not required.
LD05	Licensing	-242	-283	-41	
LS01	Head of Partnership Support	11	4	-6	
PE07	Pest Control	42	6	-36	
PE10	Commercial Services	337	344	7	
PE13	Environmental Protection	1,184	938	-246	Underspend due to delay in filling vacant posts and a number of other areas where expenditure was less than budget.
PE16	Head of Public Protection	75	80	5	
SS01	Neighbourhood Management	26	17	-8	
SS09	Environmental Services Contract	6,460	5,857	-603	Underspend due to changes in indexation rates, charges against payment mechanisms and contractual adjustments.
SS20	Environmental Services	-24	-78	-54	£63k within the PES Client team due to a prior year correction. (£33k) Additional Rental, and Service, Charges at Westbridge Depot. (£56k) Additional Income from various sources.
Division Total - Head of Communities and Environment		10,913	9,895	-1,018	
Directorate Total - Director of Customers & Communities		14,446	13,346	-1,100	
Total		33,796	30,998	-2,797	

Extract of General Fund Earmarked Reserves Movements 2013/14

Reserve	Audited Balance 1 April 2013	Reallocation of Reserves	Earmarked in 2013/14	Unearmarked in 2013/14	Use of Reserves 2013/14	Net Movement in Reserves	Unaudited Balance 31 March 2014
	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Supporting Business/Economic Growth	225	-13	0	0	-82	-95	130
Service Improvements/Performance and Change	702	0	331	0	-150	181	883
General	1,541	0	410	-225	-143	42	1,583
Projects	1,996	-101	700	-41	-1,099	-541	1,455
General Fund Budget Carry Forwards	247	0	267	0	-89	178	425
S.106	809	0	294	-6	-35	253	1,062
New Homes Bonus	1,647	0	2,326	0	-763	1,563	3,210
Housing & Planning Delivery Grant	1,628	13	0	0	-141	-128	1,500
Other Specific Grants	1,363	0	200	-45	-307	-152	1,211
Building Maintenance	233	0	0	0	-3	-3	230
Subsidy Equalisation	562	0	50	-344	0	-294	268
Debt Financing	486	0	0	0	-200	-200	286
Rent Deposit Scheme	100	60	0	0	0	60	160
Leasing	7	0	0	-7	0	-7	0
Carbon Management & Salix	95	0	57	0	-28	29	124
Insurance Reserve	2,443	0	196	0	-155	41	2,484
Core Business Systems	234	0	0	0	-29	-29	205
Arts	19	0	0	0	0	0	19
Delapre	883	0	75	0	-63	12	895
Council Tax Benefit	0	0	235	0	0	235	235
Regeneration	0	0	1,075	0	0	1,075	1,075
Total	15,220	-41	6,216	-668	-3,287	2,220	17,440

Summary of Housing Revenue Account Outturn Position 2013/14**Key**

"-" figure denotes a budget under spend or an income b

"+" figure denotes a budget overspend or an expenditure

	2013/14 Revised Budget	2013/14 Outturn	(Under) / Over Spend
	£000	£000	£000
Rents - Dwellings Only	-49,464	-49,154	310
Rents - Non Dwellings Only	-1,091	-1,136	-44
Service Charges	-2,748	-2,321	427
Other Income	-85	-37	48
Repairs and Maintenance	15,263	14,404	-859
General Management	6,133	5,316	-817
Special Services	3,571	3,710	139
Rents, Rates, Taxes & Other Charges	81	289	208
Increase in Bad Debt Provision	750	359	-391
Rent Rebate Subsidy Deductions	96	0	-96
Total within Budget Managers Control	-27,493	-28,570	-1,077
Capital Charges	11,823	12,711	888
Interest and Financing	6,047	6,073	26
Net Support Service Recharges	5,246	6,041	796
Technical Accounting Adjustments	23,115	24,825	1,710
HRA Net Expenditure 2013/2014	-4,378	-3,745	633
Net Contribution to/(from) Reserves	4,378	3,745	-633
Housing Revenue Account Deficit (Surplus)	0	0	0
Balance b/fwd		5,000	
Balance c/fwd		5,000	

Housing Revenue Account Budget
Service Budget Outturn Position 2013/14

Appendix 5

Key

"-" figure denotes a budget under spend or an income budget or improvement in outturn

"+" figure denotes a budget overspend or an expenditure budget or deterioration in outturn

		2013/2014 Revised Budget	Outturn	Outturn Variance	Explanation
		£000	£000	£000	
HS05	Home Choice & Resettlement	150	142	-7	Compensation payments made from the Under Occupation Scheme (£7k) were slightly lower than anticipated.
HS07	Independent Living	1,595	1,503	-92	Primarily reflects savings within the Sheltered Housing Team (£58k) as a result of vacant posts. In addition, there has been lower repair and maintenance expenditure required on Community Rooms across the Borough (£34k).
HS15	Performance, Improvement and Systems	399	398	-1	
Division Total - Head of Strategic Housing		2,143	2,043	-100	
HS04	Housing Services	6,373	5,896	-477	Savings on the Stock Options Appraisal works (£543k) are offset by a reduction in the contribution from the earmarked reserve that funds this work, so that the funding is available in future years. This is offset by other variances including the project costs of the Business Improvement team £118k and savings on the SCATE project (£75k) as a result of a revised working plan.
HS08	Housing Rents & Other Income	-52,542	-52,289	253	Dwelling rents income was lower than anticipated £309k, largely because Right to Buy completions in 2013-14 were greater than expected, (87 actual completions, 25 budgeted). There was also a reduction in NCC funding for Supporting People £292k and a saving on the required contribution to the Bad Debt Provision (£390k) as arrears were lower than budgeted following the delayed implementation of the Universal Credit benefit system.
HS16	Housing Asset Strategy	4,428	4,814	386	Largely reflects major repairs and maintenance expenditure to leasehold properties that has been identified within the capital programme and allocated to revenue. Some of these costs may be recoverable through future year service charges.
HS17	Head of Landlord Services	439	164	-274	Savings due to lower levels of interim support and professional service costs (£150k). In addition, a service improvement structure that was due to be implemented in 2013/14 has been delayed (£100k).
HS18	Stock Condition Survey	30	0	-30	There was no requirement for any Stock Condition Survey work to be undertaken in 2013/14 resulting in a saving (£30k).
HS19	Income & Rent Accounting	414	386	-27	Staff savings as a result of vacant posts for part of the year.
HS20	Performance Improvement & Business Support	0	5	5	New KSA set up in 2013/14 for Business Development and Performance Management within Landlord Services £5k.
SS18	Housing Property Maintenance	11,223	10,411	-812	This reflects a higher allocation of costs to the capital programme and in particular, to the Decent Homes capital scheme, rather than to revenue works. There was also a saving of £65k in relation to HRA shops and flats (NNDR cost and repair and maintenance expenditure).
Division Total - Head of Landlord Services		-29,637	-30,613	-976	
Directorate Total - Housing		-27,493	-28,570	-1,077	
Total		-27,493	-28,570	-1,077	

Summary of HRA Earmarked Reserves 2013/14

Earmarked Reserve	Audited Balance 01 April 2013 £000	Earmarked 2013/14 £000	Use of Reserves 2013/14 £000	Net Movement in Reserves £000	Unaudited Balance 31 March 2014 £000
Capital Programme Reserve	8,794	6,705	-2,500	4,205	12,999
Leaseholder Reserve	168	0	0	0	168
Service Improvement & Project Reserve	1,395	36	-36	0	1,395
HRA Reform Reserve	1,333	0	-460	-460	873
Supporting People Reserve	558	0	0	0	558
HRA Insurance Reserve	300	0	0	0	300
Total (Excluding HRA Reserve)	12,549	6,741	-2,996	3,745	16,294

Capital Programme 2013/14 Outturn and Carry Forwards

CC	Scheme	A Approved Budget £	B Actual Expenditure £	C = B-A Overspend/ (Underspend) £	D Proposed Carry Forward £	E=C+D (Saving)/ Overspend
Customers and Communities						
Block Programme - ICT						
BA173	Multi-Function Devices (MFD's)	29,628.00	0.00	-29,628.00	29,628.00	0.00
BA207	IT Infrastructure - Servers and Network Storage	270,000.00	262,344.69	-7,655.31	7,655.00	-0.31
41 BA647	IT Infrastructure - PC Replacement with VDI Thin Clients	65,000.00	17,728.00	-47,272.00	47,272.00	
BA764	One Stop Shop, CRM	29,966.00	1,350.00	-28,616.00	28,616.00	0.00
BA786	Data Network Improvements	59,300.00	30,240.14	-29,059.86	29,060.00	0.14
BA808	IT Network Replacement Programme	11,698.00	268.88	-11,429.12	11,429.00	-0.12
BA893	Microsoft Office 2010 Upgrade	40,000.00	34,577.38	-5,422.62	5,422.00	-0.62
Block Programme - Parks/Allotments/Cemeteries						
BA138	Cemeteries Refurbishment Works	25,000.00	5,978.52	-19,021.48	19,021.00	-0.48
BA167	I Love My Parks	14,222.00	17,560.60	3,338.60		3,338.60

Capital Programme 2013/14 Outturn and Carry Forwards

CC	Scheme	A Approved Budget £	B Actual Expenditure £	C = B-A Overspend/ (Underspend) £	D Proposed Carry Forward £	E=C+D (Saving)/ Overspend
BA186	Improvement to Parks Infrastructure	177,200.00	73,529.43	-103,670.57	103,670.00	-0.57
BA648	Allotments	58,000.00	4,940.00	-53,060.00	53,060.00	0.00
BA895	Allotment Provision	84,970.00	-2,950.09	-87,920.09	87,920.00	-0.09
Specific Schemes						
BA165	COM; Document Management	98,071.00	73,995.00	-24,076.00	24,076.00	0.00
BA211	Extension of Duston Cemetery	40,450.00	1,063.00	-39,387.00	39,387.00	0.00
BA384	Cultural Quarter Street & Building Signage	25,000.00	0.00	-25,000.00		-25,000.00
BA646	Re-furbishment of the Great Hall kitchen	67,895.00	64,239.85	-3,655.15	3,655.00	
BA659	Call Care Project - Relocation to Guildhall and Improvements to IT Systems	113,864.00	99,785.74	-14,078.26	14,078.00	-0.26

Capital Programme 2013/14 Outturn and Carry Forwards

CC	Scheme	A Approved Budget £	B Actual Expenditure £	C = B-A Overspend/ (Underspend) £	D Proposed Carry Forward £	E=C+D (Saving)/ Overspend
BA665	Grosvenor Car Park - Pay on Foot	200,000.00	138,106.09	-61,893.91	23,000.00	
BA677	Art from the Golden Age	6,000.00	3,000.00	-3,000.00	3,000.00	
BA872	Night Safe & Target Hardening - SSNP	13,825.00	12,987.04	-837.96	0.00	
BA896	Guildhall Loft Insulation Salix project	0.00	-658.00	-658.00	0.00	
BA897	Grosvenor Car Park T5 Lighting Upgrades	7,614.00	2,585.00	-5,029.00	0.00	
BA898	St Michaels Car Park Led Lighting	17,211.00	0.00	-17,211.00	0.00	
Sub-Total - Customers and Communities		1,454,914.00	840,671.27	-614,242.73	529,949.00	-21,663.71
Regeneration, Enterprise and Planning						
Block Programme - Commercial Landlord Responsibilities						
BA356	Community Centres Refurbishment	50,000.00	47,858.63	-2,141.37	2,141.00	-0.37
Block Programme - Operational Buildings						
BA136	Water Management Works	194,200.00	75,515.87	-118,684.13	15,764.00	-102,920.13
BA146	Water Hygiene - Monitoring Improvements	82,000.00	0.00	-82,000.00	46,788.00	-35,212.00
BA189	Corporate Asset Improvements	200,000.00	50,382.14	-149,617.86	112,288.00	-37,329.86

Capital Programme 2013/14 Outturn and Carry Forwards

CC	Scheme	A Approved Budget £	B Actual Expenditure £	C = B-A Overspend/ (Underspend) £	D Proposed Carry Forward £	E=C+D (Saving)/ Overspend
BA190	Investment Properties Enhancements	134,107.00	71,367.88	-62,739.12	0.00	-62,739.12
BA194	Guildhall Renewals	114,000.00	117,262.79	3,262.79	0.00	3,262.79
BA650	Lifts - Improvement Works	150,000.00	150,000.00	0.00	0.00	0.00
BA887	Grosvenor Greyfriars Car Park Improvement	2,689.00	0.00	-2,689.00	0.00	-2,689.00
BA889	Mayorhold Car Park - Drainage Works	76,725.00	0.00	-76,725.00	76,725.00	0.00
BA892	Urgent Lift Renewals	251,500.00	235,580.00	-15,920.00	0.00	-15,920.00
BA894	Mounts Baths Roof	4,375.00	225.00	-4,150.00	4,150.00	0.00
Specific Schemes						
BA122	Fire Safety Improvement Works	7,969.00	3,149.57	-4,819.43	4,819.00	
BA132	St Crispin Changing Rooms, Toilet, Car park	750,989.00	0.00	-750,989.00	750,989.00	
BA133	St Crispin Football Pitches and Play Provision	192,116.00	148,083.57	-44,032.43	15,000.00	
BA169	Northampton Skatepark	1,940.00	1,234.55	-705.45	0.00	-705.45

Capital Programme 2013/14 Outturn and Carry Forwards

CC	Scheme	A Approved Budget £	B Actual Expenditure £	C = B-A Overspend/ (Underspend) £	D Proposed Carry Forward £	E=C+D (Saving)/ Overspend
BA180	Strategic Property Investment	1,673,342.00	1,673,342.40	0.40	0.00	0.40
BA188	Royal and Dergate Roof Replacement Works	297,000.00	221,261.21	-75,738.79	75,739.00	0.21
BA197	Delapre Abbey Restoration Minor Projects	348,972.00	84,689.47	-264,282.53	264,283.00	0.47
BA210	Jeffrey Room Audio and Visual Improvements	750.00	750.00	0.00	0.00	
BA368	Upton Park Pedestrian & Cycle Bridge	79,147.00	2,543.80	-76,603.20	76,603.00	
BA385	Town Centre Enhancements	77,230.00	68,681.31	-8,548.69	0.00	-8,548.69
BA645	S106 Contributions to Other Local Authorities	165,000.00	165,000.00	0.00	0.00	
BA649	Skate Park Toilet & Kiosk	150,000.00	147,943.19	-2,056.81	1,895.00	-161.81
BA651	Car Parking Signage	200,000.00	198,209.28	-1,790.72	0.00	-1,790.72
BA652	Visitor Signage in Town Centre	80,000.00	0.00	-80,000.00	80,000.00	0.00
BA653	Delapre Abbey Restoration	179,715.00	148,973.00	-30,742.00	30,742.00	
BA654	St Lukes Field - Improvement works	50,000.00	0.00	-50,000.00	50,000.00	
BA655	Sea Cadets Building - Refurbishment	13,475.00	13,475.00	0.00	0.00	
BA656	Victoria Street Bus Shelters	17,500.00	18,032.00	532.00		532.00
BA657	Billing Lane Park Public Art Project	48,600.00	27,540.00	-21,060.00	21,060.00	
BA658	West Hunsbury Park Public Art Project	21,600.00	21,600.00	0.00	0.00	

Capital Programme 2013/14 Outturn and Carry Forwards

CC	Scheme	A Approved Budget £	B Actual Expenditure £	C = B-A Overspend/ (Underspend) £	D Proposed Carry Forward £	E=C+D (Saving)/ Overspend
BA663	Duston Wetlands Development & Implement	15,000.00	9,900.00	-5,100.00	5,100.00	
BA664	Hunsbury Hill Riverstone Way Play Improvem	42,000.00	41,353.34	-646.66	0.00	
BA666	Greyfriars Bus Station Demolition	500,000.00	159,395.02	-340,604.98	340,605.00	0.02
BA667	Eastfield Park - Cross Park Pathway	41,370.00	15,000.00	-26,370.00	26,370.00	
BA668	Abington Street - Opening Up to Traffic	150,000.00	110,976.20	-39,023.80	39,023.00	-0.80
BA678	Site 11 Land Remediation	685,000.00	345,756.00	-339,244.00	339,244.00	0.00
BA883	Planning IT Improvements (HPDG)	191,335.00	26,652.70	-164,682.30	164,682.00	
BA891	Bus Interchange	5,956,407.00	6,082,467.80	126,060.80		126,060.80
Sub-Total - Regeneration, Enterprise and Planning		13,196,053.00	10,484,201.72	-2,711,851.28	2,544,010.00	-138,161.26
Resources						
BA145	Cliftonville Move; New ways of working	14,767.00	0.00	-14,767.00		-14,767.00
BA383	Cinepod - Royal & Derngate Theatre	240,216.00	240,216.00	0.00	0.00	
Sub-Total -Resources		254,983.00	240,216.00	-14,767.00	0.00	-14,767.00
Housing General Fund						
BK010	Countrywide Climate Friendly Communities	46,617.00	46,041.77	-575.23		

Capital Programme 2013/14 Outturn and Carry Forwards

CC	Scheme	A Approved Budget £	B Actual Expenditure £	C = B-A Overspend/ (Underspend) £	D Proposed Carry Forward £	E=C+D (Saving)/ Overspend
BK013	Empty Homes Programme	1,048,135.00	27,550.63	-1,020,584.37	108,000.00	
BK015	DFG's Owner Occupiers	2,383,542.00	1,980,050.84	-403,491.16	366,751.00	-36,740.16
BK029	Hot Property 3	3,874.00	3,624.00	-250.00		-250.00
BK044	Decent Homes Assistance	38,809.00	36,036.25	-2,772.75		
BK050	Wrapped Up Scheme	24,053.00	31,649.25	7,596.25	0.00	
BK051	Fuel Poverty Fund County Wide	466,274.00	423,890.74	-42,383.26	0.00	
Sub-Total - Housing General Fund		4,011,304.00	2,548,843.48	-1,462,460.52	474,751.00	-36,990.16
Loans						
BA660	Northampton Town Fc Loan	4,500,000.00	4,500,000.00	0.00	0.00	
BA661	Northampton Saints Loan	5,500,000.00	5,500,000.00	0.00	0.00	
Sub-Total - Loans		10,000,000.00	10,000,000.00	0.00	0.00	0.00
Total General Fund		28,917,254.00	24,113,932.47	-4,803,321.53	3,548,710.00	-211,582.13

HRA Capital						
BH003	Garages Roofs & Doors Replacement	40,000.00	35,721.09	-4,278.91		-4,278.91
BH009	Fire Safety Works - communal areas	100,000.00	73,639.16	-26,360.84		-26,360.84
BH011	Capital Improvement Works	200,000.00	0.00	-200,000.00		-200,000.00
BH013	Digital Aerial Upgrade	0.00	954.40	954.40		954.40
BH014	Estate Regeneration	447,728.00	0.00	-447,728.00		-447,728.00
BH020	Periodical Electrical Works	125,000.00	128,418.81	3,418.81		3,418.81
BH021	New Communal Boilers	0.00	5,524.40	5,524.40		5,524.40

Capital Programme 2013/14 Outturn and Carry Forwards

CC	Scheme	A Approved Budget £	B Actual Expenditure £	C = B-A Overspend/ (Underspend) £	D Proposed Carry Forward £	E=C+D (Saving)/ Overspend
BH022	Community Energy Savings Programme (CESP)	1,852,060.00	1,343,311.22	-508,748.78	508,748.00	-0.78
BH304	Complete Roofs	651,312.00	583,920.87	-67,391.13		-67,391.13
BH305	Structural Repairs	300,000.00	366,915.84	66,915.84		66,915.84
BH317	Decent Homes	17,752,900.00	18,110,076.49	357,176.49		357,176.49
BH321	Door & Window Replacement	30,000.00	25,741.42	-4,258.58		-4,258.58
BH324	Gas Appliance Replacement - Planned Ptnrsh	500,000.00	356,288.55	-143,711.45		-143,711.45
BH325	Gas Appliance Replacement - Responsive	500,000.00	937,542.11	437,542.11		437,542.11
BH329	Asbestos Remedial Action	50,000.00	11,420.33	-38,579.67		-38,579.67
BH338	Capital Voids	0.00	255.00	255.00		255.00
BH345	Kitchen replacement	126,841.00	46,678.59	-80,162.41		-80,162.41
BH351	Door Entry Updates	125,940.00	110,405.45	-15,534.55		-15,534.55
BH354	Lift Refurbishment	0.00	4,449.76	4,449.76		4,449.76
BH364	Environmental enhancements to housing land	164,065.00	16,902.87	-147,162.13		-147,162.13
BH365	Walkways	200,000.00	0.00	-200,000.00		-200,000.00
BH366	Sheltered Housing Improvements	1,650,000.00	28,865.08	-1,621,134.92		-1,621,134.92
BH367	IT Capital	384,514.00	0.00	-384,514.00	384,514.00	0.00
BH368	Communal Area Upgrades	347,210.00	107,946.58	-239,263.42		-239,263.42
BH370	Repurchase of Former Council Houses	1,500,000.00	793,090.00	-706,910.00	706,910.00	0.00
BH371	Off Grid to Renewable Technologies	82,999.00	57,032.41	-25,966.59		-25,966.59
BH372	Green Deal Contribution & Energy Efficiency	50,000.00	0.00	-50,000.00		-50,000.00
BH373	Change of Use	100,000.00	2,095.00	-97,905.00		-97,905.00
BH374	CCTV	50,000.00	0.00	-50,000.00		-50,000.00
BH375	Lift Refurbishment St Katherines Court	100,000.00	0.00	-100,000.00		-100,000.00

Capital Programme 2013/14 Outturn and Carry Forwards

		A	B	C = B-A	D	E=C+D
CC	Scheme	Approved Budget £	Actual Expenditure £	Overspend/ (Underspend) £	Proposed Carry Forward £	(Saving)/ Overspend
BH376	Little Cross Street Walkway Renewal	562,000.00	44,833.85	-517,166.15	517,166.15	0.00
BH140	Disabled Grant - Major Repairs	1,250,000.00	1,080,656.82	-169,343.18	38,462.00	-130,881.18
BH302	Minor Adaptations for People with Disabilitie	100,000.00	98,651.73	-1,348.27		-1,348.27
	Total HRA	29,342,569.00	24,371,337.83	-4,971,231.17	2,155,800.15	-2,815,431.02

Appendices



AUDIT COMMITTEE REPORT

Report Title	Draft Statement of Accounts 2013/14 and Draft Annual Governance Statement
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	28 July 2014
Policy Document:	No
Directorate:	LGSS
Accountable Cabinet Member:	Cllr A Bottwood

1. Purpose

1.1 To present the draft Statement of Accounts (SoA) 2013/14 and draft Annual Governance Statement (AGS) for comment.

2. Recommendations

2.1 That the Audit Committee note the draft SoA 2013/14 and draft AGS.

3. Issues and Choices

3.1 Report Background

3.1.1 The SoA 2013/14 is currently undergoing both audit and public inspection in line with the Accounts and Audit Regulations and is being brought to Audit Committee now to provide an opportunity to review and comment on them before they are finalised and brought to this committee for approval in September 2014.

3.2 Issues

Core Statements

3.2.1 On page 44 of the Statement of Accounts the Movement in Reserves Statement shows the movements in the Useable Reserves for 2013/14 with

2012/13 for comparison. This shows a closing General Fund Working balance of £3.65m and an HRA Working balance of £5m at the end of 2013/14.

- 3.2.2 On page 45 the Comprehensive Income and Expenditure Statement is presented. This shows the cost of providing services for the year before technical adjustments between the accounting basis and funding basis, and before movements in earmarked reserves. (Details of those adjustments can be found in note 7 and note 8 to the accounts on pages 53 and 59 respectively).
- 3.2.3 The Balance Sheet on page 46 shows the Council's assets and liabilities at 31 March 2014.
- 3.2.4 Since the draft Statement of Accounts was produced the statue was successfully sold at auction, and an explanation to this effect will be added to the final Statement as a non-adjusting post balance sheet event at note 6 to the Accounts.
- 3.2.5 The Cash Flow Statement can be found on page 47, and shows the movements in cash and cash equivalents for the year. (Cash equivalents are defined in the Code of Practice on Local Authority Accounting 2013-14 as "*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*").

Financial Position

- 3.2.6 The Core Statements at section E of the Accounts show a net contribution to general fund working balances of £526k after taking account of technical adjustments and transfers to reserves. There was no contribution to HRA working balances, however, these are already at the budgeted level.
- 3.2.7 Two invoices totalling approximately £600k were submitted 8 weeks late to Finance. This was too late to be able to include in the Accounts and still meet the statutory deadline. The invoices related to capital expenditure on the HRA, this would not impact on the working balances detailed in 3.2.6 above.
- 3.2.8 Page 10 of the Statement of Accounts gives the financial summary, showing the main sources of income and the main areas of expenditure. The Housing General Fund Services line on the graph may appear quite high, but this is because it includes benefits expenditure, so does not give cause for concern.
- 3.2.9 Pages 11 to 13 provide greater detail of the movements on working balances. It should be noted that within the net contribution to reserves there are a number of technical adjustments, including single transfer for £3.9m in relation to the technical accounting requirements surrounding the new business rates retention regime (this is explained below).
- 3.2.10 The significant areas of capital expenditure are shown on page 16. Note that this includes £10m for the 2 capital loans to Northampton Saints and Northampton Town FC during 2013/14.

Judgements and Estimates

- 3.2.11 Notes 3 and 4 to the Statement of Accounts show the critical judgements and areas of estimation uncertainty, and explains the degree of risk that these assumptions and estimates entail. There has been one new addition this year compare to last year, which is in relation to Business Rates appeals.

3.2.12 Where Business Rates appeals have been lodged, these are included in the provision for business rates appeals in the Collection Fund. However the level at which the Valuation Office Agency (VoA) finally settles the appeal could be at either a higher or lower level than the amount of the provision, and this risk is therefore recognised in note 4.

Business Rates Retention

3.2.13 The Government introduced a new funding regime from 1 April 2014, which allowed local authorities to retain a proportion of any growth in their business rates.

3.2.14 Councils must account for the business rates based on their NNDR1 estimate for 2013/14, with the NNDR3 actuals coming into the picture in 2014/15. This creates a timing issue.

3.2.15 The estimates produced in January 2013 indicated a high level of growth for 2013/14, and so there was an apparent surplus in 2013/14.

3.2.16 However, the actual position at the end of the year showed that there had been considerably less growth than forecast 15 months previously. The impact of this is that there will be an amount of approximately £3.9m to fund in 2014/15, and so the surplus from 2013/14 has been set aside in reserves to fund this timing difference.

3.2.17 Reasons for the significant downward shift between January 2013 and the end of the year were mainly due to:

- Change of VoA methodology nationally for establishing the rateable value of warehouses.
- Transitional Protection for valuation changes
- Successful appeals
- Schools becoming academies and thereby becoming eligible for charity relief
- Demolitions
- These are slightly offset by some new developments coming on stream.

3.2.18 The Council has set up a Business Rates Working Group led by the Chief Finance Officer to try to improve business rates forecasting to minimise similar technical issues in future years.

Draft Annual Governance Statement (AGS)

3.2.19 Under the Accounts and Audit Regulations 2011 the Annual Governance Statement must accompany the Statement of Accounts, and is presented at appendix 2 to this report.

3.2.20 On the first page of the AGS is the Statement of Compliance, which explains how the council complies with the CIPFA Statement on the Role of the Chief Finance Officer. Due to the partnership with LGSS there are a few small areas functions that are not directly overseen by the Chief Finance Officer. These variations from the CIPFA Statement and how they are addressed instead are explained in the Statement of Compliance section of the draft AGS.

3.2.21 In addition there has been a change to the Review of Effectiveness section, which now includes (draft) summaries of the LGSS internal audit report as well as the PWC report.

Next Steps

- 3.2.22 The on-site audit finished on 25th July
- 3.2.23 The public inspection period, when members of the public can come and inspect the Accounts, is due to end on 29 July.
- 3.2.24 On 30 July is the appointed day when members of the public can put questions to the auditors.
- 3.2.25 The auditors will then complete their audit during August with a view to being in a position to provide their audit opinion and ISA260 in time for the Statement of Accounts to be brought to Audit Committee for sign off on 9 September.

3.3 Choices (Options)

- 3.3.1 The Committee may propose amendments to the draft Accounts, for example to the narratives in the Explanatory Foreword.
- 3.3.2 The Committee may have questions or comments on the draft Accounts or AGS.

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 There are no direct financial implications arising from this report. The report reports on the financial position for 2013/14.

4.3 Legal

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

4.4 Equality

- 4.4.1 There are no equality implications arising from this report.

4.5 Consultees (Internal and External)

- 4.5.1 Management Board has been consulted on the draft Statement of Accounts and AGS.
- 4.5.2 The Statement of Accounts, accompanied by the draft AGS, is currently undergoing public inspection and audit.

4.6 Other Implications

4.6.1 There are no other implications arising from this report.

5. Background Papers

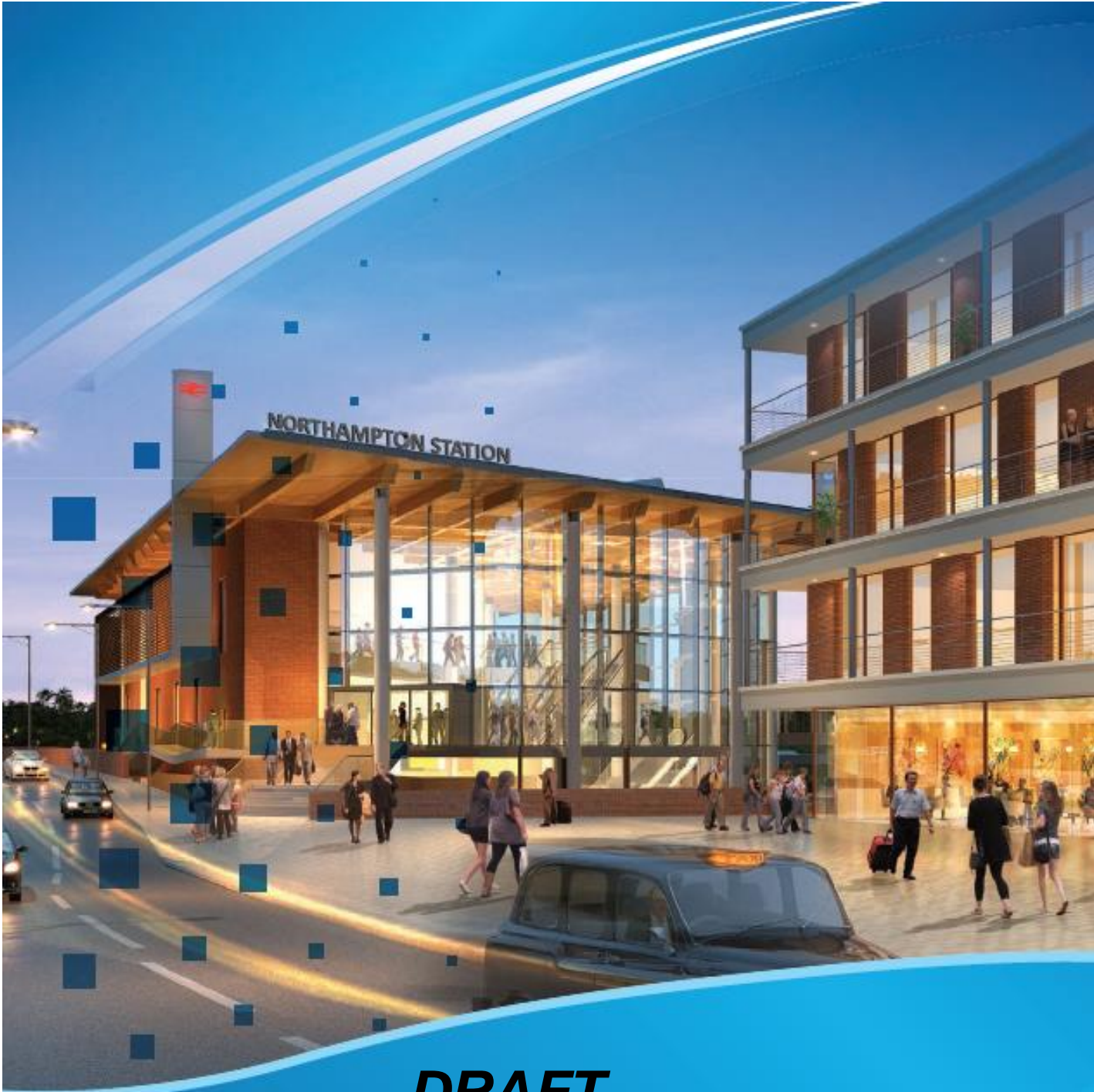
5.1 The draft Accounts were prepared in line with IFRS requirements and relevant legislation, predominantly:

5.1.1 Accounts and Audit Regulation 2011

5.1.2 The Code of Practice on Local Authority Accounting 2013/14

5.2 The CIPFA Statement on the Role of the Chief Finance Officer

Rebecca Smith, Assistant Head of Finance, LGSS, 01604 363868



DRAFT

Statement of accounts

2013/14



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AUDITOR'S REPORT

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

AUDITOR'S REPORT

B. EXPLANATORY FOREWORD

1. INTRODUCTION

The Council has a statutory duty to approve and publish this Statement of Accounts document for the period 1st April 2013 to 31st March 2014.

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

To comply with the Accounts and Audit Regulation 2003 (as amended by later updates), the Council is required to make reasonable endeavours to have the Statement of Accounts audited and received and approved by the end of September 2014. The responsibility for approval is delegated to the Audit Committee. The Audit Committee met and approved the accounts at its meeting on xth September 2014 to include any changes arising from the audit of the accounts. These accounts have been amended. The Council's Chief Financial Officer approved the accounts for publication on xth September 2014.

This foreword outlines the key individual statements that comprise the Statement of Accounts, including a description of their purpose and the relationship between them. It also highlights the main activities/variations that took place during 2013/14 in each of the main activity areas.

2. THE STATEMENTS

Single Entity Accounts

These financial statements are for a single entity.

The detailed accounts and related information are shown from page 43 onwards and consist of the following:

Core Financial Statements

Movements in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into: -

- Usable Reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and
- Unusable Reserves.

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

B. EXPLANATORY FOREWORD

Comprehensive Income and Expenditure Statement

This statement summarises the transactions, shown on an accounting basis in line with the requirements of International Financial Reporting Standards (IFRS), undertaken in the year to provide services to the public. This statement does not show in detail the amount of funding from local taxes and general government grants. Authorities raise taxation to cover expenditure in accordance with regulations which may be different from the accounting cost. The taxation position is shown in the Notes to the Core Statements.

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes:

- reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and
- reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Cash Flow Statement

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

Notes to the Core Statements

This section comprises the recommended notes to the Movements in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, and the Cash Flow Statement, plus additional notes deemed useful to aid the understanding of the reader of the accounts.

B. EXPLANATORY FOREWORD

Supplementary Financial Statements

Housing Revenue Account (HRA) Income and Expenditure Account

The HRA Income and Expenditure Account shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Statement of Movement in the Housing Revenue Account Reserve. The HRA accounts do not form part of The CIPFA Code and so the presentation adopted is the same as in previous years, following UK GAAP.

Movement in Housing Revenue Account Reserve

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

Notes to the HRA Accounts

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

The Collection Fund Income and Expenditure Account

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and non-domestic rates.

Due to the implementation of the Business Rates Retention Scheme with effect from 1 April 2013 there have been some changes to the presentation of the Collection Fund Statement and related notes. The changes are explained at the beginning of Section H to the Statement of Accounts.

In addition, the Government abolished Council Tax Benefit from 1 April 2013 and replaced it with Local Council Tax Support schemes set by local billing authorities. This change is also reflected in the Collection Fund Statement and subsequent notes.

Notes to the Collection Fund

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

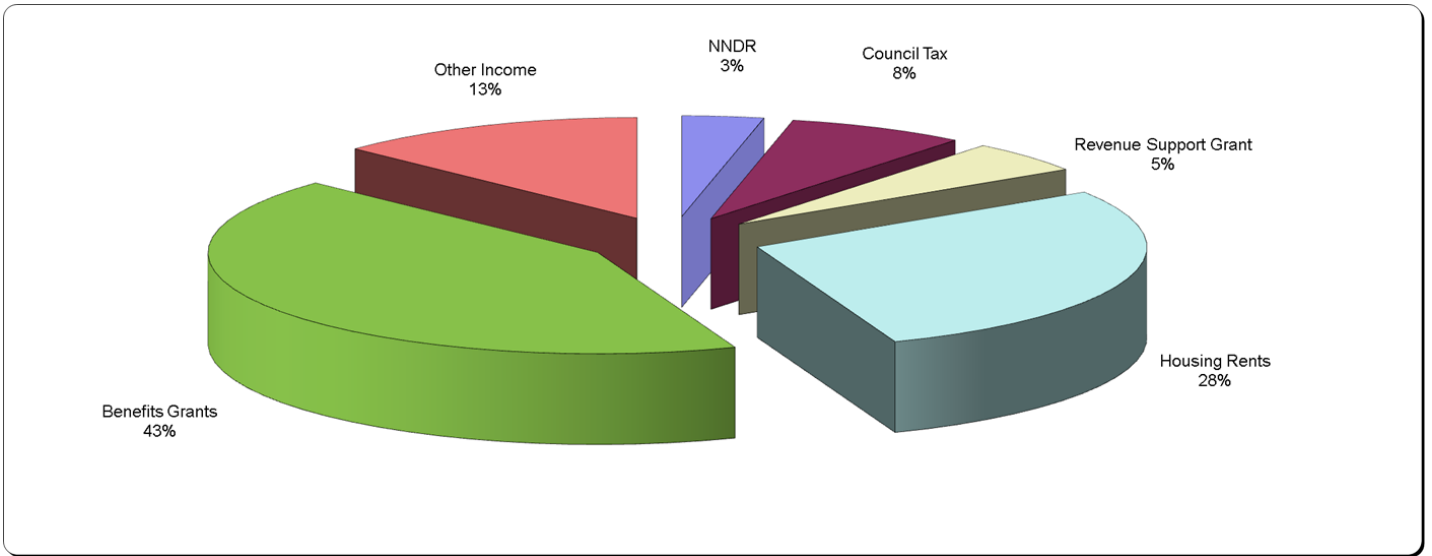
B. EXPLANATORY FOREWORD

3. FINANCIAL SUMMARY 2013/14

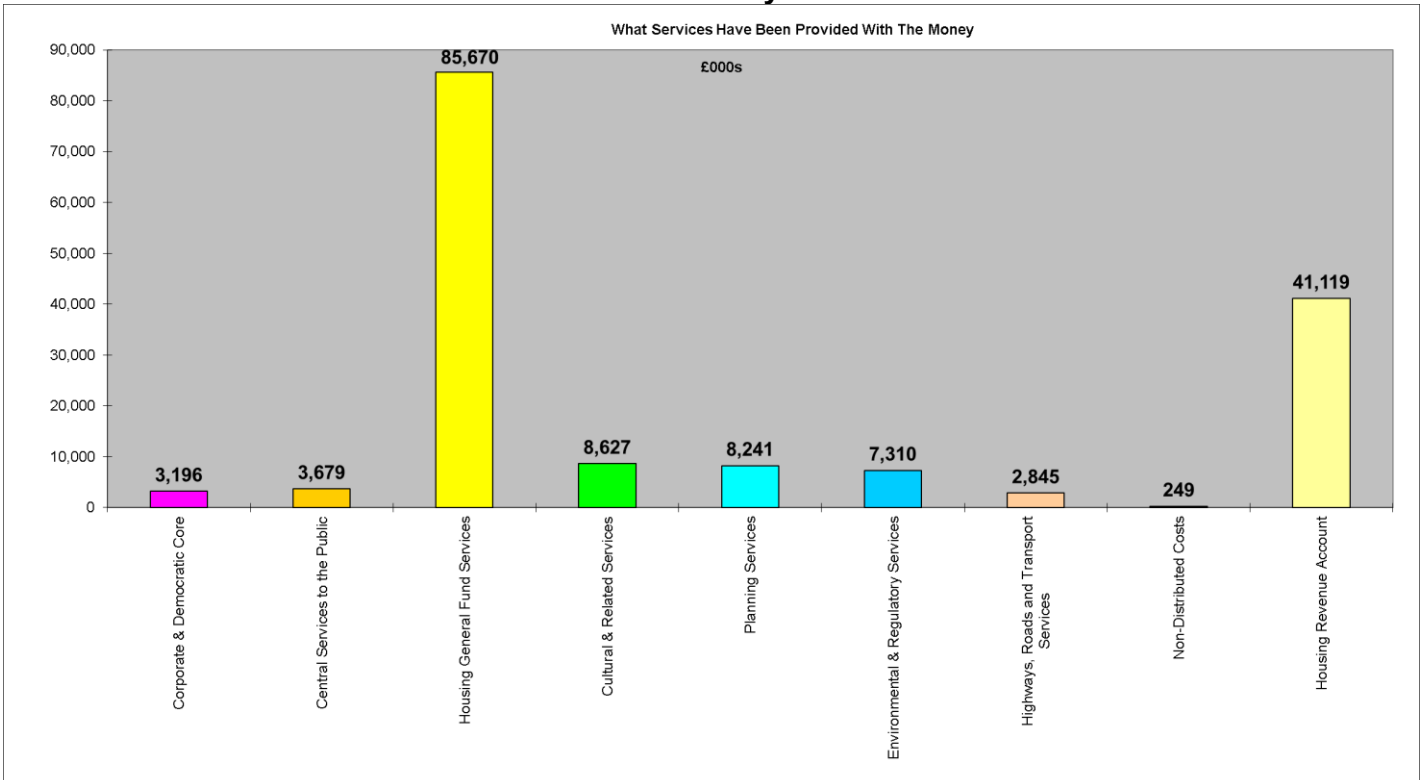
This section shows service expenditure, interest payable, other operating costs, income from grants, local taxpayers and other sources compared in overall terms to the budget.

a) Revenue Spending and Sources of Income

The following charts outline where the Council's revenue money came from, how it was spent and on which services. The charts show the overall position of the Council's revenue accounts for 2013/14 (i.e. both General Fund and HRA).



What Services Have Been Provided with the Money?



NOTE: General Fund Housing Services includes Housing Benefits expenditure, for which grant income is received from DWP, see the Comprehensive Income and Expenditure Statement on page 45.

B. EXPLANATORY FOREWORD

b) General Fund Account

The following table summarises the position for the General Fund for 2013/14. Some notes are included following the table to explain the main variations to the budget for the year:

General Fund Account	Budget £000	Actual £000	Variance £000
Director of Regeneration, Enterprise and Planning	3,292	2,705	-587
Director of Housing	1,704	1,599	-105
Borough Secretary	14,354	13,349	-1,005
Director of Customers & Communities	14,446	13,346	-1,100
Total within Budget Managers Control	33,796	30,999	-2,797
Capital Expenditure charged to Revenue Account	0	132	132
Provisions	0	579	579
Net Support Service Recharges	-4,705	-6,967	-2,262
Interest and Financing	1,643	1,160	-483
Parish Precepts & Grants	993	993	0
Government Funding	-14,939	-18,392	-3,453
Council Tax	-13,225	-13,137	88
Council tax freeze grant	-142	-146	-4
Non specific grants (mainly New Homes Bonus)	-1,967	-2,693	-726
Technical Accounting Adjustments	-32,341	-38,471	-6,130
General Fund (under) / over spend	1,455	-7,472	-8,927
Net Contribution to/(from) Reserves	-1,455	6,946	8,401
General Fund Deficit (Surplus)	0	-526	-526
Balance b/fwd		-3,132	
Balance c/fwd		-3,658	

Variations to Budget

After taking account of contributions to reserves and balances, the Council's General Fund working balance was increased by £526k. This is after making a net contribution to General Fund earmarked reserves of £6,946k to mitigate specific business risks.

B. EXPLANATORY FOREWORD

There were a number of variances that have contributed to this position, which are listed below. Further details of these variances can be found in the Council's outturn reports which were considered by Cabinet on 9th July 2014 and are available on the NBC website, see <http://www.northampton.gov.uk/budgetmonitoring>.

Under (-) / Over spends	£000s
Reserve Movements	8,401
Provisions	579
Net Support Service Recharges	-2,262
Interest and Debt Management	-483
Government Funding	-3,453
Non specific grants	-726
Asset Management	-71
Other Buildings & Land	55
Major Projects and Enterprise	162
Development Control	-648
Housing	-105
Non Distributed Costs	-82
Benefits	-346
Revenues	78
Business Improvement	-68
Performance and change	102
Electoral Services	-85
Legal	-229
Local Government Shared Service	-331
Customer Services	-87
Print Unit	68
Office Accommodation	-89
Information Technology	-58
Community Safety	50
Community and Other Grants	-51
Community Centres	-53
Environmental Protection	-246
Environmental Services	-603
Other Variations each below +/- £50k	58
Total	-526

B. EXPLANATORY FOREWORD

c) Housing Revenue Account

Housing Revenue Account	Budget £000s	Actual £000s	Variance £000s
Expenditure			
Net Service Expenditure	-6,047	-6,073	-26
Interest & Capital Financing Adjustments	6,047	6,074	27
(Surplus)/Deficit for the year	-0	1	1
Balance brought forward		-5,001	
Balance carried forward		-5,000	

After taking account of contributions to reserves and balances, the Council's Housing Revenue Account working balance was remained at £5m. This is after making a net contribution to HRA earmarked reserves of £3.745m, to fund the capital programme in future years (£6.705m) and HRA service improvements (£36k). Transfers were made from the HRA Capital Programme Reserve (£2.5M), the Service Improvement Reserve (£36k) and the HRA Reform Reserve (£460k) to support revenue expenditure during the year.

There were a number of variances that have contributed to this position, the most significant of which are listed below. Further details of these variances can be found in the Council's outturn reports which were considered by Cabinet on 9th July 2014 and are available on the NBC website, see <http://www.northampton.gov.uk/budgetmonitoring>.

Under (-) / Over spends	£000s
Rent Income - Dwellings	310
Service Charge income	427
Repairs and Maintenance	-859
General Management	-817
Special Services	139
Rent Rebate Subsidy Deductions	-96
Capital Adjustments	888
Other Minor Variations	9
Total	0

B. EXPLANATORY FOREWORD

d) Capital Expenditure

Capital expenditure relates to spending on new and improved assets, such as land, buildings, infrastructure, equipment and IT.

Capital Expenditure and Financing	Budget £000s	Actual £000s	Variance £000s
Expenditure			
Housing Revenue Account Schemes	29,343	24,371	-4,972
General Fund Housing Schemes	4,011	2,549	-1,462
Other General Fund Schemes	24,906	21,565	-3,341
Total Capital Expenditure	58,260	48,485	-9,775
Sources of Financing			
Major Repairs Allowance		4,286	
Revenue Contributions to Capital Expenditure		132	
Grants & Contributions		21,916	
Capital Receipts		6,067	
Prudential Borrowing		16,084	
		48,485	

Capital Variations to Budget

Capital Programme spending in 2013/14 was some £9.8 m (17%) below budget. A large proportion (£5.7m) of this variance relates to schemes that are currently underway or still planned to take place and these budgets will be carried forward into the next financial year (2014/15). The majority of this carry forward is due to the timing of approvals and the timescales for letting contracts. Please see page 16 for details of the capital schemes.

B. EXPLANATORY FOREWORD

e) Current Borrowing Facilities

Current borrowing facilities are as detailed below: -

Description	£000s
Long Term Borrowing - PWLB	200,172
Long Term Borrowing - LOBOs	24,789
Homes & Communities Agency	1,170
Long Term Finance Leases	496
Temporary Borrowing	279
Total	226,906

Long term borrowing is undertaken to finance capital programme expenditure, both in relation to the historic programme and for future capital schemes up to three years in advance.

Borrowing decisions are made with reference to prudential indicators that ensure that borrowing is prudent, affordable and sustainable. The prudential indicators for external borrowing for 2013-14, the operational boundary and the authorised limit, were set at £240m and £250m respectively. Borrowing as at 31 March 2014 was within these limits.

The prudential indicator for gross debt and the capital financing requirement (CFR) is the key indicator of prudence, measuring whether external borrowing exceeds the closing CFR in the preceding year plus the estimates of any additional capital requirement for the current and next two financial years. The Council's external borrowing figure at 31 March 2014 is below the latest forward looking CFR forecast of £299m, as agreed by Council in February 2014.

New capital programme expenditure of £16.5m was financed by borrowing during 2013-14. This included £10m of external borrowing for loans to third parties (Northampton Town Football Club and Northampton Rugby Club), and £6.5m of internal borrowing (i.e. from cash balances).

Existing external borrowing was reduced by £20k as a result of an annual annuity loan payment to the Homes and Communities Agency.

The current net book value (fair value) of the Council's property plant and equipment (non current assets) is £486m, of which £362m relates to council dwellings.

B. EXPLANATORY FOREWORD

4. SIGNIFICANT CHANGES IN 2013/14

a) Assets acquired or enhanced

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

Capital Expenditure	£000s
Housing Revenue Account	
Council Housing	23,475
Other Housing Assets	103
Repurchase of Former Council Housing	793
HRA Total	24,371
General Fund	
Information Technology	448
Corporate Buildings	691
Strategic Property Investment	1,673
Cinepod	240
Delapre Abbey Restoration	149
St Crispin Football Pitches & Play Provision	148
Leisure and Community Facilities	796
Bus Interchange	6,082
Capital Loans	10,000
Enterprise Zone	346
Other Capital Works	699
Revenue Expenditure Funded from Capital under Statute	2,841
General Fund Total	24,114
Total	48,485

B. EXPLANATORY FOREWORD

b) Statutory Functions

There have been no changes to the statutory functions of the Authority during 2013/14. However during 2013/14 The Council joined LGSS (Local Government Shared Service), a partnership established by the County Councils of Northamptonshire and Cambridgeshire, as an Added Value Partner.

On 1 June 2013, the Council transferred the majority of its support service functions (Revenues and Benefits, Insurance, Legal, Finance, Procurement, ICT, and Human Resources, Organisational Development and Business Improvement) to LGSS with the intention of reducing costs and improving the quality of the services it delivers.

Also on 9th December 2013, the Council approved the option determining the future ownership and management of the Housing Service and agreed to create an Arm's Length Management Organisation. Work has now begun on setting up the ALMO so that it is operating by 5 January 2015.

c) Accounting Policies

There have been no material changes to the Accounting Policies in 2013/14.

d) Exceptional Items and Unusual charges or credits in the accounts

There was one exceptional item for NBC during 2013-14. This was a grant for Decent Homes from the Homes and Communities Agency to the value of £17,000,000.

5. OTHER MATTERS OF NOTE

a) Pensions Liabilities and Assets

Retirement Benefits that are promised to employees under the terms of the pension scheme are recognised as a liability on the Council's balance sheet. Liabilities are measured on an actuarial basis, estimating the future cash flows that will arise. The Council's share of the investments held in the pension scheme is measured at fair value at the date of the balance sheet. Details of the Council's pension assets and liabilities can be found in note 45 to the financial statements.

b) Significant Provisions or Contingencies and Material Write-offs

The Council makes a provision to cover future insurance liabilities where values can be reasonably estimated. Details of this provision, and all other provisions made by the Council, are shown in note 24 to the Core Statements.

There is one significant contingency item reported in the accounts (at note 46 and 47 to the Core Statements) relating a capital grant received from the East Midland Development Agency (EMDA). The capital grant received from EMDA for site clearance of the Blueberry Diner was awarded on condition of scheme completion within a fixed time period and, due to that time period not having been complied with, up to the full amount of the grant of £2m may be clawed back by EMDA. The Council is in discussion with the successor organisation to EMDA, HCA about this matter and is confident that the claw back will not be applied. This is not a new contingent liability for this year.

There have been no material write-offs in the year.

B. EXPLANATORY FOREWORD

c) Current Economic Climate

The main financial impact on the Council of the current economic climate has been the continuation of low returns on investment due to the exceptionally low interest rates offered by banks, building societies and other investment counterparties.

The average rate of interest earned on investments in 2013/14 was 0.79%, compared to 1.21% in 2012/13. Actual investment interest earned in 2013/14 was £552k, compared to £692k in 2012/13.

The impact of the low returns has been managed through savings and efficiencies made generally across the Council's budgets.

The Council is also working actively along with partners to improve the local economy through investment in major regeneration works. With work continuing on developments from its Enterprise Zone and Northampton Alive programmes, Northampton is investing in local business. It was also recently recognised by Experian as the best performing city in the UK, scoring highly for turnover growth, start-up rates, and financial strength.

d) Adequacy of Reserves

An appropriate level of reserves was determined by a professional judgement based on local circumstances including overall budget value, risks and robustness of budgets, major initiatives being undertaken, budget assumptions, available earmarked reserves and provisions, and the Council's historic record of effective budget management.

The Chief Financial Officer has developed a risk management approach to the level of reserves and determined that the minimum level should be £3.1m.

In arriving at the recommendation on the minimum prudent level of reserves strategic, operational, and financial risks have been taken into account, as has the robustness of estimates information (above) and guidance from CIPFA and Government on Treasury risk.

In addition, earmarked reserves are held against specific risks and known expenditure commitments.

B. EXPLANATORY FOREWORD

6. CONCLUSION

On the General Fund, the Council has managed to deliver an outturn at virtually on budget for 2013/14, allowing the Council to increase its level of working balances above its risk assessed level of £3.1m to £3.7m. In addition it was possible to increase the level of earmarked reserves for supporting future expenditure, mitigating against future business risks.

This was achieved against a backdrop of the increasingly challenging funding regime. The Government presupposes continuing efficiency savings from council services and continues with significant cuts to the amount of government funding for local authorities. The Council remains committed to its continuing programme of strategic business reviews, which aim to drive out further efficiencies and will allow the Council to meet the financial challenges ahead.

During 2013/14, the Council managed to increase its General Fund working balances to £3.6m whilst also contributing a net of £6,947m to General Fund earmarked reserves to mitigate some specific business risks. This is testament to the strong financial control operated by the Council and to the ability of service managers to deliver services, aided by strong support services, in a difficult economic climate.

The Capital Programme is under-spent by £9.8m in 2013/14 against budget; however this is largely to do with timing. The Council has made positive improvements in project management and is committed to maintaining and improving on this into the future.

The outturn for the Housing Revenue Account (HRA) shows that the level of working balances is maintained at £5m and general revenue earmarked reserves are increased. The revenue position of the HRA continues to be healthy with challenges facing the Council in delivering the capital improvements necessary to deliver good quality homes at an affordable price to its tenants.

The Council continues to consolidate and strengthen its financial position to enable a sound platform from which to maintain and improve essential services within available resources. The level of working balances and the risk mitigation provided by reserves should enable the Council to concentrate on improving its services and improving the overall efficiency of the Council in line with priorities.

B. EXPLANATORY FOREWORD

7. FURTHER INFORMATION

Further information about these accounts is available from: -

Rebecca Smith Assistant Head of Finance for Northampton Borough Council, LGSS Northamptonshire County Council John Dryden House 8-10 The Lakes Northampton NN4 7YD	Glenn Hammons Chief Finance Officer Northampton Borough Council LGSS Northamptonshire County Council John Dryden House 8-10 The Lakes Northampton NN4 7YD
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Interested members of the public have a statutory right to inspect the accounts before the audit is completed and the availability of the accounts was advertised in the local press and on the Council's website in order to facilitate this.

C. STATEMENT OF RESPONSIBILITIES

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

The Authority's Responsibilities

The Authority is required to:-

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

The Chief Financial Officer

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

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice on Local Authority Accounting.

Certificate

I certify that this Statement of Accounts gives a true and fair view of the financial position of the Authority at the reporting date and of its income and expenditure for the year ended 31st March 2014.

Glenn Hammons
Chief Finance Officer
Date: 30/06/2014

D. ACCOUNTING POLICES

1.1 INTRODUCTION

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

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

This document outlines how Northampton Borough Council (the Council) will account for all income, expenditure, assets and liabilities held and incurred during the 2012/13 financial year.

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

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

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

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

1.2 ACCOUNTING PRINCIPLES

a **Going Concern**

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

D. ACCOUNTING POLICES

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.

D. ACCOUNTING POLICES

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

D. ACCOUNTING POLICES

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

D. ACCOUNTING POLICES

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.

D. ACCOUNTING POLICES

I Non-Current Asset Valuation Methodology.

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

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).

D. ACCOUNTING POLICES

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.

D. ACCOUNTING POLICES

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 (UEs)
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

D. ACCOUNTING POLICES

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 (UEs)
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.

D. ACCOUNTING POLICES

- 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. 86

D. ACCOUNTING POLICES

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.

D. ACCOUNTING POLICES

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.

D. ACCOUNTING POLICES

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.

D. ACCOUNTING POLICES

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.

D. ACCOUNTING POLICES

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.

D. ACCOUNTING POLICES

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.

D. ACCOUNTING POLICES

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.

D. ACCOUNTING POLICES

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.

D. ACCOUNTING POLICES

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

D. ACCOUNTING POLICES

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.

D. ACCOUNTING POLICES

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.

E. CORE FINANCIAL STATEMENTS

E1 MOVEMENT IN RESERVES STATEMENT

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

The Statement is shown on the next page.

E. CORE FINANCIAL STATEMENTS

Movement in Reserves Statement	General Fund Balance £000s	Earmarked GF Reserves £000s	Housing Revenue Account £000s	Earmarked HRA Reserves £000s	Major Repairs Reserve £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Total Usable Reserves £000s	Total Unusable Reserves £000s	Total Authority Reserves £000s
Balance at 31 March 2012 Brought forward	-3,140	-16,209	-5,001	-6,340	0	-2,068	-693	-33,451	-187,328	-220,779
<u>Movement in reserves during 2012/13</u>										
Surplus or (deficit) on provision of services (Note 31c)	2,369	0	-1,577	0	0	0	0	792	0	792
Other Comprehensive Expenditure and Income (Note 9)	0	0	0	0	0	0	0	0	10,174	10,174
Total Comprehensive Expenditure and Income	2,369	0	-1,577	0	0	0	0	792	10,174	10,966
Adjustments between accounting basis and funding basis under regulations (Note 7)	-3,220	0	-4,632	0	-1,542	-1,199	-1,844	-12,437	12,437	0
Net Increase/Decrease before Transfers to Earmarked Reserves	-851	0	-6,209	0	-1,542	-1,199	-1,844	-11,645	22,611	10,966
Transfers to/from Earmarked Reserves (Note 8)	863	-863	6,209	-6,209	0	0	0	0	0	0
Increase / (Decrease) in Year	12	-863	0	-6,209	-1,542	-1,199	-1,844	-11,645	22,611	10,966
Balance at 31 March 2013 carried forward	-3,128	-17,071	-5,001	-12,549	-1,542	-3,267	-2,537	-45,096	-164,717	-209,813
<u>Movement in reserves during 2013/14</u>										
Surplus or (deficit) on provision of services (Note 31c)	-3,915	0	-21,508	0	0	0	0	-25,423	0	-25,423
Other Comprehensive Expenditure and Income (Note 9)	0	0	0	0	0	0	0	0	-228	-228
Total Comprehensive Expenditure and Income	-3,915	0	-21,508	0	0	0	0	-25,423	-228	-25,651
Adjustments between accounting basis and funding basis under regulations (Note 7)	-3,557	0	17,763	0	-7,863	910	-110	7,143	-7,143	0
Net Increase/Decrease before Transfers to Earmarked Reserves	-7,472	0	-3,745	0	-7,863	910	-110	-18,280	-7,371	-25,651
Transfers to/from Earmarked Reserves (Note 8)	6,947	-6,947	3,746	-3,746	0	0	0	0	0	0
Increase / (Decrease) in Year	-525	-6,947	1	-3,746	-7,863	910	-110	-18,280	-7,371	-25,651
Balance at 31 March 2014 carried forward	-3,653	-24,018	-5,000	-16,295	-9,405	-2,357	-2,647	-63,376	-172,088	-235,464

E. CORE FINANCIAL STATEMENTS

E2 COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2012/13			COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	2013/14		
Gross Expenditure £000s	Gross Income £000	Net Expenditure £000		Gross Expenditure £000s	Gross Income £000	Net Expenditure £000
			INCOME AND EXPENDITURE ON SERVICES			
19,171	-16,551	2,620	Central services to the public	3,679	-1,753	1,926
			Cultural, environmental & planning			
10,180	-886	9,294	Cultural & related services	8,627	-1,910	6,717
10,423	-3,919	6,504	Environment and Regulatory Services	7,310	-819	6,491
7,294	-3,231	4,063	Planning Services	8,242	-3,419	4,823
5,076	-3,493	1,583	Highways, roads & transport	2,846	-3,748	-902
			Housing			
58,345	-50,925	7,420	Housing Revenue Account	41,119	-53,327	-12,208
84,474	-78,960	5,514	General Fund Housing	85,670	-79,566	6,104
3,272	-39	3,233	Corporate & democratic core	3,196	-649	2,547
368	-360	8	Non distributed costs	250	-2,417	-2,167
198,603	-158,364	40,239	COST OF SERVICES	160,939	-147,608	13,331
7,750	-5,327	2,423	Other Operating Expenditure (Note 10)	10,173	-7,201	2,972
20,611	-9,301	11,310	Financing and Investment Income and Expenditure (Note 11)	20,470	-8,235	12,235
1	-53,181	-53,180	Taxation and Non-Specific Grant Income (Note 12)	0	-53,961	-53,961
		792	(Surplus) or Deficit on Provision of Services			-25,423
		-1,855	Surplus or deficit on revaluation of Property, Plant and Equipment assets			-10,529
		12,029	Actuarial gains / losses on pension assets/liabilities			10,301
		10,174	Other Comprehensive Income and Expenditure (Note 9)			-228
		10,966	TOTAL COMPREHENSIVE INCOME AND EXPENDITURE			-25,651

E. CORE FINANCIAL STATEMENTS

E3 BALANCE SHEET

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

31st March 2013 £000s	Balance Sheet	31st March 2014 £000s	Notes
460,705	Property, Plant & Equipment	485,704	13
36,448	Heritage Assets	36,592	14
7,398	Investment Property	7,479	15
2,214	Intangible Assets	1,531	16
1,003	Long Term Investments	1,002	17g
163	Long Term Debtors	8,996	20
507,931	Long Term Assets	541,305	
25,745	Short Term Investments	27,610	17g
1,144	Assets Held for Sale	1,309	22
67	Inventories	164	18
17,023	Short Term Debtors	19,994	20
21,803	Cash and Cash Equivalents	42,059	21
65,782	Current Assets	91,137	
-299	Short Term Borrowing	-16,283	17e
-14,018	Short Term Creditors	-22,695	23
-318	Provisions	-392	24
-14,635	Current Liabilities	-39,371	
-5,279	Long Term Creditors	-9,898	38
-205	Provisions	-1,272	24
-216,071	Long Term Borrowing	-210,126	17f
-127,710	Other Long Term Liabilities	-136,313	41b/45
-349,265	Long Term Liabilities	-357,609	
209,813	Net Assets	235,462	
45,100	Usable Reserves	63,375	MiRS
164,713	Unusable Reserves	172,087	26
209,813	Total Reserves	235,462	

The unaudited accounts were issued on 30th June 2014.

E. CORE FINANCIAL STATEMENTS

E4 CASH FLOW STATEMENT

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

2012/13 £000	Cashflow Statement	2013/14 £000
-792	Net Surplus or (deficit) on the provision of services	25,429
38,947	Adjustment to surplus or deficit on the provision of services	28,773
-28,660	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	-23,910
9,495	Net Cashflows from Operating Activities	30,292
-18,616	Net Cashflows from Investing Activities	-17,423
5,719	Net Cashflows from Financing Activities	7,388
-3,402	Net increase or decrease in cash and cash equivalents	20,257
25,205	Cash and Cash Equivalents at the Beginning of the Reporting Period	21,803
21,803	Cash and Cash Equivalents at the End of the Reporting Period	42,060

F. NOTES TO THE CORE FINANCIAL STATEMENTS

1. PRIOR YEAR ADJUSTMENTS

Note 20 Debtors and Note 23 Creditors

A review of the classification of Debtors and Creditors balances under the analysis specified by The Code of Practice on Local Authority Accounting has been performed.

As a result of this review, the prior year comparators for both Debtors (Note 20) and Creditors (Note 23) have been re-stated in regards to their classification.

There has been no change to the total debtors and creditors disclosed, and as such this has no effect on the Balance Sheet.

Note 45 Defined Benefit Pension Schemes

The presentation of Note 45 - Defined Benefit Pension Schemes has changed as per the 2013/14 CIPFA Code of Practice, therefore the 2012/13 comparators have been re-stated in line with the new presentational requirements. However, this has no impact on the total values recognised in the Comprehensive Income and Expenditure Statement or the Balance Sheet.

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

IAS 8 requires an authority to disclose the impact of an accounting change that has been issued but not yet adopted. These changes will be applied retrospectively unless there are specific transitional arrangements specified in the Code. There are a number of changes detailed below that are likely to apply for 2014/15, all of which will apply from 1st April 2014, and will be adopted (where applicable) by NBC from 1st April 2014:

IFRS 10 - Consolidated Financial Statements, IFRS 11 - Joint Arrangements, IFRS 12 - Disclosure of Interests in Other Entities, IAS 27 - Separate Financial Statements (as amended in 2011), IAS 28 - Investments in Associates and Joint Ventures (as amended in 2011)

The 2014/15 Code of Practice will introduce a number of changes in relation to Standards applicable to Group Accounting.

Northampton Borough Council is not required to prepare group accounts for 2013/14, therefore this has no effect on the 2013/14 Statement of Accounts for Northampton Borough Council.

IAS 32 - Financial Instruments: Presentation

In December 2011 the IASB issued amendments to IAS 32 Financial Instruments: Presentation (Offsetting Financial Assets and Financial Liabilities). The amendments clarify its requirements for offsetting financial instruments.

There will not be a material effect on the 2013/14 Statement of Accounts for Northampton Borough Council.

F. NOTES TO THE CORE FINANCIAL STATEMENTS

Annual Improvements to IFRS 2009-2011 Cycle

The IASB carries out cyclical work to identify and implement improvements in IFRSs. The following amendments have been incorporated into the 14/15 Code of Practice:

IAS 1 Presentation of Financial Statements—Clarification of the requirements for comparative information

IAS 16 Property, Plant and Equipment—Classification of servicing equipment

These are not expected to have a material effect on the 2013/14 Statement of Accounts for Northampton Borough Council.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Section D (above), the Authority has had to make certain judgments about complex transactions or those involving uncertainty about future events. The critical judgments made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to reduce levels of service provision.
- The state of the economy is very unpredictable at the present time. The Authority has based its assumptions about bad debt levels based on its current expectations about peoples' ability to pay.
- Valuations of Council Dwellings have been based on the latest Government guidance, and impairment has been recognised to reflect this. Local authority housing is facing significant financial reform in the coming years, however, there are no indications at present that the social housing valuation percentages for the local area will be changed again.
- Useful economic lives are based on estimates either from professional (RICS qualified) valuers in the case of property, and service experts in relation to other assets. Infrastructure has a useful economic life of 25 years in line with CIPFA guidance.

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

The main areas where judgement and estimates are used are in accounting for fixed assets and provisions.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends, and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Authority's Balance Sheet at 31 March 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

F. NOTES TO THE CORE FINANCIAL STATEMENTS

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment (excluding land)	Assets are depreciated over useful lives that are dependant on assumptions about the level of repairs and maintenance that will be carried out in relation to individual assets. The current economic climate makes it uncertain how much the authority will be able to spend on repairs and maintenance on these assets, so there is uncertainty in the useful economic lives allocated to each asset.	If useful economic lives are reduced there would be an increase in depreciation and a reduction in the carrying value of the assets. It is estimated that the annual depreciation charge for buildings would increase by approximately £311k for every year that useful lives had to be reduced.
Benefit Over-payments Provision	The Authority has made an provision of £4.48m in respect of Overpayments to Benefit Claimants. This provision is based upon a analysis of outstanding debt as at year end and is considered prudent in light of the highly uncertain nature of future recovery levels.	As the provision for Benefit Overpayments is currently set at 97.5% of the overall debt, any movement in the level of overpayments will have a corresponding, equivalent impact on the level of provision required.
Insurance Provision and Reserve	The Council has made a provision of £368k for actual insurance claims outstanding and a reserve of £2.48m is set aside for unknown future claims. The amount in the reserve is based upon an actuarial report from our independent advisors, who have specialist experience in forecasting.	If the insurance provision proves to be insufficient then funds can be transferred from the insurance reserve. If the level of insurance reserve were to prove incorrect, then the effect would be equivalent to the amount of the additional claims.
Pensions Liability	The Council has a liability for retirement benefits promised under the terms of the pension scheme of £136m. Liabilities are measured on an actuarial basis, estimating future cash flows discounted to present values. This estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	<p>If the principal assumptions used to measure the liability were to differ, then the increase in liability would be:</p> <ul style="list-style-type: none"> - 0.5% decrease in discount rate = £24.5m - 1 year increase in life expectancy = £8.8m - 0.5% salary increase = £5.1m - 0.5% increase in Pensions rate = £19.2m

F. NOTES TO THE CORE FINANCIAL STATEMENTS

Arrears	The General Fund has provided for a bad debt provision of £672k. This is based on modelled assumptions of the amount of debt cleared at various time points. The model is based on past recovery rates but any changes in the economic climate could impact on the recovery of outstanding debts.	The amount of debt having a provision against it equates to £2.263m. Therefore any changes in the recovery of our debts will have a maximum impact of £1.590m.
Business Rates Appeals	The council has made a provision for the effects of business rates appeals (including backdated appeals) of which the NBC element is £1.188m. This is based on appeals that had been lodged and were outstanding at 31 March 2014. A contingent liability has been disclosed in relation to the risk of new appeals that may come forward in the future.	If appeals on the list are rejected or settled at a lower value from the amount taken into account in the appeal provision, the provision for the excess would be released. If appeals on the list are settled at a higher value than the appeal provision or appeals are settled that are not included on the list at 31 March, there would be an impact on the business rates income to the authority under the Rates Retention Scheme.
Minimum lease payments on operating leases (Authority as lessor)	Future estimates of minimum lease payments contain a number of assumptions about lease rental income and lease periods; for example that leases will not be renewed at the end of their term, and that vacant properties will not be leased at a future date.	If leases are extended beyond their original term or renewed on expiry, and vacant properties are leased out, then future rental income will exceed the minimum lease payments calculated. Conversely if lessees default on their leases or payments then future rental income may be reduced.

This list does not include assets and liabilities that have are carried at fair value based on a recently observed market price.

5. MATERIAL ITEMS OF INCOME AND EXPENSE

The following three material items are included in NBC's accounts for 2013/14:

- 1) An Environmental Services contract for waste collection, street cleaning, park maintenance etc. The contract costs in relation to this item in 2013/14 are £5.86m.
- 2) The LGSS contract to cover the Council's primary back office functions (H.R., Finance, ICT etc.) for the period 1st June 2013 – 31st March 2014. The contract costs in relation to this item in 2013/14 are £8.47m.
- 3) A grant of £17m for Decent Homes from the Homes and Communities Agency.

F. NOTES TO THE CORE FINANCIAL STATEMENTS

6. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Chief Finance Officer on the date shown in the Explanatory Foreword section B. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

F. NOTES TO THE CORE FINANCIAL STATEMENTS

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATION

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

2013/14	General Fund Balance £000s	Housing Revenue Account £000s	Earmarked Reserves £000s	Major Repairs Reserve £000s	Capital receipts Reserve £000s	Capital Grants Unapplied £000s	Total Usable Reserves £000s	Movement in Unusable Reserves £000s
Adjustments primarily involving the Capital Adjustment Account:								
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:								
Charges for depreciation and impairment of non-current assets	-2,475	0	0	-8,477	0	0	-10,952	10,952
Revaluation gains on PPE	1,437	14,829	0	0	0	0	16,266	-16,266
Revaluation losses on PPE	-2,309	-18,701	0	0	0	0	-21,010	21,010
Movements in the market value of Investment properties	157	-9	0	0	0	0	148	-148
Amortisation of Intangible assets	-329	0	0	0	0	0	-329	329
Capital Grants & contributions applied (if any)	4,993	17,020	0	0	0	0	22,013	-22,013
Revenue expenditure funded from capital under statute	-2,841	0	0	0	0	0	-2,841	2,841
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure statement	-3,068	-3,867	0	0	0	0	-6,935	6,935
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement								
Statutory provision for the financing of capital investment	1,065	0	0	0	0	0	1,065	-1,065
Capital expenditure charged against the General Fund and HRA balances	132	0	0	0	0	0	132	-132
Balance of MRA	0	0	0	0	0	0	0	0
Total Adjustments primarily involving the Capital Adjustment Account	-3,238	9,272	0	-8,477	0	0	-2,443	2,443

F. NOTES TO THE CORE FINANCIAL STATEMENTS

2013/14	General Fund Balance £000s	Housing Revenue Account £000s	Earmarked Reserves £000s	Major Repairs Reserve £000s	Capital receipts Reserve £000s	Capital Grants Unapplied £000s	Total Usable Reserves £000s	Movement in Unusable Reserves £000s
Adjustments primarily involving the Capital Grants Unapplied Account:								
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,513	0	0	0	0	-1,513	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	1,404	1,404	-1,404
Total Adjustments primarily involving the Capital Grants Unapplied Account	1,513	0		0	0	-109	1,404	-1,404
Adjustments primarily involving the Capital Receipts Reserve:								
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,702	4,379	0	0	-6,081	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	0	6,067	0	6,067	-6,067
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	-113	0	0	113	0	0	0
Contribution from the Capital Receipts Reserve to finance payments to Government Capital Receipts pool	-869	0	0	0	869	0	0	0
Transfer from Deferred Capital receipts Reserve upon receipt of cash	0		0	0	-59	0	-59	59
Total Adjustments primarily involving the Capital Receipts Reserve	833	4,266	0	0	909	0	6,008	-6,008
Adjustments primarily involving the Deferred Capital Receipts Reserve:								
Transfer of deferred sale proceed credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	0	0	0
Total Adjustments primarily involving the Deferred Capital Receipts Reserve	0	0	0	0	0	0	0	0
Adjustment primarily involving the Major Repairs Reserve:								
Reversal of major Repairs Allowance credited to the HRA	0	3,671	0	-3,671	0	0	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	4,286	0	0	4,286	-4,286
Total Adjustment primarily involving the Major Repairs Reserve	0	3,671	0	615	0	0	4,286	-4,286

F. NOTES TO THE CORE FINANCIAL STATEMENTS

2013/14	General Fund Balance £000s	Housing Revenue Account £000s	Earmarked Reserves £000s	Major Repairs Reserve £000s	Capital receipts Reserve £000s	Capital Grants Unapplied £000s	Total Usable Reserves £000s	Movement in Unusable Reserves £000s
Adjustments primarily involving the Financial Instruments Adjustment Account: Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-943	41	0	0	0	0	-902	902
Adjustments primarily involving the Pensions Reserve: Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and expenditure Statement Employer's pensions contributions and direct payments to pensioners payable in the year	-4,450	-1,633	0	0	0	0	-6,083	6,083
	5,848	2,140	0	0	0	0	7,988	-7,988
Total Adjustments primarily involving the Pensions Reserve	1,398	507	0	0	0	0	1,905	-1,905
Adjustments primarily involving the Collection Fund Adjustment Account: Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	-3,170	0	0	0	0	0	-3,170	3,170
Adjustment primarily involving the Accumulated Absences Account: Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	49	6	0	0	0	0	55	-55
Total Adjustments	-3,558	17,763	0	-7,862	909	-109	7,143	-7,143

F. NOTES TO THE CORE FINANCIAL STATEMENTS

2012/13	General Fund Balance £000s	Housing Revenue Account £000s	Earmarked Reserves £000s	Major Repairs Reserve £000s	Capital receipts Reserve £000s	Capital Grants Unapplied £000s	Total Usable Reserves £000s	Movement in Unusable Reserves £000s
Adjustments primarily involving the Capital Adjustment Account:								
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:								
Charges for depreciation and impairment of non-current assets	-2,446	0	0	-7,819	0	0	-10,265	10,265
Revaluation gains on PPE	2,836	276	0	0	0	0	3,112	-3,112
Revaluation losses on PPE	-8,033	-24,919	0	0	0	0	-32,952	32,952
Movements in the market value of Investment properties	-46	0	0	0	0	0	-46	46
Amortisation of Intangible assets	-821	0	0	0	0	0	-821	821
Capital Grants & contributions applied (if any)	5,571	16,945	0	0	0	0	22,516	-22,516
Revenue expenditure funded from capital under statute	-2,759	0	0	0	0	0	-2,759	2,759
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure statement	-1,326	-3,370	0	0	0	0	-4,696	4,696
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement								
Statutory provision for the financing of capital investment	903	0	0	0	0	0	903	-903
Capital expenditure charged against the General Fund and HRA balances	301	0	0	0	0	0	301	-301
Balance of MRA	0	0	0	0	0	0	0	0
Total Adjustments primarily involving the Capital Adjustment Account	-5,820	-11,068	0	-7,819	0	0	-24,707	24,707

F. NOTES TO THE CORE FINANCIAL STATEMENTS

2012/13	General Fund Balance £000s	Housing Revenue Account £000s	Earmarked Reserves £000s	Major Repairs Reserve £000s	Capital receipts Reserve £000s	Capital Grants Unapplied £000s	Total Usable Reserves £000s	Movement in Unusable Reserves £000s
Adjustments primarily involving the Capital Grants Unapplied Account:								
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,913	0	0	0	0	-1,913	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	69	69	-69
Total Adjustments primarily involving the Capital Grants Unapplied Account	1,913	0		0	0	-1,844	69	-69
Adjustments primarily involving the Capital Receipts Reserve:								
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,636	2,670	0	0	-4,306	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	0	2,334	0	2,334	-2,334
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	-73	0	0	73	0	0	0
Contribution from the Capital Receipts Reserve to finance payments to Government Capital Receipts pool	-755	0	0	0	755	0	0	0
Transfer from Deferred Capital receipts Reserve upon receipt of cash	0		0	0	-56	0	-56	56
Total Adjustments primarily involving the Capital Receipts Reserve	881	2,597	0	0	-1,200	0	2,278	-2,278
Adjustments primarily involving the Deferred Capital Receipts Reserve:								
Transfer of deferred sale proceed credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	0	0	0
Total Adjustments primarily involving the Deferred Capital Receipts Reserve	0	0	0	0	0	0	0	0
Adjustment primarily involving the Major Repairs Reserve:								
Reversal of major Repairs Allowance credited to the HRA	0	3,624	0	-3,624	0	0	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	9,901	0	0	9,901	-9,901
Total Adjustment primarily involving the Major Repairs Reserve	0	3,624	0	6,277	0	0	9,901	-9,901

F. NOTES TO THE CORE FINANCIAL STATEMENTS

2012/13	General Fund Balance £000s	Housing Revenue Account £000s	Earmarked Reserves £000s	Major Repairs Reserve £000s	Capital receipts Reserve £000s	Capital Grants Unapplied £000s	Total Usable Reserves £000s	Movement in Unusable Reserves £000s
Adjustments primarily involving the Financial Instruments Adjustment Account: Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	0	302	0	0	0	0	302	-302
Adjustments primarily involving the Pensions Reserve: Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and expenditure Statement Employer's pensions contributions and direct payments to pensioners payable in the year	-6,211	-2,091	0	0	0	0	-8,302	8,302
Total Adjustments primarily involving the Pensions Reserve	-271	-91	0	0	0	0	-362	362
Adjustments primarily involving the Collection Fund Adjustment Account: Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	33	0	0	0	0	0	33	-33
Adjustment primarily involving the Accumulated Absences Account: Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	41	4	0	0	0	0	45	-45
Total Adjustments	-3,223	-4,632	0	-1,542	-1,200	-1,844	-12,441	12,441

F. NOTES TO THE CORE FINANCIAL STATEMENTS

8. TRANSFERS TO / FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2013/14.

Earmarked Reserves	Balance at 31 March 2012 £000s	Additions to Reserve 2012/13 £000s	Use Of Reserve 2012/13 £000s	Balance at 31 March 2013 £000s	Additions to Reserve 2013/14 £000s	Use Of Reserve 2013/14 £000s	Balance at 31 March 2014 £000s
General Fund							
Insurance	2,143	390	-90	2,443	196	-155	2,484
Subsidy Equalisation	500	62	0	562	50	-344	268
Core Business Systems	254	0	-20	234	0	-29	205
Building Maintenance	309	0	-75	234	0	-3	230
Supporting Business & Economic Growth	283	0	-58	225	0	-95	130
Change and Performance	818	0	-116	702	331	-150	883
Council Tax Benefit	0	0	0	0	235	0	235
Regeneration	0	0	0	0	1,075	0	1,075
Debt Financing	377	109	-1	485	0	-200	286
Rent Deposit Scheme	160	0	0	160	60	0	160
Leasing	7	0	0	7	0	-7	0
Carbon Management	169	15	-89	95	57	-28	125
General	5,845	935	-1,204	5,576	6,203	-1,798	10,041
Revenue Grants	4,802	2,124	-1,479	5,447	2,834	-1,297	6,984
Arts	19	0	0	19	0	0	19
Delapre Abbey	522	390	-29	883	75	-63	895
Total General Fund	16,208	4,025	-3,161	17,072	11,116	-4,169	24,018
HRA							
HRA Reserves	2,781	6,013	0	8,794	6,705	-2,500	12,999
Supporting People Reserve	558	0	0	558	0	0	558
HRA Reform Reserve	2,000	0	-667	1,333	0	-460	873
Leaseholders Reserve	0	168	0	168	0	0	168
Insurance Reserve	0	300	0	300	0	0	300
Service Improvement Reserve	1,000	670	-274	1,396	36	-36	1,395
Total HRA	6,339	7,151	-941	12,549	6,741	-2,996	16,294
Total Earmarked	22,547	11,176	-4,102	29,621	17,857	-7,165	40,313

Insurance 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.

F. NOTES TO THE CORE FINANCIAL STATEMENTS

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.

Council Tax Benefit Reserve

Reserve held as a contingency for costs that may arise as a result of back dated council tax benefit claims, and relevant changes in circumstances relating to the period up to 31 March 2013 as detailed in the Department for Works and Pensions circular HB/CTB A1/2013.

Regeneration Reserve

Reserve held to facilitate the delivery of the Council's regeneration plans including Northampton Alive.

Debt Financing Reserve

This reserve has been set up to mitigate the additional market risks inherent in treasury management transactions during this period of world-wide economic uncertainty. 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.

F. NOTES TO THE CORE FINANCIAL STATEMENTS

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 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.

9. OTHER COMPREHENSIVE EXPENDITURE AND INCOME

2012/13 £000s	Other Comprehensive Income & Expenditure	2013/14 £000s
	Revaluation Reserve	
-5,401	General Fund Revaluation Gains	-11,211
5,544	General Fund Revaluation Losses	1,177
18	General Fund Impairment	0
-2,243	HRA Revaluation Gains	-574
227	HRA Revaluation Losses	80
-1,855	Total	-10,528
12,029	Actuarial Gains & Losses to the Pensions Reserve	10,301
10,174	Other Comprehensive Expenditure and Income	-227

F. NOTES TO THE CORE FINANCIAL STATEMENTS

10. OTHER OPERATING EXPENDITURE

2012/13 £000s	Other Operating Expenditure	2013/14 £000s
976	Parish council precepts	1,014
-20	Levies	-20
755	Payments to the Government Housing capital Receipts Pool	869
248	Trading	141
464	Gains/Losses on the disposal of non-current assets	968
2,423	Total	2,972

11. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2012/13 £000s	Financing And Investment Income And Expenditure	2013/14 £000s
7,659	Interest payable and similar charges	7,746
4,438	Pensions interest cost and expected return on pensions assets	5,517
-834	Interest receivable and similar charges	-676
47	Income and expenditure in relation to investment properties and changes in their fair value	-352
11,310	Total	12,235

12. TAXATION AND NON SPECIFIC GRANT INCOME

2012/13 £000s	Taxation And Non Specific Grant Income	2013/14 £000s
-15,092	Council tax income	-13,380
-6,200	Capital grants and contributions	-5,743
-253	Revenue Support Grant	-8,971
-13,042	Non domestic rates	-6,009
-18,593	Non-ring fenced government grants	-19,859
-53,180	Total	-53,962

F. NOTES TO THE CORE FINANCIAL STATEMENTS

13. PROPERTY, PLANT AND EQUIPMENT

a) Movement

Movements in 2013/14	Council Dwellings £000s	Housing Land and Buildings £000s	Other Land and Buildings £000s	Vehicles, Plant, Furniture & Equipment £000s	Infrastructure Assets £000s	Community Assets £000s	Surplus Assets £000s	Assets Under Construction £000s	Total Property, Plant and Equipment £000s
Cost or Valuation									
At 1st April 2013	361,264	18,307	80,094	2,913	2,134	5,325	365	1,789	472,191
Additions	24,371	0	9,111	979	69	565	0	191	35,286
Donations	0	0	1,500	0	0	0	0	0	1,500
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-42	353	2,410	-1	0	7,160	0	0	9,880
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	-9,804	18	-2,194	-722	0	0	0	0	-12,702
Derecognition – disposals	-1,893	-269	-2,187	-14	0	0	0	0	-4,363
Derecognition – other	-2,014	-27	-531	0	0	0	0	0	-2,572
Assets reclassified (to) / from Held for sale	0	0	-457	0	0	124	0	0	-333
Other movements in cost or valuation	0	0	1,734	0	0	0	0	-1,787	-53
At 31 March 2014	371,882	18,382	89,480	3,155	2,203	13,174	365	193	498,834
Accumulated Depreciation and Impairment									
At 1 April 2013	-7,707	-599	-2,414	-442	-302	-17	-5	0	-11,486
Depreciation Charge	-8,150	-324	-1,351	-777	-58	-80	-2	0	-10,742
Depreciation written out to the revaluation reserve	0	182	317	133	0	16	0	0	648
Depreciation written out to the Surplus/Deficit on the Provision of Services	5,914	0	1,445	600	0	0	0	0	7,959
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0
Derecognition – Disposals	41	5	8	6	0	0	0	0	60
Derecognition – other	285	4	142	0	0	0	0	0	431
Other Movements	0	0	0	0	0	0	0	0	0
At 31 March 2014	-9,617	-732	-1,853	-480	-360	-81	-7	0	-13,130
Net Book Value									
At 31 March 2013	353,557	17,708	77,680	2,471	1,832	5,308	360	1,789	460,705
At 31 March 2014	362,265	17,650	87,627	2,675	1,843	13,093	358	193	485,704

F. NOTES TO THE CORE FINANCIAL STATEMENTS

Movements in 2012/13	Council Dwellings £000s	Housing Land and Buildings £000s	Other Land and Buildings £000s	Vehicles, Plant, Furniture & Equipment £000s	Infrastructure Assets £000s	Community Assets £000s	Surplus Assets £000s	Assets Under Construction £000s	Total Property, Plant and Equipment £000s
Cost or Valuation									
At 1st April 2012	368,044	17,930	81,955	6,317	1,402	5,555	591	2,130	483,924
Additions	27,430	0	4,258	408	309	126	0	1,789	34,320
Donations	0	0	0	0	0	0	0	0	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-6,088	488	-547	-1,998	0	0	-161	0	-8,306
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	-24,774	2	-6,270	-1,222	0	0	0	0	-32,264
Derecognition – disposals	-1,720	-108	-1,098	-562	0	0	0	0	-3,488
Derecognition – other	-1,629	-5	-10	-33	0	0	-55	0	-1,732
Assets reclassified (to) / from Held for sale	0	0	-250	0	0	0	-79	0	-329
Other movements in cost or valuation	0	0	2,057	5	422	-356	70	-2,130	68
At 31 March 2013	361,263	18,307	80,095	2,915	2,133	5,325	366	1,789	472,193
Accumulated Depreciation and Impairment									
At 1 April 2012	-7,513	-519	-2,916	-2,875	-254	-9	-24	0	-14,110
Depreciation Charge	-7,813	-315	-1,464	-832	-44	-12	-5	0	-10,485
Depreciation written out to the revaluation reserve	7,390	225	316	2,126	0	0	22	0	10,079
Depreciation written out to the Surplus/Deficit on the Provision of Services	122	8	1,683	572	0	0	0	0	2,385
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	-18	0	0	0	0	0	-18
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	-17	0	0	0	0	0	-17
Derecognition – Disposals	29	2	0	545	0	0	0	0	576
Derecognition – other	78	0	1	21	0	0	2	0	102
Other Movements	0	0	0	0	-4	4	0	0	0
At 31 March 2013	-7,707	-599	-2,415	-443	-302	-17	-5	0	-11,488
Net Book Value									
At 31 March 2012	360,531	17,411	79,039	3,442	1,148	5,546	567	2,130	469,814
At 31 March 2013	353,556	17,708	77,680	2,472	1,831	5,308	361	1,789	460,705

F. NOTES TO THE CORE FINANCIAL STATEMENTS

b) Depreciation

The useful lives and depreciation rates used in the calculation of depreciation are detailed in accounting policy 'o'.

c) Revaluations

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

The main Housing stock was initially valued by the Beacon Method at April 2000. A rolling programme of revaluation exists whereby approximately 20% of the Housing Stock is revalued each year and the average percentage change established on the revalued properties is then applied to the remaining stock.

The significant assumptions applied in estimating the fair values are:

- Each property has good title
- Each property is not subject to flooding, subsidence, shrinkage, or other such hazards
- The land is not affected in any way by contamination
- Each property is free from structural defect and is in reasonable condition
- Where properties are vacant, the current and future use are the same with no potential redevelopment of the site

	Council Dwellings	Housing Land & Build.	Other Land & Build.	Vehicles, Plant, Furniture & Equip.	Surplus Assets	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Valued at fair value in:						
2013/14	327,904	12,044	52,092	2,176	0	394,216
2012/13	19,607	163	14,920	0	6	34,696
2011/12	0	0	578	0	0	578
2010/11	0	6,143	4,469	0	359	10,971
2009/10	0	32	6,810	0	0	6,842
Total	347,511	18,382	78,869	2,176	365	447,303

F. NOTES TO THE CORE FINANCIAL STATEMENTS

d) Information on Assets Held

31 March 2013 Number	Information on Assets Held	31 March 2014 Number
	Operational Assets	
12,047	Council Dwellings	11,969
	Other Land and Buildings	
27	Council Houses not used as dwellings - Community Rooms	27
88	Shared Ownership Properties	81
3,132	Council Garages	3,130
21	Other Housing Properties	21
66	Operational Shops	66
62.88ha	Allotments	62.88ha
7	Sports & Leisure Centres	7
25	Community Centres	23
1	Museums, Art Galleries	1
1	Open Markets	1
13	Public Conveniences	8
5	Multi-Storey Pay & Display Car Parks	5
2	Local Area Offices	1
3	Central Administrative Offices	3
1	Gypsy Site	1
1	Bus Station	1
18	Surface Pay & Display Car Parks	18
7	Pavilions	7
1	Depots	1
14	Sub-Depots	14
80	Infrastructure	81
166	Vehicles, Plant, Furniture and Equipment	174
	Community Assets	
887.45ha	Parks and Open Spaces	887.45ha
1	Guildhall	1
1	Historical Buildings	1
2	Monuments/Memorials/Exhibitions	2
8	Cemeteries	8
	Heritage Assets	
37	Buildings & Statuary	37
163	Museum Exhibits	163
123	Guildhall Contents	123
15	Mayoral Regalia	15
	Non-operational Assets	
290	Commercial Property (Units)	290
65.97ha	Agricultural Land	65.97ha
0	Indoor Market/Arts Venue	0
1	Golf Course	1
0	Cinepod	1
1	Theatres	1
54	Intangible Assets	53
	121	

F. NOTES TO THE CORE FINANCIAL STATEMENTS

e) Donated Assets

During the financial year 2013/14, the Council received donated assets from West Northamptonshire Development Corporation with a value of £1.5m, due to the closure of the Corporation on 31 March 2014.

14. HERITAGE ASSETS

Reconciliation of the heritage assets held by the Authority:

Heritage Assets	Historic Buildings & Statuary £000s	Museum Exhibits £000s	Mayoral Regalia £000s	Guildhall Artefacts £000s	Total Heritage Assets £000s
Cost or Valuation					
1 April 2013	4,927	29,655	48	1,932	36,562
Additions	234	0	0	0	234
Disposals	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	0	0	0	0
Revaluation increases/(decreases) recognised in Surplus or Deficit on the Provision of Services	0	0	0	0	0
31 March 2014	5,161	29,655	48	1,932	36,796
Depreciation and Impairment					
1 April 2013	-114	0	0	0	-114
Depreciation	-89	0	0	0	-89
Disposals	0	0	0	0	0
Depreciation written out to the revaluation reserve	0	0	0	0	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0
31 March 2014	-203	0	0	0	-203
Net Book Value					
at 31 March 2013	4,813	29,655	48	1,932	36,448
at 31 March 2014	4,958	29,655	48	1,932	36,593

F. NOTES TO THE CORE FINANCIAL STATEMENTS

Heritage Assets	Historic Buildings & Statuary £000s	Museum Exhibits £000s	Mayoral Regalia £000s	Guildhall Artefacts £000s	Total Heritage Assets £000s
Cost or Valuation					
1 April 2012	4,926	29,655	48	1,932	36,561
Additions	1	0	0	0	1
Disposals	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	0	0	0	0
Revaluation increases/(decreases) recognised in Surplus or Deficit on the Provision of Services	0	0	0	0	0
31 March 2013	4,927	29,655	48	1,932	36,562
Depreciation and Impairment					
1 April 2012	-25	0	0	0	-25
Depreciation	-89	0	0	0	-89
Disposals	0	0	0	0	0
Depreciation written out to the revaluation reserve	0	0	0	0	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0
31 March 2013	-114	0	0	0	-114
Net Book Value					
at 31 March 2012	4,901	29,655	48	1,932	36,536
at 31 March 2013	4,813	29,655	48	1,932	36,448

Buildings and Statuary

Historic Buildings that were previously included in Community Assets were valued as part of the five-year rolling programme of valuations undertaken by the Council's internal valuers. Statuary has been valued at market valuations by Art and Antiques Ltd in March 2012.

Museum Exhibits

Museum Exhibits were valued in March 2010 by Arts and Antiques Ltd for insurance purposes: these valuations are based on market values. Of particular interest is the shoe collection, which is the largest collection of shoe heritage in the world and is designated as being of national importance.

F. NOTES TO THE CORE FINANCIAL STATEMENTS

Mayoral Regalia

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

Guildhall Artefacts

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

Enhancements of Heritage Assets

Enhancements on Heritage Assets reflect improvement works undertaken at Delapre Abbey and at Abington Park Museum.

Disposals

There were no disposals of Heritage Assets in 2013/14

15. INVESTMENT PROPERTIES

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

2012/13 £000s	Investment Properties	2013/14 £000s
-580	Rental income from investment property	-525
74	Direct operating expenses arising from investment property	22
-506	Net (gain) / loss	-503

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct, or develop investment property or repairs, maintenance or enhancement.

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

2012/13 £000s	Investment Property Valuations	2013/14 £000s
7,522	Balance at start of the year	7,398
-54	Disposals	28
-70	Transfers: to/from Property, Plant and Equipment	53
7,398	Balance at end of year	7,479

F. NOTES TO THE CORE FINANCIAL STATEMENTS

16. INTANGIBLE ASSETS

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

- a) All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to the major software suites used by the Authority are:

	Purchased Assets
	£000s
3 Years	879
5 Years	467
10 Years	185
Total	1,531

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £891k charged to revenue in 2013/14 was charged to the appropriate cost centres and then absorbed as an overhead across all the service headings in the Net Expenditure of Services where the original service charged was an overhead. It is not, therefore, possible to quantify exactly how much of the amortisation is attributable to each service heading.

F. NOTES TO THE CORE FINANCIAL STATEMENTS

b) Movements

2012/13			Intangible Assets	2013/14		
Internally Generated Assets	Other Assets	Total		Internally Generated Assets	Other Assets	Total
£000s	£000s	£000s		£000s	£000s	£000s
			Balance at start of year			
0	5,179	5,179	Gross carrying amounts	0	5,376	5,376
0	-1,921	-1,921	Accumulated amortisation	0	-3,162	-3,162
0	3,258	3,258	Net carrying amount at start of year	0	2,214	2,214
0	195	195	Purchases	0	533	533
0	2	2	Changes in Asset class - Gross	0	0	0
0	0	0	Disposals - Gross value	0	-819	-819
0	0	0	Disposals - Amortisation	0	493	493
0	-1,241	-1,241	Amortisation for the Period	0	-891	-891
0	2,214	2,214	Net carrying amount at end of year	0	1,531	1,531
			Comprising:			
0	5,376	5,376	Gross carrying amounts	0	5,091	5,091
0	-3,162	-3,162	Accumulated Amortisation	0	-3,560	-3,560
0	2,214	2,214	Net carrying amount at end of year	0	1,531	1,531

c) Material Items

There is one item of capitalised software that is individually material to the financial statements:

Carrying Amount 31 March 2013 £000s	Material Intangible Assets	Carrying Amount 31 March 2014 £000s	Remaining Amortisation Period
1,196	IBS - Housing Management System	665	1 Year

F. NOTES TO THE CORE FINANCIAL STATEMENTS

17. FINANCIAL INSTRUMENTS

a) Categories of Financial Instruments

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

Categories of Financial Instruments	Long-Term		Current	
	31 March 2013 £000s	31 March 2014 £000s	31 March 2013 £000s	31 March 2014 £000s
Investments				
Loans and receivables	1,003	1,002	47,548	69,669
Total Investments	1,003	1,002	47,548	69,669
Debtors				
Loans and receivables	163	8,996	13,627	11,019
Total Debtors	163	8,996	13,627	11,019
Borrowings				
Financial Liabilities at amortised cost	-216,072	-210,126	-299	-16,283
Total Borrowings	-216,072	-210,126	-299	-16,283
Other Long Term Liabilities				
PFI and finance leases	-216,072	-210,126	-299	-16,283
Total Other long term liabilities	-216,072	-210,126	-299	-16,283
Creditors				
Financial Liabilities at amortised cost	-5,279	-9,898	-12,175	-14,076
Total Creditors	-5,279	-9,898	-12,175	-14,076

b) Reclassifications

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

F. NOTES TO THE CORE FINANCIAL STATEMENTS

c) Income, Expense, Gains, and Losses

2012/13			Income, Expense, Gains and Losses	2013/14		
Financial Liabilities measured at amortised cost £000s	Financial Assets: Loans and Receivables £000s	Total £000s		Financial Liabilities measured at amortised cost £000s	Financial Assets: Loans and Receivables £000s	Total £000s
-7,659	0	-7,659	Interest expenditure	-7,746	0	-7,746
0	-589	-589	Impairment losses	0	-902	-902
-7,659	-589	-8,248	Total Expense in Surplus or Deficit on the Provision of Services	-7,746	-902	-8,648
0	833	833	Interest income	0	675	675
0	833	833	Total Income in Surplus or Deficit on the Provision of Services	0	675	675
-7,659	244	-7,415	Net gain/(loss) for the year	-7,746	-227	-7,973

The Authority did not have any Financial Assets available for sale or Assets and Liabilities at Fair Value through profit and loss for either 2013/14 or 2012/13.

d) Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables, and long term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the investments, using the following assumptions.

- Ranges of estimated interest rates and discount rates at 31 March 2014:

1.63% to 4.29% for loans from the PWLB, based on new lending rates for equivalent loans at that date

3.72% to 4.32% for other loans payable, based on discount rates applying at that date

0.40% to 0.60% for loans receivable, based on new market rates for equivalent loans at that date

- No early repayment or impairment is recognised

- The fair value of trade and other receivables is taken to be the invoiced or billed amount

F. NOTES TO THE CORE FINANCIAL STATEMENTS

The fair values calculated are as follows:

	31 March 2013		31 March 2014	
	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s
Financial Liabilities	-12,474	-12,474	-30,359	-30,685
Long Term Creditors	-221,639	-209,646	-220,520	-197,886

The fair value of the assets at 31 March 2013 and 31 March 2014 is marginally higher than the carrying amount at the same date because the Authority's portfolio of investments includes a number of fixed rate investments where the interest payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2013 and 31 March 2014 respectively) attributable to the commitment to receive interest above current market rates.

	31 March 2013		31 March 2014	
	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s
Loans and Receivables	62,178	62,306	81,690	81,736
Long Term Debtors	163	163	8,996	8,996

The fair value of the assets at 31 March 2013 and 31 March 2014 is marginally higher than the carrying amount at the same date because the Authority's portfolio of investments includes a number of fixed rate investments where the interest payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2013 and 31 March 2014 respectively) attributable to the commitment to receive interest above current market rates.

Available for sale assets and assets and liabilities at fair value through profit or loss are carried in the Balance Sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument.

F. NOTES TO THE CORE FINANCIAL STATEMENTS

e) Short Term Borrowing

31 March 2013 £000s	Short Term Borrowing	31 March 2014 £000s
90	Billing Parish Council 7 day notice account	90
189	Northampton Volunteer Bureau 7 day notice account	189
20	HCA principal due within 1 year	22
0	LOBO Loans principal due within 1 year	15,721
0	PWLB Loans principal due within 1 year	261
299	Total	16,283

f) Long Term Borrowing

31 March 2013 £000s	Long Term Borrowing	31 March 2014 £000s
	Analysis of loans by type	
190,113	Public Works Loan Board	199,910
24,788	Money Market LOBOs	9,068
1,170	Homes & Communities Agency	1,148
216,071	Total	210,126
	Analysis of loans by maturity	
15,743	Maturing in 1-2 years	2,259
10,129	Maturing in 2-5 years	18,299
15,194	Maturing in 5-10 years	16,312
175,005	Maturing in over 10 years	173,256
216,071	Total	210,126

F. NOTES TO THE CORE FINANCIAL STATEMENTS

g) Investments

31 March 2013 £000s	Investment Type	31 March 2014 £000s
	Included in Cash and Cash Equivalents	
17,071	Deposit and Call Accounts	21,681
2,620	Money Market Funds	22,860
19,691	Total - Cash and Cash Equivalents	44,541
	Current Investments - Under 1 Year	
25,745	Short Term Investments - Fixed Term	27,610
25,745	Total - Short Term Investments	27,610
	Long Term Investments - Over 1 Year	
1,003	Long Term Investments - Fixed Term	1,002
1,003	Total - Long Term Investments	1,002
46,439	Total	73,153

h) Soft Loans

The Council has made loans to two local sports club. These have been assessed as material soft loans.

One loan has been made to Northampton Town Football Club (NTFC) to redevelop the Sixfields Stadium.

The other loan has been made to Northampton Rugby Football Club (NRFC) to redevelop the Franklins Garden Stadium.

2012/13 £000s	Material Soft Loans	2013/14 £000s
0	Balance at 1 April 2013	0
0	Nominal value of new loans granted in year	10,000
0	Fair value adjustment on initial recognition	-974
0	Loans repaid	31
0	Balance at 31 March 2014	9,057

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

F. NOTES TO THE CORE FINANCIAL STATEMENTS

18. INVENTORIES

	Westbridge Depot Main Stores £000s	Sub Stores £000s	Other Stores £000s	Total £000s
2012/13				
Balance outstanding at start of year	253	17	150	420
Purchases	737	0	149	886
Revaluations	0	0	1	1
Recognised as an expense in the year	-797	0	-187	-984
Written off balances	-193	0	-22	-215
Reclassification / Transfers	0	-17	-25	-42
Balance outstanding at year end	0	0	66	66
2013/14				
Balance outstanding at start of year	0	0	66	66
Purchases	1,264	0	135	1,398
Revaluations	0	0	1	1
Recognised as an expense in the year	-1,194	0	-100	-1,294
Written off balances	-68	0	-7	-75
Reclassification / Transfers	68	0	0	68
Balance outstanding at year end	69	0	94	164

19. CONSTRUCTION CONTRACTS

In 2013/14, the Council did not have any external construction contracts in progress.

F. NOTES TO THE CORE FINANCIAL STATEMENTS

20. DEBTORS

Debtors	Long-term	Long-term	Short-term	Short-term
	31 March 2013	31 March 2014	31 March 2013	31 March 2014
	£000s	£000s	£000s	£000s
Central Government Bodies	0	0	11,821	10,499
Less Impairment Allowance	0	0	0	0
Central Government Bodies	0	0	11,821	10,499
Other Local Authorities	0	0	934	4,761
Less Impairment Allowance	0	0	-19	-104
Other Local Authorities	0	0	915	4,657
NHS Bodies	0	0	59	112
Less Impairment Allowance	0	0	-5	-10
NHS Bodies	0	0	54	102
Other Entities & Individuals	163	8,996	11,770	12,928
Less Impairment Allowance	0	0	-7,537	-8,192
Other Entities & Individuals	163	8,996	4,233	4,736
TOTAL	163	8,996	17,023	19,994

21. CASH AND CASH EQUIVALENTS

31 March 2013	Cash and Cash Equivalents	31 March 2014
£000s		£000s
12	Cash held by the authority	13
12	Total Cash & Giro Accounts	13
2,099	Overdraft/Operating Account used as part of cash management	-2,494
17,071	Deposit Account Facilities with banks	21,681
2,620	Deposits with money market funds	22,860
19,691	Total Cash Equivalents	44,541
21,802	Total Cash and Cash Equivalents	42,060

F. NOTES TO THE CORE FINANCIAL STATEMENTS

22. CURRENT ASSETS HELD FOR SALE

Current 2012/13 £000s	Assets Held for Sale	Current 2013/14 £000s
869	Balance outstanding at start of year	1,144
	Assets newly classified as held for sale:	
428	Property Plant and Equipment	333
0	Assets declassified as held for sale:	0
-153	Assets sold	-168
1,144	Balance outstanding at year end	1,309

Note: All assets transferred to Held for Sale in 2013/14 are classified as current assets as disposal within 12 months is anticipated.

23. CREDITORS

31 March 2013 £000s	Creditors	31 March 2014 £000s
-891	Central Government Bodies	-3,818
-3,259	Other Local Authorities	-8,790
-42	NHS Bodies	-84
0	Public Corporations and Trading Funds	-14
-9,827	Other entities and Individuals	-9,990
-14,018	Total	-22,696

F. NOTES TO THE CORE FINANCIAL STATEMENTS

24. PROVISIONS

Long Term Provisions

Long Term Provisions	Insurance Provision £000s	Business Rates Appeals £000s	Other Provisions £000s	Total £000s
Balance at 1 April 2013	-200	0	-5	-205
Additional Provisions Made	0	-1,183	0	-1,183
Amounts Used	25	0	0	25
Unused Amounts Reversed	90	0	0	90
Balance at 31 March 2014	-84	-1,183	-5	-1,272

Short Term Provisions

Short Term Provisions	Insurance Provision £000s	Business Rates Appeals £000s	Accumulated Absences £000s	Total £000s
Balance at 1 April 2013	-159	0	-159	-318
Additional provisions made	-249	-4	-104	-357
Amounts used	66	0	159	225
Unused amounts reversed	58	0	0	58
Balance at 31 March 2014	-284	-4	-104	-392

a) Insurance Provision

The provision covers the following risks: -

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

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

The estimated cost of outstanding claims is held in the Insurance provision as at 31st March 2014; an actuarial forecast of future valid claims made against 2013/14 and before is held in the Insurance Reserve.

F. NOTES TO THE CORE FINANCIAL STATEMENTS

b) Business Rates Appeals Provision

Following the localisation of the Business Rates Retention Scheme, NBC is now liable for the impact of its share of the effects of any appeals against business rates ratings assessments decided by the Valuation Office Agency (VOA), including the effects of any backdating. The provision at 31st March 2014 is therefore based on the number of appeals that have been made to the VOA at the balance sheet date, split between long-term and short-term, depending on when the appeals are expected to be settled. Recognition has been made in the Contingent Liabilities note (note 46) for the risk of appeals being made in the future.

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

c) Other

The balance of £5k on Long Term Provisions represents a small provision in respect of the Rent Assistance and Rent Guarantee Schemes.

The balance of £104k on Short Term Provisions represents a provision for payments for leave time owed to staff at 31st March; there is unlikely to be a claim for this so this is represented as a provision rather than a charge to the accounts.

25. USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and note 7 and further detail about earmarked reserves is shown in Note 8.

26. UNUSABLE RESERVES

a) Balances

31 March 2013 £000s	Unusable Reserves	31 March 2014 £000s
-50,714	Revaluation Reserve	-60,056
41	Financial Instruments Adjustment Account	943
0	Available for Sale Financial Instruments Reserve	0
-241,373	Capital Adjustment Account	-251,877
-214	Deferred Capital Receipts Reserve	-155
127,421	Pensions Reserve	135,817
-33	Collection Fund Adjustment Account	3,137
159	Short Term Compensated Absences Account	104
-164,713	Total	-172,087

F. NOTES TO THE CORE FINANCIAL STATEMENTS

b) Revaluation Reserve

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

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

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

2012/13			Revaluation Reserve	2013/14		
General Fund £000s	Housing Revenue Account £000s	TOTAL £000s		General Fund £000s	Housing Revenue Account £000s	TOTAL £000s
-45,071	-4,407	-49,478	Balance at 1 April	-44,675	-6,039	-50,714
-5,401	-2,243	-7,644	Upward Revaluation of assets	-11,211	-574	-11,785
5,563	226	5,789	Downward Revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	1,177	79	1,256
162	-2,017	-1,855	Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	-10,034	-495	-10,529
213	276	489	Difference between fair value depreciation and historical cost depreciation	407	168	575
21	109	130	Accumulated gains on assets sold or scrapped	389	223	612
234	385	619	Amounts written off to the Capital Adjustment Account	796	391	1,187
-44,675	-6,039	-50,714	Balance at 31 March	-53,913	-6,143	-60,056

F. NOTES TO THE CORE FINANCIAL STATEMENTS

c) Financial Instruments Adjustment Account

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

2012/13 £000s	Financial Instruments Adjustments Account	2013/14 £000s
343	Balance as at 1 April	41
-302	Transitional Arrangements - Unattached Premia	-41
0	Soft Loans - Statutory Fair Value Adjustments	943
41	Balance as at 31 March	943

d) Available for Sale Financial Instruments Reserve

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

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

The Council currently holds no equity investments, other quoted investments, or other financial assets classified as available for sale.

e) Capital Adjustment Account

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

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

F. NOTES TO THE CORE FINANCIAL STATEMENTS

2012/13			Capital Adjustment Account	2013/14		
General Fund £000s	HRA £000s	Total £000s		General Fund £000s	HRA £000s	Total £000s
-65,072	-188,085	-253,157	-61,289	-180,089	-241,378	
			Balance at 1 April			
			Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:			
2,446	7,814	10,260	2,475	8,477	10,952	
			Charges for depreciation and impairment of non current assets			
8,033	24,918	32,951	2,309	18,701	21,010	
			Revaluation losses on Property, Plant and Equipment			
-2,836	-276	-3,112	-1,437	-14,829	-16,266	
			Revaluation gains on Property, Plant and Equipment			
821	0	821	329	0	329	
			Amortisation of intangible assets			
2,759	0	2,759	2,841	0	2,841	
			Revenue expenditure funded from capital under statute			
1,326	3,371	4,697	3,068	3,868	6,936	
			Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement			
12,549	35,827	48,376	9,585	16,217	25,802	
			Total			
-234	-385	-619	-796	-390	-1,186	
			Adjusting amounts written out of the Revaluation Reserve			
12,315	35,442	47,757	8,789	15,827	24,616	
			Net written out amount of the cost of the Revaluation Reserve			
			Capital financing applied in the year:			
-1,734	-600	-2,334	-2,319	-3,748	-6,067	
			Use of the Capital Receipts Reserve to Finance new capital expenditure			
0	-9,901	-9,901	0	-4,286	-4,286	
			Use of the Major Repairs Reserve to finance new capital expenditure			
-5,571	-16,945	-22,516	-4,992	-17,020	-22,012	
			Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital expenditure			
-69	0	-69	-1,404	0	-1,404	
			- Application of grants to capital financing from the Capital Grants Unapplied Account			
-903	0	-903	-1,065	0	-1,065	
			Statutory provision for the financing of capital investment charged against the General Fund and HRA balances			
-301	0	-301	-132	0	-132	
			Capital expenditure charged against the General Fund and HRA balances			
-8,578	-27,446	-36,024	-9,912	-25,054	-34,966	
			Total			
46	0	46	-157	9	-148	
			Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement			
0	0	0	0	0	0	
			Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement			
-61,289	-180,089	-241,378	-62,569	-189,307	-251,876	
			Balance at 31 March			

F. NOTES TO THE CORE FINANCIAL STATEMENTS

f) Deferred Capital Receipts Reserve

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

2012/13 £000s	Deferred Capital Receipts Reserve	2013/14 £000s
-270	Balance as at 1 April	-213
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0
57	Transfer to the Capital Receipts Reserve upon receipt of cash	59
-213	Balance as at 31 March	-154

g) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pay any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2012/13 £000s	Pensions Reserve	2013/14 £000s
115,030	Balance as at 1 April	127,421
12,029	Actuarial gains or losses on pension assets and liabilities	10,301
8,302	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of services in the Comprehensive Income and Expenditure Statement	6,083
-7,939	Employer's pensions contributions and direct payments to pensioners payable in the year	-7,981
-1	Pension contribution adjustment	-7
127,421	Balance as at 31 March	135,817

F. NOTES TO THE CORE FINANCIAL STATEMENTS

h) Collection Fund Adjustment Account

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

2012/13 £000s	Collection Fund Adjustment Account	2013/14 £000s
0	Balance as at 1 April	-33
-33	Amounts by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	-243
	Amounts by which NNDR income credited to the Comprehensive Income and Expenditure Statement is different from NNDR income calculated for the year in accordance with statutory requirements	3,413
-33	Balance as at 31 March	3,137

i) Unequal Pay Back Pay Account

The Unequal Pay Back Pay Account compensates for the differences between the rate at which the Authority provides for the potential costs of back pay settlements in relation to Equal Pay cases and the ability under statutory provisions to defer the impact on the General Fund Balance until such time as cash might be paid out to claimants. The information available at this time is that any further settlements of Unequal Pay back pay are unlikely to be made.

j) Short Term Compensated Absences Account

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

2012/13 £000s	Short Term Compensated Absences Account	2013/14 £000s
204	Balance as at 1 April	159
-45	Movements in year	-55
159	Balance as at 31 March	104

F. NOTES TO THE CORE FINANCIAL STATEMENTS

27. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2012/13 £000s	Cash Flows from Operating Activities	2013/14 £000s
(792)	Net Surplus or (Deficit) on the Provision of Services	25,429
	<u>Adjust net surplus or deficit on the provision of services for non cash movements</u>	
10,263	Depreciation	10,952
29,840	Impairment and downward valuations	4,744
821	Amortisation	329
	Adjustments for effective interest rates - soft loans	943
0	Adjustments for effective interest rates - other	59
673	Increase/Decrease in Creditors	1,999
(159)	Increase/Decrease in Interest and Dividend Debtors	118
(8,036)	Increase/Decrease in Debtors	3,702
353	Increase/Decrease in Inventories	(97)
362	Pension Liability	(1,905)
87	Contributions to/(from) Provisions	1,141
4,697	Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets]	6,936
46	Movement in Investment Property Values	(148)
38,155	Adjusted net surplus or deficit on the provision of services for non cash movements	54,202
	<u>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</u>	
(24,429)	Capital Grants credited to surplus or deficit on the provision of services	(17,945)
(4,231)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(5,965)
(28,660)	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	(23,910)
9,495	Net Cash Flows from Operating Activities	30,292

F. NOTES TO THE CORE FINANCIAL STATEMENTS

28. CASH FLOW STATEMENT - OPERATING ACTIVITIES (INTEREST)

2012/13 £000s	Operating Activities (Interest)	2013/14 £000s
675	Interest Received	1,734
(7,659)	Interest Paid	(7,687)
(6,984)	Total	(5,953)

29. CASH FLOW STATEMENT - INVESTING ACTIVITIES

2012/13 £000s	Cash Flows from Investing Activities	2013/14 £000s
(34,516)	Purchase of Property, Plant and Equipment, investment property and intangible assets	(33,827)
(31,500)	Purchase of short and long term investments	(2,000)
0	Long term loans granted	(10,000)
2,653	Proceeds from the sale of property plant and equipment, investment property and intangible assets	6,024
17,000	Proceeds from short-term and long-term investments	0
27,747	Other Receipts from Investing Activities	22,380
(18,616)	Total Cash Flows from Investing Activities	(17,423)

F. NOTES TO THE CORE FINANCIAL STATEMENTS

30. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2012/13 £000s	Cash Flows from Financing Activities	2013/14 £000s
70	Cash receipts of short and long term borrowing	10,095
5,927	Billing Authorities - Council Tax and NNDR adjustments	(2,645)
(139)	Repayment of Short-Term and Long-Term Borrowing	(115)
(139)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(190)
0	Other items in relation to financing activities	243
5,719	Total Cash Flows from Financing Activities	7,388

F. NOTES TO THE CORE FINANCIAL STATEMENTS

31. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *CIPFA Service Reporting Code of Practice (SERCOP)*. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across Directorates and Departments. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement);
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year;
- expenditure on support services is budgeted for within the relevant department and not charged to other departments and directorates.

The income and expenditure of the Authority's directorates recorded in the budget reports for the year is as follows:

F. NOTES TO THE CORE FINANCIAL STATEMENTS

a) Income and expenditure of the Authority's Directorates Recorded in the Budget Reports For the Year 2013/14:

2013/14	Customers & Communities £000s	Regeneration, Enterprise, and Planning £000s	Borough Secretary £000s	Housing General Fund £000s	General Fund Total £000s	HRA £000s	Total £000s
Fees, Charges, & Other Service Income	-9,572	-4,748	-3,906	-2,112	-20,338	-53,244	-73,582
Government Grants	0	-35	-75,890	0	-75,925	0	-75,925
Total Income	-9,572	-4,783	-79,796	-2,112	-96,263	-53,244	-149,507
Employee Expenses	6,007	3,691	7,764	2,551	20,013	11,316	31,329
Other Service Expenses	16,911	3,797	85,381	1,160	107,249	12,939	120,188
Support Services Recharges	0	0	0	0	0	0	0
Total Expenditure	22,918	7,488	93,145	3,711	127,262	24,255	151,517
Total	13,346	2,705	13,349	1,599	30,999	-28,989	2,010

NOTE: The Resources Directorate was closed in 2013/14 when the majority of services were transferred into the LGSS partnership. The LGSS contract and residual services now come under the Borough Secretary.

F. NOTES TO THE CORE FINANCIAL STATEMENTS

Income and expenditure of the Authority's Directorates Recorded in the Budget Reports for the Year 2012/13:

2012/13	Customers & Communities	Resources	Regeneration, Enterprise, and Planning	Borough Secretary	Housing General Fund	General Fund Total	HRA	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Fees, Charges, & Other Service Income	-10,879	-2,570	-4,118	-689	-2,547	-20,803	-51,325	-72,128
Government Grants	-65	-89,284	0	0	-297	-89,646	0	-89,646
Total Income	-10,944	-91,854	-4,118	-689	-2,844	-110,449	-51,325	-161,774
Employee Expenses	6,864	11,330	3,548	1,763	2,569	26,074	10,581	36,655
Other Service Expenses	19,280	90,877	3,378	885	1,345	115,765	10,936	126,701
Support Services Recharges	0	0	0	0	0	0	0	0
Total Expenditure	26,144	102,207	6,926	2,648	3,914	141,839	21,517	163,356
Total	15,200	10,353	2,808	1,959	1,070	31,390	-29,808	1,582

F. NOTES TO THE CORE FINANCIAL STATEMENTS

b) Reconciliation of Income and Expenditure Reported in Budget Reports to Cost of Services in the Comprehensive Income and Expenditure Statement:

	2012/13 £000s	2013/14 £000s
Net expenditure in the Directorate Analysis	1,582	2,009
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	38,951	11,112
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	-294	211
Cost of Services in Comprehensive Income and Expenditure Statement	40,239	13,332

F. NOTES TO THE CORE FINANCIAL STATEMENTS

c) Reconciliation to Subjective Analysis 2013/14:

Reconciliation to Subjective Analysis	2013/14							
	Customers & Communities	Regeneration, Enterprise, and Planning	Borough Secretary	Housing General Fund	HRA	Debt Financing	Other (Below the line)	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Fees, charges and other service income	-9,572	-4,964	-79,471	-2,694	-67,357	0	-3,505	-167,563
Interest and investment income	0	0	0	0	-319	-405	0	-724
Income from council tax	0	0	0	0	0	0	-13,380	-13,380
Government grants and contributions	0	0	0	0	-17,020	0	-20,056	-37,076
Employee expenses	6,529	4,042	887	2,746	9,322	0	0	23,526
Other service expenses	17,081	3,817	85,752	1,178	27,471	0	0	135,299
Support service recharges	-2,379	409	-5,453	3,298	6,041	0	0	1,916
Depreciation, amortisation and impairment	2,626	697	141	54	12,920	0	0	16,438
Interest payments	0	0	0	0	6,351	1,443	0	7,794
Pensions interest cost and expected return on pensions assets	0	0	0	0	1,481	0	4,036	5,517
Precepts and levies	0	0	0	0	0	0	993	993
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	869	869
Gain or loss on disposal of non-current assets	683	191	101	391	-398	0	0	968
Surplus or deficit on the provision of services	14,968	4,192	1,957	4,973	-21,508	1,038	-31,043	-25,423

NOTE: The Resources Directorate was closed in 2013/14 when the majority of services were transferred into the LGSS partnership. The LGSS contract and residual services now come under the Borough Secretary

F. NOTES TO THE CORE FINANCIAL STATEMENTS

Reconciliation to Subjective Analysis 2012/13:

Reconciliation to Subjective Analysis	2012/13								
	Customers & Communities	Resources	Regeneration, Enterprise, and Planning	Borough Secretary	Housing General Fund	HRA	Debt Financing	Other (Below the line)	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Fees, charges and other service income	-10,879	-2,279	-4,376	-689	-3,749	-51,325	0	-6,160	-79,457
Interest and investment income	0	0	0	0	0	6,353	-532	0	5,821
Income from council tax	0	0	0	0	0	0	0	-15,092	-15,092
Government grants and contributions	-65	-89,284	0	0	-297	-16,945	0	-14,982	-121,573
Employee expenses	7,158	7,304	3,727	1,827	2,678	9,551	0	0	32,245
Other service expenses	19,304	90,894	3,476	889	1,371	10,935	0	0	126,869
Support service recharges	-2,144	-3,244	33	-312	3,253	5,012	0	0	2,598
Depreciation, amortisation and impairment	6,433	631	1,103	19	324	33,254	0	0	41,764
Interest payments	0	0	0	0	0	-304	1,308	0	1,004
Pensions interest cost and expected return on pensions assets	0	0	0	0	0	1,118	0	3,320	4,438
Precepts and levies	0	0	0	0	0	0	0	956	956
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	0	755	755
Gain or loss on disposal of non-current assets	-264	12	-41	0	-17	774	0	0	464
Surplus or deficit on the provision of services	19,543	4,034	3,922	1,734	3,563	-1,577	776	-31,203	792

F. NOTES TO THE CORE FINANCIAL STATEMENTS

32. TRADING ACCOUNTS

The Authority has established a trading unit where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the Authority or other organisations. Details of the unit are as follows:

2012/13 Net £000s	Trading Accounts	2013/14 Income £000s	2013/14 Exp. £000s	2013/14 Net £000s
269	Property Management	-1,902	1,677	-225
269	Total Surplus\Deficit	-1,902	1,677	-225

Property Management - Relates to the property costs of Industrial Units, Investment Property and Other Properties that the Council rents out.

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. Some are an integral part of one of the Authority's services to the public (e.g. markets), whilst others may be support services to the Authority's services to the public. The expenditure of these operations is allocated or recharged to headings in the Net Operating Expenditure of Continuing Operations. Only a residual amount of the net surplus on trading operations is charged as Financing and Investment Income and Expenditure:

2012/13 Net £000s	Trading Undertakings	2013/14 Income £000s	2013/14 Exp. £000s	2013/14 Net £000s
168	Markets	-344	847	503
168	Total Surplus\Deficit	-344	847	503

Markets - This service maintains and manages the Northampton market square.

F. NOTES TO THE CORE FINANCIAL STATEMENTS

33. AGENCY SERVICES

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

2012/13 £000s	Agency Income and Expenditure	2013/14 £000s
262	Administration costs and ancillary services	264
-187	Income including transfer fees from NCC	-187
75	Net surplus / deficit arising on the agency agreement	77

34. POOLED BUDGETS

The Council has entered into a pooled budget arrangement with its partners, led by Northamptonshire County Council, to work together to increase the joint working they undertake to improve the well-being of children and young people in their area and to better deliver the "Every Child Matters" agenda. In 2013/14 the Borough's contribution to the pooled budget was £11k (£11k in 2012/13).

The contributions were agreed to be in the following proportions for 2013/14:

Northamptonshire County Council	56%
Nene & Corby CCG	31%
Districts/Borough Councils in Northants (in total)	11%
Police and Crime Commissioner	2%

The contributions are subject to change as per the agreement.

2012/3 £000s	Pooled Budgets	2013/14 £000s
-244	Balance B/f	-291
	Funding Provided to the Pool	
-11	Northampton BC	-11
-537	Other Partners	-829
-548	Total	-840
501	Expenditure met from the Pool	414
-291	Balance c/f	-717

F. NOTES TO THE CORE FINANCIAL STATEMENTS

35. MEMBERS' ALLOWANCES

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

2012/13 £000s	Members' Allowances	2013/14 £000s
	Expenditure	
27	Mayor/Deputy Mayor Allowance	27
400	Members' Allowances	446
1	Expenses	1
428	Total	474

36. OFFICERS' REMUNERATION

a) Senior Officers

Position	Position Group	Year	Note	Salary (inc Fees & Allowances)	Compensation for loss of Office	Benefits in Kind (Car Allowance)	Total Remuneration excl Pension Contributions	Pension Contributions	Total Remuneration inc Pension Contributions
				£000	£000	£000	£000	£000	£000
Chief Executive	Chief	2013/14		138	0	0	138	18	157
		2012/13		138	0	1	139	18	158
Borough Secretary	Monitoring Officer	2013/14		79	0	0	79	11	90
		2012/13		78	0	1	79	10	89
Director of Customers & Communities	Director	2013/14		111	0	0	111	15	126
		2012/13		111	0	1	112	15	127
Director of Resources	Director	2013/14	1	84	69	0	153	4	156
		2012/13		108	0	1	109	14	123
Director of Housing	Director	2013/14	2	99	19	0	118	6	124
		2012/13		108	0	1	109	14	123
Director of Regeneration, Enterprise & Planning	Director	2013/14		105	0	0	105	14	119
		2012/13	8	51	0	0	51	7	58
Head of Customer & Cultural Services	Head of Service	2013/14		71	0	0	72	9	81
		2012/13		69	0	1	71	9	80
Head of Strategic Housing	Head of Service	2013/14	3	74	29	0	103	7	110
		2012/13		83	0	0	83	11	94
Head of Business Change	Head of Service	2013/14	4	35	54	0	89	2	91
		2012/13		85	0	1	86	11	98
Head of West N'ptonshire Joint Planning Unit	Head of Service	2013/14		69	0	0	69	9	79
		2012/13		67	0	1	68	9	77
Head of Planning	Head of Service	2013/14		85	0	0	85	11	97
		2012/13		85	0	1	86	11	97
Head of Communities & Environment	Head of Service	2013/14		66	0	0	66	9	75
		2012/13		60	0	1	61	8	69
Head of Regeneration & Development	Head of Service	2013/14	5	24	38	0	61	1	62
		2012/13		71	0	1	72	9	82
Head of Finance & Resources	Head of Service	2013/14	6	11	0	0	11	1	12
		2012/13		65	0	1	67	9	75
Totals for the year:		2013/14	7	1,053	209	1	1,262	117	1,379
		2012/13		1,181	0	12	1,194	157	1,350

F. NOTES TO THE CORE FINANCIAL STATEMENTS

Notes: 2013/14

1. The Director of Resources left 30 June 2013. The post was deleted as a result of NBC entering a partnership arrangement with LGSS for various services. NBC's Chief Finance Officer role is now provided by LGSS.

60% of the compensation for loss of office payment was funded by LGSS.

2. The Director of Housing left 31 August 2013. The post was deleted.

3. The Head of Strategic Housing left 22 November 2013 and the post was deleted.

4. The Head of Business Change left 31 May 2013. The post was deleted as a result of NBC entering a partnership arrangement with LGSS for various services.

60% of the compensation for loss of office payment was funded by LGSS.

5. The Head of Regeneration and Development left on 30 April 2013 and the post was deleted.

6. Head of Finance & Resources. This post transferred to LGSS from 1 June 2013.

7. There are currently three posts that are not showing in the above figures as they are being covered by Interims as follows:

- Vacant Head of Landlord Services post

- Two new posts that were created during 2013/14. The Head of Major Projects & Enterprise and Head of Housing and Well Being

Notes: 2012/13

8. Director of Regeneration, Enterprise & Planning started 1 October 2012 - Annualised Salary £102k

b) Officers paid over £50,000

The Council is required, under the Accounts and Audit Regulations 2011 to disclose the number of employees whose remuneration was £50,000 or more (excluding employer's pension contributions). This is shown in bands of £5,000 in the table below.

Note: Senior Officers earning in excess of £50k have been excluded from this note as they are disclosed within Note 36a (Senior Officers).

2012/13 Re-stated* No. of Employees	Remuneration Band	2013/14 No. of Employees
6	£50,000 - £54,999	3
1	£55,000 - £59,999	3
3	£60,000 - £64,999	1

*The 2012/13 figures have been re-stated from a total number of employees of 25 reported in the 2012/13 accounts, to exclude Senior Officers that were previously included in this note in addition to Note 36a (Senior Officers).

F. NOTES TO THE CORE FINANCIAL STATEMENTS

c) Exit Packages

Exit Package cost band (including special payments)	Number of compulsory redundancies		Number of other agreed departures		Total Number of exit packages by cost band		Total cost of exit packages in each band (£000)	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
£0 - £20,000	8	15	4	19	12	34	82	325
£20,001 - £40,000	2	2	1	7	3	9	88	251
£40,001 - £60,000	0	3	1	3	1	6	53	324
£60,001 - £80,000	0	0	0	1	0	1	0	73
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	1	0	0	0	1	0	122
Total	10	21	6	30	16	51	224	1,095

The total costs for 12/13 and 13/14 of £1,486k in the table above includes £1,262k for exit packages that have been agreed, accrued for and charged to the authority's Comprehensive Income and Expenditure Statement in the current year and £224k for 2012/13.

Two exit packages included in the total of £1,262k in 13/14 were 60% funded by LGSS, see Note 36a for more information.

37. EXTERNAL AUDIT COSTS

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

2012/13 £000s	External Audit Costs	2013/14 £000s
97	Fees payable with regard to external audit services carried out by the appointed auditor (Section 5 Audit Commission Act 1998)	107
46	Fees payable for the certification of Grant Claims and Returns (Section 28 Audit Commission Act 1998)	18
1	Fees payable in respect of other services provided by the appointed auditor	1
144	Total	126

The Council's appointed auditor for the 2013/14 and 2012/13 Statement of Accounts audits was KPMG LLP.

F. NOTES TO THE CORE FINANCIAL STATEMENTS

38. GRANT INCOME

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

2012/13 £000s	Grant Income	2013/14 £000s
	Credited to Taxation and Non-Specific Grant Income	
-209	Revenue Support Grant	-8,971
-13,042	NNDR from Pool	-6,009
-352	Council tax freeze grant	-163
-1,259	New Homes Bonus	-2,042
0	Small Business Rate Relief	-693
-5,000	WNDC - Bus Interchange	-2,000
0	WNDC - Transferred Assets	-1,500
-16,945	Decent Homes Grant	-17,000
-125	St Crispins S106	-148
-506	South Meadow Road S106	0
-206	Former Rylands School s106	0
0	Princess Marina S106	-1,201
0	Cherry Orchard S106	-227
-400	Other Grants Individually Less Than £100,000	-627
-38,044	Total	-40,581
	Credited to Services	
0	West Northants Development Corporation	-145
-156	Additional Housing Admin. Grant	-341
-14,990	Council Tax Benefit Subsidy	0
-187	Northampton County Council Contribution for Grounds Maintenance	-187
-1,578	Housing Benefit Admin. Grant	-1,477
-30,275	HRA Rent Rebates Grant	-31,375
-386	Non HRA Rent Rebates	-439
-1,584	Northamptonshire County Council Recycling Credits	-1,766
-41,127	Rent Allowance Grant	-41,840
-92	Section 106 Contributions	-386
-187	Home choice funding	-126
-598	Joint Planning Unit Contribution	-577
-126	Supporting People	0
-195	HPDG Planning	-141
-1,364	Total of Other Grants not included in the above	-1,391
-92,845	Total	-80,191

F. NOTES TO THE CORE FINANCIAL STATEMENTS

The Authority has received a number of grants, contributions, and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

Current Liabilities

2012/13 £000s	Grant Income Unapplied - Current Liabilities	2013/14 £000s
	Capital Grants Receipts in Advance	
861	S106 - St Crispins Hospital Site	861
149	English Heritage Grant	65
262	Other Grants/Contributions Individually Less Than £100,000	124
1,272	Total	1,050
	Revenue Grants Receipts in Advance:	
4	Grants/Contributions Individually Less Than £100,000	44
4	Total	44
1,276	Grand Total	1,094

F. NOTES TO THE CORE FINANCIAL STATEMENTS

Long-Term Liabilities

2012/13 £000s	Grant Income Unapplied - Long-Term Liabilities	2013/14 £000s
	Capital Grants Receipts in Advance:	
308	S106 - St Crispins Hospital Site	304
873	S106 - SW Country Park - Swan Valley	873
442	S106 - Land at Upton SWD Ph1 re Country Park	442
113	S106 - Southern Development Link road	125
548	S106 - Sainsburys Sixfields	421
236	S106 - Land at Booth Rise	307
115	S106 - British Timken	115
307	S106 - Banbury Lane	1,900
0	S106 - Brackmills Point	278
0	S106 - Wellingborough Rd	395
0	Department of Communities and Local Government	1,400
0	West Northamptonshire Development Corporation	1,100
608	Other Grants/Contributions Individually Less Than £100,000	506
3,550	Total	8,166
	Revenue Grants Receipts in Advance:	
1,489	S106 - St Crispins Hospital Site	1,361
155	S106 - Pineham	155
84	Other Grants/Contributions Individually Less Than £100,000	216
1,728	Total	1,732
5,278	Grand Total	9,898

F. NOTES TO THE CORE FINANCIAL STATEMENTS

39. RELATED PARTIES

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

Central Government

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates and provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Grants received from government departments are set in Note 31 Amounts Reported for Resource Allocation Decisions. Any amounts outstanding are reported in Note 38 Grant Income.

Members of the Council

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2013/14 is shown in Note 35.

During 2013/14 expenditure to the value of £2.189m (Re-stated 2012/13 £3.338m) was paid/granted to parties where members had an interest or where they serve as a nominated representative on the outside body. Income to the value of £3.554m (Re-stated 2012/13 £2.515m) was receivable from these parties. Parties with transactions over £500,000 are shown below:

2012/13 £000s	Related Parties - Expenditure	2013/14 £000s
1,108	Northampton Leisure Trust	678
540	Northampton Theatres Trust	301
721	West Northamptonshire Development Corporation	229

2012/13 £000s	Related Parties - Income	2013/14 £000s
-260	Northampton Leisure Trust	-244
-102	Northampton Theatres Trust	-75
-2,000	West Northamptonshire Development Corporation	-3,100

F. NOTES TO THE CORE FINANCIAL STATEMENTS

At 31st March 2014, the outstanding balances with these parties were debtors of £127,245 (Re-stated 2012/13 £311,988); and creditors of £149,741 (Re-stated 2012/13 £367,698).

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

A number of the Members of Northampton Borough Council are also members of Northamptonshire County Council. Material transactions with Northamptonshire County Council have been disclosed elsewhere in the accounts, see Notes 34, 38, and 45.

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

One Member is also on the South East Midlands Local Enterprise Partnership (SEMLEP) Board. SEMLEP is the economic development partnership for the South East Midlands, a company operated jointly by the public and private sectors. SEMLEP is the lead body for the Enterprise Zone, administered by NBC. No material transactions occurred in 2013/14 (none in 2012/13).

Senior Officers of the Council

During 2013/14 the only disclosures made by Senior Officers were in relation to roles at other Local Authority bodies, namely:

- 1) Northamptonshire County Council (see above within Members disclosures for reference of material transactions disclosed with NCC elsewhere in the accounts)
- 2) East Northamptonshire District Council (see 'Other Public Bodies' below) (none disclosed in 2012/13).

Other Public Bodies

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

The Chief Financial Officer (Section 151 Officer) for NBC is also contracted from LGSS, who is shared on a part-time basis with East Northamptonshire District Council. He is employed by Northamptonshire County Council.

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

F. NOTES TO THE CORE FINANCIAL STATEMENTS

40. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

2012/13 £000s	Capital Expenditure and Financing	2013/14 £000s
215,440	Opening Capital Financing Requirement	216,615
	Capital Investment	
34,320	Property, Plant & Equipment	35,286
1	Heritage Assets	234
0	Investment Properties	0
195	Intangible Assets	533
2,759	Revenue Expenditure Funded from Capital under Statute	2,841
0	Loans to third parties	10,000
37,275	Total	48,894
	Sources of Finance	
-2,334	Capital Receipts	-6,067
0	Sums Set aside from Capital Receipts	0
-32,486	Government Grants and Other Contributions	-26,203
-903	Sums Set aside from Revenue	-1,065
-301	Direct Revenue Contributions	-132
-76	Adjustment	0
-36,100	Total	-33,467
216,615	Closing Capital Financing Requirement	232,042

F. NOTES TO THE CORE FINANCIAL STATEMENTS

2012/13 £000s	Capital Financing Requirement	2013/14 £000s
215,440	Opening Capital Financing Requirement	216,615
1,175	Increase in underlying need to borrow (unsupported by government financial assistance)	15,018
0	Assets acquired under finance lease	409
1,175	Increase/(decrease) in Capital Financing Requirement	15,427
216,615	Closing Capital Financing Requirement	232,042

41. LEASES

Authority as Lessee

Finance Leases

- a) The Council has a number of assets that are required to be treated as finance leases under IFRS accounting rules. These include recycling equipment, IT assets, and a specialist vehicle. The assets acquired under these leases are carried in the Balance Sheet at the following net amounts:

31 March 2013 £000s	Local Authority as Lessee - Finance Leases	31 March 2014 £000s
304	Vehicles, Plant, Furniture and Equipment	250
3	Intangible Fixed Assets	400
307	Total	650

F. NOTES TO THE CORE FINANCIAL STATEMENTS

- b) The Authority is committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The present value of the leases and the future minimum lease payments at the balance sheet date are as follows:

31 March 2013 £000s	Local Authority as Lessee - Finance Leases	31 March 2014 £000s
464	Future minimum lease payments	
	Vehicles, Plant, Furniture and Equipment	320
4	Intangible Fixed Assets	390
468	Future minimum lease payments	710
	Net present value of minimum lease payments	
129	Current	140
289	Non-current	496
418	Present value of minimum lease payments	636
50	Finance costs payable in future years	74

- c) The present value of the leases and the minimum lease payments at the balance sheet date split over the over future periods are as follows:

31 March 2013		Local Authority as Lessee - Finance Leases	31 March 2014	
Present Value of Leases £000s	Minimum Lease Payments £000s		Present Value of Leases £000s	Minimum Lease Payments £000s
129	148	Not later than one year	140	170
276	307	Later than one year and not later than five years	496	540
13	13	Later than 5 years	0	0
418	468	Total	636	710

F. NOTES TO THE CORE FINANCIAL STATEMENTS

- d) The Council had a sub lease arrangement for a finance lease for wheeled bins. This came to maturity during 2013-14. The total of future minimum sub lease payments expected to be received under this non-cancellable sub lease at the balance sheet date is as follows:

31 March 2013 £000s	Local Authority as Lessee - Finance Leases - Sub Leases	31 March 2014 £000s
51	Total future minimum lease payments Vehicles, Plant, Furniture and Equipment	0

Operating Leases

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

31 March 2013 £000s	Local Authority as Lessee - Operating Leases	31 March 2014 £000s
295	Not later than one year	433
786	Later than one year and not later than five years	830
4	Later than 5 years	0
1,085	Minimum lease payments	1,263
-289	Future minimum sub-lease payments receivable	-163

- f) Charges to revenue

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

2012/13 £000s	Local Authority as Lessee - Operating Leases	2013/14 £000s
	Minimum lease payments	
184	Contract Hire	98
162	Other	133
-112	Sublease payments receivable	-106
234	Total	125

F. NOTES TO THE CORE FINANCIAL STATEMENTS

Authority as Lessor

Finance Leases

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

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

31 March 2013 £000s	Leases - Authority as Lessor - Finance Leases	31 March 2014 £000s
	Gross investment in leases	
210	Other Land and Buildings	193
	Net present value of minimum lease payments	
7	Current	7
123	Non-current	116
130	Present value of minimum lease payments receivable	123
80	Unearned finance income	70

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

31 March 2013		Leases - Authority as Lessor - Finance Leases	31 March 2014	
Gross investment in leases £000	Minimum Lease payments receivable £000		Gross investment in leases £000	Minimum Lease payments receivable £000
17	7	Not later than one year	17	7
69	33	Later than one year and not later than five years	69	35
124	91	Later than five years	107	81
210	131	Minimum lease payments receivable	193	123

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

F. NOTES TO THE CORE FINANCIAL STATEMENTS

Operating Leases

i) Periods

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

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

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

31 March 2013 £000s	Local Authority as Lessor - Operating Leases - Minimum Lease Payments	31 March 2014 £000s
1,966	Not later than one year	1,934
5,283	Later than one year and not later than five years	5,480
53,704	Later than 5 years	53,333
60,953	Total	60,747

The minimum lease payments receivable do not include rents that are contingent on future events, such as adjustments following rent reviews. In 2013-14 £2k contingent rents were receivable by the Authority (2012-13 £9k).

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

42. IMPAIRMENT LOSSES

During 2013/14 impairment losses of £297k were incurred due to the demolition of buildings, predominantly to make way for the new bus station. Advertising hoardings ceased to be useable due to redevelopment of land, resulting in impairments totalling £120k. A building damaged by fire in 2011/12 was reinstated and its value increased accordingly.

43. CAPITALISATION OF BORROWING COSTS

The Council has no capitalised borrowing costs. All borrowing costs are recognised as an expense in the accounts as they are incurred.

44. TERMINATION BENEFITS

The Authority terminated the contracts of a number of employees in 2013/14, incurring liabilities of £1,262,035 (£261,218 in 2012/13). Of this, £431,462 relates to pension strain, and £830,573 relates to lump sum payments. The majority of these benefits were incurred as a result of restructures that occurred during the year.

F. NOTES TO THE CORE FINANCIAL STATEMENTS

45. DEFINED BENEFIT PENSION SCHEMES

NOTE: The presentation of this note has changed as per the 2013/14 CIPFA Code of Practice, therefore the 2012/13 comparators have been re-stated in line with the new presentational requirements. As disclosed in Note 1, this has no impact on the total values recognised in the Comprehensive Income and Expenditure Statement or the Balance Sheet.

Participation in Pension Schemes:

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

The Authority participates in one post-employment scheme:

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

Transactions Relating to Post-employment Benefits:

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

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

F. NOTES TO THE CORE FINANCIAL STATEMENTS

Local Government Pension Scheme 2012/13 Re-stated £000	Comprehensive Income and Expenditure Statement	Local Government Pension Scheme 2013/14 £000
	COST OF SERVICE:	
	Service cost comprising:	
3,759	Current service cost	3,416
105	Past service cost (including curtailments)	345
0	Gain from settlements	-3,195
-1	Pension contribution adjustment	-7
	Financing and Investment Income and Expenditure	
5,426	Net interest expense	5,517
9,289	Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	6,076
	OTHER POST-EMPLOYMENT BENEFITS CHARGED TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT:	
	Remeasurement of the net defined benefit liability comprising:	
-13,621	Return on plan assets (excluding the amount included in the net interest expense)	-7,611
0	Actuarial gains and losses arising on changes in demographic assumptions	4,647
24,921	Actuarial gains and losses arising on changes in financial assumptions	10,610
-259	Other expenditure	2,655
20,330	Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement:	16,377
	MOVEMENT IN RESERVE STATEMENT:	
-20,330	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	-16,413
	Actual amount charged against the General Fund Balance for pensions in the year:	
7,939	Employers' contributions payable to scheme	7,981

F. NOTES TO THE CORE FINANCIAL STATEMENTS

Pension Assets and Liabilities Recognised in the Balance Sheet:

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements*		Total	
	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000
Present value of the defined benefit obligation	273,748	280,013	14,093	14,644	287,841	294,657
Fair value of plan assets	-160,419	-158,840	0	0	-160,419	-158,840
Net liability arising from defined benefit obligation	113,329	121,173	14,093	14,644	127,422	135,817

*Where provided by The Actuary, the split between LGPS and Discretionary Benefits Arrangements has been disclosed.

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements*		Total	
	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000
Opening fair value of scheme assets	142,153	160,419	0	0	142,153	160,419
Interest income	6,772	6,661	0	0	6,772	6,661
Remeasurement gain/(loss):					0	0
The return on plan assets, excluding the amount included in the net interest expense	13,621	7,611	0	0	13,621	7,611
Contributions from employer	7,071	7,082	869	906	7,940	7,988
Contribution from employees into the Scheme	1,266	964	0	0	1,266	964
					0	0
Benefits Paid:	-10,464	-10,520	-869	-906	-11,333	-11,426
Assets Distributed in Settlements	0	-13,377	0	0	0	-13,377
Closing fair value of scheme assets	160,419	158,840	0	0	160,419	158,840

*Where provided by The Actuary, the split between LGPS and Discretionary Benefits Arrangements has been disclosed.

F. NOTES TO THE CORE FINANCIAL STATEMENTS

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements*		Total	
	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000
Opening balance at 1 April	257,184	287,841	0	0	257,184	287,841
Current service cost	3,759	3,416	0	0	3,759	3,416
Interest cost	12,198	12,178			12,198	12,178
Contribution from scheme participants	1,266	964	0	0	1,266	964
Remeasurement gain/(loss):					0	0
Actuarial gains/losses arising from changes in demographic assumptions	0	4,647	0	0	0	4,647
Actuarial gain/losses arising from changes in financial assumptions	24,921	10,610	0	0	24,921	10,610
Other expenditure	-259	2,655	0	0	-259	2,655
Past service cost	105	345	0	0	105	345
Losses/(gains) on curtailment:			0	0	0	0
Benefits Paid	-10,464	-10,520	-869	-906	-11,333	-11,426
Liabilities extinguished on settlements	0	-16,573	0	0	0	-16,573
Closing present value of scheme liabilities	288,710	295,563	-869	-906	287,841	294,657

*Where provided by The Actuary, the split between LGPS and Discretionary Benefits Arrangements has been disclosed.

F. NOTES TO THE CORE FINANCIAL STATEMENTS

Local Government Pension Scheme assets comprised:

Fair value of scheme assets ₁	Assets comprised of:	Fair value of scheme assets ₁
2012/13 £000		2013/14 £000
9,780	Cash and cash equivalents	3,513
	Equity instruments:	
	By industry type	
12,830	Consumer	12,320
8,379	Manufacturing	7,629
8,849	Energy and utilities	11,171
11,097	Financial institutions	10,504
7,185	Health and care	7,610
9,523	Information technology	10,515
4,034	Other	3,405
61,897	Total Equity	63,154
	Bonds:	
	By sector	
16,828	Corporate	15,834
4,475	Government	4,265
8,263	Other	8,604
29,566	Total Bonds	28,702
	Private Equity:	
187	Overseas	173
187	Total Private Equity	173
	Property:	
7,938	Retail	8,190
7,938	Total Property	8,190
	Investment Funds and Unit Trusts:	
49,621	Equities	54,201
1,435	Bonds	907
51,055	Total Investment Funds and Unit Trusts	55,108
	Derivatives	
-5	Other	0
-5	Total Derivatives	0
160,419	Total assets	158,840

₁ All scheme assets have quoted prices in active markets

F. NOTES TO THE CORE FINANCIAL STATEMENTS

Basis for Estimating Assets and Liabilities

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

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

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefits Arrangements*	
	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000
Long-term expected rate of return on assets in the scheme:				
Equity investments	6%	7%	-	-
Bonds	4%	4%	-	-
Property	5%	5%	-	-
Cash	4%	4%	-	-
Mortality Assumptions				
Longevity at 65 for Current Pensioners:				
Men	21.4	22.3		
Women	23.3	24.3		
Longevity at 65 for Future Pensioners:				
Men	23.4	24	-	-
Women	25.5	26.6	-	-
Other:				
Rate of Increase in Pensions	3%	3%	3%	3%
Rate of Increase in Salaries **	5.1%**	5%	-	-
Rate for Discounting Scheme Liabilities	5%	4%	5%	4%

*Where provided by The Actuary, the split between LGPS and Discretionary Benefits Arrangements has been disclosed.

** Salary Increases are assumed to be 1% p.a. until 31 March 2016 reverting to the long term assumption shown

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant.

F. NOTES TO THE CORE FINANCIAL STATEMENTS

The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated.

The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Change in assumptions at 31 March 2014:	Approximate increase to Employer Liability %	Approximate Monetary Amount £000
0.5% decrease in Real Discount Rate	8%	24,506
1 year increase in member life expectancy	3%	8,840
0.5% increase in the salary increase rate	2%	5,098
0.5% increase in the Pension Increase Rate	7%	19,247

Asset and Liability Matching (ALM) Strategy

The Pensions Committee of Northamptonshire County Council has agreed to an asset and liability matching strategy (ALM) that matches, to the extent possible, the types of asset invested to the liabilities in the defined benefit obligation.

The Fund has matched assets to the pensions' obligations by investing in long-term fixed interest securities and index linked gilt edged investment with maturities that match the benefits payments as they fall due. This is balanced with a need to maintain the liquidity of the fund to ensure that it is able to make current payments.

As is required by the pensions and (where relevant) investment regulations the suitability of various types of investment have been considered, as has the need to diversify investments to reduce the risk of being invested in too narrow a range.

A large proportion of the assets relate to equities (75% of scheme assets) and bonds (19%). These percentages are materially the same as the comparative year. The scheme also invests in properties as a part of the diversification of the scheme's investments

F. NOTES TO THE CORE FINANCIAL STATEMENTS

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Deficit recovery payments have been set with respect to the payroll at the 2013 valuation. For the year ending 31.3.2015, the rate will be 28.2% per annum; thereafter for the following two years it will step up by 2% per annum (of the 2013 payroll). The rate will be reassessed at the 2016 valuation.

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

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

NBC is anticipated to pay £7m expected contributions to the scheme in 2014/15.

46. CONTINGENT LIABILITIES

The Council is potentially liable for the following payments:

- A capital grant received from the East Midland Development Agency (EMDA) for site clearance of the Blueberry Diner. The grant was awarded on condition of scheme completion within a fixed time period and, due to that time period not having been complied with, up to the full amount of the grant of £2m may be clawed back by EMDA. The Council is making endeavours to secure a development partner for this site and is keeping EMDA fully updated of the progress. To date they have continued to be supportive.
- Under the 1987 [bond issue] Home Group raised finance to carry out development in a number of local authority areas. In so doing they entered into arrangements with local authorities for the purchase of land in return for nomination rights over 50% of the properties constructed. In addition the local authorities agreed to indemnify bond holders against a fixed percentage of indebtedness under the bonds incurred by Home Group. Home Group in turn gave a counter indemnity to the said local authorities in the same amount. Thus, for so long as Home Group remains solvent, there is no practical likelihood of a claim under the indemnity being made against a participant local authority. Home Group has a strong credit rating, the bond issue is underpinned by income from the properties constructed using the finance provided. The NBC proportion is 1.35% of £82.551m representing a value of £1.111m
- The Council has received Deposits under Section 106 agreements, which may be repayable if the conditions for each agreement are not met. No provision has been made in the Accounts for any interest that may become repayable under the terms of the individual agreements as repayment is not probable. In the event that every one of these deposits becomes repayable with interest, the Council's maximum liability for interest payable as at 31st March 2014 is estimated to be £607k

F. NOTES TO THE CORE FINANCIAL STATEMENTS

- There are a number of outstanding insurance claims that were received on or before 31st March 2014, but not settled, that in total equal £294k
- Three unfair dismissals which could cost a maximum of £223k if taken to tribunal.
- A class action relating to Local Land Charges fees and environmental information, which according to a decided case should have been provided for free, could cost NBC £175k (this impacts all Local Authorities).
- There are a number of other contingent liabilities estimated at a total of £216k that are considered insignificant (both individually and collectively), and thus do not require separate disclosure.
- Following the disbandment of West Northamptonshire Development Corporation, NBC received donated land assets valued at £1.5m on 31st March 2014. There are a number of contingent liabilities associated with the land; however there are measures in place to ensure that the Council would not be materially affected should these events occur.
- Following the new Local Authority funding arrangements for Business Rates in April 2013, NBC now assumes a proportion of the liability for refunding businesses who appeal to the Valuation Office against the rateable value of their properties. Appeals that have been lodged have been taken into account in the calculation of provisions, however it is probable that other appeals will be lodged in the future and as the value and timing of that by its nature cannot be known, it is necessary to recognise this as a contingent liability.
- There are various outstanding issues relating to the Councils Environment contract with EMS, however they are not considered material.

47. CONTINGENT ASSETS

The Council is currently monitoring the following contingent assets:

- Recovery of costs estimated at £1.75m from Legal and General expended by NBC upon the Grosvenor Multi Storey Car Park (MSCP) refurbishment, in the event that the Development Agreement becomes unconditional.
- Payback of administration costs relating to the Enterprise Zone which will come from the Business Rates uplift. Repayment is currently projected to commence in 2019 and be in the region of £609k in relation to 12/13 and 13/14.
- Historic costs associated with the redevelopment of Grosvenor/Greyfriars that may be reimbursed by the developer depending on agreement of contract terms and the timing of that agreement. The expectation is in the region of £230k.

F. NOTES TO THE CORE FINANCIAL STATEMENTS

48. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

The Council's risk management processes consider the unpredictability of financial markets and seek to minimise potential adverse effects on the resources available to fund services. The Local Government Act 2003 places a statutory duty on the Council to have regard to guidance issued or specified by the Secretary of State.

This guidance includes the CIPFA Treasury Management Code of Practice. Treasury risk management is undertaken by the LGSS treasury team under policies approved by the Council in its Treasury Management Policy Statement, Treasury Management Practices and accompanying Schedules and the annual Treasury Management Strategy. These contain overall principles for risk management and specific risks which include credit and counterparty risk, liquidity risk, interest rate risk, exchange rate risk, refinancing risk, legal and regulatory risk, and market risk.

Credit Risk

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

The risk exposure from investment counterparties is minimised through policies and procedures set out in the Council's Treasury Management Practices and accompanying Schedules and its Annual Investment Strategy. These require that deposits are not made with financial institutions unless they meet identified minimum credit criteria that includes, but is not entirely dependent on, external credit ratings, including sovereign ratings.

The Annual Investment Strategy also imposes value and investment period limits for each category of approved counterparty. The maximum limits for placements with individual or group counterparties in 2013-14 were £20m and 729 days for UK nationalised or part nationalised banking institutions, and £15m and 729 days for other UK counterparties, overseas counterparties with AAA sovereign ratings, UK local authorities and the UK Debt Management Office. Within this ceiling, lower limits apply in many instances depending on credit ratings and other factors specific to each institution.

Due to the nature of its business, the Council does not assess operational customers for credit worthiness and does not set credit limits on customers. In relation to mortgages, the Authority holds an equity stake in each relevant property as collateral against the mortgage outstanding. There are also certain exceptional circumstances under which the Council has placed a charge on a property as collateral against a specific debt. Business customers are not given individual credit limits.

F. NOTES TO THE CORE FINANCIAL STATEMENTS

However, business customers are assessed, taking into account their financial position, past experience, and other factors, in line with parameters set by the council, when contracts are entered into. This forms part of the Council's procurement procedures.

To support local regeneration the Council has made third party loans during 2013-14 to two local sports clubs for the purposes of stadia expansion and associated development. Assessment of the credit risk to the authority from the loans was undertaken as part of the due diligence work prior to the signing of the loan agreements.

The Council's maximum exposure to credit risk in relation to its investments totalling £73.2m in banks, building societies and other institutions cannot be assessed generally as the risk of any counterparty failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2014 that this was likely to crystallise.

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

Estimated Maximum Exposure to Default and Uncollectability at 31 March 2013	Credit Risk	Amount at 31 March 2014	Historical Experience of Default at 31 March 2014	Historical Experience Adjusted for Market Conditions at 31 March 2014	Estimated Maximum Exposure to Default and Uncollectability at 31 March 2014
£000s		£000s	%	%	£000s
0	Third Party Loans	8,837	0%	0%	0
0	Mortgages	30	0%	0%	0
0	Finance Leases	123	0%	0%	0
82	Customers: Tenants	2,622	2.89%	2.89%	76
1,011	Customers: Sundry Debtors	3,822	29.46%	29.46%	1,126
0	Deposits with Banks and Financial Institutions	73,153	0%	0%	0
1,093	Total	88,587			1,202

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits. The Council held no investments in the form of bonds during 2013-14.

F. NOTES TO THE CORE FINANCIAL STATEMENTS

With the exception of third party loans and mortgages, the Council does not generally allow credit for its customers. Of the £88.6m exposure to credit risk, £6.4m is past its due date for payment. The past due, but not impaired, amount can be analysed by age as follows:

Amount at 31 March 2013 £000s	Aged Debt Analysis	Amount at 31 March 2014 £000s
2,854	Less than three months	3,380
781	Three to six months	1,267
842	Six months to one year	597
1,621	More than one year	1,199
6,098	Total	6,443

Impairment on the debtors financial asset has been identified, standing at a total of £6.2m at the end of 2013-14.

Collateral

The authority holds collateral against a number of mortgages. The balance sheet value of the principal amount outstanding on these is currently £31.9k (£32.8k in 2012-13).

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

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

Liquidity Risk

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

F. NOTES TO THE CORE FINANCIAL STATEMENTS

The maturity analysis of financial liabilities is as follows:

31 March 2013 £000s	Maturity Profiles of Financial Liabilities	31 March 2014 £000s
-12,474	Less than one year	-30,359
-21,086	One to two years	-12,305
-10,341	Two to five years	-18,647
-190,212	More than five years	-189,568
-234,113	Total	-250,879

Amounts maturing within one year include short term creditors, short term grants and Section 106 funding commitments, short term borrowing, principal due within 12 months on annuity and EIP (Equal Interest Instalment) loans, and long term loans maturing within the next 12 months. Two LOBO loans totalling £15.6m are due for maturity in the final quarter of 2014-15. Repayment of these will be funded from internal borrowing, new loans, or a combination of both. Longer term maturities consist of long term debt (including finance leases), and long term grants and Section 106 funding.

Market Risk

Interest Rate Risk

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

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

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

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

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

F. NOTES TO THE CORE FINANCIAL STATEMENTS

According to this assessment strategy, at 31 March 2014, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

31 March 2013 £000s	Market Risk	31 March 2014 £000s
249	Increase in interest payable on variable rate borrowing	249
-261	Increase in interest receivable on variable rate investments	-392
-12	Impact on Surplus or Deficit on the Provision of Services	-143
-15	Share of overall impact credited to the HRA	107
-27	Impact remaining on General Fund	-36
128	Increase in fair value of fixed rate investment assets	117
128	Impact on Other Comprehensive Income and Expenditure	117
33	Decrease in fair value of fixed rate borrowings liabilities (no impact on the surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	50

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

Price Risk

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

Foreign Exchange Risk

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

F. NOTES TO THE CORE FINANCIAL STATEMENTS

49. BUILDING CONTROL TRADING ACCOUNT

A local authority is required at the end of the financial year to prepare a statement that sets out fully the details of its scheme for setting charges in relation to its building control function. The statement should also show the income recovered and the total costs incurred. There is no requirement for the information to be published; however it has been decided to continue publishing this note.

The Building Control chargeable services has, for the three-year period to 31st March 2014, made an operating surplus of £25k on a turnover of £768k. In the previous three-year period to 31st March 2013, there was an operating surplus of £41k against a turnover of £869k

Building Control Trading Account	2013/14		
	Chargeable £000s	Non- Chargeable £000s	Total £000s
Expenditure			
Employees	128	104	232
Premises	0	0	0
Transport	4	3	7
Supplies and services	10	9	19
Support service charges	100	82	182
Capital Charges	0	0	0
Total Expenditure	241	199	440
Income			
Building Regulation fees	-244	0	-244
Other Income	0	0	0
Total Income	-244	0	-244
Surplus (-) / Deficit for Year	-3	199	196
	2012/13		
Comparatives for 2012/13	Chargeable £000s	Non- Chargeable £000s	Total £000s
Expenditure	245	151	396
Income	-245	0	-245
Surplus (-) / Deficit for Year	0	151	151

F. NOTES TO THE CORE FINANCIAL STATEMENTS

50. PUBLICITY EXPENDITURE

There is now no longer a requirement to publish this note within the statement of accounts, however, the information must be produced and made available on request. It has been decided to continue publishing the note. In accordance with the Local Government Act 1986 (Section 5(1)), the Council's spending on publicity was:

2012/13 £000s	Publicity Expenditure	2013/14 £000s
	Expenditure	
13	Recruitment Advertising	21
276	Publicity Unit	406
131	Other Publicity	214
420	Total	641

51. LOCAL AUTHORITIES (GOODS AND SERVICES) ACT 1970

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

2012/13		Local Authority (Goods & Services) Act 1970	2013/14	
Exp £000s	Income £000s		Exp £000s	Income £000s
96	-79	Call Care	101	-42
74	-74	Print Services Unit	115	-115
169	-152	Total	216	-157

52. TRUST FUNDS

The Council acts as sole trustee in respect of two Trust Funds, one the Northamptonshire Regiment museum (balances of £90k) and the other the Northamptonshire Yeomanry Museums Trust (balances of £1k) The Trust Funds are used to finance expenditure on the exhibits donated by the Regiments at their disbandment, these collections are housed at Abington Museum. Surplus funds are invested and accounted for separately to the Councils funds.

F. NOTES TO THE CORE FINANCIAL STATEMENTS

53. MINIMUM REVENUE PROVISION

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

The Council approved the Council's Annual MRP statement for 2013/14, which is required by the guidance issued by CLG, on 25th February 2013. The MRP charged to the 2013/14 accounts relates to the general fund historic debt liability incurred for the year.

The debt liability for general fund capital expenditure up to and including 2007/08 has been calculated at the rate of 4% on the reducing balance, in accordance with option 1 of the guidance, the "regulatory method".

The debt liability for general fund capital expenditure incurred since 2008/09 has been calculated as equal instalments over a period reasonably commensurate with the estimated useful life of each asset, in accordance with option 3 of the guidance, the "asset life method".

The Council's Minimum Revenue Provision, including finance leases, for 2013/14 was £1.065m. This compares to £0.903m in 2012/13.

54. HERITAGE ASSETS – 5 YEAR SUMMARY OF TRANSACTIONS

Paragraph 4.10.4.5 of the Code of Practice on Local Authority Accounting requires the disclosure of Heritage Assets acquired through purchase and donation, and disposed of, over the last five years. It also allows for this information not to be given for any period prior to 1 April 2010 where it is not practicable. This is the case for Northampton Borough Council.

There was a large collecting programme of trainers to enhance the shoe collection between April 2009 and April 2012. This amounted to £75,000 for which the museum was given a purchase grant by the Heritage Lottery Fund. Since 1 April 2012 a number of shoes, social and military history artefacts, archaeology and art works have been donated to the museum the aggregate value of which is less than £3,000. Four works of art have been purchased for an aggregate cost of £2,150.

There has been one disposal, in March 2011, of a collection of mounted natural history specimens sold at auction for £52k, which has been taken to be its carrying value at the time.

F. NOTES TO THE CORE FINANCIAL STATEMENTS

55. HERITAGE ASSETS – COLLECTIONS AND POLICIES

Collections

1. Designated Shoe Collection

The collection of shoes and related objects from the industry is recognised by Arts Council England as a Designated Collection of national and international importance. The Shoe Collection is the largest collection of shoe heritage and related shoe industry objects in the world. The Shoe Collection began purely as a collection of footwear, however, over the years this has developed into a collection including over 12,000 shoes and covering the whole of the footwear industry worldwide. In total the collection contains over 60,000 objects and can be analysed into the following subdivisions: Footwear, Machinery, Tools, Lasts, Patterns and Material associated with the selling of shoes, Polish, shoe trees and other items used in the care of shoes, including shoe repairing, Factory furniture and fittings, Overshoes, spats, gaiters, ice skates and other items worn with shoes (excluding hosiery), Objects shaped like shoes and depicting shoes, Archival material including catalogues, photographs and trade magazines and Prints and paintings of shoes and shoemakers.

2. Archaeology Collection

For over a century, Northampton Museums has collected archaeological material. The majority of archaeological material now coming to light in the county is the product of contract excavations in advance of development. Significant collections include Bronze Age pottery, Iron Age finds from Hunsbury, Roman finds from Duston and Irchester, pottery, weapons and jewellery from Anglo-Saxon cemeteries and many other objects were first collected in the 19th century. This set the scene for collecting and through excavations and fieldwork this has carried on ever since. There is a Numismatic Collection of about 12,000 items, principally locally found Roman, English Medieval and later coins and tokens. Particular strengths are the coins from Northampton Mint, and a large number of Northamptonshire tokens and checks. There is also a collection of approximately 800 medals relating to local people, clubs or societies. The future of the small, approximately 250 items, Ancient Egyptian Collection is currently under review.

3. Art Collection

The greater part of the fine art collection consists of British easel paintings and works on paper, from the 19th and 20th centuries. The collection's greatest strength lies in landscapes and portraits, topographical works and graphic art from 1960-2000. The collection has strong representation from local, professional artists, some of whom have been recognised nationally and are often linked to the 100 year old Town & County Art Society. The non-British pictures include an important group of 15th to 18th century Italian paintings - works of high quality by secondary masters, particularly from the Venetian School, most of which were consciously collected between 1967 and 1987 as a result of a former policy which sought to concentrate purchases in this one area of the collection. At present there are approximately 2,700 items in the Art Collection which fall into the following categories: Watercolours, Drawings, Prints (contemporary), Mixed Media (excluding drawings), and Sculpture.

F. NOTES TO THE CORE FINANCIAL STATEMENTS

4. Decorative Art

The current collection encompasses ceramics, glassware, and metalware. The great areas of strength are the fine collections of British and Oriental ceramics given early in the 20th century by five private collectors. There are approximately 4,100 items in the decorative art collection (excluding furniture): Ceramics – British (and some Continental and North African), Glass – British (and some Irish), Metalwork, Enamels, and Oriental Collections (ceramics, bronzes and miscellaneous).

5. Ethnography

The ethnographic collection consists of about 300 historic (not contemporary) objects from India, China and Japan, Africa, North America and. Many objects were purchased in the early to mid-20th century to enhance the displays at Abington Museum or acquired as the result of local collecting as well as some casual donations.

6. Geology

A substantial number of Geological items were given to the Museum in the forty years following its founding in 1866, principally by the Third and Fourth Marquesses of Northampton and Beeby Thompson. The collection consists of about 40,000 items of which 75% are Northamptonshire Jurassic finds. The remaining 25% consists of fossils from outside the county, and a worldwide mineral collection.

7. Natural History

The small Natural History Collection consists of a few mounted specimens and small collections of birds' eggs.

8. Social History

In general, the Social History collection covers historical material post 1600 to the present that does not fall within another collection and includes fashion and costume. The collection covers community life including civic affairs, working life, and the full range of personal and domestic life material.

9. Northamptonshire Regiment and Yeomanry

Northampton Borough Council is the sole trustee for the Northamptonshire Regimental Museum and Northamptonshire Yeomanry Regimental Museum Trust. The collecting for these collections will follow the inherent themes for regimental collections – reflecting both the military and civilian aspects of the Regiments impact.

Policies

The Council maintains a record of its heritage assets within its asset register supplemented by the detailed records held by the relevant departments.

Some museum heritage assets are on display at the Authority's two museums; while others are held at secure locations in storage e.g. while awaiting conservation work. Access to the civic regalia is limited to appropriate occasions, such as the use of the mace and mayor's chain at Council meetings. The statues, buildings, and similar heritage assets are largely accessible to the public to view in the parks and public places of Northampton.

F. NOTES TO THE CORE FINANCIAL STATEMENTS

56. COLLECTION FUND

The Council, as a billing authority, is required to maintain a Collection Fund. The Collection Fund is used to account for the collection of Council Tax and National Non-Domestic Rate (NNDR) and then pays amounts to precepting authorities on the basis of their precept requests. The statutory transactions relating to this fund are detailed in the supplementary statements. Under the Code, the Authority is required to report on the collection fund figures shown within the core statements on an agency basis. The effect of this is shown below.

a) Precept Split

The split of these precepts is shown below:

Precept 2012/13 £000s	Percentage of Total Precepts	Collection Fund - Precept Split	Precept 2013/14 £000s	Percentage of Total Precepts
		Precepting Authorities		
69,089	71%	Northamptonshire County Council	59,707	71%
12,983	13%	Northamptonshire Police Authority	11,220	13%
15,059	16%	Northampton Borough Council	13,104	16%
97,131	100%	Total Precepts for the year	84,031	100%

b) Allocation of deficit

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

Collection Fund Balance 2012/13 £000	Allocation of Deficit - Council Tax	Collection Fund Balance 2013/14 £000
	Creditors / Debtors:	
-150	Northamptonshire County Council	-1,257
-28	Northamptonshire Police Authority	-236
	NBC Reserve:	
-33	Northampton Borough Council	-276
-211	Collection Fund Balance	-1,770

F. NOTES TO THE CORE FINANCIAL STATEMENTS

Collection Fund Balance 2012/13 £000	Allocation of Deficit - NNDR	Collection Fund Balance 2013/14 £000
	Creditors / Debtors:	
0	Northamptonshire County Council	957
0	Central Government	4,787
	NBC Reserve:	
0	Northampton Borough Council	3,829
0	Collection Fund Balance	9,573

c) Allocation of Council Tax Balances

The treatment of other balances, including debtors and creditors, relating to collection fund activity is shown below for both the statutory presentation and the presentation on an agency basis.

Statutory Presentation 2012/13 £000s	Agency Presentation 2012/13 £000s	Debtor and Creditor Representation	Statutory Presentation 2013/14 £000s	Agency Presentation 2013/14 £000s
		Creditors / Debtors		
8,819	1,383	Local Taxpayers Arrears	9,271	1,446
-2,276	-357	Local Taxpayers Prepayments	-2,585	-403
-8,094	-1,269	Local Taxpayers Impairments	-9,514	-1,484
0	-1,251	Northamptonshire County Council	0	-3,266
0	-235	Northamptonshire Police Authority	0	-614
		Reserves		
-211	0	Collection Fund	-1,770	0
0	-33	Collection Fund Adjustment Account	0	-276
-1,762	-1,762	Total	-4,597	-4,597

G. Housing Revenue Account

G1. HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE

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

2012/13 £000s	Housing Revenue Account	2013/14		Notes
		£000s	£000s	
	Income			
-46,810	Dwelling Rents	-49,154		HRA3-4
-1,094	Non Dwelling Rents	-1,136		
-2,669	Charges for services & facilities	-2,321		
-72	Contributions Towards Expenditure	-37		
-50,644	Total Income		-52,648	
	Expenditure			
12,795	Repairs & Maintenance	16,447		HRA5
	Supervision & Management			
7,263	General Management	5,982		HRA6
4,290	Special Services	4,343		
29	Rent, Rates, Taxes & other charges	301		
33,245	Depreciation, Impairment & Revaluation of Fixed Assets	12,910		
84	Debt Management Costs	98		
357	Increased in provision for bad/doubtful debts	360		
58,063	Total Expenditure		40,440	
7,420	Net Cost of Services		-12,207	
0	Core		590	
7,420	Net Cost of HRA Services		-11,617	
774	Gain (-) or Loss on sale of HRA Fixed Assets		-398	HRA6
6,057	Interest and Investment Income		6,047	
1,118	Pensions interest cost and expected return on pensions assets		1,481	
-16,945	Non Specific Grant Income		-17,020	
-2,017	Surplus or deficit on revaluation of non current assets		-494	
-3,593	Surplus (-) or Deficit for the year on HRA services		-22,002	

G. Housing Revenue Account

G2. MOVEMENT IN HOUSING REVENUE ACCOUNT RESERVE

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

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

2012/13 £000s	Statement of Movements on the Housing Revenue Account Balance	2013/14 £000s
-3,594	Surplus (-) / Deficit for the year on the HRA Income and Expenditure Account	-22,002
3,594	Net additional amount required by statute to be debited or credited to the HRA Balance for the year	22,003
0	Increase (-) / Decrease in the HRA Balance for the Year	1
-5,001	HRA Balance brought forward	-5,001
-5,001	HRA Balance carried forward	-5,000

G. Housing Revenue Account

DETAILED TRANSACTIONS

2012/13 £000s	Reconciling Items for the Statement of Movement on the Housing Revenue Account Balance	2013/14 £000s	Note
	Amounts included in the HRA Income and Expenditure Account but required by statute to be excluded when determining the Movement on the HRA Balance for the year		
-24,919	Revaluation Losses	-18,710	
276	Revaluation Gains	14,829	
16,945	Capital Grants and Contributions Transferred to the Capital Adjustment Account	17,020	
-774	Gain or Loss on sale of HRA non-current assets	398	
-2,091	HRA share of contributions to or from the pensions reserve	-1,633	
-10,563	Total	11,904	
	Amounts not included in the HRA Income and Expenditure Account but required by statute to be included when determining the Movement on the HRA Balance for the year		
3,625	Transfer to / from (-) Major Repairs Reserve	3,672	HRA7
2,017	Transfers to / from (-) Revaluation Reserve	494	HRA6
2,000	Employer's contributions payable to the Northamptonshire County Council Pension Fund and retirement benefits payable direct to pensioners	2,140	
302	Financial Instruments Adjustments	41	
4	Amount by which officer remuneration charged to CI&E on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	6	
6,209	Capital expenditure charged in-year to the HRA Balance Net transfers to / from (-) earmarked reserves	3,746	
14,156	Total	10,099	
3,594	Net additional amount required to be credited or debited to the HRA balance for the year	22,003	

G. HOUSING REVENUE ACCOUNT

G3. NOTES TO THE HRA ACCOUNTS

1. PRIOR YEAR ADJUSTMENTS

There are no prior year adjustments in relation to the Housing Revenue Account in 2013/14.

2. HRA ASSETS AND CAPITAL TRANSACTIONS

- a) At 31st March 2014 the Council was responsible for managing 11,969 units of accommodation (excluding shared ownership properties):

Type of Property	Number of Bedrooms				Total
	One	Two	Three	Four+	
Flats-Low Rise	1,459	392	2	1	1,854
Flats-Medium Rise	1,756	850	119	4	2,729
Flats-High Rise	397	83	21	0	501
Houses & Bungalows	881	2,532	3,138	334	6,885
Total	4,493	3,857	3,280	339	11,969

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

Type of Property	Stock at 01 April 2013	Stock Movements		Stock at 31 March 2014
		Sold	Disposed	
Flats	5,102	-19	9	5,092
Houses & Bungalows	6,945	-68	0	6,877
Dwellings (excl. Shared)	12,047	-87	9	11,969
Shared Ownership	88	-6	0	82
Total	12,135	-93	9	12,051

G. HOUSING REVENUE ACCOUNT

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

31 March 2013 £000s	Gross Balance Sheet Value	31 March 2014 £000s
	Operational Assets	
100,646	Land	104,914
260,618	Dwellings	232,469
20,427	Other Capital Assets	20,501
381,691	Total Operational Assets	357,885
520	Non Operational Assets	604
382,210	Total	358,488
991,714	Vacant Possession Value as at 1st April	1,031,600

d) Capital Receipts

2012/13 £000s	Housing Capital Receipts	2013/14 £000s
61	Land Sales	-189
1,781	Dwelling Sales	-4,190
1,842	Total	-4,379
-755	Payable to the Secretary of State	869
-755	Net cost of Payments to CLG	869
1,087	Useable Capital Receipts	-3,510

G. HOUSING REVENUE ACCOUNT

e) Capital Expenditure and Financing

2012/13 £000s	HRA Capital Expenditure and Financing	2013/14 £000s
	Expenditure	
0	Land Purchase	0
27,163	Dwellings	23,475
	Re-Purchase of Former Council Housing	793
283	Other Property	103
27,446	Total Expenditure	24,371
	Financing	
	Dwellings	
318	Useable Capital Receipts	2,169
0	Revenue Contributions	0
9,901	Major Repairs Reserve	4,286
16,945	Grants	17,020
27,163	Total Financing	23,475
	Other Property	
283	Useable Capital Receipts	896
283	Total Other Property	896
27,446	Total Financing	24,371

3 ARREARS

In 2013/14, arrears as a proportion of gross income was 4.8%. This represents a decrease of 0.5% since 2012/13 when the proportion was 5.3%. The figures for rent arrears are detailed below:

2012/13 £000s	Rent Arrears	2013/14 £000s
2,482	Gross Arrears at 31 March	2,375
-609	Prepayments	-717
1,873	Net Arrears at 31 March	1,657
1,218	Provision for bad debts at 31 March	998

G. HOUSING REVENUE ACCOUNT

4. VACANT POSSESSION VALUE

2012/13 £000s	HRA Vacant Possession Value	2013/14 £000s
991,714	Vacant Possession Value as at 1st April	1,031,600

2012/13 £000s	HRA Existing Use	2013/14 £000s
337,183	Existing Use Value as at 1st April	351,054

The vacant possession value of dwellings within the HRA as at 1 April 2013 was £1,033m (£992m in 2012/13). For the balance sheet, the figure has been reduced to 34% of this value for all except a small number of specific properties - i.e. £351m (£337m in 2012/13). This reflects the economic cost of providing Council housing at less than open market rents.

5. HOUSING REPAIRS ACCOUNT

The transactions on the Housing Repairs Account for 2012/13 balanced to nil for the year, although this may not always be the case.

2012/13 £000s	Housing Repairs Account	2013/14 £000s
0	Balance B/f	0
12,795	Expenditure in the Year	16,447
-12,795	Contributions to the Housing Repairs Account	-16,447
0	Increase (-) / Decrease in the Housing Repairs Account Balance for the year	0
0	Balance c/f	0

G. HOUSING REVENUE ACCOUNT

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

a) Depreciation and Amortisation

2012/13 £000s	Depreciation and Amortisation	2013/14 £000s
	Operational Assets	
7,814	Dwellings	8,150
315	Other Property	325
16	Vehicles, Plant & Equipment	2
8,146	Total Depreciation	8,477
414	Intangible Assets -amortisation	562
414	Total Amortisation	562
8,560	Total	9,038

b) Revaluation Gains and Losses

2012/13 I&E £000s	2012/13 RRA £000s	Revaluation Gains & Losses	2013/14 I&E £000s	2013/14 RRA £000s
13,226	13	Dwellings	18,701	72
47	214	Other Property	0	7
4	0	Vehicles, Plant & Equipment	0	0
13,277	226	Revaluation Losses	18,701	79
-260	-1,315	Dwellings	-14,811	-30
-16	-927	Other Property	-18	-543
0	-1	Vehicles, Plant & Equipment	0	0
-276	-2,243	Revaluation Gains	-14,829	-573
13,001	-2,017	Total	3,872	-494

G. HOUSING REVENUE ACCOUNT

7. MAJOR REPAIRS RESERVE

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

Council dwellings depreciation is not the same as the MRA; therefore an adjustment is required to ensure there is no bottom line impact on the HRA. This is known as the Capital asset charges accounting adjustment. The transactions on the MRR are detailed below:

Major Repairs Reserve	£000s
Balance at 1 April 2013	-1,542
Council Dwellings Depreciation	-8,477
Depreciation adjustment to agree to MRA	-3,672
Total	-12,149
Amount used to finance Capital Expenditure	
Dwellings	4,286
Total	4,286
Balance at 31 March 2014	-9,405

H. COLLECTION FUND

H1. COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

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

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

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

The scheme allows the Council to retain a proportion of the total NNDR received. The initial Northampton Borough Council share is 40% with the remainder paid to precepting bodies. For NBC, the NNDR precepting bodies are Central Government (50% share) and Northamptonshire County Council (10% share). The NBC share is then subject to a tariff payment to Government, which was £31,499,736 in 2013/14. The residual amount is then compared to the assessment in the Local Government Finance Settlement and any growth above the Settlement level is subject to a levy payment to Government.

Northampton Borough Council participates in a pool with other local authorities in the county to minimise the levy payment due and thereby maximise the local retention of locally generated business rates.

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

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

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

H. COLLECTION FUND

2012/13	Collection Fund	2013/14 Council Tax	2013/14 NNDR	2013/14 Total	Note
£000s		£000's	£000's	£000's	
	INCOME				
-84,566	Council Tax (net of benefits, discounts & transitional relief)	-88,509	0	-88,509	
-14,796	Transfers from General Fund Council Tax benefits	235	0	235	
-93,664	Income collectable from business ratepayers	0	-98,294	-98,294	
-193,026		-88,274	-98,294	-186,568	
	EXPENDITURE				
	Precepts & demands:				
69,089	Northamptonshire County Council	59,857	0	59,857	56a
12,983	Northamptonshire Police Authority	11,248	0	11,248	56a
15,059	Northampton Borough Council	13,137	0	13,137	56a
	National Non-Domestic Rates				
93,363	Payments to national pool	0	0	0	CF1
-	Payments to Central Government	0	50,108	50,108	CF1
-	Payments to Northamptonshire County Council	0	10,022	10,022	CF1
-	Amount retained by Northampton Borough Council	0	40,086	40,086	CF1
301	Cost of collection	0	301	301	
-	Other transfers to General Fund - Enterprise Zone Growth	0	621	621	
-	Transitional Protection Payments	0	2,871	2,871	
	Bad & Doubtful Debts / Appeals				
2,020	Provisions	2,473	3,859	6,332	CF4
192,815		86,715	107,868	194,583	
-211	(Surplus)/deficit for the year	-1,559	9,574	8,015	
	COLLECTION FUND BALANCE				
	Balance brought forward at 1st April	-211	0	-211	
-1	Deficit/(surplus) for the year (as above)	-1,559	9,574	8,015	
-211	Balance carried forward at 31 March	-1,770	9,574	7,804	
	Allocated to:				
-	National Pool	0	0	0	
-	Central Government	0	4,787	4,787	
-150	Northamptonshire County Council	-1,257	957	-300	
-28	Northamptonshire Police Authority	-236	0	-236	
-33	Northampton Borough Council	-276	3,829	3,554	
-211	Fund Balance c/fwd	-1,770	9,574	7,804	56b

H. COLLECTION FUND

H2. NOTES TO THE COLLECTION FUND

1. NATIONAL NON DOMESTIC RATES (NNDR)

The Council collects non-domestic rates for its area that are based on local rateable values multiplied by a uniform rate in the pound. The total non-domestic rateable value as at 31 March 2014 was £243.6m and the equivalent figure for 2012/13 was £245.9m. The National Non-Domestic Rate multiplier for 2013/14 was 47.1p and the equivalent figure for 2012/13 was 45.8p. The small business non-domestic rating multiplier for 2013/14 was 46.2p and the equivalent figure for 2012/13 was 45.0p.

2. COUNCIL TAX

The Council's tax base, i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings for 2012/13, was calculated as follows: -

2012/13 Band D Equivalents	Band	Estimated number of taxable properties 2013/14 after discounts	Ratio	2013/14 Band D Equivalents
18.19	A(-)	29	5/9	16.35
16,735.19	A	21,924	6/9	14,616.21
14,105.30	B	15,747	7/9	12,248.00
17,523.50	C	17,310	8/9	15,386.64
9,314.80	D	8,137	9/9	8,136.84
6,122.60	E	4,357	11/9	5,325.00
3,118.39	F	1,903	13/9	2,749.42
1,877.38	G	977	15/9	1,628.86
107.72	H	41	18/9	81.47
68,923.08	Gross Council Tax Base			60,188.79
1,723.10	Non-collection provision			2,115.00
67,200	Council Tax Base Used for setting the Precept			58,074

The provision for non-collection was set at 3.5% for 2013/14 (2.5% for 2012/13).

NOTE: Due to the replacement of council tax benefit with the council tax support scheme from 1 April 2013 there was a reduction in the tax base to reflect the effects of this change.

H. COLLECTION FUND

3. ANALYSIS OF IN-YEAR CONTRIBUTIONS TO FUND DEFICITS

There were no in-year contributions to Collection Fund deficits from the precepting authorities.

4. PROVISION FOR BAD AND DOUBTFUL DEBTS

2012/13 £000s	Provision for Bad and Doubtful Debts Council Tax	2013/14 £000s
7,999	Bad Debt Provision B/f	8,094
-1,925	Write Offs	-819
0	Council tax benefit transferred to reserve	-235
2,020	Provision Made in Year	2,474
8,094	Bad Debt Provision c/f	9,514

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

2012/13 £000s	Bad and Doubtful Debts NNDR	2013/14 £000s
476	Bad Debt Provision B/fwd	449
27	Write offs of uncollectible debt	659
0	Allowance for non collection	230
503	Bad Debt Provision c/f	889

The Collection Fund account also provides for provisions for appeals against the rateable valuation set by the Valuation Office Agency (VOA) not settled as at 31st March 2014:

2012-13 £000s	Provision for Appeals	2013-14 £000s
0	Appeals Provision B/fwd	0
0	Provision for 13/14 appeals	11
0	Provision for backdated appeals	2,958
0	Appeals Provision c/f	2,969

I. Glossary of Terms

GLOSSARY OF TERMS

Accrual

The accruals concept requires that the cost or benefit of a transaction is shown in the period to which the goods or services are received or provided, rather than when the cash is paid or received.

Actuarial Basis

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

Amortisation

The term used to describe the charge made for the cost of using intangible fixed assets. The charge for the year will represent the amount of economic benefits consumed aka wear and tear.

Amortised Cost

The cost of intangible assets reduced by the amount of amortisation charged to date.

Assets

Right or other access to future economic benefits.

Assets Held for Sale

Non-Current Assets which meet the relevant criteria to be classified as held for sale.

Available for Sale Assets

Financial assets that have a quoted market price and/or do not have fixed or determinable payments.

Balance Sheet

Shows all balances including reserves, long-term debt, fixed and net current assets, together with summarised information on the fixed assets held.

Balance Sheet Date

The date at which the Authority reports its financial statements. For Northampton Borough Council, this date is the 31st March.

Capital Adjustment Account

Capital reserve largely comprising of resource applied to capital financing and is not available to the Authority to support new investment

Capital Costs

Reflects the element of annual payment for PFI or Leased assets which is in relation to the reduction in the long term debt associated with the asset.

Capital Expenditure

Expenditure on the acquisition of, or enhancement to fixed assets. This cannot be merely to maintain the value of an existing asset.

Capital Grant

Grant which is intended to fund capital expenditure.

I. Glossary of Terms

Capital Grant Unapplied Reserve

Capital reserve reflecting the value of capital grant received where there are no conditions outstanding; however expenditure on the associated asset has not been incurred.

Capital Reserves

Reserve balances held for capital purposes

Cash Flow Statement

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

CIPFA Code

A publication produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) that provides comprehensive guidance on the content of a Councils Statement of Accounts.

Collection Fund

The fund maintained by authorities who have responsibility to bill Council Tax and Non-Domestic Rate payers (billing authorities).

Collection Fund Adjustment Account

Revenue reserve to represent the difference between the income received by a local authority in Council Tax and the amount attributable to them.

Collection Fund Statements

The statutory financial statements produced as part of the Statement of Accounts by authorities who have responsibility to bill Council Tax and Non-Domestic Rate payers (billing authorities).

Community Assets

Assets which are held for the benefit of the community where there is no determinable useful life, such as works of art.

Comprehensive Income and Expenditure Statement (CIES)

This statement reports the net cost of all the services which the Council is responsible for, and demonstrates how that cost has been financed.

Contingent Liability

Potential costs that the Council may incur in the future because of something that happened in the past, but there is no certainty that a cost will occur.

Core Service Areas

The services provided by the Authority externally, such as education, highway maintenance and adult social care.

Corporate and Democratic Core

Costs associated with the democratic management of the Authority such as the Chief Executive's salary and Members' Allowances.

Council

The Council comprises all of the democratically elected Councillors who represent the various electoral divisions.

I. Glossary of Terms

Council Tax

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

Credit

A credit represents income to an account.

Creditors

Represents the amount that the Council owes other parties.

Debit

A debit represents expenditure against an account.

Debtors

Represents the amounts owed to the Council.

Deficit

Arises when expenditure exceeds income or when expenditure exceeds available budget.

Defined Benefit Scheme

Also known as a Final Salary Scheme. Pension scheme arrangement where the benefits payable to the members are determined by the scheme rules. In most cases there is a compulsory members contribution but over and above this all costs of meeting the quoted benefits are the responsibility of the employer.

Depreciation

The term used to describe the charge made for the cost of using tangible fixed assets. The charge for the year will represent the amount of economic benefits consumed aka wear and tear.

Derecognition

The process by which assets that are no longer deemed to belong to the Authority either by sale, destruction or other form of disposal, are removed from the accounts of the Authority.

Discount

An allowance received through the early repayment of debt

Discounted Cash Flow

A method of analysing future cash flows, by removing the impact time has on the value of money, and producing an equivalent current value (present value).

Donated Assets

Assets which have been acquired at below market cost.

Earmarked Reserves

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

Employee

A person who holds an office within the Authority, but does not include a person who is an elected councillor.

I. Glossary of Terms

Employee Costs

The costs directly associated with employees, including but not exhaustively salaries and wages, National Insurance contributions and pensions costs.

Enhancement Expenditure

Expenditure which increases the value of an asset.

Exceptional Items

Events which are material in terms of the Authority's overall expenditure and are not expected to recur frequently or regularly.

Extraordinary Items

Material items possessing a high degree of abnormality which arise from events or transactions that fall outside the ordinary activities of the reporting entity and which are not expected to recur.

Fair Value

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

Finance Costs

Reflects the element of annual payment for PFI or Leased assets which is in relation to interest payable on the loan liability.

Finance Lease

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

Financial Assets

A right to future economic benefits controlled by the Authority.

Financial Instruments Adjustment Account

Revenue reserve which records the timing differences between the rate at which gains and losses are recognised and the rate at which debits and credits are required to be made against Council Tax.

Financial Liabilities

An obligation to transfer economic benefits controlled by the Authority.

General Reserves / General Fund Balance

The reserve held by the County Council for general purposes, i.e. against which there are no specific commitments.

Going Concern

The going concern accounting concept assumes that the organisation will not significantly curtail the scale of its operation in the foreseeable future.

Grants

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

I. Glossary of Terms

Impairment

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

Infrastructure Assets

Assets associated with the road networks owned and maintained by Northampton Borough Council.

Intangible Asset

Non-current assets which do not have physical form such as software.

Internal Service Costs

The provision of services by the central departments of the County Council. Examples finance, personnel, legal, administration, information technology and property.

International Accounting Standard (IASs)

Regulations outlining the method of accounting for activities, IASs are currently being replaced with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board.

International Financial Reporting Standards

Regulations outlining the method of accounting for activities, issued by the International Accounting Standards Board.

Inventory

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

Investment Property Assets

Assets held solely for the purposes of rental generation or for increasing the value pre-sale (capital appreciation).

Leases

A method of funding expenditure by payment over a defined period of time.

Lessee

The person or organisation that is using or occupying an asset under lease (tenant).

Lessor

The person or organisation that owns an asset under lease (landlord).

Liabilities

An obligation to transfer economic benefits. Current liabilities are payable within one year.

Loans and Receivables

Financial assets which are not quoted in an active market and have either a fixed or determinable payment.

Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole.

I. Glossary of Terms

Minimum Revenue Provision (MRP)

A minimum amount, set by law, which the Council must charge to the income and expenditure account, for debt redemption or for the discharge of other credit liabilities (e.g. finance lease).

Movement in Reserves Statement

The statement detailing the movement in the reserves of the Authority.

Non-Current Assets

Assets that yield benefits to the Council for a period of more than one year, examples include land, buildings and vehicles.

Non-Distributed Costs

The value of revenue operating expenditure that is not able to be apportioned to one of the authorities core service areas.

Operating Lease

A lease where an asset is used only for a small proportion of its economic life.

Pensions Costs

The benefits paid by the Authority which are accrued during the period of employment and paid to ex-employees after retirement.

Pensions Liability

The cost, calculated by an Actuary, of providing the current members of a pension scheme with retirement benefits as set out in the pension scheme rules.

PFI

See Private Finance Initiative

PFI Credits

The financial support provided to Local Authorities to part fund PFI capital projects.

Premium

A payment made in association with the early repayment of debt.

Previous Year Adjustments

These are material adjustments relating to prior year accounts that are reported in subsequent years and arise from changes in accounting policies or from the correction of fundamental errors.

Principal

The amount of repayment to a lender which relates to the reduction in the loan, rather than the interest paid on the loan.

Private Finance Initiative (PFI)

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

Projected Unit Method

This is a common actuarial funding method to value pension scheme liabilities.

I. Glossary of Terms

Provisions

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

Provision for Bad and Doubtful Debts

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

Quoted Market Prices

A method of determining the fair value of financial assets via prices quoted on an active market.

Recognition

The process upon which assets are deemed to belong to the Authority either by purchase, construction or other form of acquisition.

Revaluation Gain

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

Revaluation Reserve

This reserve contains revaluation gains on assets recognised since 1 April 2007 only, the date of its formal implementation.

Revenue Expenditure

Expenditure which is not capital.

Revenue Grant

Grant which is not capital.

Revenue Expenditure Funded from Capital under Statute

This is expenditure that is classified as capital although it does not result in the creation of a fixed asset.

Service Reporting Code of Practice (SERCOP)

Produced by CIPFA, this establishes proper practice with regard to consistent financial reporting, which allows direct comparisons to be made with the financial information published by other local authorities.

Service Concession Arrangements

Arrangements which involve the supply and maintenance of assets and service delivery.

Service Costs

Reflects the element of annual payment for PFI or Leased assets which is in relation to services provided within the contract.

Short Term Benefits

Employee benefits earned and consumed during employment.

Soft Loans

Low interest rate loans.

I. Glossary of Terms

Specific Grant

A grant awarded to a Council for a specific purpose or service that cannot be spent on anything else.

Straight Line Basis

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

Subsidiary

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

Surplus

Arises when income exceeds expenditure or when expenditure is less than available budget.

Surplus Assets

Assets which are no longer in operation.

Tenant

The person or organisation that is occupying an asset under lease.

Termination Benefits

Employee benefits paid upon termination of employment such as redundancy.

Treasury Management

Utilisation of cash flows through investments and loans.

Useful Life

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

Value Added Tax

National taxation charged on goods and services.

Work in Progress

The fair value of incomplete contracts for goods and services which are to be charged to external customers.

**NORTHAMPTON BOROUGH COUNCIL
ANNUAL GOVERNANCE STATEMENT 2013/14**

1 Executive Summary

This document describes Northampton Borough Council's governance arrangements and assesses how closely the Council aligns with good practice. In overall terms this is a positive statement for the financial year 2013/14. This document relies on several assurance mechanisms including the internal audit annual review, internal audit reports throughout the year, the Statement of Accounts, Audit Committee, the overview and scrutiny process, and external audit.

External audit was undertaken by the Audit Commission until September 2012, from which time KPMG have taken over. This provides assurance on the controls the Council has in place. Where the auditor identifies weaknesses in the Council's arrangements, these are highlighted in the Annual Audit and Inspection Letter. The Council received an unqualified audit opinion on its 2012/13 accounts, the latest ones published.

No significant issues were raised in last year's statement.

2 Statement of Compliance

The authority's financial management arrangements conform to the governance requirements of CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (2010) as set out in the Application Note to Delivering Good Governance in Local Government Framework in the majority of areas.

There are 3 areas which have slightly different arrangements from those outlined in the CIPFA Statement and this will continue into future years:

Partnerships – The new partnership with LGSS is overseen by the Borough Solicitor, who reports in to Management Board (membership of which includes the Chief Finance Officer) on a regular basis. Governance of this partnership is through the LGSS Board, which includes the Borough Solicitor, Head of Customer and Cultural Services and a member of the Performance Team. In addition, the Chief Executive, Borough Solicitor and Head of Customer and Cultural Services meet regularly with LGSS.

Other partnerships come under the Partnerships and Communities Manager and are reported by exception to Management Board (see below).

Asset Management Strategy – This is overseen by the Director of Regeneration, Enterprise and Planning. Management Board (including the Chief Finance Officer) have input into the Strategy, which is closely linked to the Capital Strategy.

Procurement Strategy – Under the LGSS arrangements this is overseen by the Borough Solicitor. The Chief Finance Officer will have input into any update or review of the Procurement Strategy.

3 Scope of responsibility

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and is used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk. Overview and challenge of the Council's management of risk is performed by the Audit Committee.

Northampton Borough Council has, through its cross party Constitutional Review Working Group, agreed a local code of corporate governance which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives (SOLACE) Framework 'Delivering Good Governance in Local Government' from 2007. A copy of the local code is on the Council's website at www.northampton.gov.uk.

This Annual Governance Statement explains how the Council has complied with the code and also meets the requirements of regulation 4(3) and 4(4) of the Accounts and Audit Regulations 2011.

4 The purpose of the governance framework

The System of Internal Control and the Governance Framework have been in place at Northampton Borough Council for the year ended 31 March 2014 and up to the date of the approval of the statement of accounts.

The Governance Framework comprises the systems and processes, and culture and values, by which the council is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims, and objectives and can therefore only provide reasonable, not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims, and objectives. It is also designed to evaluate the likelihood of those risks being realised and their impact should they be realised, and to manage them efficiently, effectively and economically.

5 The Governance Framework

The Constitution is the relevant governance document and the Code of Governance forms part of it. The Borough Secretary (the 'Monitoring Officer') has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council reviews the Constitution regularly to incorporate any necessary changes. The Constitution is kept under regular review to ensure it is accurate and reflects current best practice and legal requirements and Council published a revised Constitution in February 2013. Various minor changes have occurred since then to respond to changing circumstances and it is currently in the process of being updated to reflect the Council's new partnership with LGSS.

The Council's Governance Framework derives from the six core principles identified in a 2004 publication entitled The Good Governance Standard for Public Services. This was produced by the Independent Commission on Good Governance in Public Services – a commission set up by CIPFA, and the Office for Public Management. The commission utilised work done by, amongst others, Cadbury (1992), Nolan (1995) and CIPFA / SOLACE (2001). These principles were adapted for application to local authorities and published by CIPFA in 2007. The six core principles that this Governance Framework follows and the key elements of each of those core principles are as follows.

5.1 Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

The Council's strategic objectives are set out in the Corporate Plan 2012-15 (2014 Update) which was adopted by the Council at its meeting on 24th February 2014. These objectives are based around the two headings:

- Your Town
- You

Progress against the plan is monitored via the Council's Corporate Performance Framework which integrates financial and service planning. The Council's annual financial planning process is driven by the council's Medium Term Financial Strategy to ensure that the future priorities and ambitions are resourced.

Partnership working is an important way in which Local Government can deliver more efficient and effective services to local residents. The Council is a member of a number of partnerships with organisations across the local area, and in some cases is also the lead authority with responsibility for establishing and leading some of these partnerships.

The Council has adopted a Partnerships Protocol. The protocol establishes minimum standards of governance and management to be followed by partnerships in order to satisfy the Council that the partnerships are being well run and are delivering benefit to the Council and the residents of the Borough. The protocol outlines key requirements for initiating, approving, setting up, operating, reviewing, and exiting partnership arrangements including the Governance Arrangements to be adopted.

The Council maintains a database of all partnerships it is involved in. This contains details of the Council's representatives in the partnership, the Council's contribution, the name of the lead organisation, the resources committed by the Council and the risk register. The Council evaluates each partnership to assess the risks and rewards to the Council and local communities, including legal issues, insurance, implications arising from the Council's Constitution, the Council's own processes and applicable protocols, financial regulations, issues of partnership procurement and whether the benefits from the partnership are likely to justify the costs involved in membership. The viability and validity of continuing with any partnership is reviewed on a regular basis as part of the ongoing service planning process.

The Council undertakes a significant number of consultations with customers. To facilitate this, the Council has adopted a consultation toolkit and web based portal. This process sets out a clear methodology for defining aims and objectives, resourcing the consultation, defining the level and method of consultation required, identifying whom to consult, ensuring inclusivity, planning the consultation, using the results, and evaluating the effectiveness of the consultation. Through adopting this methodology, the Council can be sure that consultations are more focussed and effective.

The Council has a comprehensive and robust performance management framework. The framework is reviewed annually to ensure that learning and improvement is captured and changes made where necessary. The Council monitors delivery of its priorities and objectives through the performance management framework. A service plan is in place for each of the Council's service areas and the objectives set out in the Corporate Plan are embedded in these plans. The service plans represent the key plan for each service and clearly set out targets and actions for each service and how each service area contributes to corporate objectives and targets. The service plans address service level improvements, including value for money objectives. Service plans also set out how each service will contribute to a range of corporate performance and improvement imperatives.

A Management Board Data Set of performance statistics is reported on a monthly basis to Management Board and performance data is included in regular combined performance and financial monitoring reports to Cabinet. Service plans are reviewed at Departmental Management Teams, ensuring that plans remain current, that targets remain relevant and appropriately challenging, and that the service is delivering the actions necessary to achieve the corporate objectives.

Through reviews by external auditors, external agencies, Internal Audit, and internal review teams, the Council constantly seeks ways of ensuring the economic, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

A corporate procurement strategy/toolkit has been developed to ensure proper arrangements are in place for procurement of goods and services. This was reviewed by Members and senior officers before being adopted. Revised procurement rules were adopted in March 2008. All budgets are allocated to named budget officers, who are responsible for controlling spend against budgets, and who are also responsible for assets used in the provision of their services.

The Council reviewed its Constitution, including the financial regulations during 2012/13 with the updated financial regulations being published in February 2013. Having been in the partnership with LGSS for 12 months NBC is currently revisiting these to ensure they remain fit for purpose.

The Council's Risk Management Strategy, which incorporates business continuity management, was further improved in 2011. The Strategy clearly sets out the processes and responsibilities for managing risks across the authority and is supported by a Risk and Business Continuity Management Handbook. Risks are identified and registers comprehensively refreshed on an annual basis as part of the Service Planning process and are updated regularly at Departmental Management Team meetings. This enables risks to be associated clearly to objectives and priorities, providing management with valuable monthly reporting information and ensuring resources are targeted to the priorities and objectives most at risk.

All significant projects have their own risk register, which is maintained and monitored by project managers and Programme and Project Boards as appropriate.

The Council has approved a list of critical functions and business continuity plans for these functions are well developed across the authority. A high proportion of these plans have been tested. These business continuity plans are currently being reviewed and a Corporate Business Continuity Plan is being drafted.

5.2 Members and officers working together to achieve a common purpose with clearly defined functions and roles

5.2.1 The Constitution

The Council has adopted a Constitution, which sets out how the Council operates, how decisions are made and the procedures that are followed to ensure these are efficient, transparent, and accountable to local people. The constitution reflects the 'Executive/Scrutiny' model following the Local Government Act 2000. The Constitution has been reviewed and a revised Constitution was published in February 2013. The Council is currently reviewing its constitution in light of its partnership with LGSS.

5.2.2 The Cabinet

Cabinet is responsible for making executive decisions as defined by law and operates within the budget and policy framework approved annually by full Council. Meetings are open to the public except when personal or confidential matters are being discussed. Accountable Cabinet Members have authority to make non-key delegated decisions in accordance with the Leader's Scheme of Delegations in the Constitution. Furthermore, senior and other officers of the Council can make decisions under delegated authority – again the extent of these delegations is set out in the Officers' Scheme of Delegations in the Constitution. The Council publishes an executive decision notice, which contains details of key decisions to be made by the Cabinet. Each Cabinet member has a specific range of responsibilities requiring him or her to work closely with senior and other employees in order to achieve the Council's ambitions.

5.2.3 Management Board

The Council's Management Board, which consists of the Chief Executive, Directors, the Chief Finance (s.151) Officer, and the Monitoring Officer met on a regular basis during 2013/14. Management Board considers other internal control issues, including strategic risk management, performance management, compliances, efficiency and value for money, and financial management. Management Board has a corporate responsibility for the messages that the Council puts out, both internally and externally.

5.2.3 Corporate Briefing

This group consists of Management Board members and also all Heads of Service. The meetings are diarised fortnightly to meet as required. The agenda and meeting 'go ahead' are agreed weekly by the Chief Executive.

The group, which is non-decision making, provides collective responsibility for:

- Providing corporate leadership
- Employee development
- Internal and external communications
- Performance management
- Co-ordinating and delivering corporate objectives and priorities for action
- Reviewing corporate policy
- Reviewing corporate standards
- Considering key operational matters

5.2.5 Directorate Management Team

Each Directorate has a Directorate Management Team where the Director and Heads of Service meet to discuss Management Board feedback, council wide and service specific matters. These meetings ensure that:

- Directorates contribute to Management Board, Corporate Briefing and other teams/groups
- Feedback from Management Board, Corporate Briefing and other teams/groups is communicated within the Directorate
- Communication of corporate requirements within and between teams within the respective directorate occurs
- Service area performance is reviewed through Performance Report Packs.

5.2.6 Managers' Workshop

The managers' workshop started in 2007/08 and meets monthly throughout the year covering a range of corporate subjects. The workshop attendance covers all managers and team leaders across the council.

5.2.7 Programme and Project Management Governance

During 2013/14 there were 7 Programme Boards reporting into Management Board on the key project streams for the year of Northampton Alive, LGSS, Stock Options/ALMO, Prevention, Improvement, and Capital Programme Board. Each Programme Board is chaired by the Chief Executive, Borough Secretary, or a Director, and they report into Management Board by exception. The 5 Programme Boards will not encompass every single project that NBC is actively delivering, but rather those identified by Management Board as requiring corporate governance controls.

The Programme and project governance framework will signpost to other areas of governance that are required within the organisation. This saves the need for separate governance boards being set up and ensures integration across all of the specialist areas.

During 2013/14 the Monitoring Officer chaired the Improvement Programme Board, which oversees the core improvement projects of the council.

During 2013/14 a new Capital Programme Board was set up to oversee the capital programme and help co-ordinate approval of capital appraisals and manage block programmes. The Capital Programme Board is chaired by the Director of Regeneration, Enterprise and Planning.

In 2014/15 a new Board is to be set up to oversee key IT projects between NBC and LGSS to help deliver improvements and efficiencies. This will be chaired by the Director of Customers and Communities.

The NBC Project Management Best Practice Guide provides direction on the approach and the tools and templates available to support the programmes and projects. This ensures that those projects that are not deemed as requiring corporate governance controls will still maintain the NBC project management approach.

5.2.8 Codes and Protocols

The council has adopted a number of codes and protocols that govern both Member and officer activities. These are mainly reviewed annually:

- Members Code of Conduct
- Members Register of Interests
- Officers Code of Conduct
- Officers Register of Interests
- Protocol for Members and officers regarding probity planning
- Protocol on Member/Employee relations
- Register of Gifts and hospitality – Members and Officers
- Counter Fraud
- Whistleblowing policy
- RIPA Policy
- Complaints and compliments procedures

5.3 Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

The Council has designated the Borough Secretary as the Council's Monitoring Officer. It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws, and regulations. The Monitoring Officer also supports the Standards Committee and is the nominated officer for Whistleblowing. After consulting the Chief Executive and Chief Finance Officer (section 151 Officer), he will report to the Council, under Section 5 of the Local Government and Housing Act 1989, if he considers that any proposal, decision, or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

The Council has a Standards Committee which is responsible for: -

- Ensuring Councillors and other representatives are trained to carry out their duties effectively;
- Advising on the Members' Code of Conduct and helping Councillors and other representatives to understand what their duties are in relation to the Code;
- Investigating complaints received about elected Borough and Parish Council Members;
- Monitoring the operation of the Code;
- Conducting local hearings and determination of sanctions should a breach of the Code of Conduct be found;
- Granting dispensations to Councillors, co-opted members from requirements relating to interests set out in the Members' Code of Conduct;
- Advising the Council on other Codes and Protocols forming the authority's ethical framework;
- Considering arrangements for the appointment of Independent Members to the Committee;
- Ensuring the authority operates within a robust corporate governance framework; and
- Considering any report referred to it by the Cabinet or any other Committee where there are implications for ethical standards and report back as appropriate.

On 21 June 2012 the Council's internal auditors (PWC) presented a report to Management Board on the electronic governance survey launched in December 2011, as part of the planned 2011/12 audit work. A similar survey was carried out in March 2010, which was compared with the 2011/12 results. PWC's recommendation was that the Council should consider further the responses to statements 2 and 3 where there was a negative change in perception since 2010 and the response to statement 7 where a quarter of respondents felt that the Council doesn't manage large projects and significant contracts effectively. These statements and the context to them are shown below.

- 2 We perform effectively in clearly defined functions and roles
Matters to consider before making your assessment:
Do we all know what we are supposed to be doing? Do we understand our roles and responsibilities and those of others charged with governance? Is there collective responsibility for decisions taken? Do we understand the views of the public and service users and do we obtain robust information about these views?
- 3 We promote values for the whole Council and demonstrate the values of good governance through behaviour.
Matters to consider before making your assessment:

What are the values we expect staff to demonstrate in their behaviour and actions? Does our behaviour (collectively and individually) demonstrate that we take our responsibilities seriously? Can our behaviour weaken the organisation's aims and objectives?

- 7 We manage large projects and significant contracts effectively and efficiently, minimising risk to the Authority and ensuring that the best outcomes are achieved from the resources used.

Matters to consider before making your assessment:

Do we perform effective risk management for large projects and contracts? Do we consult with the public and service users? Do we assess whether outcomes are achieved in line with expectations? Do we assess value for money appropriately before embarking on projects?

The Council implemented a new governance structure for its key projects in 2012/13 that addresses the issues raised in the Governance Survey Report. (See section 5.2.7 above).

A new Governance Survey is due to be carried out in 2014/15 and will be reported as part of the 2014/15 Annual Governance Statement at the end of the year.

The financial management of the Authority is conducted in accordance with the financial rules set out at Article 13 and in the Financial Regulations section within the Constitution. The Council has a designated Chief Finance Officer in accordance with Section 151 (S151) of the Local Government Act 1972. The Assistant Heads of Finance are Deputy S151 officers. The Council has in place a three-year Financial Strategy, updated annually, to support the medium-term aims of the Corporate Plan.

The Council maintains an Internal Audit service provided through a contract with PricewaterhouseCoopers, who operate to the standards set out in the 'Code of Practice for Internal Audit in Local Government in the UK'. Individual services produce annual service plans. These Service Plans are updated each year so as to incorporate the Corporate Plan requirements into service activities, so that services know what they are required to do to achieve the Council's priorities and ambitions. These plans also identify any governance impact.

The Council's external audit services have been provided by KPMG since September 2012. They audit the Statement of Accounts, grant returns, whole of government accounts and national fraud initiative.

5.4 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

The Council has several committees, which carry out regulatory or scrutiny functions:

5.4.1 Cabinet

Cabinet makes executive decisions.

5.4.2 Planning Committee

Planning Committee determines planning applications and related matters.

5.4.3 Standards Committee

Standards Committee promotes monitors and helps to maintain high ethical standards amongst the Council's Members, and this extends to having the same responsibility for all town and parish councils within the Borough.

The Standards Committee has produced periodic newsletters for the benefit of Members, Parish Councillors and relevant officers, to provide updates on the national position, advice on matters in relation to Standards generally and to also remind Members of their obligations under the Code of Conduct, the Register of Interests, Gifts and Hospitality.

5.4.4 Audit Committee

Audit Committee provides assurance about the adequacy of internal controls, financial accounting and performance reporting arrangements, and that effective risk management is in place. Its work is intended to enhance public trust in the corporate and financial governance of the council. It also reviews areas of concern to the committee, particularly around risk, fraud and failure of systems of control.

The Audit Committee has continued to be effective during 2013/14. There remain no High Risk areas in the Council. Audit Committee has the opportunity to question and challenge on any reports brought before it. This supports a good internal control framework.

The Committee also approved the 2012/13 Annual Governance Statement (AGS) and Statement of Accounts, and will approve these for 2013/14. The committee receives annual training from internal audit.

5.4.5 Licensing Committee

Licensing Committee monitors and reviews the effectiveness of the Council's licensing policy and procedures and make individual licensing decisions as required.

5.4.6 General Purposes Committee

General Purposes Committee, which is a sub-committee of full Council, makes decisions that are not the responsibility of the Executive or other committees,

5.4.7 Appointments and Appeals Committee

Appointments and Appeals Committee has responsibility for appraising senior officers and dealing with certain disciplinary and grievance matters.

5.4.8 The Overview and Scrutiny Committee

Since May 2010 the Council has had one Overview and Scrutiny Committee which sets up time-limited Scrutiny Panels to carry out in-depth Reviews. The Overview and Scrutiny Committee comprises fifteen Members. The Scrutiny Panels now hold their meetings in public and individuals are encouraged to attend.

Some of the Overview and Scrutiny Committee responsibilities are:

- **Co-ordinating Work Programme** – to co-ordinate the work plan to avoid duplication and ensure joint working, or other suitable arrangements.
- **Allocation of Resources** – to consider the overall work loads of Scrutiny Panels and to agree the allocation of resources to each Panel according to need on an equal basis.
- **Involvement of other People in the Overview and Scrutiny Process** – to review arrangements for involving Councillors or people outside the Council, in the Overview and Scrutiny process, such as by co-option, or setting up working parties which include outside representatives and be responsible for agreeing appointments of external parties to relevant Scrutiny Panel.
- **Training and Development** – to review training needs of Overview and Scrutiny Committee Members and of Councillors and Council employees generally in relation to the Overview and Scrutiny process; and to consider the development of operational styles and techniques to aid the usefulness and effectiveness of the Overview and Scrutiny process.

- **Appoint three Overview and Scrutiny Panels**
- **Policy Development and Review** – The Overview and Scrutiny Committee may assist the Council and Cabinet in the development of its Budget and Policy Framework by in-depth analysis of policy issues by a variety of methods.
- **Support Needs** – To consider any general issues which arise with regard to the levels of co-operation and support which the Overview and Scrutiny Committee and Scrutiny Panels receive from other parts of the Council.

Overview and Scrutiny is a key part of the modernised arrangements for governance in local councils and also an important mechanism for driving forward performances in services. The four key legislative roles are: -

- Holding the Executive to account
- Policy development and review
- Best Value Reviews
- External Scrutiny

Overview and Scrutiny provides the opportunity for Councillors that are not members of Cabinet to examine various functions of the Council, to question how key decisions have been made and to champion issues of local concern to residents.

Overview and Scrutiny is charged with finding ways of ensuring that the issues that matter to the public are the focus of their attention, and with finding new ways of getting citizens involved in the things that affect them. Overview and Scrutiny has considerable powers:

- Holding decision makers to account
- Challenging and improving performance
- Supporting the achievement of value for money
- Challenging the ways things are done
- Influencing decision makers with evidence based recommendations
- Bringing the evidence and views of stakeholders, users and citizens

Overview and Scrutiny is Councillor led. As well as Councillors leading on the review of topics, where they research issues and develop recommendations, they are also involved in setting the Overview and Scrutiny Committee agenda, bringing forward topics and issues, identifying who they want to hear from to help their work and what they want to know and how they want it presented to them.

The O&S Committees can “call-in” a decision that has been made by the Executive but not yet implemented, to enable it to consider whether the decision is appropriate. Call in can be referred to O&S by at least two Councillors. There was one call in during 2013/14.

Overview and Scrutiny becomes involved with decisions at an appropriate early stage to apply real influence and therefore play the important role of ‘critical friend’ to Cabinet. The Committee undertook one pre-decision scrutiny activity during 2013/14 in relation to the Nene Meadows Supplementary Planning Document, which was considered at a special meeting in February 2014 so that the Committee’s comments could be considered before Cabinet.

This pre-decision scrutiny activity demonstrates non-Executives influencing organisational culture at the Council.

During 2013/14, the scrutiny panels reviewed the following areas: -

- **Improving the Town's Parks** – To enhance community engagement with the town's parks.
- **Management and Regulation of Private Sector Housing (including HMOs)** – To improve regulation and management of private lettings by both landlords and agencies.
- **Impact of the Welfare Reform Act** – To investigate the impact of the implementation of the Welfare Reform Act.

The Council's Overview and Scrutiny (O&S) Committee is a very effective model, both for pre-decision investigations, and for a call-in process to scrutinize decisions of the executive. An evaluation of the Overview and Scrutiny process at Northampton took place using the Centre for Public Scrutiny (CfPS)'s framework "Accountability Works for You", together with two mini peer Reviews undertaken by Officers and Councillors from Broxtowe Borough Council and Rugby Borough Council. It had some very positive outcomes, acknowledging the achievements made, a number of which have been recognised as best practice.

Overview and Scrutiny was nominated for an award as part of the Centre for Public Scrutiny's (CfPS) Good Scrutiny Awards 2013 under the category transforming services for its review - Managing Community Centres.

The annual report of the Overview and Scrutiny Committee will be presented to Council on 14th July 2014.

5.5 Developing the capacity and capability of members and officers to be effective

The Council has a structured Councillor Development programme which is informed by corporate priorities, legislative changes and individual personal development plans for councillors. The programme is overseen by the Councillor Development Group, which comprises of councillors from all political groups and officers to determine priorities and agree programmes of development on a rolling three-month programme. It also evaluates and monitors outcomes from development sessions.

Councillor training sessions that took place in 2013/14 included:

- Planning Committee received regular training on Legislative matters, which was also made available to all Councillors with an interest in planning matters.
- The Emergency planning Officer delivered training for all Councillors on the elected Members' Role in Emergency Planning.
- The Care Quality Commission (CQC) delivered a session on how District Councillors can link in with their work.
- Several sessions were also delivered under the Northamptonshire Member Development Programme including: Media Skills, Speed Reading, Community Leadership and Engagement, Communicating Effectively, and Effective Meetings.
- In additions a number of briefing sessions were held covering topics such as the Welfare Reform Act.

5.6 Engaging with local people and other stakeholders to ensure robust public accountability

The Council recognises the diversity of our communities, the importance of community empowerment and the need to provide appropriate opportunities for customers and communities to participate at whatever level they wish to influence service delivery, decision making and policy development.

The Council's community engagement activities are brought together into one overarching strategy. The key principles of the strategy are that:

- Communities should be involved in the decisions that affect them
- Communities deserve high quality public services, shaped around their needs
- Council policies and strategies should reflect local priorities, requirements and aspirations.

The Council's Corporate Plan embraces, among other priorities, the ambition to have a vibrant town, to provide value for money to protect local services, to create empowered communities and to respond to people's needs when providing and delivering services. A robust performance framework is in place to monitor progress and success.

6 Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of its governance framework including the system of internal control. The process adopted during 2013/14 for a review is below.

- Contributions and comments from Heads of Service and Management Board
- Internal Audit review for comment
- Audit Committee review for comment
- Review and approval by Management Board
- Review and approval by the Audit Committee

The review of effectiveness is informed by the work of the managers within the Council who have responsibility for the development and maintenance of the governance environment, the Internal Auditor's annual report and also by comments made by the external auditors and other review agencies and inspectorates.

The contributions from senior managers included suggestions for work to be undertaken to enhance skills, systems and processes to ensure standards are adhered to, improved financial management in the organisation, improvements to the transparency of decision making, capacity concerns and other risks arising from the pace of change. In addition it was recommended that work is undertaken to enhance the member/officer interface and understanding of the decision making process. It has also been highlighted that there are some challenges in developing and supporting the new Standards Regime following massive changes brought about by the legislation.

A review of governance arrangements is to take place in 2014/15 and a Finance Improvement Plan is being delivered to address these issues.

In addition, there have been several issues identified within the Housing department during 2013/14. Work is underway to address the concerns identified and improve governance, control and financial management in the department.

Internal Audit, under the terms of engagement, is required to provide those charged with governance with an opinion on the overall adequacy and effectiveness of the council's:

- Risk management
- Control and;
- Governance processes.

Collectively this is referred to as "the system of internal control".

An audit plan is prepared each year and is agreed at the Audit Committee prior to the year commencing. For 2013/14 the audit plan was agreed at the Audit Committee meeting on 20th May 2013.

As part of the changes with the implementation of the LGSS project, certain internal audits were transferred to LGSS to provide assurance where the relevant services had been transferred to LGSS. The Internal Audit Draft Outturn is therefore reported in 2 parts below – PWC findings and LGSS. The following table illustrates how this has been done:

<i>Auditable Unit</i>	<i>Internal audit scope</i>
Debtors Creditors IBS Creditors Fixed Assets Cash	Some controls remain in Northampton Borough Council. These have been assessed and included in the scope of 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.

The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant service manager and/or chief officer. The report includes recommendations for improvements that are included within an action plan and requires agreement or rejection by service manager and/or chief officers. The process includes follow-up reviews of recommendations to ensure that they are acted upon, usually within six months. All Internal Audit reports include a report on the quality and effectiveness of internal control within the Council's systems, and an assessment in accordance with quantification and classification of internal control level definitions. These definitions are summarised below.

PWC Draft internal Audit Outturn


Individual Findings are rated using the guidelines shown in the following table.

Finding rating	Assessment rationale
Critical	A finding that could have a: <ul style="list-style-type: none"> • Critical impact on operational performance (quantify if possible); or • Critical monetary or financial statement impact (quantify if possible = materiality); or • Critical breach in laws and regulations that could result in material fines or consequences (quantify if possible); or • Critical impact on the reputation or brand of the organisation which could threaten its future viability (quantify if possible).
High	A finding that could have a: <ul style="list-style-type: none"> • Significant impact on operational performance (quantify if possible); or • Significant monetary or financial statement impact (quantify if possible); or • Significant breach in laws and regulations resulting in significant fines and consequences (quantify if possible); or • Significant impact on the reputation or brand of the organisation (quantify if possible).
Medium	A finding that could have a: <ul style="list-style-type: none"> • Moderate impact on operational performance (quantify if possible); or • Moderate monetary or financial statement impact (quantify if possible); or • Moderate breach in laws and regulations resulting in fines and consequences (quantify if possible); or • Moderate impact on the reputation or brand of the organisation (quantify if possible).
Low	A finding that could have a: <ul style="list-style-type: none"> • Minor impact on the organisation's operational performance (quantify if possible); or • Minor monetary or financial statement impact (quantify if possible); or • Minor breach in laws and regulations with limited consequences (quantify if possible); or • Minor impact on the reputation of the organisation (quantify if possible).
Advisory	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

Each of these rating levels attracts a set number of points as shown in the table below.

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

The aggregate number of points an audit has scored indicates the overall level of risk of that control area. The number of points for each level of risk is shown in the table below.

Report classification	Points
 Low risk	6 points or less
 Medium risk	7– 15 points
 High risk	16– 39 points
 Critical risk	40 points and over
	222

The program of internal audit work for the year ended 31 March 2014 included 21 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 or operating effectiveness.

The audit plan was scoped to address the Council's key risks and strategic objectives. Each review was mapped to these areas in the 2013/14 Internal Audit plan. The internal audit plan was completed in line with the set timescales and training on fraud awareness was delivered in the year. The plan included 8 pieces of "value enhancement" work:






- 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)

Based on the work completed, internal audit 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 internal control.

PWC noted that the majority of functions audited in 2013/14 were low risk and that only the Absence Monitoring audit returned a High Risk recommendation. However, during their specialist review of the Empty Homes Programme, PWC also noted a number of control weaknesses and a failure to apply the established financial processes. This was reported to management separately.

The direction of control is overall one of improvements in control at the Council as shown by the following diagram.

Direction of Control Travel

Finding Rating	Trend Between Current & Prior Year	Number of Findings		
		2013/14	2012/13	2011/12
Critical		0	0	0
High		1	0	4
Medium		9	16	30
Low		23	48	38
Total		33	64	72

It should be noted that the mix and focus of the internal audit plans have differed between years and that this does not include the audits transferred to LGSS, and therefore these results are not be directly comparable.

The Internal Audit service is subject to a review by the council's external auditors, the Audit Commission, who place reliance on the work carried out by the section.

LGSS Internal Audit

It was agreed by the S151 Officer and the council's internal auditors (PwC) that where LGSS have taken on the responsibility to undertake the functions during 2013/14, LGSS Internal Audit would complete the assurance work relating to LGSS functions, and PwC would continue to audit those aspects which remain in the direct control of the council. LGSS has worked with PwC to plan and undertake their work to ensure the full coverage required to provide the assurance opinions, whilst minimising duplication of work.

Individual Findings and the overall level of control are rated by LGSS Internal Audit using the guidelines shown in the following table.

Assurance	Definition
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.

The areas reviewed by LGSS in 2013/14 were Accounts Receivable (Debtors), Accounts Payable (Creditors), Fixed Assets, Payroll, Bank Reconciliation (Cash), and General Ledger (including Agresso IT General Computer Controls). One area, Housing Benefits, was deferred to 2014/15.

Each of the LGSS audits completed in 2013/14 show Substantial Assurance

Assurance Level	Risk Areas in Assurance Level
Full Assurance	17
Substantial Assurance	20
Moderate Assurance	4
Limited Assurance	0
No Assurance	0

The overall level of control on the LGSS areas was assessed as 'Substantial' by LGSS internal audit.

7 Significant Governance Issues

7.1 Review of the previous year's Significant Governance Issues

The 2012/13 Annual Governance Statement highlighted no significant control weaknesses.

7.2 This year's Significant Governance Issues

One High Risk control weaknesses was identified by PWC for 2013/14 in relation to 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.

In addition PWC also noted a number of control weaknesses and a failure to apply the established financial processes during their specialist review of the Empty Homes Programme.

7.3 Areas of Good Practice

Internal Audit 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 for 2013/14:

- Treasury Management
- Budgetary Control
- Debt Recovery
- Collection Fund
- Asset Management
- Housing allocations
- Fixed Assets
- Creditors

The majority of functions audited by PWC in 2013/14 were low risk, and the majority of the functions audited by LGSS were given substantial assurance.

8 Conclusion

The Council proposes to address the above matters to further enhance governance arrangements. The Council is satisfied that these steps will address the need for improvements that were identified in the review of effectiveness and the progress of these will be monitored during the year and their implementation and operation will be reported on as part of our next annual review.

9 Approval of the Annual Governance Statement

In accordance with the appropriate regulations, the Annual Governance Statement was approved by the Audit Committee on XX September 2014 at the same time as the Statement of Accounts for 2013/14 was approved.

Signed:

Councillor David Mackintosh
Leader of the Council

Date:

Signed:

David Kennedy
Chief Executive

Date:

Appendices
1



AUDIT COMMITTEE REPORT

Report Title	Local Audit reforms – overview and response to consultation paper
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	28 th July 2014
Policy Document:	No
Directorate:	LGSS Finance
Accountable Cabinet Member:	Cllr A Bottwood

1. Purpose

1.1 To update the Audit Committee on future changes to Local Audit, and to approve NBC's response to the Local Audit consultation paper from DCLG.

2. Recommendations

2.1 To note the reforms set out in the Local Audit consultation paper, as summarised at 3.2.1.

2.2 To note Northampton Borough Council's response to the Local Audit consultation paper, as per Appendix 1.

3. Issues and Choices

3.1 Report Background

3.1.1 Following the announcement in August 2010 by the Secretary of State for Communities and Local Government to re-focus local public audit, a consultation document has been issued by DCLG setting out a number of proposed reforms to Local Government audit.

3.1.2 The consultation document requests responses to the proposed changes. NBC's response for approval is at Appendix 1.

3.2 Issues

3.2.1 The proposals set out in the consultation paper by DCLG that impact NBC are regarding:

- **Collective Auditor Procurement by a 'Specified Person'**

Proposals to make regulations for the Secretary of State for Communities and Local Government to provide for the appointment of a local auditor through a person he has specified as an 'appointing person'.

Local Authorities will be able to 'opt-in' and have their auditor appointed on their behalf by a specified appointing person rather than appoint their auditor locally.

Authorities that opt-in will do so for the 'appointing period' which is proposed to be limited to five financial years.

The appointing person will be required to consult on, and then set, the scale fees for audit which opted-in bodies will be required to pay. The appointing person would also have the ability to charge a higher/lower fee than the scale fee if appropriate.

The appointing person will also be responsible for:

- Overseeing the independence of the auditor
- Monitoring the compliance of appointed auditor with contractual obligations
- Dealing with disputes/ complaints relating to audit contracts

- **Bringing forward the timetable for submission of the annual Statement of Accounts from 30th June to 31st May, and deadline for audit completion from 30th September to 31st July for the 2017/18 financial year**

Proposals to bring forward the timetable for year-end accounts are stated to be "in line with wider government moves to improve local government accountability to the public".

Government will be working with CIPFA to support their initiative to simplify the accounts and make them easier for local people to understand.

Notice of the changes for 2017/18 given to allow Local Authorities and auditors time to make necessary changes, however it is hoped authorities will move to the new timetable as soon as they can.

- **Changes to public rights period for the public to exercise their public rights**

Proposals to create a 'common 30 day' period for public inspection, applying to all Local Authorities.

At present, Local Authorities can choose when their 30 day public rights period should start.

The creation of a common 30 day period is expected to provide the public with greater knowledge of the public inspection deadline.

3.2.2 NBC's response to the proposals have been set out at Appendix 1. The response is supportive of the proposals, but identifies some of the key risks and explains the issues that need to be resolved.

3.2.3 The main risks and issues are around the change of date and relate to:

- Information that is necessary from external sources
- Capacity of auditors to deliver at that time of the year
- Increased levels of estimation uncertainty in the Statement
- Risks relating to significant accounting changes such as the Business Rates Retention Scheme this year

3.3 Choices (Options)

3.3.1 To note the Local Audit Consultation paper as summarised at 3.2.1 above.

3.3.2 To note the response to the Local Audit Consultation paper

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 LGSS Finance will need to assess their resources and plan appropriately to ensure the revised statutory deadline for the publication of the Statement of Accounts is met in 2017/18.

4.2.2 There is a risk that if appropriate resources are not put in place, the statutory deadline for publishing the Statement of Accounts may not be achieved.

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 Northamptonshire Finance Officers Group and Chief Accountants Network

4.6 Other Implications

4.6.1 There are no other implications

5. Background Papers

5.1 Local Audit Consultation, Department for Communities and Local Government, June 2014

**Amy Eyles, Principal Accountant, LGSS
01604 367514**

Draft Response to the CLG Consultation on Local Audit

Questions 1-3 and 12-18 are not relevant to NBC and so have been omitted

Q4. Should regulations require that the decision to opt-in to sector-led arrangements is made by full council?

The requirement for full council to make the decision to opt in to sector led arrangements seems excessive. We would suggest that the Audit Committee or Chief Finance Officer in conjunction with the Chief Executive and Chair of the Audit Committee would be best placed to make this decision.

Q5. Do you agree that the maximum length appointing period should be restricted to five years?

We agree with this proposal, but it should not preclude the same auditors from being appointed again in the next round.

Q6. Do you have any other comments on the proposed collective procurement regulations?

The latter part of the regulation relating to non-acceptance of an invitation (just after paragraph 1(9)) could be considerably clearer.

In order for authorities to understand their costs for budgeting and planning purposes, the specified person must give notice of the 'reasonable' administrative costs they will be charging in good time.

It would be helpful if all the members of a Business Rates pool were within the same collective arrangement in order to make the audit of more efficient and therefore cost effective. Separate auditors for a pool arrangement could give rise to issues in relation to acceptability of assurance.

Q7. Is 30 working days a suitable period for the accounts to be available?

We understand and appreciate the intention to give the public certainty over the public inspection period, no matter where they are, and support that proposal.

Although this is equivalent to the current period, it does seem a very long period of time given that the total audit period is so short and the accounts still need to go to Audit Committee. If changes are needed following an objection from a member of the public, there is not much time to get it made and signed off if it is of a nature that affects multiple notes to the accounts.

Q8. Do you agree this information should be published electronically?

Most authorities use electronic media and this is certainly more readily accessible to most people than other forms of publication.

Q9. Do you agree that a common period for the exercise of public rights should be included in the regulations?

We do not have any objection to this proposal, other than our comments in response to Q7.

Q10. Do you have any views on the intentions for exempt authorities set out above?

We have no objections to this proposal.

Q11. Do you have any other comments on the proposed Accounts and Audit Regulations?

We understand the reasons for the proposal to bring forward the deadlines for closure of accounts and audit, and are supportive of those reasons. However we do have reservations whether this will deliver the objectives identified.

The stated intention is to improve accountability to the public, but the shortened accounts preparation timescale will increase reliance on estimation and could therefore provide a distorted picture. In addition, the shortened audit period with no equivalent change to the public inspection period, gives limited opportunity to make any amendments that might be necessary.

We also have concerns about the deliverability of the shortened timetable on a number of fronts.

HMRC deadlines for P11ds and P60s are a barrier to the revised deadlines and would need to be brought forward to enable this to happen.

NNDR3 returns and WGA returns would need to be issued accurately and much earlier in order to enable the earlier deadlines to be met. CLG/HMT does not have a good track record in this area and this creates a real risk to deliverability.

There is a conflict of timing in relation to business rates as the earlier deadline would mean we needed their information at their busiest time, as April is when the first direct debits of the year are collected and thus when a large number of queries arise. There is therefore a risk of front line impact of implementing this change.

In order to free up resource to deliver the earlier deadlines it would be better if RA forms were issues in February for return by the end of April.

Many authorities have cut back their back office services, such as Finance, in order to deliver the savings required to balance budgets under the austerity measures that the Government has put in place. This, combined with major projects needing Finance support that are taking place in many authorities to deliver both savings and local economic regeneration, makes it extremely challenging to find the resource to deliver the accounts in a shorter period. The work can no longer be allocated to a specific team to focus on, especially in smaller authorities.

There is a history of significant complex accounting changes being implemented at short notice, with detailed accounting requirements not coming out until immediately before or even during the accounts closure process. Examples in recent years include the changes to capital accounting and the Business Rates Retention Scheme. It is anticipated that at or around the time that the new timetable is due to come in major changes to lease accounting are expected. The new timetable will also be after the next election, and there could be changes following that which have a material impact on the accounts. If the new timetable is to be met, proper processes need to be put in place to ensure that changes with accounting

implications are given sufficient time to enable all the relevant processes to be put in place.

Our information from authorities that currently close early is that there is a significant degree of estimation in their accounts. There is a risk that this could cause problems for WGA, as well as being a risk to the reliability of the accounts and acceptability to the auditors.

The auditors currently have a period in June when they are focussed entirely on their NHS audits, this will obviously clash with that timetable and introduces risks in terms of deliverability as a result. Alternatively, there is a significant risk that the auditors will increase charges to cover additional resources required to staff the audit concurrently with the NHS audit.

Internal Audit Annual Report 2013/2014

Northampton Borough
Council

July 2014

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Distribution List

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.

<i>Auditable Unit</i>	<i>Internal audit scope</i>
Debtors Creditors IBS Creditors Fixed Assets Cash	Some controls remain in Northampton Borough Council. These have been assessed and included in the scope of 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 draft reports have been issued but management comment is outstanding.

Our work identified 1 high, 9 medium and 25 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:

<i>Description</i>	<i>Detail</i>
<p>Overview</p> <p>We completed 21 internal audit reviews (including value enhancement reviews). This resulted in the identification of 0 critical, 1 high, 9 medium and 25 low risk findings to improve weaknesses in the design of controls and / or operating effectiveness.</p>	<p>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.</p> <p>We have completed our internal audit plan in line with the set timescales, subject to the amendments agreed by management.</p>
<p>Internal Control Issues</p> <p>During the course of our work we identified a number of weaknesses that we consider should be reported in your Annual Governance Statement.</p>	<p>The following high risk area has been identified in 2013/14:</p> <p>Absence monitoring:</p> <ul style="list-style-type: none"> • The key weakness identified in this report relates to the lack of compliance with procedures set out in the Absence Policy. <p>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 been reported to management separately.</p>
<p>Good practice</p> <p>We also identified a number of areas where few weaknesses were identified and / or areas of good practice.</p>	<p>The following reviews were classified as low risk in 2013/14:</p> <ul style="list-style-type: none"> • Treasury management • Budgetary control • Debt recovery • Collection Fund • Asset management • Housing Allocations • Fixed assets • Creditors • Debtors • ICT – Bring your own devices

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

<i>Audit unit</i>	<i>Report status</i>	<i>Period covered</i>	<i>Report classification</i>	<i>Number of findings</i>			
				<i>Critical</i>	<i>High</i>	<i>Medium</i>	<i>Low</i>
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	Draft	April - February	Low Risk	0	0	0	2
Creditors	Final	April - February	Low Risk	0	0	0	1
IBS Creditors	Final	April- November	Medium Risk	0	0	1	4
Fixed assets	Draft	April - February	Low Risk	0	0	1	3
Absence Monitoring	Final	April - January	High Risk	0	1	2	2
Housing allocations	Final	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	25






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
- Housing Rents : Data analytics
- Bus Interchange Project Post Implementation Review
- Review of Risk Management Activity

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		25	48	38
Total		35	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 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

<i>Audit Unit</i>	<i>Audit Type</i>	<i>Budgeted days</i>	<i>Actual days</i>	<i>Comment</i>
<i>Cross-cutting</i>				
Risk Management	Value enhancement	8	8	Draft report 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	Draft report issued
Creditors	Value protection	6	6	Final 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	Draft report 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	
<i>Departmental</i>				
Human Resources – Absence monitoring	Value protection	8	8	Final 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	Final 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	
<i>Other</i>				
Project management	n/a	20	35	Additional meetings and planning as a result of organisational change.
Total internal audit		315	286	
Review of HR issues	Specialist	-	26	Internal audit days re-allocated to a management review of HR using specialist forensic resource. The findings have been separately reported to management.
Total		20	61	
		315	312	

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
Corporate Fraud	-8	

		responsibilities are defined and embedded.
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	+15	Additional meetings and planning as a result of organisational change.
Total	+110	
Overall net position	-3	

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 312 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 section 3 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

<i>Findings rating</i>	<i>Points</i>
<i>Critical</i>	40 points per finding
<i>High</i>	10 points per finding
<i>Medium</i>	3 points per finding
<i>Low</i>	1 point per finding

<i>Report classification</i>		<i>Points</i>
	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

<i>Finding rating</i>	<i>Assessment rationale</i>
Critical	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • 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	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • 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	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • 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	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • 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	<p>A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.</p>

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 has provided a separate report of their findings (*LGSS Internal Audit: Assurance Opinions on Key Financial Systems 2013/14*).

A summary of LGSS internal audit work is provided below. This does not form part of our opinion.

Audit unit	Report status
Accounts Receivable	Substantial
Accounts Payable	Substantial
General Ledger	Substantial
Payroll	Substantial
Bank Reconciliation	Substantial
Fixed Assets	Substantial

Appendix 4: Quality assurance

Quality in all we do

Our service meets the standard requirements set out by professional institutions. Our Internal audit approach fully complies with the Public Sector Internal Audit Standards. We self assess ourselves against the standard on an annual basis and report the results to the Audit Committee.

Any fraud investigations you would ask to assist on are conducted with regard to the relevant legislation (including, but not limited to, the Human Rights Act 1998, Data Protection Act 1998 and the Regulation of Investigatory Powers Act 2000), with particular reference to safeguarding the interests of informants and whistle-blowers (under the Public Interest Disclosure Act 1998).

In addition to external standards, we commit to be compliant with all independence and ethical requirements. It is important that in order to be effective we remain suitably independent of management and the each of the Partners, such that you can be comfortable that our opinions and findings are truly objective, and that we avoid any conflict of interest with regards to non-audit work or working with another client.

Our Internal audit Charter outlines our responsibilities in relation to independence.



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.

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Assurance Opinions on Key Financial Systems 2013/14

Many financial activities transferred from Northampton Borough Council to LGSS during the 2013/14 financial year. It was agreed with the S151 Officer and the council’s internal auditors (PwC) that where LGSS have taken on the responsibility to undertake the functions during 2013/14, LGSS Internal Audit would complete the assurance work relating to LGSS functions, whilst PwC would continue to audit those aspects which remain in the direct control of the council. We have worked with PwC to plan and undertake our work to ensure the full coverage required to provide the assurance opinions, whilst minimising duplication of work.

We have now finalised our work to provide these 3rd party assurances to Northampton Borough Council on the controls in key financial systems now operated by LGSS. This report sets out the results. The assurance levels are based upon the definitions in Table 1.

Table 1. Assurance Level Definitions

Assurance	Definition
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.

The results of the audits are summarised in the Table 2. We are pleased to report that we are able to give “substantial” overall assurances on all of the systems we have reviewed.

Table 2 Overall Assurance Opinions

Auditable Area	Assurance Opinion
Accounts Receivable	Substantial
Accounts Payable	Substantial
General Ledger	Substantial
Payroll	Substantial
Bank Reconciliation	Substantial
Fixed Assets	Substantial

The detailed assurance statements for each auditable area are set out in Appendix A. These set out the process areas included in each review and the assurance opinion on each process, leading to the overall opinions set out above. For each process area where the assurance is less than “Full” we have agreed an agreed action plan of improvements for implementation by LGSS. These actions will be monitored and followed up, utilising our automated audit management processes.

APPENDIX A

Northampton Borough Council (NBC) Third Party Assurance – Accounts Receivable 2013/14

The table below provides a breakdown of the levels of assurance given for each of the process areas identified, based upon testing of LGSS systems and processes:

Process Area	Assurance opinion
Set up of New Customers	Substantial
Amendments to Customer Accounts	Substantial
Direct Debit set up; payment run and rejected / cancelled of direct debits	Full
Raising Invoices	Full
Receipt of Payments	Substantial
Credit Notes / Cancellation of invoices	Substantial
Debt Recovery and Write off	Substantial
User Access	Moderate
Overall Level of Assurance	Substantial

Where testing and systems reviews have identified areas requiring further improvements these have been discussed with LGSS management and suitable actions have been agreed.

Details of findings and assurance opinions

Set up of New Customers – Substantial Assurance

Customer creation is an Agresso Self Service function and therefore any NBC employee can commence the process of setting up a new customer account. However, prior to the customer being available for selection, it requires approval from LGSS Exchequer.

We walked through the ‘customer approval’ process only and noted the following weakness.

There is functionality within AR Agresso that enables an audit trail report to be generated allowing new customer approval and changes to customer records to be traced to the member of staff requesting and actioning the request. It was understood that this report was generated prior to August 2013 but was discontinued due to server related problems. While it is now understood that these problems have been resolved, at the audit review date (February 2014), no reports were being generated or checks undertaken on the above.

Amendments to Customer Accounts – Substantial Assurance

Any NBC Agresso service user can submit a request to amend an existing customer account on Agresso. The process commences with the service user submitting an online request via the LGSS Exchequer e-mail address and attaching an Accounts Receivable Amendment Form noting changes.

We walked through the customer account amendment process and noted the following weaknesses.

While the above weakness regarding the audit trail report applies here also, we also noted that no exception reports on customer account changes were being generated and / or checked on a regular basis.

Direct Debit – Full Assurance

The following tests were undertaken:

- Direct Debit set up – walkthrough tests. No weaknesses were identified.
- Direct Debit payment run – obtain details of all the direct debit payment runs for February 2014 and agreed to transmission and BACS summary reports ensuring that the relevant documents were appropriately signed off and authorised. No weaknesses were identified.
- Rejected / Cancelled Direct Debits - selected a sample of 5 direct debit cancellations / rejections and confirm that Agresso has been updated and that either a credit note has been issued and / or the missing instalment has been progressed in line with the debt recovery process. No weaknesses were identified.

Raising Invoices – Full Assurance

Any NBC employee that is required to raise sales requisitions as part of their duties, and has been set up on Agresso to do so, can raise a sales requisition. Once the requisition has been approved by the line manager, a sales order is generated. The order is processed through workflow requiring approval by LGSS Exchequer prior to becoming a sales invoice and then dispatched. No weaknesses were identified in LGSS controls.

Receipt of Payments – Substantial Assurance

We walked through the 'receipting payment' process and selected a sample of 10 days ensuring that appropriate documentation – daily check list; daily record sheet; batch checks; G4S collection receipts etc. is in place and signed and authorised. The following weakness was identified:

The Daily Cash Up Report while signed by the Cashier was not signed off by the Exchequer Team Leader or other responsible officer as evidence of review.

Credit Notes / Cancellation of invoices – Full Assurance

Any NBC employee that is required to raise sales requisitions as part of their duties, and has been set up on Agresso to do so, can raise a sales requisition. Only the officer who raised the sales requisition initially can raise a sales credit note. When the credit note requisition is approved by the line manager, it is processed through workflow prior to LGSS Exchequer final check and approval.

Our testing involved a walkthrough of the credit note process from the point of LGSS involvement. No weaknesses were identified.

Debt Recovery and Write off – Substantial Assurance

The following tests were undertaken:

- Select a sample of 5 outstanding debtor accounts and confirm that recovery action has been undertaken in accordance with protocol as specified within the financial procedures such as: debt allocated to a recovery officer, follow up action taken, audit trails maintained etc.
- Obtain the February 2014 Performance Report and ensure it agrees to the corresponding aged debt report.

No weaknesses were identified.

Write-Off – Substantial Assurance

The following tests were undertaken:

- Select a sample of 5 write-offs and confirm that the debt has been authorised for write off in accordance with the financial procedures.
- Ensured that the write-off auctioned on Agresso agrees to the write-off schedule and that recovery action was undertaken before the write-off decision was taken.

No weaknesses were identified.

User Access – Moderate Assurance

We were satisfied that Agresso user access responsibilities were allocated to appropriate officers based on the user access forms authorised by line managers and submitted to LGSS Systems by NBC user departments. The following weakness was identified:

While Systems run weekly Valid Users Distribution reports, we noted that no checks / reviews were being undertaken to identify users with unnecessary AR access rights to Agresso. This was particularly applicable for Finance, Systems, Exchequer and Debt Recovery officers.

Northampton Borough Council (NBC)
Third Party Assurance – Accounts Payable 2013/14

The table below provides a breakdown of the levels of assurance given for each of the process areas identified, based upon testing of LGSS systems and processes:

Process Area	Assurance opinion
Supplier Setup and Amendments	Substantial
Requisition Creation and Approval	Substantial
Goods Receipt Processing	Full
Invoice Processing	Substantial
Interface Payments	Substantial
Payment Run	Substantial
Management Reporting	Substantial
AP reconciliation to GL	Full
User Access	Moderate
Overall Level of Assurance	Substantial

Where testing and systems reviews have identified areas requiring further improvements these have been discussed with LGSS management and suitable actions have been agreed.

Details of findings and assurance opinions

Supplier Setup and Amendments – Substantial Assurance

We walked through the supplier set up and amendment processes and noted the following issues:

- No management or supervisory checks were undertaken on changes made to supplier accounts.
 Previously (up until mid 2013) a system generated ‘Amendment Logging Report’ was generated detailing changes made to supplier accounts (including changes to bank accounts). This report was checked by the Exchequer Team Leader on at least a monthly basis and signed off as evidence of review. The report however was discontinued due to system related problems and while it was understood that this has been resolved, as at the audit review date (March 2014), no reports were generated or checks undertaken on the above.
- Request to set up a new supplier account or make changes to existing supplier accounts are not always sent to the accounts payable generic email address (accessible by all exchequer officers) but to individual exchequer officers’ email accounts.
- There were no documented procedures or flowcharts covering all the processes or tasks involved in the supplier set up and amendment processes.
 While documented Agresso guidelines exists on the supplier set up and amendment processes, there were other processes / tasks undertaken by Exchequer that sits outside Agresso that has not been documented. The tasks include:

- The new supplier set up request sent to procurement for approval and confirmation.
- The Supplier Payment Details Form set to the supplier on receipt of a supplier set up request.
- Confirmation of CIS details with the Inland Revenue where relevant.
- Confirmation with the supplier of a bank account change after obtaining supplier contact details on Agresso.

Requisition Creation and Approval – Substantial Assurance

We walked through the requisition creation and approval processes. The following issue was identified on the LGSS related system and processes.

- Documented evidence of the Council’s AP approval levels was not evidenced.

Goods Receipt Processing – Full Assurance

We walked through the goods receipt process with LGSS involvement limited to user access responsibilities. No issues were identified on the LGSS related system and processes.

Invoice Processing – Substantial Assurance

We walked through the invoice processing function and noted the following issue:

- Supplier invoices were not always addressed to NBC Exchequer.

Following our walkthrough tests and discussions with the Exchequer Team Leader, it was noted that supplier invoices were not always sent directly to or addressed to NBC Exchequer at John Dryden House. Although guidelines exist detailing procedures required to be followed, there remain situations where this has not been followed. Discussions seem to indicate that there are a few user departments where this is particularly common.

Interface Payments – Substantial Assurance

We walked through the interface payment process and selected a sample of 5 uploads for testing. No significant issues were identified on the LGSS related system and processes. We did however note the following:

- The Systems Team does not maintain an authorised and / or up to date list of staff members within the individual departments who are authorised to submit spreadsheet uploads.
- Notification of the Batch upload onto Agresso to Exchequer is sent to staff members’ individual work e-mail address and not the generic Exchequer e-mail address i.e.: NBC-AccountsPayable@northamptonshire.gov.uk.

Payment Run – Substantial Assurance

We walked through the payment run process and selected a sample of 5 payment runs for testing including BACS, CHAPS and Cheque payments. We identified the following weaknesses:

- For 1 of the payment runs selected, there was no evidence that the supplier payments exceeding £25k had been reviewed.

- The cheque stationery stock is kept within a locked cabinet. The key for the cabinet is kept in the Team Leader's top drawer accessible to Exchequer and Non Exchequer staff.
- Exchequer maintain an analysis sheet detailing cheque payment runs noting the first and last cheques used during each run. While it was understood that the cheque stock stationery was only recently taken on board by Exchequer, we noted that no record was maintained of the current stock balance or details of any previous stock purchases (including cheque number sequence details). We were therefore unable to reconcile the current stock against the amount purchased and used stock.

Management Reporting – Substantial Assurance

Our testing involved obtaining a sample of BVPI8 and Close of Business Reports, ensuring that mechanisms were in place to measure performance.

While our testing identified no issues with these particular reports and processes undertaken, we did suggest other reports that Management may find useful in measuring performance. These include:

- A Retrospective order report. This identifies goods/services purchased prior to raising a purchase order.
- A Credit Balance report. Identifying supplier overpayments and action taken to recover these monies.

AP reconciliation to GL – Substantial Assurance

We walked through the Accounts Payable to General Ledger Reconciliation process and selected a sample of 3 months for testing. No issues were identified.

User Access – Moderate Assurance

We were satisfied that Agresso user access responsibilities were allocated to appropriate officers based on the user access forms authorised by line managers and submitted to LGSS Systems by NBC user departments. The following weakness was nevertheless identified:

While Systems run weekly Valid Users Distribution reports, we noted that no checks / reviews were being undertaken to identify users with unnecessary AP access rights to Agresso.

Northampton Borough Council (NBC)

Third Party Assurance – LGSS General Ledger (GL) 2013/14

The table below provides a breakdown of the levels of assurance given for each of the process areas identified, based upon testing of LGSS systems and processes:

Process Area	Assurance opinion
Access to GL	Substantial
Journals / Virements	Full
General Control Environment	Full
Coding Structure	Full
Feeder Systems	Full
Access and Data Security	Substantial
Reconciliations	Moderate
VAT	Substantial
Overall Level of Assurance	Substantial

Where testing and systems reviews have identified areas requiring further improvements these will be discussed with LGSS management and suitable actions will be agreed.

Details of findings and assurance opinions

Access to GL – Substantial Assurance

An appropriate range of responsibilities exists to ensure that access to the General Ledger (GL) module (and functionality) is appropriately controlled. All requests for access to the GL are submitted on a request form and appropriately authorised.

Although approved users of the GL are not required to attend basic training prior to receiving live access to the system, the Assistant Accountant (Systems) advised that the majority of approved users were Accountants and that in-house training would be provided by the relevant teams.

Appropriate systems are in place to remove GL access from staff leaving the organisation. A daily Excelerator report is run to identify leavers / staff who have not logged into the system for 3 months and access rights are removed accordingly.

A monthly reminder prompts users to change their password. Passwords must be alpha numeric and between 8 – 16 characters.

The Assistant Accountant (Systems) confirmed that although an access report was in place, it was not reviewed / signed off periodically.

Journals / Virements - Full Assurance

Journal transfers include sufficient information and appropriate authorisation. Supporting documentation is scanned and held electronically on Agresso and system validation ensures that individual items are totalled correctly.

Requests for Virements are checked for appropriate authorisation and compliance with financial regulations, prior to being actioned.

General Control Environment - Full Assurance

The relevant officers are notified of key GL maintenance tasks each month and a timetable / appropriate communications are in place for the year end closedown process.

The financial information system provides revenue and capital accounts together with balances for the final accounts as required by statute.

Coding Structure - Full Assurance

Appropriate controls are in place for the amendment / introduction of new financial codes and all codes are held within Agresso. Every accounting item is routed to its appropriate head in the main accounting system by means of a financial code and invalid codes are closed upon request. Financial codes are validated on direct input to Agresso / all feeder systems.

Feeder Systems - Full Assurance

Appropriate authorisation is required for all data that is submitted via the feeder systems and processing controls exist to ensure that all information is correct and complete. Control totals are produced and reconciled accordingly.

Batches that include incorrect codes are rejected and miscoded balances are posted to a suspense account. All suspense account items are investigated and cleared in a timely manner.

The Assistant Accountant (Systems) confirmed that data could not be submitted to Agresso a second time.

Access and Data Security - Substantial Assurance

The Assistant Accountant (Systems) advised that guidance relating to the day to day operation of the system was available to all users via the intranet.

Appropriate details of all transactions are held on Agresso and all data is readily identifiable. A list of all expected output from the system including error reports is maintained / reviewed actively and errors are rectified accordingly. All input information is actioned once only and documentation is held for a sufficient period of time.

Amendment / edit requests to the system had to be in writing and appropriately authorised, however, a list of authorised signatories was not held on file. In addition, although LGSS staff process information on behalf of NBC, it was noted that registration with the Information Commissioner's Office (ICO) had not taken place.

Reconciliations – Moderate Assurance

The Assistant Accountant (Systems) is responsible for monitoring the two GL suspense accounts and both accounts are reviewed and cleared on a timely basis.

Regarding the IBS, ICON and Payroll reconciliations of to GL, the following weaknesses were identified:

- An IBS to GL reconciliation had not been undertaken for 2013/14;
- While the ICON and Payroll reconciliations to GL were evidenced, they were not reviewed by the Systems Team Leader and signed off as evidence that this review had been undertaken.

VAT - Substantial Assurance

Sufficient expertise is in place to provide staff with advice and guidance regarding VAT; however, the Auditor was advised that documented procedures are not available to NBC staff.

The Accounting Technician / Finance Manager are responsible for preparing VAT returns. VAT returns are based on the figures included within the VAT control accounts, with any adjustments clearly explained. It was noted that the procedure for completing the monthly VAT return required some minor updates.

The Finance Manager advised that that a secondary check had not been undertaken for a 5 month period during 2013/14 due to staff shortages. Although a secondary check had taken place on the VAT returns in April – May 13 and from November 13 onwards, this check was not in place from June – October 13.

A reconciliation is completed each month to ensure that an appropriate audit trail is in place for all payments / refunds in relation to VAT.

Northampton Borough Council (NBC)
Third Party Assurance – LGSS Payroll 2013/14

The table below provides a breakdown of the levels of assurance given for each of the process areas identified, based upon testing of LGSS systems and processes:

Process Area	Assurance opinion
User Access	Full
Establishment Controls	Full
Standing Data Security	Substantial
Manual Input Controls	Full
Starters and Leavers	Substantial
Variations	Full
Deductions	Full
Exception Reporting	Full
Payment Run.	Full
Overpayment Detection and Recovery	Substantial
Overall Level of Assurance	Substantial

Where testing and systems reviews have identified areas requiring further improvements these have been discussed with LGSS management and suitable actions have been agreed.

Details of findings and assurance opinions

User Access

There are appropriate processes in place to both create new Payroll users and to delete users from the Payroll System including appropriate authorisation.

There are 3 Payroll responsibilities which allow appropriate segregation of duties. There are only 3 officers with access exceeding Enquiry level. Therefore periodic review of access exceeding Enquiry level is not required.

There is guidance in place for the setting of robust passwords. There is system forced periodic change of passwords on a monthly basis.

Establishment Controls

There are appropriate processes in place to create new or amend existing posts including appropriate authorisation and a clear audit trail of supporting documentation. Furthermore, only designated officers have access to this responsibility on the Payroll System.

The Establishment is regularly reviewed by Finance and Services as part of monthly budget monitoring processes.

Standing Data Security

There is no periodic/routine review of standing data to ensure that it is accurate and to maintain data quality. This increases the risk of errors in payroll payments.

However, there was appropriate control over changing bank details.

Recommendations

- 1) In order to ensure that standing data is accurate and maintain data quality, a schedule for checking standing data should be established.

Manual Input Controls

There was appropriate control over manual input including submission to Payroll on standard forms and an authorised signatory listing in place detailing authorising officers who could submit these standard forms.

Starters and Leavers

There was a mainly robust process in place for adding new starters to the Payroll system including the completion of a standard form and appropriate authorisation. Testing identified that request forms had been submitted by appropriately authorised officers and the start date from these forms had then been correctly input into the system.

The majority of officers tested (12 from a sample of 15) had been recruited as per policy at the minimum spinal point. 2 officers had been appointed above the minimum spinal point and this had been justified and then authorised at the appropriate level (Head of Service).

However in 2 tests where the officers had been recruited above the minimum spinal point no evidence of Head of Service authorisation could be supplied to the auditor although justifications for paying above the minimal spinal point were provided.

There was a robust process in place for removing leavers from the Payroll system including the completion of a standard form and appropriate authorisation. Testing, of 15 leavers, identified that the form had been completed, appropriately authorised and that the leaving date on the form had then been input correctly onto the system.

Following handover, the random sample checking of the completeness of documentation relating to starters and leavers had not taken place.

Recommendations

- 2) The HR Admin Team should be instructed not to create any new employees above minimum spinal point without documented authorisation from a Head of Service.
- 3) The random sample checking of the completeness of both starters and leavers supporting documentation should be recommenced.

Variations

There was adequate control over pay variations, including timesheets, sickness, maternity, honorarium and standby payments. Standard forms are completed and must be submitted by officers on an authorised signatory listing. Testing of 15 variations identified that these controls had been complied with. Furthermore, in the case of additional hours, automatic calculations were checked and found to be correct agreeing to hours on timesheets and the rate per hour on the system.

Procedures and policy for variations to payments are clearly documented in the Authorities Terms and Conditions.

Deductions

There was adequate control over deductions including appropriate authorisation and supporting documentation.

Exception Reporting

These are produced on a monthly basis and reviewed / signed off at an appropriate level.

Payment Run

There is a satisfactory process in place to process BACS runs including full supporting documentation and appropriate independent review/authorisation. Also, a Payroll timetable is in place.

Overpayment Detection and Recovery

There are currently minimal overpayments. Once identified action is taken promptly to recoup/recover overpayments.

Overpayments are not currently monitored to identify the reasons why they happen and then to put preventative actions in place.

Recommendation

- 4) Although the level of overpayments is currently minimal, overpayments should be monitored and the reasons for them identified in order to put in preventative actions in place.

Northampton Borough Council (NBC)
Third Party Assurance – Bank Reconciliation 2013/14

The table below provides a breakdown of the levels of assurance given for each of the process areas identified, based upon testing of LGSS systems and processes:

Process Area	Assurance opinion
Monthly bank reconciliations undertaken	Substantial
Bank reconciliations are accurate and non-reconciled items are cleared in a timely manner	Substantial
Overall Level of Assurance	Substantial

Where testing and systems reviews have identified areas requiring further improvements these have been discussed with LGSS management and suitable actions have been agreed.

Details of findings and assurance opinions

Monthly bank and control account reconciliations undertaken – Substantial Assurance

The following tests were undertaken:

- Bank reconciliation walkthrough.
- Selected a sample of 4 months, ensured that the reconciliation statements were signed by the preparer and authorised by a senior manager.
- Identified all the control accounts and ensured that balances are reviewed and cleared monthly.

The following weakness was identified:

While the control account balances were investigated and cleared on a monthly basis, the Control Account Monthly Balances Report was not reviewed / signed off by the Financial Systems Manager.

Bank reconciliations are accurate and non-reconciled items are cleared in a timely manner – Substantial Assurance

The following tests were undertaken:

- On the bank reconciliation statements selected above, ensured that unreconciled items are cleared monthly.
- Ensured that long outstanding cheques (6 months old) are investigated, cleared and written back.

The following weakness was identified:

Long outstanding cheques are not investigated, cleared and written back on a regular basis.

Northampton Borough Council (NBC)
Third Party Assurance – LGSS Fixed Assets 2013/14

The table below provides a breakdown of the levels of assurance given for each of the process areas identified, based upon testing of LGSS systems and processes:

Process Area	Assurance opinion
Depreciation charges accurately reflect the nature of assets and depreciation charges are recorded accurately	Moderate
Fixed assets codings within the Fixed Asset Register	Full
Reconciliation of the Fixed Asset Register to the General Ledger	Substantial
Access to the Real Asset Management System (RAM) which contains the Fixed Asset Register	Full
Overall Level of Assurance	Substantial

Where testing and systems reviews have identified areas requiring further improvements these have been discussed with LGSS management and suitable actions have been agreed.

Details of findings and assurance opinions

Depreciation charges accurately reflect the nature of assets and depreciation charges are recorded accurately.

New assets are promptly recorded onto the Real Asset Management (RAM) System and disposals are removed.

When a new asset is created on the RAM System an asset life is assigned to it against which straight line depreciated is then charged through an automatic calculation on the RAM System. Testing identified that it is possible to create a new asset with a zero asset life which would result in no depreciation being calculated for that asset. It is required to assign zero asset lives for assets that are going to be disposed of.

If assets are revalued the Accountancy Team will receive notification of this from Services. The asset will then be assigned a ‘relife’ on the RAM System via a journal upload. However, there is currently no evidenced checking that the ‘relife’ agrees to the notification received from the Service.

Furthermore, there is no sample checking of the system generated depreciation calculations on the RAM System or of the postings of these across to the Agresso General Ledger.

Recommendations

- 1) An evidenced periodic review / sample testing of the asset lives that have been assigned to new assets.

- 2) An evidenced periodic review / sample testing of asset reliefs to ensure that they agree to the supporting documentation received from the Services.
- 3) Sample checking of both the automatic calculations generated by the RAMS System and the posting of these charges across to the Agresso General Ledger System via journal upload.

Fixed assets codings within the Fixed Asset

There is a coding structure in place within the RAM and testing identified that this had been adhered to.

Reconciliation of the Fixed Asset Register to the General Ledger

There is a quarterly reconciliation of the Fixed Asset Register held on the RAM system to the Agresso General Ledger system. This is undertaken by a Senior Assistant Accountant and reviewed by the Finance Manager (Capital). However, this review is not evidenced / documented.

Documentation relating to the Quarter 3 2013/14 Reconciliation was satisfactorily viewed.

Recommendation

- 4) The review of the quarterly reconciliation of the Fixed Asset Register held on the RAM system to the Agresso General Ledger system should be evidenced / documented.

Access to the Real Asset Management System (RAM) which contains the Fixed Asset Register

There are adequate controls in place to promptly set up new users on the RAM and also to promptly remove users once they have left the Authority or their role within the Authority has changed.

Testing of 5 officers with access to the RAM found that they were valid NBC employees and that access to the RAM was appropriate to their job role.

Internal Audit Risk Assessment and Plan 2014/15

DRAFT

Northampton Borough
Council

July 2014

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Distribution List	David Kennedy, Chief Executive
	Francis Fernandes, Monitoring Officer
	Glenn Hammons, Section 151 Officer
	Heads of Service
	Senior Management Team
	Audit Committee

This document has been prepared only for Northampton Borough Council and solely for the purpose and on the terms agreed with Northampton Borough Council.

1. Introduction and approach

Introduction

This document sets out the risk assessment and our internal audit plan for Northampton Borough Council.

Approach

The internal audit service will be delivered in accordance with the Internal Audit Charter. A summary of our approach to undertaking the risk assessment and preparing the internal audit plan is set out below. The internal audit plan is driven by Northampton Borough Council's organisational objectives and priorities, and the risks that may prevent Northampton Borough Council from meeting those objectives. A more detailed description of our approach can be found in Appendix 1 and 2.

<p><i>Step 1</i> <i>Understand corporate objectives and risks</i></p>	<ul style="list-style-type: none"> • Obtain information and utilise sector knowledge to identify corporate level objectives and risks.
<p><i>Step 2</i> <i>Define the audit universe</i></p>	<ul style="list-style-type: none"> • Identify all of the auditable units within the organisation. Auditable units can be functions, processes or locations.
<p><i>Step 3</i> <i>Assess the inherent risk</i></p>	<ul style="list-style-type: none"> • Assess the inherent risk of each auditable unit based on impact and likelihood criteria.
<p><i>Step 4</i> <i>Assess the strength of the control environment</i></p>	<ul style="list-style-type: none"> • Assess the strength of the control environment within each auditable unit to identify auditable units with a high reliance on controls.
<p><i>Step 5</i> <i>Calculate the audit requirement rating</i></p>	<ul style="list-style-type: none"> • Calculate the audit requirement rating taking into account the inherent risk assessment and the strength of the control environment for each auditable unit.
<p><i>Step 6</i> <i>Determine the audit plan</i></p>	<ul style="list-style-type: none"> • Determine the timing and scope of audit work based on the organisation's risk appetite.
<p><i>Step 7</i> <i>Other considerations</i></p>	<ul style="list-style-type: none"> • Consider additional audit requirements to those identified from the risk assessment process.

Basis of our plan

The level of agreed resources for the internal audit service for April 2014 to March 2015 is 301 days and £115,885, and therefore the plan does not purport to address all key risks identified across the audit universe as part of the risk assessment process. Accordingly, the level of internal audit activity represents a deployment of limited internal audit resources and in approving the risk assessment and internal audit plan, the Audit Committee recognises this limitation.

Basis of our annual internal audit conclusion

Internal audit work will be performed in accordance with PwC's Internal Audit methodology which is aligned to 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.

Our annual internal audit opinion will be based on and limited to the internal audits we have completed over the year and the control objectives agreed for each individual internal audit. The agreed control objectives will be reported within our final individual internal audit reports.

In developing our internal audit risk assessment and plan we have taken into account the requirement to produce an annual internal audit opinion by determining the level of internal audit coverage over the audit universe and key risks. We do not believe that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion.

Other sources of assurance

In developing our internal audit risk assessment and plan we have taken into account other sources of assurance and have considered the extent to which reliance can be placed upon these other sources. Other sources of assurance for each auditable unit are noted in our Risk Assessment in section 3 of this document, and a summary is given below.

Other sources of assurance for Northampton Borough Council are as follows:

- Internal audit work performed by the Local Government Shared Service (LGSS)
- External inspections;
- External audit work; and
- ISO accreditations.

We do not intend to place reliance upon these other sources of assurance.

Key contacts

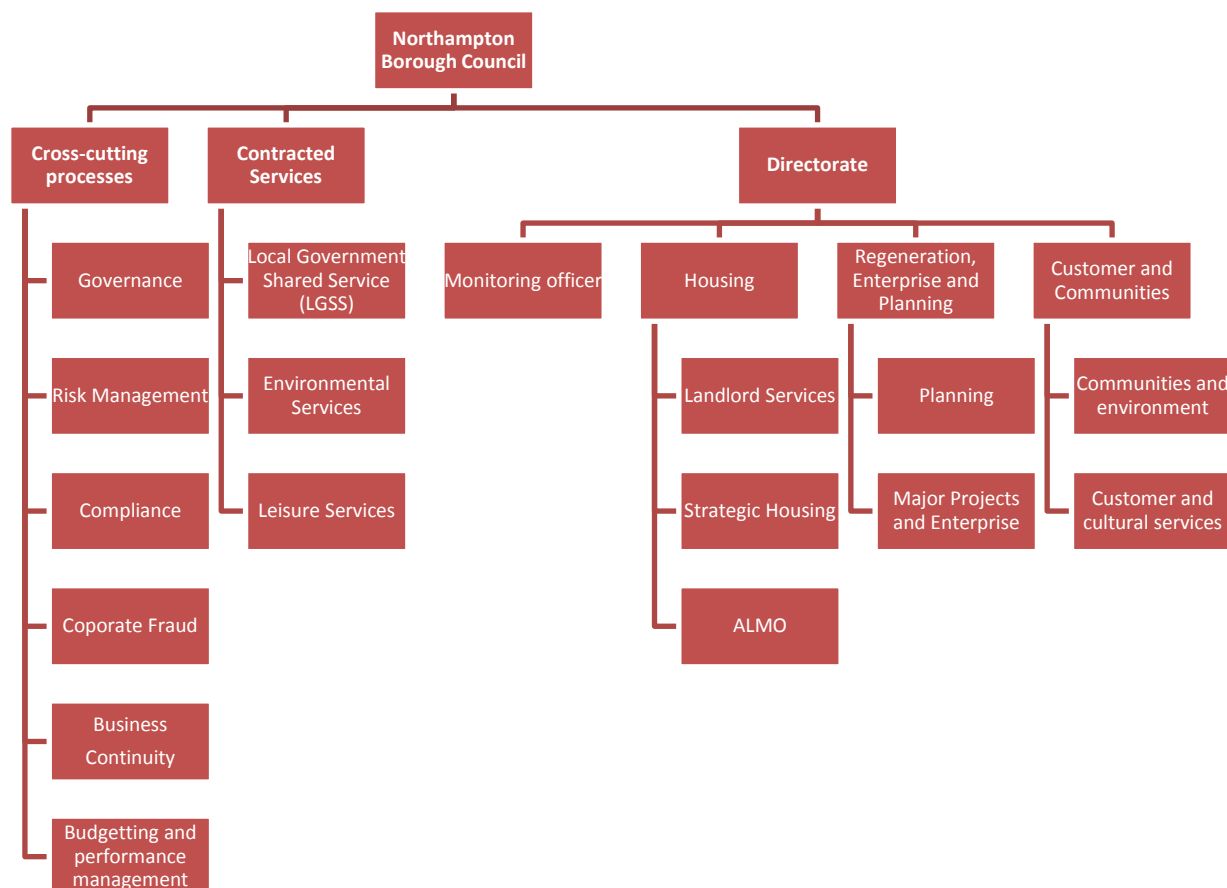
Meetings have been held with the following key personnel during the planning process:

<i>Name</i>	<i>Job Title</i>
David Kennedy	Chief Executive
Francis Fernandes	Monitoring Officer
Rebecca Smith	Assistant Head of Finance (LGSS)
Paul Clarke	Internal Audit (LGSS)

2. Audit universe, corporate objectives and risks

Audit universe

The diagram below represents the high level auditable units within the audit universe of Northampton Borough Council. These units form the basis of the internal audit plan.



The Local Government Shared Service (LGSS) is responsible for delivery of the following services on behalf of Northampton Borough Council:

- HR (including payroll and health and safety)
- ICT
- Finance
- Legal services
- Revenues and benefits
- Procurement
- Insurance

We understand that these areas will be considered as part of the LGSS internal audit risk assessment and plan.

Corporate objectives and risks

Corporate level objectives and risks have been determined by Northampton Borough Council. These are recorded in the table below and have been considered when preparing the internal audit plan.

<i>Objective</i>	<i>Risk(s) to achievement of objective</i>	<i>Cross reference to Internal Audit Plan (see Section 4)</i>
Putting Northampton back on track	<ol style="list-style-type: none"> 1. The plans for improving the economic prosperity of Northampton are not delivered. 2. Failure to deliver a balanced and deliverable budget. 3. The Council fails to deliver key priorities and make the best use of resources (assets, people, technology). 4. The organisation fails to meet customer needs. 5. Viability/capability to support or resource service demand. 	A.4 / C.4
Invest in safer, cleaner neighbourhoods		B.2
Celebrating our heritage and culture		C.3
Making every £ go further		A.4 / C.4
Better homes for the future		B.3 / C.1
Creating empowered communities		C.3
Promoting health and well-being		C.3
Responding to your needs		C.2 / C.3

3. Risk assessment

Risk assessment results

Each auditable unit has been assessed for inherent risk and the strength of the control environment, in accordance with the methodology set out in Appendix 1 and 2. The results are summarised in the table below.

In June 2013 Northampton Borough Council outsourced its “back office” function to the Local Government Shared Service (LGSS). For an initial period of five years LGSS will be responsible for the delivery of the following services on behalf of Northampton Borough Council:

- HR, organisational and workforce development, programme management (including payroll and health and safety)
- ICT
- Finance (including treasury management, senior financial advice and Section 151 Officer)
- Legal services
- Revenues and benefits
- Procurement
- Insurance

The auditable units reflect the new organisational structure. In 2014/15 all auditable units will be assessed to determine the processes and controls. The frequency of future reviews will be determined based on the outputs from the 2014/15 internal audit reviews.

The risk assessment ensures that all identified auditable units will be covered by internal audit during the three year strategic internal audit plan.

Ref	Auditable Unit	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Colour code	Frequency
A	Cross-cutting processes					
A.1	Risk management	5	2	4	●	Annual
A.2	Compliance	5	2	4	●	Annual
A.2	Governance	6	3	5	●	Annual
A.3	Corporate Fraud	5	3	4	●	Annual
A.4	Business continuity	5	2	4	●	Annual
A.5	Budgeting and performance management	6	5	4	●	Annual
B	Outsourced					
B.1	Local government shared service	5	3	4	●	Annual

	(LGSS)					
B.2	Environmental services contract	4	3	3	●	Every two years
B.3.	Leisure services	3	3	2	●	Every three years
C	Directorate					
C.1	<i>Housing</i>					
C.1.1	Landlord Services	5	2	4	●	Annual
C.1.2	Strategic Housing	5	2	4	●	Annual
C.1.3	Housing ALMO	4	3	4	●	Every two years
C.2	<i>Regeneration, Enterprise and Planning</i>					
C.2.1	Planning	4	3	3	●	Every two years
C.2.2	Major projects and enterprise	4	3	3	●	Every two years
C.3	<i>Customers and Communities</i>					
C.3.1	Communities and environment	4	3	3	●	Every two years
C.3.2	Customers and Cultural Services	4	3	3	●	Every two years
C.4	<i>Monitoring officer</i>	4	3	4	●	Every two years

Key to frequency of audit work

Audit Requirement Rating	Frequency – PwC standard approach	Colour Code
6	Annual	●
5	Annual	●
4	Annual	●
3	Every two years	●
2	Every three years	●
1	No further work	●

4. Annual plan and internal audit performance

Annual plan and indicative timeline

The following table sets out the internal audit work planned for April 2014 to March 2015, together with indicative start dates for each audit.

Ref	Auditable Unit	Indicative number of audit days	Value enhancement/ protection	Proposed timing				Comments
				Q1	Q2	Q3	Q4	
A	Cross Cutting Processes – Governance, Risk Management and Compliance							
	Risk management and Business Continuity	30	VP		X			Current state assessment and specialist support for the refresh of the risk management framework and business continuity programme, using best practice methodologies.
	Compliance <ul style="list-style-type: none"> • Data protection • Information Governance • Financial Delegations • Procurement • Insurance • Corporate Fraud List of key policies to be confirmed	70	VP		X			For each of the key policies and procedures identified: <ul style="list-style-type: none"> • review the policy and compare to best practice. • test compliance with the policy across the Council ensuring consideration is given to permanent officers and interims. • assess the adequacy of reporting mechanisms and process for handling non-compliance.
	Governance: <i>Questionnaire and follow-up</i>	12	VE		X			i) Distribute governance survey, collate and report results (deferred from 13/14). ii) Follow up and/or additional reviews in response to results from Governance Survey.
Total		112						
B	Contracted Services							
B.1	Local government shared service	28	VE		X			i) Testing of adherence to best practice contract

	(LGSS)							management processes identified in 2013/14 review. ii) Review of effectiveness of the Section 151 role provided by LGSS.
B.2	Environmental services contract	20	VE		X			Deferred from 2013/14. Review of the contract and map out key responsibilities of both the contractor and the Council. Identify the key controls and processes which should be in place. Test performance against key controls.
Total		48						
C	Directorate							
Directorate Governance and Accountability								
C.1	Housing <ul style="list-style-type: none"> • Strategic Housing • Landlord Services 	15	VP			X		Review of business unit to cover: <ul style="list-style-type: none"> • Objective setting and risk assessment • Governance and decision making • Budget and performance monitoring • Financial processes and controls, including delegated authorities • HR processes
	Regeneration, Enterprise and Planning <ul style="list-style-type: none"> • Major projects and enterprise • Planning 	15	VP					Review of business unit to cover: <ul style="list-style-type: none"> • Objective setting and risk assessment • Governance and decision making • Budget and performance monitoring • Financial processes and controls, including delegated authorities • HR processes
	Customers and Communities <ul style="list-style-type: none"> • Communities & Environment 	15	VP					Review of business unit to cover: <ul style="list-style-type: none"> • Objective setting and risk assessment • Governance and

	<ul style="list-style-type: none"> Customers & Culture 							<ul style="list-style-type: none"> decision making Budget and performance monitoring Financial processes and controls, including delegated authorities HR processes
	Monitoring officer	10	VP					Review of business unit to cover: <ul style="list-style-type: none"> Objective setting and risk assessment Governance and decision making Budget and performance monitoring Financial processes and controls, including delegated authorities HR processes
Directorate responsive reviews								
C.2.1	Planning	10	VP					Pre-implementation review of the planning system controls.
	Contingency for additional responsive reviews	20						Contingency for additional responsive reviews to consider projects/risks.
Total		85						
D	Project management							
	Project management	30	NA	X	X	X	X	Management of the internal audit contract.
Total		30						
Total internal audit		275						
E	Additional support							
	HR review	26	NA	X				Internal audit days re-allocated to management review of HR using specialist forensic resource.
Total		26						
Total		301						

In addition to these services, we will provide a range of benefits to the Council at no additional cost which include:

- Regular technical updates and alerts from PwC Assurance on topics including accounting changes and new legislation;
- Circulation of recent publications by PwC and PwC's Public Sector Research Institute plus ad hoc reports;
- Provision of thought leadership pieces;
- Ad hoc briefings for the Audit Committee (e.g. risk management and local government finance); and
- An invitation for the Chair of Audit Committee and officers to attend our local training days.

Key performance indicators

Appendix 4 sets out the proposed Key Performance Indicators for internal audit. Performance against these indicators will be reported annually to the Audit Committee.

Appendix 1: Detailed methodology

Step 1 - Understand corporate objectives and risks

In developing our understanding of your corporate objectives and risks, we have:

- Reviewed your strategy, organisational structure and corporate risk register;
- Drawn on our knowledge of the local government sector; and
- Met with a number senior management and non-executive members.

Step 2 - Define the Audit Universe

In order that the internal audit plan reflects your management and operating structure we have identified the audit universe for Northampton Borough Council made up of a number of auditable units. Auditable units include functions, processes, systems, products or locations. Any processes or systems which cover multiple locations are separated into their own distinct cross cutting auditable unit.

Step 3 - Assess the inherent risk

The internal audit plan should focus on the most risky areas of the business. As a result each auditable unit is allocated an inherent risk rating i.e. how risky the auditable unit is to the overall organisation and how likely the risks are to arise. The criteria used to rate impact and likelihood are recorded in Appendix 2.

The inherent risk assessment is determined by:

- Mapping the corporate risks to the auditable units;
- Our knowledge of your business and its sector; and
- Discussions with management.

Impact Rating	Likelihood Rating					
	6	5	4	3	2	1
6	6	6	5	5	4	4
5	6	5	5	4	4	3
4	5	5	4	4	3	3
3	5	4	4	3	3	2
2	4	4	3	3	2	2
1	4	3	3	2	2	1

Step 4 - Assess the strength of the control environment

In order to effectively allocate internal audit resources we also need to understand the strength of the control environment within each auditable unit. This is assessed based on:

- Our knowledge of your internal control environment;
- Information obtained from other assurance providers; and
- The outcomes of previous internal audits.

Step 5 -Calculate the audit requirement rating

The inherent risk and the control environment indicator are used to calculate the audit requirement rating. The formula ensures that our audit work is focused on areas with high reliance on controls or a high residual risk.

Inherent Risk Rating	Control design indicator					
	1	2	3	4	5	6
6	6	5	5	4	4	3
5	5	4	4	3	3	n/a
4	4	3	3	2	n/a	n/a
3	3	2	2	n/a	n/a	n/a
2	2	1	n/a	n/a	n/a	n/a
1	1	n/a	n/a	n/a	n/a	n/a

Step 6 -Determine the audit plan

Your risk appetite determines the frequency of internal audit work at each level of audit requirement. Auditable units may be reviewed annually, every two years or every three years.

In some cases it may be possible to isolate the sub-process (es) within an auditable unit which are driving the audit requirement. For example, an auditable unit has been given an audit requirement rating of 5 because of inherent risks with one particular sub-process, but the rest of the sub-processes are lower risk. In these cases it may be appropriate for the less risky sub-processes to have a lower audit requirement rating be subject to reduce frequency of audit work. These sub-processes driving the audit requirement areas are highlighted in the plan as key sub-process audits.

Step 7 -Other considerations

In addition to the audit work defined through the risk assessment process described above, we may be requested to undertake a number of other internal audit reviews such as regulatory driven audits, value enhancement or consulting reviews. These have been identified separately in the annual plan.

Appendix 2: Risk assessment criteria

Determination of Inherent Risk

We determine inherent risk as a function of the estimated **impact** and **likelihood** for each auditable unit within the audit universe as set out in the tables below.

<i>Impact rating</i>	<i>Assessment rationale</i>
6	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.
5	Significant impact on operational performance; or Significant monetary or financial statement impact; or Significant breach in laws and regulations resulting in large fines and consequences; or Significant impact on the reputation or brand of the organisation.
4	Major impact on operational performance; or Major monetary or financial statement impact; or Major breach in laws and regulations resulting in significant fines and consequences; or Major impact on the reputation or brand of the organisation.
3	Moderate impact on the organisation's operational performance; or Moderate monetary or financial statement impact; or Moderate breach in laws and regulations with moderate consequences; or Moderate impact on the reputation of the organisation.
2	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.
1	Insignificant impact on the organisation's operational performance; or Insignificant monetary or financial statement impact; or Insignificant breach in laws and regulations with little consequence; or Insignificant impact on the reputation of the organisation.
<i>Likelihood rating</i>	<i>Assessment rationale</i>
6	Has occurred or probable in the near future
5	Possible in the next 12 months
4	Possible in the next 1-2 years
3	Possible in the medium term (2-5 years)
2	Possible in the long term (5-10 years)
1	Unlikely in the foreseeable future

Appendix 3: Key performance indicators

Key performance indicators

To ensure your internal audit service is accountable to the Audit Committee and management, we have proposed the following key performance indicators.

<i>KPI</i>	<i>Target</i>	<i>Comments</i>
Infrastructure		
Audits budgeted v actual	+/- 10 plan days with management agreement	We expect to deliver the annual plan with tolerance of 10 days with agreement of management
Planning		
% of audits with Terms of Reference	100%	Terms of reference should be agreed with Audit Sponsor and Head of Service
Fieldwork		
Exit meeting to confirm matters arising from the audit	No more than 1 week after the completion of fieldwork	
Reporting		
Draft reports issued promptly	Within 3 weeks of the exit meeting/completion of audit work.	
Attendance at Audit Committee	100%	
Relationships		
Overall client satisfaction score	8/10	



In the event that, pursuant to a request which Northampton Borough Council has received under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the "Legislation"), Northampton Borough Council is required to disclose any information contained in this document, it will notify PwC promptly and will consult with PwC prior to disclosing such document. 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 Legislation to such [report]. If, following consultation with PwC, Northampton Borough Council discloses any this document or any part thereof, 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 8th 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.

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Internal Audit Report 2013/2014

Absence Monitoring

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Northampton Borough
Council

March 2014

Contents

1. Executive summary

2. Detailed current year findings

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2	Internal audit work was performed in accordance with PwC's Internal Audit methodology which is aligned to 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.
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Distribution List

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For action	Francis Fernandes, Borough Secretary and Monitoring Officer
	Gail Barker, HR Advisory and Change Team, LGSS
For information	Glenn Hammons, Section 151 Officer
	Audit Committee

This report has been prepared by PwC in accordance with our engagement letter dated 08/07/2013.

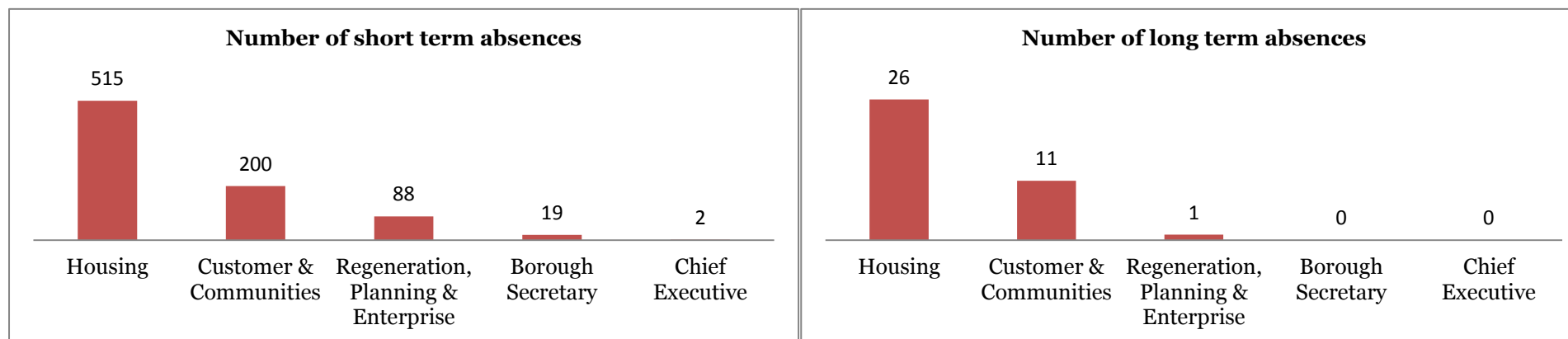
1. Executive summary

Report classification	Trend	Total number of findings					
		Critical	High	Medium	Low	Advisory	
 High Risk (18 points)	N/A - This review has not previously been undertaken	Control design	0	0	1	1	0
		Operating effectiveness	0	1	1	1	0
		Total	0	1	2	2	0

Headlines / summary of findings:

This review was undertaken as part of the 2013/14 internal audit plan. Our review considered the controls and processes in place with regards to staff absence management, monitoring and reporting. We reviewed the current absence policy and tested a sample of both long term and short term absences for compliance with the policy. Our testing outcomes were limited to the information and documents provided by the LGSS Human Resource (HR) team from both the FirstCare system and electronic employee files.

The graphs below illustrate the number of short and long term absences recorded between 01/04/2013 – 31/01/2014 in each directorate:



We identified a number of strengths in the current system:

- A detailed absence policy is in place and is readily accessible to staff.
- Information available to managers is adequate to enable them to monitor staff absence levels at an appropriate level of detail and on a timely basis.

However, the overall high risk rating is attributed to a number of issues identified during the course of the review, the most significant of these relate to the following areas:

- Although a high level of detailed information is available to managers to monitor staff absences, in a high proportion of absence cases tested, there was limited evidence to show that the absence policy had been followed.
- No monitoring procedures are in place to ensure that managers adhere to the absence management policy when multiple short term staff absences occur.
- Absent management training records are limited and the information obtained and discussions held with HR imply low attendance rates.

Overall, we found that although there is a clear policy in relation to absence monitoring, this is not adhered to on a consistent basis. This leaves the Council open to the risk of ongoing high levels of staff absence and the related cost which could be reduced or avoided if the appropriate procedures were undertaken.

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2. Detailed current year findings

1. Short term absences: compliance with policy– operating effectiveness

Finding

Reports provided from the FirstCare system of all short and long term absence between 01/04/2013 - 31/01/2014 showed that in total there had been 824 short term absences and 38 long term absences during this period. We reviewed a sample of short and long term absences across all departments for compliance with the procedures set out in the Absence Policy.

Testing of 25 short term absence cases identified the following issues:

- In 22 cases where an alert had been triggered there was no evidence included in the employee's file that an absence meeting had been held.
- In 2 cases although the employee had been absent for over 7 days no evidence that a fit note was obtained is included in the employee's file. In 1 case where a fit note was provided this did not cover the full period of absence.
- In 1 case where evidence of an absence meeting was provided, the meeting was 4 months following the employee's return to work date after the absence which triggered the alert.
- In 1 case the absence was logged on the Return To Work Interview (RTWI) form as not being work related. However a review of the employees HR notes clearly state that this absence is deemed to be work related.
- We observed variances in the quality of the detailed of information provided within the RTWI forms. Example comments included '*10 working days in 12 months - medical absences only*' and '*a trigger has been met and incidents are unrelated*'. These comments do not demonstrate that the causes of multiple absences were appropriately investigated.


Testing of 5 long term absence cases identified the following issues:

- In 2 cases no evidence of an absence meeting being held is included in the employee's HR file.
- In 3 cases no evidence of a fit note being obtained has been included in the employee's HR file.
- In 2 cases where a fit note has been provided this does not cover the full absence period.
- In 4 cases there is no evidence that an occupational health assessment has being completed.
- In 1 case although there was evidence through minutes that an absence meeting was held and action plan set, no evidence has been provided that any further follow up meetings have been held.

Implications

The absence policy is not adhered to resulting in further staff absences and their related costs which could be reduced or avoided if the appropriate procedures were undertaken.

Action plan

<i>Finding rating</i>	<i>Agreed action</i>	<i>Responsible person / title</i>
High 	All short term and long term absence cases should be handled in line with the absence policy and procedures.	Francis Fernandes
	Adherence to the absence policy is part of conditions of employment and applies to all Managers and Team Leaders. The Council will identify a procedure to monitor and test compliance with the policy.	<i>Target date:</i> TBC
	Consideration of appropriate actions for non-compliance will be addressed as part of a wider review of the Council's policy compliance and disciplinary procedures.	
	Evidence should be retained of any actions taken by HR or Management to manage staff absences.	

2. Short term absence monitoring procedures – control design

Finding

HR run bi-monthly reports of all long term absences from the FirstCare system. These are reviewed for any long term absence cases in which HR are not currently involved or aware of and they follow up these cases with managers to ensure appropriate meetings are held with the staff member.

There are currently no monitoring procedures in place to ensure that when a staff member has numerous short term absences and therefore an alert is triggered on the FirstCare system, the appropriate procedures, including absence meetings are undertaken in line with the absence policy.

Implications

Line managers may not monitor and manage short term absences in accordance with the Absence Policy. This may result in further absences that may have been avoided if the absence management procedures had been followed.

Action plan

Finding rating

Medium



Agreed action

Monitoring procedures should be introduced to ensure that when short term absence triggers are met further actions are taken on a timely basis in line with the absence policy.

Responsible person / title

Gail Barker – LGSS HR (TBC)

Target date:

TBC

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3. Training – operating effectiveness

Finding

Absence management training courses are available to line managers on induction and on a regular basis through workshops run by Organisation and Workforce Development (ODW). Attendance at these training courses is not mandatory.

No record of attendance has been kept of any absence management related training completed by NBC staff since March 2013. ODW have advised that further training sessions were cancelled due to low attendance. Data provided of the training programme held between January and March 2013 suggest only approximately 30% of line managers attended these training sessions.

Implications

Line managers are not aware of or understand their duties in relation to the absence management policy.

Action plan

Finding rating

Medium



Agreed action

Absence management training courses should be provided to all line managers and a record of this attendance should be kept.

Responsible person / title

Gail Barker (TBC)

Target date:

TBC

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4. Absence policy– control design

Finding

The absence policy requires that an absence meeting must be held where a staff member is either absent for 28 days or more consecutively (long term absence) or when a trigger is alerted (short term absence). However, no guidelines are included in the policy of the time frame by which these meetings must be held.

The policy also does not state that minutes must be retained of all absence related meetings and that these should be provided to HR to be kept in the employee's HR file.

Implications

Absence Meetings may not be held promptly after a trigger has been met. This may result in further absence that may have been avoided if absence meetings were held timely.

A full audit trail of absence meetings and other absence management procedures is not retained.

Action plan

Finding rating

Low



Agreed action

The policy should be updated to clearly define the time limit by which absence meetings should be held following a trigger alert.

The policy should be updated to state that all evidence of absence management procedures undertaken, including minutes of absence meetings held, should be provided to HR on a timely basis to be kept within the employee's HR file.

Responsible person / title

Gail Barker

Target date:

31 August 2014

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5. Management board challenge – operating effectiveness

Finding

We reviewed Management Board meeting minutes for a sample of 2 months and noted the following:

- In one case minutes provided evidence of discussion of the monthly absence report and acknowledgement of improvements needed, however no actions were included within the minutes to help ensure these improvements are made.
- In the second case minutes included actions discussed relating to absence management procedures, however these were not then included in the formal action plan included within the minutes.

Implications

297 Although management identify required actions through review and challenge of absence figures, these actions may not be completed.

Action plan

Finding rating

Low



Agreed action

Absence levels should be discussed and challenged at management board level and where required actions are identified, these should be included in a formal action plan to monitor their progress and ensure they are completed.

Responsible person / title

Francis Fernandes

Target date:

Ongoing

Appendix 1. Basis of our classifications

Individual finding ratings





<i>Finding rating</i>	<i>Assessment rationale</i>
Critical	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Critical impact on operational performance (quantify if possible); or • Critical monetary or financial statement impact (quantify if possible = materiality); or • Critical breach in laws and regulations that could result in material fines or consequences (quantify if possible); or • Critical impact on the reputation or brand of the organisation which could threaten its future viability (quantify if possible).
High	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Significant impact on operational performance (quantify if possible); or • Significant monetary or financial statement impact (quantify if possible); or • Significant breach in laws and regulations resulting in significant fines and consequences (quantify if possible); or • Significant impact on the reputation or brand of the organisation (quantify if possible).
Medium	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Moderate impact on operational performance (quantify if possible); or • Moderate monetary or financial statement impact (quantify if possible); or • Moderate breach in laws and regulations resulting in fines and consequences (quantify if possible); or • Moderate impact on the reputation or brand of the organisation (quantify if possible).
Low	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Minor impact on the organisation's operational performance (quantify if possible); or • Minor monetary or financial statement impact (quantify if possible); or • Minor breach in laws and regulations with limited consequences (quantify if possible); or • Minor impact on the reputation of the organisation (quantify if possible).
Advisory	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

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Report classifications

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

<i>Findings rating</i>	<i>Points</i>
<i>Critical</i>	40 points per finding
<i>High</i>	10 points per finding
<i>Medium</i>	3 points per finding
<i>Low</i>	1 point per finding

<i>Report classification</i>	<i>Points</i>
 Low risk	6 points or less
 Medium risk	7– 15 points
 High risk	16– 39 points
 Critical risk	40 points and over

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Appendix 2. Terms of Reference

Northampton Borough Council

Terms of reference – Human Resources: Absence Monitoring

To: Francis Fernandes, Monitoring Officer
Gail Barker, HR Advisory and Change Team, LGSS

From: Kate Mulhearn, Internal audit manager

This review is being undertaken as part of the 2013/2014 internal audit plan approved by the Audit Committee.

Background

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The Council aims to encourage all employees to have full attendance at work and is committed to improving the health and well-being of all employees. From time to time, employees may be unable to attend work due to sickness. It is the Council's policy to support employees who are genuinely sick and unable to come to work.

The guidance and procedures governing staff absence are set out in the Absence Policy. Staff absences are managed and monitored using the First Care system.

A summary of the last 12 months absence rates for Northampton Borough Council (NBC) is shown below. Average statistics for sickness in Local Government are not published, however as an indication of relative levels elsewhere in the public sector the current levels of sickness absence within the Civil Service is 7.6 average working days lost per staff year (source. www.civilservice.gov.uk), significantly less than for NBC.

	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14
Days Lost	10.96	10.68	10.65	10.33	10.22	10.13	10.18	10.21	10.11	10.17	10.24	10.27

Scope

We will review the design and operating effectiveness of key controls in place relating to absence reporting, monitoring and management during the period April 2013 to January 2014.

The sub-processes and related control objectives included in this review are:

Sub-process	Control objective
The Absence policy is approved, communicated and staff are aware of their responsibilities	A detailed absence policy is in place and readily accessible to staff. Managers and staff are aware of the requirements of the policy and their responsibilities e.g. through induction processes and training.
Information reporting and communication	Information available to managers is adequate to enable them to monitor staff absence levels at an appropriate level of detail and on a timely basis. There are clear reporting mechanisms in place. Performance compared to targets is challenged on a regular basis.
301 Incidence of staff absence are accurately recorded and complete	Procedures are in place to accurately and completely record staff absence.
Monitoring and management of individual staff absence	Staff absence is monitored and managed in accordance with the policy Issues are appropriately escalated and dealt with on a timely basis
Organisational reporting and governance	Absence figures are collated, reported and challenged at board level.

Limitations of scope

The scope of our work will be limited to those areas outlined above.

Audit approach

Our audit approach is as follows:

- Obtain an understanding of the controls and processes for recording, monitoring and managing staff absence through discussions with key personnel and review of policy documentation.
- Identify the key risks of the staff absence.
- Evaluate the design of the controls in place to address the key risks.
- Test the operating effectiveness of the key controls.

Appendix 3. Limitations and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken the review of Absence Monitoring, subject to the limitations outlined below.

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 is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- 302 • 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.

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.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.



In the event that, pursuant to a request which Northampton Borough Council has received under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the "Legislation"), Northampton Borough Council is required to disclose any information contained in this document, it will notify PwC promptly and will consult with PwC prior to disclosing such document. 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 Legislation to such report. If, following consultation with PwC, Northampton Borough Council discloses any this document or any part thereof, 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.

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