NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE

Your attendance is requested at a meeting to be held in
The Jeffrey Room, The Guildhall, St. Giles Square, Northampton, NN1 1DE
on Tuesday, 9 September 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. STATEMENT OF ACCOUNTS 2013/14 AND ANNUAL GOVERNANCE STATEMENT 2013/14

Glenn Hammons (Chief Finance Officer)

Amended papers tabled at the meeting are attached at Appendices 4.1, 4.2 and 4.4 t of this report.

7. REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA 260) 2013/14

Yola Geen (external auditor)

Report to follow.

8. 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: 3:-

9. EMPTY HOMES Internal auditor

Report to follow.

Public Participation

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

NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE

Monday, 28 July 2014

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

1. APOLOGIES

Apologies were received from Councillors Conroy and Flavell.

2. MINUTES

The Minutes of the meeting held on 19th May 2014 were agreed and signed by the Chair.

3. DEPUTATIONS / PUBLIC ADDRESSES

There were none.

4. DECLARATIONS OF INTEREST

There were none.

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

There were none.

6. PERFORMANCE OUTTURN REPORT

The Corporate Policy & Consultation Manager submitted a report that informed the Audit Committee of the Council's outturn performance for the 2013/14 financial year. It was explained that 75% of measures had met their targets.

Following a request made by a Member, it was confirmed that the LGSS dashboard in addition to the financial and performance information supplied by NBC, be circulated to Members of the Committee.

Referring to the juxtaposition of decreased footfall in the town centre and increased car numbers, a member questioned whether public transport companies could provide the Council a breakdown of their figures for comparison purposes. It was noted that there would be a need to work with the County Council to get a true figure relating to public transport for Members to examine.

The Chair confirmed that Overview and Scrutiny Committee were currently looking at information relating to the Enterprise Contract and suggested that once this piece of work has been completed, they update members of the Audit Committee at a future meeting.

RESOLVED:

That the report be noted.

7. FINANCE AND MONITORING OUTTURN REPORT 2013-14

The Assistant Head of Finance submitted a report and elaborated thereon. It was noted that the report 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. It was noted that there had been a significant underspend on the General Fund, Housing Revenue Account and Capital Programme.

RESOLVED:

That the contents of the report attached at Appendix A and it's attached Appendices listed below, be noted:

- General Fund Revenue outturn;
- HRA Revenue Account outturn;
- General Fund Capital outturn;
- HRA Capital outturn

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

The Chief Finance Officer submitted a report and Principal Accountant elaborated thereon. With regards to the Draft Annual Governance Statement (AGS) it was explained that due to LGSS agreement, there were some functions that were no longer directly overseen by the Chief Finance Officer, but buy the Northampton Borough Council's Monitoring Officer.

The Chair thanked the officers and noted that the Statement of Accounts and Annual Governance Statement 2013/14 will be bought back before the Audit Committee for final approval in September 2014.

RESOLVED:

That the draft Statement of Accounts 2013/14 and draft Annual Governance Statement for 2013-14 be noted.

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

The Chief Finance Officer submitted a report that updated the Committee Members on future changes to Local Government Audit following a consultation document issued by DCLG. It was noted that the proposals in the consultation paper by DCLG that impact on NBC regarded the following areas:

- Collective Auditors Procurement by a 'Specified Person'.
- 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
- Changes to public rights period for the public to exercise their public rights

It was noted that appendix 1 of the report included NBC's responses to the proposals which were overall positive, but clarified that there may be challenges in meeting the deadlines, but every effort would be made, both internally and with external organisations in order to speed up the processes to ensure deadlines are met.

RESOLVED:

1. That the reforms set out in the Local Audit consultation paper, as summarised at 3.2.1 of the report, be noted.

2. That Northampton Borough Council's response to the Local Audit consultation paper, as per Appendix 1 of the report be noted.

10. EXTERNAL AUDIT UPDATE

The External Auditor gave a verbal update on the progress of the external audit which had focused on Value for Money (VFM). It was explained that the deadline for people to inspect the accounts expired on the 30th July 2014 with one person wishing to do so in respect of the works in Abington Street; the Auditor explained that they may not be able to close the accounts and certificate them due to this.

It was noted that work was near completion on the Statement of Accounts.

RESOLVED:

That the update be noted.

11A) ANNUAL REPORT -2013/14 - FINAL DRAFT

The Internal Auditor submitted a report which outlined the work carried out from 1st April 2013 to 31st March 2014.It was noted that value enhancement reviews had been carried out where no overall risk rating had been provided and that there were still 5 outstanding, but explained that they did not impact on the Governance Statement.

The Chair commented that he wanted to see the long outstanding Empty Homes report brought before the next Audit Committee meeting irrespective of what stage it is at and even if it hasn't been signed off by officers.

It was noted that for each process area where the assurance was less than 'Full' it had been agreed an action plan of improvements by LGSS has been approved. It was noted that there had been several meetings with LGSS and the responsibility for resolving problems would be LGSS, which formed part of the overall assurance and a report would be bought back to Committee in 6 months on progress against achieving those agreed improvements.

RESOLVED:

That the report be noted and that the Empty Homes report be an agenda item for the next meeting.

11B) AUDIT PLAN - 2014/15 - FINAL DRAFT

The Internal Auditor submitted a report which set out the risk assessment and internal audit plan for Northampton Borough Council. It was explained that the report was usually produced earlier in the year, but that there had been a need to meet with senior officers in order to collate their views. It was noted that the Audit plan was slightly smaller than previous years, as fewer reviews had been undertaken, but that that they had been more in –depth focussing more on compliance.

RESOLVED:

That the report be noted.

11C) ABSENCE MONITORING REPORT

The Internal Auditor submitted a report and explained that their review had considered the controls and processes in place with regards to staff absence management, monitoring and reporting. It was noted that there was a sound system in place but it was high risk, possibly due to lack of adherence to the policy.

Members agreed that they wish officers responsible for items within the action plan to attend the next meeting of the Committee in order that they can explain how the action plan will be delivered.

Members concurred that it was helpful to be able to identify specific Directorate figures and asked that further information relating to the number of workers in each Directorate be detailed in further reports. It was explained that there was a need for the Council to look more closely at reasons for absence. The internal auditor explained that the problem with absence was not exclusive to Northampton borough Council and noted that there were cultural changes which may lead to a shift in absence.

In response to a question asked by a Member, it was confirmed that figures comparing sickness levels between the Borough and the County Councils would be made available and circulated to Members of the Audit Committee.

RESOLVED:

That the report be noted, and that relevant officers be invited to the next meeting to discuss the action plan.

The meeting concluded at 6.54pm

Appendices
3

NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	Statement of Accounts 2013/14 and Annual Governance Statement 2013/14

AGENDA STATUS: **PUBLIC**

Audit Committee Meeting Date:	9 September 2014
Policy Document:	No
Directorate:	Finance Directorate, LGSS
Accountable Cabinet Member:	Cllr A Bottwood

1. Purpose

1.1 To present the audited Statement of Accounts to the Audit Committee.

2. Recommendations

2.1 That the Audit Committee approves the Statement of Accounts (Appendix 1), subject to any changes arising from the consideration of the report of the external auditor.

2.2 That the Audit Committee notes the Annual Governance Statement (Appendix 2)

2.3 That the Audit Committee approves the Council's Letter of Representation (Appendix 3).

3. Issues and Choices

3.1 Report Background

3.1.1 The draft Statement of Accounts 2013/14 were authorised to be made available for audit, and following that the accounts have been open to public inspection and have been audited by the Council's external auditors, KPMG.

3.1.2 KPMG have completed their audit and have produced their report to those charged with Governance; the Annual Governance Report, otherwise known as the ISA 260 which is considered elsewhere on this agenda.

3.1.3 Following the audit, it is standard practice for the auditors to request a letter of representation, attached at Appendix 3.

3.2 Issues

3.2.1 The Council added a non-adjusting post balance sheet event to the Statement of Accounts for the sale of Sekhemka, which took place in July 2014.

3.2.2 An objection to the Statement of Accounts was lodged by a member of the public during the statutory period of public inspection. This was in relation to the decision made to incorporate the opening of Abington Street to traffic in the capital programme. The auditors investigation into this objection is ongoing.

3.2.3 This year, KPMG did not identify any national issues which applied to the Council's accounts.

3.2.4 KPMG's audit of the Council's financial statements did not identify any material adjustments. The Authority made a small number of non-trivial adjustments which were mainly of a presentational nature. Any material adjustments, had there been any, would have been detailed in the Annual Governance Report.

3.3 Choices (Options)

3.3.1 Audit Committee are asked to approve the Statement of Accounts 2013/14 and the Letter of Representation, and note the Annual Governance Statement.

4. Implications (including financial implications)

4.1 Policy

4.1.1 There are no specific policy issues arising from this report

4.2 Resources and Risk

4.2.1 The key areas of risk are highlighted in notes 3 and 4 to the Statement of Accounts 2013/14

4.3 Legal

4.3.1 The Council must publish the approved Statement of Accounts by 30th September to comply with the Accounts and Audit Regulations 2011

4.4 Equality

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

4.5 Consultees (Internal and External)

4.5.1 Members of the Public were consulted during the Statutory Period of Public Inspection.

4.5.2 The draft Statement of Accounts was presented to Audit Committee for consideration in July 2014.

4.6 Other Implications

4.6.1 There are no other issues arising from this report.

5. Background Papers

5.1 Statement of Accounts 2013/14 (Appendix 1)

5.2 Annual Governance Statement 2013/14 (Appendix 2)

5.3 Letter of Representation (Appendix 3)

5.4 Accounts and Audit Regulations 2011

5.5 Office working files and supporting evidence.

Rebecca Smith
Assistant Head of Finance
01604 363868

Appendix 1

Statement of Accounts

2013-14

NORTHAMPTON
BOROUGH COUNCIL

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AUDITOR'S REPORT

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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 9th 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 9th 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 have been prepared in accordance with IFRS, UK GAAP and the Code of Practice on Local Authority Accounting.

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.

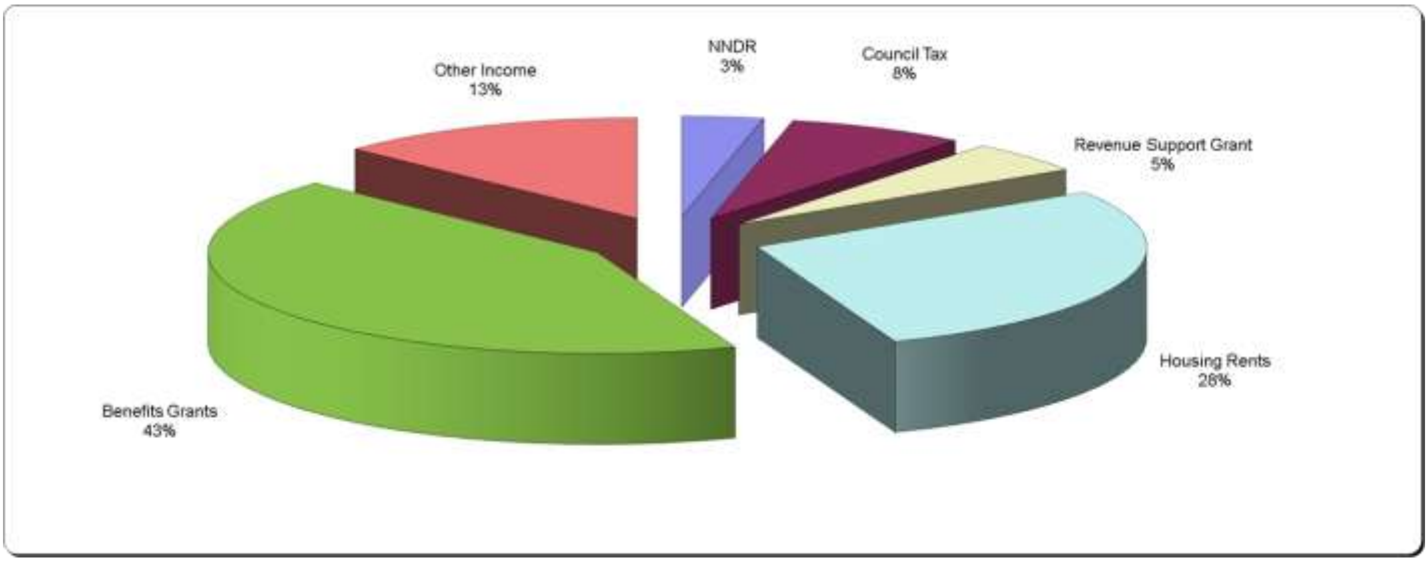
Notes to the Collection Fund
This section comprises the recommended notes to the Collection Fund supplementary financial statements.

3. FINANCIAL SUMMARY 2013/14

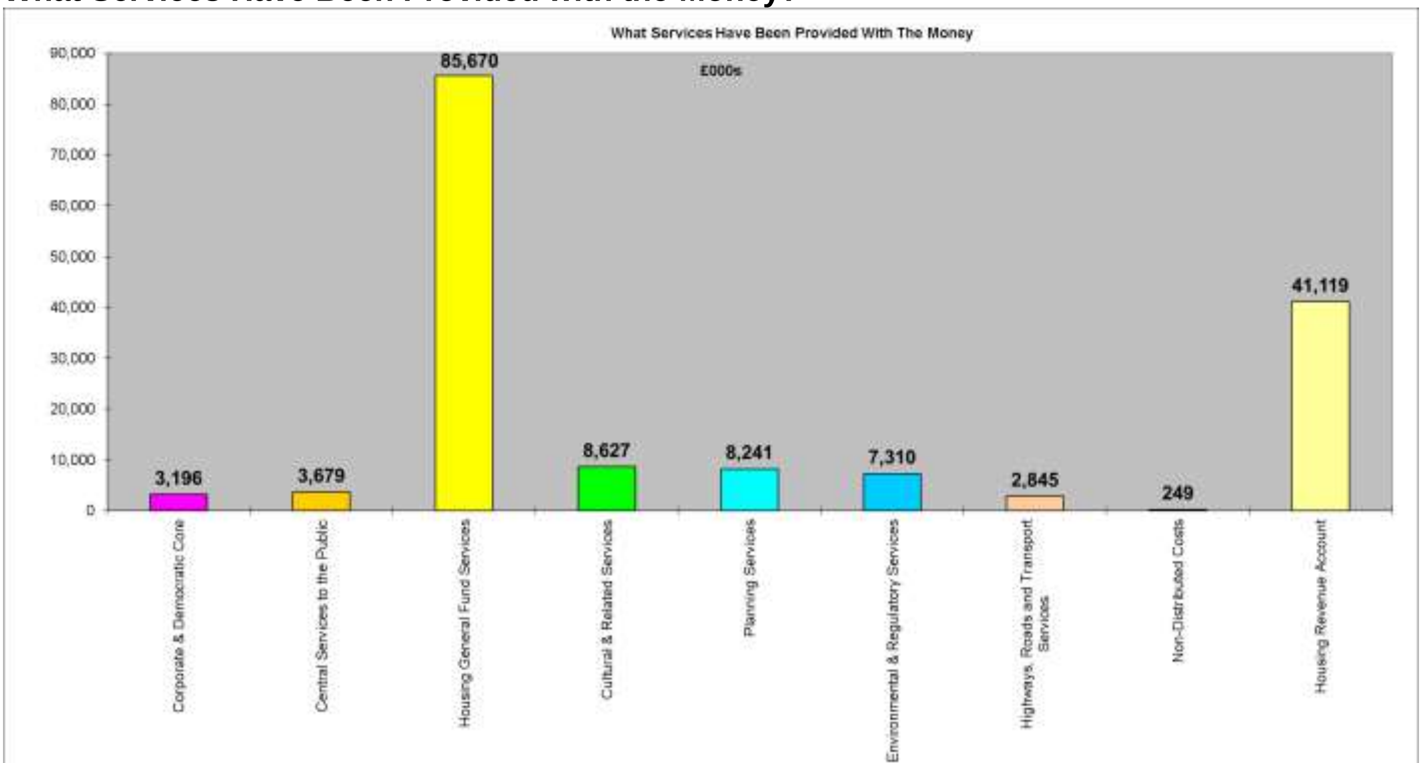
This section shows service expenditure, interest payable, other operating costs, income from grants, local taxpayers and other sources compared in overall terms to the budget.

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 44.

b) <u>General Fund Account</u>

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**	

<u>Variations to Budget</u>
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.

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 Subsisdy 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.

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 Councils 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.

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) 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.

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 town 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.

e) Events after the Reporting Period

The Balance Sheet on page 45 shows the Council's assets and liabilities at 31 March 2014. The figure of £36.59m for Heritage Assets includes £8m in relation to Sekhemka, which was based on the latest insurance valuation. Since the draft Statement of Accounts was produced the statue was successfully sold at auction. See note 6 to the Statement of Accounts for details.

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

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:

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 2013/14 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.

There have been no material changes to accounting policies in 2013/14.

f Previous Year Adjustments

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

i) Was available when financial statements for those periods were authorised for issue; and

ii) Could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

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

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

g Events after the Balance Sheet date

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

h Exceptional and extraordinary items and prior period adjustments

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

i Contingent assets and liabilities

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

Capital Accounting

j Recognition of Capital Expenditure (de-minimis Policy).

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

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

The capital cost of an asset is recognised to be:

- Purchase price, construction cost, minimum lease payments or equivalent including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.
- Costs associated with bringing the asset to the location and condition necessary for it to be capable of operating in the manner required by management.
- Initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located, the obligation for which the Authority incurred either when

the asset was acquired or as a consequence of having used the asset during a particular period for purposes other than producing inventories during that period.

- Subsequent expenditure that will substantially increase the market value of the asset.
- Subsequent expenditure that will substantially increase the extent to which the Authority can use the asset for the purpose, or in conjunction with the functions of the Authority.

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

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

k Non-Current Asset Classification.

The Authority manages its assets in the following categories:

- **Intangible Assets.**

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

- **Property, Plant and Equipment Assets.**

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

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

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

    Test for Community Assets:

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

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

  - **Infrastructure Assets**, include all tangible (physical) assets required within the authorities land drainage system, and cemetery roadways. There is no prospect for sale of infrastructure assets; expenditure is only recoverable through continued use of the asset.
  - **Vehicles, Plant and Equipment Assets and Assets Under Construction** are also classified as Property Plant and Equipment where they do not meet the criteria for Investment Property Assets or Assets Held for Sale.
  - **Surplus Assets** are assets, which the Authority no longer operates from, however do not meet the definition of held for sale. All surplus assets are treated

in the same way as operational assets of the same type (valuation, depreciation, recognition etc).

- **Heritage Assets** are assets with historical, artistic, scientific, technological, geophysical or environmental qualities that make it important to ensure that they are preserved for future generations. They may be any kind of asset including buildings, works of art, furniture, exhibits, artefacts, etc or intangible assets such as recordings of significant historical events.

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

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

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

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

- **Assets Held for Sale.**

  The Authority will classify assets as held for sale where:

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

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

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

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

l Non-Current Asset Valuation Methodology.

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

Where there is an upward revaluation, the carrying value is increased and the associated credit charged directly to the revaluation reserve. This is then reflected in the MIRS as a revaluation gain. Where there is a revaluation, which results in a lower than carrying amount valuation, this is treated in line with accounting policy m impairment of assets.

Valuations are completed as follows:

- **Intangible Assets -** the Authority recognises Intangible Assets at cost. The Authority will revalue intangible assets annually where there is determinable market value for the asset.
- **Property Plant and Equipment -** Property Assets are held at fair value, which is the amount that would be paid for the asset in its existing use. This requirement is met by providing a valuation on the basis of exiting use value (EUV) in accordance with UKPS 1.3 of the RICS Valuation Standards. As a matter of last resort, where no other valuation method can be used, depreciated replacement cost is used.
    - **Council Dwellings –** Land and building structure are valued at EUV for Social Housing, being 34% of market value. Individual components are valued at Depreciated Historic Cost.
    - **Vehicles and Assets under construction** within PPE are held at fair value.
    - **Community Assets -** the Authority recognises Community Assets at depreciated historic cost (not revalued).
    - **Infrastructure Assets -** the Authority recognises Infrastructure Assets at depreciated historic cost (not revalued).
- **Investment Property Assets -** Investment Properties are annually revalued at fair value, which is to be interpreted as the amount that would be paid for the asset in its highest and best use, i.e. market value. This includes investment property under construction. The fair value of investment property held under a lease is the lease interest.
- **Assets Held for Sale -** Assets held for sale are held at fair value.
- **Heritage Assets –** Heritage Assets are held at valuation where practicable (and at depreciated historic cost where it is not practicable to obtain a valuation).

m Impairment of Non-Current Assets

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

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

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

The Authority recognises impairment as:

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

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

n Disposal of Non-Current Assets

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

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

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

o Depreciation / Amortisation Methodology

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

Depreciation is calculated using the Straight-Line method over the determined life of the asset. The Council depreciates assets in the year of acquisition and disposal. This is in accordance with regulations. Where an asset has major components with different estimated useful lives, these are depreciated separately.

Residual values

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

Useful Economic Lives of assets are:

Asset Group	Useful economic Lives (UELs)
Council Dwellings	50 years
Housing Buildings	10-70 years*
Other Buildings	4-69 years*
Land	Not depreciated
Community Assets	15-50 years*
Heritage Assets	Not depreciated*
Infrastructure Assets	25 years
Intangible Assets	3-10 years*
Vehicles, Plant and Equipment	3-25 years*
Investment Properties	Not depreciated
Assets Held for Sale	Not depreciated
Surplus Assets	5-60 years*

* Depending on the nature of the specific asset

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

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

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

p 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.

q Leases

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

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

r Defining a Finance Lease

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

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

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

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

s Defining an Operating Lease

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

t Lessee Accounting for a Finance Lease

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

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

u Lessor Accounting for a Finance Lease

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

v Lessor Accounting for an Operating Lease

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

w Lessee Accounting for an Operating Lease

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

x Service Concession Agreements (PFI and other similar contracts)

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

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

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

a) the local authority controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price;

   and where

b) the local authority controls – through ownership, beneficial entitlement or otherwise – any significant residual interest in the infrastructure at the end of the term of the arrangement.

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

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

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

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

PFI Credits are treated as general revenue government grants.

y Capital Grants and Contributions

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

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

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

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

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

Relevant Government Grants are treated in accordance with this policy.

z Revenue Expenditure Funded from Capital Under Statute (REFCUS)

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

aa Minimum Revenue Provision (MRP)

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

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

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

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

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.

ab Capital Reserves

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

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

<u>**Revenue Accounting**</u>

ac Recognition of Revenue Expenditure.

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

ad Employee Costs

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

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

Short-term employee benefits:

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

Termination Benefits

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

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

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

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

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

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

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

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

ae Revenue Grants and Contributions

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

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

af 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

ag 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.

ah Revenue Reserves

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

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

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

The Council's risk-based assessment of the required level of General Fund working balance is £3.1m for 2013/14. This level of general working balance is considered reasonable due to the mitigation of some risks through the holding of earmarked reserves.

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

ai Council Tax Recognition

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

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

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

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

aj 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.

ak 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

al 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.

am 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.

an Financial Assets

Financial assets are classified into two types:

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

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

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

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

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

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument.

Values are based on the following principles:

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

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

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

D. ACCOUNTING POLICES

ao 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.

ap 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.

aq 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.

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**
Movement in reserves during 2012/13										
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**
Movement in reserves during 2013/14										
Surplus or (deficit) on provision of services **(Note 31c)**	-6,384	0	-21,508	0	0	0	0	-27,892	0	-27,892
Other Comprehensive Expenditure and Income **(Note 9)**	0	0	0	0	0	0	0	0	-228	-228
Total Comprehensive Expenditure and Income	**-6,384**	**0**	**-21,508**	**0**	**0**	**0**	**0**	**-27,892**	**-228**	**-28,120**
Adjustments between accounting basis and funding basis under regulations **(Note 7)**	-2,441	0	17,763	0	-7,863	910	-1,275	7,094	-7,094	0
Net Increase/Decrease before Transfers to Earmarked Reserves	**-8,825**	**0**	**-3,745**	**0**	**-7,863**	**910**	**-1,275**	**-20,798**	**-7,322**	**-28,120**
Transfers to/from Earmarked Reserves **(Note 8)**	8,310	-8,310	3,746	-3,746	0	0	0	0	0	0
Increase / (Decrease) in Year	**-515**	**-8,310**	**1**	**-3,746**	**-7,863**	**910**	**-1,275**	**-20,798**	**-7,322**	**-28,120**
Balance at 31 March 2014 carried forward	**-3,643**	**-25,381**	**-5,000**	**-16,295**	**-9,405**	**-2,357**	**-3,812**	**-65,894**	**-172,039**	**-237,933**

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)**	36,636	-93,065	-56,429
		792	**(Surplus) or Deficit on Provision of Services**			**-27,891**
		-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**			**-28,119**

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	0	**17g**
163	Long Term Debtors	8,996	**20**
507,931	**Long Term Assets**	**540,303**	
25,745	Short Term Investments	28,612	**17g**
1,144	Assets Held for Sale	1,309	**22**
67	Inventories	164	**18**
17,023	Short Term Debtors	19,650	**20**
21,803	Cash and Cash Equivalents	42,060	**21**
65,782	**Current Assets**	**91,795**	
-299	Short Term Borrowing	-16,283	**17e**
-14,018	Short Term Creditors	-21,548	**23**
-318	Provisions	-392	**24**
-14,635	**Current Liabilities**	**-38,223**	
-5,279	Long Term Creditors	-8,233	**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**	**-355,945**	
209,813	**Net Assets**	**237,930**	
45,100	Usable Reserves	65,894	**MiRS**
164,713	Unusable Reserves	172,036	**26**
209,813	**Total Reserves**	**237,930**	

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	27,891
38,947	Adjustment to surplus or deficit on the provision of services	28,840
-28,660	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	-26,439
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, with a number of disclosures providing more detail than previously required in the 2012/13 Statement of Accounts.

The 2012/13 comparators have not been re-stated in line with the new presentational requirements, as the amendments are not material to Northampton Borough Council.

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 arrangement 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.

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:

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.
Property, Plant and Equipment (excluding land) - Valuations	Assets are valued each year by professional valuers using appropriate valuation methods, judgements, and assumptions. Council dwellings are valued as at 1 April annually, non investment properties with a closing value of over £300k the previous year are revalued mid-year, and other non-investment property is valued on a 5-year rolling programme part way through the year. The assumptions used and timings of these valuations introduce a degree of estimation risk if property values differ from the valuations used.	A desktop exercise was carried out as at 31 March which indicated a possible uplift in the value of council dwellings of 3.6%. This is equivalent to an increase of £3.1m on the balance sheet value reported in the financial statements for council dwellings
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.	If the principal assumptions used to measure the liability were to differ, then the increase in liability would be: - 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
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 are carried at fair value based on a recently observed market price.

F. NOTES TO THE CORE FINANCIAL STATEMENTS

5. MATERIAL ITEMS OF INCOME AND EXPENSE

The following 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.

4) Expenditure on Housing Benefits:
Rent Allowances of £42m
Rent Rebates of £32m
The grant income received from DWP in respect of these payments is disclosed within Note 38.

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.

Since the production of the draft financial statements, which were signed off on 30 June 2014 one material matter of note has occurred. On 10 July 2014 one of the council's heritage assets, the statue of Sekhemka, was sold at auction.

The statue was held on the balance sheet at a value of £8m and was sold at auction for £15.76m (£14m plus buyers premium). The council is entitled to 55% of these proceeds.

This is a non-adjusting post balance sheet event as it occurred in 2014/15 and has no impact on the financial statements for 2013/14. However, as this transaction represents a material 22% change to the value of heritage assets held, it is important that it is mentioned.
The effects on the 2014/15 Balance Sheet are summarised in the following table:

Balance Sheet Heading	**£,000**
Heritage Assets	-8,000
Cash & Cash Equivalents	8,668
Total Impact on Net Assets	**668**
General Fund Working Balance	968
Capital Receipts Reserve	7,700
Capital Adjustment Account	-8,000
Total Impact on Reserves	**668**

In the heritage assets note, this will be adjusted in the Museum Exhibits column.
There will also be appropriate corresponding entries in the 2014/15 Comprehensive Income and Expenditure Account (Other Operating Expenditure) and Movement in Reserves Statement (Adjustments between Accounting Basis and Funding Basis).

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	2,678	0	0	0	0	-2,678	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	**2,678**	**0**		**0**	**0**	**-1,274**	**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 tofinance 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	-56	0	-56	56
Total Adjustments primarily involving the Capital Receipts Reserve	**833**	**4,266**	**0**	**0**	**912**	**0**	**6,011**	**-6,011**
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**

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	-4,450	-1,633	0	0	0	0	-6,083	6,083
Employer's pensions contributions and direct payments to pensioners payable in the year	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 and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax income and non-domestic rating income calculated for the year in accordance with statutory requirements	-3,221	0	0	0	0	0	-3,221	3,221
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	**-2,444**	**17,763**	**0**	**-7,862**	**912**	**-1,274**	**7,095**	**-7,095**

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 tofinance 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

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	-6,211	-2,091	0	0	0	0	-8,302	8,302
Employer's pensions contributions and direct payments to pensioners payable in the year	5,940	2,000	0	0	0	0	7,940	-7,940
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

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	**100**	0	0	**100**	60	0	**160**
Leasing	**7**	0	0	**7**	0	-7	**0**
Carbon Management	**169**	15	-89	**95**	57	-28	**125**
General	**5,845**	995	-1,204	**5,636**	6,203	-1,798	**10,041**
Revenue Grants	**4,802**	2,124	-1,479	**5,447**	4,198	-1,297	**8,347**
Arts	**19**	0	0	**19**	0	0	**19**
Delapre Abbey	**522**	390	-29	**883**	75	-63	**895**
Total General Fund	**16,148**	**4,085**	**-3,161**	**17,072**	**12,480**	**-4,169**	**25,382**
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	**22,487**	**11,236**	**-4,102**	**29,621**	**19,221**	**-7,165**	**41,676**

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.

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.

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.

Delapre Abbey Reserve

This reserve holds funds for the works on the restoration of Delapre Abbey.

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	-6,908
-253	Revenue Support Grant	-8,971
-13,042	Non domestic rates	-5,948
-18,593	Non-ring fenced government grants	-21,223
-53,180	**Total**	**-56,430**

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	-1,674	-14	0	0	0	0	**-3,850**
Derecognition – other	-2,014	-27	-1,044	0	0	0	0	0	**-3,085**
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**

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**

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 £000s	Housing Land & Build. £000s	Other Land & Build. £000s	Vehicles, Plant, Furniture & Equip. £000s	Surplus Assets £000s	Total £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

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**
		0	0	0	
Depreciation	-89	0	0	0	**-89**
Disposals		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.

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
	Transfers:	
-70	to/from Property, Plant and Equipment	53
7,398	**Balance at end of year**	**7,479**

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				2013/14		
Internally Generated Assets £000s	Other Assets £000s	Total £000s	Intangible Assets	Internally Generated Assets £000s	Other Assets £000s	Total £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

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	0	47,548	70,671
Debtors				
Loans and receivables	163	8,996	13,627	10,726
Borrowings				
Financial Liabilities at amortised cost	-216,072	-210,126	-299	-16,283
Other Long Term Liabilities				
PFI and finance leases	-289	-496	0	0
Creditors				
Financial Liabilities at amortised cost	-5,279	-8,233	-12,175	-12,919

b) Reclassifications

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

c) Income, Expense, Gains, and Losses

2012/13				2013/14		
Financial Liabilities measured at amortised cost £000s	**Financial Assets: Loans and Receiva-bles £000s**	**Total £000s**	**Income, Expense, Gains and Losses**	**Financial Liabilities measured at amortised cost £000s**	**Financial Assets: Loans and Receiva-bles £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

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.

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**

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	28,612
25,745	**Total - Short Term Investments**	**28,612**
	Long Term Investments - Over 1 Year	
1,003	Long Term Investments - Fixed Term	0
1,003	**Total - Long Term Investments**	**0**
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 31 March 2013 £000s	Long-term 31 March 2014 £000s	Short-term 31 March 2013 £000s	Short-term 31 March 2014 £000s
Central Government Bodies	0	0	11,821	10,456
Less Impairment Allowance	0	0	0	0
Central Government Bodies	**0**	**0**	**11,821**	**10,456**
Other Local Authorities	0	0	934	4,753
Less Impairment Allowance	0	0	-19	-104
Other Local Authorities	**0**	**0**	**915**	**4,649**
NHS Bodies	0	0	59	28
Less Impairment Allowance	0	0	-5	-10
NHS Bodies	**0**	**0**	**54**	**17**
Other Entities & Individuals	163	8,996	11,770	12,719
Less Impairment Allowance	0	0	-7,537	-8,192
Other Entities & Individuals	**163**	**8,996**	**4,233**	**4,527**
TOTAL	**163**	**8,996**	**17,023**	**19,650**

21. CASH AND CASH EQUIVALENTS

31 March 2013 £000s	Cash and Cash Equivalents	31 March 2014 £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**

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	-8,800
-42	NHS Bodies	0
0	Public Corporations and Trading Funds	-14
-9,827	Other entities and Individuals	-8,917
-14,018	**Total**	**-21,548**

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.

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, spilt 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	3,188
159	Short Term Compensated Absences Account	104
-164,713	**Total**	**-172,036**

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**

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 General Fund £000s	2012/13 HRA £000s	2012/13 Total £000s	Capital Adjustment Account	2013/14 General Fund £000s	2013/14 HRA £000s	2013/14 Total £000s
-65,072	**-188,085**	**-253,157**	**Balance at 1 April**	**-61,289**	**-180,089**	**-241,378**
			Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:			
2,446	7,814	10,260	Charges for depreciation and impairment of non current assets	2,475	8,477	10,952
8,033	24,918	32,951	Revaluation losses on Property, Plant and Equipment	2,309	18,701	21,010
-2,836	-276	-3,112	Revaluation gains on Property, Plant and Equipment	-1,437	-14,829	-16,266
821	0	821	Amortisation of intangible assets	329	0	329
2,759	0	2,759	Revenue expenditure funded from capital under statute	2,841	0	2,841
1,326	3,371	4,697	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	3,868	6,936
12,549	**35,827**	**48,376**	**Total**	**9,585**	**16,217**	**25,802**
-234	-385	-619	Adjusting amounts written out of the Revaluation Reserve	-796	-390	-1,186
12,315	**35,442**	**47,757**	**Net written out amount of the cost of the Revaluation Reserve**	**8,789**	**15,827**	**24,616**
			Capital financing applied in the year:			
-1,734	-600	-2,334	Use of the Capital Receipts Reserve to Finance new capital expenditure	-2,319	-3,748	-6,067
0	-9,901	-9,901	Use of the Major Repairs Reserve to finance new capital expenditure	0	-4,286	-4,286
-5,571	-16945	-22,516	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital expenditure	-4,992	-17,020	-22,012
-69	0	-69	- Application of grants to capital financing from the Capital Grants Unapplied Account	-1,404	0	-1,404
-903	0	-903	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	-1,065	0	-1,065
-301	0	-301	Capital expenditure charged against the General Fund and HRA balances	-132	0	-132
-8,578	**-27,446**	**-36,024**	**Total**	**-9,912**	**-25,054**	**-34,966**
46	0	46	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	-157	9	-148
0	0	0	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	0	0	0
-61,289	**-180,089**	**-241,378**	**Balance at 31 March**	**-62,569**	**-189,307**	**-251,876**

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**

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	3,464
-33	**Balance as at 31 March**	**3,188**

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**

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**	**27,891**
	Adjust net surplus or deficit on the provision of services for non cash movements	
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	1,722
(159)	Increase/Decrease in Interest and Dividend Debtors	118
(8,036)	Increase/Decrease in Debtors	4,046
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**	**56,731**
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
(24,429)	Capital Grants credited to surplus or deficit on the provision of services	(20,474)
(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 deficiton the provision of services that are investing or financing activities	**(26,439)**
9,495	**Net Cash Flows from Operating Activities**	**30,292**

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)**

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. Note that the costs for the Borough Secretary in 2013/14 include two months of Resources Directorate costs relating to the period when these services were still within NBC prior to transfer (which took place on 1 June 2013) . The rechargeable element of these costs along with the rechargeable portion of the LGSS contract costs was charged out to services in accordance with the Service Accounting Code of Practice 2013/14.

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 £000s	Resources £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	-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**

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 £000s	Regeneration, Enterprise, and Planning £000s	Borough Secretary £000s	Housing General Fund £000s	HRA £000s	Debt Financing £000s	Other (Below the line) £000s	Total £000s
Fees, charges and other service income	-9,572	-4,964	-79,471	-2,694	-67,357	0	-6,034	**-170,092**
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	-19,995	**-37,015**
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**	**-33,511**	**-27,891**

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. Note that the costs for the Borough Secretary in 2013/14 include two months of Resources Directorate costs relating to the period when these services were still within NBC prior to transfer (which took place on 1 June 2013) . The rechargeable element of these costs along with the rechargeable portion of the LGSS contract costs was charged out to services in accordance with the Service Accounting Code of Practice 2013/14.

Reconciliation to Subjective Analysis 2012/13:

Reconciliation to Subjective Analysis	2012/13								
	Customers & Communities £000s	Resources £000s	Regeneration, Enterprise, and Planning £000s	Borough Secretary £000s	Housing General Fund £000s	HRA £000s	Debt Financing £000s	Other (Below the line) £000s	Total £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**

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.

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) £000	Compensation for loss of Office £000	Benefits in Kind (Car Allowance) £000	Total Remuneration excl Pension Contributions £000	Pension Contributions £000	Total Remuneration inc Pension Contributions £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**

Notes: 2013/14

1.The Director of Resources (Chief Finance Officer) left 30 June 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.

The Councils Chief Finance Officer (from 1st July 2013 onwards) is now contracted out from Northamptonshire County Council (NCC) and currently carries out their S151 duties on a part time basis working for Northampton Borough Council 3 days a week. Their remuneration has not been included in the above tables as they are fully remunerated by NCC and will be included in NCC's Statement of Accounts.

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).

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)	12
143	**Total**	**119**

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

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 Asets	-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**

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	0
149	English Heritage Grant	65
262	Other Grants/Contributions Individually Less Than £100,000	124
1,272	**Total**	**189**
	Revenue Grants Receipts in Advance:	
4	Grants/Contributions Individually Less Than £100,000	41
4	**Total**	**41**
1,276	**Grand Total**	**230**

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	0
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**	**7,862**
	Revenue Grants Receipts in Advance:	
1,489	S106 - St Crispins Hospital Site	0
155	S106 - Pineham	155
84	Other Grants/Contributions Individually Less Than £100,000	216
1,728	**Total**	**371**
5,278	**Grand Total**	**8,233**

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 show 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

At 31st March 2014, the outstanding balances with these parties were debtors of £127,245 (Re-stated 2012/13 £311,988); and creditors of £68,975.74 (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.

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**

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**

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
	Future minimum lease payments	
464	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**

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
	Total future minimum lease payments	
51	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**

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.

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.

45. DEFINED BENEFIT PENSION SCHEMES

NOTE: The presentation of this note has changed as per the 2013/14 CIPFA Code of Practice, however the 2012/13 comparators have not been re-stated in line with the new presentational requirements as the amendments are not material.

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:

Local Government Pension Scheme 2012/13 £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	
4,438	Net interest expense	5,517
8,301	**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:	
-12,633	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

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.*

Local Government Pension Scheme assets comprised:

Fair value of scheme assets[1] 2012/13 £000	Assets comprised of:	Fair value of scheme assets[1] 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:	0
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	4%	5%	-	-
Cash	3%	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.

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

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

- 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.

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.

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 Uncollect-ability at 31 March 2013 £000s	Credit Risk	Amount at 31 March 2014 £000s	Historical Experience of Default at 31 March 2014 %	Historical Experience Adjusted for Market Conditions at 31 March 2014 %	Estimated Maximum Exposure to Default and Uncollect-ability at 31 March 2014 £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.

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.

<u>Collateral</u>

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 economic to do so) making early repayments.

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.

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.

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**

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.

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 Ancient Egyptian collection of approximately 250 items is currently under review. As at 31 March 2014 this collection included a statue of Sekhemka, which is over 4,500 years old. The statue was sold on 10th July 2014. See note 6 for more details.

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.

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.

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	59,857	71%
12,983	13%	Northamptonshire Police and Crime Commissioner	11,248	13%
15,059	16%	Northampton Borough Council	13,137	16%
97,131	**100%**	**Total Precepts for the year**	**84,242**	**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 and Crime Commissioner	-236
	NBC Reserve:	
-33	Northampton Borough Council	-276
-211	**Collection Fund Balance**	**-1,770**

Collection Fund Balance 2012/13 £000	Allocation of Deficit - NNDR	Collection Fund Balance 2013/14 £000
	Creditors / Debtors:	
0	Northamptonshire County Council	949
0	Central Government	4,744
	NBC Reserve:	
0	Northampton Borough Council	3,795
0	**Collection Fund Balance**	**9,488**

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 and Crime Commissioner	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 £000s	2013/14 £000s	Notes
	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		
4,290	Special Services	4,343		
29	Rent, Rates, Taxes & other charges	301		
33,245	Depreciation, Impairment & Revaluation of Fixed Assets	12,910		**HRA6**
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	
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	**HRA6**
-3,593	**Surplus (-) or Deficit for the year on HRA services**		**-22,002**	

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 Adjusment 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	
	Capital expenditure charged in-year to the HRA Balance		
6,209	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**	

G3. NOTES TO THE HRA

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	Additions	
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**

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**

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

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 £1,032m (£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**

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

Re-stated* 2012/13 I&E £000s	2012/13 RRA £000s	Revaluation Gains & Losses	2013/14 I&E £000s	2013/14 RRA £000s
24,912	13	Dwellings	18,701	72
7	214	Other Property	0	7
4	0	Vehicles, Plant & Equipment	0	0
24,923	**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**
24,647	**-2,017**	**Total**	**3,872**	**-494**

***** The 2012/13 I&E figure for Dwellings was incorrectly disclosed as £13,226k within this note in the 2012/13 Statement of Accounts. This was presentational only, and has been amended here for the prior period comparator.

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 and Crime Commissioner.

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 £000s	Collection Fund	2013/14 Council Tax £000's	2013/14 NNDR £000's	2013/14 Total £000's	Note
	INCOME				
-84,566	Council Tax (net of benefits, discounts & transitional relief)	-88,509	0	-88,509	
	Transfers from General Fund				
-14,796	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 and Crime Commissioner	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	536	536	
-	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**	**107,783**	**194,583**	
-211	**(Surplus)/deficit for the year**	**-1,559**	**9,489**	**7,930**	
	COLLECTION FUND BALANCE				
	Balance brought forward at 1st April	-211	0	-211	
-211	Deficit/(surplus) for the year (as above)	-1,559	9,489	7,930	
-211	**Balance carried forward at 31 March**	**-1,770**	**9,489**	**7,719**	
	Allocated to:				
-	National Pool	0	0	0	
-	Central Government	0	4,744	4,744	
-150	Northamptonshire County Council	-1,257	949	-308	
-28	Northamptonshire Police and Crime Commissioner	-236	0	-236	
-33	Northampton Borough Council	-276	3,795	3,519	
-211	**Fund Balance c/fwd**	**-1,770**	**9,489**	**7,719**	**56b**

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**	**1,338**

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 ether 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 ether 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.

Appendix 2

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 November 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 November 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 HIMOs) –** 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:

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

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: • *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: • *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: • *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: • *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

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:	Signed:
Councillor David Mackintosh Leader of the Council	David Kennedy Chief Executive
Date:	Date:

Glenn Hammons
Section 151 Officer

Appendix 3

NORTHAMPTON
BOROUGH COUNCIL

The Guildhall
St Giles Square
Northampton NN1 1DE

Tel: (01604) 837837
Fax: (01604) 838729
Minicom: (01604) 838970

Neil Bellamy,
Director,
KPMG
St Nicholas House,
Park Row,
Nottingham
NG1 6FQ

Our Ref: GH/

Your Ref:

Contact:: Mr Glenn Hammons

Ext/Direct Line 01604 366521

E-mail: ghammons@northamptonshire.gov.uk

Date: 9 September 2014

Dear Mr Bellamy

Letter of Representation

This representation letter is provided in connection with your audit of the financial statements of Northampton Borough Council ("the Authority"), for the year ended 31 March 2014, for the purpose of expressing an opinion:

- As to whether these financial statements give a true and fair view of the financial position of the Authority as at 31 March 2014 and of its expenditure and income for the year then ended; and

- Whether the financial statement has been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

These financial statements comprise the Authority Movement in Reserves Statement, the Authority Comprehensive income and Expenditure Statement, the Authority Balance Sheet and the Authority Cash Flow Statement and the Collection Fund and related notes.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial Statements

1. The Authority has fulfilled its responsibilities, as set out in regulation 8 of the Accounts and Audit (England) Regulations 2011, for the preparation of financial statements that:

    - Give a true and fair view of the financial position of the Authority as at 31 March 2014 and of the Authority's expenditure and income for the year then ended; and

    - Have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the united Kingdom 2013/14.

INVESTORS IN PEOPLE

- The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.

3. All events subsequent to the date of the financial statements and for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 require adjustment or disclosure have been adjusted or disclosed.

Information Provided

4. The authority has provided you with:

   - Access to all information of which it is aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters;

   - Additional information that you have requested from the authority for the purpose of the audit; and

   - Unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.

5. All transactions have been recorded in the accounting records and are reflected in the financial statements.

6. The Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the authority acknowledges its responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud and error.

   The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

7. The Authority has disclosed to you all information in relation to:

   a. Fraud or suspected fraud that it is aware of and that affects the Authority and involves:

      - Management;

      - Employees who have significant roles in internal control; or

      - Others where the fraud could have a material effect on the financial statements; and

   b. Allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

8. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

9. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

10. The Authority has disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which it is aware and all related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

    Included in the appendix to this letter are the definitions of both a related party and a related party transaction as the Authority understands them and as defined in IAS 24, except where interpretations or adaptations to fit the public sector are detailed in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

11. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities are consistent with its knowledge of the business.

    The Authority confirms that:

    a. All significant retirement benefits, including any arrangements that:

        - Are statutory, contractual or implicit I the employer's actions;
        - Arise in the UK and the Republic of Ireland or overseas;
        - Are funded or unfunded; and
        - Are approved or unapproved,

       Have been identified and properly accounted for; and

    b. All settlements and curtailments have been identified and properly accounted for.

This letter was tabled and agreed as the meeting of the Audit Committee on 9 September 2014.

Yours faithfully

Councillor Phil Larratt	Glenn Hammons
Chair of the Audit Committee	*Chief Finance Officer (S.151 Officer)*

Appendix A to the Management Representation Letter of Northampton Borough Council

Financial Statements

A complete set of financial statements comprises:

- Comprehensive Income and Expenditure Statement for the period
- Balance Sheet as at the end of the period
- Movement in Reserves Statement for the period
- Cash Flow Statement for the period
- Notes, comprising a summary of significant accounting policies and other explanatory information, and
- Balance Sheet as at the beginning of the earliest comparative period (ie a third Balance Sheet) when an authority applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.

A local authority is required to present group accounts in addition to its single entity accounts where required by chapter 9 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

A housing authority must present:

- A HRA income and Expenditure Statement; and
- A Movement on the Housing Revenue Account Statement.

A billing authority must present a Collection Fund Statement for the period showing amounts required by statute to be debited and credited to the Collection Fund.

The financial statements of a defined benefits pension fund and of police authorities and fire and rescue services in England and Wales must contain:

- A fund account disclosing changes in net assets available for benefits.
- A net assets statement showing the assets available for benefits at the year end
- Notes to the accounts.

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS1.7 and IAS 8.5 state the following:

Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that the users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statement, including the omission of an amount or a disclosure.

Prior period errors are 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:

- Was available when financial statements for those periods were authorised for issue, and

- 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.

Management

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

Related Parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control or are controlled by the authority (i.e. subsidiaries);

- Associates;

- Joint ventures in which the authority is a venture

- An entity that has an interest in the authority that gives it significant influence over the authority;

- Key management personnel, and close members of the family of key management personnel; and

- Post-employment benefit plan (pension fund) for the benefit of employees of the authority, or of any entity that is a related party of the authority.

Key management personnel are all chief officers (or equivalent), elected members, chief executive of the authority, and other persons having the authority and responsibility for planning, directing and controlling the activities of the authority, including the oversight of these activities.

The following are deemed not to be related parties by the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14:

- Providers of finance in the course of their business in that regard and trade unions in the course of their normal dealings with an authority by virtue of those dealings; and

- An entity with which the relationship is solely that of agency.

Related party transaction

A related party transaction is a transfer of resources or obligations between related parties, regardless of whether a price is charged. Related party transactions exclude transactions with any other entity that is a related party solely because of its economic dependence on the authority or the government of which it forms part.

....

Glenn Hammons
Chief Finance Officer (S.151 Officer)

6. Statement of Accounts 2013/14 and Annual Governance Statement 2013/14

Appendix 1: Amendments to Statement of Accounts 2013/14 after version published within the agenda circulated to Members on 01/09/14

The attached pack includes all pages within the SoA that have been amended after the publication of the agenda that are included in the version to be signed:

Statement page number:	**Note**	**Description of change**
7	Explanatory Forward - 2	Page number updated from 43 to 42
11	Explanatory Forward - 3b	Table updated to agree to MiRS Narrative under table updated by same amount to agree to MiRS
12	Explanatory Forward - 3b	Table updated to agree to MiRS
19	Explanatory Forward - 6	Contribution to reserves updated to agree to MiRS
99	36 c) Exit Packages	Figures in narrative below table updated to agree to the table
113	45) Defined Benefit Pension Schemes - reconciliation of movements in fair value of scheme assets	12/13 comparators for Interest Income and Return on plan assets excluding the amount included in net interest expense adjusted back to original 12/13 figures following decision not to re-state 12/13 after changes to IAS 19 disclosures
142	H) Collection Fund	13/14 Total figure for Expenditure updated to correctly add down

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 9th 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 9th 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 42 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

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	-18,381	-3,442
Council Tax	-13,225	-13,137	88
Council tax freeze grant	-142	-146	-4
Non specific grants (mainly New Homes Bonus)	-1,967	-4,057	-2,090
Technical Accounting Adjustments	**-32,341**	**-39,824**	**-7,483**
General Fund (under) / over spend	**1,455**	**-8,825**	**-10,279**
Net Contribution to/(from) Reserves	-1,455	8,310	-9,765
General Fund Deficit (Surplus)	**0**	**-515**	**-515**
Balance b/fwd		-3,128	
Balance c/fwd		**-3,643**	

Variations to Budget

After taking account of contributions to reserves and balances, the Council's General Fund working balance was increased by £515k. This is after making a net contribution to General Fund earmarked reserves of £8,310k 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	9,765
Provisions	579
Net Support Service Recharges	-2,262
Interest and Debt Management	-483
Government Funding	-3,442
Non specific grants	-2,090
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	57
Total	**-515**

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 £8.31m 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.

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 £1,319k in the table above includes £1,095k 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 £1,095k 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)	12
143	**Total**	**119**

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

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	7,760	**6,661**	0	**0**	7,760	**6,661**
Remeasurement gain/(loss):						
The return on plan assets, excluding the amount included in the net interest expense	12,633	**7,611**	0	**0**	12,633	**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**
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.*

H. COLLECTION FUND

2012/13 £000s	Collection Fund	2013/14 Council Tax £000's	2013/14 NNDR £000's	2013/14 Total £000's	Note
	INCOME				
-84,566	Council Tax (net of benefits, discounts & transitional relief)	-88,509	0	-88,509	
	Transfers from General Fund				
-14,796	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 and Crime Commissioner	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	536	536	
-	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**	**107,783**	**194,498**	
-211	**(Surplus)/deficit for the year**	**-1,559**	**9,489**	**7,930**	
	COLLECTION FUND BALANCE				
	Balance brought forward at 1st April	-211	0	-211	
-211	Deficit/(surplus) for the year (as above)	-1,559	9,489	7,930	
-211	**Balance carried forward at 31 March**	**-1,770**	**9,489**	**7,719**	
	Allocated to:				
-	National Pool	0	0	0	
-	Central Government	0	4,744	4,744	
-150	Northamptonshire County Council	-1,257	949	-308	
-28	Northamptonshire Police and Crime Commissioner	-236	0	-236	
-33	Northampton Borough Council	-276	3,795	3,519	
-211	**Fund Balance c/fwd**	**-1,770**	**9,489**	**7,719**	**56b**

Glenn Hammons
Section 151 Officer

Appendix 4.2

The Guildhall
St Giles Square
Northampton NN1 1DE

Tel: (01604) 837837
Fax: (01604) 838729
Minicom: (01604) 838970

Neil Bellamy,
Director,
KPMG
St Nicholas House,
Park Row,
Nottingham
NG1 6FQ

Our Ref: GH/

Your Ref:

Contact:: Mr Glenn Hammons

Ext/Direct Line 01604 366521

E-mail: ghammons@northamptonshire.gov.uk

Date: 9 September 2014

Dear Mr Bellamy

Letter of Representation

This representation letter is provided in connection with your audit of the financial statements of Northampton Borough Council ("the Authority"), for the year ended 31 March 2014, for the purpose of expressing an opinion:

- As to whether these financial statements give a true and fair view of the financial position of the Authority as at 31 March 2014 and of its expenditure and income for the year then ended; and
- Whether the financial statement has been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

These financial statements comprise the Authority Movement in Reserves Statement, the Authority Comprehensive income and Expenditure Statement, the Authority Balance Sheet and the Authority Cash Flow Statement and the Collection Fund and related notes.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial Statements

1. The Authority has fulfilled its responsibilities, as set out in regulation 8 of the Accounts and Audit (England) Regulations 2011, for the preparation of financial statements that:
    - Give a true and fair view of the financial position of the Authority as at 31 March 2014 and of the Authority's expenditure and income for the year then ended; and
    - Have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the united Kingdom 2013/14.

- The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.

3. All events subsequent to the date of the financial statements and for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 require adjustment or disclosure have been adjusted or disclosed.

4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this representation letter.

Information Provided

5. The authority has provided you with:

   - Access to all information of which it is aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters;

   - Additional information that you have requested from the authority for the purpose of the audit; and

   - Unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.

6. All transactions have been recorded in the accounting records and are reflected in the financial statements.

7. The Authority confirms the following:

   i. The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

   ii. The Authority has disclosed to you all information in relation to:

      a. Fraud or suspected fraud that it is aware of and that affects the Authority and involves:

         - Management;
         - Employees who have significant roles in internal control; or
         - Others where the fraud could have a material effect on the financial statements; and

      b. Allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

8. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

9. The Authority has disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures.*

10. The Authority confirms that:

- The financial statements disclose all of the uncertainties surrounding the Authority's ability to continue as a going concern as required to provide a true and fair view.

- Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Authority to continue as a going concern.

11. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS19 (revised) Employee Benefits.

    The Authority confirms that:

    a. All significant retirement benefits, including any arrangements that:

        - are statutory, contractual or implicit I the employer's actions;
        - arise in the UK and the Republic of Ireland or overseas;
        - are funded or unfunded; and
        - are approved or unapproved,

        have been identified and properly accounted for; and

    b. All plan amendments, curtailments and settlements have been identified and properly accounted for.

This letter was tabled and agreed as the meeting of the Audit Committee on 9 September 2014.

Yours faithfully

Councillor Phil Larratt
Chair of the Audit Committee

Glenn Hammons
Chief Finance Officer (S.151 Officer)

Appendix A to the Management Representation Letter of Northampton Borough Council

Financial Statements

A complete set of financial statements comprises:

- Comprehensive Income and Expenditure Statement for the period
- Balance Sheet as at the end of the period
- Movement in Reserves Statement for the period
- Cash Flow Statement for the period
- Notes, comprising a summary of significant accounting policies and other explanatory information, and

A local authority is required to present group accounts in addition to its single entity accounts where required by chapter 9 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

A housing authority must present:

- A HRA income and Expenditure Statement; and
- A Movement on the Housing Revenue Account Statement.

A billing authority must present a Collection Fund Statement for the period showing amounts required by statute to be debited and credited to the Collection Fund.

A penson fund administering authority must prepare Pension Fund accounts in accordance with Chapter 6.5 of the Code of Practice.

An entity may use titles for the statements other than those used in IAS 1. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'.

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS1.7 and IAS 8.5 state the following:

“Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that the users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.”

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statement, including the omission of an amount or a disclosure.

Prior period errors are 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:

a) was available when financial statements for those periods were authorised for issue; and

b) 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.

Management

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

Related Parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 Related Party Disclosures as the "reporting entity").

a) A person or a close member of that person's family is related to a reporting entity if that person:
   i. has control or joint control over the reporting entity;
   ii. has significant influence over the reporting entity; or
   iii. Is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b) An entity is related to a reporting entity if any of the following conditions applies:
   i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
   ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
   iii. Both entities are joint ventures of the same third party.

iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

vi. The entity is controlled, or jointly controlled by a person identified in (a).

vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Key management personnel in a local authority context are all chief officers (or equivalent), elected members, chief executive of the authority and other persons having the authority and responsibility for planning, directing and controlling the activities of the authority, including the oversight of these activities.

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

a) a government that has control, joint control or significant influence over the reporting entity; and

b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

Related party transaction

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Glenn Hammons
Chief Finance Officer (S.151 Officer)

Appendix 4.3

Audit Committee

9 September 2014

Item 6 – Statement of Accounts

Additional Recommendation:

It is recommended that authority is delegated to the Chief Finance Officer in liaison with the Chair of Audit Committee to make any minor amendments to the Statement necessary prior to publication.

cutting through complexity™

Report to those charged with governance (ISA 260) 2013/14

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Northampton Borough Council

September 2014

Agenda Item 7

Contents

The contacts at KPMG in connection with this report are:

Neil Bellamy
Director

Tel: 0116 256 6082
neil.bellamy@kpmg.co.uk

Yola Geen
Manager

Tel: 0116 256 6091
yola.geen@kpmg.co.uk

Laura Bedford
Assistant Manager

Tel: 0116 256 6076
laura.bedford@kpmg.co.uk

This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at www.auditcommission.gov.uk.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Neil Bellamy, the appointed engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, 3rd Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to complaints@audit-commission.gsi.gov.uk. Their telephone number is 0303 4448 330.

Section one

Introduction

This document summarises:

- **the key issues identified during our audit of the financial statements for the year ended 31 March 2014 for the Authority; and**
- **our assessment of the Authority's arrangements to secure value for money.**

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Scope of this report

This report summarises the key findings arising from:

- our audit work at Northampton Borough Council ('the Authority') in relation to the Authority's 2013/14 financial statements; and
- the work to support our 2013/14 conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion').

Financial statements

Our *External Audit Plan 2013/14*, presented to you in March 2014, set out the four stages of our financial statements audit process.

This report focuses on the second and third stages of the process: control evaluation and substantive procedures. Our on site work for these took place during April 2014 (interim audit) and July 2014 (year end audit).

We are now in the final phase of the audit, the completion stage. Some aspects of this stage are also discharged through this report.

VFM conclusion

Our *External Audit Plan 2013/14* explained our risk-based approach to VFM work, which follows guidance provided by the Audit Commission. We have now completed our work to support our 2013/14 VFM conclusion. This included:

- assessing the potential VFM risks and identifying the residual audit risks for our VFM conclusion; and
- considering the results of any relevant work by the Authority and other inspectorates and review agencies in relation to these risk areas.

Structure of this report

This report is structured as follows:

- Section two summarises the headline messages.
- Section three sets out our key findings from our audit work in relation to the 2013/14 financial statements of the Authority.
- Section four outlines our key findings from our work on the VFM conclusion.

Our recommendations are included in Appendix 1.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

Headlines

This table summarises the headline messages. Sections three and four of this report provide further details on each area.

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Proposed audit opinion	We anticipate issuing an unqualified audit opinion on the Authority's financial statements by 30 September 2014. We will also report that the wording of your Annual Governance Statement accords with our understanding.
Audit adjustments	We are pleased to report that our audit of your financial statements did not identify any material adjustments. The Authority made a small number of other adjustments, most of which were of a presentational or classification nature. However General Fund earmarked reserves increased by £1,364k and capital grants unapplied increased by £1,165k as a result of these.
Accounts production and audit process	The Authority has good processes in place for the production of the accounts and good supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within planned timescales. We have worked with officers throughout the year to discuss the specific risk areas for this year's audit. The Authority addressed the issues appropriately as set out on pages 5 and 6.
Control environment	The Authority's organisational control environment is effective overall, and we have not identified any significant weaknesses in controls over key financial systems. We have raised two recommendations arising from our work, which are set out in Appendix 1.
Completion	At the date of this report our audit of the financial statements is substantially complete. Before we can issue our opinion we require a signed management representation letter. We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.
VFM conclusion and risk areas	We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified VFM conclusion by 30 September 2014.
Audit closure	We have received a formal objection to the Authority's accounts in relation to the Abington Street works. Whilst we are satisfied that it has no material impact on the opinion on the statement of accounts or significant impact on our overall 2013/14 VFM conclusion the audit cannot be formally closed until the objection is decided.

Proposed opinion and audit differences

We have identified no issues in the course of the audit of the audit that are considered to be material.

We anticipate issuing an unqualified audit opinion in relation to the Authority's financial statements by 30 September 2014.

The wording of your Annual Governance Statement accords with our understanding.

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Proposed audit opinion

We anticipate issuing an unqualified audit opinion on the Authority's financial statements following approval of the Statement of Accounts by the Audit Committee on 09 September 2014.

Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. There are no uncorrected audit differences.

We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

We did not identify any material misstatements.

Our work identified a non material error relating to funds receivable from S106 agreements which were being treated as grants received in advance. Following investigation by your officers amendments to the accounts were agreed which increased General Fund earmarked reserves by £1,364k and capital grants unapplied by £1,165k.

We discussed with your officers the value at which council dwellings are held on your balance sheet. Formal valuations are obtained for 1 April each year, as required by CLG guidance. However these values are not normally available until late autumn, which is too late for inclusion in the statement of accounts, so the values as at 1 April at the start of the financial year are used. The Council had not considered uplifting the figures to represent the valuation at the end of the year based on available indices. Officers have now agreed to include within the accounts a note about valuation estimation uncertainty, highlighting the possible change in value of these assets.

We did identify a small number of presentational adjustments required to ensure that the accounts are compliant with the *Code of Practice on Local Authority Accounting the United Kingdom 2013/14 ('the Code')*.

We understand that the Authority will be addressing these where significant.

Annual Governance Statement

We have reviewed the Annual Governance Statement and confirmed that:

- it complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE; and
- it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

Key financial statements audit risks

We have worked with officers throughout the year to discuss specific risk areas. The Authority addressed the issues appropriately.

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In our *External Audit Plan 2013/14*, presented to you in April 2014, we identified the key risks affecting the Authority's 2013/14 financial statements. Since then we also identified an additional risk around the accounting for the business rate retention scheme, which we have detailed below. We have now completed our testing of these areas and set out our evaluation following our substantive work.

The table below sets out our detailed findings for each of the risks that are specific to the Authority.

In addition to the above we also noted that the finance function is now the responsibility of LGSS and that there was a risk that the move to the new organisation might impact on the production of the 2013/14 accounts. Our monitoring of the closedown process did not identify any adverse impact as a result of the transfer, and the accounts were delivered by the deadline

Additionally, we considered the risk of management override of controls, which is a standard risk for all organisations.

Our controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual, did not identify any issues.

Key audit risk	Issue	Findings
	During the year, the Local Government Pension Scheme for Northamptonshire (the Pension Fund) has undergone a triennial valuation with an effective date of 31 March 2013 in line with the Local Government Pension Scheme (Administration) Regulations 2008. The Authority's share of pensions assets and liabilities is determined in detail, and a large volume of data is provided to the actuary in order to carry out this triennial valuation. The IAS 19 numbers to be included in the financial statements for 2013/14 will be based on the output of the triennial valuation rolled forward to 31 March 2014. For 2014/15 and 2015/16 the actuary will then roll forward the valuation for accounting purposes based on more limited data. There is a risk that the data provided to the actuary for the valuation exercise is inaccurate and that these inaccuracies affect the actuarial figures in the accounts. Most of the data is provided to the actuary by Northamptonshire County Council who administer the Pension Fund.	As part of our audit, we agreed the data provided to the actuary back to the systems and reports from which it was derived, and tested the accuracy of this data. We liaised with the separate KPMG audit team for the Pension Fund, where this data was provided by the Pension Fund on the Authority's behalf.

Key financial statements audit risks (continued)

We have worked with officers throughout the year to discuss specific risk areas. The Authority addressed the issues appropriately.

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Key audit risk	Issue	Findings
	On 1 April 2013 a new system of business rate retention began which saw the Council enter into a pooling arrangement with the other Northamptonshire district councils. Some of the guidance relating to the changed requirements was late in being issued. This meant that the new national arrangements and associated pooling arrangements presented new accounting challenge for all councils this year and brought a risk that NNDR income and associated accounting entries may be misstated.	We reviewed the accounting treatment for business rates and found it to be inline with the CIPFA guidance.

Accounts production and audit process

Following the transfer to LGSS the quality of the accounts has been maintained and LGSS provided good supporting working papers.

Officers dealt efficiently with audit queries and the audit process could be completed within the planned timescales.

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Accounts production and audit process

ISA 260 requires us to communicate to you our views about the significant qualitative aspects of the Authority's accounting practices and financial reporting. We also assessed the Authority's process for preparing the accounts and its support for an efficient audit.

We considered the following criteria:

Element	Commentary
Accounting practices and financial reporting	The Authority has good financial reporting arrangements in place. We consider that accounting practices are appropriate.
Completeness of draft accounts	We received a complete set of draft accounts on 30 June 2014.
Quality of supporting working papers	Our *Accounts Audit Protocol*, which we issued in March 2014, and discussed with the finance team. The quality of working papers was of a good standard and assisted the delivery of a smooth audit engagement.
Response to audit queries	Officers were proactive in resolving audit queries, this meant responses were timely and of a good standard.

Prior year recommendations

As part of our audit we have specifically followed up the Authority's progress in addressing the recommendation in last years ISA 260 report. We are pleased to report that this has been implemented.

Control environment

The Authority's organisation control environment is effective, and controls over the key financial systems are effective.

During April 2014 we completed our control evaluation work. We did not issue an interim report as there were no significant issues arising from this work. For completeness we reflect on key findings from this work.

Organisational control environment

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would have implications for our audit. We therefore obtain an understanding of the Authority's overall control environment and determine if appropriate controls have been implemented.

We found that your organisational control environment is effective overall.

Review of Internal Audit

We consider the work of internal audit in our review of the control environment, including the outcome of their reports and coverage in the audit plan. There is nothing significant in this respect that impacts on our audit of the statement of accounts

We note that following the transfer of finance functions to LGSS the role of internal audit at the Council has been split into two. PWC continue to provide assurance regarding those functions retained by the Council, while LGSS internal audit provides assurance over the operation of systems within LGSS.

The PSIAS require public sector organisations to commission an external review of internal audit. The Council has not yet done this for the internal audit services provided by PWC, but intends to commission such a review within the next year. A review of LGSS internal audit will be undertaken, as required, by 1 April 2018.

Controls over key financial systems

Where we have determined that this is the most efficient audit approach to take, we test selected controls that address key risks within the financial systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Our own work undertaken at both the interim and year end visits did not identify any significant weaknesses in controls over key financial systems, but we have raised 2 recommendations in Appendix 1 for further improvement to your systems.

Completion

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Before we can issue our opinion we require a signed management representation letter.

Once we have finalised our opinions and conclusions we will prepare our Annual Audit Letter. However we cannot close our audit until an objection is decided.

Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of Northampton Borough Council for the year ending 31 March 2014, we confirm that there were no relationships between KPMG LLP and Northampton Borough Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 2 in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Head of Finance for presentation to the Audit Committee. We require a signed copy of your management representations before we issue our audit opinion.

Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- significant difficulties encountered during the audit;
- significant matters arising from the audit that were discussed, or subject to correspondence with management;
- other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc).

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Authority's 2013/14 financial statements.

Objection to the accounts and audit certificate

We have received a formal objection from a local government elector relating to the works being undertaken in Abington Street. Whilst we are satisfied that it has no material impact on the opinion on the statement of accounts or significant impact on our overall 2013/14 VFM conclusion the audit cannot be formally closed until the objection is decided.

Section four

VFM conclusion

Our VFM conclusion considers how the Authority secures financial resilience and challenges how it secures economy, efficiency and effectiveness.

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

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Background

Auditors are required to give their statutory VFM conclusion based on two criteria specified by the Audit Commission. These consider whether the Authority has proper arrangements in place for:

- securing financial resilience: looking at the Authority's financial governance, financial planning and financial control processes; and
- challenging how it secures economy, efficiency and effectiveness: looking at how the Authority is prioritising resources and improving efficiency and productivity.

We follow a risk based approach to target audit effort on the areas of greatest audit risk. We consider the arrangements put in place by the Authority to mitigate these risks and plan our work accordingly.

The key elements of the VFM audit approach are summarised in the diagram below.

Work completed

We performed a risk assessment earlier in the year and have reviewed this throughout the year.

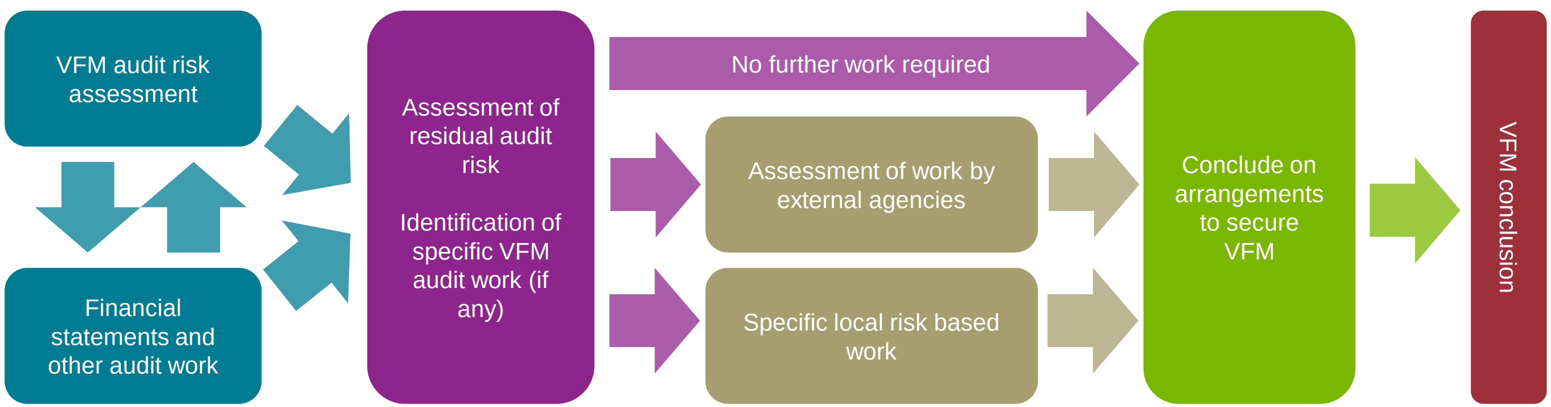
We note that following the transfer of functions to LGSS the Council commissioned a review of risk management procedures from Internal Audit to ensure that adequate procedures were in place throughout the year, which identified four areas for improvement. The Council intends to undertake a detailed review of this area in 2014/15.

We have not identified any significant risks to our VFM conclusion and therefore have not completed any additional work.

Conclusion

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

VFM criterion	Met
Securing financial resilience	✓
Securing economy, efficiency and effectiveness	✓



Appendix 1: Key issues and recommendations

We have given each recommendation a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year

Priority rating for recommendations		
❶ ***Priority one***: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	❷ ***Priority two***: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	❸ ***Priority three***: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
1	❷	**Business rates pooling spreadsheet:** The spreadsheet, hosted by Kettering Borough Council (KBC), contains information for each of the participating Councils (including Northampton) but none of the Councils formally confirmed the accuracy of their information. Errors in the spreadsheet may affect Northampton's contribution to the pool and to central government. **Recommendation** In future years the Authority should confirm in writing to KBC that its information held on the spreadsheet is accurate, and should encourage other participating councils to do likewise. The Authority should obtain confirmation from KBC that this has been done by all authorities.	Agreed. Officers are currently seeking to obtain these formal confirmations for 2013/14. Deputy S151 Officer Date: June 2015
2	❸	**Business rates annual billing:** The Business Rates Manager performs accuracy checks of annual billing information for a sample of accounts but there is limited evidence of this. **Recommendation** The Business Rates Manager should retain evidence of checks performed as confirmation of operation of this control.	Agreed Business Rates Manager Date: March 2015

Appendix 2: Declaration of independence and objectivity

The *Code of Audit Practice* requires us to exercise our professional judgement and act independently of both the Commission and the Authority.

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Requirements

Auditors appointed by the Audit Commission must comply with the *Code of Audit Practice* (the 'Code') which states that:

"Auditors and their staff should exercise their professional judgement and act independently of both the Commission and the audited body. Auditors, or any firm with which an auditor is associated, should not carry out work for an audited body that does not relate directly to the discharge of auditors' functions, if it would impair the auditors' independence or might give rise to a reasonable perception that their independence could be impaired."

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Audit Commission's *Standing Guidance for Local Government Auditors* ('Audit Commission Guidance') and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* ('Ethical Standards').

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Audit Commission Guidance requires appointed auditors to follow the provisions of ISA (UK &I) 260 Communication of *Audit Matters with Those Charged with Governance*' that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.
- The related safeguards that are in place.
- The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our *Annual Audit Letter*.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor's professional judgement, the auditor is independent and the auditor's objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor's objectivity and independence may be compromised and explaining the actions which necessarily follow from his. These matters should be discussed with the Audit Committee.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Engagement Lead and the audit team.

General procedures to safeguard independence and objectivity

KPMG's reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

Appendix 2: Declaration of independence and objectivity (continued)

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

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Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm's required independence. KPMG's policies and procedures regarding independence matters are detailed in the *Ethics and Independence Manual* ('the Manual'). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

KPMG is committed to ensuring that all partners and staff are aware of these principles. To facilitate this, a hard copy of the Manual is provided to everyone annually. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual ethics and independence confirmation. Failure to follow these policies can result in disciplinary action.

Auditor declaration

In relation to the audit of the financial statements of Northampton Borough Council for the financial year ending 31 March 2014, we confirm that there were no relationships between KPMG LLP and Northampton Borough Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

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