NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE

Your attendance is requested at a meeting to be held at The Guildhall, St. Giles Square, Northampton, NN1 1DE. on Monday, 7 September 2015 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 2014/15 AND ANNUAL GOVERNANCE STATEMENT 2014/15	Report of Chief Finance Officer
7.	EXTERNAL AUDIT UPDATE - ISA260 (Copy herewith)	External Auditor (KPMG)
8.	DRAFT INTERNAL AUDIT PLAN 2015-16 (Copy to follow)	Report of Internal Auditor (PWC)
9.	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: -

NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE

Monday, 27 July 2015

PRESENT: Councillor Nunn (Chair); Councillor Golby (Deputy Chair); Councillors Kilbride, Marriott and Stone

1. APOLOGIES

Apologies were received from Councillor Chunga.

2. MINUTES

The Minutes of the meeting held on 15th June 2015 were confirmed and signed by the Chair as a true record.

3. DEPUTATIONS / PUBLIC ADDRESSES

Mr J Wishart addressed the Committee with regard to the de pedestrianisation of Abington Street. He considered the design of the scheme inadequate and suggested that there had been little attempt to consider alternatives and was directly opposed to modern planning.

He stated that, in his opinion, the consultation with the public was not carried out in a meaningful way but carried out using the Traffic Regulation Order Procedure. He further commented that in practise, he believed that there had been no genuine consultation and suggested that the majority of the public disagreed with the scheme but that their responses had been ignored.

The auditor made significant comments on the objection which will greatly improve the implementation of any future scheme. He recognised that for key decisions the Borough's consultation exercise and the devising of a rationale should be improved. He recommended that:-

1. For major decisions, details of the consultations that had been carried out must be available when the decision is to be taken.
2. The data for such consultations shall be carefully assessed while the design is still at a formative stage.
3. The justification for a scheme should be comprehensively reported on early on the preparation process and explained so the public can understand the reasoning behind it.

The Borough had accepted the recommendations and he looked forward to seeing the advice incorporated in the Borough's procedures.

Councillor Stone thanked Mr Wishart for his address and considered it important that members of the public took a close interest in the workings of the Borough. They always wanted public engagement and thanked him for the work undertaken.

The Chair thanked Mr Wishart for his address to the Committee.

4. DECLARATIONS OF INTEREST

Councillor Killbride declared an interest as a member of the Northampton Partnership

Homes Board.

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

There were none.

6. CORPORATE PERFORMANCE OUTTURN 2014-15

The Borough Secretary presented the Corporate Performance Outturn report and confirmed that the data was collected on a monthly, quarterly or annual basis and formed the basis of our performance monitoring process. He confirmed that 69.6% of the corporate plan priorities had met their targets and 33% had fallen outside their targets. The services considered what should be monitored and what the corporate indicators were.

In response to a question from Councillor Gowen, the Borough Secretary confirmed that he would obtain the figures for the Number of affordable homes delivered for the 2014/2015 outturn and report back to the Committee.

Councillor Stone commented that they had been told that incidences of violent crime had decreased although the report had suggested the opposite.

The Borough Secretary confirmed that it was difficult to compare to other Local Authorities as each authority had its own measures and they were unable to compare like for like although there could be scope for individual indicators.

There was a discussion on how the targets were recorded and a concern that the report was four months out of date.

The Borough Secretary confirmed that the report was presented to the Executive first before the Committee had it and then to Audit for consideration. He confirmed that he would append the Cabinet minutes to the report so they could see what issues had been raised.

Areas which had been highlighted were:-

- Sickness and absences
- Footfall in town
- Violent crime
- Number of affordable homes delivered
- No of households living in temporary accommodation
- No of people sleeping rough

It was acknowledged that more information was required on the areas raised and would like the report to come with assurances on exceptional items or flagged with notes.

RESOLVED:

1. The Borough Secretary to obtain the figures for the Number of affordable homes delivered for the 2014/2015 outturn and report back to the Committee.

2. The Borough Secretary to append the minutes from the Cabinet meeting to the report.

7. THE COUNCIL'S PROCUREMENT PROCESS

The Chief Finance Officer presented the report and elaborated thereon. He confirmed that the report provided an overview of the procurement process for the Council. The processes met the EU and UK legislation and the Council's Constitution included contract procedure, rules and delegation processes. Guidance and procedure notes had to be adhered to. The report included a table which showed the purchasing behaviours at various thresholds and at a certain level, EU tendering directives applied. At present the EU legislation had been updated and they were in the process of implementing. This would be presented to Council for approval if required updating.

They would hold training sessions for Councillors to raise awareness and give assurance that robust procedures were in place. For example the implementation of the Accounts system Agresso. The tendering process cost was in excess of the EU rules and was carried out in accordance with process procedure rules. LGSS had just completed a similar tendering exercise and had selected Agresso as their secure financial system. He requested that members investigated the web links in the report and there would be a training session before the next meeting.

Councillor Stone commented that she was interested in the level of procurement value for money.

The Chief Finance Officer confirmed that the training would explore that the best value and ensure the local economy was engaged with.

RESOLVED: That the report be noted.

8. FINANCIAL OUTTURN 2014/15

The Chief Finance Officer presented the report and elaborated thereon. He confirmed that there was an underspend on the General Fund and the table in the report showed how this was allocated across different areas and considered they were in a better financial position. The underspend on the Housing Revenue account had been reinvested. They expected Government funding to be cut again and they only spent when they had to and were prudent in spending. The Councils had been asked to use reserves but the Government had no powers to claw back any unspent funds. They reviewed the funds on a regular basis and managed the risks faced.

In response to a question, The Chief Finance Officer confirmed that the underspend of £440,000 for Environmental Services would get reinstated back into that area.

It was requested that more information be provided on the £440,000 clawback and background detail be provided.

In response to a question from Councillor Golby, the Chief Finance Officer confirmed that S106 and developer contribution monies received from the developer would factor in the Capital Programme.

RESOLVED: The Chief Finance Officer to provide the background information on the underspend of £440,000 in Environmental Services.

9. DRAFT STATEMENT OF ACCOUNTS 2014/15

The Chair confirmed that the Statement of Accounts 2014/2015 would be approved in September and the Committee should take a further detailed read of the report.

RESOLVED: That the report be noted and reviewed in the September meeting.

10. EXTERNAL AUDIT UPDATE

Dan Haywood from KPMG addressed the Committee and confirmed that the Accounts would be approved at the September meeting. They had completed the onsite work which had gone smoothly and would provide an opinion in September.

RESOLVED: That the update be noted.

11. INTERNAL AUDIT UPDATE

Chris Dickens of PwC addressed the Committee with the Draft Internal Audit Risk Assessment and Plan and elaborated thereon. He recognised that there was still a need to complete the consultation process but was seeking approval from the Committee in order to have the remit to proceed. The Plan is based on delivering around 200 days at an estimated cost of £81000 which represented a reduction on previous years. Changes or amendments to the plan would be reported to the committee along with any significant changes in days or expected cost. PwC expect to complete sufficient work to enable them to provide an assurance opinion to the Council. It was explained that other sources of assurance came from LGSS, external inspections and external audit work.

The Annual plan in section 4 was condensed although areas would expand as work was scoped and the work plan was focussed on key risks facing the council. They recognised that Governance and Risk was a priority and proposed to conduct an assurance mapping workshop as part of the work in this area.

The LGSS contract would be reviewed to ensure it was being effectively managed and to identify if there were gaps in key risk areas and whether expected benefits were being realised. The review of Section 151 arrangements would be completed and reported on.

In response to a question from Councillor Stone, C. Dickens confirmed that all types of risk were considered in the audit plan and not just financial risk.

Members suggested that the Environment contract should be subject to further review in light of earlier discussions.

The Chair suggested more involvement in developing the audit plan and suggested putting together a Cross Party Working Group to shape where it would go and understand what had been done already. This would follow discussion of the plan with Management Board.

It was agreed that Councillors Nunn and Golby be on the Working Group, which was open to all Members of NBC to ensure further assistance be offered to the Committee.

RESOLVED: Councillors Nunn and Golby to form a Working Group to meet in August to discuss financial or operational risk areas to be worked on.

The meeting concluded at 7.20pm

Appendices 2

AUDIT COMMITTEE REPORT

Report Title	Statement of Accounts 2014/15 and Annual Governance Statement

AGENDA STATUS: **PUBLIC**

Audit Committee Meeting Date:	07 September 2015
Policy Document:	No
Directorate:	Management Board
Accountable Cabinet Member:	Cllr M Hallam

1. Purpose

1.1 To seek approval of the Statement of Accounts (SoA) 2014/15 (Appendix 1) and Annual Governance Statement (AGS) (Appendix 2).

2. Recommendations

2.1 That the Audit Committee approves the SoA 2014/15 and acknowledges the AGS signed by the Leader and Chief Executive.

3. Issues and Choices

3.1 Report Background

3.1.1 The Council has produced its SoA in line with the statutory timescales and it was signed by the Chief Finance Officer (CFO) on 19 June 2015, this is in advance of the statutory deadline of 30 June 2015. The CFO is satisfied that the SoA present fairly the financial position of the Council at 31 March 2015.

3.2 Financial Position

3.2.1 The Core Statements at section E of the Accounts show a net contribution to general fund working balances of £1,827k after taking account of technical adjustments and transfers to reserves. There was no contribution to HRA working balances; however, these are already at the budgeted level.

3.2.2 The level of General Fund and HRA working balances at 31 March 2015 are shown below.

Reserve	Amount (£m) 31 March 2015	Amount (£m) 31 March 2014
General Fund working balance	5.470	3.643
HRA working balance	5.000	5.000

3.3 External Audit Outcome

3.3.1 External audit have identified one non material issue which has not been updated in the NBC single entity accounts but has been updated in the Group Accounts.

3.3.2 NBC's level of materiality has been set at £4.5m for 2014/15.

3.3.3 This error (£0.5m) is not material and due to the complexity of the adjustment to correct, it has been chosen not to amend the single entity accounts. This does not impact upon the overall position of the authority and therefore does not affect the users of the accounts.

3.4 External audit process

3.4.1 KPMG have noted that the quality of working papers to support the production of the accounts are of very high quality and fully met the required standards.

3.4.2 KPMG have also noted that all officers involved in the process resolved all queries in a timely manner.

3.4.3 It is pleasing to note that this is the first time Group Accounts have been produced for NBC and KPMG have been satisfied with the approach taken and a good audit trail was retained to support the accounts.

3.5 Recommendations

3.5.1 The two recommendations arising from the 2013/14 audit have been fully implemented.

3.5.2 There are three recommendations arising from the 2014/15 audit of the accounts. These recommendations do not need immediate action and have been rated as 2 on the scale of 1*(Highest)* to 3*(Lowest)*. The detailed recommendations and management responses are included in the ISA260.

3.6 Annual Governance Statement (AGS)

3.6.1 Under the Accounts and Audit Regulations 2011 the Annual Governance Statement must accompany the Statement of Accounts, and is presented as an appendix to this report.

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

3.6.3 There were no audit amendments arising from the external audit of the AGS.

3.7 Next Steps

3.7.1 The auditors have now completed their audit and are anticipating being in a position to provide their audit opinion and ISA260 to the Audit Committee for sign off.

3.8 Choices (Options)

3.8.1 The Committee may choose not to approve the Accounts; this would result in the Council not meeting its statutory responsibilities.

4. Implications (including financial implications)

4.1 Policy

4.1.1 There are no policy implications arising from this report.

4.2 Resources and Risk

4.2.1 There are no direct financial implications arising from this report. The SoA reports on the financial position for 2014/15.

4.3 Legal

4.3.1 There are no legal implications arising from this report.

4.4 Equality

4.4.1 There are no equality implications arising from this report.

4.5 Consultees (Internal and External)

4.5.1 Management Board has been consulted on the Statement of Accounts and AGS.

4.5.2 The Statement of Accounts, accompanied by the AGS, has undergone public inspection and external audit.

4.6 Other Implications

4.6.1 There are no other implications arising from this report.

5. Background Papers

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

- Accounts and Audit Regulation 2011
- The Code of Practice on Local Authority Accounting 2014/15
- The CIPFA Statement on the Role of the Chief Finance Officer

Amy Eyles, Group Accountant, LGSS, 01604 367514
Kelly Watson, Strategic Finance Manager, LGSS, 01604 363099

Appendix 1

Statement of Accounts
2014 – 15

NORTHAMPTON
BOROUGH COUNCIL

TABLE OF CONTENTS

To be inserted

1. INTRODUCTION

The Statement of Accounts for Northampton Borough Council provides a picture of the Council's financial position at 31st March 2015 and a summary of its income and expenditure in the year to 31st March 2015. The Council has a statutory duty to approve and publish this Statement of Accounts document. It is, in parts, a complex document which sets out to ensure that the accounts of all Government funded bodies provide comparable and consistent information and comply with International Financial reporting Standards. As a result, its format is largely prescribed.

The accounts will be approved by the Audit Committee on 7th September 2015.

2. THE STATEMENTS

The main statements which make up these accounts are as follows:

Core Financial Statements

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

Supplementary Financial Statements

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

An explanation of each of these statements accompanies each statement.

3. REVIEW OF THE FINANCIAL YEAR 2014/15

3a. Financial climate in 2014/15

The latest data and intelligence surrounding the UK economy is positive. However, there remains some uncertainty over the outlook for the UK and this will continue to put pressure on Local Government finances over the medium term. This was emphasised in the Autumn Statement announced on 3rd December 2014 with clear expectations that public sector funding would continue to be reduced in the next spending review period in line with those seen in the current spending review. This would indicate local government could see its funding reduce by 10% at least per annum until 2018, possibly longer.

3b. Local position

The national economic position has had, and continues to have, specific repercussions locally. In addition to significant reductions in government funding since 2010 the following impacts have been felt locally:

- Investment interest levels remain low, and are expected to do so for at least the next few years before rising gradually.
- Funding for capital expenditure is linked both to revenue funding in relation to borrowing costs and the Council's ability to generate capital receipts.
- There remains some short term uncertainty, but the biggest risks facing the Council are in assessing the financial implications of our continuing to provide services at current levels and the forecast reduction to Local Government funding over the medium term.

3c. Government Funding and policy changes

In addition to unprecedented funding reductions local government has seen significant changes to the way it receives its funding and new policy initiatives. Some of these changes are set out below:

- Business Rates Retention Scheme – The previous grant regime was replaced with a Business Rate Retention Scheme in April 2013. The key aim of this was to incentivise local business growth. As well as sharing in the benefits of growth the Council also takes the risk of volatility in the business rates system. During 2013/14 the Council experienced a reduction in the amount of business rates collectable from local businesses. A significant amount of this was due to successful appeals resulting in reductions in rateable value. During 2014/15 the Council has applied its learning and is building on its data intelligence to ensure forecasting into the future is more robust.

- Welfare Reform – Over the medium term planning period, more information and detail will be released about universal credit and other welfare reform initiatives which will have an impact upon the current service provision of NBC.

- New Homes Bonus – New Homes Bonus (NHB) is a core funding stream which is effectively replacing other funding streams, such as revenue Support Grant (RSG), which are now reducing at a much faster rate than anticipated. A significant proportion of NHB is used to support local infrastructure, projects and initiatives which provide economic benefit within the borough.

The issues referred to above are discussed in more detail in the Council's Medium Term Financial Plan. This document also includes more about the Councils plans in future years, from 2015/16 to 2019/20. The Council's Medium Term Financial Plan can be found here:
NBC MTFP 2015/16-2019/20

3d. Significant events in 2014/15 – Formation of Northampton Partnership Homes and the requirement for Group Accounts

The Council has set up an Arm's Length Management Organisation (ALMO) called Northampton Partnership Homes from 5th January 2015. The aim is to improve housing services to tenants and to achieve improvements in value for money. As Northampton Partnership Homes is wholly owned by the Council, the Council is required to produce Group Accounts. The Group Accounts are the Council's own accounts (the single entity accounts) combined with the accounts of Northampton Partnership Homes, to give a picture for the Group as a whole.

The Group Accounts are shown alongside the Council's single entity accounts on the core financial statements (and selected notes where the Group is materially different). Further information about the Group Accounts is in note 56 to the accounts.

4. SUMMARY OF MAJOR TRANSACTION AND BALANCES IN NORTHAMPTON BOROUGH COUNCILS ACCOUNTS

The following provides a summary of the major transactions and balances for Northampton Borough.

Service Expenditure	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
General Fund			
Service costs (excl. benefits)	53,577	-24,526	29,051
Benefits	73,761	-72,824	937
Housing Revenue Account			
Service costs	39,854	-67,225	-27,371
Capital Expenditure	**Capital Investment £000**	**Sources of Finance £000**	
General Fund Capital	31,654	-31,654	
Housing Revenue Account Capital	29,965	-29,965	
Total Service/ Capital	**£000**	**£000**	
Total Service and Capital	**228,811**	**-226,194**	

Assets and Liabilities	Liabilities £000	Assets £000	Net Assets £000
Assets and Liabilities	403,288	652,935	249,647

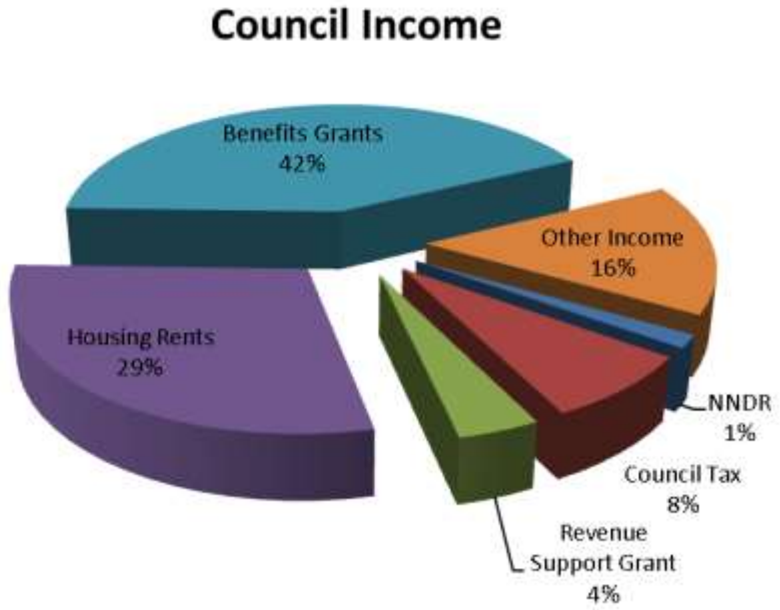
Gross Income collected by NBC	£000
Council Tax	92,263
National Non-Domestic Rates	99,013

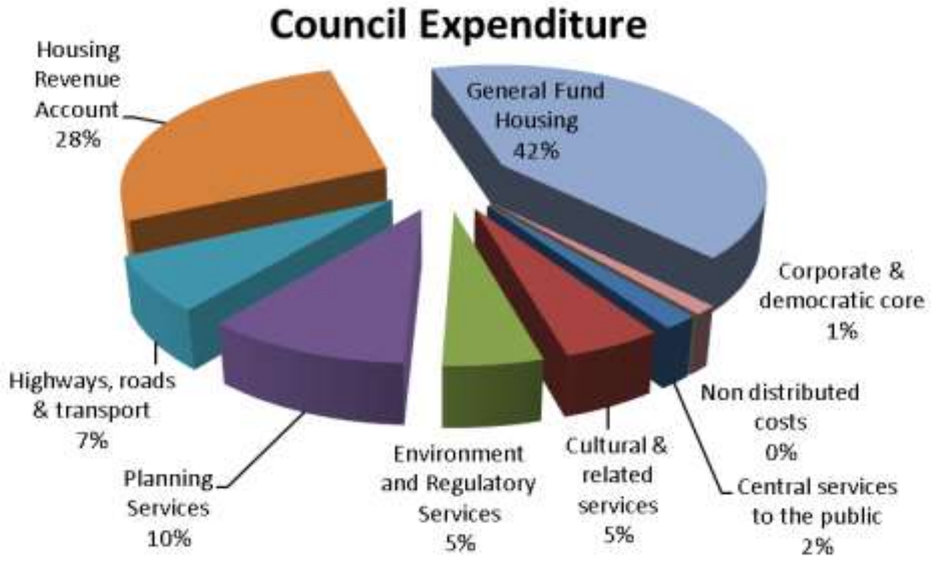
Further information about some of these transactions and balances can be found in the following sections and also in the Statement of Accounts.

5. INCOME AND EXPENDITURE: WHERE THE COUNCIL'S MONEY COMES FROM AND WHAT IT SPENDS IT ON

5a. Income and Expenditure

The Comprehensive Income and Expenditure Statement is one of the core financial statements. This statement shows the Council's income and expenditure, including both General Fund and the Housing Revenue Account. The following pie charts show the various sources of income that the Council received, and then how this money was spent.





Further details of the Council's income and expenditure can be found in the related notes to the accounts.

5b. General Fund Final Outturn Position

Northampton Borough Council managed a net budget of £32.561m in 2014/15 to deliver key services to the community it serves. The following table summarises the position for the general Fund for 2014/15.

General Fund Account	Budget £000	Actual £000	Variance £000
Director of Regeneration, Enterprise and Planning	3,307	3,056	-251
Director of Housing	1,538	1,428	-110
Borough Secretary	14,040	13,035	-1,005
Director of Customers & Communities	13,676	12,469	-1,208
Total within Budget Managers Control	**32,561**	**29,987**	**-2,574**
Capital Expenditure charged to Revenue Account	0	2,714	2,714
Provisions	0	983	983
Net Support Service Recharges	-6,361	-4,968	1,393
Interest and Financing	2,377	1,617	-760
Parish Precepts & Grants	1,056	1,025	-31
Government Funding	-13,742	-16,325	-2,583
Council Tax	-13,871	-13,840	31
Council tax freeze grant	-148	-152	-4
Non specific grants (mainly New Homes Bonus)	-2,679	-4,614	-1,935
Technical Accounting Adjustments	**-33,368**	**-33,560**	**-192**
General Fund (under) / over spend	**-807**	**-3,573**	**-2,766**
Net Contribution to/(from) Reserves	807	1,746	939
General Fund Deficit (Surplus)	**0**	**-1,827**	**-1,827**
Balance b/fwd		-3,643	
Balance c/fwd		**-5,470**	

This position will be reported at the Cabinet meeting on 15th July 2015.

5c. Housing Revenue Account

Included within the overall income and expenditure above are specific amounts relating to the provision, maintenance and sale of Council houses and flats. These specific items of income and expenditure are also shown separately in an account called the Housing Revenue Account (HRA), because this account has to be self-financing. A summary of the Housing Revenue Account is shown below:

Housing Revenue Account	£000
Total within Budget Managers Control	-27,371
Amount used to finance capital expenditure	12,212
Interest and Investment Income	6,011
Other technical adjustments	5,613
Net contribution to reserves	3,535
Housing Revenue Account surplus / deficit	**0**
Balance Brought Forward	-5,000
Balance Carried Forward	**-5,000**

After taking account of contributions to reserves and balances, the Council's Housing Revenue Account working balance has remained at £5m. This is after making a net contribution to HRA earmarked reserves of £3.534m.

This position will be reported at the Cabinet meeting on 15th July 2015.

Further details of the Housing Revenue Account can be found in the Housing Revenue Account section of the Statement of Accounts.

5d. Collection Fund

NBC is a Billing Authority for Council Tax and National Non-Domestic Rating Income (NNDR/Business Rates), and is therefore required under statue to maintain a separate Collection Fund. The Collection Fund shows all of the transactions completed by NBC on an agency basis for both NBC and on behalf of its precepting bodies. NBC collects Council Tax precepts on behalf of Northamptonshire County Council and the Northamptonshire Police and Crime Commissioner, and collects NNDR on behalf of Central Government and Northamptonshire County Council.

For 2014/15, the gross income collected within the Collection Fund by NBC was as follows:

Gross Income collected by NBC	£000
Council Tax	92,263
National Non-Domestic Rates	99,013

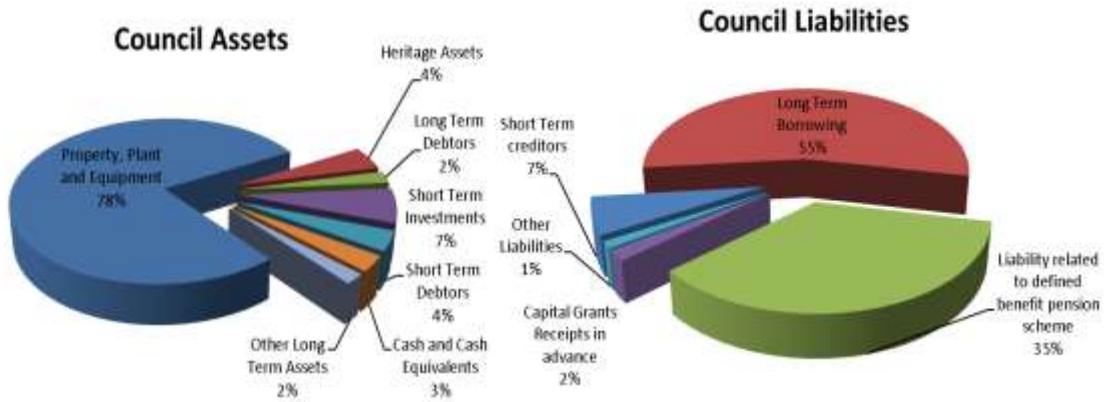
For further details please see The Collection Fund statement and accompanying notes at Section H of the accounts.

6. ASSETS AND LIABILITIES: WHAT THE COUNCIL OWNS AND WHAT THE COUNCIL OWES

6a. Assets and Liabilities

The Balance Sheet is another core financial statement. The Balance Sheet shows everything the Council owns (the Council's assets) and everything that the Council owes (the Council's liabilities).

The following pie charts represent the relative sizes of the council's assets and liabilities.



6b. Capital expenditure

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 or enhancement of existing assets. The table below provides a summary of the 2014/15 capital expenditure.

Capital Expenditure and Financing	Budget £000s	Actual £000s	Variance £000s
Expenditure			
Housing Revenue Account Schemes	43,717	29,965	-13,752
General Fund Housing Schemes	1,740	1,276	-464
Other General Fund Schemes	37,888	30,378	-7,510
Total Capital Expenditure	83,345	61,619	-21,726
Sources of Financing			
Major Repairs Allowance		12,328	
Revenue Contributions to Capital Expenditure		2,714	
Grants & Contributions		22,518	
Capital Receipts		3,383	
Borrowing		20,676	
		61,619	

Capital Programme spending in 2014/15 was some £21.7 m (26%) below budget. A large proportion (£15.2m) 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 and funding agreements.

Capital Expenditure	£000s
Housing Revenue Account	
Council Housing	29,207
Other Housing Assets	434
Repurchase of Former Council Housing	324
HRA Total	**29,965**
General Fund	
Information Technology	157
Corporate Buildings	600
Greyfriars Bus Demolition	3,852
Parks & Open Spaces	544
Delapre Abbey Restoration	351
Vulcan Works	488
Bus Interchange	264
Capital Loans	7,150
Enterprise Zone	4,351
Other Capital Works	1,020
Revenue Expenditure Funded from Capital under Statute	12,876
General Fund Total	**31,654**
Total	**61,619**

6c. Capital Receipts

During 2014/15 the Council generated capital receipts from the sale of assets of £14.1m. Most significantly, £7.7m was received from the sale of the Egyptian statue, Sekhemka. This is expected to be reinvested in the future extension and refurbishment of the Northampton Central Museum. Other General Fund receipts of £1.5m came from the sale of surplus land and buildings, £1.2m of which was applied during the year to fund capital investment. HRA capital receipts totalled £4.5m, mostly from the sale of dwellings under Right-to-Buy. Of this total almost £1m was paid over to central government under pooling arrangements and a further £1.4m was set aside to fund replacement dwellings. The remaining £2m was invested in improvements to existing council dwellings.

6d. Current Borrowing Facilities

A significant element of the Council's liabilities are borrowing. Current borrowing facilities are detailed below:

Description	HRA £000	GF £000	Third Party £000	Total £000
Long Term Borrowing - PWLB	184,065	6,049	15,617	**205,731**
Long Term Borrowing - LOBOs	9,068	0	0	**9,068**
Homes & Communities Agency	0	1,148	0	**1,148**
Growing Places Fund	0	6,640	0	**6,640**
Local Infrastructure Fund	0	1,041	0	**1,041**
Long Term Finance Leases	0	348	0	**348**
Other Short Term Borrowing	0	289	0	**289**
Total	**193,133**	**15,515**	**15,617**	**224,265**

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.

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.

New capital programme expenditure of £20.676m was financed by borrowing during 2014-15. This included £5.75m of external borrowing for loans to third parties.

Existing external borrowing was reduced by £15.7m as a result of the maturity of two LOBO Loans. A Lenders Option Borrowers Option (LOBO) is a type of long term loan, usually 40 to 60 years, with a fixed rate of interest. However, this type of loan has 'call' options at pre-determined dates. On these dates the lender has the 'option' to propose a new rate of interest for the remaining term and the borrower has the 'option' to either accept the new rate or repay the loan.
Principal repayments totalling £257k on annual annuity and EIP loans were also made.

6e. Liability related to defined benefit pension scheme

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.

There has been a significant increase in year on the overall pension liability of £6.7m. This is largely as a result of a decrease in bond yields and subsequent discount rate, which places a higher value on the Fund Liabilities.

6. Further Information
Further information about these accounts is available from:

Glenn Hammons **Chief Finance Officer** Northampton Borough Council LGSS Northamptonshire County Council John Dryden House 8-10 The Lakes Northampton NN4 7YD	**Kelly Watson** **Strategic Finance Manager** 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.

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 2015.

G Hammons
Glenn Hammons – Chief Finance Officer
Date: 19th June 2015

Approval by Audit Committee

I confirm that these audited accounts were approved by the Audit Committee at the meeting held on 7th September 2015.

Councillor Jonathan Nunn – Chair of Audit Committee
Date:

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 2014/15 financial year.

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

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

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

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

1.2 ACCOUNTING PRINCIPLES

a Going Concern

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

b Accruals Concept

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

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

c 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 2014/15 (SERCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to benefits received, with the exception of:

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

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

d Value Added Tax

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

e Changes in Accounting Policy

Where there is a known future change in accounting policy required by the CIPFA

Code, the Authority will disclose in the notes to the accounts:

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

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

f Previous Year Adjustments

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

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

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

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

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

g Events after the Balance Sheet date

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

h Exceptional and extraordinary items and prior period adjustments

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

i Contingent assets and liabilities

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

Capital Accounting

j Recognition of Capital Expenditure (de-minimis Policy)

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

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

The capital cost of an asset is recognised to be:

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

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

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

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

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

k Non-Current Asset Classification

The Authority manages its assets in the following categories:

- **Intangible Assets.**

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

- **Property, Plant and Equipment Assets**

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

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

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

    Test for Community Assets:

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

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

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

- **Surplus Assets** are assets, which the Authority no longer operates from, however do not meet the definition of held for sale. All surplus assets are treated in the same way as operational assets of the same type (valuation, depreciation, recognition etc).
- **Heritage Assets** are assets with historical, artistic, scientific, technological, geophysical or environmental qualities that make it important to ensure that they are preserved for future generations. They may be any kind of asset including buildings, works of art, furniture, exhibits, artefacts, etc. or intangible assets such as recordings of significant historical events.

  As such, assets in this category are held principally for their contribution to knowledge and/or culture.
- **Investment Property Assets** are items of land and / or buildings held by the Authority solely for the purpose of rental income generation or capital appreciation or both.

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

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

  The Authority will classify assets as held for sale where:

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

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

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

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

l Non-Current Asset Valuation Methodology

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

Where there is an upward revaluation, the carrying value is increased and the associated credit charged directly to the revaluation reserve. This is then reflected in the MIRS as a revaluation gain. Where there is a revaluation, which results in a lower than carrying amount valuation, this is treated in line with accounting policy m impairment of assets. Exceptionally, gains might be credited to the Surplus/Deficit on Provision of Services where they arise from the reversal of a loss previously charged to a service.

Valuations are completed as follows:

- **Intangible Assets -** the Authority recognises Intangible Assets at cost. The Authority will revalue intangible assets annually where there is determinable market value for the asset.
- **Property Plant and Equipment -** Property Assets are held at fair value, which is the amount that would be paid for the asset in its existing use. This requirement is met by providing a valuation on the basis of exiting use value (EUV) in accordance with 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.

Revenue Accounting

ac Recognition of Revenue Expenditure.

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

ad Employee Costs

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

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

Short-term employee benefits:

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

Termination Benefits

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

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

- **Pensions Costs**

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

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

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

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

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

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

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

ae Revenue Grants and Contributions

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

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

af Provisions

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

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

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

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

ag Revenue Reserves

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

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

- Setting aside money for future policy initiatives;
- To finance expenditure on future projects;
- To mitigate the impact between financial years of expenditure and income on general working balances;

- To mitigate the effect of specifically identified significant risks; and
- To protect the Authority against unexpected events and change in legislation.

The Council's risk-based assessment of the required level of General Fund working balance is £4.9m for 2014/15. 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.

ah Council Tax Recognition

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

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

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

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

ai Inventories and long-term contracts

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

aj Provisions for bad and doubtful debts

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

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

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

Treasury Management

ak Definition of Treasury Management Activities

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

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

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

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

al Financial Liabilities

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

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

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

The Authority has a policy of spreading the gain/loss over the term of the replacement loan subject to a minimum period of 10 years with the case of discounts. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Reserves is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

am Financial Assets

Financial assets are classified into two types:

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

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

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

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

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

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

  Values are based on the following principles:

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

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

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

an Interests in Companies and Other Entities

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

ao Business Improvement Districts

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

ap Cash and Cash Equivalents

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

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

aq General Government Grants

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

ar Group Accounts

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

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 Group Accounts are shown in the separate highlighted columns. This includes the transactions of Northampton Partnership Homes. Note that as Northampton Partnership Homes only started trading in 2014/15, no Group Accounts are shown for the prior period.

The Statement is shown on the next page.

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	Authority share of reserves of subsidiary £000s	Total Reserves £000s
	Single Entity Accounts										Group Accounts	
Balance at 31 March 2013 Brought forward	**-3,128**	**-17,071**	**-5,001**	**-12,549**	**-1,542**	**-3,267**	**-2,537**	**-45,096**	**-164,717**	**-209,813**	**0**	**-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	0	**-27,892**
Other Comprehensive Expenditure and Income **(Note 9)**	0	0	0	0	0	0	0	0	-228	-228	0	**-228**
Total Comprehensive Expenditure and Income	**-6,384**	**0**	**-21,508**	**0**	**0**	**0**	**0**	**-27,892**	**-228**	**-28,120**	**0**	**-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	0	**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**	**0**	**-28,120**
Transfers (to)/from Earmarked Reserves **(Note 8)**	8,310	-8,310	3,746	-3,746	0	0	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**	**0**	**-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**	**-237,930**	**0**	**-237,930**
Movement in reserves during 2014/15												
(Surplus) or deficit on provision of services **(Note 31c)**	10,395	0	-37,637	0	0	0	0	-27,242	0	-27,242	-140	**-27,382**
Other Comprehensive Expenditure and Income **(Note 9)**	0	0	0	0	0	0	0	0	15,529	15,529	1,765	**17,294**
Total Comprehensive Expenditure and Income	**10,395**	**0**	**-37,637**	**0**	**0**	**0**	**0**	**-27,242**	**15,529**	**-11,713**	**1,625**	**-10,088**
Adjustments between group accounts and authority accounts	0	0	0	0	0	0	0	0	0	0	13,685	**13,685**
Net (Increase)/Decrease before transfers	**10,395**	**0**	**-37,637**	**0**	**0**	**0**	**0**	**-27,242**	**15,529**	**-11,713**	**15,310**	**3,597**
Adjustments between accounting basis and funding basis under regulations **(Note 7)**	-13,968	0	34,102	0	117	-9,615	-1,252	9,384	-9,384	0	0	**0**
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**-3,573**	**0**	**-3,535**	**0**	**117**	**-9,615**	**-1,252**	**-17,858**	**6,145**	**-11,713**	**15,310**	**3,597**
Transfers (to)/from Earmarked Reserves **(Note 8)**	1,746	-1,746	3,535	-3,535	0	0	0	0	0	0	0	**0**
(Increase) / Decrease in Year	**-1,827**	**-1,746**	**0**	**-3,535**	**117**	**-9,615**	**-1,252**	**-17,858**	**6,145**	**-11,713**	**15,310**	**3,597**
Balance at 31 March 2015 carried forward	**-5,470**	**-27,129**	**-5,000**	**-19,829**	**-9,288**	**-11,972**	**-5,064**	**-83,752**	**-165,895**	**-249,647**	**15,310**	**-234,337**

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.

The Group Accounts are shown in the separate highlighted columns. This includes the transactions of Northampton Partnership Homes. As Northampton Partnership Homes only started trading on 5th January 2015, no Group Accounts are shown for the prior period.

Re-stated 2013/14			COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	2014/15			Group Accounts 2014/15		
Gross Expenditure £000s	Gross Income £000	Net Expenditure £000		Gross Expenditure £000s	Gross Income £000	Net Expenditure £000	Gross Expenditure £000s	Gross Income £000	Net Expenditure £000
			INCOME AND EXPENDITURE ON SERVICES						
3,679	-1,753	1,926	**Central services to the public**	3,579	-1,494	2,085	3,579	-1,494	2,085
			Cultural, Environmental & Planning						
8,627	-1,910	6,717	Cultural & related services	10,059	-2,655	7,404	10,059	-2,655	7,404
9,612	-3,121	6,491	Environment and Regulatory Services	10,113	-3,598	6,515	10,113	-3,598	6,515
8,242	-3,419	4,823	Planning Services	20,740	-5,030	15,710	20,740	-5,030	15,710
2,846	-3,748	-902	**Highways, Roads & Transport**	14,303	-3,116	11,187	14,303	-3,116	11,187
			Housing						
41,119	-53,327	-12,208	Housing Revenue Account	55,458	-87,075	-31,617	53,896	-85,652	-31,756
85,670	-79,566	6,104	General Fund Housing	85,152	-79,936	5,216	85,037	-79,936	5,101
3,196	-649	2,547	**Corporate & Democratic Core**	2,399	-64	2,335	2,399	-64	2,335
250	-2,417	-2,167	**Non Distributed Costs**	3	-8,760	-8,757	3	-8,760	-8,757
163,241	**-149,910**	**13,331**	**COST OF SERVICES**	**201,806**	**-191,728**	**10,078**	**200,129**	**-190,305**	**9,824**
10,173	-7,201	2,972	Other Operating Expenditure **(Note 10)**	20,368	-15,238	5,130	20,368	-15,238	5,130
20,470	-8,235	12,235	Financing and Investment Income and Expenditure **(Note 11)**	20,994	-8,767	12,227	21,166	-8,825	12,341
36,636	-93,065	-56,429	Taxation and Non-Specific Grant Income **(Note 12)**	37,823	-92,500	-54,676	37,823	-92,500	-54,676
		-27,891	**(Surplus) or Deficit on Provision of Services**			**-27,241**			**-27,381**
		-10,529	Surplus or deficit on revaluation of Property, Plant and Equipment assets			-1,335			-1,335
		10,301	Actuarial gains / losses on pension assets/liabilities			16,864			18,629
		-228	**Other Comprehensive Income and Expenditure (Note 9)**			**15,529**			**17,294**
		-28,119	**TOTAL COMPREHENSIVE INCOME AND EXPENDITURE**			**-11,712**			**-10,087**

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'.

The Group Accounts are shown in the separate highlighted column. This includes the transactions of Northampton Partnership Homes. As Northampton Partnership Homes only started trading on 5th January 2015, no Group Accounts are shown for the prior period.

31st March 2014 £000s	Balance Sheet	31st March 2015 £000s	Notes	Group Accounts 31st March 2015 £000s
485,704	Property, Plant & Equipment	509,188	13	509,188
36,592	Heritage Assets	29,484	14	29,484
7,479	Investment Property	7,295	15	7,295
1,531	Intangible Assets	1,035	16	1,035
0	Long Term Investments	2,507	17g	2,507
8,996	Long Term Debtors	15,090	20	15,090
540,302	**Long Term Assets**	**564,599**		**564,599**
28,612	Short Term Investments	43,142	17g	43,142
1,309	Assets Held for Sale	1,474	22	1,474
164	Inventories	72	18	152
19,650	Short Term Debtors	24,322	20	20,385
42,060	Cash and Cash Equivalents	19,326	21	26,539
91,795	**Current Assets**	**88,336**		**91,692**
-16,283	Short Term Borrowing	-2,628	17e	-2,628
-21,548	Short Term Creditors	-26,944	23	-30,217
-392	Provisions	-1,993	24	-1,993
-38,223	**Current Liabilities**	**-31,565**		**-34,838**
-8,233	Long Term Creditors	-7,377	38	-7,377
-1,272	Provisions	-29	24	-29
-210,126	Long Term Borrowing	-221,289	17f	-221,289
-136,313	Other Long Term Liabilities	-143,028	41b/45	-158,421
-355,944	**Long Term Liabilities**	**-371,723**		**-387,116**
237,930	**Net Assets**	**249,647**		**234,337**
65,894	Usable Reserves	83,752	MiRS	83,835
172,036	Unusable Reserves	165,895	26	150,502
237,930	**Total Reserves**	**249,647**		**234,337**

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.

The Group Accounts are shown in the separate highlighted column. This includes the transactions of Northampton Partnership Homes. As Northampton Partnership Homes only started trading on 5th January 2015, no Group Accounts are shown for the prior period.

2013/14 £000	Cashflow Statement	2014/15 £000	Group Accounts 2014/15 £000
27,891	Net Surplus or (deficit) on the provision of services	27,241	27,381
28,840	Adjustment to surplus or deficit on the provision of services	19,377	26,450
-26,439	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	-40,165	-40,165
30,292	**Net Cashflows from Operating Activities**	**6,453**	**13,666**
-17,423	Net Cashflows from Investing Activities	-25,513	-25,513
7,388	Net Cashflows from Financing Activities	-3,674	-3,674
20,257	**Net increase or decrease in cash and cash equivalents**	**-22,734**	**-15,521**
21,803	Cash and Cash Equivalents at the Beginning of the Reporting Period	42,060	42,060
42,060	**Cash and Cash Equivalents at the End of the Reporting Period**	**19,326**	**26,539**

1. PRIOR YEAR ADJUSTMENTS

There have been no material prior periods adjustments identified that require disclosure within Note 1 of the accounts for 2014/15.

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

IAS 8 requires an authority to disclose the impact of an accounting change that has been issued but not yet adopted. These changes will be applied retrospectively unless there are specific transitional arrangements specified in the Code. There are a number of changes detailed below that are likely to apply for 2015/16, all of which will apply from 1st April 2015, and will be adopted (where applicable) by Northampton Borough Council from 1st April 2015:

IFRS13: Fair Value Measurement (May 2011)
IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures and provides a single IFRS framework for measuring fair value and requires disclosures about fair value measurement.

Annual Improvements to IFRSs (2011 – 2013 Cycle)
The IASB carries out cyclical work to identify and implement improvements in IFRSs. The following amendments will be incorporated into the 2015/16 Code of Practice:

- IFRS 1: Meaning of effective IFRSs;
- IFRS 3: Scope of exceptions for joint ventures;
- IFRS 13: Scope of paragraph 52 (portfolio exception); and
- IAS 40: Clarifying the interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property.

IFRIC 21 Levies
IFRIC 21 provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and the amount of the levy is certain.

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.

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 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment (excluding land) - Depreciation & Useful Lives	Assets are depreciated over useful lives that are 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 £0.423m 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 (NBC Internal Valuers) using appropriate valuation methods, judgements, and assumptions. Council dwellings are valued as at 1 April annually, non investment properties with a closing value of over £300k the previous year are revalued mid-year, and other non-investment property is valued on a 5-year rolling programme part way through the year. The assumptions used and timings of these valuations introduce a degree of estimation risk if property values differ from the valuations used.	The net book value of an asset at 31 March is the value of that asset as it appears on the Balance sheet. - A 1% variation in value on Dwellings is equivalent to £3.976m - A 1% variation in value on other operational property is equivalent to £1.172m

Benefit Overpayments Provision	The Authority has made a provision of £4.899m 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 92.2% 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 £0.336m for actual insurance claims outstanding and a reserve of £1.762m 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 £142.680m. 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 = £26.708m - 1 year increase in life expectancy = £9.301m - 0.5% salary increase = £5.000m - 0.5% increase in Pensions rate = £21.384m
Arrears	The General Fund has provided for a bad debt provision of £0.855m. 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 £3.911m. Therefore any changes in the recovery of our debts will have a maximum impact of £3.055m.

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 £1.62m. This is based on appeals that had been lodged and were outstanding at 31 March 2015. Additional contingent liabilities in relation to Business Rates have been disclosed within note 46.	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/liabilities that are carried at fair value based on recently observed market prices. For items relating to the Housing Revenue Account, please see section G of the Accounts.

5. MATERIAL ITEMS OF INCOME AND EXPENSE

During the financial year 2014/15, NBC has five material items disclosed in the accounts.

1) The first item relates to a contract to carry out the councils Environmental Services (Waste Collection, Street Cleaning, Parks etc.).The contract cost in relation to this item in 2014/15 was £6.08m.
2) The second item relates to the contract with LGSS to cover the majority of the councils back office functions (HR, Finance, ICT etc.).The contract cost in relation to this item in 2014/15 was £8.98m.
3) There was a grant of £15.5m for Decent Homes from the Homes and Communities Agency.
4) There was expenditure on Housing Benefits for £42m in relation to Rent Allowances and £32m in relation to Rent Rebates. The grant income received from DWP in respect of these payments is disclosed within Note 38.
5) £7.7m was received from the sale of the Egyptian statue, Sekhemka. This will be reinvested in the future extension and refurbishment of the Northampton Central Museum.

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 section C. 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 2015, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. There has been one non-adjusting event after the balance sheet date that requires disclosure:

The Chancellor announced in his 2015 summer budget that rents in social housing are to be reduced by 1% a year from April 2016 for the next four years. The Council will need to consider the impact that the rent reductions may have on its Housing Revenue Account and revise its HRA plan accordingly.

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.

2014/15	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	-4,226	0	0	-8,939	0	0	-13,165	13,165
Revaluation gains on PPE	945	33,261	0	0	0	0	34,206	-34,206
Revaluation losses on PPE	-16,140	-18,124	0	0	0	0	-34,263	34,263
Movements in the market value of Investment properties	-182	51	0	0	0	0	-132	132
Amortisation of Intangible assets	-320	0	0	0	0	0	-320	320
Capital Grants & contributions applied (if any)	8,315	15,522	0	0	0	0	23,837	-23,837
Income in relation to donated assets if any	57	0	0	0	0	0	57	-57
Revenue expenditure funded from capital under statute	-12,876	0	0	0	0	0	-12,876	12,876
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	-9,532	-6,145	0	0	0	0	-15,678	15,678
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement								
Statutory provision for the financing of capital investment	1,253	0	0	0	0	0	1,253	-1,253
Capital expenditure charged against the General Fund and HRA balances	2,714	0	0	0	0	0	2,714	-2,714
Balance of MRA	0	0	0	0	0	0	0	0
Total Adjustments primarily involving the Capital Adjustment Account	**-29,993**	**24,565**	**0**	**-8,939**	**0**	**0**	**-14,366**	**14,366**

2014/15	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	2,382	0	0	0	0	-2,382	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	1,130	1,130	-1,130
Total Adjustments primarily involving the Capital Grants Unapplied Account	**2,382**	**0**		**0**	**0**	**-1,252**	**1,130**	**-1,130**
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	9,605	4,454	0	0	-14,059	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	0	3,383	0	3,383	-3,383
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	-114	0	0	114	0	0	0
Contribution from the Capital Receipts Reserve tofinance payments to Government Capital Receipts pool	-955	0	0	0	955	0	0	0
Transfer from Deferred Capital receipts Reserve upon receipt of cash	0		0	0	-8	0	-8	8
Total Adjustments primarily involving the Capital Receipts Reserve	**8,650**	**4,339**	**0**	**0**	**-9,615**	**0**	**3,375**	**-3,375**
Adjustment primarily involving the Major Repairs Reserve:								
Reversal of major Repairs Allowance credited to the HRA	0	3,273	0	-3,273	0	0	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	12,328	0	0	12,328	-12,328
Total Adjustment primarily involving the Major Repairs Reserve	**0**	**3,273**	**0**	**9,055**	**0**	**0**	**12,328**	**-12,328**

2014/15	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	-419		0	0	0	0	-419	419
Adjustments primarily involving the Pensions Reserve:								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and expenditure Statement	1,960	526	0	0	0	0	2,486	-2,486
Employer's pensions contributions and direct payments to pensioners payable in the year	6,143	1,372	0	0	0	0	7,515	-7,515
Total Adjustments primarily involving the Pensions Reserve	**8,104**	**1,898**	**0**	**0**	**0**	**0**	**10,001**	**-10,001**
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	-2,711	0	0	0	0	0	-2,711	2,711
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	19	26	0	0	0	0	44	-44
Total Adjustments	**-13,968**	**34,101**	**0**	**117**	**-9,615**	**-1,252**	**9,382**	**-9,382**

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
Income in relation to donated assets if any	0	0	0	0	0	0	0	0
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**

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**
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**

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 2014/15.

Earmarked Reserve	Balance at 31 March 2013 £000s	Additions to Reserve £000s	Use Of Reserve £000s	Balance at 31 March 2014 £000s	Additions to Reserve £000s	Use Of Reserve £000s	Balance at 31 March 2015 £000s
General Fund							
General Revenue Grants (Ringfenced)	**2,991**	50	-330	**2,712**	949	-557	**3,105**
S106 Contributions	**809**	1,660	-44	**2,425**	148	-95	**2,479**
Total Ringfenced Grants & Contributions	**3,800**	**1,710**	**-374**	**5,137**	**1,098**	**-652**	**5,583**
Supporting Business/Economic Growth	**225**	1,075	-95	**1,205**	193	-100	**1,298**
Service Improvements/Performance and Change	**702**	331	-150	**883**	0	-51	**832**
General Earmarked Reserves	**5,493**	1,511	-2,423	**4,581**	1,924	-1,843	**4,662**
Delapre Abbey	**883**	75	-63	**895**	72	-146	**820**
Specific Carry Forwards	**247**	268	-89	**426**	0	-154	**272**
Total Service Related Reserves	**7,550**	**3,260**	**-2,820**	**7,989**	**2,189**	**-2,293**	**7,885**
Strategic Investment Reserve	**0**	0	0	**0**	1,429	-67	**1,362**
New Homes Bonus	**1,647**	2,326	-763	**3,210**	539	-1,772	**1,977**
Total Corporate Reserves	**1,647**	**2,326**	**-763**	**3,210**	**1,968**	**-1,839**	**3,340**
Financial Pressures Reserve	**1,625**	1,407	0	**3,032**	1,812	-1,883	**2,960**
Insurance Reserve	**2,443**	196	-155	**2,484**	750	-1,471	**1,762**
Technical Reserves	**7**	3,580	-57	**3,530**	2,183	-114	**5,599**
Total Technical Reserves	**4,075**	**5,183**	**-212**	**9,045**	**4,744**	**-3,468**	**10,321**
Total General Fund	**17,072**	**12,479**	**-4,169**	**25,382**	**9,998**	**-8,252**	**27,129**
HRA							
HRA Reserves	**8,794**	6,705	-2,500	**12,999**	4,068	0	**17,067**
HRA Supporting People Reserve	**558**	0	0	**558**	0	0	**558**
HRA Reform Reserve	**1,333**	0	-460	**873**	0	-865	**8**
HRA Leaseholder Reserve	**168**	0	0	**168**	332	0	**500**
HRA Service Improvement Reserve	**1,396**	36	-36	**1,395**	0	0	**1,395**
HRA Insurance Reserve	**300**	0	0	**300**	0	0	**300**
Total HRA	**12,549**	**6,741**	**-2,996**	**16,294**	**4,400**	**-865**	**19,829**
Total Earmarked Reserves	**29,621**	**19,220**	**-7,165**	**41,676**	**14,398**	**-9,117**	**46,958**

General Revenue Grants (Ring-fenced)
The reserve contains grants which have been received but not spent but which are ring-fenced for a specific purpose in future years.

S106 Contributions
These are developer contributions towards future maintenance and infrastructure costs relating to future growth development across Northampton.

Supporting Business/Economic Growth
This reserve has been set up to support business and economic growth in the local area.

Service Improvements/Performance and Change
This reserve will continue to support strategic business reviews and other service reviews that will improve the performance of the Council.

General Earmarked Reserves
The General Reserve allows the Council to commit funding to individual projects which may spread across more than one year.

Delapre Abbey
This reserve is set aside to support the restoration of Delapre Abbey.

Specific Carry Forwards
Monies received in the current financial year that are required for future years are held in this reserve.

Strategic Investment Reserve
The Council has set aside funding to support future Invest to Save initiatives and meet strategic priorities. This reserve has strict criteria before monies can be drawn down. The criteria are set out in the Medium Term Financial Plan 2015-20.

New Homes Bonus
Some of the New Homes Bonus funding is set aside to support local infrastructure projects and initiatives which provide additional economic benefit within the borough.

Financial Pressures Reserve
The Council has set aside monies to assist with mitigation of specific risks facing the Council. These risks are set out in more detail in the Medium Term Financial Plan 2015-20.

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

Technical Reserves
These reserves are set aside to assist the Council with managing cash flow accounting and new policy, legislative and technical changes across local government. The majority of this reserve is set aside to manage the current NNDR Collection Fund deficit.

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.

9. OTHER COMPREHENSIVE EXPENDITURE AND INCOME

2013/14 £000s	Other Comprehensive Income & Expenditure	2014/15 £000s
	Revaluation Reserve	
-11,211	General Fund Revaluation Gains	-2,943
1,177	General Fund Revaluation Losses	2,411
-574	HRA Revaluation Gains	-831
80	HRA Revaluation Losses	28
-10,528	**Total**	**-1,335**
10,301	**Actuarial Gains & Losses to the Pensions Reserve**	**16,864**
-227	**Other Comprehensive Expenditure and Income**	**15,529**

10. OTHER OPERATING EXPENDITURE

2013/14 £000s	Other Operating Expenditure	2014/15 £000s
1,014	Parish council precepts	1,046
-20	Levies	-21
869	Payments to the Government Housing Capital Receipts Pool	955
141	Trading	1,418
968	Gains/Losses on the disposal of non-current assets	1,732
2,972	**Total**	**5,130**

11. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2013/14 £000s	Financing And Investment Income And Expenditure	2014/15 £000s
7,746	Interest payable and similar charges	8,121
5,517	Pensions interest cost and expected return on pensions assets	5,555
-676	Interest receivable and similar charges	-1,327
-352	Income and expenditure in relation to investment properties and changes in their fair value	-122
12,235	**Total**	**12,227**

12. TAXATION AND NON SPECIFIC GRANT INCOME

2013/14 £000s	Taxation And Non Specific Grant Income	2014/15 £000s
-13,380	Council tax income	-13,796
-23,928	Capital grants and contributions	-22,310
-8,971	Revenue Support Grant	-6,958
-5,948	Non domestic rates	-6,701
-4,203	Non-ring fenced government grants	-4,854
0	Donated Assets	-57
-56,430	**Total**	**-54,676**

13. PROPERTY, PLANT AND EQUIPMENT

a) Movement

Movements in 2014/15	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 2014	**371,882**	**18,382**	**89,480**	**3,156**	**2,203**	**13,174**	**365**	**192**	**498,834**
Additions	29,718	33	4,974	362	327	412	215	4,362	**40,403**
Donations	0	0	1,878	0	0	571	0	0	**2,449**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	73	553	720	-254	0	-289	0	0	**803**
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	2,791	11	-14,958	-2,518	0	0	0	0	**-14,674**
Derecognition – disposals	-2,946	-88	-694	-19	0	0	0	0	**-3,747**
Derecognition – other	-3,887	-65	-65	0	0	0	0	0	**-4,017**
Assets reclassified (to) / from Held for sale	0	0	-666	0	0	0	-14	0	**-680**
Other movements in cost or valuation	0	0	3	1	0	15	14	-23	**10**
At 31 March 2015	**397,631**	**18,826**	**80,672**	**728**	**2,530**	**13,883**	**580**	**4,531**	**519,381**
Accumulated Depreciation and Impairment									
At 1 April 2014	**9,617**	**732**	**1,853**	**480**	**360**	**81**	**7**	**0**	**13,130**
Depreciation Charge	8,604	332	2,291	577	59	160	2	0	**12,025**
Depreciation written out to the revaluation reserve	0	-177	-34	-170	0	-151	0	0	**-532**
Depreciation written out to the Surplus/Deficit on the Provision of Services	-12,336	0	-1,568	-713	0	0	0	0	**-14,617**
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	1,050	0	0	0	0	0	**1,050**
Derecognition – Disposals	-70	-1	0	-8	0	0	0	0	**-79**
Derecognition – other	-762	-7	-15	0	0	0	0	0	**-784**
Other Movements	0	0	0	0	0	0	0	0	**0**
At 31 March 2015	**5,053**	**879**	**3,577**	**166**	**419**	**90**	**9**	**0**	**10,193**
Net Book Value									
At 31 March 2014	**362,265**	**17,650**	**87,627**	**2,676**	**1,843**	**13,093**	**358**	**192**	**485,704**
At 31 March 2015	**392,578**	**17,947**	**77,095**	**562**	**2,111**	**13,793**	**571**	**4,531**	**509,188**

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**

b) <u>Depreciation</u>

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:						
2014/15	367,235	12,491	56,417	328	0	**436,471**
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	**714,746**	**30,873**	**135,286**	**2,504**	**365**	**883,774**

d) Information on Assets Held

31 March 2014 Number	Information on Assets Held	31 March 2015 Number
	Operational Assets	
11,969	**Council Dwellings**	11,883
	Other Land and Buildings	
27	Council Houses not used as dwellings - Community Rooms	26
81	Shared Ownership Properties	79
3,130	Council Garages	3,127
21	Other Housing Properties	21
66	Operational Shops	66
62.88ha	Allotments	62.88ha
7	Sports & Leisure Centres	7
23	Community Centres	24
1	Museums, Art Galleries	1
1	Open Markets	1
8	Public Conveniences	8
5	Multi-Storey Pay & Display Car Parks	5
1	Local Area Offices	1
3	Central Administrative Offices	3
1	Gypsy Site	1
1	Bus Station	1
18	Surface Pay & Display Car Parks	17
7	Pavilions	7
1	Depots	1
14	Sub-Depots	14
81	**Infrastructure**	84
174	**Vehicles, Plant, Furniture and Equipment**	174
	Community Assets	
887.45ha	Parks and Open Spaces	925.53ha
1	Guildhall	1
1	Historical Buildings	1
2	Monuments/Memorials/Exhibitions	2
8	Cemeteries	8
	Heritage Assets	
37	Buildings & Statuary	37
163	Museum Exhibits	164
123	Guildhall Contents	123
15	Mayoral Regalia	15
	Non-operational Assets	
290	Commercial Property (Units)	287
65.97ha	Agricultural Land	65.97ha
1	Golf Course	1
1	Cinepod	1
1	Theatres	1
53	**Intangible Assets**	53

e) Donated Assets

During the financial year 2014/15, the Council received land and building assets from Homes and Communities Agency with a value of £2.45m. The Museum received one painting and a set of 12 drawings to the value of £57k.

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.

f) Commitments under Capital Contracts

At 31 March 2015, the Authority has one committed contract for the construction or enhancement of Property, Plant and Equipment in 2015/16 and future years budgeted to cost £1,289k.

Scheme	Contractor	2015/16 £000s	2016/17 £000s	2017/18 £000s	2018/19 £000s	Basis of Commitment
Greyfriars Demolition	DSM Demolition	1,289	0	0	0	Demolition works

14. HERITAGE ASSETS

Reconciliation of the heritage assets held by the Authority:

Movements in 2014/15	Historic Buildings & Statuary £000s	Museum Exhibits £000s	Mayoral Regalia £000s	Guildhall Artefacts £000s	Total Heritage Assets £000s
Cost or Valuation					
1 April 2014	**5,161**	**29,655**	**48**	**1,932**	**36,796**
Additions	919	3	0	0	**922**
Donations	0	57	0	0	**57**
Derocognition - Disposals	0	-8,000	0	0	**-8,000**
Other movements in cost or valuation	0	3	0	0	**3**
31 March 2015	**6,080**	**21,718**	**48**	**1,932**	**29,778**
Accumulated Depreciation and Impairment					
1 April 2014	**204**	**0**	**0**	**0**	**204**
Depreciation Charge	90	0	0	0	**90**
31 March 2015	**294**	**0**	**0**	**0**	**294**
Net Book Value					
at 31 March 2014	**4,957**	**29,655**	**48**	**1,932**	**36,592**
at 31 March 2015	**5,786**	**21,718**	**48**	**1,932**	**29,484**

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**
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**
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**

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.

Of the £8m disposal, materially this relates to £7.7m received from the sale of the Egyptian statue, Sekhemka. This is expected to be reinvested in the future extension and refurbishment of the Northampton Central Museum.

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 restorations to various artworks.

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:

2013/14 £000s	Investment Properties	2014/15 £000s
-525	Rental income from investment property	522
22	Direct operating expenses arising from investment property	-108
-503	**Net (gain) / loss**	**414**

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:

2013/14 £000s	Investment Property Valuations	2014/15 £000s
7,398	**Balance at start of the year**	**7,479**
	Additions:	
0	Construction	223
0	Subsequent expenditure	-262
28	**Disposals**	-132
	Transfers:	
53	to/from Property, Plant and Equipment	-13
7,479	**Balance at end of year**	**7,295**

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	455
5 Years	424
10 Years	155
Total	**1,035**

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.

b) Movements

2013/14 Other Assets £000s	2013/14 Total £000s	Intangible Assets	2014/15 Other Assets £000s	2014/15 Total £000s
		Balance at start of year		
5,376	5,376	Gross carrying amounts	5,090	5,090
-3,162	-3,162	Accumulated amortisation	-3,559	-3,559
2,214	**2,214**	**Net carrying amount at start of year**	**1,531**	**1,531**
533	533	Purchases	46	46
-819	-819	Disposals - Gross value	0	0
493	493	Disposals - Amortisation	0	0
-891	-891	Amortisation for the Period	-542	-542
1,530	**1,530**	**Net carrying amount at end of year**	**1,035**	**1,035**
		Comprising:		
5,091	5,091	Gross carrying amounts	5,136	5,136
-3,560	-3,560	Accumulated Amortisation	-4,101	-4,101
1,531	**1,531**	**Net carrying amount at end of year**	**1,035**	**1,035**

c) Material Items

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

Carrying Amount 31 March 2014 £000s	Material Intangible Assets	Carrying Amount 31 March 15 £000s	Remaining Amortisation Period
665	IBS - Housing Management System	443	3 Years

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 2014 £000s	31 March 2015 £000s	31 March 2014 £000s	31 March 2015 £000s
Investments				
Loans and receivables	0	2,507	70,671	52,457
Available for sale financial assets	0	0	0	10,031
Debtors				
Loans and receivables	8,996	15,090	10,726	13,435
Borrowings				
Financial Liabilities at amortised cost	-210,126	-221,289	-16,283	-2,628
Other Long Term Liabilities				
PFI and finance leases	-496	-348	0	0
Creditors				
Financial Liabilities at amortised cost	-8,233	-7,377	-12,919	-15,325
Financial Liabilities carried at contract amount	-8,233	-7,377	-12,919	-15,325

b) Reclassifications

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

c) Income, Expense, Gains, and Losses

2013/14				Income, Expense, Gains and Losses	2014/15			
Financial Liabilities measured at amortised cost £000s	Financial Assets: Loans and Receiva-bles £000s	Financial Assets: Available for Sale £000s	Total £000s		Financial Liabilities measured at amortised cost £000s	Financial Assets: Loans and Receiva-bles £000s	Financial Assets: Available for Sale £000s	Total £000s
7,746	0	0	**7,746**	Interest expenditure	8,121	0	0	**8,121**
0	902	0	**902**	Impairment losses	0	1,025	0	**1,025**
7,746	**902**	**0**	**8,648**	**Total Expense in Surplus or Deficit on the Provision of Services**	**8,121**	**1,025**	**0**	**9,146**
0	-675	0	**-675**	Interest income	0	-1,324	0	**-1,324**
0	0	0	**0**	Increases in fair value	0	0	-6	**-6**
0	**-675**	**0**	**-675**	**Total Income in Surplus or Deficit on the Provision of Services**	**0**	**-1,324**	**-6**	**-1,330**
7,746	**227**	**0**	**7,973**	**Net gain/(loss) for the year**	**8,121**	**-299**	**-6**	**7,816**

The Authority did not have any Assets and Liabilities at Fair Value through Profit and Loss for either 2013-14 or 2014-15.

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 2015:

  - 1.11% to 3.08% for loans from the PWLB, based on new lending rates for equivalent loans at that date
  - 2.41% to 3.13% for other loans payable, based on discount rates applying at that date
  - 0.37% to 1.10% 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 2014		31 March 2015	
	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s
Financial Liabilities	-30,359	-30,685	-17,953	-18,051
Long Term Creditors	-220,520	-197,886	-229,014	-249,351

The fair value of liabilities at 31 March 2015 was higher than the carrying amount at the same date because the Authority's portfolio of loans included a number of fixed rate loans where the interest payable was higher than the prevailing rates at the Balance Sheet date. This showed a notional future loss (based on economic conditions at 31 March 2015) arising from a commitment to pay interest to lenders above current market rates.

	31 March 2014		31 March 2015	
	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s
Loans and Receivables	81,690	81,736	68,399	68,435
Available for Sale	0	0	10,031	10,031
Long Term Debtors	8,996	8,996	15,090	15,090

The fair value of the assets at 31 March 2015 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 receivable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2015 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 2014 £000s	Short Term Borrowing	31 March 2015 £000s
90	Billing Parish Council 7 day notice account	100
189	Northampton Volunteer Bureau 7 day notice account	189
22	HCA principal due within 1 year	24
15,721	LOBO Loans principal due within 1 year	0
261	PWLB Loans principal due within 1 year	2,315
16,283	**Total**	**2,628**

f) Long Term Borrowing

31 March 2014 £000s	Long Term Borrowing	31 March 2015 £000s
	Analysis of loans by type	
199,910	Public Works Loan Board	203,416
9,068	Money Market LOBOs	9,068
1,148	Homes & Communities Agency	1,124
0	Growing Places Fund	6,640
0	Local Infrastructure Fund	1,041
210,126	**Total**	**221,289**
	Analysis of loans by maturity	
2,259	Maturing in 1-2 years	6,296
18,299	Maturing in 2-5 years	16,932
16,312	Maturing in 5-10 years	28,522
173,256	Maturing in over 10 years	169,539
210,126	**Total**	**221,289**

g) Investments

31 March 2014 £000s	Investment Type	31 March 2015 £000s
	Included in Cash and Cash Equivalents	
21,681	Deposit and Call Accounts	370
22,860	Money Market Funds	18,473
44,541	**Total - Cash and Cash Equivalents**	**18,843**
	Investments:	
	Current Investments - Under 1 Year	
28,612	Fixed Term Investments	33,111
	Long Term Investments - Over 1 Year	
0	Fixed Term Investments	2,507
28,612	**Total - Investments**	**35,618**
	Available for Sale Financial Instruments:	
0	**Current Investments - Under 1 Year**	
	Fixed Term Investments	10,031
0	**Total - Available for Sale Financial Instruments**	**10,031**
73,153	**Total**	**64,492**

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.

2013/14 £000s	Material Soft Loans	2014/15 £000s
0	**Balance at 1 April 2014**	9,057
10,000	Nominal value of new loans granted in year	5,750
-974	Fair value adjustment on initial recognition	-609
31	Write down of fair value adjustments in year	190
0	Loans repaid	-235
9,057	**Balance at 31 March 2015**	**14,153**

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.

18. INVENTORIES

2013/14	Westbridge Depot Main Stores £000s	Sub Stores £000s	Other Stores £000s	Total £000s
Balance outstanding at start of year	**0**	**0**	**67**	**67**
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**	**95**	**164**
2014/15				
Balance outstanding at start of year	**69**	**0**	**95**	**164**
Purchases	100	0	106	**206**
Recognised as an expense in the year	-147	0	-125	**-272**
Written off balances	-22	0	-4	**-26**
Balance outstanding at year end	**0**	**0**	**72**	**72**

19. CONSTRUCTION CONTRACTS

In 2014/15, the Council did not have any external construction contracts in progress.

20. DEBTORS

Debtors	Long-term 31 March 2014 £000s	Long-term 31 March 2015 £000s	Short-term 31 March 2014 £000s	Short-term 31 March 2015 £000s
Central Government Bodies	0	0	10,456	14,102
Less Impairment Allowance	0	0	0	0
Central Government Bodies	**0**	**0**	**10,456**	**14,102**
Other Local Authorities	0	0	4,753	3,071
Less Impairment Allowance	0	0	-104	-126
Other Local Authorities	**0**	**0**	**4,649**	**2,946**
NHS Bodies	0	0	28	3
Less Impairment Allowance	0	0	-10	0
NHS Bodies	**0**	**0**	**17**	**3**
Other Entities & Individuals	8,996	15,090	12,719	15,994
Less Impairment Allowance	0	0	-8,192	-8,722
Other Entities & Individuals	**8,996**	**15,090**	**4,527**	**7,272**
TOTAL	**8,996**	**15,090**	**19,650**	**24,322**

21. CASH AND CASH EQUIVALENTS

31 March 2014 £000s	Cash and Cash Equivalents	31 March 2015 £000s
13	Cash held by the authority	10
13	**Total Cash & Giro Accounts**	**10**
-2,494	**Operating Account used as part of cash management/ overdraft**	**473**
21,681	Deposit Account Facilities with banks	370
22,860	Deposits with money market funds	18,473
44,541	**Total Cash Equivalents**	**18,843**
42,060	**Total Cash and Cash Equivalents**	**19,326**

22. CURRENT ASSETS HELD FOR SALE

Current 2013/14 £000s	Assets Held for Sale	Current 2014/15 £000s
1,144	**Balance outstanding at start of year**	1,309
	Assets newly classified as held for sale:	
333	Property Plant and Equipment	679
-168	Assets sold	-515
1,309	**Balance outstanding at year end**	**1,474**

Note: All assets transferred to Held for Sale in 2014/15 are classified as current assets as disposal within 12 months is anticipated.

23. CREDITORS

31 March 2014 £000s	Creditors	31 March 2015 £000s
-3,818	Central Government Bodies	-7,078
-8,800	Other Local Authorities	-14,024
-14	Public Corporations and Trading Funds	0
-8,917	Other entities and Individuals	-5,841
-21,548	**Total**	**-26,944**

24. PROVISIONS

Long Term Provisions

Long Term Provisions	Insurance Provision £000s	Business Rates Appeals £000s	Other Provisions £000s	Total £000s
Balance at 1 April 2014	**-84**	**-1,183**	**-5**	**-1,272**
Transferred to Short Term Provisions	0	1,183	0	**1,183**
Additional Provisions Made	-24	0	0	**-24**
Amounts Used	50	0	0	**50**
Unused Amounts Reversed	34	0	0	**34**
Balance at 31 March 2015	**-24**	**0**	**-5**	**-29**

Short Term Provisions

Short Term Provisions	Insurance Provision £000s	Business Rates Appeals £000s	Accumulated Absences £000s	Total £000s
Balance at 1 April 2014	**-284**	**-4**	**-104**	**-392**
Transferred from Long Term Provisions	0	-1,183	0	**-1,183**
Additional provisions made	-249	-1,074	-2	**-1,325**
Amounts used	153	641	46	**840**
Unused amounts reversed	68	0	0	**68**
Balance at 31 March 2015	**-312**	**-1,621**	**-60**	**-1,992**

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 2015; an actuarial forecast of future valid claims made against 2014/15 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 2015 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. Disclosure 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 £60k 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 2014 £000s	Unusable Reserves	31 March 20145 £000s
-60,056	Revaluation Reserve	-51,633
943	Financial Instruments Adjustment Account	1,362
0	Available for Sale Financial Instruments Reserve	-6
-251,877	Capital Adjustment Account	-264,109
-155	Deferred Capital Receipts Reserve	-147
135,817	Pensions Reserve	142,680
3,188	Collection Fund Adjustment Account	5,899
104	Short Term Compensated Absences Account	60
-172,036	**Total**	**-165,895**

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.

2013/14 General Fund £000s	2013/14 Housing Revenue Account £000s	2013/14 TOTAL £000s	Revaluation Reserve	2014/15 General Fund £000s	2014/15 Housing Revenue Account £000s	2014/15 TOTAL £000s
-44,675	**-6,039**	**-50,714**	**Balance at 1 April**	**-53,913**	**-6,143**	**-60,056**
-11,211	-574	-11,785	Upward Revaluation of assets	-2,943	-831	-3,774
1,177	79	1,256	Downward Revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	2,411	28	2,439
-10,034	**-495**	**-10,529**	**Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**	**-532**	**-803**	**-1,335**
407	168	575	Difference between fair value depreciation and historical cost depreciation	835	164	999
389	223	612	Accumulated gains on assets sold or scrapped	8,465	294	8,759
796	**391**	**1,187**	**Amounts written off to the Capital Adjustment Account**	**9,300**	**458**	**9,758**
-53,913	**-6,143**	**-60,056**	**Balance at 31 March**	**-45,145**	**-6,488**	**-51,633**

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.

2013/14 £000s	Financial Instruments Adjustments Account	2014/15 £000s
41	**Balance as at 1 April**	**943**
-41	Transitional Arrangements - Unattached Premia	0
943	Soft Loans - Statutory Fair Value Adjustments	419
943	**Balance as at 31 March**	**1,362**

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.

2013/14 £000s	Available for Sale Financial Instruments Reserve	2014/15 £000s
0	Balance as at 1 April	0
0	Upward Revaluation of Investments	-6
0	**Surplus or Deficit on revaluation of Investments not posted to the Surplus or Deficit on the Provision of Services**	**-6**
0	**Balance as at 31 March**	**-6**

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.

2013/14 General Fund £000s	2013/14 HRA £000s	2013/14 Total £000s	Capital Adjustment Account	2014/15 General Fund £000s	2014/15 HRA £000s	2014/15 Total £000s
-61,289	**-180,089**	**-241,378**	**Balance at 1 April**	**-62,569**	**-189,308**	**-251,877**
			Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:			
2,475	8,477	10,952	Charges for depreciation and impairment of non current assets	4,226	8,939	13,165
2,309	18,700	21,009	Revaluation losses on Property, Plant and Equipment	16,140	18,124	34,264
-1,437	-14,829	-16,266	Revaluation gains on Property, Plant and Equipment	-945	-33,261	-34,206
329	0	329	Amortisation of intangible assets	320	0	320
2,841	0	2,841	Revenue expenditure funded from capital under statute	12,876	0	12,876
3,068	3,868	6,936	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	9,532	6,145	15,677
9,585	**16,216**	**25,801**	**Total**	**42,149**	**-53**	**42,096**
-796	-390	-1,186	Adjusting amounts written out of the Revaluation Reserve	-9,300	-457	-9,757
8,789	**15,826**	**24,615**	**Net written out amount of the cost of the Revaluation Reserve**	**32,849**	**-510**	**32,339**
			Capital financing applied in the year:			
-2,319	-3,748	-6,067	Use of the Capital Receipts Reserve to Finance new capital expenditure	-1,268	-2,115	-3,383
0	-4,286	-4,286	Use of the Major Repairs Reserve to finance new capital expenditure	0	-12,328	-12,328
-4,992	-17,020	-22,012	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital expenditure	-8,315	-15,522	-23,837
-1,404	0	-1,404	- Application of grants to capital financing from the Capital Grants Unapplied Account	-1,130	0	-1,130
-1,065	0	-1,065	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	-1,253	0	-1,253
-132	0	-132	Capital expenditure charged against the General Fund and HRA balances	-2,714	0	-2,714
-9,912	**-25,054**	**-34,966**	**Total**	**-14,680**	**-29,965**	**-44,645**
-157	9	-148	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	182	-51	131
0	0	0	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	-57	0	-57
-62,569	**-189,308**	**-251,877**	**Balance at 31 March**	**-44,275**	**-219,834**	**-264,109**

f) <u>Deferred Capital Receipts Reserve</u>

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.

2013/14 £000s	Deferred Capital Receipts Reserve	2014/15 £000s
-214	**Balance as at 1 April**	**-155**
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0
59	Transfer to the Capital Receipts Reserve upon receipt of cash	8
-155	**Balance as at 31 March**	**-147**

g) <u>Pensions Reserve</u>

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

2013/14 £000s	Pensions Reserve	2014/15 £000s
127,421	**Balance as at 1 April**	**135,817**
10,301	Actuarial gains or losses on pension assets and liabilities	16,864
6,083	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	-2,486
-7,981	Employer's pensions contributions and direct payments to pensioners payable in the year	-7,451
-7	Pension contribution adjustment	-64
135,817	**Balance as at 31 March**	**142,680**

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.

2013/14 £000s	Collection Fund Adjustment Account	2014/15 £000s
-33	**Balance as at 1 April**	**3,188**
-243	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	44
3,464	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	2,667
3,188	**Balance as at 31 March**	**5,899**

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.

2013/14 £000s	Short Term Compensated Absences Account	2014/15 £000s
159	**Balance as at 1 April**	**104**
-55	Movements in year	-44
104	**Balance as at 31 March**	**60**

27. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items: (Note that activities for the Group Accounts (including Northampton Partnership Homes) are included in the highlighted column on the right).

2013/14 £000	Operating Activities	2014/15 £000	Group Accounts 2014/15 £000
10,952	Depreciation	13,165	13,165
4,744	Impairment and downward valuations	58	58
329	Amortisation	320	320
1,722	Increase/(decrease) in creditors	-764	2,509
4,164	Increase/(decrease) in debtors	-876	3,061
-97	Increase/(decrease) in inventories	92	12
-1,905	Movement in pension liability	-10,001	-10,058
1,141	Contributions to/(from) provisions	0	0
6,936	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	15,677	15,677
854	Other non-cash items charged to the net surplus or deficit on the provision of services	1,706	1,706
28,840	**Total**	**19,377**	**26,450**

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

2013/14 £000	Items removed from net cost of service that are investing/financing activities	2014/15 £000	Group Accounts 2014/15 £000
-5,965	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-13,945	-13,945
-20,474	Any other items for which the cash effects are investing or financing cash flows	-26,220	-26,220
-26,439	**Total**	**-40,165**	**-40,165**

28. CASH FLOW STATEMENT - OPERATING ACTIVITIES (INTEREST)

2013/14 £000s	Operating Activities (Interest)	2014/15 £000s	Group Accounts 2014/15 £000s
1,734	Interest Received	1,097	1,097
-7,687	Interest Paid	-8,030	-8,030
-5,953	**Total**	**-6,933**	**-6,933**

29. CASH FLOW STATEMENT - INVESTING ACTIVITIES

2013/14 £000s	Cash Flows from Investing Activities	2014/15 £000s	Group Accounts 2014/15 £000s
-33,827	Purchase of Property, Plant and Equipment, investment property and intangible assets	-38,625	-38,625
-2,000	Purchase of short and long term investments	-45,500	-45,500
-10,000	Long term loans granted	-7,150	-7,150
6,024	Proceeds from the sale of property plant and equipment, investment property and intangible assets	13,954	13,954
0	Proceeds from short-term and long-term investments	28,500	28,500
22,380	Other Receipts from Investing Activities	23,308	23,308
-17,423	**Total Cash Flows from Investing Activities**	**-25,513**	**-25,513**

30. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2013/14 £000s	Cash Flows from Financing Activities	2014/15 £000s	Group Accounts 2014/15 £000s
10,095	Cash receipts of short and long term borrowing	13,465	13,465
-2,645	Billing Authorities - Council Tax and NNDR adjustments	90	90
-115	Repayment of Short-Term and Long-Term Borrowing	-140	-140
-190	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	-16,048	-16,048
243	Other items in relation to financing activities	-1,041	-1,041
7,388	**Total Cash Flows from Financing Activities**	**-3,674**	**-3,674**

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:

a) Income and expenditure of the Authority's Directorates Recorded in the Budget Reports for the Year 2014/15:

2014/15	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	-12,731	-3,942	-3,842	-1,508	**-22,022**	-67,225	**-89,247**
Government Grants	0	0	-75,328	0	**-75,328**	0	**-75,328**
Total Income	**-12,731**	**-3,942**	**-79,170**	**-1,508**	**-97,350**	**-67,225**	**-164,575**
Employee Expenses	6,193	3,429	6,386	1,866	**17,875**	9,145	**27,020**
Other Service Expenses	19,006	3,569	85,819	1,069	**109,463**	30,709	**140,172**
Total Expenditure	**25,199**	**6,998**	**92,205**	**2,935**	**127,338**	**39,854**	**167,192**
Total	**12,468**	**3,056**	**13,035**	**1,427**	**29,988**	**-27,371**	**2,617**

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

2013/14	Customers & Communities	Regeneration, Enterprise, and Planning	Borough Secretary	Housing General Fund	General Fund Total	HRA	Total	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Fees, Charges, & Other Service Income	-9,572	-4,748	-3,906	-2,112	**-20,338**	-53,244	**-73,582**	**-72,128**
Government Grants	0	-35	-75,890	0	**-75,925**	0	**-75,925**	**-89,646**
Total Income	**-9,572**	**-4,783**	**-79,796**	**-2,112**	**-96,263**	**-53,244**	**-149,507**	**-161,774**
Employee Expenses	6,007	3,691	7,764	2,551	**20,013**	11,316	**31,329**	**36,655**
Other Service Expenses	16,911	3,797	85,381	1,160	**107,249**	12,939	**120,188**	**126,701**
Total Expenditure	**22,918**	**7,488**	**93,145**	**3,711**	**127,262**	**24,255**	**151,517**	**163,356**
Total	**13,346**	**2,705**	**13,349**	**1,599**	**30,999**	**-28,989**	**2,010**	**1,582**

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

	2013/14 £000s	2014/15 £000s
Net expenditure in the Directorate Analysis	**2,009**	**2,616**
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	11,112	8,757
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	211	-1,296
Cost of Services in Comprehensive Income and Expenditure Statement	**13,332**	**10,077**

c) Reconciliation to Subjective Analysis 2014/15:

Reconciliation to Subjective Analysis	2014/15							
	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	-12,780	-6,616	-3,842	-2,605	-67,225	0	-6,105	**-99,174**
Interest and investment income	0	0	0	0	-340	-1,027	0	**-1,367**
Income from council tax	0	0	0	0	0	0	-13,796	**-13,796**
Government grants and contributions	0	0	-75,328	0	-15,522	0	-19,253	**-110,104**
Employee expenses	6,841	3,752	-7,157	1,988	6,058	0	0	**11,482**
Other service expenses	19,234	3,777	86,279	1,106	31,125	0	0	**141,521**
Support service recharges	-1,458	11,439	-4,417	2,344	4,965	0	0	**12,873**
Depreciation, amortisation and impairment	16,170	3,577	174	3	-6,028	0	0	**13,896**
Interest payments	0	0	0	0	6,351	1,811	0	**8,162**
Pensions interest cost and expected return on pensions assets	0	0	0	0	1,175	0	4,380	**5,555**
Precepts and levies	0	0	0	0	0	0	1,026	**1,026**
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	955	**955**
Gain or loss on disposal of non-current assets	520	-592	0	0	1,806	0	0	**1,734**
Surplus or deficit on the provision of services	**28,527**	**15,337**	**-4,291**	**2,836**	**-37,635**	**784**	**-32,793**	**-27,237**

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**

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:

2013/14 Net £000s	Trading Accounts	2014/15 Income £000s	2014/15 Exp. £000s	2014/15 Net £000s
-225	Property Management	-1,839	3,181	1,342
-225	**Total Surplus\Deficit**	**-1,839**	**3,181**	**1,342**

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:

2013/14 Net £000s	Trading Undertakings	2014/15 Income £000s	2014/15 Exp. £000s	2014/15 Net £000s
503	Markets	-334	957	622
503	**Total Surplus\Deficit**	**-334**	**957**	**622**

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.

2013/14 £000s	Agency Income and Expenditure	2014/15 £000s
264	Administration costs and ancillary services	268
-187	Income including transfer fees from NCC	-187
77	**Net surplus / deficit arising on the agency agreement**	**82**

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 deliver the "Every Child Matters" agenda. In 2014/15, 2013/14 and 2012/13, the Borough's contribution to the pooled budget was £10,680.
The contributions were agreed to be in the following proportions for 2014/15:

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

The contributions are subject to change as per the agreement.

2013/14 £000s	Pooled Budgets	2014/15 £000s
-291	**Balance B/f**	**-717**
	Funding Provided to the Pool	
-11	Northampton BC	-11
-829	Other Partners	-963
-840	**Total**	**-974**
414	Expenditure met from the Pool	323
-717	**Balance c/f**	**-1,368**

35. MEMBERS' ALLOWANCES

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

2013/14 £000s	Members' Allowances	2014/15 £000s
	Expenditure	
27	Mayor/Deputy Mayor Allowance	14
446	Members' Allowances	401
1	Expenses	0
474	**Total**	**415**

36. OFFICERS' REMUNERATION

a) Senior Officers

Position	Position Group	Year	Note	Salary (inc Fees & Allowances) £000	Compensation for loss of Office £000	Total Remuneration excl Pension Contributions £000	Pension Contributions £000	Total Remuneration inc Pension Contributions £000
Chief Executive	Head of Paid Service	**2014/15**		**138**	**0**	**138**	**18**	**157**
		2013/14		138	0	**138**	18	**157**
Borough Secretary	Monitoring Officer	**2014/15**		**81**	**0**	**81**	**11**	**92**
		2013/14		79	0	**79**	11	**90**
Director of Customers & Communities	Director	**2014/15**		**111**	**0**	**111**	**15**	**126**
		2013/14		111	0	**111**	15	**126**
Director of Regeneration, Enterprise & Planning	Director	**2014/15**		**105**	**0**	**105**	**14**	**119**
		2013/14		105	0	**105**	14	**119**
Head of Customer & Cultural Services	Head of Service	**2014/15**		**70**	**0**	**70**	**9**	**79**
		2013/14		71	0	**72**	9	**81**
Head of West N'ptonshire Joint Planning Unit	Head of Service	**2014/15**		**70**	**0**	**70**	**9**	**79**
		2013/14		69	0	**69**	9	**79**
Head of Planning	Head of Service	**2014/15**	**1**	**38**	**0**	**38**	**5**	**43**
		2013/14		85	0	**85**	11	**97**
Head of Communities & Environment	Head of Service	**2014/15**	**2**	**69**	**37**	**106**	**9**	**115**
		2013/14		66	0	**66**	9	**75**
Head of Housing & Wellbeing	Head of Service	**2014/15**	**3**	**3**	**0**	**3**	**0**	**3**
		2013/14		0	0	**0**	0	**0**
Totals for the year:		**2014/15**	**4**	**684**	**37**	**721**	**90**	**812**
		2013/14		**726**	**0**	**726**	**96**	**823**

Notes: 2014/15

1 - Head of Planning Left 14 September 2014 - Annualised Salary £87k. This post is currently covered by an Interim.

2 - Head of Communities & Environment Left 31 March 2015 - The post was deleted.

3 - Head of Housing & Wellbeing commenced employment on 16th March 2015. The annualised salary is £70k.

4 - There are 2 posts that are not included in the figures above. One of which is the Head of Major Projects & Enterprise; which is currently covered by Interim. The other relates to the Council's Chief Finance Officer that is contracted out to Northamptonshire County Council (NCC) and fully remunerated by NCC this post will therefore be included in NCC's statement of Accounts.

b) Officers paid over £50,000

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

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

2013/14 No. of Employees	Remuneration Band	2014/15 No. of Employees
3	£50,000 - £54,999	3
3	£55,000 - £59,999	0
1	£60,000 - £64,999	0

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)	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
£0 - £20,000	15	8	18	5	33	13	325	96
£20,001 - £40,000	1	1	6	0	7	1	251	37
£40,001 - £60,000	3	0	4	0	7	0	324	0
£60,001 - £80,000	1	0	2	0	3	0	73	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0	122	0
£150,001 - £200,000	1	0	0	0	0	0	0	0
Total	21	9	30	5	50	14	1,095	133

The total cost of £1,228k in the table above includes £133k 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 £1,095k for 2013/14.

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:

2013/14 £000s	External Audit Costs	2014/15 £000s
107	Fees payable with regard to external audit services carried out by the appointed auditor (Section 5 Audit Commission Act 1998)	108
12	Fees payable for the certification of Grant Claims and Returns (Section 28 Audit Commission Act 1998)	15
119	**Total**	**123**

The Council's appointed auditor for the 2014/15 and 2013/14 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 in 2014/15:

Re-stated 2013/14 £000s	Grant Income	2014/15 £000s
	Credited to Taxation and Non-Specific Grant Income	
-8,971	Revenue Support Grant	-6,958
-163	Council tax freeze grant	-152
-2,042	New Homes Bonus	-2,815
-693	Business Rates related grants	-1,468
-2,000	WNDC - Bus Interchange	0
-1,500	WNDC - Transferred Assets	0
0	WNDC - Closure	-600
-17,000	Decent Homes Grant	-15,522
-148	St Crispins S106	0
-1,201	Princess Marina S106	0
0	DCLG Grant re Cosworth	-1,400
-227	Cherry Orchard S106	-377
0	Upton Country Park	-1,132
0	British Timken S106	-72
0	South Meadow Road	-716
0	Blackthorn Good Neighbours	-174
0	Heritage Lottery Fund	-114
0	Assets Transferred from HCA	-2,449
-627	Other Grants Individually Less Than £100,000	-173
-34,572	**Total**	**-34,122**
	Credited to Services	
-145	West Northants Development Corporation	0
-341	Additional Housing Administration Grant	-243
-187	Northampton County Council Contribution for Grounds Maintenance	-187
-1,477	Housing Benefit Administration Grant	-1,402
-31,375	HRA Rent Rebates Grant	-31,521
-439	Non HRA Rent Rebates	-440
-1,766	Northamptonshire County Council Recycling Credits	-2,237
-41,840	Rent Allowance Grant	-41,303
-386	Section 106 Contributions	-132
-126	Home choice funding	-105
-577	Joint Planning Unit Contribution	-434
0	Supporting People	-157
-141	HPDG Planning	-1,396
-1,391	Total of Other Grants not included in the above	0
-80,191	**Total**	**-79,557**

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

2013/14 £000s	Grant Income Unapplied - Current Liabilities	2014/15 £000s
	Capital Grants Receipts in Advance	
65	English Heritage Grant	0
124	Other Grants/Contributions Individually Less Than £100,000	21
189	**Total - Capital Receipts in Advance**	**21**
	Revenue Grants Receipts in Advance:	
41	Grants/Contributions Individually Less Than £100,000	15
230	**Total - all Receipts in Advance**	**36**

Long-Term Liabilities

2013/14 £000s	Grant Income Unapplied - Long-Term Liabilities	2014/15 £000s
	Capital Grants Receipts in Advance:	
873	S106 - SW Country Park - Swan Valley	873
442	S106 - Land at Upton SWD Ph1 re Country Park	442
125	S106 - Southern Development Link road	125
421	S106 - Sainsburys Sixfields	346
0	S106 - Newport Pagnell Rd Off-Site Open Space	103
307	S106 - Land at Booth Rise	850
115	S106 - British Timken	65
0	S106 - Former Millway School Site	122
1,900	S106 - Banbury Lane	1,493
278	S106 - Brackmills Point	60
395	S106 - Wellingborough Rd	437
0	S106 - Goldings School	218
1,400	Department of Communities and Local Government	0
1,100	West Northamptonshire Development Corporation	1,083
0	Albion Place Public Realm Contribution	150
506	Other Grants/Contributions Individually Less Than £100,000	518
7,862	**Total - Capital Receipts in Advance**	**6,885**
	Revenue Grants Receipts in Advance:	
155	S106 - Pineham	155
216	Other Grants/Contributions Individually Less Than £100,000	337
371	**Total - Revenue Receipts in Advance**	**492**
8,233	**Total - all Receipts in Advance**	**7,377**

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 access the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with 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.

Northampton Partnership Homes

Northampton Partnership Homes is a fully owned subsidiary of The Council, and is incorporated on the group accounts which are shown alongside the core financial statements. Northampton Partnership Homes was incorporated on the 30th April 2014 and commenced trading on the 5th January 2015. Northampton Partnership Homes is an Arm's Length Management Organisation that is wholly owned by the Council, but which has its own board of Directors. It is a company Limited by Guarantee (CLG) and is a not for profit organisation. Further information on Northampton Partnership Homes and details of transactions can be found in note 56 to the accounts.

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 2014/15 is show in Note 35.

During 2014/15 expenditure to the value of £2.221m (re-stated 2013/14 £2.289m) was paid or granted to parties where members had an interest or where they serve as a nominated representative on the outside body. Income to the value of £0.909m (re-stated 2013/14 £3.695m) was receivable from these parties. Parties with transactions over £200,000 are shown below:

Re-stated 2013/14 £000s	Related Parties - Expenditure	2014/15 £000s
678	Northampton Leisure Trust	630
401	Northampton Theatres Trust	427
229	West Northamptonshire Development Corporation	0
391	Brackmills Bid	369
284	Northampton Town Centre Bid	327

Re-stated 2013/14 £000s	Related Parties - Income	2014/15 £000s
-244	Northampton Leisure Trust	-244
-217	Northampton Theatres Trust	-240
-3,100	West Northamptonshire Development Corporation	0
-147	Northampton General Hospital NHS Trust	-286

At 31st March 2015, the outstanding balances with these parties were debtors of £72k (2013/14 £127k); creditors of £159k (2013/14 £69k).

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. Additionally, SEMLEP are the accountable body (through Luton Borough Council, the administering body) for payments from DCLG's Growing Places Fund. NBC took out a £6.6m Growing Places Fund loan in 2014/15, see Note 17f. There were no material transactions in 2013/14.

NBC is working in partnership with the Delapre Abbey Preservation Trust (DAPT) in regards to the Delapre Abbey Restoration Project, and has a Member on the DAPT Board of Trustees. There were no transactions between these two parties in 2014/15.

Senior Officers of the Council

During 2014/15 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).

Other Public Bodies

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

The 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.

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. 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 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.

Re-stated 2013/14 £000s	Capital Expenditure and Financing	2014/15 £000s
216,615	**Opening Capital Financing Requirement**	**232,042**
	Capital Investment	
35,286	Property, Plant & Equipment	40,402
234	Heritage Assets	922
0	Investment Properties	223
533	Intangible Assets	46
2,841	Revenue Expenditure Funded from Capital under Statute	12,876
10,000	Loans to third parties	7,150
48,894	**Total**	**61,619**
	Sources of Finance	
-6,067	Capital Receipts	-3,383
-21,916	Government Grants and Other Contributions	-22,519
-1,065	Sums Set aside from Revenue	-1,253
0	Write Down of Third Party Loans	-235
-4,419	Direct Revenue contributions	-15,042
-33,467	**Total**	**-42,432**
232,042	**Closing Capital Financing Requirement**	**251,229**

2013/14 £000s	Capital Financing Requirement	2014/15 £000s
216,615	**Opening Capital Financing Requirement**	232,042
15,018	Increase in underlying need to borrow (unsupported by government financial assistance)	19,187
409	Assets acquired under finance lease	0
15,427	**Increase/(decrease) in Capital Financing Requirement**	19,187
232,042	**Closing Capital Financing Requirement**	251,229

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 software and a specialist vehicle. The assets acquired under these leases are carried in the Balance Sheet at the following net amounts:

31 March 2014 £000s	Local Authority as Lessee - Finance Leases	31 March 2015 £000s
250	Vehicles, Plant, Furniture and Equipment	225
400	Intangible Fixed Assets	272
650	**Total**	497

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 2014 £000s	Local Authority as Lessee - Finance Leases	31 March 2015 £000s
	Future minimum lease payments	243
320	Vehicles, Plant, Furniture and Equipment	297
390	Intangible Fixed Assets	0
710	**Future minimum lease payments**	**540**
	Net present value of minimum lease payments	
140	Current	148
496	Non-current	348
636	**Present value of minimum lease payments**	**496**
74	**Finance costs payable in future years**	**44**

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 2014		Local Authority as Lessee - Finance Leases	31 March 2015	
Present Value of Leases £000s	Minimum Lease Payments £000s		Present Value of Leases £000s	Minimum Lease Payments £000s
140	170	Not later than one year	148	170
496	540	Later than one year and not later than five years	348	369
0	0	Later than 5 years	0	0
636	**710**	**Total**	**496**	**539**

d) The Council has no sub leases required to be treated as finance leases

<u>Operating Leases</u>

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

The authority sub leases housing contract hire vehicles to the Northampton Partnership Homes (NPH) for the provision of housing services with effect from 5 January 2015.

31 March 2014 £000s	Local Authority as Lessee - Operating Leases	31 March 2015 £000s
433	Not later than one year	574
830	Later than one year and not later than five years	655
0	Later than 5 years	0
1,263	**Minimum lease payments**	**1,229**
-163	**Future minimum sub-lease payments receivable**	**-1,087**

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:

2013/14 £000s	Local Authority as Lessee - Operating Leases	2014/15 £000s
	Minimum lease payments	
98	Contract Hire	580
133	Other	124
-106	Sublease payments receivable	-266
125	**Total**	**438**

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 2014 £000s	Leases - Authority as Lessor - Finance Leases	31 March 2015 £000s
	Gross investment in leases	
193	Other Land and Buildings	176
	Net present value of minimum lease payments	
7	Current	8
116	Non-current	108
123	**Present value of minimum lease payments receivable**	**116**
70	**Unearned finance income**	**60**

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

31 March 2014		Leases - Authority as Lessor - Finance Leases	31 March 2015	
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	8
69	35	Later than one year and not later than five years	69	38
107	81	Later than five years	89	70
193	**123**	**Minimum lease payments receivable**	**175**	**116**

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 2014 £000s	Local Authority as Lessor - Operating Leases - Minimum Lease Payments	31 March 2015 £000s
1,934	Not later than one year	2,282
5,480	Later than one year and not later than five years	6,293
53,333	Later than 5 years	47,354
60,747	**Total**	**55,929**

The minimum lease payments receivable do not include rents that are contingent on future events, such as adjustments following rent reviews. In 2014-15 £1k contingent rents were receivable by the Authority (compared with £2k in 2013-14).

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

The only asset impaired during 2014/15 was land at St Peter's Waterside. This land was transferred from the West Northamptonshire Development Corporation in March 2014.The valuation of £1.05m at transfer was based upon a special assumption that the property compromises a fully cleared and remediated development site, that the sewer has been diverted to the south west boundary and that the flood defence has been reinstated. The valuation also assumed a mixed use scheme similar to the former retail uses. The Council's subsequent decision to lease the site to a development partner solely for office development has reduced the valuation to zero.

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 2014/15, incurring liabilities of £133k (£1,095k in 2013/14 Re-stated). Of this, £6k relates to pension strain, and £126k 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

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 2013/14 £000	Comprehensive Income and Expenditure Statement	Local Government Pension Scheme 2014/15 £000
	COST OF SERVICE:	
	Service cost comprising:	
3,416	Current service cost	2,880
345	Past service cost (including curtailments)	25
-3,195	Gain from settlements	-10,946
-7	Pension contribution adjustment	-64
	Financing and Investment Income and Expenditure	
5,517	Net interest expense	5,555
6,076	**Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services**	**-2,550**
	OTHER POST-EMPLOYMENT BENEFITS CHARGED TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT:	
	Remeasurement of the net defined benefit liability comprising:	
-7,611	Return on plan assets (excluding the amount included in the net interest expense)	-12,573
4,647	Actuarial gains and losses arising on changes in demographic assumptions	0
10,610	Actuarial gains and losses arising on changes in financial assumptions	33,727
2,655	Other expenditure	-4,290
16,377	**Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement:**	**14,314**
	MOVEMENT IN RESERVE STATEMENT:	
-16,413	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	-14,378
	Actual amount charged against the General Fund Balance for pensions in the year:	
7,981	Employers' contributions payable to scheme	7,451

Pension Assets and Liabilities Recognised in the Balance Sheet:

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements*		Total	
	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000
Present value of the defined benefit obligation	280,013	**295,164**	14,644	**14,856**	294,657	**310,020**
Fair value of plan assets	-158,840	**-167,340**	0	**0**	-158,840	**-167,340**
Net liability arising from defined benefit obligation	**121,173**	**127,824**	**14,644**	**14,856**	**135,817**	**142,680**

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements*		Total	
	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000
Opening fair value of scheme assets	160,419	**158,840**	0	**0**	160,419	**158,840**
Interest income	6,661	**6,735**	0	**0**	6,661	**6,735**
Remeasurement gain/(loss):						
The return on plan assets, excluding the amount included in the net interest expense	7,611	**12,573**	0	**0**	7,611	**12,573**
Contributions from employer	7,082	**6,639**	906	**-**	7,988	**6,639**
Contribution from employees into the Scheme	964	**791**	0	**0**	964	**791**
Benefits Paid:	-10,520	**-11,703**	-906	**0**	-11,426	**-11,703**
Assets Distributed in Settlements	-13377	**-6,535**	0	**0**	-13,377	**-6,535**
Closing fair value of scheme assets	**158,840**	**167,340**	**0**	**0**	**158,840**	**167,340**

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements*		Total	
	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000
Opening balance at 1 April	287,841	**294,657**	0	**0**	287,841	**294,657**
Current service cost	3,416	**2,880**	0	**0**	3,416	**2,880**
Interest cost	12,178	**12,290**			12,178	**12,290**
Contribution from scheme participants	964	**791**	0	**0**	964	**791**
Remeasurement gain/(loss):					0	**0**
Actuarial gains/losses arising from changes in demographic assumptions	4,647	**0**	0	**0**	4,647	**0**
Actuarial gain/losses arising from changes in financial assumptions	10,610	**33,727**	0	**0**	10,610	**33,727**
Other expenditure	2,655	**-4,290**	0	**0**	2,655	**-4,290**
Past service cost	345	**25**	0	**0**	345	**25**
Losses/(gains) on curtailment:			0	**0**	0	**0**
Benefits Paid	-10,520	**-11,703**	-906	**-876**	-11,426	**-12,579**
Liabilities extinguished on settlements	-16,573	**-17,481**	0	**0**	-16,573	**-17,481**
Closing present value of scheme liabilities	**295,563**	**310,896**	**-906**	**-876**	**294,657**	**310,020**

Local Government Pension Scheme assets comprised:

Fair value of scheme assets[1] 2013/14 £000	Assets comprised of:	Fair value of scheme assets[1] 2014/15 £000
3,513	Cash and cash equivalents	3,821
	Equity instruments:	
	By industry type	
12,320	Consumer	13,440
7,629	Manufacturing	0
11,171	Energy and utilities	8,403
10,504	Financial institutions	12,560
7,610	Health and care	8,232
10,515	Information technology	11,786
3,405	Other	9,318
63,154	**Total Equity**	**63,739**
	Bonds:	
	By sector	
15,834	Corporate	0
4,265	Government	4,910
8,604	Other	0
28,702	**Total Bonds**	**4,910**
	Private Equity:	
173	Overseas	142
173	**Total Private Equity**	**142**
	Property:	
8,190	Retail	12,850
8,190	**Total Property**	**12,850**
	Investment Funds and Unit Trusts:	
54,201	Equities	56,391
907	Bonds	25,487
55,108	**Total Investment Funds and Unit Trusts**	**81,878**
158,840	**Total assets**	**167,340**

[1] All scheme assets have quoted prices in active markets

[2] The risks relating to assets in the scheme are also analysed by company size below:

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*	
	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000
Mortality Assumptions				
Longevity at 65 for Current Pensioners:				
Men	22.3	22.3		
Women	24.3	24.3		
Longevity at 65 for Future Pensioners:				
Men	24	24	-	-
Women	26.6	26.6	-	-
Other:				
Rate of Increase in Pensions	3%	2%	3%	3%
Rate of Increase in Salaries **	5%	4%	-	-
Rate for Discounting Scheme Liabilities	4%	3%	4%	5%

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 2015:	Approximate increase to Employer Liability %	Approximate Monetary Amount £000
0.5% decrease in Real Discount Rate	9%	26,708
1 year increase in member life expectancy	3%	9,301
0.5% increase in the salary increase rate	2%	5,000
0.5% increase in the Pension Increase Rate	7%	21,384

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 (72% of scheme assets) and bonds (18%). 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. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

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.

The authority is anticipated to pay £6.8m expected contributions to the scheme in 2015/16.

46. CONTINGENT LIABILITIES

The Council is potentially liable for the following:

Northampton Partnership Homes

- As set out in the explanatory forward and Note 56 Group Accounts, NBC set up an Arm's Length Management Organisation on 5th January 2015, Northampton Partnership Homes (NPH). NPH is a company limited by guarantee, and as such, NBC has agreed to provide support as necessary to NPH to ensure they are able to meet their debts as they fall due, and are otherwise a 'going concern'. NBC has also agreed to ensure that NPH is able to discharge its liabilities for the pensions costs attributable to NPH's past, present and future employees. See Note 56 for disclosure of the financial performance of NPH in 2014/15.

Business Rates

- Following new Local Authority funding arrangements for Business Rates in April 2013, NBC now assumes a proportion of the liability for refunding businesses who appeal to the Valuation Office (VO) against the rateable value of their properties.

- The VO published a list of appeals outstanding up to 31st March 2015 in April 2015. Estimates of these appeals that have been lodged and their success judged to be probable under IAS 37 have been provided for, see Note 24 for the NBC share (40%) of the provision (£1.6m) and CF Note 4 for the Collection Fund share (£4m).

- The estimated value of appeals that have been lodged but their success deemed only possible as per IAS 37 totalled £6.1m. For prudency, a total provision of £610k has been included in the Collection Fund against these appeals, resulting in a contingent liability for all precepting bodes of the remaining £5.5m. For NBC (40% share), this equates to a provision £244k and a contingent liability of £2.2m.

- In May 2015, the VO updated the list of appeals outstanding at 31st March 2015. This list included an estimated additional provision of £308k against appeals lodged on/before 31st March 2015 which have not been included in the above appeals review and therefore are being disclosed as a contingent liability.

- Additionally, it is possible that other appeals will be lodged by businesses in the future against rateable values. As the value and timing of these appeals by their nature cannot be known, it is necessary to recognise this as a contingent liability.

- The VOA have advised that Virgin Media has put forward a proposal to merge the Virgin Media network that appears in councils rating lists countrywide into a single national assessment, appearing from 1 April 2010. The rateable value (RV) in relation to Virgin Media within Northampton Borough is £910k. If this proposal is approved, this could see the removal of the
- Full £910k RV from NBC's rating list, which equates to approximately £439k in net rates per annum.

Other

- A capital grant agreed by the Heritage Lottery Fund for redevelopment of Delapre Abbey and procurement of a specialist construction company has taken place and restoration works are underway. NBC resources have been committed and S106 contributions. It is recognised that, in the event of non-compliance of the grant funding conditions or of issues which may impact time and cost, a contingent liability should be disclosed for £3.7m.

- A capital grant received from the East Midland Development Agency (EMDA) for site clearance of the Blueberry Diner, Albion Place. 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 HCA (Homes and Communities Agency - who took overtook over all RDA land and property projects, holdings and contingent assets from EMDA – East Midlands Development Agency). The Council has completed agreement leading to current development of part of the site (Hotel) and has kept the HCA updated of its progress. HCA are agreeable in principle to extension of time periods for development to be completed, but issues are to be resolved within NBC about approach to development for the balance of the site.

- Following the disbandment of West Northamptonshire Development Corporation, NBC received donated land assets valued at £1.5 million 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.

- 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 £82.6m representing a value of £1.1m.

- There are a number of other contingent liabilities estimated at a total of £2.8m that are considered insignificant (both individually and collectively), and thus do not require separate disclosure.

- There are two outstanding planning appeals in relation to Hardingstone and Collingtree that are currently going to enquiry. At this early stage, probability of success, potential financial impact and timing cannot be determined.

- There are various outstanding issues relating to the Councils Environment contract with EMS, however they are not considered individually material.

47. CONTINGENT ASSETS

The Council is currently monitoring the following contingent assets:

- Recovery of costs estimated at £1.75 million 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 and infrastructure loan costs relating to the Northampton Waterside Enterprise Zone which will come from Business Rates uplift. Costs incurred to date that have yet to be reimbursed from uplift total £1.5m.

- Obligation upon National Grid (owners of property) to pay to NBC part of monies advanced by WNDC to NG for remediation of land. Payment due to NBC by 2019 or on sale of the land affected estimated £1.6m

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 2014-15 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 economic regeneration the Council has made third party loans to local organisations. 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 £64.5m 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 2015 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 2014 £000	Credit Risk	Amount at 31 March 2015 £000s	Historical Experience of Default at 31 March 2015 %	Historical Experience Adjusted for Market Conditions at 31 March 2015 %	Estimated Maximum Exposure to Default and Uncollect-ability at 31 March 2015 £000s
0	Third Party Loans	14,952	0%	0%	0
0	Mortgages	29	0%	0%	0
0	Finance Leases	116	0%	0%	0
76	Customers: Tenants	2,015	2.75%	2.75%	55
1,126	Customers: Sundry Debtors	7,758	27.51%	27.51%	2,134
0	Deposits with Banks and Financial Institutions	0	0%	0%	0
1,202	**Total**	**24,870**			**2,189**

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 2014-15.

With the exception of third party loans and mortgages, the Council does not generally allow credit for its customers. As shown in the table above, at 31st March there were outstanding loans to third parties of £14.95m. Whilst there is no history of default on such loans, they do, by their nature, carry a degree of risk.

Of the £89.4m exposure to credit risk £9.8m 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 2014 £000s	Aged Debt Analysis	Amount at 31 March 2015 £000s
3,380	Less than three months	5,917
1,267	Three to six months	2,091
597	Six months to one year	364
1,199	More than one year	1,400
6,443	**Total**	**9,772**

Impairment on the debtors financial asset has been identified, standing at a total of £7.0m at the end of 2014-15.

Collateral

The authority holds collateral against a number of mortgages. The balance sheet value of the principal amount outstanding on these is currently £31.7k (£31.9k in 2013-14).

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 2014 £000s	Maturity Profiles of Financial Liabilities	31 March 2015 £000s
-30,359	Less than one year	-17,953
-12,305	One to two years	-13,828
-18,647	Two to five years	-17,125
-189,568	More than five years	-198,061
-250,879	**Total**	**-246,967**

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. A £2m PWLB loan is 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 2015, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

31 March 2014 £000s	Market Risk	31 March 2015 £000s
249	Increase in interest payable on variable rate borrowing	228
-392	Increase in interest receivable on variable rate investments	-259
-143	**Impact on Surplus or Deficit on the Provision of Services**	**-31**
107	Share of overall impact credited to the HRA	65
-36	**Impact remaining on General Fund**	**34**
117	Increase in fair value of fixed rate investment assets	169
117	**Impact on Other Comprehensive Income and Expenditure**	**169**
50	**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**	**91**

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 have, for the three-year period to 31st March 2015, made an operating surplus of £38k on a turnover of £727k. In the previous three-year period to 31st March 2014, there was an operating surplus of £25k against a turnover of £768k.

Building Control Trading Account	2014/15		
	Chargeable £000s	Non-Chargeable £000s	Total £000s
Expenditure			
Employees	108	85	193
Premises	0	0	0
Transport	3	2	5
Supplies and services	4	4	9
Support service charges	86	68	154
Capital Charges	0	0	0
Total Expenditure	**202**	**159**	**361**
Income			
Building Regulation fees	-238	0	-238
Other Income	0	0	0
Total Income	**-238**	**0**	**-238**
Surplus (-) / Deficit for Year	**-36**	**159**	**123**
	2013/14		
Comparatives for 2013/14	**Chargeable £000s**	**Non-Chargeable £000s**	**Total £000s**
Expenditure	241	198	439
Income	-244	0	-244
Surplus (-) / Deficit for Year	**-3**	**198**	**195**

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:

2013/14 £000s	Publicity Expenditure	2014/15 £000s
	Expenditure	
21	Recruitment Advertising	32
406	Publicity Unit	467
214	Other Publicity	156
641	**Total**	**655**

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: -

2013/14		Local Authority (Goods & Services) Act 1970	2014/15	
Exp £000s	Income £000s		Exp £000s	Income £000s
101	-42	Call Care	301	-45
115	-115	Print Services Unit	258	-258
216	**-157**	**Total**	**559**	**-303**

52. TRUST FUNDS

The Council acts as sole trustee in respect of two Trust Funds. one the Northamptonshire Regiment museum (balances of £97k)and the other 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 the Abington Museum. Surplus funds are invested and accounted for separately to the Council's funds.

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, 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 2014/15, which is required by the guidance issued by CLG, on 24th February 2014. The MRP charged to the 2014/15 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 2014/15 was £1.253m. This compares to £1.065m in 2013/14.

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 £75k 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 £3k. There were two significant donations of artworks in 2014. Local artist Peter Newcombe donated twelve framed and glazed pictures depicting John Clare 'Shepherd's Calendar' in medium of pen, wash and other media, with a valuation of £50k. The second major donation was of an oil painting 'And Then the Comet Came and Changed All Things' by Roberta Booth (1947-2014), with a valuation of £7k.

There have been two disposals from the collections which have realised a financial return. In March 2011, a collection of mounted natural history specimens sold at auction for £52k, which has been taken to be its carrying value at the time. In July 2014 an Egyptian statue was sold at auction for £14m, with NBC receiving £8.239m payment from the sale.

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. There is a small Ancient Egyptian collection of approximately 250 items.

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 metal ware. 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. GROUP ACCOUNTS – NORTHAMPTON PARTNERSHIP HOMES

Group Boundary

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

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

Intra-Group Transactions

During 2014-15 the Council made payments of £13.893m to Northampton Partnership Homes (nil in 2013-14). During 2014-15 the Council received payments of £1.873m from Northampton Partnership Homes (nil in 2013-14). At 31st March 2014 there was a Council debtor balance of £4.551m (nil in 2013-14), and a creditor balance of £1.695m (nil in 2013/14) with Northampton Partnership Homes.

Basis of consolidation

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

Business activities of Northampton Partnership Homes

Northampton Partnership Homes is responsible for the following services:

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

Accounting policies

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

Corporation Tax

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

Material items of Income and Expenditure

The only material difference between the Single Entity Comprehensive Income and Expenditure Statement and the Group Comprehensive Income and Expenditure Statement is on the actuarial gains/losses on the pension asset/liability:

Area of Comprehensive Income and Expenditure Statement	Single entity accounts £000	Group accounts £000	Difference £000
Actuarial gains / losses on pension assets/liabilities	16,864	18,629	1,765

Further details on the actuarial gains/losses on the pension asset/liability can be found in the section below on the Group defined benefit pension scheme.

Material Movements in Reserves

The material differences between the Single Entity Movement in Reserves Statement and the Group Movement in Reserves Statement are shown below:

Area of Movement in reserves Statement	Single entity accounts £000	Group accounts £000	Difference £000
Other Comprehensive Expenditure and Income	15,529	17,294	1,765
Adjustments between group accounts and authority accounts	0	13,685	13,685

Further detail on both of these items can be found in the section below on the Group defined benefit pension scheme.

Material items on the Balance Sheet

The material differences between the single entity balance sheet and the Group balance sheet are shown below:

Area of Comprehensive Income and Expenditure Statement	Single entity accounts £000	Group accounts £000	Difference £000
Short Term Debtors	24,322	20,385	-3,937
Cash and Cash Equivalents	19,326	26,539	7,213
Short Term Creditors	-26,944	-30,217	-3,273
Other Long Term Liabilities	-143,028	-158,421	-15,393
Unusable Reserves	165,895	-150,502	-15,393

The differences to short term debtors, cash and cash equivalents and short term creditors are due to the balances held by Northampton Partnership Homes. The differences on other long term liabilities and unusable reserves both represent the pension liability of Northampton Partnership Homes, further details of which can be found in the section below on the Group defined benefit pension scheme.

Group Defined Benefit Pension Scheme

Northampton Partnership Homes is a fully owned subsidiary of Northampton Borough Council. Therefore details of the Northampton Partnership Homes pension scheme need to be combined with the Northampton Borough Pension scheme to give an understanding of the group pension scheme. Full details of the Northampton Borough Council pension scheme are in note 45 to the core financial statements.

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

The scheme was opened on 5th January 2015 when employees of Northampton Partnership Homes Ltd transferred from Northampton Borough Council under Transfer of Undertakings (Protection of Employment) (TUPE). At the time of admission the Company scheme was fully funded under the actuarial valuation assumptions made. However the figures presented in these financial statements are reported under the requirements of IAS19, which are prepared on a different basis to the actuarial valuation. The Actuary's calculation for business combination at the time of transfer gives scheme obligation of £20.22m and plan assets of £6.535m resulting in a reported fund deficit of £13.685m on 5th January 2015. The opening deficit in the scheme has been treated as an adjustment between group accounts and authority accounts in the Movement in Reserves Statement as it represents the transfer of the opening balance on the scheme from the Council.

In addition to staff that joined the Company in January 2015 under TUPE transfer from Northampton Borough Council, the scheme is currently open to new employees. Employees and the Company pay contributions to the fund. During 2014/15 the employer's rate was 13.3% and employees contribute variable rates which increase on banded salary ranges. At 31st March 2015 the scheme had 187 active members.

A comprehensive actuarial valuation is undertaken every three years and the latest review was undertaken on 31 March 2013 by the actuary Hymans Robertson LLP.

The following tables give details of the pension assets and liabilities for the Group, including Northampton Borough Council and Northampton Partnership Homes. No prior year comparative figures are given, as there was no group in 2013/14, so the 2013/14 figures are the same as the single entity figures given in note 45.

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

Cost of Service	£000s
Current service cost	3,197
Past service cost (including curtailments)	25
Gain from settlements	-10,946
Pension contribution adjustment	-64
Net interest expense	5,670
Total post employment benefits charged to the surplus or deficit on the provision of services	**-2,118**
Other post employment benefits charged to the comprehensive income and expenditure statement	
Return on plan assets (excluding the amount included in the net interest expense)	-12,954
Actuarial gains and losses arising on changes in demographic assumptions	0
Actuarial gains and losses arising on changes in financial assumptions	35,873
Other expenditure	-4,290
Total post-employment benefits charged to the comprehensive income and expenditure statement	**16,511**
Movement in reserves statement	
Reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the code	-14,378
Employers contributions payable to the scheme	7,451

Reconciliation of the movements in fair value of scheme assets:

	£000s
Opening fair value of scheme assets	158,840
Interest income	6,793
Return on plan assets excluding the amount includedin the net interest expense	12,954
Contributions from employer	7,128
Contributions from employees into the scheme	865
Benefits paid	-11,703
Assets distributed in settlements	0
Closing fair value of scheme assets	**174,877**

Reconciliation of present value of the scheme liabilities (defined benefit obligations):

	£000s
Opening present value of scheme liabilities	294,657
Current service cost	3,197
Interest cost	12,463
Contribution from scheme participants	865
Actuarial gains/losses arising from changes in financial assumptions	35,873
Actuarial gains/losses arising from other experience	-4,290
Past service cost	25
Benefits paid	-12,579
Liabilities extinguished on settlements	2,739
Closing present value of scheme liabilities	**332,950**

Fair value of plan assets:

	£000s
Equity securities	
Consumer	14,045
Energy & utilities	8,782
Financial institutions	13,125
Health and care	8,603
Information technology	12,317
Other	9,738
Debt securities	
UK Government	5,131
Private equity	
All	148
Real Estate	
UK property	12,289
Overseas property	1,140
Investment funds and unit trusts	
Equities	58,931
Bonds	26,635
Cash and cash equivalents	
All	3,993
Total	**174,877**

Group External Audit costs

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

Group Auditor Fees	**2014/15 £000s**
Northampton Borough Council Auditor Fees (KPMG LLP)	123
Northampton Partnership Homes Auditor Fees (Grant Thornton LLP)	18
Total Group Auditor Fees	**141**

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.

2013/14 £000s	Housing Revenue Account	2014/15 £000s	£000s	Notes
	Income			
-49,154	Dwelling Rents	-50,481		HRA3-4
-1,136	Non Dwelling Rents	-1,140		
-2,321	Charges for services & facilities	-2,467		
-37	Contributions Towards Expenditure	-33		
-52,648	**Total Income**		**-54,121**	
	Expenditure			
16,447	Repairs & Maintenance	16,206		HRA5
	Supervision & Management			
5,982	General Management	7,645		
4,343	Special Services	4,074		
301	Rent, Rates, Taxes & other charges	276		
12,910	Depreciation, Impairment & Revaluation of Fixed Assets	-5,978		HRA6
98	Debt Management Costs	65		
360	Increased in provision for bad/doubtful debts	216		
40,440	**Total Expenditure**		**22,504**	
-12,207	**Net Cost of Services**		**-31,617**	
590	HRA Services share of Corporate and Democratic Core		557	
-11,617	**Net Cost of HRA Services**		**-31,060**	
-398	Gain (-) or Loss on sale of HRA Fixed Assets		1,806	
6,047	Interest and Investment Income		5,966	
1,481	Pensions interest cost and expected return on pensions assets		1,175	
-17,020	Non Specific Grant Income		-15,522	
-494	Surplus or deficit on revaluation of non current assets		-803	HRA6
-22,002	**Surplus (-) or Deficit for the year on HRA services**		**-38,438**	

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.

2013/14 £000s	Statement of Movements on the Housing Revenue Account Balance	2014/15 £000s
-22,002	Surplus (-) / Deficit for the year on the HRA Income and Expenditure Account	-38,439
22,003	Net additional amount required by statute to be debited or credited to the HRA Balance for the year	38,439
1	**Increase (-) / Decrease in the HRA Balance for the Year**	**0**
-5,001	HRA Balance brought forward	-5,000
-5,000	**HRA Balance carried forward**	**-5,000**

There has been a significant increase in the surplus for the year compared to 2013/14 due to revaluation increases, as detailed in HRA Note 6b.

DETAILED TRANSACTIONS

2013/14 £000s	Reconciling Items for the Statement of Movement on the Housing Revenue Account Balance	2014/15 £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		
-18,710	Revaluation Losses	-18,128	
14,829	Revaluation Gains	33,316	
17,020	Capital Grants and Contributions Transferred to the Capital Adjusment Account	15,522	
398	Gain or Loss on sale of HRA non-current assets	-1,806	
-1,633	HRA share of contributions to or from the pensions reserve	526	
11,904	**Total**	**29,430**	
	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		
3,672	Transfer to / from (-) Major Repairs Reserve	3,273	**HRA7**
494	Transfers to / from (-) Revaluation Reserve	803	**HRA6**
2,140	Employer's contributions payable to the Northamptonshire County Council Pension Fund and retirement benefits payable direct to pensioners	1,372	
41	Financial Instruments Adjustments	0	
6	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	26	
3,746	Net transfers to / from (-) earmarked reserves	3,535	
10,099	**Total**	**9,008**	
22,003	**Net additional amount required to be credited or debited to the HRA balance for the year**	**38,439**	

G3. NOTES TO THE HRA

1. PRIOR YEAR ADJUSTMENTS

There are no prior year adjustments in relation to the Housing Revenue Account in 2014/15.

2. HRA ASSETS AND CAPITAL TRANSACTIONS

a) At 31st March 2015 the Council was responsible for managing 11,883 units of accommodation (excluding shared ownership properties):

Type of Property	Number of Bedrooms				Total
	One	Two	Three	Four+	
Flats-Low Rise	1,447	391	2	1	**1,841**
Flats-Medium Rise	1,752	840	118	4	**2,714**
Flats-High Rise	396	82	21	0	**499**
Houses & Bungalows	882	2,509	3,106	332	**6,829**
Total	**4,477**	**3,822**	**3,247**	**337**	**11,883**

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

Type of Property	Stock at 01 April 2014	Stock Movements			Stock at 31 March 2015
		Sold	Additions	Demolished	
Flats	5,082	-30	4	0	5,056
Houses & Bungalows	6,887	-58	0	-2	6,827
					0
Dwellings (excl. Shared)	**11,969**	**-88**	**4**	**-2**	**11,883**
					0
Shared Ownership	82	0	0	0	82
					0
Total	**12,051**	**-88**	**4**	**-2**	**11,965**

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

31 March 2014 £000s	Gross Balance Sheet Value	31 March 2015 £000s
	Operational Assets	
104,914	Land	113,594
232,469	Dwellings	236,636
20,501	Other Capital Assets	20,942
357,884	**Total Operational Assets**	**371,172**
604	Non Operational Assets	869
358,488	**Total**	**372,041**
1,031,600	**Vacant Possession Value as at 1st April**	**1,029,228**

d) Capital Receipts

2013/14 £000s	Housing Capital Receipts	2014/15 £000s
-189	Land Sales	-26
-4,190	Dwelling Sales	-4,430
-4,379	**Total**	**-4,456**
869	Payable to the Secretary of State	955
869	**Net cost of Payments to CLG**	**955**
-3,510	**Useable Capital Receipts**	**-3,501**

e) Capital Expenditure and Financing

2013/14 £000s	HRA Capital Expenditure and Financing	2014/15 £000s
	Expenditure	
0	Land Purchase	0
23,476	Dwellings	29,207
793	Re-Purchase of Former Council Housing	324
103	Other Property	434
0	Self Financing	0
24,372	**Total Expenditure**	**29,965**
	Financing	
	Dwellings	
0	Borrowing	0
2,169	Useable Capital Receipts	2,115
0	Revenue Contributions	0
4,286	Major Repairs Reserve	12,328
17,020	Grants	15,522
0	Third Party Contributions	0
23,475	**Total Financing**	**29,965**
	Other Property	
896	Useable Capital Receipts	0
0	Major Repairs Reserve	0
896	**Total Other Property**	**0**
24,371	**Total Financing**	**29,965**

3 ARREARS

During 2014/15, arrears as a proportion of gross income were 3.8%. This represents a decrease of 1% since 2013/14 when the proportion was 4.8%. The figures for rent arrears are detailed below:

2013/14 £000s	Rent Arrears	2014/15 £000s
2,375	Gross Arrears at 31 March	1,913
-717	Prepayments	-680
1,657	**Net Arrears at 31 March**	**1,233**
998	Provision for bad debts at 31 March	835

4. VACANT POSSESSION VALUE

2013/14 £000s	HRA Vacant Possession Value	2014/15 £000s
1,031,600	Vacant Possession Value as at 1st April	1,029,228

2013/14 £000s	HRA Existing Use	2014/15 £000s
351,054	Existing Use Value as at 1st April	350,230

The vacant possession value of dwellings within the HRA as at 31st March 2015 was £1,029m (£1,033m in 2013/14). 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. £350m (£351m in 2013/14). 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 2014/15 balanced to nil for the year, although this may not always be the case.

2013/14 £000s	Housing Repairs Account	2014/15 £000s
0	**Balance B/f**	**0**
16,447	Expenditure in the Year	16,206
-16,447	Contributions to the Housing Repairs Account	-16,206
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

2013/14 £000s	Depreciation and Amortisation	2014/15 £000s
	Operational Assets	
8,150	Dwellings	8,604
325	Other Property	333
2	Vehicles, Plant & Equipment	1
8,477	**Total Depreciation**	**8,939**
562	Intangible Assets -amortisation	222
562	**Total Amortisation**	**222**
9,039	**Total**	**9,160**

b) Revaluation Gains and Losses

2013/14 I&E £000s	2013/14 RRA £000s	Revaluation Gains & Losses	2014/15 I&E £000s	2014/15 RRA £000s
18,701	72	Dwellings	18,118	19
0	7	Other Property	6	9
0	0	Vehicles, Plant & Equipment	0	0
18,701	**79**	**Revaluation Losses**	**18,124**	**28**
-14,811	-30	Dwellings	-33,245	-728
-18	-543	Other Property	-17	-103
0	0	Vehicles, Plant & Equipment	0	0
-14,829	**-573**	**Revaluation Gains**	**-33,262**	**-831**
3,872	**-494**	**Total**	**-15,138**	**-803**

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 2014	**-9,405**
Council Dwellings Depreciation	-8,939
Depreciation adjustment to agree to MRA	-3,273
Total	**-21,617**
Amount used to finance Capital Expenditure	
Dwellings	12,328
Total	**12,328**
Balance at 31 March 2015	**-9,288**

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 £32.1m in 2014/15 (£31.5m 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 participated in a pool for 2014/15 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.

2013/14 Council Tax £000s	2013/14 NNDR £000s	2013/14 Total £000s	Collection Fund	2014/15 Council Tax £000s	2014/15 NNDR £000s	2014/15 Total £000s	Note
			INCOME				
-88,509	0	**-88,509**	Council Tax (net of benefits, discounts & transitional relief)	-92,263	0	**-92,263**	
			Transfers from General Fund				
235	0	**235**	Council Tax benefits	0	0	**0**	
0	-98,294	**-98,294**	Income collectable from business ratepayers	0	-99,013	**-99,013**	
-88,274	**-98,294**	**-186,568**	**Total Income**	**-92,263**	**-99,013**	**-191,276**	
			EXPENDITURE				
			Precepts & demands:-				
59,857	0	**59,857**	Northamptonshire County Council	64,431	0	**64,431**	
11,248	0	**11,248**	Northamptonshire Police and Crime Commissioner	12,108	0	**12,108**	
13,137	0	**13,137**	Northampton Borough Council	13,841	0	**13,841**	
			National Non-Domestic Rates				CF1
0	50,108	**50,108**	Payments to Central Government	0	51,610	**51,610**	
0	10,022	**10,022**	Payments to Northamptonshire County Council	0	10,322	**10,322**	
0	40,086	**40,086**	Amount retained by Northampton Borough Council	0	41,288	**41,288**	
0	301	**301**	Cost of collection	0	299	**299**	
0	536	**536**	Other transfers to General Fund - Enterprise Zone	0	519	**519**	
0	2,871	**2,871**	Transitional Protection Payments	0	885	**885**	
			Bad & Doubtful Debts / Appeals				
2,473	3,859	**6,332**	Provisions	2,129	1,511	**3,639**	CF4
			Contributions				
0	0	**0**	Towards previous years' Collection Fund deficit	0	-2,225	**0**	CF3
0	0	**0**	Prior Year Adjustments (deferrals)	0	-198	**0**	
86,715	**107,783**	**194,498**	**Total Expenditure**	**92,509**	**104,011**	**198,942**	
-1,559	**9,489**	**7,930**	**Net (Surplus)/deficit for the year**	**245**	**4,998**	**7,665**	
			COLLECTION FUND BALANCE				
-211	0	**-211**	Balance brought forward at 1st April	-1,770	9,489	**7,719**	
-1,559	9,489	**7,930**	Net Deficit/(surplus) for the year (as above)	245	4,998	**5,243**	
-1,770	**9,489**	**7,719**	**Balance carried forward at 31 March**	**-1,524**	**14,486**	**12,962**	
			Allocated to:-				
0	4,744	**4,744**	Central Government	0	7,243	**7,243**	
-1,257	949	**-308**	Northamptonshire County Council	-1,089	1,449	**360**	
-236	0	**-236**	Northamptonshire Police and Crime Commissioner	-205	0	**-205**	
-276	3,795	**3,519**	Northampton Borough Council	-231	5,795	**5,564**	
-1,770	**9,489**	**7,719**	**Fund Balance c/fwd**	**-1,524**	**14,486**	**12,962**	

H2. NOTES TO THE COLLECTION FUND

1. NATIONAL NON DOMESTIC RATES (NNDR)

The total non-domestic rateable value as at 31 March 2015 was £244.3m and the equivalent figure for 2013/14 was £243.6m. The National Non-Domestic Rate multiplier for 2014/15 was 48.2p and the equivalent figure for 2013/14 was 47.1p. The small business non-domestic rating multiplier for 2014/15 was 47.1p and the equivalent figure for 2013/14 was 46.2p.

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: -

2013/14 Band D Equivalents	Band	Estimated number of taxable properties 2014/15 after discounts	Ratio	2014/15 Band D Equivalents
16.35	A(-)	25	5/9	14.08
14,616.21	A	18,658	6/9	12,438.60
12,248.00	B	15,921	7/9	12,382.65
15,386.64	C	18,991	8/9	16,881.07
8,136.84	D	9,231	9/9	9,230.77
5,325.00	E	5,031	11/9	6,148.82
2,749.42	F	2,206	13/9	3,186.11
1,628.86	G	1,170	15/9	1,950.06
81.47	H	51	18/9	102.00
60,188.79	Gross Council Tax Base			62,334.16
2,115.00	Non-collection provision			1,683.00
58,074	**Council Tax Base Used for setting the Precept**			**60,651**

The provision for non-collection was set at 2.7% for 2014/15 (3.5% for 2013/14).

3. ANALYSIS OF IN-YEAR CONTRIBUTIONS TO FUND DEFICITS

2013/14 £000s	In Year Contribution to Deficit NNDR	2014/15 £000s
0	Central Government	-1,112
0	Northamptonshire County Council	-222
0	Northampton Borough Council	-890
0	**Total Deficit Recovered**	**-2,225**

4. PROVISION FOR BAD AND DOUBTFUL DEBTS

2013/14 £000s	Provision for Bad and Doubtful Debts Council Tax	2014/15 £000s
8,094	Bad Debt Provision B/f	9,514
-819	Write Offs	-1,125
-235	Council tax benefit transferred to reserve	-77
2,474	Provision Made in Year	2,129
9,514	**Bad Debt Provision c/f**	**10,441**

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

2013/14 £000s	Bad and Doubtful Debts NNDR	2014/15 £000s
449	Bad Debt Provision B/fwd	679
0	Write offs of uncollectible debt	-430
230	Allowance for non collection	426
679	**Bad Debt Provision c/f**	**675**
659	Amounts written off in year not charged to provision	0

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 2015:

2013/14 £000s	Provision for Appeals	2014/15 £000s
0	Appeals Provision B/fwd	2,969
11	Provision for 13/14 appeals	-1,601
2,958	Provision for backdated appeals	2,685
2,969	**Appeals Provision c/f**	**4,053**

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.

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.

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.

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).

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.

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.

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.

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

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

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

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

Surplus Assets
Assets which are no longer in operation.

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

Termination Benefits
Employee benefits paid upon termination of employment such as redundancy.

Treasury Management
Utilisation of cash flows through investments and loans.

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

Value Added Tax
National taxation charged on goods and services.

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

NORTHAMPTON
BOROUGH COUNCIL

Statement of Accounts 2014–15

Northampton Borough Council

Appendix 2

NORTHAMPTON
BOROUGH COUNCIL

Annual Governance Statement 2014/15

NORTHAMPTON BOROUGH COUNCIL
ANNUAL GOVERNANCE STATEMENT 2014/15

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 2014/15. 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 2013/14 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 is one area which has slightly different arrangements from those outlined in the CIPFA Statement and this will continue into future years:

Partnerships – The creation of Northampton Partnership Homes (NPH) on 5 January 2015, to manage the Housing Stock on behalf of the Council. The Governance of this wholly owned subsidiary is through the NPH Board. The Board is responsible for the business of the Company subject to compliance with the provisions of the Companies Act 2006 and the articles of association for Northampton Partnership Homes Limited.

The Board comprises of 16 members including representatives from tenants, Northampton Borough Council elected Members, independent members and two employees of the Company. The structure of the Board is such that no single group holds a majority position. The Board meet approximately every month. The Board is supported by five Committees; Finance, Audit & Risk, Asset Management, Operations and HR. Each Committee comprises of 5 Members of the Board and currently meet monthly. Committees have no delegated powers relevant to their specific terms of reference but they consider the detail of matters under their remit and report to the Board where formal approval to any reports and proposals is given.

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 2015 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.

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 2014 Update, which was adopted by the Council at its meeting on 23 February 2015. 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'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.

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.

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 2014/15. Management Board considers other internal control issues, including strategic risk management, performance management, compliance, 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.

5.2.4 Corporate Briefing

This group consists of Management Board members and all Heads of Service. This group met on a regular basis during 2014/15. 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 2014/15 key Programme Boards reported into Management Board on the key project streams for the year of Northampton Alive, LGSS, ALMO Implementation, 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 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 2014/15 the Monitoring Officer chaired the Improvement Programme Board, which oversees the core improvement projects of the council.

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).

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 Strategic Finance Managers 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. During 2014/15 the internal audit plan placed a focus on ensuring compliance across the organisation.

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 2014/15. 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 2013/14 Annual Governance Statement (AGS) and Statement of Accounts, and will approve these for 2014/15. The committee receives annual training from internal and external 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.

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 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. 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.

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.

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 2014/15 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.

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. For 2014/15 the audit plan was agreed by Audit Committee in November 2014.

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

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

Based on the work completed, internal audit have been unable to issue an opinion due to an insufficient amount of audit work that has been completed. PwC have encountered issues during the year which has limited their ability to complete the planned schedule of work. These issues include delays in approval of the plan, and as a result of substantial change at NBC, arising from the outsourcing of various support services, delays in obtaining the required information and restrictions in scope of works.

As a result, PwC have been unable to complete enough reviews and gather sufficient information to conclude on the adequacy and effectiveness of Northampton Borough Council's arrangements for governance, risk management and control.

The disclaimer opinion is based on:

- Only three assurance audits have been completed during the year
- Scope of work was limited on the Directorate Governance & Accountability Reviews
- The proportion of the organisations audit needs have been covered to date

During the year PwC completed three assurance reviews. They identified 1 high, 6 medium and 8 low risk rated findings. The review of Financial Delegations indicated that the Council does not currently have robust controls and processes in place to ensure that the scheme of delegations set up in the financial system is accurate and complete. PwC acknowledge that there are a number of controls, e.g. budget setting and review, which may subsequently identify inappropriate transactions. The Council has already taken measures to review this control.

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 2014/15, 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 2014/15 were Accounts Receivable (Debtors), Accounts Payable (Creditors), General Ledger, Payroll, Bank Reconciliation (Cash), Fixed Assets, and Treasury Management.

LGSS is pleased to report that they were able to give “substantial” or “full” assurance on all the systems that have been reviewed.

Auditable Area	Assurance Opinion
Accounts Receivable	Substantial
Accounts Payable	Substantial
General Ledger	Substantial
Payroll	Substantial
Bank Reconciliation	Full
Fixed Assets	Full
Treasury Management	Substantial

The overall level of control on the LGSS areas was assessed as ‘Substantial’ by LGSS internal audit.

Northampton Partnership Homes (NPH)

On 5 January 2015 NPH began trading. NPH is an Arm’s Length Management Organisation, wholly owned by the Council. NPH is a subsidiary of the Council for accounting purposes and their accounts have been consolidated into the Council’s Group Accounts.

NPH recently appointed their own Internal Auditors (Bakertilly) and in future their annual reports will be considered as part of the annual governance review. As trading only commenced 5 January a full annual report could not be completed for 2014/15.

7 Significant Governance Issues

7.1 Review of the previous year's Significant Governance Issues

The 2013/14 Annual Governance Statement highlighted no significant control weaknesses.

7.2 This year's Significant Governance Issues

One High Risk control weakness was identified by PWC for 2014/15 in relation to financial delegations set up in the financial system. This leaves the Council open to the risk of inappropriate transactions. Management board have already started taking the necessary action to address this risk.

7.3 Areas of Good Practice

Internal Audit also identified areas where few weaknesses were identified and / or areas of good practice.

- Environmental Contract Management – Day to day contract management processes are well structured with formal reporting mechanisms internally and with other related parties and the contractor.
- Directorate Governance – From the limited testing performed we note that there are effective monitoring controls relating to performance, risk and budgets within the Directorates.

8 Conclusion

The Council proposes to address the matters arising 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 7th September 2015 at the same time as the Statement of Accounts for 2014/15 was approved.

Councillor Mary Markham	**David Kennedy**
Leader of the Council	Chief Executive
Date:	Date:

Report to those charged with governance (ISA 260) 2014/15

Northampton Borough Council

September 2015

Agenda Item 7

Contents

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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 issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psaa.co.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.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact **trevor.rees@kpmg.co.uk**, , the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Trevor Rees (on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

Introduction

This document summarises:

- **The key issues identified during our audit of the financial statements for the year ended 31 March 2015 for the Authority; and**
- **Our assessment of the Authority's arrangements to secure value for money.**

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 2014/15 financial statements; and
- The work to support our 2014/15 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 2014/15*, presented to you in March 2015, set out the four stages of our financial statements audit process.

This report focuses on the third stage of the process: substantive procedures. Our on site work for this took place during March 2015 (interim audit) and July 2015 (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 2014/15* explained our risk-based approach to VFM work and we included early findings in our *Interim Audit Report/letter 2014/15*. We have now completed the work to support our 2014/15 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 2 summarises the headline messages.
- Section 3 sets out our key findings from our audit work in relation to the 2014/15 financial statements of the Authority.
- Section 4 outlines our key findings from our work on the VFM conclusion.

Our recommendations are included in Appendix 1. We have also reviewed your progress in implementing prior year recommendations and this is detailed in Appendix 2.

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 for the Authority. The remainder of this report provides further details on each area.

Proposed audit opinion	We anticipate issuing an unqualified audit opinion on the Authority's financial statements by 30 September 2015. We will also report that your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007.
Audit adjustments	Our audit has identified an omission, below materiality but above our reporting threshold, in relation to the under accrual of expenditure within the Group Accounts. The original error was identified in the audit of the Northampton Partnership Homes (NPH) Accounts and occurred as a result of NPH accounting for creditor accrual balances in the incorrect financial year. The total value of the error is £557k (£540k relating to capital transactions and £17k relating to revenue transactions). The adjustment made to the Accounts of NPH feeds directly into the Group Accounts and as such the Authority have made a corresponding adjustment in their Group Accounts. There is no net impact from this adjustment on the main financial statements. The error identified also impacts upon the Authority's single entity accounts. NPH failed to notify the Authority of expenditure made in 2014/15 which should have been accrued for in the 2014/15 draft Accounts. NPH have an agreement with the Authority whereby appropriate capital spend is matched. NPH's failure to notify the Authority of this expenditure resulted in the Authority being unable to match this spend and also created an omission of all accounting transactions relating to this in the Authority's single entity accounts. The total value of the omission is £557k, of which there is one element above our reporting threshold. This is £540k and relates to capital expenditure. The impact of the adjustment on the Authority statements is an increase in the PPE balance of £540k to capitalise the additional spend on council dwellings, an increase in the short term creditor balance of £540k to recognise the additional spend match liability with NPH, an increase in unusable reserves (capital adjustment account) and a decrease in usable reserves (major repairs reserve) of £540k to recognise the additional capital financing used in finance capital expenditure. The adjustment would also impact upon a number of disclosures within the Authority accounts, for example the housing revenue account and capital disclosure notes. Due to the complexity of the amendments and the value of the adjustment being immaterial, the Authority have opted not to make the amendment. Therefore we raise it here in our report to bring it to members attention as an uncorrected item. Further details on this adjustment and the uncorrected item can be found at Appendix 3. We have raised three recommendations, all priority 2 (on a scale of 1-3, where 1 is high and 3 is low) in relation to the matters highlighted above, which are summarised in Appendix 1.

Headlines

This table summarises the headline messages for the Authority. The remainder of this report provides further details on each area.

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Key financial statements audit risks	We identified the following key financial statements audit risk in our 2014/15 External audit plan issued in March 2015. **Group Accounts:** The Authority has undertaken a detailed review of the relationship that exists with NPH and concluded that NPH is a subsidiary of Northampton Borough Council. The Authority have produced Group Accounts for the first time this year. Our review identified that the judgements reached by the Authority to produce group financial statements were reasonable and in line with the *CIPFA code.* However a small number of presentational amendments were required to the Group Account note in relation to the pension liability disclosures. The presentation of the Group CIES was also amended to report gross income and expenditure. The audit of NPH Accounts also identified one issue in relation to inadequate expenditure cut off procedures where NPH failed to correctly accrue their 2014/15 expenditure. Due to the nature of the relationship between NPH and the Authority, this resulted in the Authority also failing to appropriately accrue expenditure in their own accounts, as outlined in the audit adjustments section above. We have worked with Officers throughout the year to discuss this key risk and our detailed findings are reported in section 3 of this report. There are no matters of any significance arising as a result of our audit work in this key risk area.
Accounts production and audit process	The Authority has good processes in place for the production of the accounts and good quality supporting working papers. The Authority effectively dealt with the challenge of producing Group Accounts for the first time and the additional work required to complete the audit of these accounts. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.
Completion	At the date of this report our audit of the financial statements is substantially complete. Work is still ongoing on the internal review process and we are still awaiting the external audit confirmation from Grant Thornton in respect of their audit of NPH. 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 identified no VFM risks in our External audit plan 2014/15 issued in March 2015, and no further risks were identified during our audit. 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 2015

Financial Statements - Proposed opinion and audit differences

We have not identified any issues in the course of the audit that are considered to be material.

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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 7 September 2015.

Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. 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.

The final materiality (see Appendix 5 for more information on materiality) level for this year's audit was set at £4.5million. Audit differences below £225k are not considered significant.

We did not identify any material misstatements in the Group Accounts. We identified one non material error which has been adjusted in the Group Accounts by management and a number of presentational issues that have been amended by management.

The tables on the right illustrate the total impact of audit differences on the Authority's movements on the General Fund and HRA for the year and balance sheet as at 31 March 2015.

The net impact on the General Fund and HRA as a result of audit adjustments is £nil as at 31 March 2015.

We also identified one non material error in the single entity accounts which has not been adjusted by management. Further details of this can be found at Appendix 3.

Group Movements on the General Fund 2014/15

£m	Pre-audit	Post-audit	*Ref (App.3)*
Surplus on the provision of services	10,395	10,395	
Adjustments between accounting basis & funding basis under Regulations	(13,968)	(13,969)	
Transfers from earmarked reserves	1,746	1,746	
Decrease in General Fund	**(1,827)**	**(1,827)**	

Group Balance Sheet as at 31 March 2015

£m	Pre-audit	Post-audit	*Ref (App.3)*
Property, plant and equipment	509,188	509,188	
Other long term assets	55,411	55,411	
Current assets	91,135	91,692	*[1]*
Current liabilities	(34,281)	(34,838)	*[1]*
Long term liabilities	(387,116)	(387,116)	
Net worth	**234,337**	**234,337**	
General Fund	5,470	5,470	
Other usable reserves	78,365	78,365	
Unusable reserves	150,502	150,502	
Total reserves	**234,337**	**234,337**	

Financial Statements (continued) - Proposed opinion and audit differences

We anticipate issuing an unqualified audit opinion in relation to the Authority's financial statements by 30 September 2015.

The wording of your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007.

Of the other audit adjustments we have identified, the most significant in monetary value are as follows:

- We identified that other grant income credited to taxation and non specific grant income disclosed in note 38 was inconsistent with the working paper provided. An adjustment of £509k has been made to the Accounts so that the note is consistent with the underlying records. In addition, the Decent Homes Grant was mis-classified as a non ring fenced grant in note 12 (taxation and non specific grant income). This has been re-classified as a capital grant and contribution. An adjustment will be made and impacts upon the grant income disclosure notes.
- In addition, we identified a small number of presentational adjustments required to ensure that the accounts are compliant with the *Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 ('the Code')*. Presentational adjustments were also identified to the Group Accounts disclosures.
  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.

Financial Statements (continued) - Significant risks

We have worked with the Authority throughout the year to discuss significant risks and key areas of audit focus.

This section sets out our detailed findings on this risk.

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In our *External Audit Plan 2014/15*, presented to you in March 2015, we identified the significant risks affecting the Authority's 2014/15 financial statements. 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.

Significant audit risk	Issue	Findings
Group Accounts	**Risk** The Authority assessed whether they were required to produce Group Accounts for the first time this year, in order to consolidate its new subsidiary company, NPH. The Authority needed to ensure that they undertook a detailed and controlled review of the relationship that exists with NPH and assessed whether consolidation is required, in order to ensure that the financial statements are prepared in accordance with the requirements of the *CIPFA Code of Practice on Local Authority Accounting in the UK 2014/15 (the Code).*	The Authority undertook a detailed review of its relationship with NPH and concluded that as a subsidiary of Northampton Borough Council it would produce Group Accounts for the first time this year. The Authority have undertaken a structured approach to the production of Group Accounts and a good audit trial was retained to support the disclosures made. Our testing identified a small number of presentational amendments to the Group Accounts. In summary these were: ▪ Disclosure of gross income and gross expenditure in CIES. ▪ Correction of Group defined benefit pension scheme disclosures at note 56 to include the Authority's cost of service and the Group' fair value of plan liabilities. Grant Thornton audit the financial statements of NPH. Their audit identified one error within the accounts of NPH in relation to accrued expenditure balances being recorded in the incorrect financial year (£557k). The Authority have agreed to amend the Group Accounts to correct this. The error identified above also impacts upon the Authority single entity accounts. NPH incorrectly excluded capital accruals valuing £540k from their draft Accounts. The Authority were notified of these adjustments during Grant Thornton's audit of NPH accounts. The impact of the adjustments are detailed at Appendix 3.

Financial Statements (continued) - Significant risk

In our *External Audit Plan 2014/15* we reported that we would consider two risk areas that are specifically required by professional standards and report our findings to you. These risk areas were Management override of controls and the Fraud risk of revenue recognition.

The table below sets out the outcome of our audit procedures and assessment on these risk areas.

Areas of significant risk		Summary of findings
Management override of controls	Audit areas affected ■ All areas	Our audit methodology incorporates the risk of management override as a default significant risk. Management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We have not identified any specific additional risks of management override relating to this audit. In line with our methodology, we carried out appropriate 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. There are no matters arising from this work that we need to bring to your attention.
Fraud risk of revenue recognition	Audit areas affected ■ None	Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. In our External Audit Plan 2014/15 we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue. This is still the case. Since we have rebutted this presumed risk, there has been no impact on our audit work.

Section three

Financial Statements (continued) - Accounts production and audit process

The Authority has a well established and good accounts production process. This operated well in 2014/15, and the standard of accounts and supporting working papers was high.

Officers dealt promptly and efficiently with audit queries and the audit process was 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 continues to maintain a good financial reporting process and produce statements of accounts to a good standard. We consider that accounting practices are appropriate
Completeness of draft accounts	We received a complete set of draft accounts on 25 June 2015. The Authority have made a small number of presentational changes to the accounts presented for audit, including the Group accounts however there have been no changes which we consider to be fundamental.
Quality of supporting working papers	We issued our *Accounts Audit Protocol* including our required working papers for the audit on 25 February 2015. The quality of working papers provided was high and fully met the standards specified in our *Accounts Audit Protocol*. Management also responded efficiently to some additional requests made at the start of the audit.
Response to audit queries	Officers resolved all audit queries in a timely manner.

Financial Statements (continued) - Accounts production and audit process

The Authority has a well established and good accounts production process. This operated well in 2014/15, and the standard of accounts and supporting working papers was high.

Officers dealt promptly and efficiently with audit queries and the audit process was completed within the planned timescales.

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Element	Commentary
Internal audit	Responsibility for internal audit services is split between PWC and LGSS. It appears that the process for splitting areas of responsibility has been inconsistent and in some cases the areas of internal audit work which we had intended to rely upon had not been delivered. This resulted in the completion of additional controls testing as part of our year end audit programme.
Group audit	To gain assurance over the Authority's group Accounts, we placed reliance on work completed by Grant Thornton on the financial statements of NPH. There is one specific matter to report pertaining to the group audit. Grant Thornton identified one error in the accounts of NPH whereby accrued expenditure balances to a value of £557k had been accounted for in the wrong financial year. This error will be corrected in the NPH accounts and the Authority's Group Accounts will be amended to reflect this adjustment as a result. The error identified also impacts upon the Authority single entity accounts. NPH failure to notify the Authority of this expenditure resulted in the Authority being unable to match this spend and created an omission of all accounting transactions relating to this is the Authority single entity accounts. The value of the error is not material and the due to the complexity of the adjustment to correct, the Authority has chosen not to amend their single entity accounts in relation to this. The details of these adjustments are outlined at Appendix 3.

Prior year recommendations

As part of our audit we have specifically followed up the Authority's progress in addressing the recommendations in last years ISA 260 report.

The Authority has implemented all of the recommendations in our *ISA 260 Report 2013/14*.

Section three

Financial Statements (continued) - 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.

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Once we have finalised our opinions and conclusions we will prepare our *Annual Audit Letter* and close our audit.

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 2015, 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 Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 4 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 Strategic Finance Manager for presentation to the Audit Committee. We require a signed copy of your management representations before we issue our audit opinion. We are seeking specific management representations over property, plant and equipment valuations and the sale of the Egyptian statue, Sekhemka.

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 2014/15 financial statements.

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.

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

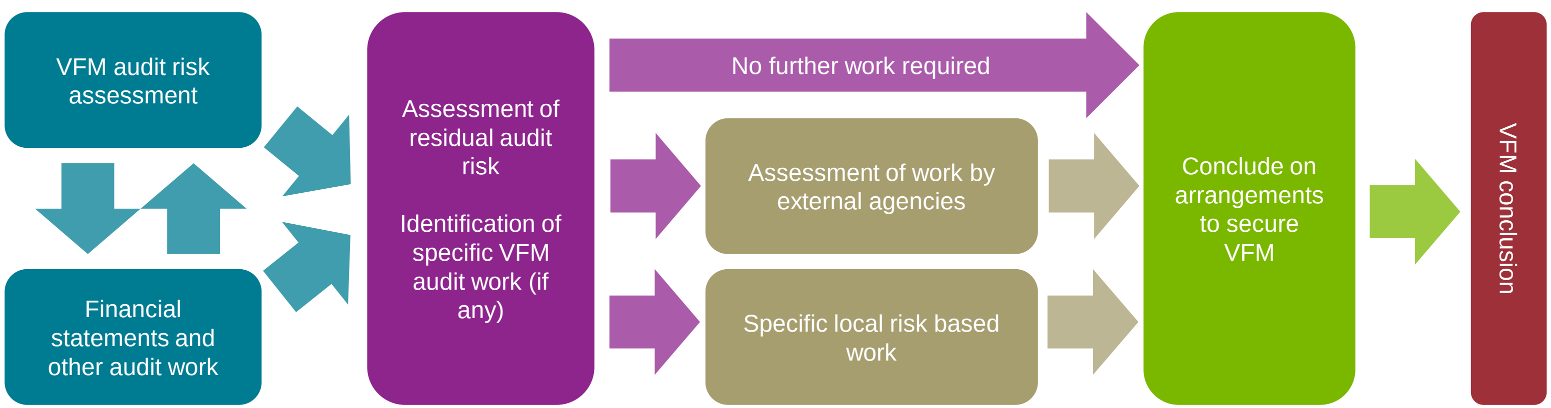
We performed a risk assessment earlier in the year and have reviewed this throughout the year.

We 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		
1 ***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.	2 ***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.	3 ***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
1	2	**Retrospective raising of purchase orders** Testing identified that purchase orders need to be raised prior to the Authority committing itself to purchasing goods/services. All purchases need to be authorised, and this authorisation is only carried out at purchasing order stage for those items that require a purchase order. We noted that £7.7 million worth of expenditure in year was not appropriately authorised prior to placing an order with a supplier. In these cases purchase orders were raised retrospectively which potentially opens the Authority to potential fraud or impropriety and is contrary to the Authority's policy. **Recommendation** The Authority should ensure that purchase orders should be raised for the purchasing of goods and services through the purchase order process (where appropriate), prior to the Authority committing itself to the purchase. Reports should be run on a regular basis to identify all non compliance and take appropriate follow up action.	**Agreed.** This amount of expenditure (£7.7 million) represents approximately 3% of the value of all invoices raised in 2014/15. This indicates a good level of financial management with 97% of purchases requiring a purchase order being processed appropriately. All purchase made were from approved budgets and were subject to appropriate segregation of duties for final authorisation of payment. The Authority will review this level of efficiency and continue to provide financial management training to further improve procurement compliance. **Responsible Officer: Glenn Hammons** **Due Date: Quarterly review**

Appendix 1: Key issues and recommendations

No.	Risk	Issue and recommendation	Management response
2	2	**Northampton Partnership Homes** The audit of NPH Accounts identified that cut off procedures are not appropriate resulting in a failure at NPH to correctly account for accrued expenditure. NPH had also failed to notify the Authority of capital spend valuing £540k made in 2014/15 which should have been disclosed in the Authority Accounts. **Recommendation** The Authority should re-visit the protocol for notification of transactions at NPH and ensure that this clearly includes a procedure for correctly accounting for year end transactions. Introduce improved communication between NPH and the Authority to ensure that notification of all transactions is undertaken in a timely, accurate and complete manner.	**Agreed.** NPH came into existence on 5 January 2015. During the early stages of its creation, new staff and processes have been put in place across the board. The Authority and LGSS will continue to improve communications and processes during 2015/16 to ensure financial management is embedded within the new organisation. **Responsible Officer: Glenn Hammons** **Due Date: 31 March 2016**
3	2	**Internal Audit** Responsibility for internal audit services is split between PwC and LGSS. It appears that the process for splitting areas of responsibility has been inconsistent and in some cases the areas of internal audit work which we had intended to rely upon had not been delivered. This resulted in KPMG having to undertake and complete additional controls testing as part of our year end audit programme. **Recommendation** The Authority should ensure that it undertakes a thorough assessment of both internal audit providers annual audit plans for 2015/16 to ensure that appropriate assurance and systems coverage is provided during 2015/16.	**Agreed.** The Authority has set up regular meetings with LGSS and PWC Internal Audit team to ensure that the work coverage supports the requirements of KPMG. The Monitoring Officer is currently undertaking this review and Audit Committee are engaged to ensure requirements are met. **Responsible Officer: Francis Fernandez** **Due Date: 31 March 2016**

Appendix 2: Follow up of prior year recommendations

The Authority has implemented all of the recommendations in our *ISA 260 Report 2013/14.*

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This appendix summarises the progress made to implement the recommendations identified in our *ISA 260 Report 2013/14.*

Number of recommendations that were:	
Included in original report	2
Implemented in year	2
Remain outstanding	0

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at July 2015
1	2	**Business rates pooling spreadsheet:** The spreadsheet, hosted by Kettering Borough Council (KBC), contains information for each of the participating Councils (including Northampton Borough Council) but none of the councils formally confirmed the accuracy of their information. Errors in the spreadsheet may affect Northampton Borough Council'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	Recommendation fully implemented. The Authority have provided written confirmation to KBC that information on the Business rates pooling spreadsheet is accurate. KBC have provided evidence from all other participating authorities that their Business rate pooling data is also accurate.
2	3	**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	Recommendation fully implemented. Evidence of accuracy checks performed now retained.

Appendix 3: Audit differences

This appendix sets out the significant audit differences identified during the audit for the year ended 31 March 2015.

We are reporting all audit differences over £225k.

It is our understanding that all of these will be adjusted.

We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in your case is the Audit Committee). We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

Corrected audit differences

The following table sets out the significant audit differences identified by our audit of Northampton Borough Council's financial statements for the year ended 31 March 2015. It is our understanding that these will be adjusted.

	Impact					
No.	**Group Income and Expenditure Statement**	**Group Movement in Reserves Statement**	**Group Assets**	**Group Liabilities**	**Group Reserves**	**Basis of audit difference**
1	Dr Housing Revenue Account Expenditure £557k; Cr Housing Revenue Account Income £557k		Dr Debtors £557k	Cr Creditors £557k		Failure of NPH to record accrued expenditure in the correct financial year.
	£nil		**Dr £557k**	**Cr £557k**		**Total impact of adjustments**

Appendix 3: Audit differences (continued)

The cumulative impact of uncorrected audit differences is £540k.

This is below our materiality level of £4.5 million.

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Uncorrected audit differences

Grant Thornton audit the financial statements of NPH. The 2014/15 audit identified one error (£557k) within the accounts of NPH in relation to accrued expenditure being recorded in the incorrect financial year. The Authority have agreed to amend the Group Accounts to correct this error. (see previous page).

The error identified above also impacts upon the Authority's single entity accounts. NPH incorrectly excluded capital accruals valuing £540k from their draft Accounts. NPH also failed to notify the Authority of the transactions which related to 2014/15 and as such the corresponding adjustments were not made in the Authority draft financial statements. The Authority were notified of these adjustments during Grant Thornton's audit of NPH accounts.

Due to the complexity of the adjustments required and the fact that the value is below materiality, the Authority have decided not to adjust the 2014/15 Accounts. The following table sets out the uncorrected audit differences identified by our audit of Northampton Borough Council's financial statements for the year ended 31 March 2015.

	Impact					Basis of audit difference
No.	**Income and Expenditure Statement**	**Movement in Reserves Statement**	**Assets**	**Liabilities**	**Reserves**	
1			Dr PPE £540k	Cr Creditors £540k	Dr Usable Reserves £540k Cr Unusable reserves £540k	Omission of 2014/15 capital creditor balances in the 2014/15 Authority single entity Accounts as a result of failure of notification by NPH.
			Dr £540k	**Cr £540k**	**£nil**	**Total impact of uncorrected audit differences**

Appendix 4: Declaration of independence and objectivity

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

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Requirements

Auditors appointed by Public Sector Audit Appointments Ltd 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 Public Sector Audit Appointments Ltd *Terms of Appointment* ('Public Sector Audit Appointments Ltd 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. Public Sector Audit Appointments Ltd 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 this. 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 4: 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 2015, 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 Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

Disclosure of action concerning tax engagement

KPMG member firms and KPMG professionals are required to comply with independence standards that meet or exceed those set out in the IESBA Code of Ethics. In addition, the UK firm and our professionals are also required to comply with the requirements of the APB Ethical Standards. We also adhere to the Public Sector Audit Appointment's (PSAA) specific requirements regarding non-audit services.

These professional standards require that where the firm has determined that a breach of an audit independence standard has occurred, we discuss this and the actions we have taken or propose to take with you as soon as possible, communicate with you in writing all matters discussed and obtain your concurrence that action can be, or has been, taken to satisfactorily address the issue. This section of the report summarises such an instance requiring action.

In January 2012 the Authority engaged KPMG to provide services to assist support you in preparing and submitting to HMRC a retrospective four year claim for overpaid output VAT on sports and leisure services provided by the Council. This included submitting a notice of appeal to the VAT and Duties Tribunal to be stood behind another case pending litigation on this issue.

We originally agreed to perform this work for the Council on a contingent fee basis, i.e. our fee would not have become due until the VAT repayment was received from HMRC by the Council. Subsequently, KPMG LLP was appointed as auditor of the Authority for the 2012/13 year of account and subsequent financial years.

Prior to 2010, the APB Ethical Standards did not prohibit such contingent fee arrangements, however in 2010 the standards were changed and paragraph 95 of APB Ethical Standard Number 5 now provides that an audit firm cannot provide services on a wholly or partly contingent basis where the outcome of those services is dependent upon the proposed application of tax law which is uncertain or has not been established. As the tax law applying to the subject matter of this engagement was and remains uncertain, following KPMG LLP's appointment as auditor the fee basis should have been revised to remove the contingent element in order to comply with this requirement. Action was therefore required to ensure compliance with the ethical standards. We have therefore proposed that a revised fixed fee of £20,000 (excluding VAT) is charged and the success fee element of our remuneration is removed. PSAA is fully aware of this position and in line with its usual rules on the acceptance of non-audit work we will be seeking its approval for this fee.

This position was identified as our firm undertook a special exercise to ensure that any grandfathered tax contingent fee arrangements that were entered into with audit clients prior to the change in rules in 2010 had been correctly dealt with before 31 December 2014 which was the end of the grandfathering period provided for in the standard.

We have considered this matter, and given the following factors we have determined this to be a less than significant breach of the APB Ethical Standards because:

- No amounts are recognised in the Authority's accounts for the potential recovery of this tax;
- The amount of tax that is potentially recoverable £900k is, in any event, not material to the Authority;
- KPMG has not received any contingent fee income in respect of this engagement; and
- The potential contingent fee that KPMG could have received in respect of this engagement of £72k is not material to our firm.

Based on the above in our professional judgment we concluded that our objectivity has not been compromised and the firm and the engagement team are independent of the Authority.

We have also submitted a non business sporting services claim for the middle period in November 2014. This claim covered the period from 1 April 1996 to 31 December 2007. The fee agreed and paid was determined on a time spent basis and was for a total of £22,599.60, excluding VAT.

In addition we have undertaken work in providing assistance with a claim to recover in relation to VAT overpaid on the collection of trade waste. The four year claim was submitted for overpaid output tax in relation to the trade waste services for the period from 1 February 2008 to 31st March 2009 in February2012. The fee agreed for this work was also determined on a time spent basis and was issued on 22 April 2015 for an amount of £2,823.50, excluding VAT.

Appendix 5: Materiality and reporting of audit differences

For 2014/15 our materiality is £4.5 million for the Authority's accounts.

We have reported all audit differences over £225k for the Authority's accounts to the Audit Committee.

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Materiality

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects: materiality by value, nature and context.

- Material errors by value are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.
- Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.
- Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We used the same planning materiality reported in our External Audit Plan 2014/15, presented to you in March 2015.

Materiality for the Authority's accounts was set at £4.5 million which equates to around 2 percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

ISA 450 requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £225k for the Authority.

Where management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

Appendix 6: KPMG Audit Quality Framework

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG.

The diagram summarises our approach and each level is expanded upon.

At KPMG we consider audit quality is not just about reaching the right opinion, but how we reach that opinion. KPMG views the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the auditing standards. It is about the processes, thought and integrity behind the audit report. This means, above all, being independent, compliant with our legal and professional requirements, and offering insight and impartial advice to you, our client.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG. We use our seven drivers of audit quality to articulate what audit quality means to KPMG.

We believe it is important to be transparent about the processes that sit behind a KPMG audit report, so you can have absolute confidence in us and in the quality of our audit.

Tone at the top: We make it clear that audit quality is part of our culture and values and therefore non-negotiable. Tone at the top is the umbrella that covers all the drives of quality through a focused and consistent voice. Andrew Cardoza as the Engagement Lead sets the tone on the audit and leads by example with a clearly articulated audit strategy and commits a significant proportion of his time throughout the audit directing and supporting the team.

Association with right clients: We undertake rigorous client and engagement acceptance and continuance procedures which are vital to the ability of KPMG to provide high-quality professional services to our clients.

Clear standards and robust audit tools: We expect our audit professionals to adhere to the clear standards we set and we provide a range of tools to support them in meeting these expectations. The global rollout of KPMG's eAudIT application has significantly enhanced existing audit functionality. eAudIT enables KPMG to deliver a highly technically enabled audit. All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.

Recruitment, development and assignment of appropriately qualified personnel: One of the key drivers of audit quality is assigning professionals appropriate to the Authority's risks. We take great care to assign the right people to the right clients based on a number of factors including their skill set, capacity and relevant experience.

We have a well developed technical infrastructure across the firm that puts us in a strong position to deal with any emerging issues. This includes:

- A national public sector technical director who has responsibility for co-ordinating our response to emerging accounting issues, influencing accounting bodies (such as CIPFA) as well as acting as a sounding board for our auditors.

- A national technical network of public sector audit professionals is established that meets on a monthly basis and is chaired by our national technical director.

- All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.

- A dedicated Department of Professional Practice comprised of over 100 staff that provide support to our audit teams and deliver our web-based quarterly technical training.

Appendix 6: KPMG Audit Quality Framework

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

Quality must build on the foundations of well trained staff and a robust methodology.

Commitment to technical excellence and quality service delivery: Our professionals bring you up- to the-minute and accurate technical solutions and together with our specialists are capable of solving complex audit issues and delivering valued insights.

Our audit team draws upon specialist resources including Forensic, Corporate Finance, Transaction Services, Advisory, Taxation, Actuarial and IT. We promote technical excellence and quality service delivery through training and accreditation, developing business understanding and sector knowledge, investment in technical support, development of specialist networks and effective consultation processes.

Performance of effective and efficient audits: We understand that how an audit is conducted is as important as the final result. Our drivers of audit quality maximise the performance of the engagement team during the conduct of every audit. We expect our people to demonstrate certain key behaviors in the performance of effective and efficient audits. The key behaviors that our auditors apply throughout the audit process to deliver effective and efficient audits are outlined below:

- Timely Engagement Lead and manager involvement;
- Critical assessment of audit evidence;
- Exercise of professional judgment and professional scepticism;
- Ongoing mentoring and on the job coaching, supervision and review;
- Appropriately supported and documented conclusions;
- If relevant, appropriate involvement of the Engagement Quality Control reviewer (EQC review);
- Clear reporting of significant findings;
- Insightful, open and honest two-way communication with those charged with governance; and
- Client confidentiality, information security and data privacy.

Commitment to continuous improvement: We employ a broad range of mechanisms to monitor our performance, respond to feedback and understand our opportunities for improvement.

Our quality review results

Public Sector Audit Appointments Ltd publishes information on the quality of work provided by us (and all other firms) for audits undertaken on behalf of them (http://www.psaa.co.uk/audit-quality/principal-audits/kpmg-audit-quality/).

The latest Annual Regulatory Compliance and Quality Report (issued June 2014/2015) showed that we are meeting the overall audit quality and regulatory compliance requirements.

cutting through complexity™