NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE

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

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

on Monday, 25 July 2016

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. DRAFT STATEMENT OF ACCOUNTS 2015/16 — Report of Chief Finance Officer

(Copy herewith)

7. FINANCIAL OUTTURN 2015/16 — Report of Chief Finance Officer

(Copy herewith)

8. INTERNAL AUDIT PLAN 2016/17 UPDATE — Report of Internal Auditor

(Copy herewith)

9. EXTERNAL AUDIT UPDATE — Report of External Auditor

(Copy herewith)

10. 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: -

<TRAILER_SECTION>
A7985

Public Participation

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

NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE

Monday, 27 June 2016

PRESENT: Councillor Flavell (Chair); Councillor Hill (Deputy Chair); Councillors Golby, Chunga and Marriott

1. APOLOGIES

Councillor Stone sent her apologies.

2. MINUTES

The Minutes of the meeting held on the 16th May 2016 were agreed and signed by the Chair with the amendment under item 10 from "and significant issues" to "any significant issues"

3. DEPUTATIONS / PUBLIC ADDRESSES

Councillor Beardsworth addressed the Committee on item 9.

4. DECLARATIONS OF INTEREST

None.

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

None.

6. LGSS INTERNAL AUDIT ANNUAL REPORT

The Group Auditor presented the report and elaborated thereon. He referred to P.5 of the agenda and advised that LGSS are looking at financial systems, accounts payable systems, bank reconciliation process and the controls operated throughout the year to help external auditors when looking at financial statements. He referred to Table 1 on P.5 which outlined the Assurance level definitions. Table 2 on P.6 was referred to which detailed the assurance opinions. He stated that positive reviews were given on auditable areas however there were some issues with payroll but recommendations have been put to payroll management to implement.

In response to questions from the Committee the Group Auditor responded as below

- That electronic signature by internal email system is recommended over ink signature to deal with debt recovery and write off.
- The £16,865 test sample was a write off as should have been authorised by a Head of Service but was authorised by the level down from this.
- E – Signatures are common practice these days.

RESOLVED
That the report be noted

7. INTERNAL ANNUAL AUDIT REPORT

The PwC Senior Audit Manager presented the report and elaborated thereon. P.21 of the report was referred to. He advised that the Audit Committee agreed to a level of internal audit input of 200 days, of which 175 were delivered. P.23 was referred to which outlined the Auditor's opinion. The Borough Council received a "generally satisfactory with some improvements required" opinion from PwC. It was advised that it is very rare that an organisation gets a satisfactory opinion. It was also advised that the key areas PwC focussed on were outline on p.22 of the agenda and that the plan was changes in numerous areas to identify risk around Northampton Town Football club. The Senior Audit Manager stated that no significant control weaknesses have been identified. Section 3 outline summary of internal audit work performed and section 4 draws out implications for next year's plan.

The Chair stated that it is essential the Committee have all aspects of the report a week before the Committee meeting so that the reports can be adequately reviewed.

RESOLVED

That the report be noted.

8. ANNUAL INTERNAL AUDIT PLAN 2016-17

The PwC Senior Audit Manager submitted a report and elaborated thereon. It was advised that the plan has been discussed with the Executive and members of the Audit Committee. P.37 of the agenda was referred to which outlined the basis of PwC's audit plan. The diagram on P.38 of the agenda was also referred to which represents the units within the audit universe of Northampton Borough Council and explained these units form the basis of the internal audit plan. P.40 – 42 outlines how the audit plan is pulled together and also demonstrates level of risk taken into account. The Senior Audit Manager stated that PwC will be bringing reports thought to Committee much more frequently.

In response to questions from the Committee the Senior Audit Manager stated that the £85,000 fee is based on 200 day's work but the fee will be reduced if the work is completed prior to this.

RESOLVED

That the report be **NOTED.**

9. SIXFIELDS UPDATE REPORT - INTERNAL AUDIT PWC

Councillor Beardsworth addressed the Committee. She stated there is little detail in the report and wanted information on who authorised payments to the Sixfield's Club. She also stated that the general public want more information regarding the loan so their fears can be dispelled. She expressed her concerns regarding the length of time the audit has taken.

The Senior Audit Manager addressed the Committee and the advised that a substantial amount of the field work is complete and that there has been a significant amount of information to go through. It was also advised that the report is going through the established process and once complete will be brought to Audit Committee.

In response to questions from the Committee the Senior Audit Manager responded as below

- That he cannot advise a specific completion date due to the complexities of the work.
- That it is important to go back to the terms of reference to get a sense of what is to be reported.
- If there is any evidence that cannot be found PWC will go back through the significant amount of information that was made available.

Councillor Marriot suggested that Portfolio Members should come to the Audit Committee meetings.

RESOLVED

That the report be noted

10. EXTERNAL AUDIT UPDATE

The External Auditor from KPMG addressed the Audit Committee and stated that KPMG currently have nothing to report to the Committee and will deliver report at the next Audit Committee.

RESOLVED

That the report be **NOTED**

The Chief Finance Officer addressed the Committee and advised that the next Audit Committee meeting will be looking at the draft accounts and before this will hold some training to take the members of the Committee through the accounts.

The meeting concluded at 18:46

Appendices **A – Draft 2015/16 Statement of Accounts** **B – Draft Annual Governance Statement**

NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	**Draft Statement of Accounts 2015/16 and Draft Annual Governance Statement**

AGENDA STATUS: **PUBLIC**

Audit Committee Meeting Date:	25 July 2016
Policy Document:	No
Directorate:	Management Board
Accountable Cabinet Member:	Cllr Brandon Eldred

1. Purpose

1.1 To present the draft Statement of Accounts (SoA) 2015/16 and draft Annual Governance Statement (AGS).

2. Recommendations

2.1 That the Audit Committee notes the draft SoA 2015/16 and draft AGS.

3. Issues and Choices

3.1 Report Background

3.1.1 The SoA 2015/16 is currently undergoing both external audit and public inspection in line with the Accounts and Audit Regulations and is being brought to Audit Committee now to provide an opportunity to review and comment on them before they are finalised and brought to this committee for approval in September 2016.

3.1.2 The Council produced its draft SoA in line with the statutory timescales and it was signed by the Chief Finance Officer (CFO) on 30 June 2016, by the statutory deadline of the end of June 2016. The CFO is satisfied that the pre-audit SoA present fairly the financial position of the Council at 31 March 2016.

Financial Position

3.1.1 The Core Statements at section E of the Accounts show no net increase or decrease to general fund working balances 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.

3.1.2 The level of General Fund and HRA working balances at 31 March 2016 are shown below.

Reserve	Amount (£m) 31 March 2016	Amount (£m) 31 March 2015
General Fund working balance	5.470	5,470
HRA working balance	5.000	5.000

Draft Annual Governance Statement (AGS)

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

3.1.4 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.

Next Steps

3.1.5 The public inspection period, when members of the public can come and inspect the accounts, is due to end on 11 August 2016. The public can also ask questions of the auditor during the inspection period.

3.1.6 The auditors will complete their final audit during August, and plan to provide their audit opinion and ISA260 report for management comment in time for the final SoA to be brought to Audit Committee for sign off on 5 September 2016.

3.3 Choices (Options)

3.3.1 The report is only for noting, however the Committee may propose amendments to the draft SoA, for example to the narratives in the Explanatory Foreword.

3.3.2 The Committee may have questions or comments on the draft Accounts or Annual Governance.

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 2015/16.

4.3 Legal

4.3.1 There are no legal implications arising from this report.

4.4 Equality

4.4.1 There are no equality implications arising from this report.

4.5 Consultees (Internal and External)

4.5.1 Management Board has been consulted on the draft SoA and AGS.

4.5.2 The SoA, accompanied by the draft AGS, is currently undergoing 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:

5.1.1 Accounts and Audit Regulation 2011

5.1.2 The Code of Practice on Local Authority Accounting 2015/16

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

Glenn Hammons
Chief Finance Officer, Telephone 01604 366521

Statement of Accounts 2015–16 DRAFT

NORTHAMPTON
BOROUGH COUNCIL

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1. INTRODUCTION

The Statement of Accounts for Northampton Borough Council provides a picture of the Council's financial position at 31st March 2016 and a summary of its income and expenditure in the year to 31st March 2016. 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 Northampton Borough Council's Audit Committee at the meeting on the 5th September 2016.

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

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

An explanation of each of these statements accompanies each statement.

3. REVIEW OF THE FINANCIAL YEAR 2015/16

3a. Financial climate in 2015/16

In 2015 the annual growth in the UK's Gross Domestic Product (GDP) was 2.2%. The growth in 2015 was the lowest rate recorded in the last three years, but it still means that the UK economy is growing at one of the fastest rates in the developed world. Based on forecasts by the International Monetary Fund (IMF) this growth is expected to continue for 2016 and 2017. The UK economy is still operating with an annual deficit and the Government has stated its commitment to a balanced budget by 2020. Due to the depth of the downturn this is longer than previously envisaged.

Since 2010 government funding for local government has reduced by approximately 40% in real terms. A new Government was elected in May 2015 and have subsequently mad a number of announcements, including the Summer Budget (July 2015), Spending Review (November 2015) and the Provisional Local Government Finance Settlement (December 2015). The key headlines from these announcements were:

- Local Government funding will reduce from £21.9bn to £17.8bn by 2019/20;
- Switch of funding towards councils with social care responsibilities;
- Switch of funding from rural to urban areas;
- Proposals to review New Homes Bonus, including an £800m reduction in funding;
- The introduction of the “Core Spending Power” which includes assumptions from Government about increases in council tax levels and rises in the taxbase;
- An offer of a four year deal from Government to provide more certainty for councils to assist in planning service provision over the medium term;
- Social housing changes, including a 15 per annum reduction in rents and changes to Rights to Buy;
- A proposal to move to a 100% business rates retention scheme by 2020.

3b. Local position

The national economic position has had, and continues to have, specific impacts locally. There is significant risk in relation to key income streams, such as investment income, planning income, and building control income, as well as future prices in cost areas where markets and inflation rates are unstable. Additional funding risks falling on local authorities as an inherent part of the changes around retention of business rates in particular will need to be monitored.

Challenging Finance Settlements from central government are materially reducing funding. Through medium term planning processes the Council must examine its net expenditure to meet the limitations of its funding.

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:
http://www.northamptonboroughcouncil.com/councillors/documents/s49036/Cabinet%20February%202016%2002%2024%20-%20v3.pdf

3c. Performance Indicators

The Council monitors progress against performance indicators on a monthly, quarterly and annual basis. A number of agreed corporate priority indicators are reported to Cabinet and Overview and Scrutiny Committee, who review performance every quarter. At the end of each year a report is produced that summarises how well the Council performed against the targets. This report will be published in September 2016.

The full performance outturn report will be published on the Council’s website here:
http://www.northampton.gov.uk/info/200009/council_performance/1554/all_measure_report

3d. Significant events in 2015/16

Northampton Town Football Club (NTFC) – Impairment of Loan £10.25m

As has been well documented, during 2013/14 NBC advanced £10.25m to Northampton Town Football Club (NTFC) to carry out works to improve stadium facilities at Sixfields (£9m) and to develop a hotel at Sixfields (£1.25m). The stadium improvement, hotel and loan were part of a planned wider development agreement for land around Sixfields for retail and housing purposes.

However, following failure by NTFC to pay due payments on the loan interest between May and September 2015, NBC made the decision to protect the public purse and exercised its rights under the loan agreement requiring immediate repayment of the remaining £10.22m of loans in totality (consisting of the original loan of £10.25m less repayments that had been made). When this did not materialise, the Council took action to formally cancel the loan agreements.

In November 2015, new owners purchased NTFC. In order for NBC to recover the full £10.22m from the previous owners, the Council agreed to assign the £10.22m loan debt from NTFC back to NBC. This loan has been fully impaired in NBC's accounts for 2015/16.

Reviews and investigations with regards to the loan and the land development at Sixfields are ongoing, and encompass:

- An Internal Audit review by NBC's Internal Auditors PwC into the Council's processes and procedures, to be reported to NBC's Audit Committee;
- An External Audit review by NBC's External Auditors KMPG;
- A Police Investigation into any potential criminal activity behind the previous owners of NTFC and associated companies.

Full details of reports and decisions made by Full Council and the Cabinet can be found on the NBC website
http://www.northampton.gov.uk/

Loan to University of Northampton - £46m

In 2015-16 the Council entered into a third party loan agreement to the value of £46m with the University of Northampton (UoN), to support the relocation of its campus to a new Waterside location in the Northampton Enterprise Zone. This investment into the town centre will support the regeneration of the town and the local economy. The Local Enterprise Partnership SEMLEP supported the UoN project and successfully applied for access to a concessionary rate of borrowing from the Public Works Loans Board. Under the loan agreement two loans were drawn down by the UoN through NBC in March 2016, comprising a 5 year £28.5m maturity loan and a 40 year £17.5m annuity loan. Both loans have been funded by PWLB concessionary rate (the "project rate") and have been guaranteed by HM Treasury.

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 £000s	Gross Income £000s	Net Expenditure £000s
General Fund			
Service costs (excl. benefits)	55,043	-29,664	25,379
Benefits	71,345	-70,451	894
Housing Revenue Account			
Service costs	28,046	-56,801	-28,754

Capital Expenditure	Capital Investment £000s	Sources of Finance £000s
General Fund Capital	33,693	-33,693
Housing Revenue Account Capital	58,955	-58,955

Total Service/ Capital	£000s	£000s
Total Service and Capital	**247,082**	**-249,563**

Assets and Liabilities	Liabilities £000s	Assets £000s	Net Assets £000s
Assets and Liabilities	-431,850	725,111	293,261

Gross Income collected by NBC	£000s
Council Tax	-96,787
National Non-Domestic Rates	-102,497

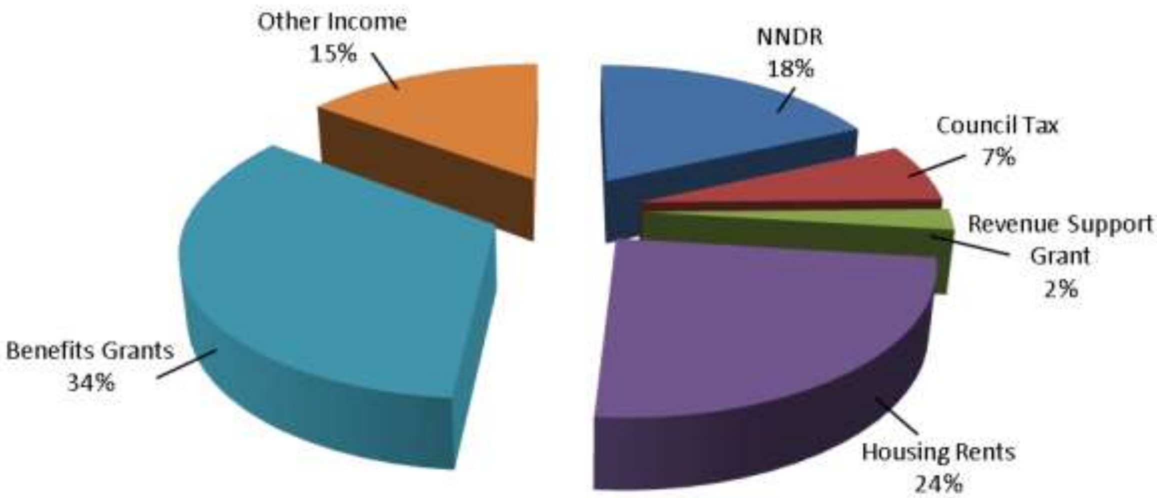
Further information about some of these transactions and balances can be found in the following sections 5 and 6 of the Narrative Report and also in the Statement of Accounts.

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

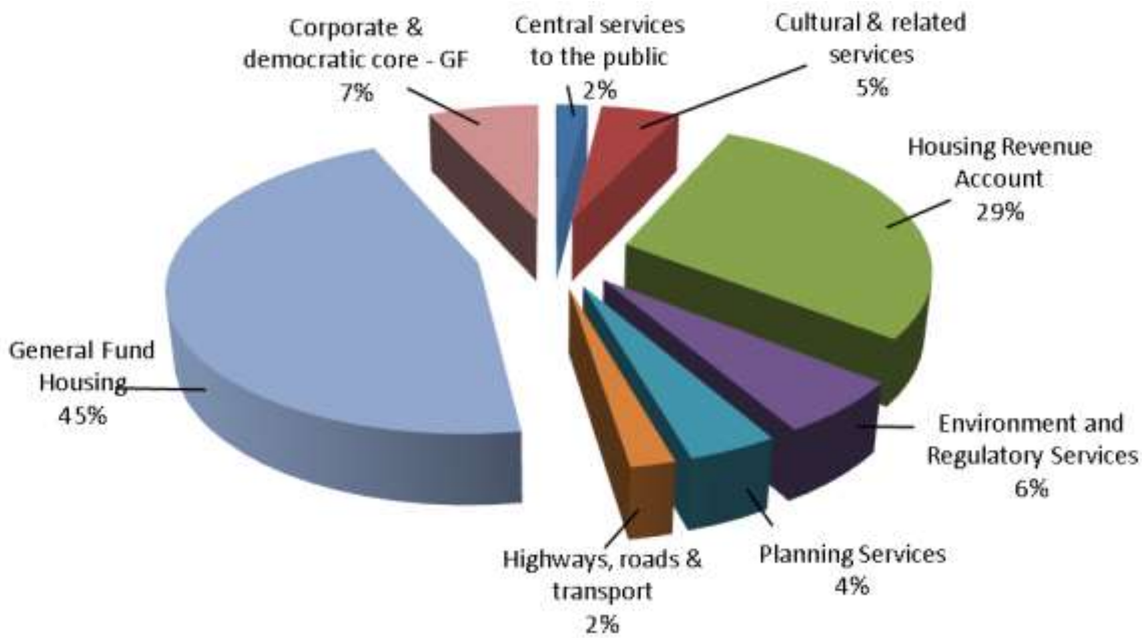
5a. Income and Expenditure

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. This does not include income collected through the Collection Fund. The following pie charts show the various sources of income that the Council received, and then how this money was spent.

Council Income (total £216m)



Council Expenditure (£183m)



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 £26.234m in 2015/16 to deliver key services to the community it serves (including gross expenditure of £126.388m). The following table summarises the net position for the general Fund for 2015/16:

General Fund Account	Net Budget £000s	Net Actual £000s	Variance £000s
Director of Regeneration, Enterprise and Planning	1,006	264	-742
Housing and Wellbeing	1,137	1,394	257
Borough Secretary	2,442	2,364	-78
Director of Customers & Communities	11,129	10,736	-393
Corporate and LGSS	10,520	10,880	360
Total within Budget Managers Control	**26,234**	**25,638**	**-596**
Planning Appeals and Delapre Abbey	0	635	635
Capital Expenditure charged to Revenue Account	0	2,172	2,172
Net Support Service Recharges	-2,555	-2,125	430
Interest and Financing	3,011	2,389	-622
Parish Precepts & Grants	1,001	1,001	0
Government Funding	-7,087	-7,087	0
Council Tax	-13,997	-13,997	0
Council tax Freeze Grant	-152	0	152
Non specific grants (mainly New Homes Bonus)	-3,836	-4,161	-325
Technical Accounting Adjustments	**-23,615**	**-21,174**	**2,442**
General Fund (under) / over spend	**2,619**	**4,464**	**1,845**
Net Contribution to/(from) Reserves	-2,619	-4,464	-1,845
General Fund Deficit (Surplus)	**0**	**0**	**0**
Balance b/fwd		-5,470	
Balance carried forward		**-5,470**	

This position will be reported at the Cabinet meeting on 13th July 2016.

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. The figures below show the net position. The gross expenditure was £28.046m. A summary of the net position of the Housing Revenue Account is shown below:

Housing Revenue Account	Net Budget £000s	Net Actual £000s	Variance £000s
Expenditure			
Net Service Expenditure	-6,250	-6,029	221
Interest & Capital Financing Adjustments	6,250	6,029	-221
(Surplus)/Deficit for the year	**-0**	**0**	**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 £1.622m to support revenue expenditure during the year.

This position will be reported at the Cabinet meeting on 13th July 2016.

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 2015/16, the gross income collected within the Collection Fund by NBC was as follows:

Gross Income collected by NBC	£000s
Council Tax	-96,787
National Non-Domestic Rates	-102,497

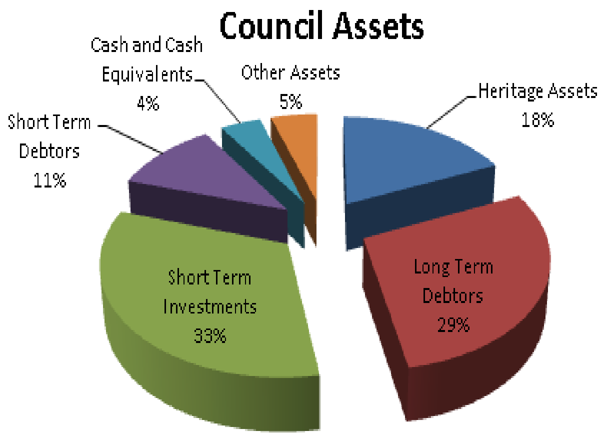
For further details please see The Collection Fund statement and accompanying notes at Section H of the accounts.

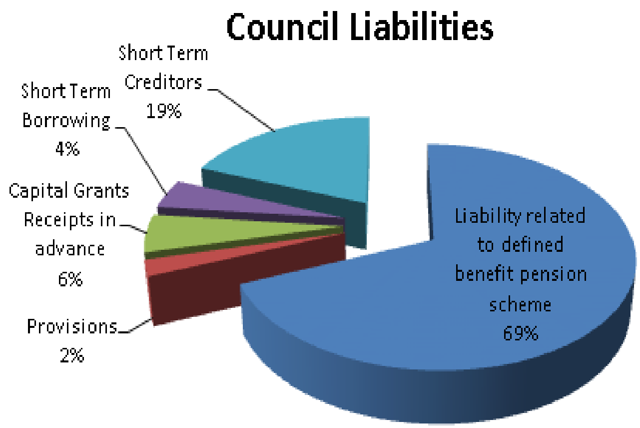
6. ASSETS AND LIABILITIES: WHAT THE COUNCIL OWNS AND WHAT THE COUNCIL OWES

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 2015/16 capital expenditure.

Capital Expenditure and Financing	Budget £000s	Actual £000s	Variance £000s
Expenditure			
Housing Revenue Account Schemes	36,148	33,693	-2,455
General Fund Housing Schemes	2,125	1,557	-568
Other General Fund Schemes	64,409	57,398	-7,011
Total Capital Expenditure	102,682	92,648	-10,033
Sources of Financing			
Major Repairs Allowance		21,897	
Revenue Contributions to Capital Expenditure		11,255	
Grants & Contributions		2,878	
Capital Receipts		5,468	
Borrowing		51,150	
		92,648	

Capital Programme spending in 2015/16 was some £10.0 m (10%) below budget. A large proportion (£7.3m) 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 (2016/17). 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	33,114
Other Capital Works	22
Repurchase of Former Council Housing	557
HRA Total	**33,693**
General Fund	
Information Technology	153
Corporate Buildings	2,925
Greyfriars Bus Demolition	1,277
Parks & Open Spaces	364
Delapre Abbey Restoration	2,928
Vulcan Works	360
Bus Interchange	11
Capital Loans	46,300
Enterprise Zone	65
Other Capital Works	1,070
Revenue Expenditure Funded from Capital under Statute	3,502
General Fund Total	**58,955**
Total	**92,648**

6c. Capital Receipts

During 2015/16 the Council generated General Fund capital receipts from the sale of land and buildings of £1.6m.

HRA capital receipts of £5.0m were generated mainly from the sale of council dwellings under the Right-to-Buy Scheme. Of this total almost £1.091m was paid over to central government under pooling arrangements. The remainder was either set aside to fund replacement dwellings or 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 £000s	General Fund £000s	Third Party £000s	Total £000s
Long Term Borrowing - PWLB	184,065	14,300	51,152	**249,517**
Long Term Borrowing - LOBOs	9,069	0	0	**9,069**
Homes & Communities Agency	0	1,124	0	**1,124**
Growing Places Fund	0	6,754	0	**6,754**
Local Infrastructure Fund	0	1,072	0	**1,072**
Long Term Finance Leases	0	192	0	**192**
Other Short Term Borrowing	0	245	0	**245**
Total	**193,134**	**23,687**	**51,152**	**267,973**

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

Borrowing decisions are made with reference to prudential indicators that ensure that borrowing is prudent, affordable and sustainable. The prudential indicators for external borrowing for 2015-16, the operational boundary and the authorised limit, were set at £310m and £320m respectively. External borrowing as at 31 March 2016 was within these limits at £267.973m as per the above table.

The capital financing requirement as at 31 March 2016 was £299.903m, as per note 40 to the core statements.

The prudential indicator for gross debt and the capital financing requirement (CFR) is the key indicator of prudence, measuring whether external borrowing exceeds the closing CFR in the preceding year plus the estimates of any additional capital requirement for the current and next two financial years. The council's external borrowing figure at 31 March 2016 is below the latest forward looking CFR forecast of £328m as at the end of March 2019, agreed by Council in February 2016.

New capital programme expenditure of £51m was financed by borrowing during 2015-16. This included £46m of external borrowing at the PWLB 'project rate' for loans to the University of Northampton, and £5m of internal borrowing (i.e. from cash balances).

Existing long term external borrowing was reduced by £2m as a result of the maturity of a PWLB loan. Principal repayments on annual annuity and EIP loans totalled £240k.

The current net book value (fair value) of the Council's property plant and equipment (non-current assets) is £549m, of which £422m relates to council dwellings.

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 decrease in year on the overall pension liability of £28.9m. This is largely as a result of an increase in the net discount rate over this period, the positive impact of which has outweighed the likely lower than expected asset returns.

7. 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	**Chris Randall** **Interim 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 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 2016.

G Hammons
Glenn Hammons – Chief Finance Officer (S151)
Date: 30th June 2016

Approval by Audit Committee

I confirm that these audited accounts were approved by the Audit Committee at the meeting held on 5th September 2016.

Councillor Penelope Flavell – 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 2015/16 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 2015/16 (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.

<u>**Capital Accounting**</u>

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. Valuations are carried out in accordance with IFRS Fair Value Measurement.

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

Valuations are completed as follows:

- **Intangible Assets -** the Authority recognises Intangible Assets at cost. The Authority will revalue intangible assets annually where there is determinable market value for the asset.
- **Property Plant and Equipment -** Property Assets are held at fair value, which is the amount that would be paid for the asset in its existing use. This requirement is met by providing a valuation on the basis of exiting use value (EUV) in accordance with IFRS 13. As a matter of last resort, where no other valuation method can be used, depreciated replacement cost is used.
    - **Council Dwellings –** Land and building structure are valued at EUV for Social Housing, being 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 shown within the Movement in Reserves Statement. 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 Statement is shown on the next page.

Movement in Reserves Statement	Single Entity Accounts									
	General Fund Balance £000s	Earmarked GF Reserves £000s	Housing Revenue Account £000s	Earmarked HRA Reserves £000s	Major Repairs Reserve £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Total Usable Reserves £000s	Total Unusable Reserves £000s	Total Authority Reserves £000s
Balance at 31 March 2014 Brought forward	**-3,643**	**-25,381**	**-5,000**	**-16,295**	**-9,405**	**-2,357**	**-3,812**	**-65,894**	**-172,039**	**-237,933**
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
Other Comprehensive Expenditure and Income **(Note 9)**	0	0	0	0	0	0	0	0	15,529	15,529
Total Comprehensive Expenditure and Income	**10,395**	**0**	**-37,637**	**0**	**0**	**0**	**0**	**-27,242**	**15,529**	**-11,713**
Net (Increase)/Decrease before transfers	**10,395**	**0**	**-37,637**	**0**	**0**	**0**	**0**	**-27,242**	**15,529**	**-11,713**
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
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**
Transfers (to)/from Earmarked Reserves **(Note 8)**	1,746	-1,746	3,535	-3,535	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**
Balance at 31 March 2015 Carried forward	**-5,470**	**-27,127**	**-5,000**	**-19,830**	**-9,288**	**-11,972**	**-5,064**	**-83,753**	**-165,894**	**-249,646**
Movement in reserves during 2015/16										
(Surplus) or deficit on provision of services **(Note 31c)**	10,350	0	-19,989	0	0	0	0	-9,639	0	-9,639
Other Comprehensive Expenditure and Income **(Note 9)**	0	0	0	0	0	0	0	0	-33,977	-33,977
Total Comprehensive Expenditure and Income	**10,350**	**0**	**-19,989**	**0**	**0**	**0**	**0**	**-9,639**	**-33,977**	**-43,616**
Net (Increase)/Decrease before transfers	**10,350**	**0**	**-19,989**	**0**	**0**	**0**	**0**	**-9,639**	**-33,977**	**-43,616**
Adjustments between accounting basis and funding basis under regulations **(Note 7)**	-5,886	0	21,608	0	9,288	1,020	471	26,501	-26,501	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**4,464**	**0**	**1,619**	**0**	**9,288**	**1,020**	**471**	16,862	**-60,478**	**-43,616**
Transfers (to)/from Earmarked Reserves **(Note 8)**	-4,464	4,464	-1,619	1,619	0	0	0	0	0	0
(Increase) / Decrease in Year	**0**	**4,464**	**0**	**1,619**	**9,288**	**1,020**	**471**	16,862	**-60,478**	**-43,616**
Balance at 31 March 2016 Carried forward	**-5,470**	**-22,663**	**-5,000**	**-18,211**	**0**	**-10,952**	**-4,593**	**-66,889**	**-226,372**	**-293,262**

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 statement is shown on the next page.

Re-stated 2014/15 Gross Expenditure £000s	Re-stated 2014/15 Gross Income £000s	Re-stated 2014/15 Net Expenditure £000s	COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	2015/16 Gross Expenditure £000s	2015/16 Gross Income £000s	2015/16 Net Expenditure £000s
			INCOME AND EXPENDITURE ON SERVICES			
3,579	-1,494	2,085	Central services to the public	3,227	-1,545	1,682
			Cultural, Environmental & Planning			
10,059	-2,655	7,404	Cultural & related services	9,506	-2,749	6,757
10,113	-3,598	6,515	Environment and Regulatory Services	10,772	-4,552	6,220
20,740	-5,030	15,710	Planning Services	7,121	-2,392	4,729
14,303	-3,116	11,187	Highways, Roads & Transport	3,648	-3,337	311
			Housing			
55,458	-87,075	-31,617	Housing Revenue Account	52,265	-80,855	-28,590
85,152	-79,936	5,216	General Fund Housing	83,573	-77,799	5,774
557	0	557	Corporate & Democratic Core - HRA	520	0	520
1,842	-64	1,778	Corporate & Democratic Core - GF	11,913	-47	11,865
3	-8,760	-8,757	Non Distributed Costs	64	-12	52
201,806	**-191,728**	**10,078**	**COST OF SERVICES**	**182,609**	**-173,290**	**9,320**
20,368	-15,238	5,130	Other Operating Expenditure **(Note 10)**	11,919	-8,394	3,525
20,994	-8,767	12,227	Financing and Investment Income and Expenditure **(Note 11)**	17,528	-7,089	10,439
37,823	-92,500	-54,676	Taxation and Non-Specific Grant Income **(Note 12)**	33,024	-65,945	-32,921
		-27,241	**(Surplus) or Deficit on Provision of Services**			**-9,637**
		-1,335	Surplus or deficit on revaluation of Property, Plant and Equipment assets			-8,735
		16,864	Actuarial gains / losses on pension assets/liabilities			-25,242
		15,529	**Other Comprehensive Income and Expenditure (Note 9)**			**-33,977**
		-11,712	**TOTAL COMPREHENSIVE INCOME AND EXPENDITURE**			**-43,614**

E3 BALANCE SHEET

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

31st March 2015 £000s	Balance Sheet	31st March 2016 £000s	Notes
509,188	Property, Plant & Equipment	548,865	**13**
29,484	Heritage Assets	32,364	**14**
7,295	Investment Property	6,752	**15**
1,035	Intangible Assets	721	**16**
2,507	Long Term Investments	0	**17g**
15,090	Long Term Debtors	51,193	**20**
564,599	**Long Term Assets**	**639,895**	
33,111	Short Term Investments	38,122	**17g**
10,031	Short Term Available for Sale Financial Instruments	19,626	**17g**
1,474	Assets Held for Sale	1,162	**22**
72	Inventories	47	**18**
24,322	Short Term Debtors	18,656	**20**
19,326	Cash and Cash Equivalents	7,603	**21**
88,336	**Current Assets**	**85,216**	
-2,628	Short Term Borrowing	-7,444	**17e**
-26,944	Short Term Creditors	-31,698	**23**
-1,993	Provisions	-4,058	**24**
-31,565	**Current Liabilities**	**-43,201**	
-7,377	Long Term Creditors	-10,148	**38**
-29	Provisions	-53	**24**
-221,289	Long Term Borrowing	-260,337	**17f**
-143,028	Other Long Term Liabilities	-118,111	**41b/45**
-371,723	**Long Term Liabilities**	**-388,649**	
249,648	**Net Assets**	**293,261**	
83,752	Usable Reserves	66,888	**MiRS**
165,895	Unusable Reserves	226,373	**26**
249,647	**Total Reserves**	**293,261**	

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.

2014/15 £000s	Cashflow Statement	2015/16 £000s
27,241	Net Surplus or (deficit) on the provision of services	9,637
19,377	Adjustment to surplus or deficit on the provision of services for noncash movements	26,324
-40,165	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	-8,870
6,453	**Net Cashflows from Operating Activities**	**27,091**
-25,513	Net Cashflows from Investing Activities	-86,476
-3,674	Net Cashflows from Financing Activities	47,662
-22,734	**Net increase or decrease in cash and cash equivalents**	**-11,723**
42,060	Cash and Cash Equivalents at the Beginning of the Reporting Period	19,326
19,326	**Cash and Cash Equivalents at the End of the Reporting Period**	**7,603**

1. PRIOR YEAR ADJUSTMENTS

There have been no material prior periods adjustments identified that require disclosure within Note 1 of the accounts for 2015/16.

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

The Code of practice on Local Authority Accounting in the United Kingdom (The Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2016/17 Code:

IAS 1 Presentation of Financial Statements; this standard provides guidance on the form of the financial statements. The "Telling the Story" review of the presentation of the Local Authority financial statements as well as the December 2014 changes to IAS 1 under the International Accounting Standards Board (IASB) Disclosure Initiative will result in changes to the format of the accounts in 2016/17. The format of the Comprehensive Income and Expenditure Statement and the Movement in Reserves will change and introduce a new Expenditure and Funding Analysis.

Other minor changes due to Annual Improvement to IFRS cycles, IFRS11 Joint arrangements, IAS 16 Property Plant and Equipment, IAS 38 Intangible Assets and IAS 19 Employee Benefits are minor and are not expected to have a material effect on the Council's Statement of Accounts.

The Code requires implementation from 1 April 2016 and there is therefore no impact on the 2015/16 Statement of Accounts.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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.

A judgement on the ability of Northampton Town Football Club to repay its loan from the council has been made, with the full remaining balance of £10.22m being impaired (loan amount of £10.25m less repayments), see Narrative Report – Significant Events in 2015/16 and note 42, Impairment for details.

Valuations of Council Dwellings have been based on the latest Government guidance.

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

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

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 2016 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 £0.324m for every year that useful lives had to be reduced.
Property, Plant and Equipment (excluding land) - Valuations	Assets are valued each year by professional valuers using appropriate valuation methods, judgements, and assumptions. Council dwellings are valued as at 1 April annually, non investment properties with a closing value of over £300k the previous year are revalued mid-year, and other non-investment property is valued on a 5-year rolling programme part way through the year. The assumptions used and timings of these valuations introduce a degree of estimation risk if property values differ from the valuations used.	The net book value of an asset at 31 March is the value of that asset as it appears on the Balance sheet. - A 1% variation in value on Dwellings is equivalent to £4.279m - A 1% variation in value on other operational property is equivalent to £1.311m

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Benefit Overpayments Provision	The Authority has made a provision of £5.500m 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 89.27% 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 £0.187m for actual insurance claims outstanding and a reserve of £1.215m 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 £117.919m. Liabilities are measured on an actuarial basis, estimating future cash flows discounted to present values. This estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	If the principal assumptions used to measure the liability were to differ, then the increase in liability would be: - 0.5% decrease in discount rate = £24.302m - 1 year increase in life expectancy = £8.434m - 0.5% salary increase = £4.351m - 0.5% increase in Pensions rate = £19.789m
Arrears	The General Fund has provided for a bad debt provision of £1.453m. This is based on modelled assumptions of the amount of debt cleared at various time points. The model is based on past recovery rates but any changes in the economic climate could impact on the recovery of outstanding debts.	The amount of debt having a provision against it equates to £2.805m. Therefore any changes in the recovery of our debts will have a maximum impact of £1.350m.
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 £3.861.m. This is based on appeals that had been lodged and were outstanding at 31 March 2016. Contingent liabilities have been disclosed in relation to the risk of new appeals that may come forward in the future and other appeals/risks that have been currently assessed as not meeting the IAS 37 criteria for requiring a provision as at 31st March 2016.	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

For the financial year 2015/16, NBC had four material items of income and expense.

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 2015/16 was £6.6m.
2) The second item relates to the contract with LGSS to cover the majority of the councils back office functions (H.R., Finance, ICT and HR etc.) The contract cost in relation to this item in 2015/16 was £7.59m.
3) The Third item relates to the loan of funds to Northampton Town Football Club. In 2015/16 the loan to NTFC was Impaired to the value of £10.22m (loan amount of £10.25m less repayments), see narrative report, significant events in 2015/16 and note 42.
4) The following expenditure on Housing Benefits has also made:

Rent Allowances of £40.35m
Rent Rebates of £30.99m

The grant income from DWP in respect of this expenditure is disclosed within Note 38.

6. EVENTS AFTER THE BALANCE SHEET DATE

There have been no events after the balance sheet date that require disclosure.

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.

2015/16	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	-2,565	0	0	-8,680	0	0	-11,245	11,245
Impairment of Long Term debtors	-10,219	0	0	0	0	0	-10,219	10,219
Revaluation gains on PPE	2,149	24,055	0	0	0	0	26,204	-26,204
Revaluation losses on PPE	-3,059	-13,806	0	0	0	0	-16,865	16,865
Movements in the market value of Investment properties	-134	5	0	0	0	0	-129	129
Amortisation of Intangible assets	-326	0	0	0	0	0	-326	326
Capital Grants & contributions applied (if any)	2,676	0	0	0	0	0	2,676	-2,676
Income in relation to donated assets if any	0	0	0	0	0	0	0	0
Revenue expenditure funded from capital under statute	-3,502	0	0	0	0	0	-3,502	3,502
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	-731	-6,917	0	0	0	0	-7,648	7,648
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement								
Statutory provision for the financing of capital investment	1,262	0	0	0	0	0	1,262	-1,262
Capital expenditure charged against the General Fund and HRA balances	1,830	9,424	0	0	0	0	11,255	-11,255
Balance of MRA							0	0
Total Adjustments primarily involving the Capital Adjustment Account	**-12,619**	**12,761**	**0**	**-8,680**	**0**	**0**	**-8,539**	**8,539**

2015/16	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	-269	0	0	0	0	269	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	203	203	-203
Total Adjustments primarily involving the Capital Grants Unapplied Account	**-269**	**0**	**0**	**0**	**0**	**472**	**203**	**-203**
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	1,609	4,994	0	0	-6,602	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	0	6,416	0	6,416	-6,416
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	-131	0	0	131	0	0	0
Contribution from the Capital Receipts Reserve tofinance payments to Government Capital Receipts pool	-1,091	0	0	0	1,091	0	0	0
Transfer from Deferred Capital receipts Reserve upon receipt of cash	0	0	0	0	-15	0	-15	15
Total Adjustments primarily involving the Capital Receipts Reserve	**517**	**4,863**	**0**	**0**	**1,021**	**0**	**6,401**	**-6,401**
Adjustment primarily involving the Major Repairs Reserve:								
Reversal of major Repairs Allowance credited to the HRA	0	3,930	0	-3,930	0	0	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	21,898	0	0	21,898	-21,898
Total Adjustment primarily involving the Major Repairs Reserve	**0**	**3,930**	**0**	**17,968**	**0**	**0**	**21,898**	**-21,898**

2015/16	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	925	0	0	0	0	0	925	-925
Adjustments primarily involving the Pensions Reserve:								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and expenditure Statement	-6,574	-7	0	0	0	0	-6,581	6,581
Employer's pensions contributions and direct payments to pensioners payable in the year	6,038	62	0	0	0	0	6,100	-6,100
Total Adjustments primarily involving the Pensions Reserve	**-536**	**55**	**0**	**0**	**0**	**0**	**-481**	**481**
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	6,093	0	0	0	0	0	6,093	-6,093
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	0	0	0	0	0	0	0	0
Total Adjustments	**-5,888**	**21,609**	**0**	**9,288**	**1,020**	**472**	**26,500**	**-26,500**

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
Impairment of Long Term debtors	0	0	0	0	0	0	0	0
Revaluation gains on PPE	946	33,261	0	0	0	0	34,207	-34,207
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**

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 2015/16.

Earmarked Reserve	Balance at 31 March 2014 £000s	Additions to Reserve 2014/15 £000s	Use Of Reserve 2014/15 £000s	Balance at 31 March 2015 £000s	Additions to Reserve 2015/16 £000s	Use Of Reserve 2015/16 £000s	Balance at 31 March 2016 £000s
General Fund							
General Revenue Grants (Ringfenced)	2,712	949	-557	3,105	2	-538	2,569
S106 Contributions	2,425	148	-95	2,479	53	-285	2,247
Total Ringfenced Grants & Contributions	**5,137**	**1,098**	**-652**	**5,583**	**55**	**-823**	**4,815**
Borough Secretary Reserves	165	72	0	237	0	-137	100
Customers and Communities Reserves	1,720	1,347	-714	2,353	-170	-130	2,053
Regeneration, Enterprise and Planning Res.	2,803	638	-822	2,619	-1,075	-287	1,257
Housing Reserves	307	0	-135	172	158	0	330
Total Service Related Reserves	**4,995**	**2,057**	**-1,671**	**5,381**	**-1,087**	**-554**	**3,740**
Future Pressures Reserve	3,032	1,812	-1,883	2,961	1,785	-23	4,723
Service Improvements & One-off Investment	0	1,977	0	1,977	1,228	-1,273	1,932
Strategic Investment Reserve	0	1,429	-67	1,362	2,915	-559	3,718
Other Corporate Reserves	1,658	936	-626	1,968	-359	-515	1,094
Total Corporate Reserves	**4,690**	**6,154**	**-2,576**	**8,268**	**5,569**	**-2,370**	**11,467**
Insurance Reserve	2,484	750	-1,471	1,763	0	-547	1,216
Rates Retention Deficit Funding	3,281	1,683	-114	4,850	882	-5,214	518
Other Technical Reserves	1,136	370	-222	1,284	-230	-145	909
Total Technical Reserves	**6,901**	**2,803**	**-1,807**	**7,897**	**652**	**-5,906**	**2,643**
Total General Fund	**21,723**	**12,112**	**-6,706**	**27,129**	**5,189**	**-9,653**	**22,665**
HRA							
HRA Reserves	12,999	4,068	0	17,067	0	-1,621	15,446
HRA Supporting People Reserve	558	0	0	558	0	0	558
HRA Reform Reserve	873	0	-865	8	0	0	8
HRA Leaseholder Reserve	168	332	0	500	0	0	500
HRA Service Improvement Reserve	1,395	0	0	1,395	0	0	1,395
HRA Insurance Reserve	300	0	0	300	0	0	300
Total HRA	**16,294**	**4,400**	**-865**	**19,829**	**0**	**-1,621**	**18,208**
Total Earmarked Reserves	**38,017**	**16,512**	**-7,571**	**46,958**	**5,189**	**-11,274**	**40,873**

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.

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

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 2016-21.

Service Improvements and one-off Investments
Used to fund one-off investments leading to improved efficiency and service delivery.

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 2016-21.

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

Other 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. Rates retention deficit funding 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

2014/15 £000s	Other Comprehensive Income & Expenditure	2015/16 £000s
	Revaluation Reserve	
-2,943	General Fund Revaluation Gains	-6,507
2,411	General Fund Revaluation Losses	763
-831	HRA Revaluation Gains	-3,052
28	HRA Revaluation Losses	61
-1,335	**Total**	**-8,735**
16,864	**Actuarial Gains & Losses to the Pensions Reserve**	**-25,242**
15,529	**Other Comprehensive Expenditure and Income**	**-33,977**

10. OTHER OPERATING EXPENDITURE

2014/15 £000s	Other Operating Expenditure	2015/16 £000s
1,046	Parish council precepts	1,022
-21	Levies	-21
955	Payments to the Government Housing Capital Receipts Pool	1,091
1,418	Trading	257
1,732	Gains/Losses on the disposal of non-current assets	1,176
5,130	**Total**	**3,525**

11. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2014/15 £000s	Financing And Investment Income And Expenditure	2015/16 £000s
8,121	Interest payable and similar charges	7,385
5,555	Pensions interest cost and expected return on pensions assets	4,501
-1,327	Interest receivable and similar charges	-1,155
-122	Income and expenditure in relation to investment properties and changes in their fair value	-292
12,227	**Total**	**10,439**

12. TAXATION AND NON SPECIFIC GRANT INCOME

Restated 2014/15 £000s	Taxation And Non Specific Grant Income	2015/16 £000s
-13,796	Council tax income	-14,508
-22,310	Capital grants and contributions	-1,674
-6,958	Revenue Support Grant	-4,944
-3,662	Non-ring fenced government grants	-4,023
-57	Donated Assets	0
	Non domestic rates, comprising:	
-41,288	Retained Rates	-39,267
32,113	Tarriff Payment	32,727
519	Levy Payment	297
-1,207	Section 31 grants	-1,528
1,968	Other NNDR related transactions	-1
-54,676	**Total**	**-32,921**

13. PROPERTY, PLANT AND EQUIPMENT

a) Movement

Movements in 2015/16	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 2015	**397,631**	**18,826**	**80,672**	**728**	**2,530**	**13,883**	**580**	**4,531**	**519,381**
Additions	33,521	120	1,401	359	0	266	66	4,056	**39,789**
Donations	0	0	0	0	0	0	0	0	**0**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	765	1,717	5,173	157	0	0	1	0	**7,813**
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	2,615	155	-3,315	0	0	0	-202	0	**-747**
Derecognition – disposals	-3,482	-38	-226	-8	0	0	0	0	**-3,754**
Derecognition – other	-3,150	0	0	0	0	0	0	0	**-3,150**
Assets reclassified (to) / from Held for sale	0	0	-184	0	0	-1	-115	0	**-300**
Other movements in cost or valuation	0	0	0	0	0	0	0	0	**0**
At 31 March 2016	**427,900**	**20,780**	**83,521**	**1,236**	**2,530**	**14,148**	**330**	**8,587**	**559,032**
Accumulated Depreciation and Impairment									
At 1 April 2015	**-5,053**	**-879**	**-3,577**	**-166**	**-419**	**-90**	**-9**	**0**	**-10,193**
Depreciation Charge	-8,307	-371	-1,800	-436	-74	-162	-2	0	**-11,152**
Depreciation written out to the revaluation reserve	0	0	0	0	0	0	0	0	**0**
Depreciation written out to the Surplus/Deficit on the Provision of Services	7,046	940	2,691	225	0	0	7	0	**10,909**
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	90	0	4	5	0	0	0	0	**99**
Derecognition – other	171	0	0	0	0	0	0	0	**171**
Other Movements	0	0	0	0	0	0	0	0	**0**
At 31 March 2016	**-6,053**	**-310**	**-2,682**	**-372**	**-493**	**-252**	**-4**	**0**	**-10,166**
Net Book Value									
At 31 March 2015	**392,578**	**17,947**	**77,095**	**562**	**2,111**	**13,793**	**571**	**4,531**	**509,188**
At 31 March 2016	**421,847**	**20,470**	**80,839**	**864**	**2,037**	**13,896**	**326**	**8,587**	**548,866**

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 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	-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**

b) Depreciation

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

c) Revaluations

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

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

The significant assumptions applied in estimating the fair values are:

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

	Council Dwellings £000s	Housing Land & Build. £000s	Other Land & Build. £000s	Vehicles, Plant, Furniture & Equip. £000s	Surplus Assets £000s	Total £000s
Valued at fair value in:						
2015/16	406,914	19,958	70,335	157	42	**497,406**
2014/15	1,043	584	8,293	1,041	215	**11,176**
2013/14	755	61	3,253	0	0	**4,069**
2012/13	19,187	57	1,314	38	72	**20,668**
2011/12	0	120	323	0	0	**443**
Previous Years	0	0	0	0	0	**0**
Total	**427,899**	**20,780**	**83,518**	**1,236**	**329**	**533,762**

d) Information on Assets Held

31 March 2015 Number	Information on Assets Held	31 March 2016 Number
	Operational Assets	
11,883	**Council Dwellings**	11,786
	Other Land and Buildings	
26	Council Houses not used as dwellings - Community Rooms	26
79	Shared Ownership Properties	79
3,127	Council Garages	3,112
21	Other Housing Properties	21
66	Operational Shops	66
62.88ha	Allotments	62.88ha
7	Sports & Leisure Centres	7
24	Community Centres	25
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
17	Surface Pay & Display Car Parks	17
7	Pavilions	7
1	Depots	1
14	Sub-Depots	14
84	**Infrastructure**	83
174	**Vehicles, Plant, Furniture and Equipment**	151
	Community Assets	
925.53ha	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	38
164	Museum Exhibits	164
123	Guildhall Contents	123
15	Mayoral Regalia	15
	Non-operational Assets	
287	Commercial Property (Units)	278
65.97ha	Agricultural Land	65.97ha
1	Golf Course	1
1	Cinepod	1
1	Theatres	1
53	**Intangible Assets**	50

e) Donated Assets

No donated assets were received during 2015/16.

During the financial year 2014/15, the Council received land and building assets valued at £1.759m at 31/3/2016 and a community asset with a value of £0.571m from Homes and Communities Agency. The Museum received one painting and a set of 12 drawings to the value of £57k.

f) Commitments under Capital Contracts

At 31 March 2016, the Authority has two committed contract for the construction or enhancement of Property, Plant and Equipment in 2016/17 and future years budgeted to cost £2,224k.

Scheme	Contractor	2016/17 £000s	2017/18 £000s	2018/19 £000s	Basis of Commitment
Delapre Abbey Restoration	Robert Woodhead Ltd	2,169	0	0	Restoration works
Greyfriars Demolition	DSM Demolition	55	0	0	Demolition works

14. HERITAGE ASSETS

Reconciliation of the heritage assets held by the Authority:

Movements in 2015/16	Historic Buildings& Statuary £000s	Museum Exhibits £000s	Mayoral Regalia £000s	Guildhall Artefacts £000s	Total Heritage Assets £000s
Cost or Valuation					
1 April 2015	**6,080**	**21,718**	**48**	**1,932**	**29,778**
Additions	2,971	0	0	0	**2,971**
31 March 2016	**9,051**	**21,718**	**48**	**1,932**	**32,749**
Accumulated Depreciation and Impairment					
1 April 2015	**-294**	**0**	**0**	**0**	**-294**
Depreciation Charge	-91	0	0	0	**-91**
31 March 2016	**-385**	**0**	**0**	**0**	**-385**
Net Book Value					
at 31 March 2015	**5,786**	**21,718**	**48**	**1,932**	**29,484**
at 31 March 2016	**8,666**	**21,718**	**48**	**1,932**	**32,364**

Heritage Assets	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**
Derecognition - 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**
Depreciation and Impairment					
1 April 2014	**-204**	**0**	**0**	**0**	**-204**
Depreciation	-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**

Buildings and Statuary

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

Museum Exhibits

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

Mayoral Regalia

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

Guildhall Artefacts

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

Enhancements of Heritage Assets

Enhancements on Heritage Assets reflect improvement works undertaken at Delapre Abbey and restorations to various artworks.

Disposals of Heritage Assets

The disposal in 2014/15 relates to the sale of an Egyptian statue at auction.

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:

2014/15 £000s	Investment Properties	2015/16 £000s
522	Rental income from investment property	473
-108	Direct operating expenses arising from investment property	-44
414	**Net (gain) / loss**	**429**

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:

2014/15 £000s	Investment Property Valuations	2015/16 £000s
7,479	**Balance at start of the year**	**7,295**
	Additions:	
223	Construction	1
-262	Subsequent expenditure	-415
-132	**Disposals**	-129
	Transfers:	
-13	to/from Property, Plant and Equipment	0
7,295	**Balance at end of year**	**6,752**

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	592
5 Years	58
10 Years	71
Total	**721**

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £542k charged to revenue in 2014/15 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

2014/15 Other Assets £000s	2014/15 Total £000s	Intangible Assets	2015/16 Other Assets £000s	2015/16 Total £000s
		Balance at start of year		
5,090	5,090	Gross carrying amounts	5,136	5,136
-3,559	-3,559	Accumulated amortisation	-4,101	-4,101
1,531	**1,531**	**Net carrying amount at start of year**	**1,035**	**1,035**
46	46	Purchases	100	100
0	0	Disposals - Gross value	-566	-566
0	0	Disposals - Amortisation	566	566
0	0	Revaluation increases or decreases	95	95
-542	-542	Amortisation for the Period	-509	-509
1,035	**1,035**	**Net carrying amount at end of year**	**721**	**721**
		Comprising:		
5,136	5,136	Gross carrying amounts	4,753	4,753
1,035	**1,035**	**Net carrying amount at end of year**	**721**	**721**

c) Material Items

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

17. FINANCIAL INSTRUMENTS

a) Categories of Financial Instruments

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

Categories of Financial Instruments	Long-Term		Current	
	31 March 2015 £000s	31 March 2016 £000s	31 March 2015 £000s	31 March 2016 £000s
Investments				
Loans and receivables	2,507	0	52,457	45,843
Available for sale financial assets	0	0	10,031	19,626
Debtors				
Loans and receivables	15,090	51,193	13,435	11,180
Borrowings				
Financial Liabilities at amortised cost	-221,289	-260,337	-2,628	-7,444
Other Long Term Liabilities				
PFI and finance leases	-348	-192	0	0
Creditors				
Financial Liabilities at amortised cost	-7,377	-10,148	-15,325	-15,855

b) Reclassifications

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

c) Income, Expense, Gains, and Losses

2014/15					2015/16			
Financial Liabilities measured at amortised cost £000s	Financial Assets: Loans and Receivables £000s	Financial Assets: Available for Sale £000s	Total £000s	Income, Expense, Gains and Losses	Financial Liabilities measured at amortised cost £000s	Financial Assets: Loans and Receivables £000s	Financial Assets: Available for Sale £000s	Total £000s
8,121	0	0	**8,121**	Interest expenditure	7,384	0	0	**7,384**
				Losses on derecognition	0	0	6	**6**
0	1,025	0	**1,025**	Impairment losses	0	1,479	0	**1,479**
0	0	0	**0**	Impairment losses -NTFC	0	10,219	0	**10,219**
8,121	**1,025**	**0**	**9,146**	**Total Expense in Surplus or Deficit on the Provision of Services**	**7,384**	**11,698**	**6**	**19,088**
0	-1,324	0	**-1,324**	Interest income	0	-1,156	0	**-1,156**
0	0	-6	**-6**	Increases in fair value	0	0	-21	**-21**
0	**-1,324**	**-6**	**-1,330**	**Total Income in Surplus or Deficit on the Provision of Services**	**0**	**-1,156**	**-21**	**-1,177**
8,121	**-299**	**-6**	**7,816**	**Net gain/(loss) for the year**	**7,384**	**10,542**	**-15**	**17,911**

The Authority did not have any Assets and Liabilities at Fair Value through Profit and Loss for either 2014-15 or 2015-16?

d) Fair Values of Assets and Liabilities

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

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

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

Items Available for Sale or Fair Value through the Profit and Loss

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

The Council held £19.6m in Certificates of Deposit at 31 March 2016. The fair value has been calculated by using published price quotations.
The Council holds no other available for sale investments.

Items Disclosed on the Balance Sheet at their Carrying Amount

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

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

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

Financial Instruments - Liabilities

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

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

Financial Instruments – Assets

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

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

The fair values are as follows:

Financial Instruments - Liabilities	31 March 2015		31 March 2016	
	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s
Short Term				
Borrowing	-2,628	2,726	-7,444	-7,522
Creditors & Receipts in Advance	-15,325	-15,325	15,855	-15,855
Long Term				
Borrowing	-221,289	-241,626	-260,337	-285,950
Creditors & Receipts in Advance	-7,377	-7,377	-10,148	-10,148
Finance Leases	-348	-348	-192	-192
Financial Liabilities	**-246,967**	**-261,950**	**-262,266**	**-319,667**

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional loss (based on economic conditions at 31st March 2016) arising from a commitment to pay interest to lenders above current market rates.

PWLB loans included above have a carrying value of £249.5m and a fair value of £270.8m. This measures the economic effects of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, as the Debt Management Office provides a transparent approach allowing exit cost to be calculated without undertaking a repayment or transfer it is also appropriate to disclose this exit price. The exit price reflects the fair value of PWLB loans calculated using early redemptions rates instead of new loan rates. If a value is calculated on this basis the carrying amount of £249.5m would be valued at £318.7m.

Financial Instruments - Assets	31 March 2014		31 March 2015	
	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s
Loans & Receivables				
Short Term				
Fixed Term Investments	35,617	35,645	38,122	38,178
Cash and Cash Equivalents	19,347	19,354	7,603	7,612
Debtors	13,435	13,435	11,180	11,180
Long Term				
Long Term Debtors	14,981	14,981	51,093	51,093
Finance Leases	108	108	100	100
Loans & Receivables	83,488	83,523	108,098	108,163

The fair value of the assets at 31 March 2016 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 2016) attributable to the commitment to receive interest above current market rates.

e) Short Term Borrowing

31 March 2015 £000s	Short Term Borrowing	31 March 2016 £000s
100	Billing Parish Council 7 day notice account	120
189	Northampton Volunteer Bureau 7 day notice account	125
24	HCA principal due within 1 year	27
2315	PWLB Loans principal due within 1 year	6,582
0	Growing Places Fund principle due within 1 year	591
2,628	**Total**	**7,445**

f) Long Term Borrowing

31 March 2015 £000s	Long Term Borrowing	31 March 2016 £000s
	Analysis of loans by type	
203,416	Public Works Loan Board	242,935
9,068	Money Market LOBOs	9,069
1,124	Homes & Communities Agency	1,097
6,640	Growing Places Fund	6,163
1,041	Local Infrastructure Fund	1,072
221,289	**Total**	**260,336**
	Analysis of loans by maturity	
6,296	Maturing in 1-2 years	2,863
16,932	Maturing in 2-5 years	50,137
28,522	Maturing in 5-10 years	56,705
169,539	Maturing in over 10 years	150,631
221,289	**Total**	**260,336**

g) Investments

31 March 2015 £000s	Investment Type	31 March 2016 £000s
	Included in Cash and Cash Equivalents	
370	Deposit and Call Accounts	5,250
18,473	Money Market Funds	3,145
18,843	**Total - Cash and Cash Equivalents**	**8,395**
	Investments:	
	Current Investments - Under 1 Year	
33,111	Fixed Term Investments	28,113
	Notice Accounts	10,009
	Long Term Investments - Over 1 Year	
2,507	Fixed Term Investments	0
35,618	**Total - Investments**	**38,122**
	Available for Sale Financial Instruments:	
	Current Investments - Under 1 Year	
10,031	Fixed Term Investments	19,626
10,031	**Total - Available for Sale Financial Instruments**	**19,626**
64,492	**Total**	**66,143**

h) Soft Loans

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

The Council made loans to Northampton Town Football Club (NTFC) to redevelop the Sixfields Stadium at the same interest rate as that available to the Council from the Public Works Loans Board (PWLB). These were assessed as material soft loans. During 2015-16 NTFC became unable to continue the interest and principal repayments on the loans. The loan agreement was terminated and as a consequence the outstanding loan balance was impaired. See Narrative Report -Significant Events and note 42 – Impairments for details.

2014/15 £000s	Material Soft Loans	2015/16 £000s
9,057	**Balance at 1 April 2015**	14,153
5,750	Nominal value of new loans granted in year	0
-609	Fair value adjustment on initial recognition	0
190	Write down of fair value adjustments in year	925
-235	Loans repaid	-235
0	Impairment losses	-10,219
14,153	**Balance at 31 March 2016**	**4,624**

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

18. INVENTORIES

2014/15	Westbridge Depot Main Stores £000s	Other Stores £000s	Total £000s
Balance outstanding at start of year	**69**	**95**	**164**
Purchases	100	106	**206**
Recognised as an expense in the year	-147	-125	**-272**
Written off balances	-22	-4	**-26**
Balance outstanding at year end	**0**	**72**	**72**
2015/16			
Balance outstanding at start of year	**0**	**72**	**72**
Purchases	0	50	**50**
Recognised as an expense in the year	0	-65	**-65**
Written off balances	0	-11	**-11**
Balance outstanding at year end	**0**	**47**	**47**

19. CONSTRUCTION CONTRACTS

In 2015/16, the Council did not have any external construction contracts in progress.

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

20. DEBTORS

Debtors	Long-term 31 March 2015 £000s	Long-term 31 March 2016 £000s	Short-term 31 March 2015 £000s	Short-term 31 March 2016 £000s
Central Government Bodies	0	0	14,102	8,203
Less Impairment Allowance	0	0	0	-3
Central Government Bodies	**0**	**0**	**14,102**	**8,200**
Other Local Authorities	0	0	3,071	3,508
Less Impairment Allowance	0	0	-126	-57
Other Local Authorities	**0**	**0**	**2,946**	**3,451**
NHS Bodies	0	0	3	-2
Less Impairment Allowance	0	0	0	0
NHS Bodies	**0**	**0**	**3**	**-2**
Other Entities & Individuals	15,090	51,193	15,994	16,863
Less Impairment Allowance	0	0	-8,722	-9,856
Other Entities & Individuals	**15,090**	**51,193**	**7,272**	**7,007**
TOTAL	**15,090**	**51,193**	**24,323**	**18,656**

Long term debtors increased in 2015/16 due to £46m loan to University of Northampton, see Narrative Report, significant events.

21. CASH AND CASH EQUIVALENTS

31 March 2015 £000s	Cash and Cash Equivalents	31 March 2016 £000s
10	Cash held by the authority	7
10	**Total Cash & Giro Accounts**	**7**
474	**Operating Account used as part of cash management/ overdraft**	**-799**
370	Deposit Account Facilities with banks	5,250
18,473	Deposits with money market funds	3,145
18,842	**Total Cash Equivalents**	**8,395**
19,326	**Total Cash and Cash Equivalents**	**7,603**

22. CURRENT ASSETS HELD FOR SALE

Current 2014/15 £000s	Assets Held for Sale	Current 2015/16 £000s
1,310	**Balance outstanding at start of year**	**1,474**
	Assets newly classified as held for sale:	
679	Property Plant and Equipment	300
-515	Assets sold	-611
0	Other Movements	-1
1,474	**Balance outstanding at year end**	**1,162**

Note: All assets transferred to Held for Sale in 2015/16 are classified as current assets as disposal within 12 months is anticipated.

23. CREDITORS

31 March 2015 £000s	Creditors	31 March 2016 £000s
-7,078	Central Government Bodies	-10,454
-14,024	Other Local Authorities	-10,359
0	Public Corporations and Trading Funds	0
-5,841	Other entities and Individuals	-10,885
-26,944	**Total**	**-31,698**

24. PROVISIONS

Long Term Provisions

Long Term Provisions	Insurance Provision £000s	Other Provisions £000s	Total £000s
Balance at 1 April 2015	**-24**	**-5**	**-29**
Additional Provisions Made	-27	0	-27
Amounts Used	3	0	3
Balance at 31 March 2016	**-48**	**-5**	**-53**

Short Term Provisions

Short Term Provisions	Insurance Provision £000s	Business Rates Appeals £000s	Accumulated Absences £000s	Total £000s
Balance at 1 April 2015	**-312**	**-1,621**	**-59**	**-1,991**
Additional provisions made	-121	-2,929	0	**-3,050**
Amounts used	195	689	0	**884**
Unused amounts reversed	100	0	0	**100**
Balance at 31 March 2016	**-138**	**-3,861**	**-59**	**-4,057**

a) <u>Insurance Provision</u>

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 2016; an actuarial forecast of future valid claims made against 2015/16 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 2016 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 other risks associated with appeals.

This note excludes the Collection Fund provisions for appeals, which are shown in the Collection Fund notes in section H to these 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 2015 £000s	Unusable Reserves	31 March 2016 £000s
-51,634	Revaluation Reserve	-58,760
1,362	Financial Instruments Adjustment Account	436
-6	Available for Sale Financial Instruments Reserve	-15
-264,109	Capital Adjustment Account	-285,695
-146	Deferred Capital Receipts Reserve	-123
142,680	Pensions Reserve	117,919
5,899	Collection Fund Adjustment Account	-194
59	Short Term Compensated Absences Account	59
-165,896	**Total**	**-226,373**

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.

2014/15			Revaluation Reserve	2015/16		
General Fund £000s	Housing Revenue Account £000s	TOTAL £000s		General Fund £000s	Housing Revenue Account £000s	TOTAL £000s
-53,914	**-6,142**	**-60,056**	**Balance at 1 April**	**-45,146**	**-6,487**	**-51,633**
-2,943	-831	-3,774	Upward Revaluation of assets	-6,507	-3,052	-9,559
2,411	28	2,439	Downward Revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	763	61	824
-532	**-803**	**-1,335**	**Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**	**-5,743**	**-2,991**	**-8,734**
835	164	999	Difference between fair value depreciation and historical cost depreciation	743	196	939
8,465	294	8,759	Accumulated gains on assets sold or scrapped	125	544	669
9,300	**458**	**9,758**	**Amounts written off to the Capital Adjustment Account**	**868**	**740**	**1,608**
-45,146	**-6,487**	**-51,633**	**Balance at 31 March**	**-50,021**	**-8,738**	**-58,759**

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.

2014/15 £000s	Financial Instruments Adjustments Account	2015/16 £000s
943	**Balance as at 1 April**	**1,362**
0	Transitional Arrangements - Unattached Premia	0
419	Soft Loans - Statutory Fair Value Adjustments	-925
1,362	**Balance as at 31 March**	**437**

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.

2014/15 £000s	Available for Sale Financial Instruments Reserve	2015/16 £000s
0	Balance as at 1 April	-6
-6	Upward Revaluation of Investments	-15
-6	**Surplus or Deficit on revaluation of Investments not posted to the Surplus or Deficit on the Provision of Services**	**-21**
0	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure as part of Other Investment Income	6
-6	**Balance as at 31 March**	**-15**

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.

2014/15 General Fund £000s	2014/15 HRA £000s	2014/15 Total £000s	Capital Adjustment Account	2015/16 General Fund £000s	2015/16 HRA £000s	2015/16 Total £000s
-62,569	**-189,308**	**-251,877**	**Balance at 1 April**	**-44,276**	**-219,833**	**-264,109**
			Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:			
4,226	8,939	13,165	Charges for depreciation and impairment of non current assets	2,565	8,680	11,245
0	0	0	Impairment of Long Term Debtors	10,219	0	10,219
16,140	18,124	34,264	Revaluation losses on Property, Plant and Equipment	3,059	13,806	16,865
-945	-33,261	-34,206	Revaluation gains on Property, Plant and Equipment	-2,149	-24,055	-26,204
320	0	320	Amortisation of intangible assets	326	0	326
12,876	0	12,876	Revenue expenditure funded from capital under statute	3,502	0	3,502
9,532	6,145	15,677	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	731	6,917	7,648
42,149	**-53**	**42,096**	**Total**	**18,252**	**5,349**	**23,601**
-9,300	-457	-9,757	Adjusting amounts written out of the Revaluation Reserve	-868	-740	-1,608
32,849	**-510**	**32,339**	**Net written out amount of the cost of the Revaluation Reserve**	**17,384**	**4,609**	**21,993**
			Capital financing applied in the year:			
-1,268	-2,115	-3,383	Use of the Capital Receipts Reserve to Finance new capital expenditure	-4,045	-2,371	-6,416
0	-12,328	-12,328	Use of the Major Repairs Reserve to finance new capital expenditure	0	-21,898	-21,898
-8,315	-15,522	-23,837	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital expenditure	-2,676	0	-2,676
-1,130	0	-1,130	- Application of grants to capital financing from the Capital Grants Unapplied Account	-203	0	-203
-1,253	0	-1,253	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	-1,262	0	-1,262
-2,714	0	-2,714	Capital expenditure charged against the General Fund and HRA balances	-1,830	-9,424	-11,254
-14,680	**-29,965**	**-44,645**	**Total**	**-10,016**	**-33,693**	**-43,709**
182	-51	131	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	134	-5	129
-57	0	-57	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	0	0	0
-44,276	**-219,833**	**-264,109**	**Balance at 31 March**	**-36,773**	**-248,923**	**-285,695**

f) Deferred Capital Receipts Reserve

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

2014/15 £000s	Deferred Capital Receipts Reserve	2015/16 £000s
-155	**Balance as at 1 April**	**-146**
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0
8	Transfer to the Capital Receipts Reserve upon receipt of cash	23
-146	**Balance as at 31 March**	**-123**

g) Pensions Reserve

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

2014/15 £000s	Pensions Reserve	2015/16 £000s
135,817	**Balance as at 1 April**	**142,680**
16,864	Actuarial gains or losses on pension assets and liabilities	-25,242
-2,486	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of services in the Comprehensive Income and Expenditure Statement	6,581
-7,451	Employer's pensions contributions and direct payments to pensioners payable in the year	-6,096
-64	Pension contribution adjustment	-4
142,680	**Balance as at 31 March**	**117,919**

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.

2014/15 £000s	Collection Fund Adjustment Account	2015/16 £000s
3,188	**Balance as at 1 April**	**5,899**
44	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	-466
2,667	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	-5,627
5,899	**Balance as at 31 March**	**-194**

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.

2014/15 £000s	Short Term Compensated Absences Account	2015/16 £000s
104	**Balance as at 1 April**	**59**
-44	Movements in year	0
59	**Balance as at 31 March**	**59**

27. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2014/15 £000s	Operating Activities	2015/16 £000s
13,165	Depreciation	11,245
58	Impairment and downward valuations	(9,339)
0	Impairment of long term debtors	10,219
320	Amortisation	326
(764)	Increase/(decrease) in creditors	-2,052
(876)	Increase/(decrease) in debtors	5,567
92	Increase/(decrease) in inventories	25
-10,001	Movement in pension liability	481
15,677	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	7,648
1,706	Other non-cash items charged to the net surplus or deficit on the provision of services	2,204
19,377	**Total**	**26,324**

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

2014/15 £000s	Items removed from net cost of service that are investing/financing activities	2015/16 £000s
-13,945	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-6,463
-26,220	Any other items for which the cash effects are investing or financing cash flows	-2,407
-40,165	**Total**	**-8,870**

28. CASH FLOW STATEMENT - OPERATING ACTIVITIES (INTEREST)

2014/15 £000s	Operating Activities (Interest)	2015/16 £000s
1,097	Interest Received	1,077
-8,030	Interest Paid	-7,201
-6,933	**Total**	**-6,124**

29. CASH FLOW STATEMENT - INVESTING ACTIVITIES

2014/15 £000s	Cash Flows from Investing Activities	2015/16 £000s
-38,625	Purchase of Property, Plant and Equipment, investment property and intangible assets	-40,058
-45,500	Purchase of short and long term investments	-57,500
-7,150	Other payments for investing activities	-46,300
13,954	Proceeds from the sale of property plant and equipment, investment property and intangible assets	6,486
28,500	Proceeds from short-term and long-term investments	45,500
23,308	Other Receipts from Investing Activities	5,396
-25,513	**Total Cash Flows from Investing Activities**	**-86,476**

30. CASH FLOW STATEMENT – FINANCING ACTIVITIES

Restated 2014/15 £000s	Cash Flows from Financing Activities	2015/16 £000s
13,465	Cash receipts of short and long term borrowing	57,823
90	Billing Authorities - Council Tax and NNDR adjustments	-3
-16,048	Repayment of Short-Term and Long-Term Borrowing	-14,142
-140	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	-155
-1,041	Other items in relation to financing activities	4,139
-3,674	**Total Cash Flows from Financing Activities**	**47,662**

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 2015/16:**

2015/16	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	-13,793	-5,336	-5,670	-2,005	**-26,804**	-56,801	**-83,605**
Government Grants	-15	-43	-73,253	0	**-73,311**	0	**-73,311**
Total Income	**-13,808**	**-5,379**	**-78,923**	**-2,005**	**-100,115**	**-56,801**	**-156,916**
Employee Expenses	5,343	3,048	6,539	1,556	**16,487**	201	**16,688**
Other Service Expenses	19,201	3,230	85,628	1,843	**109,902**	27,845	**137,747**
Total Expenditure	**24,544**	**6,278**	**92,167**	**3,399**	**126,388**	**28,046**	**154,435**
Total	**10,736**	**899**	**13,244**	**1,394**	**26,273**	**-28,755**	**-2,481**

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

Restated 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	6,219	3,423	6,409	1,856	**17,907**	9,131	**27,038**
Other Service Expenses	19,234	3,777	86,279	1,106	**110,396**	31,125	**141,521**
Total Expenditure	**25,453**	**7,200**	**92,688**	**2,962**	**128,303**	**40,256**	**168,559**
Total	**12,722**	**3,258**	**13,518**	**1,454**	**30,953**	**-26,969**	**3,984**

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

	Restated 2014/15 £000s	2015/16 £000s
Net expenditure in the Directorate Analysis	**3,982**	**-2,482**
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	7,391	11,767
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	-1,296	34
Cost of Services in Comprehensive Income and Expenditure Statement	**10,077**	**9,320**

c) Reconciliation to Subjective Analysis 2015/16:

Reconciliation to Subjective Analysis	2015/16							
	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	-13,793	-5,560	-5,670	-2,530	-56,801	0	-510	**-84,864**
Interest and investment income	0	0	0	0	-323	-881	0	**-1,204**
Income from council tax	0	0	0	0	0	0	-14,463	**-14,463**
Government grants and contributions	-15	-43	-73,253	0	0	0	-10,176	**-83,487**
Business Rates Retention Re-distribution	0	0	0	0	0	0	-7,772	**-7,772**
Employee expenses	5,956	3,344	1,542	1,683	142	0	0	**12,667**
Other service expenses	19,201	3,230	85,628	1,843	27,845	0	0	**137,747**
Support service recharges	1,358	1,137	-3,576	2,457	2,129	0	0	**3,505**
Depreciation, amortisation and impairment	1,969	1,983	248	3	-1,390	0	0	**2,813**
Impairment - Long Term Debtors	0	0	10,219	0	0	0	0	**10,219**
Interest payments	0	0	0	0	6,352	1,080	0	**7,432**
Pensions interest cost and expected return on pensions assets	0	0	0	0	5	0	4,497	**4,502**
Precepts and levies	0	0	0	0	0	0	1,001	**1,001**
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	1,091	**1,091**
Gain or loss on disposal of non-current assets	-23	-855	0	0	2,054	0	0	**1,176**
Surplus or deficit on the provision of services	**14,653**	**3,236**	**15,138**	**3,456**	**-19,987**	**199**	**-26,332**	**-9,637**

Reconciliation to Subjective Analysis 2014/15:

Reconciliation to Subjective Analysis	Restated 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	-11,360	**-102,210**
Business Rates Retention Re-distribution	0	0	0	0	0		-7,894	**-7,894**
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	-2,191	11,439	-4,417	2,344	4,965	0	0	**12,140**
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	**27,794**	**15,337**	**-4,291**	**2,836**	**-37,635**	**784**	**-32,794**	**-27,972**

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:

2014/15 Net £000s	Trading Accounts	2015/16 Income £000s	2015/16 Exp. £000s	2015/16 Net £000s
1,342	Property Management	-2,572	2,546	-26
1,342	**Total Surplus\Deficit**	**-2,572**	**2,546**	**-26**

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:

2014/15 Net £000s	Trading Undertakings	2015/16 Income £000s	2015/16 Exp. £000s	2015/16 Net £000s
622	Markets	-477	753	276
622	**Total Surplus\Deficit**	**-477**	**753**	**276**

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.

2014/15 £000s	Agency Income and Expenditure	2015/16 £000s
268	Administration costs and ancillary services	282
-187	Income including transfer fees from NCC	-187
82	**Net surplus / deficit arising on the agency agreement**	**95**

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 wellbeing of children and young people in their area and to deliver the "Every Child Matters" agenda. Partnership contributions was suspended in 2015/16. In 2014/15, 2013/14 and 2012/13, the Borough's contribution to the pooled budget was £10,680.

The contributions are subject to change as per the agreement.

Restated 2014/15 £000s	Pooled Budgets	2015/16 £000s
-425	**Balance B/f**	**-651**
	Funding Provided to the Pool	
-11	Northampton BC	0
-538	Other Partners	0
-549	**Total**	**0**
323	Expenditure met from the Pool	308
-651	**Balance c/f**	**-343**

35. MEMBERS' ALLOWANCES

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

2014/15 £000s	Members' Allowances	2015/16 £000s
	Expenditure	
14	Mayor/Deputy Mayor Allowance	23
401	Members' Allowances	404
415	**Total**	**427**

36. OFFICERS' REMUNERATION

a) Senior Officers

Position	Position Group	Year	Note	Salary (inc Fees & Allowances) £000s	Compensation for loss of Office £000s	Total Remuneration excl Pension Contributions £000s	Pension Contributions £000s	Total Remuneration inc Pension Contributions £000s
Chief Executive	Head of Paid Service	**2015/16**		**138**	**0**	**138**	**20**	**158**
		2014/15		138	0	**138**	19	**158**
Borough Secretary	Monitoring Officer	**2015/16**		**82**	**0**	**82**	**11**	**93**
		2014/15		81	0	**81**	11	**92**
Director of Customers & Communities	Director	**2015/16**		**111**	**0**	**111**	**15**	**126**
		2014/15		111	0	**111**	15	**126**
Director of Regeneration, Enterprise & Planning	Director	**2015/16**		**105**	**0**	**105**	**14**	**119**
		2014/15		105	0	**105**	14	**119**
Head of Customer & Cultural Services	Head of Service	**2015/16**		**71**	**0**	**71**	**9**	**80**
		2014/15		70	0	**70**	9	**79**
Head of Housing & Wellbeing	Head of Service	**2015/16**		**71**	**0**	**71**	**9**	**80**
		2014/15		3	0	**3**	0	**3**
Head of Planning	Head of Service	**2015/16**	**1**	**5**	**0**	**5**	**1**	**6**
		2014/15		38	0	**38**	5	**43**
Head of Economic Development and Regeneration	Head of Service	**2015/16**	**2**	**65**	**0**	**65**	**9**	**74**
		2014/15	**0**	0	0	**0**	0	**0**
Totals for the year:		**2015/16**	**4**	**648**	**0**	**648**	**88**	**735**
		2014/15	**3&4**	**546**	**0**	**546**	**74**	**619**

Notes:

1 - Head of Planning Left 14 September 2014 - Annualised Salary £87k. This post was covered by an Interim with a new appointment until permanent appointment from March 2016.

2 - Head of Economic Development and Regeneration post was covered by interim arrangement with a permanent appointment starting employment on 22nd June 2015. The annualised salary is £70k

3 - There are 2 posts that are not included in the 2014-15 figures above as these have been deleted as part of organisation restructures (The Head of Joint Planning Unit and Head of Communities and Environment).

4 - A further exclusion 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).

2014/15 No. of Employees	Remuneration Band	2015/16 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 (£000s)	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
£0 - £20,000	8	**9**	6	**10**	14	**19**	**104**	**179**
£20,001 - £40,000	0	**3**	0		0	**3**	**0**	**75**
£40,001 - £60,000	1	**0**	0		1	**0**	**45**	**0**
Total	**9**	**12**	**6**	**10**	**15**	**22**	**149**	**254**

The total cost of £404k in the table above includes £254k for exit packages that have been agreed, accrued for and charged to the authority's Comprehensive Income and Expenditure Statement in the current year.

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:

2014/15 £000s	External Audit Costs	2015/16 £000s
108	Fees payable with regard to external audit services carried out by the appointed auditor (Section 5 Audit Commission Act 1998)	82
15	Fees payable for the certification of Grant Claims and Returns (Section 28 Audit Commission Act 1998)	14
0	Fees payable in respect of other services provided by the appointed auditor	25
123	**Total**	**120**

The Council's appointed auditor for the 2015/16 and 2014/15 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 2015/16:

Re-stated 2014/15 £000s	Grant Income	2015/16 £000s
	Credited to Taxation and Non-Specific Grant Income	
-6,958	Revenue Support Grant	-4,944
-152	Council tax freeze grant	-141
-2,815	New Homes Bonus	-3,836
-600	WNDC - Closure	0
-15,522	Decent Homes Grant	0
-1,400	DCLG Grant re Cosworth	0
-377	Cherry Orchard S106	0
-1,132	Upton Country Park	0
-72	British Timken S106	0
-716	South Meadow Road	0
-174	Pig & Whistle Refurbishment	0
-114	Delapre Abbey Restoration	-1,769
-2,449	Assets Transferred from HCA	0
0	Princess Marina S106 - transfer to Receipts in Advance	335
-449	Other Grants Individually Less Than £100,001	-287
-32,930	**Total**	**-10,642**
	Credited to Services	
-243	Additional Housing Admin. Grant	-183
-1,402	Housing Benefit Admin. Grant	-1,277
-31,521	HRA Rent Rebates Grant	-30,637
-440	Non HRA Rent Rebates	-773
-41,303	Rent Allowance Grant	-39,814
	Property Searches New Burdens Payment	-219
	Discretionary Housing Payments	-316
-132	Section 106 Contributions	-264
-2,237	Northamptonshire County Council Recycling Credits	-2,389
-187	Northampton County Council Contribution for Grounds Maintenance	-166
-105	Home choice funding	0
-434	Joint Planning Unit Contribution	-98
-157	HPDG Planning	0
-1,396	Total of Other Grants not included in the above	-93
-79,557	**Total**	**-76,229**

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

2014/15 £000s	Grant Income Unapplied - Current Liabilities	2015/16 £000s
	Capital Grants Receipts in Advance	
0	English Heritage Grant	0
21	Other Grants/Contributions Individually Less Than £100,000	10
21	**Total - Capital Receipts in Advance**	**10**
	Revenue Grants Receipts in Advance:	
15	Grants/Contributions Individually Less Than £100,000	1
36	**Total - all Receipts in Advance**	**11**

Long-Term Liabilities

2014/15 £000s	Grant Income Unapplied - Long-Term Liabilities	2015/16 £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
0	S106 - Princess Marina	1,612
346	S106 - Sainsburys Sixfields	346
103	S106 - Newport Pagnell Rd Off-Site Open Space	103
850	S106 - Land at Booth Rise	850
122	S106 - Former Millway School Site	70
1,493	S106 - Banbury Lane	2,109
437	S106 - Wellingborough Rd	437
218	S106 - Goldings School	311
0	S106 - Former Abington Vale School Site	262
0	S106 - Old Towcester Road	335
1,083	West Northamptonshire Development Corporation	1,021
150	Albion Place Public Realm Contribution	150
643	Other Grants/Contributions Individually Less Than £100,000	561
6,885	**Total - Capital Receipts in Advance**	**9,607**
	Revenue Grants Receipts in Advance:	
155	S106 - Pineham	155
0	Upton Site F&G - Disocounted Standard Charge	154
337	Other Grants/Contributions Individually Less Than £100,000	232
492	**Total - Revenue Receipts in Advance**	**541**
7,377	**Total - all Receipts in Advance**	**10,148**

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 the Group Accounts section.

Members of the Council

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2015/16 is shown in Note 35.

During 2015/16 expenditure to the value of £1.8m (2014/15 £2.2m) 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 £0.4m (restated 2014/15 £0.9m) was receivable from these parties. Parties with transactions over £200k are shown below:

2014/15 £000s	Related Parties - Expenditure	2015/16 £000s
630	Northampton Leisure Trust	214
427	Northampton Theatres Trust	427
369	Brackmills Bid	382
327	Northampton Town Centre Bid	253

2014/15 £000s	Related Parties - Income	2015/16 £000s
-244	Northampton Leisure Trust	-66
-240	Northampton Theatres Trust	-109
-286	Northampton General Hospital NHS Trust	-91

At 31st March 2016, the outstanding balances with these parties were debtors of £148k (2014/15 £72k); creditors of £215k (2014/15 £159k).

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.

NBC is working in partnership with the Delapre Abbey Preservation Trust (DAPT) in regards to the Delapre Abbey Restoration Project, and has a member of the DAPT Board of Trustees. In 2015/16, NBC paid across to DAPT £198k in relation to forward funding of HLF grant monies for activity and other project costs (2014/15 re-stated £12k), and £12k as the first instalment of a £150k NBC start up grant, awarded by Cabinet in Oct 2015 (2014/15 £0).

Senior Officers of the Council

During 2015/16 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 and Waste Management Partnership. In this capacity, a number of NBC Members have representations on their running boards. None of these relationships are considered material to either party involved both in terms of the value of transactions or the potential for the authority to control or influence NBC's actions to materially affect transactions or balances.

40. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

2014/15 £000s	Capital Expenditure and Financing	2015/16 £000s
232,042	**Opening Capital Financing Requirement**	**251,229**
	Capital Investment	
40,403	Property, Plant & Equipment	39,773
921	Heritage Assets	2,971
223	Investment Properties	1
46	Intangible Assets	100
12,876	Revenue Expenditure Funded from Capital under Statute	3,502
7,150	Loans to third parties	46,300
61,619	**Total**	**92,647**
	Sources of Finance	
-3,383	Capital Receipts	-5,468
0	Sums set aside from Capital Receipts	-948
-22,519	Government Grants and Other Contributions	-2,878
-1,253	Sums Set aside from Revenue	-1,262
-235	Write Down of Third Party Loans	-265
-15,042	Direct Revenue contributions	-33,152
-42,432	**Total**	**-43,973**
251,229	**Closing Capital Financing Requirement**	**299,903**

2014/15 £000s	Capital Financing Requirement	2015/16 £000s
232,042	**Opening Capital Financing Requirement**	**251,229**
19,187	Increase in underlying need to borrow (unsupported by government financial assistance)	48,674
0	Assets acquired under finance lease	0
19,187	**Increase/(decrease) in Capital Financing Requirement**	**48,674**
251,229	**Closing Capital Financing Requirement**	**299,903**

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 2015 £000s	Local Authority as Lessee - Finance Leases	31 March 2016 £000s
225	Vehicles, Plant, Furniture and Equipment	157
272	Intangible Fixed Assets	191
497	**Total**	**348**

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 2015 £000s	Local Authority as Lessee - Finance Leases	31 March 2016 £000s
	Future minimum lease payments	
243	Vehicles, Plant, Furniture and Equipment	166
297	Intangible Fixed Assets	203
540	**Future minimum lease payments**	**369**
	Net present value of minimum lease payments	
148	Current	156
348	Non-current	192
496	**Present value of minimum lease payments**	**348**
44	**Finance costs payable in future years**	**21**

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-Mar-15		Local Authority as Lessee - Finance Leases	31-Mar-16	
Present Value of Leases £000s	Minimum Lease Payments £000s		Present Value of Leases £000s	Minimum Lease Payments £000s
148	170	Not later than one year	156	170
348	369	Later than one year and not later than five years	192	199
496	**539**	**Total**	**348**	**369**

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

Operating Leases

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.

31 March 2015 £000s	Local Authority as Lessee - Operating Leases	31 March 2016 £000s
574	Not later than one year	509
655	Later than one year and not later than five years	218
0	Later than 5 years	0
1,229	**Minimum lease payments**	**727**
-1,087	**Future minimum sub-lease payments receivable**	**-632**

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:

Restated 2014/15 £000s	Local Authority as Lessee - Operating Leases	2015/16 £000s
	Minimum lease payments	
580	Contract Hire	510
123	Other	23
-92	Sublease payments receivable	-375
611	**Total**	**158**

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 2015 £000s	Leases - Authority as Lessor - Finance Leases	31 March 2016 £000s
	Gross investment in leases	
176	Other Land and Buildings	158
	Net present value of minimum lease payments	
8	Current	8
108	Non-current	100
116	**Present value of minimum lease payments receivable**	**108**
60	**Unearned finance income**	**50**

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 2015		Leases - Authority as Lessor - Finance Leases	31 March 2016	
Gross investment in leases £000	NPV of minimum Lease payments receivable £000		Gross investment in leases £000	NPV of minimum Lease payments receivable £000
17	8	Not later than one year	17	8
69	38	Later than one year and not later than five years	69	41
89	70	Later than five years	72	59
175	**116**	**Minimum lease payments receivable**	**158**	**108**

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 2015 £000s	Local Authority as Lessor - Operating Leases - Minimum Lease Payments	31 March 2016 £000s
2,282	Not later than one year	2,353
6,293	Later than one year and not later than five years	6,631
47,354	Later than 5 years	47,422
55,929	**Total**	**56,406**

The minimum lease payments receivable do not include rents that are contingent on future events, such as adjustments following rent reviews. In 2015-16 £5k contingent rents were receivable by the Authority (compared with £1k in 2014-15).

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 2015/16 was in relation to the Northampton Town Football Club (NTFC), as detailed within the Narrative Report - Significant Events in 2015/16.

The outstanding value of the loan of £10.22m has been impaired within the 2015/16 Statement of Accounts and is shown within Corporate and Democratic Core on the face of the CIES statement.

However there is no impact on the General Fund balance as the original loan was capital in nature, and therefore has been reversed through the Movement in Reserves Statement to the Capital Adjustment Account.

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 2015/16, incurring liabilities of £254k (£149k in 2014/15 RESTATED). Of this, £24k relates to pension strain, and £230k 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 2014/15 £000s	Comprehensive Income and Expenditure Statement	Local Government Pension Scheme 2015/16 £000s
	COST OF SERVICE:	
	Service cost comprising:	
2,880	Current service cost	2,069
25	Past service cost (including curtailments)	10
-10,946	Gain from settlements	0
-64	Pension contribution adjustment	-4
	Financing and Investment Income and Expenditure	
5,555	Net interest expense	4,502
-2,550	**Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services**	**6,577**
	OTHER POST-EMPLOYMENT BENEFITS CHARGED TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT:	
	Remeasurement of the net defined benefit liability comprising:	
-12,573	Return on plan assets (excluding the amount included in the net interest expense)	3,995
33,727	Actuarial gains and losses arising on changes in financial assumptions	-23,514
-4,290	Other expenditure	-5,723
14,314	**Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement:**	**-18,665**
	MOVEMENT IN RESERVE STATEMENT:	
-14,378	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	18,661
	Actual amount charged against the General Fund Balance for pensions in the year:	
7,451	Employers' contributions payable to scheme	6,096

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	
	2014/15 £000s	2015/16 £000s	2014/15 £000s	2015/16 £000s	2014/15 £000s	2015/16 £000s
Present value of the defined benefit obligation	295,164	**267,684**	14,856	**13,465**	310,020	**281,149**
Fair value of plan assets	-167,340	**-163,230**	0	**0**	-167,340	**-163,230**
Net liability arising from defined benefit obligation	**127,824**	**104,454**	**14,856**	**13,465**	**142,680**	**117,919**

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements*		Total	
	2014/15 £000s	2015/16 £000s	2014/15 £000s	2015/16 £000s	2014/15 £000s	2015/16 £000s
Opening fair value of scheme assets	158,840	**167,340**	0	**0**	158,840	**167,340**
Interest income	6,735	**5,269**	0	**0**	6,735	**5,269**
Remeasurement gain/(loss):						
The return on plan assets, excluding the amount included in the net interest expense	12,573	**- 3,995**	0	**0**	12,573	**-3,995**
Contributions from employer	6,639	**5,223**	-	**877**	6,639	**6,100**
Contribution from employees into the Scheme	791	**478**	0	**0**	791	**478**
Benefits Paid:	-11,703	**-11,085**	0	**-877**	-11,703	**-11,962**
Assets Distributed in Settlements	-6535	**0**	0		-6,535	**0**
Closing fair value of scheme assets	**167,340**	**163,230**	**0**	**0**	**167,340**	**163,230**

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements*		Total	
	2014/15 £000s	2015/16 £000s	2014/15 £000s	2015/16 £000s	2014/15 £000s	2015/16 £000s
Opening balance at 1 April	294,657	**310,896**	0	**-876**	294,657	**310,020**
Current service cost	2,880	**2,069**	0	**0**	2,880	**2,069**
Interest cost	12,290	**9,771**	0	**0**	12,290	**9,771**
Contribution from scheme participants	791	**478**	0	**0**	791	**478**
Remeasurement gain/(loss):					0	**0**
Actuarial gain/losses arising from changes in financial assumptions	33,727	**-23,514**	0	**0**	33,727	**-23,514**
Other expenditure	-4,290	**-5,723**	0	**0**	-4,290	**-5,723**
Past service cost	25	**10**	0	**0**	25	**10**
Losses/(gains) on curtailment:			0	**0**	0	**0**
Benefits Paid	-11,703	**-11,085**	-876	**-877**	-12,579	**-11,962**
Liabilities extinguished on settlements	-17,481	**0**	0	**0**	-17,481	**0**
Closing present value of scheme liabilities	**310,896**	**282,902**	**-876**	**-1,753**	**310,020**	**281,149**

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

Local Government Pension Scheme assets comprised:

Fair value of scheme assets[1] 2014/15 £000s	Assets comprised of:	Fair value of scheme assets[1] 2015/16 £000s
3,821	Cash and cash equivalents	3,062
	Equity instruments:	
	By industry type[2]	
13,440	Consumer	12,931
8,403	Energy and utilities	6,451
12,560	Financial institutions	12,168
8,232	Health and care	7,480
11,786	Information technology	11,252
9,318	Other	9,794
63,739	**Total Equity**	**60,076**
	Bonds:	
	By sector	
4,910	Government	13,817
4,910	**Total Bonds**	**13,817**
	Private Equity:	
142	Overseas	97
142	**Total Private Equity**	**97**
	Property:	
12,850	Retail	14,655
12,850	**Total Property**	**14,655**
	Investment Funds and Unit Trusts:	
56,391	Equities	55,818
25,487	Bonds	15,705
81,878	**Total Investment Funds and Unit Trusts**	**71,523**
167,340	**Total assets**	**163,230**

[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*	
	2014/15 £000s	2015/16 £000s	2014/15 £000s	2015/16 £000s
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	2%	2%	3%	-
Rate of Increase in Salaries **	4%	4%	-	-
Rate for Discounting Scheme Liabilities	3%	4%	5%	-

*Where provided by The Actuary, the split between LGPS and Discretionary Benefits Arrangements has been disclosed.
** Salary Increases are assumed to be 1% p.a until 31 March 2016 reverting to the long term assumption shown.

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

Change in assumptions at 31 March 2016:	Approximate increase to Employer Liability %	Approximate Monetary Amount £000s
0.5% decrease in Real Discount Rate	9%	24,302
1 year increase in member life expectancy	3%	8,434
0.5% increase in the salary increase rate	2%	4,351
0.5% increase in the Pension Increase Rate	7%	19,789

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 (71% 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 £7m expected contributions to the scheme in 2016/17.

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 is liable for all losses experienced by NPH, and is also the guarantor for NPH's pension liabilities. See Note 56 for disclosure of the financial performance of NPH in 2015/16.

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 2016 in April 16. Estimates of these appeals that had been lodged and their success judged to be probable under IAS 37 have been provided for, see note 24.

- The estimated value of appeals within NBC's billing authority borders that had been lodged but their success deemed only possible as per IAS 37 totalled £2.2m. These therefore constitute a contingent liability, with NBC's share (40%) of these appeals being £0.9m.

- 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 NBC's billing authority borders is £0.9m. If this proposal is approved, this could see the removal of the full £0.9m RV from NBC's rating list, which equates to approximately £0.4m in net rates per annum. If backdated, this would have a negative impact of £2.5m, with NBC's share (40%) of this being £1m.

- A tribunal case in 2015/16 saw a number of GP Surgeries successfully awarded appeals backdated to 2010 at 50% of their net rates payable. At present, there are a number of GP Surgeries within NBC's billing authority borders that are under appeal. At present a provision at 5% of net rates payable has been accounted for, however the appeal awarded could as high as 50%. This difference of 45% is therefore recognised as a contingent liability, totalling £1.8m, with NBC's share (40%) of this being £0.7m.

Other

- A capital grant received from the East Midland Development Agency (EMDA) for site clearance of the Blueberry Diner (now novated to the Homes and Communities Agency following the closure of EMDA). 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. However, although no formal agreement is currently in place, the Council has been in positive discussions with the HCA over this, and the HCA have been agreeable to extension of time for development to be completed. The HCA are also supportive in principle to the use of the funding in other areas of the town. Therefore it is viewed as unlikely this funding will need to be returned, and is disclosed as a contingency only.
- The Council has received Deposits under Section 106 agreements, which may be repayable if the conditions for each agreement are not met. No provision has been made in the Accounts for any interest that may become repayable under the terms of the individual agreements. In the event that every one of these deposits becomes repayable with interest, the Council's maximum liability for interest payable as at 31st March 2016 is estimated to be £0.6m.
- Financial guarantee for Home Group - a Housing Association. Under the 1987 (Bond issue) "Under the 1987 [bond issue] Home Group raised finance to carry out development in a number of local authority areas. In so doing they entered into arrangements with local authorities for the purchase of land in return for nomination rights over 50% of the properties constructed. In addition the local authorities agreed to indemnify bond holders against a fixed percentage of indebtedness under the bonds incurred by Home Group. Home Group in turn gave a counter indemnity to the said local authorities 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 £82.5m representing a value of £1.1m
- There are a number of outstanding insurance claims that have been received of £1.4m as assessed by our Insurance Actuary. These have been assessed and an estimated provision has been charged to the accounts of £0.2m, therefore the estimated value of the insurance claims outstanding is £1.2m.
- A capital grant agreed by the Heritage Lottery Fund for redevelopment of Delapre Abbey and for which procurement of a specialist construction company has already taken place and works commenced. As well as this, £1.34m of NBC resources have also been committed, along with S106 contributions.
- Non-compliance with the grant funding conditions could trigger clawback of funds to the HLF and also lead to potential legal action from the construction company concerned. Now that construction is underway, we may be faced with the usual issues of extension to time, dealing with unforeseen circumstances, inclement weather conditions, all of which could have a negative impact on time and cost.
- Northern Gasholder site, St Peters (NBC owned property). NBC has an obligation to pay on sale excess of receipt (if any) (or if not sold by 2024 any excess in value) over £1m, to National Grid.
- There is a planning appeal outstanding relating to Collingtree that is currently going to enquiry. At this stage, the financial impact cannot be determined.
- Letter from an interested party has been received regarding entitlement of proceeds from the sale of artefact.
- The council's environmental services contractor has a number of disputes with NBC that it has indicated it will pursue in court.

- There are a number of other contingent liabilities totalling £388k covering small claims, property search claims and employment tribunal claims that are considered insignificant.

47. CONTINGENT ASSETS

The Council is currently monitoring the following contingent assets:

- Northampton Waterside Enterprise Zone is funded from Business Rates uplift within its boundaries. Expenditure relating to administration and infrastructure loan costs has exceeded income receipts from business rates uplift, these sums will be reimbursed when the income from the projects exceeds expenditure. To date, the value to be reimbursed from Business rates uplift totals £1.7m.

- NBC have lodged a court claim for money lent to Northampton Town Football club, and is expected to issue further claims in the future.

- Historic costs associated with the redevelopment of Grosvenor/Greyfriars may be reimbursed by the developer depending on agreement of contract terms and the timing of that agreement. The expectation is in the region of £0.1m.

- There is an obligation upon National Grid (NG) (owners of property) to pay to NBC part of monies advanced by WNDC to NG for remediation of land. Payment due to NBC by 2019 or on sale of the land affected estimated at £1.5m.

- Upon completion of works by NBC, obligation on Reef Estates Limited to pay "Highways Contribution" to NBC of approximately £0.1m.

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. In 2015-16 the maximum limits for placements with individual or group counterparties in 2015-16 were £20m and 3 years for the UK government and UK nationalised or part nationalised banking institutions, £15m and 3 years for other UK counterparties and overseas counterparties with AAA sovereign ratings, £15m for AAA CNAV Money Market Funds and £10m and 3 years for UK local authorities and overseas counterparties with AA+ sovereign rating. Within this ceiling, lower limits apply in many instances depending on credit ratings and other factors specific to each institution.

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

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

During 2015-16 the Council experienced default on a loan to a third party - see Narrative Report - Significant Events and note 42 – Impairments. Due to the individual circumstances of this default this does not in itself increase the likelihood of default on other third party loans.

The Council's maximum exposure to credit risk in relation to its investments totalling £66.1m 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 2016 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 to six financial years adjusted to reflect current market conditions.

Estimated Maximum Exposure to Default and Uncollect-ability at 31 March 2015 £000s	Credit Risk	Amount at 31 March 2016 £000s	Historical Experience of Default at 31 March 2016 %	Historical Experience Adjusted for Market Conditions at 31 March 2016 %	Estimated Maximum Exposure to Default and Uncollect-ability at 31 March 2016 £000s
0	Third Party Loans	51,079	0.00%	0.00	0
0	Mortgages	14	0.00%	0.00	0
0	Finance Leases	108	0.00%	0.00	0
55	Customers: Tenants	1,963	2.75%	2.75	54
2,134	Customers: Sundry Debtors	5,916	24.91%	24.91	1,474
0	Deposits with Banks and Financial Institutions	66,144	0.00%	0.00	0
2,189	Total	125,224			1,528

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 2015-16.

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

As shown in Table 1, at 31st March there were outstanding loans to third parties of £51.1m. Such loans, by their nature, do carry a degree of risk. However all are secured according to the terms of the individual loan agreement.

Of the £125.2m total exposure to credit risk £7.9m 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 2015 £000s	Aged Debt Analysis	Amount at 31 March 2016 £000s
5,917	Less than three months	5,093
2,091	Three to six months	1,589
364	Six months to one year	256
1,400	More than one year	940
9,772	Total	7,878

Impairment on the debtors financial asset has been identified, standing at a total of £8.23m at the end of 2015-16

Collateral

The authority holds collateral against a number of mortgages. The balance sheet value of the principal amount outstanding is currently £15k (£30k in 2014-15). The terms and conditions relating to the pledge are standard in all the mortgages held and set out the rights and responsibilities of the Council and the mortgage holder

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

Liquidity Risk

The Council has a comprehensive cashflow 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 2015 £000s	Maturity Profiles of Financial Liabilities	31 March 2016 £000s
-17,953	Less than one year	-23,300
-13,828	One to two years	-13,175
-17,125	Two to five years	-50,166
-198,061	More than five years	-207,336
-246,967	**Total**	**-293,977**

Amounts maturing within one year include short term creditors, short term grants and Section 106 funding commitments, short term borrowing, principal due within 12 months on annuity and EIP (Equal Interest Instalment) loans, and long term loans maturing within the next 12 months. PWLB loans totalling £6m are due for maturity in the final quarter of 2016-17. 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 2016, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

31 March 2015 £000s	Market Risk	31 March 2016 £000s
228	Increase in interest payable on variable rate borrowing	93
-259	Increase in interest receivable on variable rate investments	-242
-31	**Impact on Surplus or Deficit on the Provision of Services**	**-149**
65	Share of overall impact credited to the HRA	31
34	**Impact remaining on General Fund**	**-118**
169	Increase in fair value of fixed rate investment assets	256
169	**Impact on Other Comprehensive Income and Expenditure**	**256**
91	**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**	**156**

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 2016, made an operating surplus of £35k on a turnover of £689k. In the previous three-year period to 31st March 2015, there was an operating surplus of £38k against a turnover of £727k.

Building Control Trading Account	2015/16 Chargeable £000s	Non-Chargeable £000s	Total £000s
Expenditure			
Employees	105	93	197
Transport	2	2	4
Supplies and services	5	6	11
Support service charges	100	89	189
Total Expenditure	**211**	**189**	**401**
Income			
Building Regulation fees	-207	0	-207
Total Income	**-207**	**0**	**-207**
Surplus (-) / Deficit for Year	**5**	**189**	**194**
	2014/15		
Comparatives for 2014/15	**Chargeable £000s**	**Non-Chargeable £000s**	**Total £000s**
Expenditure	202	159	360
Income	-238	0	-238
Surplus (-) / Deficit for Year	**-37**	**159**	**122**

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:

2014/15 £000s	Publicity Expenditure	2015/16 £000s
32	Recruitment Advertising	26
467	Publicity Unit	311
156	Other Publicity	262
655	Total	599

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: -

2014/15		Local Authority (Goods & Services) Act 1970	2015/16	
Exp £000s	Income £000s		Exp £000s	Income £000s
301	-45	Call Care	312	-48
258	-258	Print Services Unit	17	-17
559	-303	Total	329	-65

52. TRUST FUNDS

The Council acts as sole trustee in respect of two trust funds:
- The Northamptonshire Regimental Museum (balances of £97K as at 31 March 2016)
- The Northamptonshire Yeomanry Regimental Museum Trust (balances of £1k as at 31 March 2016)

The trust funds are used to finance expenditure on the museum exhibits donated by the Regiments at their disbandment. The 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 2015/16, which is required by the guidance issued by CLG, on 23rd February 2015. The MRP charged to the 2015/16 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 2015/16 was £1.262m. This compares to £1.253m in 2014/15.

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.

<u>Policies</u>

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.

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.

2014/15 £000s	Housing Revenue Account	2015/16 £000s	£000s	Notes
	Income			
-50,481	Dwelling Rents	-51,414		**HRA2-4**
-1,140	Non Dwelling Rents	-1,165		
-2,467	Charges for services & facilities	-2,143		
-33	Contributions Towards Expenditure	-7		
-54,121	**Total Income**		**-54,729**	
	Expenditure			
16,206	Repairs & Maintenance	13,329		**HRA5**
	Supervision & Management			
7,645	General Management	9,594		
4,074	Special Services	4,080		
276	Rent, Rates, Taxes & other charges	271		
-5,978	Depreciation, Impairment & Revaluation of Fixed Assets	-1,386		**HRA6**
65	Debt Management Costs	46		
216	Increased in provision for bad/doubtful debts	204		
22,504	**Total Expenditure**		**26,139**	
-31,617	**Net Cost of Services**		**-28,590**	
557	HRA Services share of Corporate and Democratic Core		520	
-31,060	**Net Cost of HRA Services**		**-28,070**	
1,806	Gain (-) or Loss on sale of HRA Fixed Assets		2,054	
5,966	Interest and Investment Income		6,024	
1,175	Pensions interest cost and expected return on pensions assets		5	
-15,522	Non Specific Grant Income		0	
-803	Surplus or deficit on revaluation of non current assets		-2,991	**HRA6**
-38,439	**Surplus (-) or Deficit for the year on HRA services**		**-22,978**	

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.

2014/15 £000s	Statement of Movements on the Housing Revenue Account Balance	2015/16 £000s
-38,439	Surplus (-) / Deficit for the year on the HRA Income and Expenditure Account	-22,978
38,439	Net additional amount required by statute to be debited or credited to the HRA Balance for the year	22,978
0	**Increase (-) / Decrease in the HRA Balance for the Year**	**0**
-5,000	HRA Balance brought forward	-5,000
-5,000	**HRA Balance carried forward**	**-5,000**

DETAILED TRANSACTIONS

2014/15 £000s	Reconciling Items for the Statement of Movement on the Housing Revenue Account Balance	2015/16 £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		
0	Capital Expenditure	9,424	
-18,128	Revaluation Losses	-13,806	
33,316	Revaluation Gains	24,060	
15,522	Capital Grants and Contributions Transferred to the Capital Adjusment Account	0	
-1,806	Gain or Loss on sale of HRA non-current assets	-2,054	
526	HRA share of contributions to or from the pensions reserve	-7	
29,430	**Total**	**17,617**	
	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		
3,273	Transfer to / from (-) Major Repairs Reserve	3,930	**HRA7**
803	Transfers to / from (-) Revaluation Reserve	2,991	**HRA6**
1,372	Employer's contributions payable to the Northamptonshire County Council Pension Fund and retirement benefits payable direct to pensioners	62	
26	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	0	
3,535	Net transfers to / from (-) earmarked reserves	-1,622	
9,008	**Total**	**5,362**	
38,439	**Net additional amount required to be credited or debited to the HRA balance for the year**	**22,978**	

G3. NOTES TO THE HRA

1. PRIOR YEAR ADJUSTMENTS

There are no prior year adjustments in relation to the Housing Revenue Account in 2015/16.

2. HRA ASSETS AND CAPITAL TRANSACTIONS

a) At 31st March 2016 the Council was responsible for managing 11786 units of accommodation (excluding shared ownership properties):

Type of Property	Number of Bedrooms				Total
	One	Two	Three	Four+	
Flats-Low Rise	1,439	388	2	1	**1,830**
Flats-Medium Rise	1,739	830	117	4	**2,690**
Flats-High Rise	396	82	21	0	**499**
Houses & Bungalows	882	2,490	3,067	328	**6,767**
Total	**4,456**	**3,790**	**3,207**	**333**	**11,786**

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

Type of Property	Stock at 01 April 2015	Stock Movements			Stock at 31 March 2016
		Sold	Additions	Re-classified	
Flats	5,053	-34	4	-1	5,022
Houses & Bungalows	6,830	-66	0	0	6,764
Dwellings (excl. Shared)	**11,883**	**-100**	**4**	**-1**	**11,786**
Shared Ownership	80	-1	0	0	79
Total	**11,963**	**-101**	**4**	**-1**	**11,865**

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

Restated 31 March 2015 £000s	Net Balance Sheet Value	31 March 2016 £000s
	Operational Assets	
122,060	Land	126,375
270,518	Dwellings	295,470
17,976	Other Capital Assets	20,758
410,554	**Total Operational Assets**	**442,603**
869	Non Operational Assets	355
411,423	**Total**	**442,957**
1,029,228	**Vacant Possession Value as at 1st April**	**1,069,605**

d) Capital Receipts

2014/15 £000s	Housing Capital Receipts	2015/16 £000s
-26	Land Sales	0
-4,430	Dwelling Sales	-5,009
-4,456	**Total**	**-5,009**
955	Payable to the Secretary of State	1,091
955	**Net cost of Payments to CLG**	**1,091**
-3,501	**Useable Capital Receipts**	**-3,918**

e) Capital Expenditure and Financing

2014/15 £000s	HRA Capital Expenditure and Financing	2015/16 £000s
	Expenditure	
0	Land Purchase	0
29,207	Dwellings	33,114
324	Re-Purchase of Former Council Housing	557
434	Other Property	22
0	Self Financing	0
29,965	**Total Expenditure**	**33,693**
	Financing	
	Dwellings	
0	Borrowing	0
2,115	Useable Capital Receipts	2,371
0	Revenue Contributions	9,424
12,328	Major Repairs Reserve	21,898
15,522	Grants	0
0	Third Party Contributions	0
29,965	**Total Financing**	**33,693**
	Other Property	
0	Useable Capital Receipts	0
0	Major Repairs Reserve	0
0	**Total Other Property**	**0**
29,965	**Total Financing**	**33,693**

3 ARREARS

During 2015/16, arrears as a proportion of gross income were 3.6%. This represents a decrease of 0.2% since 2014/15 when the proportion was 3.8%. The figures for rent arrears are detailed below:

2014/15 £000s	Rent Arrears	2015/16 £000s
1,913	Gross Arrears at 31 March	1,863
-680	Prepayments	-739
1,233	**Net Arrears at 31 March**	**1,124**
835	Provision for bad debts at 31 March	813

4. VACANT POSSESSION VALUE

2014/15 £000s	HRA Vacant Possession Value	2015/16 £000s
1,029,228	Vacant Possession Value as at 31st March	1,069,605

2014/15 £000s	HRA Existing Use	2015/16 £000s
350,230	Existing Use Value as at 31st March	363,972

The vacant possession value of dwellings within the HRA as at 31st March 2016 was £1,069m (£1,029m in 2014/15). 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. £363m (£350m in 2014/15). This reflects the economic cost of providing Council housing at less than open market rents.

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

a) Depreciation and Amortisation

2014/15 £000s	Depreciation and Amortisation	2015/16 £000s
	Operational Assets	
8,604	Dwellings	8,308
333	Other Property	371
1	Vehicles, Plant & Equipment	1
8,939	**Total Depreciation**	**8,680**
222	Intangible Assets -amortisation	184
222	**Total Amortisation**	**184**
9,160	**Total**	**8,864**

b) Revaluation Gains and Losses

2014/15 I&E £000s	2014/15 RRA £000s	Revaluation Gains & Losses	2015/16 I&E £000s	2015/16 RRA £000s
18,118	19	Dwellings	13,536	20
6	9	Other Property	271	41
0	0	Vehicles, Plant & Equipment	0	0
18,124	**28**	**Revaluation Losses**	**13,806**	**61**
-33,245	-728	Dwellings	-23,830	-786
-17	-103	Other Property	-225	-2,266
0	0	Vehicles, Plant & Equipment	0	0
-33,262	**-831**	**Revaluation Gains**	**-24,055**	**-3,052**
-15,138	**-803**	**Total**	**-10,249**	**-2,991**

6. 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 2015	**-9,288**
Council Dwellings Depreciation	-8,681
Depreciation adjustment to agree to MRA	-3,930
Total	**-21,898**
Amount used to finance Capital Expenditure	
Dwellings	21,898
Total	**21,898**
Balance at 31 March 2016	**0**

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 £32.7m in 2015/16 (£32.1m in 2014/15). 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. However, in 2015/16 the Council exited the pool to the wider benefit of the Northamptonshire pool. NBC now received a pooling equalisation payment to ensure it is not financially worse off outside of the pool.

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.

Collection Fund

2014/15 Council Tax £000s	2014/15 NNDR £000s	2014/15 Total £000s	Collection Fund	2015/16 Council Tax £000s	2015/16 NNDR £000s	2015/16 Total £000s	Note
			INCOME				
-92,263	0	**-92,263**	Council Tax (net of benefits, discounts & transitional relief)	-96,787	0	**-96,787**	
			Transfers from General Fund				
0	0	**0**	Council Tax benefits	0	0	**0**	
0	-99,013	**-99,013**	Income collectable from business ratepayers	0	-102,497	**-102,497**	
-92,263	**-99,013**	**-191,276**	**Total Income**	**-96,787**	**-102,497**	**-199,284**	
			EXPENDITURE				
			Precepts & demands:-				
64,431	0	**64,431**	Northamptonshire County Council	66,201	0	**66,201**	
12,108	0	**12,108**	Northamptonshire Police and Crime Commissioner	12,445	0	**12,445**	
13,841	0	**13,841**	Northampton Borough Council	13,897	0	**13,897**	
			National Non-Domestic Rates				CF1
0	51,610	**51,610**	Payments to Central Government	0	49,084	**49,084**	
0	10,322	**10,322**	Payments to Northamptonshire County Council	0	9,817	**9,817**	
0	41,288	**41,288**	Amount retained by Northampton Borough Council	0	39,267	**39,267**	
0	299	**299**	Cost of collection	0	298	**298**	
0	519	**519**	Other - Enterprise Zone	0	551	**551**	
0	885	**885**	Transitional Protection Payments	0	149	**149**	
			Bad & Doubtful Debts / Appeals				
2,129	1,511	**3,639**	Provisions	440	5,503	**5,943**	CF4
			Contributions				
0	-2,225	**-2,225**	Towards previous years' Collection Fund surplus/(deficit)	653	-14,938	**-14,285**	CF3
0	-198	**-198**	Prior Year Adjustments (deferrals)	0	0	**0**	
92,509	**104,011**	**196,519**	**Total Expenditure**	**93,636**	**89,731**	**183,367**	
245	**4,998**	**5,243**	**Net (Surplus)/deficit for the year**	**-3,151**	**-12,766**	**-15,917**	
			COLLECTION FUND BALANCE				
-1,770	9,489	**7,719**	Balance brought forward at 1st April	-1,524	14,486	**12,962**	
245	4,998	**5,243**	Net Deficit/(surplus) for the year (as above)	-3,151	-12,766	**-15,917**	
-1,524	**14,486**	**12,962**	**Balance carried forward at 31 March**	**-4,675**	**1,720**	**-2,955**	
			Allocated to:-				
0	7,243	**7,243**	Central Government	0	860	**860**	
-1,089	1,449	**360**	Northamptonshire County Council	-3,351	172	**-3,179**	
-205	0	**-205**	Northamptonshire Police and Crime Commissioner	-627	0	**-627**	
-231	5,795	**5,564**	Northampton Borough Council	-697	688	**-9**	
-1,524	**14,486**	**12,962**	**Fund Balance c/fwd**	**-4,675**	**1,720**	**-2,955**	

H2. NOTES TO THE COLLECTION FUND

1. NATIONAL NON DOMESTIC RATES (NNDR)

The total non-domestic rateable value as at 31 March 2016 was £244.8m and the equivalent figure for 2014/15 was £244.3m. The National Non-Domestic Rate multiplier for 2015/16 was 49.3.p and the equivalent figure for 2014/15 was 48.2p. The small business non-domestic rating multiplier for 2015/16 was 48.0p and the equivalent figure for 2015/16 was 47.1p.

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: -

2014/15 Band D Equivalents	Band	Estimated number of taxable properties 2014/15 after discounts	Ratio	2015/16 Band D Equivalents
14.08	A(-)	35.70	5/9	19.80
12,438.60	A	19,277.80	6/9	12,851.90
12,382.65	B	16,286.70	7/9	12,667.40
16,881.07	C	19,373.80	8/9	17,221.20
9,230.77	D	9,362.50	9/9	9,362.50
6,148.82	E	5,110.70	11/9	6,246.40
3,186.11	F	2,258.30	13/9	3,262.00
1,950.06	G	1,186.20	15/9	1,977.00
102.00	H	51.30	18/9	102.50
62,334.16	Gross Council Tax Base			63,710.70
1,683.00	Non-collection provision			1,783.90
60,651	**Council Tax Base Used for setting the Precept**			**61,927**

The provision for non-collection was set at 2.8% for 2015/16 (2.7% for 2014/15).

3. ANALYSIS OF IN-YEAR CONTRIBUTIONS TO FUND DEFICITS

2014/15 £000s	Allocation Of Collection Fund Surplus Council Tax	2015/16 £000s
834	Northamptonshire County Council	466
157	Northamptonshire Police & Crime Commissi	88
184	Northampton Borough Council	100
1,176	**Total Surplus paid out**	**653**

2014/15 £000s	In Year Contribution to Deficit NNDR	2015/16 £000s
-1,112	Central Government	-7,469
-222	Northamptonshire County Council	-1,494
-890	Northampton Borough Council	-5,975
-2,225	**Total Deficit Recovered**	**-14,938**

4. PROVISION FOR BAD AND DOUBTFUL DEBTS

2014/15 £000s	Provision for Bad and Doubtful Debts Council Tax	2015/16 £000s
9,514	Bad Debt Provision B/f	10,441
-1,125	Write Offs	-840
-77	Council tax benefit transferred to reserve	-54
2,129	Provision Made in Year	440
10,441	**Bad Debt Provision c/f**	**9,987**

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

2014/145 £000s	Bad and Doubtful Debts NNDR	2015/16 £000s
679	Bad Debt Provision B/fwd	675
-430	Write offs of uncollectible debt	-312
426	Allowance for non collection	216
675	**Bad Debt Provision c/f**	**580**
0	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 2016:

2014/15 £000s	Provision for Appeals	2015/16 £000s
2,969	Appeals Provision B/fwd	4,053
-1,601	Provision for 13/14 appeals	-1,723
2,685	Provision for backdated appeals	7,322
4,053	**Appeals Provision c/f**	**9,652**

I. GROUP ACCOUNTS

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

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

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

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

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

I1. GROUP ACCOUNTS CORE STATEMENTS

Group Movement in Reserves Statement

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

The Statement is shown on the next page:

Group Movement in Reserves Statement	Single Entity Usable Reserves £000s	Single Entity Unusable Reserves £000s	Total Single Entity Reserves £000s	Authority share of reserves of subsidiary £000s	Total Group Reserves £000s
Balance at 31 March 2014 Brought forward	**-65,894**	**-172,039**	**-237,933**	**0**	**-237,933**
Movement in reserves during 2014/15					
Surplus or (deficit) on provision of services (Note 31c)	-27,242	0	-27,242	-140	-27,382
Other Comprehensive Expenditure and Income (Note 9)	0	15,529	15,529	1,765	17,294
Total Comprehensive Expenditure and Income	**-27,242**	**15,529**	**-11,713**	**1,625**	**-10,088**
Adjustments between group accounts and authority accounts	0	0	0	13,685	13,685
Net increase/decrease before transfers	**-27,242**	**15,529**	**-11,713**	**15,310**	**3,597**
Adjustments between accounting basis and funding basis under regulations (Note 7)	9,384	-9,384	0	0	0
Net Increase/Decrease before Transfers to Earmarked Reserves	**-17,858**	**6,145**	**-11,713**	**15,310**	**3,597**
Transfers to/from Earmarked Reserves (Note 8)	0	0	0	0	0
Increase / (Decrease) in Year	**-17,858**	**6,145**	**-11,713**	**15,310**	**3,597**
Balance at 31 March 2015 carried forward	**-83,752**	**-165,894**	**-249,646**	**15,310**	**-234,336**
Movement in reserves during 2015/16					
Surplus or (deficit) on provision of services (Note 31c)	-9,639	0	-9,639	7	-9,632
Other Comprehensive Expenditure and Income (Note 9)	0	-33,977	-33,977	-3,098	-37,075
Total Comprehensive Expenditure and Income	**-9,639**	**-33,977**	**-43,616**	**-3,091**	**-46,707**
Adjustments between accounting basis and funding basis under regulations (Note 7)	26,501	-26,501	0	0	0
Net Increase/Decrease before Transfers to Earmarked Reserves	**16,862**	**-60,478**	**-43,616**	**-3,091**	**-46,707**
Transfers to/from Earmarked Reserves (Note 8)	0	0	0	0	0
Increase / (Decrease) in Year	**16,862**	**-60,478**	**-43,616**	**-3,091**	**-46,707**
Balance at 31 March 2016 carried forward	**-66,890**	**-226,372**	**-293,262**	**12,219**	**-281,043**

Group Comprehensive Income and Expenditure Account

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.

2014/15			GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	2015/16		
Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s		Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
			INCOME AND EXPENDITURE ON SERVICES			
3,579	-1,494	2,085	Central services to the public	3,227	-1,545	1,682
			Cultural, Environmental & Planning			
10,059	-2,655	7,404	Cultural & related services	9,506	-2,749	6,757
10,113	-3,598	6,515	Environment and Regulatory Services	10,772	-4,552	6,220
20,740	-5,030	15,710	Planning Services	7,121	-2,392	4,729
14,303	-3,116	11,187	Highways, Roads & Transport	3,648	-3,337	311
			Housing			
53,896	-85,652	-31,756	Housing Revenue Account	45,126	-73,959	-28,834
85,037	-79,936	5,101	General Fund Housing	83,334	-77,799	5,535
557	0	557	Corporate & Democratic Core - HRA	520	0	520
1,842	-64	1,778	Corporate & Democratic Core - GF	11,913	-47	11,865
3	-8,760	-8,757	Non Distributed Costs	64	-12	52
200,129	**-190,305**	**9,824**	**COST OF SERVICES**	**175,231**	**-166,394**	**8,837**
20,368	-15,238	5,130	Other Operating Expenditure **(Note 10)**	11,919	-8,394	3,525
21,166	-8,825	12,341	Financing and Investment Income and Expenditure **(Note 11)**	18,030	-7,101	10,929
37,823	-92,500	-54,676	Taxation and Non-Specific Grant Income **(Note 12)**	33,024	-65,945	-32,921
		-27,381	**(Surplus) or Deficit on Provision of Services**			**-9,630**
		-1,335	Surplus or deficit on revaluation of Property, Plant and Equipment assets			-8,735
		18,629	Actuarial gains / losses on pension assets/liabilities			-28,340
		17,294	**Other Comprehensive Income and Expenditure (Note 9)**			**-37,075**
		-10,087	**TOTAL COMPREHENSIVE INCOME AND EXPENDITURE**			**-46,705**

Group Balance Sheet

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

31st March 2015 £000s	Group Balance Sheet	31st March 2016 £000s	Notes
509,188	Property, Plant & Equipment	548,865	13
29,484	Heritage Assets	32,364	14
7,295	Investment Property	6,752	15
1,035	Intangible Assets	721	16
2,507	Long Term Investments	0	17g
15,090	Long Term Debtors	51,193	20
564,599	**Long Term Assets**	**639,897**	
33,111	Short Term Investments	38,122	17g
10,031	Short Term Available for Sale Financial Instruments	0	17g
1,474	Assets Held for Sale	1,162	22
152	Inventories	131	18
20,385	Short Term Debtors	17,825	20
26,539	Cash and Cash Equivalents	8,683	21
91,692	**Current Assets**	**65,923**	
-2,628	Short Term Borrowing	-7,444	17e
-30,217	Short Term Creditors	-31,931	23
-1,993	Provisions	-4,058	24
-34,838	**Current Liabilities**	**-43,433**	
-7,377	Long Term Creditors	-10,148	38
-29	Provisions	-53	24
-221,289	Long Term Borrowing	-260,337	17f
-158,421	Other Long Term Liabilities	-130,432	41b/45
-387,116	**Long Term Liabilities**	**-400,970**	
234,338	**Net Assets**	**261,417**	
83,835	Usable Reserves	66,990	MiRS
150,502	Unusable Reserves	214,052	26
234,337	**Total Reserves**	**281,042**	

Group Cash Flow Statement

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

2014/15 £000s	Group Cash Flow Statement	2015/16 £000s
27,381	Net Surplus or (deficit) on the provision of services	9,630
26,450	Adjustment to surplus or deficit on the provision of services for noncash movements	20,199
-40,165	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	-8,870
13,666	**Net Cash flows from operating activities**	**20,959**
-25,513	Net Cash flows from Investing Activities	-86,478
-3,674	Net Cash flows from Financing Activities	47,662
-15,521	**Net increase or decrease in cash and cash equivalents**	**-17,856**
42,060	Cash and cash equivalents at the beginning of the reporting period	26,539
26,539	**Cash and cash equivalents at the end of the reporting period**	**8,683**

I2. NOTES TO THE GROUP ACCOUNTS

1. Group Boundary

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

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

2. Intra Group Transactions

During 2015/16 the Council made payments of £57.601m to Northampton Partnership Homes (£13.893m in 2014/15). During 2015/16 the Council received payments of £6.472m from Northampton Partnership Homes (£1.873m in 2014/15). At 31st March 2015 there was a debtor balance of £3.220m (£4.551m in 2014/15), and a creditor balance of £7.011m (£1.695m in 2014/15) with Northampton Partnership Homes.

3. Basis of consolidation

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

4. Business activities of Northampton Partnership Homes

Northampton Partnership Homes is responsible for the following services:

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

5. Accounting Policies

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

6. Corporation Tax

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

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

7. Group Cash Flow Statement – Operating Activities

2014/15 £000s		2015/16 £000s
13,165	Depreciation	11,245
58	Impairment and downward valuations	-9,339
0	Impairment of long term debtors	10,219
320	Amortisation	326
0	Increase/(decrease) in impairment for bad debts	0
2,509	Increase/(decrease) in creditors	-6,503
3,061	Increase/(decrease) in debtors	3,872
12	Increase/(decrease) in inventories	20
-10,058	Movement in pension liability	507
0	Contributions to/(from) provisions	0
15,677	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	7,648
1,706	Other non-cash items charged to the net surplus or deficit on the provision of services	2,204
26,450		**20,199**

2014/15 £000s		2015/16 £000s
0	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	0
-13,945	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-6,463
-26,220	Any other items for which the cash effects are investing or financing cash flows	-2,407
-40,165		**-8,870**

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

2014/15 £000s		2015/16 £000s
1,097	Interest received	1,077
-8,030	Interest paid	-7,201
0	Dividends received	0
-6,933		**-6,124**

9. Group Cash Flow Statement – Investing Activities

2014/15 £000s		2015/16 £000s
-38,625	Purchase of property, plant and equipment, investment property and intangible assets	-40,060
-45,500	Purchase of short-term and long-term investments	-57,500
-7,150	Other payments for investing activities	-46,300
13,954	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	6,486
28,500	Proceeds from short-term and long-term investments	45,500
23,308	Other receipts from investing activities	5,396
-25,513	**Net cash flows from investing activities**	**-86,478**

10. Group Cash Flow Statement – Financing Activities

2014/15 £000s		2015/16 £000s
13,465	Cash receipts of short- and long-term borrowing	57,823
90	Billing Authorities - Council Tax and NNDR adjustments	-3
-140	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	-155
-16,048	Repayments of short- and long-term borrowing	-14,142
-1,041	Other payments for financing activities	4,139
-3,674	**Net cash flows from financing activities**	**47,662**

11. 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.

Employees and the Company pay contributions to the fund. During 2015/16 the employer's rate was 13.3% (13.3% in 2014/15) and employees contribute variable rates which increase on banded salary ranges. At 31st March 2016 the scheme had 238 active members (187 in 2014/15).

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.

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	2014/15 £000s	2015/16 £000s
Current service cost	3,197	3,834
Past service cost (including curtailments)	25	10
Gain from settlements	-10,946	0
Pension contribution adjustment	-64	-4
net interest expense	5,670	5,003
Total post employment benefits charged to the surplus or deficit on the provision of services	**-2,118**	**8,843**
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	4,218
Actuarial gains and losses arising on changes in demographic assumptions	0	0
Actuarial gains and losses arising on changes in financial assumptions	35,873	-26,834
Other expenditure	-4,290	-5,724
Total post-employment benefits charged to the comprehensive income and expenditure statement	**16,511**	**-19,497**
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	-14,738	18,661
Employers contributions payable to the scheme	7,451	6,096

Reconciliation of the movements in fair value of scheme assets:

	2014/15 £000s	2015/16 £000s
Opening fair value of scheme assets	158,840	174,877
Interest income	6,793	5,560
Return on plan assets excluding the amount includedin the net interest expense	12,954	-4,218
Contributions from employer	7,128	8,340
Contributions from employees into the scheme	865	847
Benefits paid	-11,703	-11,962
Assets distributed in settlements	0	0
Closing fair value of scheme assets	**174,877**	**173,444**

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

	2014/15 £000s	2015/16 £000s
Opening present value of scheme liabilities	294,657	332,950
Current service cost	3,197	3,834
Interest cost	12,463	10,563
Contribution from scheme participants	865	847
Actuarial gains/losses arising from changes in financial assumptions	35,873	-26,835
Actuarial gains/losses arising from other experience	-4,290	-5,723
Past service cost	25	10
Benefits paid	-12,579	-11,962
Liabilities extinguished on settlements	2,739	0
Closing present value of scheme liabilities	**332,950**	**303,684**

Fair value of plan assets:

	2014/15 £000s	2015/16 £000s
Equity securities		
Consumer	14,045	13,855
Energy & utilities	8,782	6,913
Financial institutions	13,125	13,037
Health and care	8,603	8,014
Information technology	12,317	12,057
Other	9,738	9,994
Debt securities		
UK Government	5,131	14,805
Private equity		
All	148	104
Real Estate		
UK property	13,429	15,702
Investment funds and unit trusts		
Equities	58,931	59,807
Bonds	26,635	16,827
Cash and cash equivalents		
All	3,993	3,281
Total	**174,877**	**174,396**

12. Group External Audit Costs

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

Group Auditor Fees	2014/15 £000s	2015/16 £000s
Northampton Borough Council Auditor Fees	123	120
Northampton Partnership Homes Auditor Fees	21	19
Total Group Auditor Fees	**144**	**139**

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.

Statement of Accounts 2015–16
Northampton Borough Council

NORTHAMPTON
BOROUGH COUNCIL

Annual Governance Statement 2015/16

DRAFT – Pre-Audit June 2016

NORTHAMPTON BOROUGH COUNCIL
ANNUAL GOVERNANCE STATEMENT 2015/16

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 2015/16. This document relies on several assurance mechanisms including the internal audit annual review, internal audit reports throughout the year, returns by Senior Officers, the Statement of Accounts, Audit Committee, the overview and scrutiny process, and external audit.

External audit has been undertaken since November 2012 by KPMG. 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 2014/15 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 six weeks. The Board is supported by five Committees; Finance, Audit & Risk, Operations and HR and the Remuneration Committee. Each Committee comprises of 5/6 Members of the Board and currently meet approximately every six weeks. 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 2016 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 2015 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 and is subject to a full review that commenced in March 16 and is due to be concluded in 16/17. 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. A review of the Constitution is planned for 2016/17.

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 2015/16. 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 2015/16. 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' Sessions

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

5.2.7 Programme and Project Management Governance

During 2015/16 key Programme Boards reported into Management Board on the key project streams for the year of Northampton Alive, LGSS, 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 2015/16 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.

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 appointed and 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 Section 151 and Deputy 151 Officers are LGSS employees and their function is provided to the Council through the LGSS Partnership Agreement. This arrangement has been reviewed against CIPFA's Statement on the Role of the Chief Finance Officer 2010, and successfully complies with all of the criteria. As stated above, the Chief Finance Officer is a member of Management Board and reports directly to the Chief Executive.

The Council has in place a five-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 which can be called in by Scrutiny using formal call-in powers in the constitution.

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 2015/16. 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 2014/15 Annual Governance Statement (AGS) and Statement of Accounts, and will approve these for 2015/16. 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 Management Board who determine priorities and agree programmes of development for the year. The outcomes from the development sessions are evaluated and monitored.

The Council also has an extensive Councillor Induction programme, due to the elections in May 2015, all Councillors received training from the induction programme during 2015/16.

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 2015/16 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 2015/16 the audit plan was agreed by Audit Committee in September 2015.

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 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

The below table sets out the Internal Audit opinions that can be given:

Type of opinion	*Indication of when this type of opinion may be given*
Satisfactory	• A limited number of medium risk rated weaknesses may have been identified, but generally only low risk rated weaknesses have been found in individual assignments; and • None of the individual assignment reports have an overall report classification of either high or critical risk.
Generally satisfactory with some improvements required	• Medium risk rated weaknesses identified in individual assignments that are *not significant in aggregate* to the system of internal control; and/or • High risk rated weaknesses identified in individual assignments that are *isolated* to specific systems or processes; and • None of the individual assignment reports have an overall classification of critical risk.
Major improvement required	• Medium risk rated weaknesses identified in individual assignments that are *significant in aggregate but discrete parts* of the system of internal control remain unaffected; and/or • High risk rated weaknesses identified in individual assignments that are *significant in aggregate but discrete parts* of the system of internal control remain unaffected; and/or • Critical risk rated weaknesses identified in individual assignments that are *not pervasive* to the system of internal control; and • A *minority* of the individual assignment reports may have an overall report classification of either high or critical risk.
Unsatisfactory	• High risk rated weaknesses identified in individual assignments that *in aggregate are pervasive* to the system of internal control; and/or • Critical risk rated weaknesses identified in individual assignments that are *pervasive* to the system of internal control; and/or • *More than a minority* of the individual assignment reports have an overall report classification of either high or critical risk.

Disclaimer opinion	• An opinion cannot be issued because insufficient internal audit work has been completed. This may be due to either:
	    ○ Restrictions in the audit programme agreed with the Audit Committee, which meant that our planned work would not allow us to gather sufficient evidence to conclude on the adequacy and effectiveness of governance, risk management and control; or
	    ○ We were unable to complete enough reviews and gather sufficient information to conclude on the adequacy and effectiveness of arrangements for governance, risk management and control.

Each of these rating levels attracts a set number of points as shown in the table below.

Based on the work completed, internal audit have issued a '***generally satisfactory with some improvements required***' opinion.

There were changes made in year to the Internal Audit Plan which have limited the amount of internal audit work undertaken to a certain extent. These changes were initiated by the Council in order to respond to key risks and amended priorities. However, PwC were satisfied that sufficient internal audit work had been undertaken to allow an opinion to be given as to the adequacy and effectiveness of governance, risk management and control, but have noted this opinion is based solely on the audit reviews completed in the year and interactions with management and the Audit Committee.

The changes in the audit plan can be summarised as follows:

- Resource was diverted to undertake a specific into the circumstances surrounding the loan granted to Northampton Town Football Club and in particular to consider the relevant policies and procedures that are applicable to a transaction of this nature.

- The original internal audit plan included work to support the Council in undertaking a risk and assurance mapping exercise and refresh of the risk management framework and strategic risk register. It was intended that following this exercise, additional assurance and compliance reviews would be undertaken to address specific areas of risk identified and that these would enable us to provide an assurance opinion over the Council's overall governance, internal control and risk management.

  The start of the review was delayed whilst the Council undertook internal reorganisation, and in the absence of an officer to take forward the ongoing responsibility for the risk management process. An Officer has now been appointed, and this work will be completed in 16/17.

- The directorate governance reviews were planned to examine the controls in place to ensure the Council's established processes for governance and financial accountability are operating consistently across the organisation. In 15/16 a review of the Borough Secretary Directorate was planned, however this review has been deferred to 2016/17 due to a change in the directorate's structure and a need for new roles to be embedded.

During the year PwC completed the following work:
Risk Management Workshops – in February 16 PwC facilitated the first of a series of workshops with Directors to identify risks and existing sources of assurance. Further workshops are planned in 2016.
LGSS Contract Review – this advisory piece of work followed on from 2014/15 review of contract management around the LGSS agreement. Focus was primarily on HR, Payroll and Legal services. The recommendations made were:

- Monitoring of financial performance of the contract by the Council
- Tracking of staff costs within LGSS
- Monitoring of savings
- Monitoring of activity levels within LGSS and NBC
- Contract variations

Review of the scope and effectiveness of the Section 151 Officer arrangement – As detailed within section 5.3, the Section 151 Officer is provided by LGSS. The review considered whether the service delivered was in line with the Local Government Act 1972 and CIPFA guidance, whether procedures are in place to monitor and measure performance and whether key stakeholders believe the service provision is adequate and effective. The recommendations arising from this review were concerning the contract management of the provision, which have been agreed by the Council to be implemented going forward.
Northampton Town Football Club Loan and Development of Land at Sixfields – The Audit Committee issued an additional piece of work on the internal arrangements within the Council for processing the Northampton Town Football Club loan. This work is ongoing and the results will be communicated to the Audit Committee separately once concluded.

Although a number of areas for improvement were identified, particularly in relation to evidencing the risk management process and implementing improved contract management arrangements in relation to LGSS, these did not constitute significant control weaknesses. Management Board are currently reviewing the recommendations and taking actions to address these risks as appropriate.

LGSS Internal Audit

It was agreed by the S151 Officer and the council's internal auditors (PwC) that where LGSS have the responsibility to undertake the primary functions, LGSS Internal Audit would complete the assurance work relating to these 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
Substantial	There are minimal control weaknesses that present very low risk to the control environmental.
Good	There are minor control weaknesses that present low risk to the control environment. .
Moderate	There are some control weaknesses that present a medium risk to the control environment.
Limited	There are significant control weaknesses that present a high risk to the control environment.
No Assurance	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment.

The areas reviewed by LGSS in 2015/16 were Accounts Receivable (Debtors), Accounts Payable (Creditors), Payroll and Bank Reconciliation (Cash).

LGSS is pleased to report that they were able to give "***substantial***" or "***good***" assurance on all the systems that have been reviewed.

Auditable Area	Assurance Opinion
Accounts Receivable	Substantial
Accounts Payable	Substantial
Payroll	Good
Bank Reconciliation	Substantial

For each process area where the assurance is less than "Substantial", an action plan of improvements for implementation by LGSS has been agreed between the relevant LGSS Service Manager and LGSS Internal Audit. These actions will be monitored and followed up.

7 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. The governance structure of NPH is detailed at section 2 above.

7.1 Statement on Internal Controls

As part of their Annual Report, NPH are required to make a formal statement on Internal Controls, covering:

- Corporate Governance
- Business Planning
- Executive Management Team
- Risk Assessment and Management
- Audit
- Performance Management
- Financial Control and Budget Management
- Budgetary Control and Reporting
- Service Level Agreements
- Policies and Procedures

7.2 NPH - Review of Effectiveness

Internal Audit, under the terms of engagement, is required to provide the Board 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 NPH's Audit Committee. For 2015/16 the audit plan was agreed by their Audit Committee in February 2015.

RSM 2015/16 Annual Internal Audit Opinion

For the 12 months ended 31 March 2016, the Head of Internal Audit opinion for Northampton Partnership Homes is as follows:

Head of Internal Audit opinion 2015/16
The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.

RSM also provided the following to be included within the Annual Governance Statement for 2015/16:

The follow up of key financial controls audit from 2014/15 reported ‘little progress’ due to the timing of the review. NPH were going through several structural changes and recruiting for new posts which would help fulfil a number of the recommendations raised in April 2015, some of this had been delayed or taken longer than anticipated, which meant that implementing some recommendations had not progressed as expected and the dates for implementation had been pushed back. However, review of Key Financial Controls in 2015/16 was given reasonable assurance, evidencing improvements in internal controls.

“The audits of Planned Maintenance including Decent Homes and Human Resources, as stated above, resulted in partial assurance, however, this was predominantly down to these areas still being work in progress. We were assured that the organisation had identified the work to be undertaken to address the risks in these areas, however, this work should be completed at pace to ensure these risks are mitigated.

Our advisory audit of the risk management function resulted in an advisory Position Statement, to take into account the work that was on-going. The organisation has revised its approach to risk management from the original risk management processes put in place at inception. NPH has decided that formal local risk registers, feeding into the corporate risk register, will not be held. It is the responsibility of Heads of Service to manage local risks, and ensure these are escalated to the corporate risk register in line with risk appetite as required.

To support the monitoring of the corporate risk register, early warning indicators were being established and aligned to the register to support risk monitoring and identification. Whilst this work was on-going, we did communicate our concerns over the potential issues with the new processes, particularly the potential for local risks to not be appropriately managed, and potential lack of evidence of risk management at a local level being maintained. As the risk management work progresses, Internal Audit will continue to review the processes as these are embedded.”

LGSS Internal Audit

NPH also receive the same back office support functions as The Council from LGSS. Therefore, please see section 6 for the review of effectiveness by LGSS Internal Audit.

8 Significant Governance Issues

8.1 Review of the previous 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 could potentially leave the Council open to the risk of inappropriate transactions. LGSS Internal Audit has tested user access within the financial system on both Accounts Receivable and Payables for 2015/16 and gave an opinion of substantial assurance.

8.2 This year’s Significant Governance Issues

Northampton Town Football Club Loan and Development of Land at Sixfields

As disclosed within the 2015/16 Statement of Accounts Narrative Report, in 2015/16 The Council fully impaired the £10.25m loan previously granted to Northampton Town Football Club. Reviews by both Internal Audit (PwC) and External Audit (KPMG) are currently ongoing. The findings of these reviews and any associated recommendations will be fully reflected in the 2016/17 Annual Governance Statement, once the reports are available.

9 Conclusion

The Council and its wholly-owned subsidiary NPH, 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.

10 Approval of the Annual Governance Statement

To be signed post-audit, before Audit Committee on 5th September 2016

In accordance with the appropriate regulations, the Annual Governance Statement was approved by the Audit Committee on 5th September 2016 at the same time as the Statement of Accounts for 2015/16 was approved.

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

Appendices: 2

NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	Financial Monitoring and Outturn Report

AGENDA STATUS: **PUBLIC**

Audit Committee Meeting Date:	25th July 2016
Policy Document:	No
Directorate:	Finance Directorate LGSS
Accountable Cabinet Member:	Cllr B Eldred

1. Purpose

1.1 To present Committee with the Financial Outturn for 2015-16.

1.2 To update Committee on car parking income and usage to 31 March 2016.

2. Recommendations

2.1 To consider the contents of the finance report:

- Finance and Monitoring Outturn Report 2015/16 (Appendix 1)

2.2 To note the position on car parking income and usage as at 31 March (Appendix 2A and 2B).

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

3. Issues and Choices

3.1 Report Background

3.1.1 A Finance and Performance report is presented to Cabinet quarterly (including the outturn report).

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

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

3.2 Issues

3.2.1 The Council's Revenue and Capital Outturn for 2015-16 is set out in Appendix 1.

3.2.2 Appendices 2a and 2b shows the monthly levels of car parking usage and income to 31 March.

3.3 Choices (Options)

3.3.1 None

4. Implications (including financial implications)

4.1 Policy

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

4.2 Resources and Risk

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

4.3 Legal

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

4.4 Equality

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

4.5 Consultees (Internal and External)

4.5.1 None at this stage.

4.6 How the Proposals deliver Priority Outcomes

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

4.7 Other Implications

4.7.1 Not applicable

5. Background Papers

13th July Cabinet – Finance and Monitoring Outturn Report 2015/16

Glenn Hammons
Chief Finance Officer, Telephone 01604 366521

Appendices
8

NORTHAMPTON
BOROUGH COUNCIL

CABINET REPORT

Report Title	FINANCE AND MONITORING OUTTURN REPORT 2015/16

AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	13 July 2016
Key Decision:	Yes
Within Policy:	Yes
Policy Document:	No
Directorate:	Management Board
Accountable Cabinet Member:	Cllr B Eldred
Ward(s)	N/A

1. Purpose

1.1 This report sets out the financial outturn position for the Council's General Fund, Housing Revenue Account (HRA), Capital Programme and Northamptonshire Partnership Homes (NPH) for the financial year 2015/16.

2. Recommendations

2.1. That Cabinet note the outturn for the General Fund and Housing Revenue Account for the financial year 2015/16 as set out at **Appendix 1** and **Appendix 5**.

2.2 That Cabinet approve the contributions to General Fund Revenue Earmarked Reserves as shown in **Appendix 3**.

2.3 That Cabinet approve the net movement in Housing Revenue Account Reserves and working balances as set out at **Appendix 6**.

2.4 That Cabinet note the outturn for the Council's General Fund and Housing Revenue Account Capital Programmes for 2015/16 and how the expenditure was financed as set out at **Appendix 4** and **Appendix 7.**

2.5 That Cabinet approve the carry forward for revenue and capital schemes from 2015/16 into 2016/17.

2.6 That Cabinet note the outturn for Northampton Partnership Homes for 2015/16 as set out at **Appendix 8**.

3. Issues and Choices

3.1 The Council's budget is divided across two accounts, the General Fund and the Housing Revenue Account (HRA). These two accounts, together with their respective sources of funding, are kept entirely separate from each other as required by statute. HRA expenditure and income relate solely to the Council's role as a housing landlord, whilst the General Fund encompasses all other services. Please note that the accounts for the year will include a number of technical accounting adjustments that will be taken in the draft Statement of Accounts to Audit Committee on the 25th July.

3.2 General Fund

3.2.1 The General Fund outturn for controllable service budgets shows an underspend of £1,221k.This is listed in **Table 1** below and detailed in **Appendix 1**.

Table 1 - Controllable Budget Outturn	**Revised Budget** **£000**	**Outturn** **£000**	**Variance** **£000**
Director of Regeneration, Enterprise and Planning	1,006	264	(742)
Housing and Wellbeing	1,117	1,394	257
Borough Secretary	2,442	2,364	(78)
Director of Customers and Communities	11,129	10,736	(393)
Corporate and LGSS	10,520	10,880	360
Total Service Controllable Spending	**26,234**	**25,638**	**(596)**
Debt Financing	3,011	2,387	(625)
Total Controllable Spending	**29,245**	**28,024**	**(1,221)**

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

3.2.2.1 Regeneration, Enterprise and Planning
- Overachievement of rental and development control income.
- Staff vacancy savings.

3.2.2.2 Housing and Wellbeing
- Additional staff costs covering vacant posts and posts that were being temporarily filled awaiting the implementation of a restructure and reduced fee income during the year.

3.2.2.3 Borough Secretary
- Reduction in staffing costs due to a restructure.
- Additional election and electoral registration costs.

3.2.2.4 Customers and Communities

- Overachievement of car parking income.
- Savings on utility and NNDR costs.
- Deductions made to the monthly core contract payment offset by pension charges and bond payments for 2014-16.

3.2.2.5 Corporate and LGSS

- Increase in provision for bad debts relating to Housing Benefits.
- Underachievement of budgeted savings for Revenues and Benefits
- Savings due to pension auto enrolment not starting in 2015/16.

3.2.3 All outturn variations will be reviewed as part of a robust review of the current 2016/17 budget and Medium Term Financial Plan going forward.

3.2.4 **Table 2** below sets out the proposed use of the 2015/16 underspend. The underspend is being used to mitigate risk and ensure that he Council can continue to invest in future service improvements and economic initiatives across the Borough.

Table 2 – Use of 2015/16 Underspend	**Para. Ref.**	**£000**
Underspend against Controllable Budgets		(1,221)
Other Technical Variances		31
Funding towards Planning Appeals	3.2.6	331
Funding towards Delapre Abbey Costs	3.2.7	90
Project Budget Carry Forwards	3.2.8	157
Contribution to Future Pressures Reserve	3.2.9	612
Contribution to General Fund Balance		**0**

3.2.5 It is important that the Council is able to manage the risks it faces. The Council sets aside monies for the purpose of managing some of the risks it is exposed to. The table above sets out the use of the underspend for 2015/16 with more details in the paragraphs below.

3.2.6 Planning Appeals at Collingtree and Hardingstone resulted in costs to the Council in 2015/16 of £545k, partly funded by an earmarked reserve with the remainder funded from service underspends.

3.2.7 Revenue costs in relation to the restoration of Delapre Abbey of £90,000 are a cost against service underspends.

3.2.8 Specific carry forwards have been requested for use in 2016/17. These include the carry forward of underspends in 2015-16 for Councillor enabling funds and the museum project.

3.2.9 The Council has identified a number of risks, including reducing government funding, increasing service costs and contract management costs. Monies are set aside in the Future Pressures Reserve to assist with the management of these risks.

General Fund Balances

3.2.10 The Chief Finance Officer has undertaken a risk-based assessment of reserve balances. This assessment suggests that, taking all known risks into account along with the Council's gross expenditure requirement, the minimum level of balances should be in the order of £5.5m. The unaudited outturn shows that this can be achieved as at 31 March 2016.

3.2.11 The Council also holds General Fund earmarked reserves of £22.7m to mitigate against specific risks to which the Council may be exposed and investing in service improvement. These are detailed in **Appendix 3.**

General Fund Capital

3.2.12 The Council's final approved budget for General Fund capital programme expenditure in 2015/16 was £66.5m, a net increase of £7.8m from the original budget of £58.7m. The increases were due to carry-forwards from 2014/15 and other changes largely relating to increases in external financing from grants and contributions and self-funded schemes.

3.2.13 The overall capital programme includes revenue expenditure funded from capital under statute (REFCUS). This is expenditure, such as grants to homeowners for disabled facilities, which can be funded from capital resources under statute and regulations.

3.2.14 Capital expenditure for 2015/16 totalled £59m against the final approved budget of £66.5m, a net underspend of £7.5m (11%). A large proportion (£7.3m) 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 (2016/17). The majority of this carry forward is due to the timing of approvals and the timescales for letting contracts and funding agreements. This includes £4.8m in relation to schemes with specific earmarked funding, e.g. specific government grants, section 106 contributions, earmarked reserves or self-funded borrowing, meaning that any underspend does not create a saving to Northampton Borough Council.

3.2.15 Total General Fund capital expenditure included a £46m loan to the University of Northampton to part fund the construction of its new campus. This loan was funded through PWLB borrowing at a preferential rate, and underwritten by HM Treasury.

3.2.16 The capital expenditure position by Directorate is summarised in **Table 3** below, with further details set out in **Appendix 4**, along with explanations of the reasons for any significant variances.

Table 3 Capital Expenditure 2015/16	**Final Approved Budget**	**Outturn**	**Variance**
General Fund	**£000**	**£000**	**£000**
Customers & Communities	1,109	716	(393)
Regeneration, Enterprise & Planning	17,324	10,328	(6,996)
Housing General Fund	1,500	1,557	57
LGSS Managed Budgets	301	54	(247)
Loans to Third parties	46,300	46,300	0
Total	**66,534**	**58,955**	**(7,579)**

3.2.17 **Table 4** below shows how the capital programme for 2015/16 has been funded. In line with the approved Capital Strategy and the Treasury Management Strategy, capital receipts have been utilised to fund expenditure on short-life assets whilst prudential borrowing has been used where assets have a longer life.

Table 4 Financing of Capital Programme 2015/16	**General Fund**
	£000
Borrowing	51,148
Capital Receipts	3,097
Grants	2,371
Third Party Contributions	508
Revenue Contributions	1,830
Total	**58,954**

3.2.18 The proposed carry forwards on General Fund Capital Schemes are required to complete schemes and realise the outcomes set out in the original appraisals. Justifications are given against each scheme in **Appendix 4**. After taking account of these carry-forwards, the net overspend in funding by corporate borrowing and capital receipts is £115k.

3.2.19 **Table 5** below shows the amount of carry forward from 2015/16 into the 2016/17 capital programme. Details are shown on a scheme by scheme basis at **Appendix 4.**

Table 5 General Fund Capital Carry forward 2015/16	**£000**
Customers & Communities	385
Regeneration, Enterprise & Planning	6,737
Housing General Fund	(57)
LGSS Managed Budgets	247
Total	**7,313**

3.2.20 The carry forward schemes will be incorporated into the 2016/17 agreed capital programme and monthly monitoring processes.

3.3 Housing Revenue Account

3.3.1 The HRA outturn position shows an underspend on controllable spending of £4.644m. After technical accounting adjustments this position moves to an underspend of £8.479m. This has reduced the required net contribution from reserves from the budgeted amount of £10.1m to £1.622m, while the HRA working balance remains unchanged at £5m.

3.3.2 It should be noted that Northampton Partnership Homes (NPH) have managed most of the HRA expenditure budgets in 2015/16 and the actual expenditure incurred is therefore reflected in the summary HRA accounts as management fee payments to NPH. The NPH outturn figures are shown separately (see 3.4 below).

3.3.3 The summary HRA outturn is attached at **Appendix 5.**

Main Variances

3.3.4 **Table 6** below summarises the main variances detailed in Appendix 5. All outturn variations are already being reviewed to identify ongoing issues which need to be reflected within the current forecast and future year budgets.

Table 6 – HRA Service Budget Outturn	Revised Budget £000	Outturn £000	Variance £000
Repairs and Maintenance	15,405	13,033	(2,372)
General Management	9,744	9,312	(432)
Special Services	4,331	3,170	(1,161)
Increase in Bad Debt Provision	750	201	(549)
Capital Charges	12,610	12,794	184
Interest and Financing	6,250	6,029	(221)
Revenue Contributions to Capital	12,540	9,424	(3,116)
Net Support Service Recharges	2,811	2,129	(682)
Rent and Other Income	(54,620)	(54,729)	(109)
Other Minor Variations	279	259	(20)
HRA Net Expenditure 2015/2016	**10,100**	**1,622**	**(8,479)**
Net Contribution to/(from) Reserves	(10,100)	(1,622)	8,479
Housing Revenue Account Deficit/(Surplus)	**0**	**0**	**0**

The major variations between the revised budget and outturn are as follows:

3.3.5 Repairs and Maintenance: - Mainly due to capitalisation of eligible void works identified.

3.3.6 General Management and Special Services – savings largely reflect lower employee related expenditure as a result of vacant posts held within Northampton Partnership Homes.

3.3.7 Other Variances:-

- Lower contribution to the Bad Debt Provision than budgeted reflecting on the good performance of managing arrears and also the further delay on implementation of the Welfare reforms and Universal Credit.
- Lower interest and financing costs reflecting the higher level of balances held on the HRA for the year.
- Revenue Contributions to Capital – unused Major Repairs Allowance brought forward from 2014/15 was available to fund the Capital Programme.
- Lower Support Service Recharges reflect savings within General Fund services.

3.3.8 Further details regarding recommended budget revisions and management actions required to ensure that the budget remains in balance will be included in the next budget monitoring report to Cabinet.

Contribution to HRA Working Balances and Reserves.

3.3.9 The total balance on all HRA reserves and balances at 31 March 2016 is £23.2m. **Appendix 6** details the movement to and from HRA reserves, excluding working balances. Contributions to and from working balances and earmarked reserves are summarised in **Table 7** below.

Cabinet are asked to approve the contributions from reserves.

Table 7 – HRA Working Balances and Reserves	**Balance 1 April 2015 £000**	**Movement in Year £000**	**Balance 31 March 2016 £000**
Working Balance	5,000		5,000
Capital Programme Reserve	17,067	(1,622)	15,446
Leaseholders Reserve	500		500
Service Improvement and Project Reserve	1,395		1,395
Stock Options Appraisal	8		8
Supporting People Reserve	558		558
Insurance reserve	300		300
Total HRA Balances	**24,829**	**(1,622)**	**23,207**

HRA Capital

3.3.10 The Council’s final approved budget for HRA capital programme expenditure in 2015/16 was £36.148m, a net decrease of £165k from the original budget of £36.313m. The budget initially increased due to carry-forwards from 2014/15, but was subsequently decreased to reflect the re-phasing of the Dallington New Build scheme and other schemes.

3.3.11 HRA Capital expenditure for 2015/16 totalled £33.69m against the final approved budget of £36.15m, a net underspend of £2.46m (7%).This underspend relates to various schemes including those managed by NPH (£1.2m), the Repurchase of Former Council Houses (£590k) and the Dallington New Build Scheme (£600k). A carry forward of these balances is required to accommodate the re-phasing of the schemes in 2016/17. Further details are provided in Appendix 7.

3.3.12 **Table 8** below shows how the HRA capital programme for 2015/16 has been funded.

Table 8 Financing of HRA Capital Programme 2015/16	**HRA £000**
Capital Receipts	2,370
Major Repairs Allowance	21,898
Revenue Financing – In Year	9,424
Total	**33,693**

3.3.13 The proposed HRA carry forwards of £2.4m, as detailed in **Appendix 7** include £1.19m for NBC retained schemes and £1.2m for NPH managed schemes. The programme for 2016/17 onwards has been reconfigured in line with the latest stock condition survey. Any HRA capital resources becoming available as a result of the underspend and the next revision of the 30-year Business Plan will be allocated to priority improvements and/or new provision.

3.3.14 The carry forward schemes will be incorporated into the 2016/17 agreed capital programme and monthly monitoring processes.

3.4 Northampton Partnership Homes (NPH) Outturn

3.4.1 The NPH accounting loss for the year 2015/16 was £7k. In accordance with the Management Agreement, this will be adjusted back into the retained HRA in 2016/17 and offset against the £27k surplus from 2014/15. The balance of £20k will be held in a reserve ring-fenced to NPH service improvements to be drawn down when a specific use is identified.

3.4.2 **Table 9** below summarises the overall NPH outturn position against the revised budget. The main variances against the elements of the Total Fee are shown in **Appendix 8.**

Table 9– NBC / NPH Extract from Pre-Audited Accounts	**Original Budget £000**	**Actual £000**	**Variance £000**
Management Fee Expenditure	62,358 62,358	57,131 56,648	(5,227) (5,710)
Operating Surplus Before Financing and Tax)	**0**	**483**	**483**
Financing Costs	0	489	489
Operating Surplus	**0**	**(7)**	**7**

3.4.3 The original management fee budget of £55.3m was increased to £62.3m as a result of the approved carry forward of capital budgets totalling £7m from 2014/15.

3.4.4 The actual variance of (£5.7m) shown above reflects the re-phasing of the HRA Capital programme (£1.2m) into 2016/17, HRA Revenue savings (£4.5m) largely as a result of the capitalisation of void works and minor General Fund savings (£12k).

3.5 Choices (Options)

3.5.1 Cabinet is invited to note the report and the explanations of the actual outturn on controllable income and expenditure for the General Fund, Housing Revenue Account, Capital Programme and Northamptonshire Partnership Homes.

3.5.2 Cabinet is asked to note the movements in the General Fund and HRA reserves.

3.5.3 Cabinet is asked to agree the capital and revenue budgets to be carried forward to 2016/17.

3.5.4 In determining the recommendations set out in the report the Chief Finance Officer and Management Board, in conjunction with the appropriate Cabinet Member, have considered the options open to the Council. The recommendations made ensure the Council:

- continues to support its capital programme projects by seeing them to completion,
- manages its financial/service risks through the creation of appropriate reserves,
- supports NPH by reinvesting unspent monies.

4. Implications (including financial implications)

4.1 Policy

4.1.1. Actual outturn impacts upon the level of reserves.

4.2 Resources and Risk

4.2.1 This report informs Cabinet of the outturn for the General Fund, Housing Revenue Account, Capital Programme and Northamptonshire Partnership Homes for 2015/16. The impact of individual outturn variances needs to be assessed against current and future years' budgets.

4.3 Legal

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

4.4 Equality

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

4.5 Consultees (Internal and External)

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

4.6 How the Proposals Deliver Priority Outcomes

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

4.7 Other Implications

4.7.1 The Appendices are set out as follows:

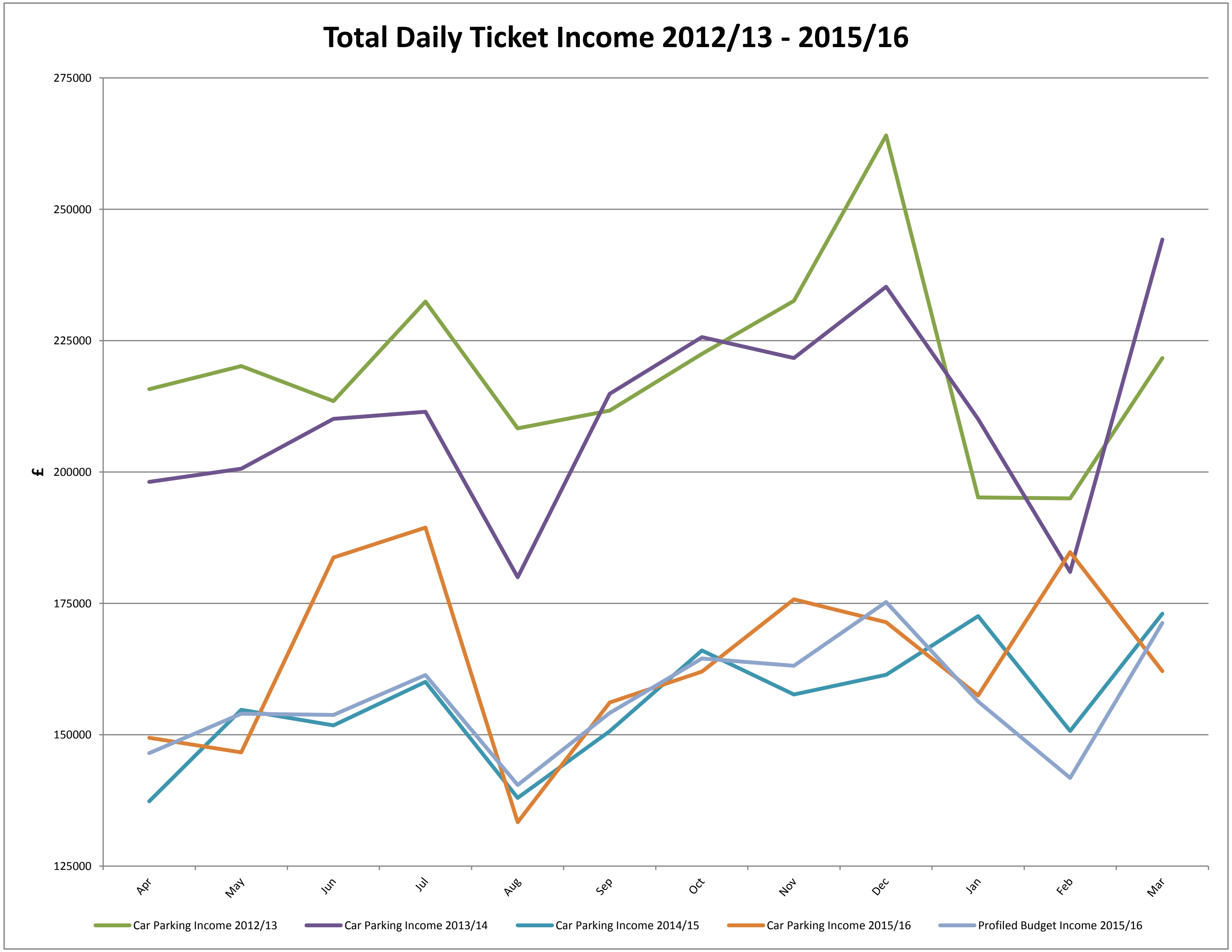
1. General Fund Outturn 2015/16
2. General Fund - Service Budget Outturn Position 2015/16
3. Extract of General Fund Earmarked Reserves Movements 2015/16
4. General Fund Capital Programme 2015/16 - Outturn and Carry Forwards
5. Summary of Housing Revenue Account Outturn Position 2015/16
6. Summary of HRA Earmarked Reserves 2015/16
7. HRA Capital Programme 2015/16 - Outturn and Carry Forwards
8. Northampton Partnership Homes Outturn 2015/16

5. Background Papers

5.1 Cabinet Reports – Budget Setting and Budget Monitoring throughout 2015/16

Glenn Hammons
Chief Finance Officer (Section 151 Officer)
0300 330 7000

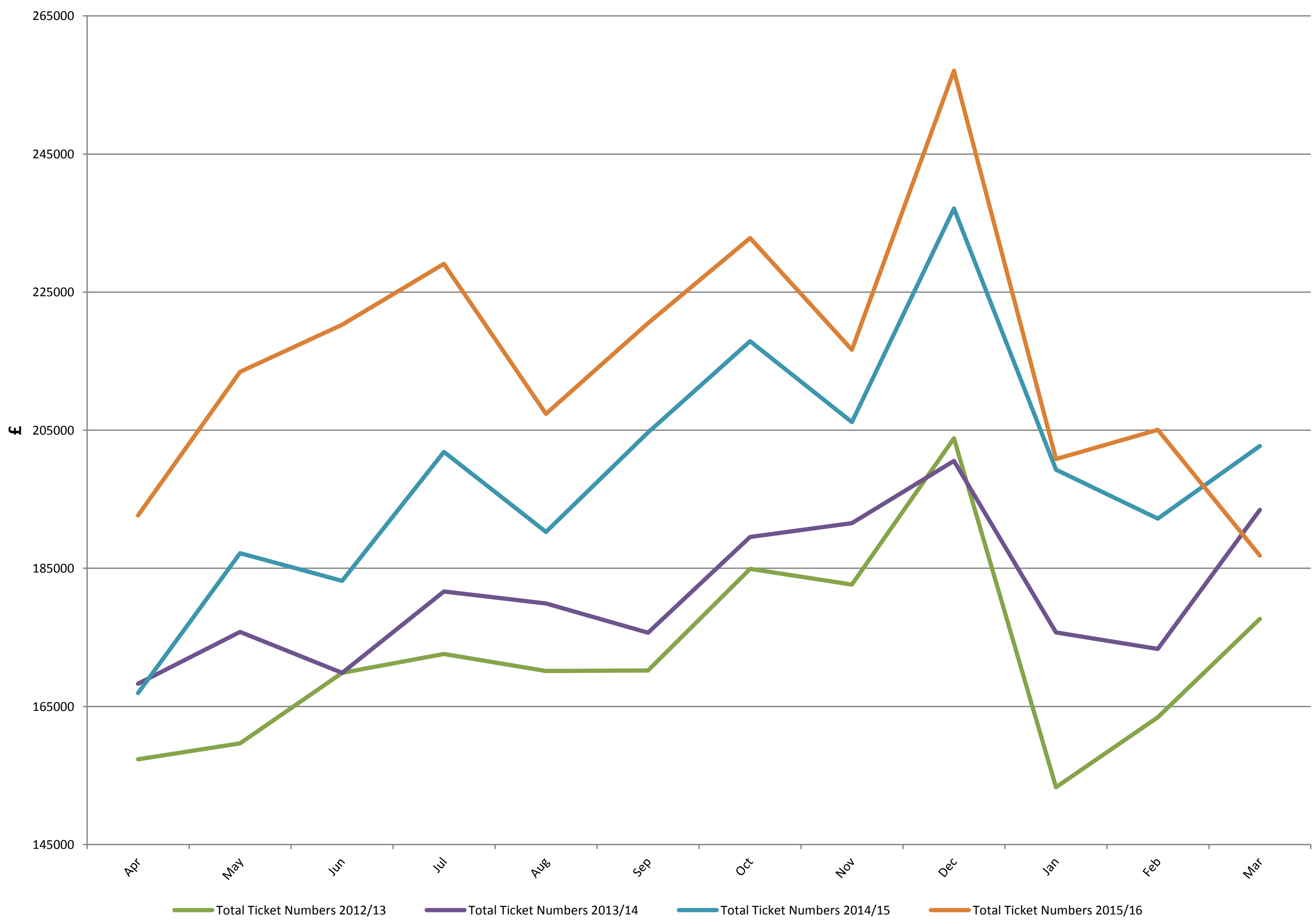
Appendix 2A



Cumulative income for the year 2015/16 was £98k greater than that for the full year 2014/15.

Appendix 5B

Total Summary Daily Ticket Numbers 2012/13 - 2015/16



The volume of tickets issued for the year was 193k higher than in 2014/15.

Appendices
A: PwC Auditor Report

NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	Internal Audit (PwC) Progress Update

AGENDA STATUS: **PUBLIC**

Audit Committee Meeting Date:	25th July 2016
Policy Document:	No
Directorate:	LGSS Finance
Accountable Cabinet Member:	Cllr Brandon Eldred

1. Purpose

1.1 To inform the Audit Committee on the current progress of internal audit work being carried out by PwC against the workplan.

2. Recommendations

2.1 It is recommended that the Audit Committee note this report.

3. Issues and Choices

3.1 Report Background

3.1.1 As part of their engagement as internal auditors PwC provide regular updates to the Audit Committee of progress against planned work and any issues during the year.

3.2 Choices (Options)

3.2.1 The report is just for noting, however audit committee have the opportunity to ask questions direct to the auditors.

4. Implications (including financial implications)

4.1 Policy

4.1.1 None to report.

4.2 Resources and Risk

4.2.1 None to report at present.

4.3 Legal

4.3.1 None to report at present.

4.4 Equality

4.4.1 Not applicable.

4.5 Consultees (Internal and External)

4.5.1 None.

4.6 Other Implications

4.6.1 None.

5. Background Papers

5.1 None to date.

Glenn Hammons
Chief Finance Officer, Telephone 01604 366521

www.pwc.co.uk

Internal Audit Progress report

Northampton
Borough Council

July 2016

Contents

Distribution List

For information	Audit Committee

Introduction

Purpose of this report

We are committed to keeping the Audit Committee up to date with Internal Audit progress and activity throughout the year. This summary has been prepared to update you on our activity since the last meeting of the Audit Committee and to bring to your attention matters that are relevant to your responsibilities as members of the Authority's Audit Committee.

2016/17 Internal Audit Plan Progress

The draft 2016/17 Internal Audit Plan was presented and approved by the Audit Committee at its meeting on the 27 July 2016. The Internal Audit Plan sets out the risks that were identified as part of the planning process, together with the targeted work to be performed in order to address the identified risks. We will report back to you on any changes to the assessment of audit risks and on the work undertaken in response to the risks identified.

We have continued our Internal Audit fieldwork and are pleased to report work is ongoing in the following areas:

- Risk Management; and
- Northampton Town Football Club.

We have also arranged review scoping meetings for the following areas:

- Economic Development and Regeneration;
- Planning;
- Customers and Communities; and
- Housing and Wellbeing.

A detailed assessment of our performance against the Internal Audit Plan, tracking assignments undertaken and planned activity is shown in Appendix One. At the time of writing this report we have completed 16 days of the planned audit days.

Changes to the 2016/17 Internal Audit Plan

Our original plan indicated that the Directorate Governance Review in the Borough Secretary Department would take place in Quarter 2. We have put this review on hold at the request of the Council owing to a change in the directorate's structure and a need for new roles to be embedded. We will continue to review the situation and plan to undertake this review during a more appropriate time.

Activity and progress

Ongoing fieldwork

Work is progressing in the following areas:

Risk Management

We started a series of risk management and assurance mapping workshops in February 2016 with the Directors and we have continued to provide support to embed the risk management framework.

A workshop was held in May 2016 with the risk and performance management officer and section 151 officer to review the proposed risk register and consider the effects of the Council's revised approach to risk management. We facilitated a workshop at the Management Board meeting in June 2016 and supported Directors in identifying current risks which affect the Council.

Going forward, another workshop is planned at the Management Board meeting in September 2016 where we will support in reviewing the updated risk register, populated with the identified risks. Once finalised, the risk register will be shared on a regular basis with the Audit Committee.

Northampton Town Football Club

We have provided verbal updates to the Audit Committee at its meetings in March and May 2016. The review has continued in line with the agreed terms of reference and continues to progress well. The fieldwork is substantially complete and we are in the process of undertaking internal review procedures before the report is shared with management and the Audit Committee.

Appendix 1: Detailed progress tracker

Ref	Auditable Unit	Indicative number of audit days*	Actual audit days to date	Proposed fieldwork dates	Scoping meeting date	Proposed draft report date	Proposed management response date	Proposed final report date	Audit Committee reporting date
A1	Contract management: LGSS review	20	-	Q1-2	TBC	TBC	TBC	TBC	TBC
A2	Risk management	10	5	Q1-2	Work ongoing from 15/16				
A3	Business Continuity	10	-	Q3	TBC	TBC	TBC	TBC	TBC
A4	Governance: Corporate Policy	10	-	Q3	TBC	TBC	TBC	TBC	TBC
A5	Performance Management	10	-	Q3	TBC	TBC	TBC	TBC	TBC
A6	NTFC	10	6	Q1	Work ongoing from 15/16				
B1	Economic development and regeneration	10	-	Q4	1st August 2016	TBC	TBC	TBC	TBC
B2	Planning	10	-	Q3	1st August 2016	TBC	TBC	TBC	TBC
C1	Directorate governance: Borough Secretary	10	-	Q2	TBC	TBC	TBC	TBC	TBC
D1	Environmental Health and Licencing	10	-	Q3	1st August 2016	TBC	TBC	TBC	TBC
D2	Environmental services	10	-	Q3	1st August 2016	TBC	TBC	TBC	TBC
D3	Customers and cultural services	10	-	Q3	1st August 2016	TBC	TBC	TBC	TBC

E1	Housing options	10	-	Q2	1st August 2016	TBC	TBC	TBC	TBC
E2	Private Sector Housing	10	-	Q2	1st August 2016	TBC	TBC	TBC	TBC
E3	Partnerships and Communities	10	-	Q3	1st August 2016	TBC	TBC	TBC	TBC
F1	Internal audit management	20	5	Q1-4	TBC	TBC	TBC	TBC	TBC
F2	Contingency	20	-	Q1-4	TBC	TBC	TBC	TBC	TBC
	Total audit days	200	16						

** Where appropriate and in agreement with client management, we are able to flex our audit service to include more senior or specialist staff to respond to the risks generated by audit reviews. Where we do this we effectively agree a fixed fee for the audit work which is derived from the combined fees of the planned audit days allocated to this audit review during the annual planning process.*

Appendix 2. Recent Publications

PwC Publications

As part of our regular reporting to you, we plan to keep you up to date with the emerging thought leadership we publish. The PricewaterhouseCoopers Public Sector Research Centre ('PSRC') produces a range of research and is a leading centre for insights, opinion and research on best practice in government and the public sector.

All publications can be read in full at *www.psrc.pwc.com/*

Local State We're In 2016

While the challenges that local government faces are no doubt still significant, the shift in feeling that has emerged in the sixth edition of our local government survey is one of a sector on the move; finding innovative new ways of working, looking for new opportunities and forming new partnerships.
However, as they look to 2020, the focus must be on ensuring they have the capacity and capability to deliver on their ambitions.

Beyond Control

The past five years has seen a period of unprecedented change for local authorities in the UK. Councils have been pushed to the point where they are having to ask fundamental questions about their place in society. Communities too are undergoing rapid change, and many have begun to use digital platforms to reinforce local connections and create new opportunities for participation. As is the case with forward thinking organisations in all industry sectors, the leading local authorities are already considering how best to support and harness this capacity.
The councils that will be most successful in the future will seek to take advantage of these changes by letting go of traditional approaches to control. They will focus instead on strategies to share the responsibility of leadership. They will lead by influencing and facilitating, by devolving certain functions and by developing the digital enablers that will encourage greater community participation and resilience. Our Talking Points, Beyond control, suggests five areas where councils should focus on to harness the power of participation.

Good growth for cities 2015: our report on economic wellbeing in UK urban areas

The economic outlook in 2015 has improved, with rising employment and a welcome return to growth of real earnings, which means that the public is finally starting to feel the benefits of recovery.
This is our 4th Good Growth for Cities report where we measure the performance of the UK's largest cities against a basket of ten categories defined by the public, and business, as key to economic success and wellbeing.
This year, we've also looked at the 'Northern Powerhouse' for the first time, which can be used in the future to assess the success of the move to devolve powers from a good growth perspective.
To deliver on the potential of decentralisation however, local institutions need to have the local leadership, capacity and capability as well as the accountability arrangements in place to support their case to government for further powers - and ensure good growth outcomes are achieved.

Appendices:2

NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	External Audit Progress Update

AGENDA STATUS: **PUBLIC**

Audit Committee Meeting Date:	25th July 2016
Policy Document:	No
Directorate:	LGSS Finance
Accountable Cabinet Member:	Cllr Brandon Eldred

1. Purpose

1.1 To inform the Audit Committee on the current progress of external audit work being carried out by KPMG on the draft statement of accounts.

2. Recommendations

2.1 It is recommended that the Audit Committee note this report.

3. Issues and Choices

3.1 Report Background

3.1.1 As part of their engagement as external auditors KPMG provide regular updates to the Audit Committee of progress against planned work and any issues during the year. The external audit of the statement of accounts is a key part of their work, and is undertaken through an interim audit during the early part of the year, followed up by the main audit during July and August.

3.1.2 The report also includes information about the resources available to Local Authorities by KPMG, and also a summary of technical developments relating to the production of Local Authority statement of accounts.

3.2 Choices (Options)

3.2.1 The report is just for noting, however audit committee have the opportunity to ask questions directly to the auditors on anything contained in their report, and issues around the external audit process.

4. Implications (including financial implications)

4.1 Policy

4.1.1 None to report.

4.2 Resources and Risk

4.2.1 None to report at present.

4.3 Legal

4.3.1 None to report at present.

4.4 Equality

4.4.1 Not applicable.

4.5 Consultees (Internal and External)

4.5.1 None.

4.6 Other Implications

4.6.1 None.

5. Background Papers

5.1 None to date.

Glenn Hammons
Chief Finance Officer, Telephone 01604 366521

2015-16 external audit update

Incorporating the July 2016 technical developments

Northampton Borough Council

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July 2016

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2015-16 external audit progress report

July 2016

External audit progress report

This document provides the audit committee with a high level overview on progress in delivering our responsibilities as your external auditors with regards to the 2015-16 external audit.

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

Area of responsibility	Commentary
Financial statements	We have commenced our year end 2015-16 audit visit. We have made progress against significant audit risks as communicated within our External Audit Plan 2015-16: — **Change in NNDR system:** We have completed our IT evaluation of the Council's NNDR system and have not found significant issues to note. Our substantive work assessed the completeness and accuracy of the figures disclosed in the draft financial statements. — **Loans system:** Our work on this is still ongoing. The Council has four active loans during the 2015-16 financial year (this is excluding the Northampton Town Football Club loan which is part of a wider and more extensive review by KPMG). We have assessed three out of the four loans, with information for one loan still to be received by KPMG, and we have some outstanding queries in relation to the another loan. Other key areas: — **Fixed assets:** Our work on this is progressing; Beacon Valuation certificates have yet to be provided to KPMG as at the time of writing. — **Payroll:** Our review of the payroll reconciliation has found that the reconciliation is not operating effectively due to unidentified balances which are immaterial being brought forward from prior accounting periods. We recognise that the Council is making progress on improving the reconciliation and clearing these unidentified balances. Our work will focus on substantive testing via data analytics to gain assurance over the payroll figure. In our External Audit Plan 2015-16, we noted that the Council's Internal Audit function would undertake a review of discrepancies reported in the payroll system in 2015-16. However, during our year end visit, we were informed that this had not taken place, and rather an internal management review of payroll had been undertaken. Following discussions with management further internal audit work has now been undertaken to provide us with the assurance we needed in relation to the issues identified by Management.

KPMG

External audit progress report *(continued)*

Area of responsibility	Commentary
Value for Money	Our Value for Money (VFM) work is linked to work done in our financial statements audit. In relation to the NTFC Loan, specific and very detailed review work is still being carried out to assess the arrangements which the Council has put in place in relation to its loan-making decision and governance processes. Separately, we have also assessed the other community loans which the Council has made, and this work is on-going. We will be reviewing these findings and communicating these to the Audit Committee upon completion of the audit.
Certification of claims and returns	Our work on the Housing Benefits (BEN01) grant claim is in progress.

2015-16 external audit deliverables

2015-16 external audit deliverables

2015/16 Deliverable	Purpose	Timing
Planning		
Fee letter	Communicate indicative fee for the audit year.	April 2015
External audit plan	Outline our audit strategy and planned approach. Identify areas of audit focus and planned procedures.	January 2016
Interim		
Interim letter	Identify findings from our interim audit.	May 2016
Substantive procedures		
External audit update (Progress report)	Communicate progress of the year end audit visit and any significant findings *(this document).*	July 2016
Report to those charged with governance (ISA 260 report)	Details the resolution of key audit issues. Communication of adjusted and unadjusted audit differences. Performance improvement recommendations identified during our audit. Commentary on the Council's value for money arrangements.	September 2016 *(TBC)*

2015-16 external audit deliverables *(continued)*

Deliverable	Purpose	Timing
Completion		
Auditor's report	Providing an opinion on your accounts (including the Annual Governance Statement). Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion).	September 2016 *(TBC)*
WGA	Concluding on the Whole of Government Accounts consolidation pack in accordance with guidance issued by the National Audit Office.	September 2016 *(TBC)*
Annual Audit Letter	Summarise the outcomes and the key issues arising from our audit work for the year.	November 2016 *(TBC)*
Certification of claims and returns		
Certification of claims and returns report	Summarise the outcomes of certification work on your claims and returns for Government departments.	December 2016 *(TBC)*

KPMG resources

Local government budget survey

KPMG has recently published the results of its Local Government Budget Survey. The survey collated data from 97 KPMG local authority clients on topics including:

- The content of budget monitoring reports;
- Savings plans;
- Invest-to-save projects
- The type of savings being made;
- Assumptions underlying the medium term financial plan; and
- Reserve movements.

The Survey also poses questions for management and Members to consider when reviewing their budget setting and budget monitoring processes.

This report has been attached separately to this *External Audit Update* document.

For more information, please contact Dan Hayward (details on page 2).

Publication 'Value of Audit - Perspectives for Government'

What does this report address?

This report builds on the Global Audit campaign – *Value of Audit: Shaping the future of Corporate Reporting* – to look more closely at the issue of public trust in national governments and how the audit profession needs to adapt to rebuild this trust. Our objective is to articulate a clear opinion on the challenges and concepts critical to the value of audit in government today and in the future and how governments must respond in order to succeed.

Through interviews with KPMG partners from nine countries (Australia, Canada, France, Germany, Japan, the Netherlands, South Africa, the UK and the US) as well as some of our senior government audit clients from Canada, the Netherlands and the US, we have identified a number of challenges and concepts that are critical to the value of audit in government today and in the future.

What are the key issues?

- The lack of consistent accounting standards around the world and the impacts on the usefulness of government financial statements.
- The importance of trust and independence of government across different markets.
- How government audits can provide accountability thereby enhancing the government's controls and instigating decision-making.
- The importance of technology integration and the issues that need to be addressed for successful implementation
- The degree of reliance on government financial reports as a result of differing approaches to conducting government audits

The *Value of Audit: Perspectives for Government* report can be found on the KPMG website at https://home.kpmg.com/xx/en/home/insights.html

The *Value of Audit: Shaping the Future of Corporate Reporting* can be found on the KPMG website at www.kpmg.com/sg/en/topics/value-of-audit/Pages/default.aspx

Publication 'Reimagine - Local Government'

KPMG have published a number of reports under the headline of *Reimagine – Local Government*. These are summarised below:

Council cash crunch: New approach needed to find fresh income

— By 2020, councils must generate all revenue locally.

— More and more are looking towards diversifying income streams as an integral part of this.

— Councils have significant advantages in becoming a trusted, independent supplier.

— To succeed, they must invest in developing commercial capability and capacity.

Councils can save more than cash by sharing data

— Better data sharing in the public sector can save lives and money.

— The duty to share information can be as important as the duty to protect it.

— Local authorities are yet to realise the full value of their data and are wary of sharing information.

— Cross-sector structures and the right leadership is the first step to combating the problem.

English devolution: Chancellor aims for faster and more radical change

— Experience of Greater Manchester has shown importance of strong leadership.

— Devolution in areas like criminal justice will help address complex social problems.

— Making councils responsible for raising budgets locally shows the radical nature of these changes.

— Cuts to business rates will stiffen the funding challenge, even for the most dynamic councils.

Senior public sector pensions

— Recent changes to pensions taxation have particularly affected the public sector, with fears senior staff may quit as pension allowances bite.

— 'Analyse, control, engage' is the bedrock of an effective strategy.

Time for the Care Act to deliver

— Momentum behind last year's Care Act risks stalling.

— Councils are struggling to create an accessible care market with well-informed consumers.

— Local authorities must improve digital presence and engage providers.

— Austerity need not be an impediment to progress. It could be an enabler.

The publications can be found on the KPMG website https://home.kpmg.com/uk/en/home/insights/2016/04/reimagine-local-government.html

Publication 'The future of cities'

We are delighted to share *The future of cities*, a report that helps local government leaders build and evaluate sustainable cities for their current and future generations.

What is *The future of cities*?

The future of cities is a global report that follows from the UK firm's thought leadership partnership with the City of Bristol and the work surrounding its European Green Capital 2015 designation. The report is broken into two modules that draw on the expertise of KPMG practitioners around the world and includes a range of case studies to ensure you find approaches relevant to your context.

The first module, *The future of cities: creating a vision*, explains the central role of vision in the success of second cities, identifying seven guiding principles to make cities more attractive. Examples are provided of various cities around the globe that are putting some of these principles into action.

The second, *The future of cities: measuring sustainability*, discusses some of the ways in which cities are being measured and how these metrics could evolve. More important, it provides practical examples of what leading cities are doing, the lessons to be learned and how these can be applied to other cities.

This content is now featured on kpmg.com/futurecities where readers can access a broader collection of reports and shorter opinion pieces from KPMG's leading thinkers on different aspects on how to create better, more sustainable places to live and work.

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Technical developments

This report provides the audit committee with an overview on progress in delivering our responsibilities as your external auditors. The report also highlights the main technical issues which are currently having an impact in local government. If you require any additional information regarding the issues included within this report, please contact a member of the audit team.

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

High impact **Medium impact** **Low impact** **For information**

New local audit framework

Level of impact: (Medium)	KPMG perspective
The *Local Audit and Accountability Act 2014* included transitional arrangements covering the audit contracts originally let by the Audit Commission in 2012 and 2014. These contracts covered the audit of accounts up to 2016/17, and gave the Department for Communities and Local Government (DCLG) the power to extend these contracts to 2019/20. DCLG have now announced that the audit contracts for principal local government bodies (including district, unitary and county councils, police and fire bodies, transport bodies, combined authorities and national parks) will be extended to include the audit of the 2017/18 financial statements. From 2018/19, local government bodies will need to appoint their own auditors. Currently, there is nothing definite in place whether there will be a sector-led body that is able to undertake this role on behalf of bodies. However the Local Government Association (LGA) has been seeking views and expressions of interest to gauge the appetite in the sector for this approach. CIPFA have now issued guidance that was commissioned by DCLG on the creation of Auditor Panels. The guidance is available at www.cipfa.org/policy-and-guidance/publications/g/guide-to-auditor-panels-pdf The guidance provides options on establishing an Auditor Panel, and the roles and responsibilities the panels will have once established. NHS and smaller local government bodies (town and parish councils, and internal drainage boards), will not have their contracts extended, and will have to appoint their own auditors for 2017/18, one year earlier than for larger local government bodies.	*Members may wish to discuss the options open to them on how to procure their auditor for 2018/19 and beyond and ensure they formulate a timetable for making this decision.*

CIPFA/LASAAC briefing on Highway Network Assets

Level of impact: ● (Low)	KPMG perspective
Authorities will be aware that the CIPFA/LASAAC consultation on the Draft Code of Practice on the Highways Network Asset (HNA Code) closed in April 2016. Following the consultation, the second in a series of Briefings on the Highways Network Asset has been made available on the CIPFA website at: http://www.cipfa.org/policy-and-guidance/local-authority-highways-network-asset. The Briefing covers the HNA Code consultation, the definition of the Highways Network Asset, 2015/16 reporting requirements and the Central Assurance process. Further guidance, and future briefings, on this topic are also available on this same webpage.	*The Committee may wish to understand the progress their Authority has made in its plans to meet the new reporting requirements.*

Exercising electors' rights: 2015-16 changes

Level of impact: (Low)	**KPMG perspective**
Authorities may be aware that the *Accounts & Audit Regulations 2015* have introduced new arrangements for the exercise of electors' rights, which take effect from the 2015/16 financial statements. One of the most significant changes is that the auditor is no longer required to 'call the audit' and specify a date upon which electors can meet with the auditor and ask questions about the accounts. Regulation 15 requires the Responsible Financial Officer (RFO), after signing and dating the draft accounts on behalf of the Authority, to commence the period for the exercise of electors' rights. This period is limited to 30 working days, and for 2015/16 must include the first 10 working days of July. Authorities should also note that Regulation 9(2) is clear that the authority's meeting to consider and approve the accounts should take place after the period for the exercise of electors' rights has ended. Due to the requirement in Regulation 15 for a common inspection period during July, the inspection period this year cannot end before 14 July 2016. This means that authorities should not approve and publish their accounts before 15 July 2016. Electors' rights are important, and the courts have in the past been critical of those who have not ensured that adequate provision for the exercise of these rights is made. Auditors are mindful that they may be contacted by electors or their representatives during the 30 working day inspection period. Given the limited time available, auditors will ensure that they have adequate arrangements in place during the prescribed period for receiving and identifying promptly whether any correspondence received includes formal questions under the *Local Audit and Accountability Act 2014*, and/or objections to the accounts.	*The Committee may wish to seek assurances that the impact for their Authority is understood.*

DCLG consultation on pension fund investment returns

Level of impact: (Low)	KPMG perspective
The Department for Communities and Local Government (DCLG) has recently closed a consultation on revised regulations for the investment of local government pension scheme assets. The proposed regulations include the proposal to allow pension schemes to pool assets for investment purposes. The revised regulations can be found here at www.gov.uk/government/publications/local-government-pension-scheme-investment-reform-criteria-and-guidance The outcome of the consultation will be published here: https://www.gov.uk/government/consultations/revoking-and-replacing-the-local-government-pension-scheme	*The Committee may wish to enquire of officers whether their Authority responded to the consultation and the views expressed.*

Councillors' travel expenses

Level of impact: ● (Low)

HM Revenue and Customs (HMRC) are in the process of contacting Local Authorities to commence PAYE and NIC compliance reviews focusing on the historic treatment of councillors' mileage expenses. Those authorities that are unable to demonstrate they have reported payments correctly face a tax and NIC charge, with interest and potentially penalties applying.

The previous rules

Up until 5 April 2016, HMRC could agree that for some councillors, home is a place of work and therefore the cost of journeys to council offices could be paid free of tax and NIC. This could have been the case where, for example, councillors were required to see constituents at home. HMRC do not accept however that working from home out of choice makes home a place of work and in these cases, any expenses reimbursed in respect of travel to council offices should have been subject to tax and NIC.

HMRC Compliance Reviews

Those local authorities that are unable to support their historic treatment of councillor mileage expenses face a liability to unpaid PAYE, NIC, interest and potentially penalties going back four, and possibly six years. It will be important for local authorities to review their expenses records to determine how travel expenses have been treated and the processes and rationale behind that treatment. Given that different councillors can have different working patterns it will be important to review the treatment on a case by case basis.

The new rules

With effect from 6 April 2016, a new exemption has been introduced for councillors' travel expenses. From this date, a councillor's journey between their home and their office will be treated as 'business travel' which means that any mileage expenses reimbursed for this journey will, up to certain limits, be free of tax and NIC (subject to their home not being more than 20 miles outside the relevant authority boundary).

How KPMG can help

KPMG's public sector Employment Tax specialists provide practical advice on dealing with HMRC Employer Compliance reviews. We regularly assist local authorities in liaising with HMRC and staying ahead of legislative and practice developments. If you would like to speak to one of our specialists please contact your normal KPMG contact.

KPMG perspective

The Committee may wish to seek assurances how their Authority is progressing with the new requirements.

Capital receipts flexibility

Level of impact: ● (Low)	KPMG perspective
The 2015 Spending Review included an announcement that local authorities would be able to use capital receipts on the revenue costs of service reform projects. The Department for Communities and Local Government (DCLG) has now issued guidance on the capital receipts flexibility, including a draft direction setting out the types of project that would qualify and expected governance and transparency framework. In summary: — the flexibility is available from 1 April 2016 to 31 March 2019; — only capital receipts generated during that period can be used for the flexibility; — the Secretary of State's direction will have the effect of allowing authorities to treat revenue expenditure on service reform as capital during the three year period; — authorities will not be allowed to borrow to fund revenue expenditure on service reform; and — authorities are required to have regard to a statutory code which contains certain transparency requirements when taking advantage of the flexibility. We understand that DCLG's aim is that the final signed direction will be issued with the final settlement in February 2016. A copy of the draft guidance can be found at www.gov.uk/government/uploads/system/uploads/attachment_data/file/486999/Capital_receipts_flexibility_-_draft_statutory_guidance_and_direction.pdf	*The Committee may wish to seek assurances how their Authority is planning to use the new flexibility.*

Better Care Fund policy framework 2016-17

Level of impact: 🟢 (Low)	KPMG perspective
The Department of Health, in conjunction with the Department for Communities and Local Government, has recently published 2016/17 Better Care Fund planning guidance. The guidance introduces a number of changes, requiring local clinical commissioning groups (CCGs), councils and providers to establish risk sharing arrangements to fund unplanned emergency admissions. Local areas will also have to agree to 'stretching' local targets for cutting delayed transfers of care supported by an action plan. The guidance can be found here: www.gov.uk/government/publications/better-care-fund-how-it-will-work-in-2016-to-2017	*The Committee may wish to seek assurances how their Authority is developing these arrangements.*

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2015-16 Code of Practice Update

Level of impact: (Low)	**KPMG perspective**
CIPFA/LASAAC has issued an update to the *2015/16 Code of Practice on Local Authority Accounting in the United Kingdom* (the Code) following its consultation process. The 2015/16 Code update should be read alongside the 2015/16 Code published in April 2015. Authorities should note that the update confirms the transitional reporting requirements for the measurement of the Highways Network Asset. The Code does not require a change to the preceding year information for the move to measuring the Highways Network Asset at current value (and under that provision would not require a change to the balance sheet information at 1 April 2015). It also does not require a restatement of the opening 1 April 2016 information but there will need to be an adjustment to those balances. The Code update also includes amendments as a result of legislative changes and particularly the *Accounts and Audit Regulations 2015* for English authorities. It specifies the principles for narrative reporting which CIPFA/LASAAC considers should be used to meet the new requirements of those regulations.	*The Committee may wish to seek assurances that their Authority is aware of the update to the 2015-16 Code*

KPMG

2016-17 Work Programme and Scale of Fees

Level of impact: (For Information)

Following consultation, Public Sector Audit Appointments Ltd (PSAA) has published the work programme and scale fees for the audits of the 2016-17 accounts of principal audited bodies. There are no changes to the overall work programme for 2016-17.

The 2016-17 work programme documents and scale fees for individual audited bodies are now available to view on the PSAA website at http://www.psaa.co.uk/audit-and-certification-fees/201617-work-programme-and-scales-of-fees

NAO report 'English devolution deals'

Level of impact: (For Information)

Published on 20 April, this report finds that devolution deals to devolve power from central government to local areas in England offer opportunities to stimulate economic growth and reform public services for local users, but the arrangements are untested and government could do more to provide confidence that these deals will achieve the benefits intended.

The report is available free of charge and the full version or a summary can be accessed at https://www.nao.org.uk/report/english-devolution-deals/

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Greater Manchester Combined Authority’

Level of impact: ● (For Information)

Greater Manchester Combined Authority (GMCA) has pioneered the concept of local devolution within England. ‘Devo Manc” encompasses a broad range of proposals to address the challenges and opportunities GM is facing:

Health and Social Care

Greater Manchester is facing an estimated financial deficit of c. £2 billion by 2020-21. A Memorandum of Understanding was signed in February 2015 between all partners in GM, committing the region to produce a comprehensive Strategic and sustainable Plan for health and social care.

As part of the Plan, GM is seeking to use its share of the £8 billion promised to the NHS in the CSR to support new recurrent costs and protect social care budgets, closing over a quarter of the funding gap. A further investment by the partners of £500 million, phased over three years, will release future recurrent savings with a likely payback of £3 for every £1 invested.

GM proposals

In addition, GM has made a number of proposals to reform the way public services work together and deliver services within the region:

- Investment in transport infrastructure
- New funding mechanisms to support site remediation and infrastructure provision
- Making better use of Social Housing Assets to support growth
- Locally led low carbon
- A scaled-up GM Reform Investment Fund
- Devolution of decision making for apprenticeships and training, and reform to careers advice and guidance
- Fundamental review of the way services to children are delivered
- Research and innovation funding
- Investment in integrated business support to drive growth and productivity
- Reform of the New Homes Bonus
- Further employment and skills reform
- GM approach to data sharing across public agencies
- Fiscal devolution, including reform to Business Rates, Council Tax, Stamp Duty Land Tax and a Hotel Bed Tax

All of these proposals involve joint working, not just with other GM agencies, but also central government departments. This allows the existing financial resources provided to the region to be redeployed more efficiently to maximise the benefits to GM.

Proposed changes to business rates and core grants

Level of impact: ◯ (For Information)

The Chancellor of the Exchequer has proposed some radical reforms of local government finance. The proposals are that by the end of the decade, councils will retain all locally raised business rates but will cease to receive core grant from Whitehall.

Under the proposals, authorities will be able to keep all the business rates that they collect from local businesses, meaning that power over £26 billion of revenue from business rates will be devolved.

The uniform national business rate will be abolished, although only to allow all authorities the power to cut rates. Cities that choose to move to systems of combined authorities with directly elected city wide mayors will be able to increase rates for specific major infrastructure projects, up to a cap, likely to be set at £0.02 on the rate.

The system of tariffs and top-ups designed to support areas with lower levels of business activity will be maintained in its present state.

'Cities and Local government Devolution Act 2016'

Level of impact: (For Information)

Authorities will wish to note that the *Cities and Local Government Devolution Act 2016* received Royal Assent on 28 January 2016. The Act provides the enabling legislation to:

— allow for the election of mayors for a combined authority area;

— allow for the devolution of functions, including transport, health, skills, planning and job support; and

— provide a power to establish sub-national transport bodies which will advise the Government on strategic schemes and investment priorities in their own area.

Most of the changes under the Act, including the implementation of 'devolution' deals, will be implemented by Orders to be made under the Act.

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Local Government Budget Survey

February 2016

www.kpmg.com/uk

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Introduction

Introduction

The local government sector faces well-documented, significant financial challenges for the foreseeable future. There are also opportunities linked to economic growth, notably with the new homes bonus and the prospect of local business rates retention, and the potential devolution of power to local areas. There is also an increased exposure to financial risk and volatility if growth is not as high or as sustained as hoped, or if demands for services outstrip expectations and lead to additional pressures. There is also the challenge of responding to the impact of central policies such as the 1% reduction in social housing rents from 2016-17, and the increased emphasis on home ownership rather than social renting. In this changing environment, high quality budget setting and monitoring are more important than ever for local government.

KPMG's 2011 publication 'The Brilliant Local Authority of the future' summarised the challenge facing local authorities.

"As the public sector recession bites and the localism agenda gathers pace, local government will have to address both the threats and opportunities that these forces are creating."

The paper explained that;

"In an age of austerity an iron-like grip on the organisation's financial position will be imperative….. This will entail a focus on management accounting and understanding the financial and operational performance of all parts of the business".

https://portal.ema.kworld.kpmg.com/audit/countries/europe/AuditPeople/DeptSites/IGHAudit/Technical%20guidance%20Library/RRD254220%20Brilliant%20Local%20Authority_v11.pdf

KPMG is proud to be the external auditor of a significant number of local government clients, and our audit teams consider key aspects of budget setting and budget monitoring alongside their external audit work. This paper sets out the results of a survey they completed in 2015, and analyses the assumptions and techniques used by our clients to generate budgets and to monitor them.

Our audit teams were very aware that when our clients were setting the 2015-16 budgets they were waiting for clarity about their funding for future years. Some clients had chosen not to publish a medium term financial plan until there was more certainty. Where this was the case, we took into account the work that officers were doing in preparation of the Comprehensive Spending Assessment.

Purpose of this paper

Our aim is that our clients find this paper useful when thinking about the budget information required to help address the financial challenges that they face. We hope that it will help our clients to take a fresh look at their approach to budget setting and monitoring. As financial risks and rewards continue to be localised, budgets will need to become more and more flexible and responsive to changes within financial years. We recognise that there is no single solution or blueprint for successful budgetary control, and that it is up to each client to find their own balance of summarised information and detailed data.

We plan to carry out a similar review next year. We would welcome feedback on this first version, and if there are any areas that you think that it would be useful to cover please let us know. Please let your local audit team know if you have any feedback or if there is anything you want us to take into account.

Introduction (cont.)

Our clients

We have analysed the 97 survey responses from our audit teams.

Client Type	Responses
Districts	41
London Boroughs	11
Unitary Authorities	11
Metropolitan Boroughs	10
Police & Crime Commissioners	8
Fire & Civil Defence Authorities	7
Counties	6
Transport Executives	2
Combined Authority	1
Total	**97**

Report Format

The paper provides the results of the responses, along with a brief analysis of the highlights (including extra information that audit teams provided where appropriate). We have also provided some possible questions that Members may wish to consider in the context of their own organisations. These questions are collated at the end of the report for ease of reference.

Key messages

We know that our local government clients have already taken significant steps to deal with the changes in their funding structure over the last few years. This paper highlights that as the financial challenges increase over the next few years there are measures that our clients can consider using in order to strengthen elements of their budget preparation, analysis, monitoring and reporting.

The move to more localised risks and rewards mean that techniques such as sensitivity analyses (to identify pressure points) and financial ratios will be key as the potential for financial volatility in the sector increases. This volatility in income and expenditure could happen at any time as well as on the annual budget-setting process, and so it is also increasingly important that our clients are alert and responsive to changes within the year, and to indications that their budgetary assumptions are no longer valid.

Tracking the achievement of savings is not straightforward. Sometimes plans need to be shelved for positive reasons – for example when there is unexpected demand for a service that generates income. It is important to identify the reasons for successful plans as well as those that fail in order to learn for the future.

The likely link between local growth and our clients' financial well-being means that selecting the right 'invest-to-save' schemes is vital, and the survey suggests that more use could be made of key processes for assessing the potential projects.

As financial pressures increase, savings measures may need to be re-considered or revisited, alongside ways to generate income.

As savings become harder to achieve, the distinction between recurrent and non-recurrent savings becomes ever more important, and also an important element of reporting to members. The General Fund Reserve is a critical safety net, and setting the minimum level is a key task that should take into account the level and nature of usable reserves, and in particular if there is a lack of flexibility within those other reserves.

The results of our survey highlight differences in the way that our clients are budgeting for key financial factors such as inflation, borrowing and lending rates and employee related cost pressures. Similarly, there is variation in the factors used to generate the budget, with some such as demographics and population change less used than others. Whilst there is no single correct approach, all of our clients need to be alert to the impact of variations on expectations.

The amount of Local Government reserves is being increasingly challenged, and there needs to be a clear understanding of the reason for the current and planned levels, and what flexibility there is within them if there becomes a need for them to reduce.

Our survey also suggests that there is some scope for further analysis of our clients' assets to identify options for change. Asset management plans that are aligned to service and staffing changes are important for ensuring that those options are co-ordinated and realistic.

We know that many of our clients are still working hard to address gaps in their savings targets for future years, and all of them will need to re-assess their assumptions when the results of the financial settlement are made clear, along with the detail behind recent announcements are made available. It is vital that their budgetary frameworks are fit-for-purpose to respond to the challenges.

The remainder of this report sets out the results of our survey and the questions we have suggested for Members to consider. We look forward to your feedback.

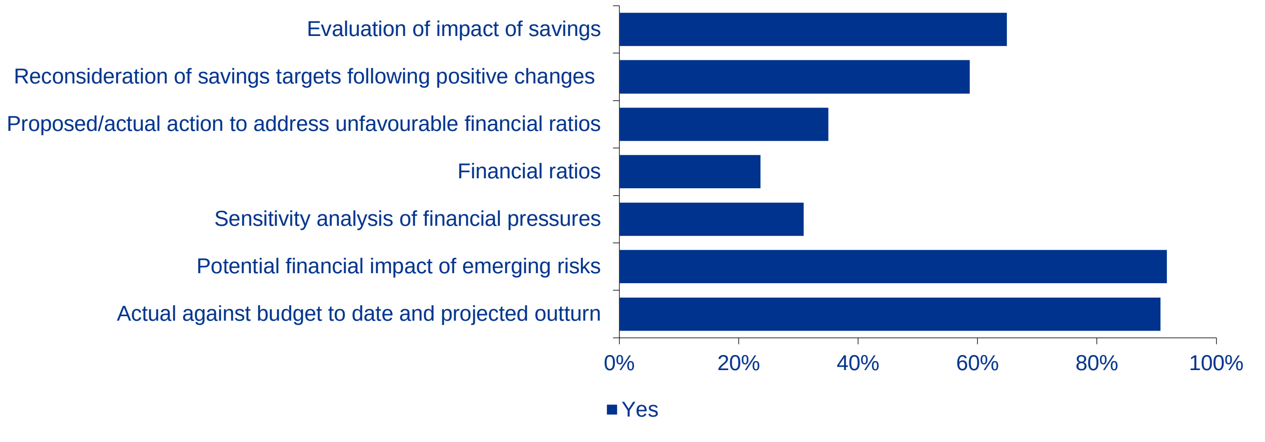
Comparatives

1

What's in your Budget Monitoring Reports?

We looked at our clients' main budget monitoring reports to see if they contained a series of potentially important elements.

Do budget monitoring reports include the following:



As expected, most budget monitoring reports identify the actual position against budget to date and a projected outturn, and the financial impact of emerging risks. The use of sensitivity analysis and financial ratios is less developed. It may be that Members will view these as more important as local financial volatility increases with the move away from block central funding.

Our audit teams highlighted some local practices that influence what goes in to the budget monitoring reports. These included that portfolio holders receive monthly summarised reports for their budget areas that supplement the quarterly reporting, or that particular committees receive detailed reports in addition to the high level reports for all members. Financial ratios are sometimes limited to particular areas, such as in the context of the Treasury Management Strategy.

There is no universal 'right level' of detail in budget monitoring reports – the key is that the reports provide decision-makers with sufficient information in the context of the other information that they receive to allow them to understand the financial position and projections.

Questions to Consider

- Do your budget monitoring reports provide an appropriate level of detail?
- Given the likelihood of increased financial pressures and volatility, do your budget monitoring reports need to evolve?
- Do members have the necessary training, skills & experience to interpret the budgetary reports and information provided?

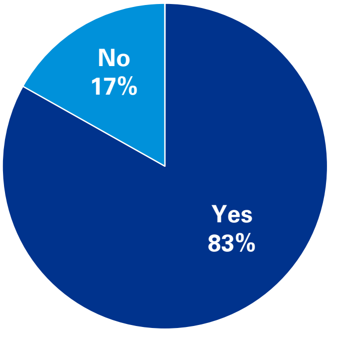
Comparatives (cont.)

2

Did you achieve last year's savings plans?

We looked at the achievement of the overall savings targets alongside the monitoring of the individual savings plans.

Did 2014-15 actual savings meet the budgeted target?



With the uncertainty about the future level and nature of funding, we know that many clients were looking to build up their levels of resilience in 2014-15, and many had savings plans that were designed to help increase useable reserves. The majority of clients met their 2014-15 budgeted savings target.

Some of our audit teams commented that better than expected income had had a significant impact on the net financial outcome – for example from the levels of new homes bonus and planning fees. We recognise that sometimes planned savings such as staff reductions are put on hold in order to meet unexpected demand for services. Tracking the achievement of savings in these circumstances can become complicated, and there is also a risk that unexpected income could result in a reduced focus on making savings elsewhere in the budget.

Our audit teams also noted examples of clients ensuring that the use of reserves is allowed only to provide new or enhanced services, and not to deal with deficits or overspends (which could mask failure to meet the savings targets). They also referred to cases where savings are built into budgets, and so are not separately identified – this links into the question on the following page.

Questions to Consider

- Do you know if your savings to-date in 2015-16 are on target to meet the budgeted amount?
- If you have received unexpected income in 2015-16, are you clear how it has impacted on your savings targets?
- If any of your 2015-16 individual savings schemes or the overall savings targets are not being achieved, do you know why?

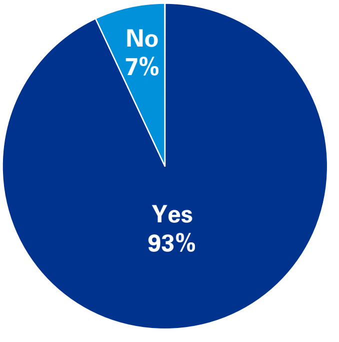
Comparatives (cont.)

3

Are individual savings plans monitored centrally?

We asked whether the individual schemes that make-up the overall savings plans are monitored centrally on an on-going basis.

Were individual savings projects/plans monitored during the year to check that expected savings remained deliverable in 2014-15?



As may be expected, the majority of our clients monitor individual schemes centrally. Audit teams that answered 'no' reported that the client approach is to expect budget holders to deliver their overall net financial target which incorporates the savings plans, and so the central monitoring is based on this net position rather than separating out savings plans.

As the pressure on budgets continues, savings will be increasingly hard to find. Whatever system is used to monitor the achievement of savings plans, it is vital that schemes that are failing to achieve the expected results are highlighted early, and that alternative measures are in place to address the financial shortfall. It is also important to learn the lessons as to why schemes fail in order to help avoid problems recurring. Similarly, successful ones can be analysed to understand the success factors, and to see if they can be replicated.

Questions to Consider

– Are you confident that you identify savings schemes that are failing at an early stage?
– Do you have alternative measures to substitute for failing savings schemes?
– Are successful schemes evaluated to identify why they worked, and to see if they can be applied in other parts of your organisation?

KPMG

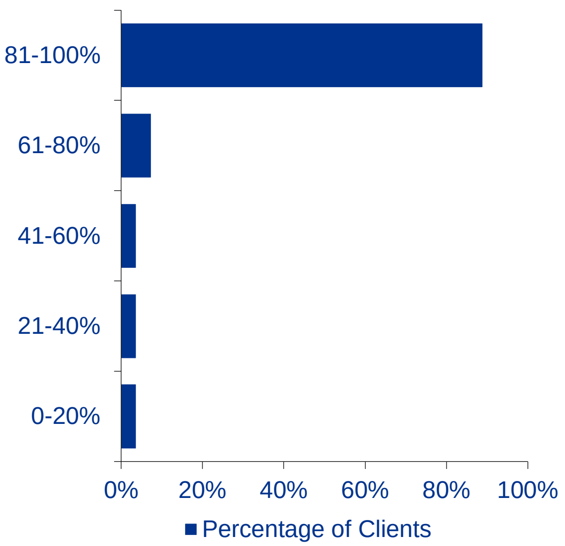
Comparatives (cont.)

4

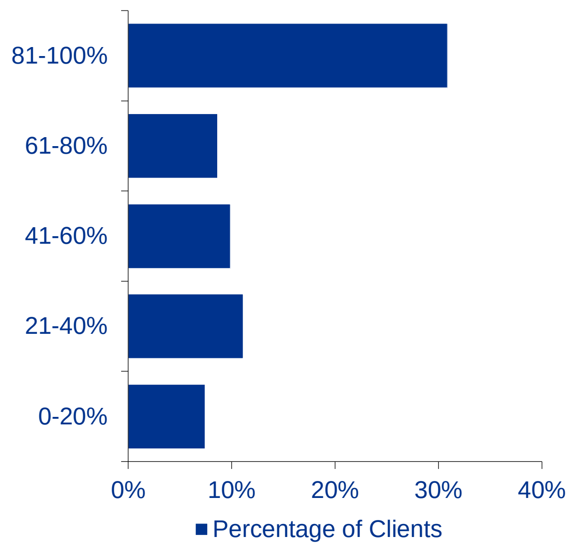
Do you have detailed plans for your savings?

We looked at what proportion of the savings targets for 2015-16 and 2016-17 had detailed plans at the start of the 2015-16 financial year to achieve them. We know that as the level of funding was uncertain beyond 2015-16, officers were estimating what level of savings will be needed.

What percentage of 2015-16 budget savings were backed by detailed plans as at 31 March 2015?



What percentage of 2016-17 budget savings were backed by detailed plans as at 31 March 2015?



At the start of the 2015-16 year, over 80% of clients had detailed plans that covered the level of savings needed. This dropped to below 40% for the 2016-17 year. As the financial position is clarified for 2016-17 and beyond, there will be a need to revisit the expected level of savings to ensure that the assumptions made remain valid and that the plans to achieve them are complete and robust on an ongoing basis.

Questions to Consider

- Are all of your savings targets backed with detailed plans?
- Are you confident that the detailed savings plans are robust and realistic?
- Are detailed savings plans updated to ensure that they reflect changes in circumstances?

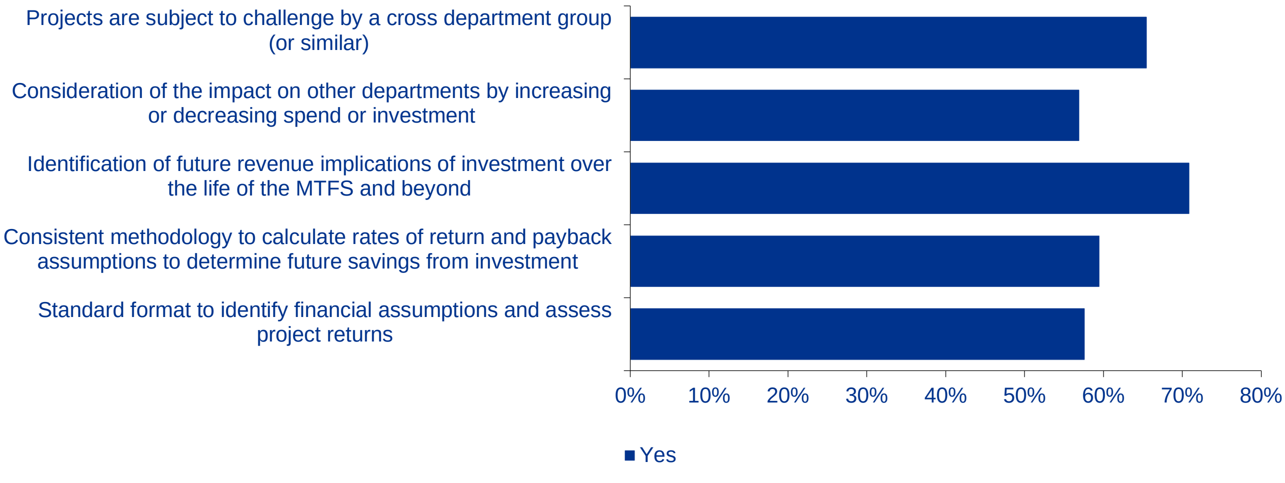
Comparatives (cont.)

5

When you consider possible invest-to-save projects, what factors do you take into account?

Even in financially pressured times we know that our clients will have opportunities to invest in new projects, and that those projects will not necessarily have an immediate or short-term impact, and may go beyond the life of the Medium Term Financial Strategy (MTFS). As available resources become more scarce, and the link increases between local economy growth and councils' financial well-being because of the localisation of economic risk and reward, it is more important than ever to have a strong framework in place to select the most appropriate invest-to-save projects. We looked at all clients for each of the elements below on a yes/no basis.

Are individual invest-to-save projects appraised using the following factors in a consistent way?



Our audit teams identified that not all of the possible tools and techniques available to our clients are being used routinely. We recognise that this may be because for some there is limited opportunity to invest-to-save, and we also recognise that the framework used to select the projects is dependent on local factors, such as the risk appetite, the range of opportunities, potential partners and other factors. However, with the confirmation of the intention to move to local business rate retention and the removal of Revenue Support Grant by 2020, selecting the right invest-to-save projects and monitoring their outcomes against their objectives will become increasingly important. It is also important to check how approved projects perform against the projected outcomes, and to assess why any significant variations have come about.

Questions to Consider

- Is your process for assessing invest-to-save projects robust and consistent?
- Are there tools and techniques you could use to help strengthen your current invest-to-save process?
- How robustly do you review the outcomes of invest-to-save projects?

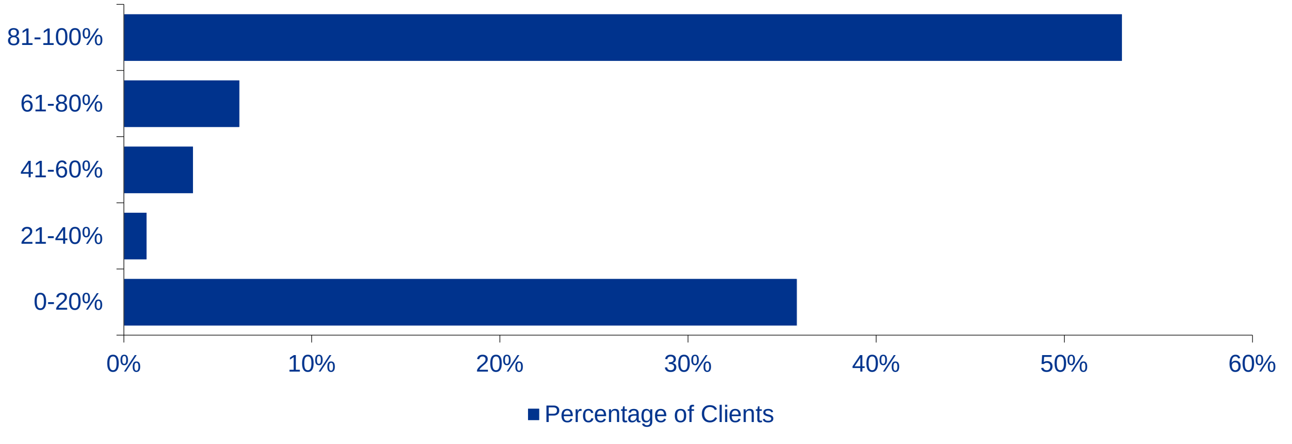
Comparatives (cont.)

6

Are your savings recurrent?

We considered the level of recurrent savings within the overall delivery of the plans. Recurrent savings are those that impact on more than one year. For example, removing a post is a permanent reduction in the budget – a vacancy freeze that delays recruitment to a post is a temporary, non-recurrent measure.

What percentage of 2014-15 actual budget savings were recurrent savings?



The majority or all of many clients' savings were recurrent, which linked to permanent reductions in staffing levels and service reductions. Recurrent savings are particularly important in times where savings are required year-on-year, as any non-recurrent savings from previous years have to be re-achieved alongside the current year's targets.

Unexpected income is welcome, but there can be a risk that it can help to mask either the underachievement of savings. This is a particular problem if the income is non-recurrent, as those savings will need to be made to avoid the financial impact simply transferring to the next year.

In some cases, the proportion of recurrent/non-recurrent savings was not available, and these are included in the 0-20% group above.

Questions to Consider

- Do you know the recurrent and non-recurrent levels in your savings plans for 2015-16 and beyond?
- Has the impact of any non-recurrent savings from previous years been factored into current and future savings plans?
- Do you assess unexpected income to check that it is recurrent/non-recurrent and that it has been factored in appropriately to financial monitoring and plans?

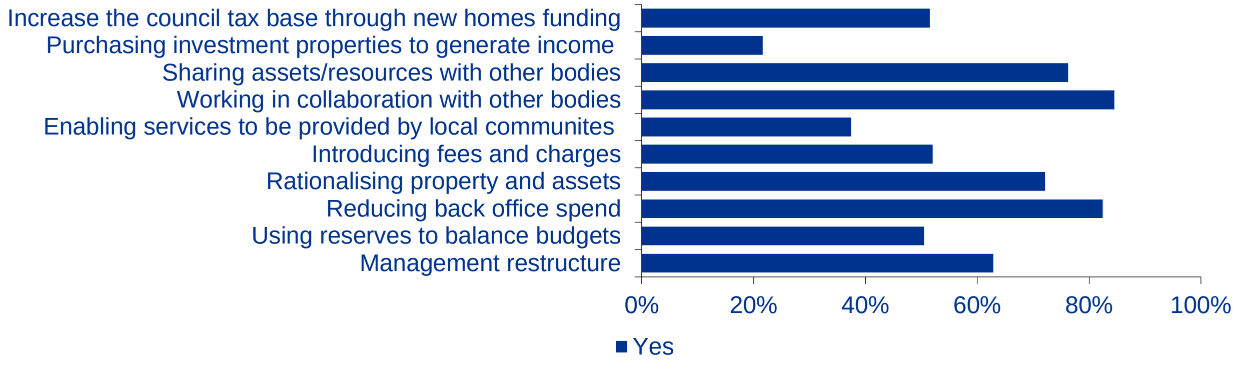
Comparatives (cont.)

7

What savings measures are you relying on for 2015-16 and beyond?

We looked at the savings measures that our clients are using in their budgets to make their medium term financial plans balance.

Which of the following measures are being used to deliver the 2015-16 budget and/or in the following years?



It is inevitable that not all clients will use all the measures, as the levels of financial pressure vary, as does the capacity to implement a variety of measures. We also recognise that some of the 'no' answers in the survey are because our clients have already used particular measures in previous years, such as management restructuring, where a period of stability may be appropriate to enable the changes to take effect.

It may be though that previous decisions – for example not to introduce/increase further fees and charges, or to continue to provide the current range of non-statutory services – will need to be revisited as financial pressures increase, and it is inevitable that some clients will need to make very difficult decisions in order to deliver their statutory financial responsibilities.

We asked our audit teams to highlight any other savings measures that were being used by our clients. They highlighted the following examples;

- Vacancy Management;
- Business Rates income growth;
- Withdrawal of services not deemed a priority or affordable;
- Early repayment of debt;
- Establishing a Housing Growth Company;
- Increased joint working and joint venturing;
- Procurement and contracting renegotiations; and
- Assets review and restructuring.

Questions to Consider

- Are you confident that your plans will enable you to continue to meet your statutory financial responsibilities?
- Have you considered all possible savings measures available to you?
- Are there any aspects of your budget that need to be revisited?

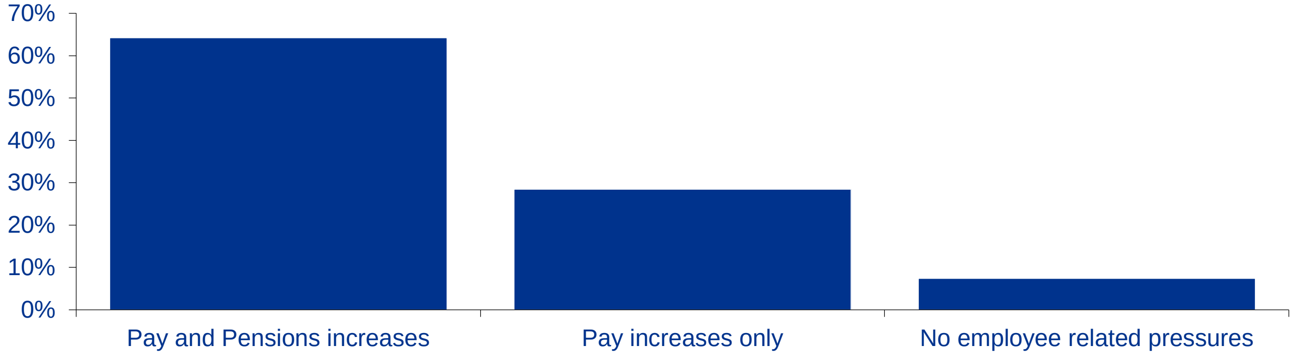
Comparatives (cont.)

8

Do you allow for pay and pension increases in your budget?

We asked all clients about their approach to factoring in employee related cost pressures, namely do you allow for pay and pension increases, just pay, or do you not allocate specific amounts for either?

What employee-related cost pressures does the 2015-16 budget include?



Nearly two-thirds of our clients factored in the impact of pay and pensions increases into the amount given to budget holders to manage. More than a quarter of our clients allowed for pay increases only in 2015-16, and in a year when there is no routine change in the actuary's recommended level of pension contribution (which results from the triennial review), the variation in pension costs is unlikely to be significant overall. However, at an individual budget holder level, pension costs could vary up or down because of factors such as changes in the profile of staff in relation to their age, and decisions by employees to join or leave the scheme. Finally, our survey identified that a small number of clients expect their budget holders to absorb any additional employee-related costs into the overall budget that they are given to manage.

We are aware that our clients will also need to take account of the introduction of the national living wage from April 2016. There may be some internal (including subsidiary company) staff costs, but for many clients the bigger impact will be the additional costs incurred by their suppliers and the need to establish the way forward with them for service provision and continuity.

Questions to Consider

– If you don't allow for pay and/or pension cost increases, can you identify any areas of the budget that are vulnerable to significant cost variations?
– Do you have mechanisms to identify and deal with changes to staff costs within year?
– Have you evaluated the cost of the national living wage across your cost base, including your supply chain?

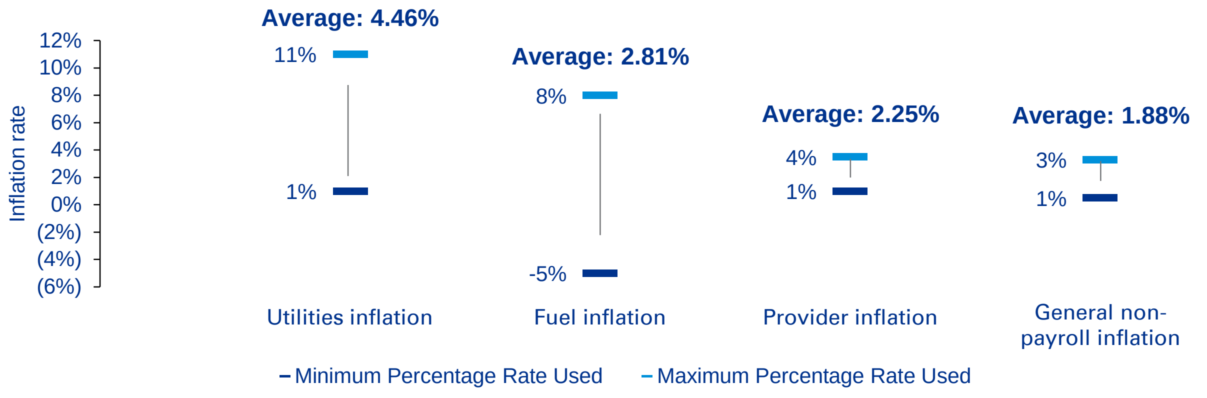
Comparatives (cont.)

9

What inflation rates do you use for particular cost pressures?

We looked at all of our clients' use of non-standard rates of inflation when preparing the budgets, focusing on four common variants. Whilst we were aware that some used a single inflation rate, we knew that others have decided to use differing rates for areas that could have a significant impact on their financial position.

If the 2015-16 budget includes separate inflation rates for the following, which rate is used?



We found that there were some large differences in the inflation assumptions made for fuel and utilities in particular (and we accept that all may be valid due to local circumstances, such as fixed increase, variable or new contract rates). Assumptions by nature are subjective, but they can be updated if it becomes clear that they are not correct. Although overall inflation is at a relatively low level, the current financial pressure means that the impact of variations in aspects of it could make a difference to achieving targets.

Our audit teams also identified that clients used inflation variations for the areas below:

- Hardware and Software price increases;
- Insurance and postage cost increases;
- Indexation increases in partnership arrangements;
- Landfill tax and building repairs; and
- Fee income rates raised to match the overall inflation assumption.

Questions to Consider

- Do you understand how your budget takes inflation into account (e.g. which supplies & services are on fixed/variable rates)?
- Do you know which inflation rate changes would have the biggest impact on your budget?
- How do you deal with inflation variations that happen within the year?

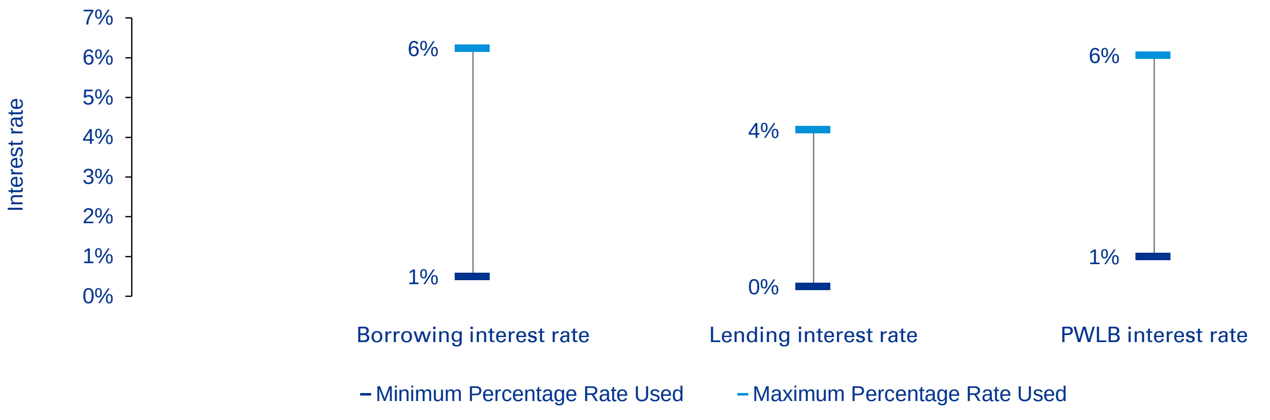
Comparatives (cont.)

10

What rates have you used in your budget for borrowing and lending, and what other specific rates do you factor in to your budget?

We looked at the assumptions about borrowing and lending rates that our clients have used for generating 2015-16 budgets and beyond. We also considered if our clients had identified any further areas of non-pay expenditure for particular rates.

What rates are being used to budget for borrowing and lending?



The chart shows that there were variations in the assumptions used. Lending and borrowing rates are comparatively low historically, but the variations suggest that local circumstances still make a difference to the budget assumptions. This is likely to be related to existing arrangements that date back to when rates were higher.

Audit teams also identified specific assumptions for the following non-pay areas, including the following examples:

- Rent increases;
- Change in the Council Tax base;
- Pension Lump sum increases; and
- Reduction in direct central government support.

Questions to Consider

- Do you know what borrowing and lending assumptions are used when generating the budget?
- Have you identified the areas of your budget where rate assumptions need to be specified?
- Are you alert to changes in rates within year?

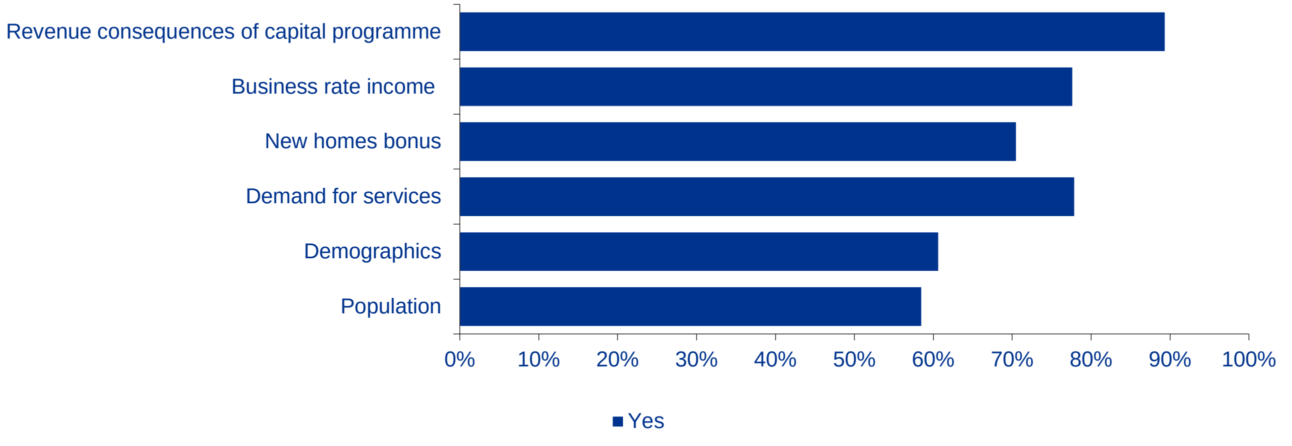
Comparatives (cont.)

11

What factors do you use when developing your budget?

We looked at a particular range of factors that are commonly used when generating budgets, and considered whether our clients used them.

Does the 2015-16 budget include evaluation of the potential financial impact of changes in the following factors?



Although all of these factors were used by the majority of our clients, the proportion using demographics (e.g. deprivation levels, average age) and population (e.g. size and location) factors was smaller than the others. It is generally accepted that the overall population is growing, and that the number of older people with complex needs is likely to increase. However, the impact will vary in different areas.

Income sources such as new homes bonus and business rates, and the demand for services from the public, are subject to variables such as economic conditions and changes in government policy. Scenario planning for the impact of changes is vital to help prepare for different outcomes. It is also important to ensure that the impact of the capital programme is affordable and to update that assessment as budgets are revised.

Questions to Consider

- Do you make use of all available data to help generate your budget?
- Do you understand how your budget is impacted by changes in the factors that drive it?
- Do you revisit the capital programme to ensure its revenue impact remains affordable?

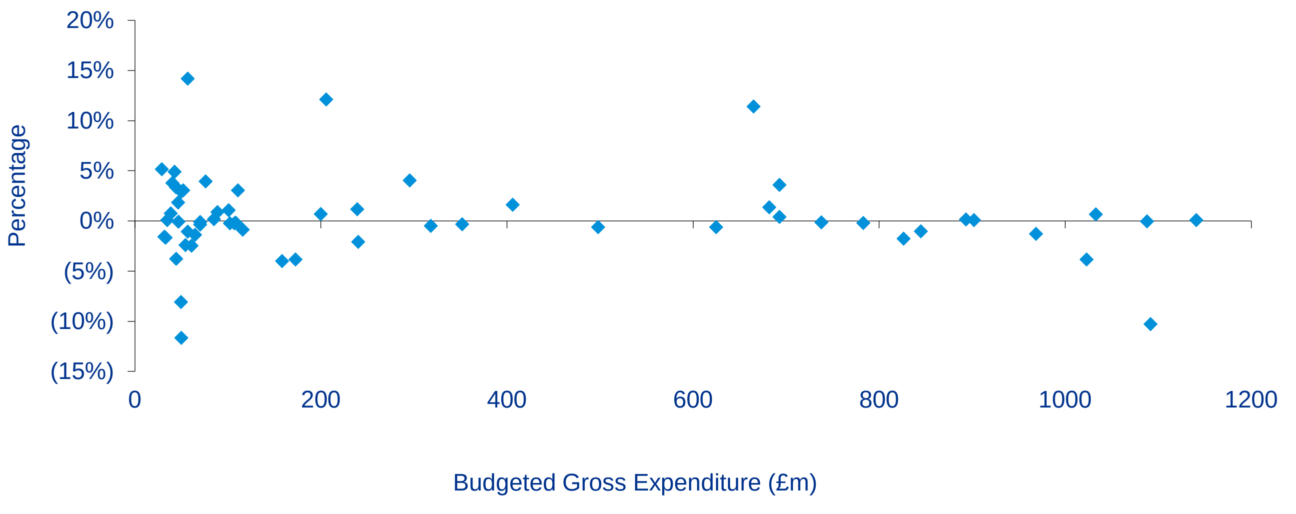
Comparatives (cont.)

12

What is the planned change in usable reserves in 2015-16?

The level of local government reserves is a much-debated topic. We looked at the planned change in the overall level of usable reserves in 2015-16 from the opening to the closing position, and compared it to the level of gross expenditure across all clients. Usable reserves includes amounts earmarked for particular reasons. Earmarked funds can be flexible – changes in policies, intended projects and plans can mean that they can become either insufficient or not needed.

What is the budget change of useable reserves as a percentage of budgeted gross expenditure compared to budgeted gross expenditure?



Many clients are planning to keep usable reserves relatively stable at the end of the year, with most variations within plus or minus 5% of the starting point. A small number have larger variations. The increases reflect that some are aiming to boost financial resilience reserves in preparation for the expected challenges to come. The reductions could be due to the appropriate application of earmarked reserves for planned expenditure. However if reserves are being used to help achieve a balanced budget for 2015-16, this may be a concern given that the financial pressure is expected to increase in the following years.

Questions to Consider

- Do you think the level of your usable reserves is about right?
- Do you understand the reason for any planned changes in the level of usable reserves?
- Do you know how much flexibility you have in your usable reserves?

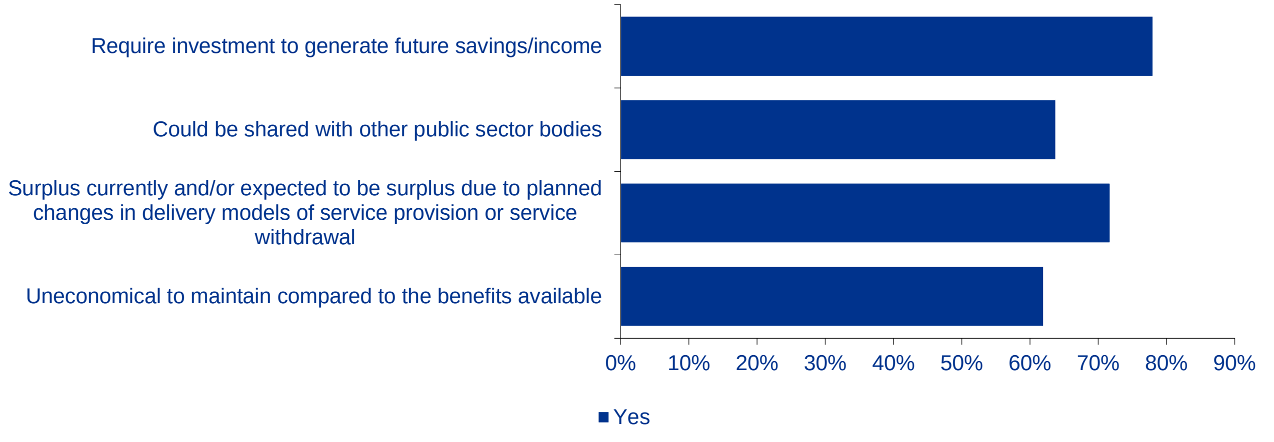
Comparatives (cont.)

13

Have you analysed your asset base?

We are aware that many of our clients are reviewing their assets to see if they can make more use of them. We considered whether our clients had analysed assets that met four categories.

Does the body have an up to date analysis of its assets to identify those that meet the following descriptions:



The results suggest that the analysis of the costs and benefits of assets, and the analysis of current and likely surplus assets is up-to-date at a significant number of clients, but not so at a minority. Similarly, the majority of our clients have an up-to-date analysis of assets that could be made available for shared use, and that more have worked out which assets require investment. However, it is likely that some could do more to fully understand what their options are.

The importance of these assessments will vary depending on the nature of the asset base. We also recognise that some clients are taking steps such as changing ways of working that will release assets in the future, and so their analysis will be on-going. Nevertheless, asset review and management are likely to be important budgetary measures given the financial challenges. An asset utilisation plan can be used to summarise the intended use of assets, and it is vital that it is co-ordinated with any intended changes in the way that services are delivered, or changes to internal operations in order to ensure it is up-to-date.

Questions to Consider

- Do you have a comprehensive and current asset utilisation plan?
- Do your asset plans align with any intended changes to service delivery or internal ways of working?
- Are all options for asset use being considered?

Summary of Questions to Consider

Questions to Consider

1

What's in your Budget Monitoring Reports?

Questions to Consider

- Do your budget monitoring reports provide an appropriate level of detail?
- Given the likelihood of increased financial pressures and volatility, do your budget monitoring reports need to evolve?
- Do members have the necessary training, skills & experience to interpret the budgetary reports and information provided?

2

Did you achieve last year's savings plans?

Questions to Consider

- Do you know if your savings to-date in 2015-16 are on target to meet the budgeted amount?
- If you have received unexpected income in 2015-16, are you clear how it has impacted on your savings targets?
- If any of your 2015-16 individual savings schemes or the overall savings targets are not being achieved, do you know why?

3

Are individual savings plans monitored centrally?

Questions to Consider

- Are you confident that you identify savings schemes that are failing at an early stage?
- Do you have alternative measures to substitute for failing savings schemes?
- Are successful schemes evaluated to identify why they worked, and to see if they can be applied in other parts of your organisation?

4

Do you have detailed plans for your savings?

Questions to Consider

- Are all of your savings targets backed with detailed plans?
- Are you confident that the detailed savings plans are robust and realistic?
- Are detailed savings plans updated to ensure that they reflect changes in circumstances?

5

When you consider possible invest-to-save projects, what factors do you take into account?

Questions to Consider

- Is your process for assessing invest-to-save projects robust and consistent?
- Are there tools and techniques you could use to help strengthen your current invest-to-save process?
- How robustly do you review the outcomes of invest-to-save projects?

Questions to Consider

6

Are your savings recurrent?

Questions to Consider

- Do you know the recurrent and non-recurrent levels in your savings plans for 2015-16 and beyond?
- Has the impact of any non-recurrent savings from previous years been factored into current and future savings plans?
- Do you assess unexpected income to check that it is recurrent/non-recurrent and that it has been factored in appropriately to financial monitoring and plans?

7

What savings measures are you relying on for 2015-16 and beyond?

Questions to Consider

- Are you confident that your plans will enable you to continue to meet your statutory financial responsibilities?
- Have you considered all possible savings measures available to you?
- Are there any aspects of your budget that need to be revisited?

8

Do you allow for pay and pension increases in your budget?

Questions to Consider

- If you don’t allow for pay and/or pension cost increases, can you identify any areas of the budget that are vulnerable to significant cost variations?
- Do you have mechanisms to identify and deal with changes to staff costs within year?
- Have you evaluated the cost of the national living wage across your cost base, including your supply chain?

9

What inflation rates do you use for particular cost pressures?

Questions to Consider

- Do you understand how your budget takes inflation into account (e.g. which supplies & services are on fixed/variable rates)?
- Do you know which inflation rate changes would have the biggest impact on your budget?
- How do you deal with inflation variations that happen within the year?

10

What rates have you used in your budget for borrowing and lending, and what other specific rates do you factor in to your budget?

Questions to Consider

- Do you know what borrowing and lending assumptions are used when generating the budget?
- Have you identified the areas of your budget where rate assumptions need to be specified?
- Are you alert to changes in rates within year?

Questions to Consider

11

What factors do you use when developing your budget?

Questions to Consider
- Do you make use of all available data to help generate your budget?
- Do you understand how your budget is impacted by changes in the factors that drive it?
- Do you revisit the capital programme to ensure its revenue impact remains affordable?

12

What is the planned change in usable reserves in 2015-16?

Questions to Consider
- Do you think the level of your usable reserves is about right?
- Do you understand the reason for any planned changes in the level of usable reserves?
- Do you know how much flexibility you have in your usable reserves?

13

Have you analysed your asset base?

Questions to Consider
- Do you have a comprehensive and current asset utilisation plan?
- Do your asset plans align with any intended changes to service delivery or internal ways of working?
- Are all options for asset use being considered?

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