

**NORTHAMPTON BOROUGH COUNCIL**

**AUDIT COMMITTEE**

Your attendance is requested at a meeting to be held at The Jeffrey Room,  
The Guildhall, St. Giles Square, Northampton, NN1 1DE on  
Monday, 23 September 2019 at 6:00 pm.

**George Candler**  
**Chief Executive**

**AGENDA**

1. APOLOGIES

Please contact Democratic Services on 01604 837722 or  
democraticservices@northampton.gov.uk when submitting  
apologies for absence.

2. MINUTES

(Copy herewith)

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. INTERNAL AUDIT TRACKER 2018-19

(Copy herewith)

7. CHIEF FINANCE OFFICER UPDATE

(Copy herewith)

8. STATEMENT OF ACCOUNTS 2018-19 (DRAFT)

(Copy herewith)

9. EXCLUSION OF PUBLIC AND PRESS

THE CHAIR TO MOVE:

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

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## NORTHAMPTON BOROUGH COUNCIL

### AUDIT COMMITTEE

Monday, 29 July 2019

**PRESENT:** Ian Orrell; Councillor Oldham (Deputy Chair); Councillors Bottwood, Golby, Marriott and T Eales

#### 2. MINUTES

The Minutes of the meeting held on 8 July 2019 were confirmed and signed by the Chair as a true record.

#### 3. DEPUTATIONS / PUBLIC ADDRESSES

There were none.

#### 4. DECLARATIONS OF INTEREST

There were none.

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

There were none.

#### 6. STATEMENT OF ACCOUNTS 2017-18

The Chair invited the Chief Finance Officer to address the Committee.

The Chief Finance Officer presented the Statement of Accounts 2017-18 report. He explained to Members that there has been a delay in presenting the accounts due to the accounts for 2016-17 not being concluded until January 2019. The Council has had to work to a rescheduled timeline for the production of the accounts and the external audit for 2017-18.

In response to Members, the Chief Finance Officer explained that the draft accounts for 2017-18 have not been changed materially and have been in circulation for some time.

#### RESOLVED:

1. Noted that the delay in delivering these accounts relates to the time required to conclude the prior year's accounts. That the delay has not and does not impact on the funding and financial sustainability of the Council or its prime financial controls and governance.
2. Noted that whilst it is unusual to receive the final refined version at the meeting to formally sign off, it is permissible given the Committee has had visibility of prior versions and had the opportunity to consider the accounts overall.
3. Noted that the Council has received a further qualification on its Value for Money judgement, not the core Financial Statements / Accounts. This is due to the ongoing issues from the historic events around 'Sixfields'.
4. The Committee gave the Chair and/or Deputy Chair of the Committee and Chief Finance Officer (Section 151 Officer) authority to sign the 2017-18 Statement of Accounts on behalf of the Council, once agreed by the Auditor.

#### 7. STATEMENT OF ACCOUNTS - KPMG REPORT/ISA260

The Chair invited the External Auditor to present the Statement of Accounts – KPMG Report/ISA 260 for 2017/18

The Committee were presented with the External Audit ISA260 Report 2017/18 and the External Auditors report on the accounts. The External Auditor explained that he is content to sign off the Statement of Accounts subject to a few rounding errors. He continued that the 2016/17 external audit was a much harder audit. It was noted that if the report was signed off a year ago that External Auditors could have given the Council more of a steer in reference to recommendations made. The Council has made a lot of improvements on recommendations since then.

The External Auditor further explained that in reference to the Northampton Town Football Club loan, positive change has taken place since and the Council has spent a lot of money in pursuit of the £10 million that was lost. There remained actions outstanding on the Governance Action Plan as set out in the report at 31 March 2018.

In response to Members, the Chief Finance Officer stated that the Council continues to work on the recommendations as set out by the External Auditors. There has since been turnover of 4 teams including issues with LGSS and also issues pertaining to knowledge transfer. The Council continues committed to working at pace to ensure that the audit is completed and Statement of Accounts for 2018/19 signed off by December 2019 to meet the year-end. He further explained that heading towards Unitary status, the Council is working in close partnership with Daventry District Council and South Northamptonshire Council. The Chief Finance Officer thanked his teams and the Auditors for their work to produce the report.

**RESOLVED:**

1. The Committee considered the contents of the report and the information supplied by the external auditor KPMG at the meeting.
2. The ISA 260 report of the auditors, KPMG, was noted and the management responses in the recommendations contained within the ISA260 report was approved.

**8. STATEMENT OF ACCOUNTS 2018-19 (DRAFT)**

The Chair invited the Chief Finance Officer to address the Committee.

The Chief Finance Officer presented the draft Statement of Accounts 2018-19. He requested Members of the Committee to consider the draft Statement of Accounts for 2018-19 as outlined in the appendix and note the current position in relation to the Statutory Accounts preparation. The final draft Statement of Accounts will be presented for consideration and approval of the Audit Committee in September 2019.

In response to Members, the Chief Finance Officer explained that two-stage training will take place in late August/September for Members of the Committee to help Members interpret accounts in detail.

**RESOLVED:**

1. Accepts and notes the reports of the Chief Finance Officer on matters arising from the audit of the Draft Statement of Accounts 2017-18 and were satisfied with its contents in accordance with the requirements of Section 9 of the Accounts and Audit Regulations 2015.
2. Notes the draft Statement of Accounts for 2018-19 with reference to the Council's operations for the last year, prior to its review by External Audit.
3. Noted the delay in delivering these draft accounts relating to work to conclude the 2017-18 accounts.

The meeting concluded at 7:08 pm

**Appendices**

1. BDO Internal Audit Tracker 18/19



**NORTHAMPTON**  
BOROUGH COUNCIL

## AUDIT COMMITTEE REPORT

<b>Report Title</b>	<b>BDO Internal Audit Tracker</b>
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**AGENDA STATUS: PUBLIC**

**Audit Committee Meeting Date: 23rd September 2019**

**Policy Document: No**

**Services: Chief Finance Officer**

**Accountable Cabinet Member: Jonathan Nunn - Leader**

### **1. Purpose**

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1.1 This report sets out the update for the Audit Committee of the Internal audit recommendation tracker for the audits completed by BDO during 2018/2019.

1.2 BDO presented the completed audit reports for 18/19 at the July 2019 Committee meeting. Committee members requested an update at the September Committee meeting.

1.3 The Governance team have been working with the service areas to gather evidence for completed actions and to assist in implementing areas where process required strengthening. This document shows the progress of the work so far.

### **2. Recommendations**

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2.1 That the committee members review, comment and, where appropriate, challenge the information contained in the internal audit tracker.

### **3. Issues**

- 3.1.1 As at 12<sup>th</sup> September there are no particular issues to note. All the recommendations are either completed or on track to be completed on time.
- 3.1.2 Some of the original due dates have been amended following discussions with the services areas and the owners of the processes. For example the member/Officer Protocol audit was originally scheduled for May 2019 completion following the initial closing meeting. However, after discussion with the HoS and officers involved in the process it was found that the process the protocol has to follow is quite lengthy i.e. the Standards Committee have the first draft (Sept 2019), once amended the protocol has to return to the Standards Committee for finalisation (Dec 2019). Training will follow in January/February 2020.
- 3.1.3 The internal audit tracker will be updated and reported to the Audit Committee in December 2019.

### **4. Implications (including financial implications)**

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#### **4.1 Policy**

- 4.1.1 The update of the internal audit tracker is key to ensure that weaknesses in controls are addressed in a timely manner.

#### **4.2 Resources and Risk**

- 4.2.1 There is no additional capacity required for the completion and continuous update of the internal audit tracker. The Governance and Risk Manager and the Senior Internal Controls Officer will update the tracker on a monthly basis.

#### **4.3 Legal**

- 4.3.1 There are no legal implications to the report.

#### **4.4 Equality and Health**

- 4.4.1 There are no equality and health implications to this report.

#### **4.5 Consultees (Internal and External)**

- 4.5.1 The Council's Corporate Management Board review the internal audit tracker document monthly
- 4.5.2 BDO internal auditors are given a copy of the updated tracker each month or on request.

#### **4.6 Other Implications**

- 4.6.1 None

## **5. Background Papers**

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5.1 BDO Follow Up Report (Audit Committee 8 July 2019)

**Stuart McGregor**  
**Chief Finance Officer**

Year	Audit	Rec. No.	Recommendation	Priority	Northampton Responsible Officer	Original Due Date	Current Due Date	Revised due date	Action Update	Status
2018 -19	10. Procurement	1.1	The Council should remind officers by email of the importance of retaining documentation on ProContract and the locations where they should be stored		Stuart McGregor		31-Aug-19	31-Oct-19	A presentation on the Council's procurement arrangements will take place at Managers session (the date for this will be agreed with the LGSS procurement manager when she is back at work) This will include the arrangements for the retention of contractual documentation.  The procurement referred to in the findings involved a number of interim staff and it is accepted that compliance with the controls in place was weak. That said there is now greater oversight of spend within services and procurement are being asked to be more proactive with monitoring spend and identifying contracts that should be on the contract register (incl. the maintenance of contractual documentation).	on time
2018 -19	10. Procurement	1.2	The Council should create a separate drive to which all officers at the level of management and above can access where documentation should be stored relating to all procurements, current and archived, in folders unique to each procurement. This should be compulsory and incorporated into the Contract Procedure Rules		Stuart McGregor		31-Aug-19	30-Sep-19	The Council has a process in place for the retention of procurement and contractual documentation. It is unfortunate that for the exception identified in 1.1 this process was not complied with. The reliance on interim staff at that time impacted on this but the improved arrangements now in place should prevent a re-occurrence.	complete
2018 -19	10. Procurement	2.2	The Section 151 Officer and Monitoring Officer should formally remind any officers if the appropriate signatories, values and dates are not completed in the correct order that they should complete the form correctly or reject the exemption request		Francis Fernandes & Stuart McGregor		31-Aug-19	31-Oct-19	An online exemption form is in the process of being created and testing by the digital team. Controls will be built into the form so that all mandatory fields are completed, the workflow will also ensure that the relevant approvals are obtained in the correct order. Where an incomplete form remains inactive for a specified period of time, automatic reminders will be issued. The form will be available for testing by Officers late Sept/early Oct.	on time
2018 -19	10. Procurement	3.1	The Council should put in place a process to check that contractual requirements on high-value contracts are included		Stuart McGregor		31-Aug-19	31-Oct-19	In respect of bonds and guarantees the Council's procurement code states that 'the Chief Finance Officer and the Borough Secretary shall consider as part of the selection stage assessment and evaluation process whether a Performance Bond and/or a Parent Company Guarantee (if applicable) shall be required from the preferred tenderer'. The use of performance bonds and/or parent company guarantees is considered for appropriateness as part of the procurement process and where necessary a legal opinion would be obtained. Evidence of where these had been included e.g. a Parent Company Guarantee was obtained for the Veolia contract, could have been provided if requested. Furthermore, evidence of 'consideration' could have also been provided. This matter will be discussed further with LGSS Procurement Manager on her return to work.	on time
2018 -19	10. Procurement	3.2	2. The Council should give procurement and contract refresher training for staff involved with high-value contracts		Francis Fernandes & Stuart McGregor		31-Aug-19	31-Oct-19	LGSS Procurement Manager to be consulted on her return to work. See rec 1.1	on time



2018 -19	10. Procurement	4.1	The Council should amend the Contract Procedure Rules to ensure the correct information is conveyed within		Stuart McGregor		31-Aug-19	31-Oct-19	LGSS Procurement Manager to be consulted on her return to work.	on time
2018 -19	11. Digital Strategy	1.1	CMB should scrutinise the Digital Transformation project more rigorously on a bi-monthly basis including an assessment of the high risks on the risk register.		Kevin White	31-May-19	30-Sep-19	31-Oct-19	CMB have been provided with updates on the 17 June and 19 August. The next update is scheduled for October 2019.	on time
2018 -19	11. Digital Strategy	2.1	A road map template should be established which is required to be used for digital strategy projects.		Kevin White	31-May-19	30-Sep-19	31-Oct-19	As at 11/09 a draft roadmap has been produced. A meeting is scheduled next week with the LGR SRO to discuss how NBC digital projects impact on LGR and whether some of the key projects (Virtual Contact Centre and Virtual Back Office) are to be actively developed for NBC or LGR. Once this meeting has taken place the road map will be completed and presented to CMB for approval.	on time
2018 -19	2. Member Officer Protocol	1.1	When updating the Council's Member-Officer protocol, focus on providing clarity on those areas where the survey undertaken for this review suggests that aspirations set out in the current protocol do not match reality.		Francis Fernandes	31-May-19	30-Sep-19	31-Dec-19	Draft protocol by the end of August, Standards Committee 30th September. Working group for members/officers and return to Standards Committee 2nd December for completion.  Timeframe of September was not realistic given the time for the democratic process to follow. Training will aim to be completed by January 20 but additional time may be required.	on time
2018 -19	2. Member Officer Protocol	1.2	Convene an Officer-Member working group to focus on areas where disparity between Member perception of current roles, and Officer perception of current roles differ most - i.e. those highlighted by the survey for this review.		Francis Fernandes	31-May-19	30-Sep-19	31-Dec-19	as 1.1	on time
2018 -19	2. Member Officer Protocol	1.3	Run an organisation-wide training programme on the Protocol once it has been refreshed - cascading training down through political groups, Heads of Service and to CMT meetings run by Heads of Service.		Francis Fernandes	31-May-19	31-Jan-20	29-Feb-20	as 1.1	on time
2018 -19	2. Member Officer Protocol	1.4	When updating the Council's Member-Officer Protocol, the Council should incorporate a description of a Member's role in the Member-Officer Protocol, building on the description currently set out in Article 2 of the Council's Constitution.		Francis Fernandes	31-May-19	30-Sep-19	31-Dec-19	as 1.1	on time

2018 -19	2. Member Officer Protocol	2.1	When updating the Council's Member-Officer Protocol, draw on expectations of Members and Officers highlighted for this review, and undertake a wider engagement exercise of Members and Officers to determine expectations which are bespoke to the needs and views of the Council.		Francis Fernandes	31-May-19	31-Dec-19	31-Dec-19	as 1.1	on time
2018 -19	2. Member Officer Protocol	2.2	The updated Member-Officer Protocol should make recommendations more understandable by couching them in everyday examples. For example "Councillors should not walk the floors of the Council and instruct Officers to undertake certain tasks".		Francis Fernandes	31-May-19	30-Sep-19	31-Dec-19	as 1.1	on time
2018 -19	2. Member Officer Protocol	2.3	Hold a joint Member-Officer session focussed on understanding respective expectations of one another. This would focus on developing an improved culture to underpin the refreshed Member-Officer Protocol.		Francis Fernandes	31-May-19	30-Sep-19	29-Feb-20	as 1.1	on time
2018 -19	2. Member Officer Protocol	3.1	When updating the Member-Officer Protocol, the Council should introduce a clear process for complaints by Officers about the conduct of individual Members. Such a process exists in protocols held by other Councils which were reviewed as part of this audit. This process should set out who Officers can raise complaints with, provide an appeal route if they are not happy with how this complaint has been treated, and a method for logging complaints received. The updated Protocol should also state that Group Leaders have a responsibility for the behaviour of their Group Members towards Officers.		Francis Fernandes	31-May-19	30-Sep-19	31-Dec-19	as 1.1	on time
2018 -19	2. Member Officer Protocol	4.1	Use Executive Partnership Board (EPB) to agree a manageable set of political priorities to progress before local government reorganisation in Northamptonshire and hold these as a standing item on the agenda at each EPB.		George Candler	29-Mar-19	31-Jul-19	31-Jul-19	22/7/19 - Added on to 1:1 agenda for Chief Exec and Leader 01/8/19 - Strategic Project register received, this is presented to EPB bi-monthly to ascertain political priorities following the 1:1 meetings between the CEX and Leader.	on time
2018 -19	2. Member Officer Protocol	4.2	When holding training for Members on the Officer-Member Protocol, the importance of appropriate tone, and not influencing Officer reports, should be emphasised through a series of scenario-based exercises to reduce the likelihood that either element of the Protocol is unintentionally breached.		Francis Fernandes	31-May-19	31-Dec-19	29-Feb-20	as 1.1	on time
2018 -19	2. Member Officer Protocol	6.1	Discuss how to improve the functioning of the Member Contact Centre at Executive Programme Board.		Marion Goodman	31-Mar-19	31-Jul-19	31-Jul-19	An update was provided to EPB in April when it was agreed that a workshop would be held with Members. A workshop was held in May with a representative group of members to understand their requirements and suggestions for improvement. This was followed by a questionnaire to all members. The results of both have been analysed and presented to EPB during on 8th August 2019	on time
2018 -19	2. Member Officer Protocol	6.2	Update the Member-Officer Protocol to express that Members are entitled to receive a timely response to enquiries on behalf of ward residents, and agree with Members what this timescale might be.		Francis Fernandes	31-May-19	30-Sep-19	31-Dec-19	as 1.1	on time
2018 -19	4. Housing Rents	1.1	The Council should assess whether the resources for the Recovery Team are sufficient to recover debts of former tenants or whether they want to pursue these debts given the typically low return rate		Phil Harris		30-Sep-19		SM has asked Phil Morrison to pick up in the first instance.	on time
2018 -19	4. Housing Rents	1.2	2. The Recovery Team should be retrained on effective methods to recover debts.		Phil Harris		30-Sep-19		SM has asked Phil Morrison to pick up in the first instance.	on time
2018 -19	4. Housing Rents	2.1	The Council obtain a signed agreement with NPH to allow access to review their internal controls for the management of the Council's HRA. Alternatively, the Council should, as a minimum, ensure that NPH provide appropriate independent assurance to the Council of their management of the HRA.		Stuart McGregor		30-Sep-19		SM has asked Phil Morrison to pick up in the first instance.	on time

2018 -19	5. Temporary Accommodation	1.1	Training on rent collection should be provided to a dedicated rental incomes officer		Phil Harris		31-Oct-19		replacement Housing Options and Advice Officer started role July 2019. All recommendations will be implemented by 31st October 2019	on time
2018 -19	5. Temporary Accommodation	1.2	Weekly meetings to discuss rent arrears accounts should continue and a representative from Revenues & Benefits should be required to attend. N.B. These meetings began in February 2019 and review the top 25 cases of arrears (by value) and each week the following ten rent arrears accounts are added to the meeting discussions. The aim of these meetings is to create action plans for these tenants, whether it be to issue a letter, an NTQ or contact the tenant to set up a payment plan.		Phil Harris		31-Oct-19		replacement Housing Options and Advice Officer started role July 2019. All recommendations will be implemented by 31st October 2019	on time
2018 -19	5. Temporary Accommodation	1.3	The Council should discuss and document its appetite for collecting rent arrears from vulnerable individuals		Phil Harris		31-Oct-19		replacement Housing Options and Advice Officer started role July 2019. All recommendations will be implemented by 31st October 2019	on time
2018 -19	5. Temporary Accommodation	2.1	All TA and prevention officers and managers should receive specialist training on conducting interviews with applicants that may be dealing with sensitive issues to ensure they are capably equipped to identify and support the TA application for vulnerable individuals. The attendance for this training should be documented and the material retained for staff to refer to at a later date.		Phil Harris		31-Oct-19		replacement Housing Options and Advice Officer started role July 2019. All recommendations will be implemented by 31st October 2019	on time
2018 -19	5. Temporary Accommodation	2.2	The Rent Incomes Officer should receive training on techniques for recovering arrears.		Phil Harris		31-Oct-19		replacement Housing Options and Advice Officer started role July 2019. All recommendations will be implemented by 31st October 2019	on time
2018 -19	5. Temporary Accommodation	3.1	The Spend to Save Policy should be updated with limits on funds that can be granted/loaned to clients. Once updated, the Council should review the funds allocated to the Scheme and assess whether they are adequate		Phil Harris		31-Oct-19		replacement Housing Options and Advice Officer started role July 2019. All recommendations will be implemented by 31st October 2019	on time
2018 -19	5. Temporary Accommodation	3.2	A Homelessness Strategy should be created and published onto the Council website. This should include a section on the prevention strategy with tangible action plans that expand the current wording of 'persuading' private landlords and families/friends to not evict people		Phil Harris		31-Oct-19		replacement Housing Options and Advice Officer started role July 2019. All recommendations will be implemented by 31st October 2019	on time
2018 -19	5. Temporary Accommodation	4.1	All officers working in TA should receive refresher training which should include a reminder of the procedures to placing an applicant in accommodation. This training should also be provided to any new starters following the restructure.		Phil Harris		31-Oct-19		replacement Housing Options and Advice Officer started role July 2019. All recommendations will be implemented by 31st October 2019	on time
2018 -19	5. Temporary Accommodation	4.2	Officers should be reminded by email that a senior officer must sign off the file before an applicant can be placed in accommodation		Phil Harris		31-Oct-19		replacement Housing Options and Advice Officer started role July 2019. All recommendations will be implemented by 31st October 2019	on time

2018 -19	6. Major Capital Projects	1.1	The Council should review and report on why these agreements and contracts were not signed. The report should contain a 'lessons learnt' section to ensure that contracts/agreements are promptly signed and evidence that the project outcomes are agreed		Kevin Langley	30-Jun-19	31-Aug-19	30-Sep-19	A formal review will not be undertaken but the following update should be noted:  Vulcan Works - Procurement had just completed and the letter of intent issued, these generally take 4-8 weeks to get signed as they form the basis of a legal agreement so the council were well within this time period and the letter has now been signed.  Delapré Abbey - Project effectively complete with only minor snagging works still taking place. Grant funding has been fully signed off and handover complete.  Museum - We accept this comment and have updated our Scheme of Delegation to prevent this type of delay in signing a contract from happening again.	complete
2018 -19	6. Major Capital Projects	2.2	The Museums Project Manager should include the date risks are added to the risk register, risk owners and mitigating controls currently in place for all risks.		Kevin Langley	30-Jun-19	31-Jul-19	30-Sep-19	Risk register updated July 2019	complete
2018 -19	6. Major Capital Projects	3.1	All Project Managers should be reminded via email to produce monthly Highlight Reports.		Kevin Langley	30-Jun-19	31-Jul-19	Completed	Evidence received of emails requests to project managers for monthly highlight reports	complete
2018 -19	6. Major Capital Projects	3.2	The Corporate Management Report should contain greater detail of the project spend against forecast that is similar in detail to the Highlight Reports.		Kevin Langley	30-Jun-19	31-Jul-19	30-Sep-19	CMB now receive a bi-monthly strategic project register. This was presented on 28th May 2019 (item 6.3); 15th July 2019 (item 6.1) and is next on the agenda for 16th September.  CMB also reviews the Project Management Board update which goes to CMB every month. This was presented on 8th April 2019 (Items 7.1.1, 7.1.2); 29th July 2019 (Items 6.1.1, 6.1.2, 6.1.3, 6.1.4); 27th August 2019 (Items 6.1, 6.1, 6.1) and is next on the agenda for 23rd September.	complete
2018 -19	6. Major Capital Projects	3.3	The finance reports for the Museum and the Delapré Abbey projects should include actual vs budget spending on a line by line basis to provide greater clarity on the cause of expenditure variance.		Kevin Langley	30-Jun-19	31-Jul-19	30-Sep-19	Request to BDO to see what information was supplied by the project managers to check what was audited - subsequent review suggests incorrect evidence was given	on time
2018 -19	6. Major Capital Projects	3.4	Spending to date should be included in the finance reports for the Museum project.		Kevin Langley	30-Jun-19	31-Jul-19	30-Sep-19	Request to BDO to see what information was supplied by the project managers to check what was audited - subsequent review suggests incorrect evidence was given	on time

2018 -19	6. Major Capital Projects	3.5	Site meeting reports for the Museum project should include an action plan with implementation dates. RAG status column should be added to the minutes		Kevin Langley	30-Jun-19	31-Jul-19	30-Sep-19	Discussion with the head of service, project manager and the museum cultural services manager confirmed that whilst they note the recommendation made, they are satisfied that the current format of the site meeting agenda and minutes meets their needs in terms of tracking actions. The project manager is experienced and has always used this method. NBC's project management framework requires that each project manager maintains a project log , which is to be used as a project diary to record required actions or significant events not covered by other project control documents. The framework was updated and launched after the museum project commenced. Any future projects will be compliant with the requirements of this framework.	complete	
2018 -19	7. People	1.1	Training should be held for Tier 1, Tier 2 and Tier 3 staff to ensure that they are adequately prepared on how to conduct and review an appraisal		Karen Marriott			30-Sep-19	31-Oct-19	Process will be set up by the 30th September. Training will commence in October 2019	on time
2018 -19	7. People	1.2	Managers should remind all staff in team meetings of their responsibilities with regards to appraisal. This should be backed up by an email from the Chief Executive to all staff stating the responsibilities of staff in the appraisal process		Karen Marriott			30-Sep-19	31-Oct-19	This will be done following producing the appraisal process documentation above. This is a comms exercise via email/intranet and through the HoS to cascade at team meetings.	on time
2018 -19	7. People	2.1	Monitoring should be put in place to ensure all staff receive an appraisal.		Karen Marriott			30-Sep-19	31-Oct-19	The staff appraisal cycle is almost complete and CMB are in the process of reviewing all of the documentation to ensure that there are no exceptions. As part of this process HR had been providing status reports to the Chief Executive so that he was aware of the progress being made. The target date for the payment of increments is November and it was confirmed verbally that there are no current issues that will impact on this.	on time
2018 -19	7. People	2.2	The Council should complete the Workforce Monitoring Report for 2018/19 and report on website.		Jo Bonham			30-Sep-19	31-Oct-19	Discussion with LGSS Agresso support to identify the reports required and agree an allocation of resource to develop information.	on time
2018 -19	7. People	2.3	CMB should identify and discuss the management information that they would like to capture and monitor. Management information on these areas should be discussed on a monthly or quarterly basis at CMB and actions should be included in the action plan on the Board minutes		Jo Bonham			30-Sep-19	31-Oct-19	Discussion with LGSS Agresso support to identify the reports required and agree an allocation of resource to develop information.	on time
2018 -19	7. People	3.1	The Council should establish a central policy for succession planning. This should include a timetable and criteria for the handover of information prior to the departure of the leaving officer		Melanie Berman			30-Sep-19	31-Oct-19	Learning & Development Strategy is in draft form. The strategy includes succession planning. The Strategy is currently with the Chief Executive for comment.	on time
2018 -19	7. People	3.2	The Council should develop a policy to identify key posts that are vulnerable to turnover. This should include a list of job roles so succession plans can be created for these posts. This should be shared between CMB		Melanie Berman			30-Sep-19	31-Oct-19	As above	on time

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2018 -19	7. People	4.1	A talent management plan should be developed to focus on retention of good performers. This should use a combination of the performance appraisal ratings and CMB knowledge of their best performing staff to produce a list of the best performers for the transition into Unitary.		Karen Marriott/Melanie Berman		30-Sep-19	31-Oct-19	Learning & Development Strategy is in draft form. The strategy includes succession planning. Talent management will be addressed as part of the above process. A recent opportunity has arisen in the form of the District Councils Network (DCN) staff development programme. This led to an internal nomination process and discussion at CMB to decide which 2 officers should be given the opportunity to attend. This evidences that senior management are aware of the 'talent' within the organisation.	on time
2018 -19	7. People	4.2	Each Head of Service should promote monthly recognition of good performers via a 'star performer' mechanism.		Karen Marriott/Melanie Berman		30-Sep-19		There are already good performer awards within the customer facing services, it will be discussed as to whether this should be extended throughout NBC.  The annual Customer Service awards encompass the back-office support service and individuals are nominated by colleagues for various categories. There is also a 'random acts of kindness' that is promoted in the same week to identify people that have assisted colleagues in a positive way.  October 2019 - Customer Services Week December 2019 - Staff Awards	Complete
2018 -19	7. People	5.1	An Exit Interview Policy should be established to include a distinct formal process to conducting exit surveys		Jo Bonham		30-Sep-19		In draft, will be approved and completed Sept 2019	on time
2018 -19	7. People	5.2	A quarterly report should be produced based on all data collected during exit surveys. This should be circulated at the following Corporate Management Board meeting		Jo Bonham		30-Sep-19	01-Dec-19	This will be implemented once the policy is finalised in September. The first report will be for Q3 December 2019.	on time
2018 -19	8. Building Control	1.1	Building Control ensure that agreed competency training (a) is undertaken by staff and documented on a schedule for tracking and (b) is independently spot checked or included as an agenda item for monitoring purposes on the Planning Service management meetings which can be carried out on a quarterly basis		Lee Hunter/Peter Baguley	30-Jun-19	30-Sep-19	31-Oct-19	Building Control Manager to provide evidence at the end of Sept of the personal development plans and 121's for his staff	on time
2018 -19	8. Building Control	1.2	Building Control and the Planning Service staff ensure that evidence for training is obtained and filed		Lee Hunter/Peter Baguley	30-Jun-19	30-Sep-19	31-Oct-19	It will be communicated to the team that training and certificates for qualifications, i.e. CPD.	on time
2018 -19	8. Building Control	2.1	Building Control Officers ensure that sufficient detail relating to site visit reports is recorded on MasterGov that facilitates a quick assessment of the status of an application and result of the visit		Lee Hunter/Peter Baguley	30-Jun-19	30-Sep-19	31-Oct-19	Building Control Manager to supply evidence at the end of Sept for evidence of the spot checks that he has been undertaking and how the outcome of these is fed into the 121 process.	on time
2018 -19	8. Building Control	2.2	The Planning Registration & Support and Building Control teams ensure that all relevant fields and events in MasterGov are completed and selected when completing building regulations applications or requests		Lee Hunter/Peter Baguley	30-Jun-19	30-Sep-19	31-Oct-19	See 2.1	on time
2018 -19	8. Building Control	2.4	Assessment is made for the development of reports for monitoring individually determined fees, standard fees, hours and miles spent on a case to assist with the future fee charging process		Lee Hunter/Peter Baguley	30-Jun-19	30-Sep-19	31-Oct-19	It is unlikely that this will be progressed. The resource implications (so time and money) are likely to outweigh any benefit that will be delivered in the timeframe for Unitary going live.	complete
2018 -19	8. Building Control	2.5	Building Control assess evidencing the Building Control Manager's periodic review of MasterGov case records.		Lee Hunter/Peter Baguley	30-Jun-19	30-Sep-19	31-Oct-19	See 2.1	on time

2018 -19	9. Cash Handling	1.1	The Council should ensure that reconciliations are made against the Cash Box Report amount. The Parking & Bus Station Manager should send a monthly report of the amount that should have been collected from the machines to LGSS who then reconcile the bank statement against this value. Any differences should be followed up to ensure there is an adequate explanation.		Kevin Langley/Stuart McGregor	30-Apr-19	30-Sep-19	31-Oct-19	This work is nearing completion but we also need time for the new processes to bed in so that the internal controls officer can then undertake some further compliance testing.	on time
2018 -19	9. Cash Handling	1.2	There should be a reconciliation between the Cash Box Report and bank statements for the car parking account undertaken by the Council as far back as 2015		Kevin Langley/Stuart McGregor	30-Apr-19	30-Sep-19	31-Oct-19	See 1.1	on time
2018 -19	9. Cash Handling	1.3	The Council should conduct an investigation into the variance/reconciliation issue.		Stuart McGregor	30-Jun-19	30-Sep-19	31-Oct-19	Once the outcome of the reconciliation is known this will be discussed with Jade and the Parking Manager as appropriate.  Audit tickets will now be taken to St John's by Jade to enable the Parking Manager to undertake a reconciliation between the actual cash in the machine and the machine reading.  A meeting has been scheduled with parking management and the LGSS banking and control and exchequer teams so that the new processes can be agreed. This also includes the reconciliation arrangements for the cash collection invoice submitted by Jade.	on time
2018 -19	9. Cash Handling	2.1	The Council should create a central policy that is applicable to all areas of cash/cheque collection articulating protocols on segregating duties between collecting, counting and transporting cash/cheques. Furthermore, the policy should include provisions to ensure staff safety when transporting cash/cheques. This should be uploaded onto the Council's intranet and emailed to all staff		Stuart McGregor	30-Apr-19	30-Sep-19	31-Oct-19	Once the petty cash, procurement cards, expenses and Click Travel reviews have been completed all financial procedures will be updated.	on time
2018 -19	9. Cash Handling	2.2	The policy should include a maximum amount of cash that can be held by a service area before it should be transported to the Guildhall. This should be within the maximum amount stated on the Council's insurance policy		Stuart McGregor	30-Apr-19	30-Sep-19	31-Oct-19	See 2.1.	on time
2018 -19	9. Cash Handling	3.1	The Council should remind all officers with a corporate credit card via email, with an acceptance requirement, that they should send their Purchase Card Reconciliation to the appropriate officer within 5 days		Stuart McGregor	30-Apr-19	30-Sep-19		Once the procurement card review has been completed a email will be sent to all card holders reminding them of the conditions attached to having a card.	on time

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Appendices:

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**NORTHAMPTON**  
BOROUGH COUNCIL

## AUDIT COMMITTEE REPORT

<b>Report Title</b>	<b>Chief Finance Officer Report to the Audit Committee</b>
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**AGENDA STATUS: PUBLIC**

<b>Audit Committee Meeting Date:</b>	23 September 2019
<b>Policy Document:</b>	No
<b>Directorate:</b>	Chief Finance Officer
<b>Accountable Cabinet Member:</b>	Cllr Brandon Eldred

### 1. Purpose

- 1.1 To inform the Audit Committee about the work undertaken by the Finance team, in conjunction with the external auditors KPMG and EY in respect of the 2017-18 and 2018-19 Statement of Accounts.
- 1.2 To inform the Committee of any changes to accounting policies and Treasury Management.

### 2. Recommendations

- 2.1 It is recommended that the Audit Committee note:
- 2.1.1 The progress towards completing the Statement of Accounts for 2017-18 and 2018-19.
  - 2.1.2 That there have been no changes to Accounting Policies.
  - 2.1.3 That there have been no reportable incidents in respect of Treasury Management, or requirements to change Treasury Management Policies.

### **3. Issues and Choices**

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#### **3.1 Report Background**

- 3.1.1 This report provides an overview of the current position in respect of the Statements of Accounts due for Northampton Borough Council and other accounting or treasury policy items requiring reporting.

#### **3.2 Accounting Policy Changes**

- 3.2.1 There have been no Accounting Policy changes since the last Audit Committee, nor are there anticipated to be any during 2019/20.

#### **3.3 Treasury Management**

- 3.3.1 There have been no reportable incidents, the LGSS Treasury Management Team continue to work hard to maximise the interest earned through the investment vehicles available and reduce the interest paid on borrowing where possible.

#### **3.4 Completing 2017/18 Statement of Accounts**

- 3.4.1 At the last Audit Committee the Chief Finance Officer and Chair of Audit Committee were delegated approval to formally sign off the Statement of Accounts for 2017-18, once the Auditor was satisfied that they were fit for sign off.
- 3.4.2 As a result of leave/other assignments by staff of NBC/LGSS and KPMG, further rounding issues a final clean set of accounts has not been available for sign off. It is anticipated that by this Audit Committee the formal documents will have been signed off.
- 3.4.3 Whilst this will bring to a closure the administrative process of producing the Statement of Accounts and the last with KPMG, there remains the conclusion of the formal objection. KPMG have advised that they are processing the documentation / report and as reported by the Auditor to the Committee, there will be a formal review process by KPMG and associated parties identified within the report. This element of work will not delay the closure and handover of the Council's Audit File by KPMG to EY. KPMG have suggested that it could be a further six months before the report process is completed.

#### **3.5 Preparation of 2018/19 Statement of Accounts**

- 3.5.1 The work required to deliver the 2018/19 Statement of Accounts has progressed, the further issues around SoA 2017-18, has impacted on the timing of SoA 2018-19. However I am pleased to advise that the formal Draft

Statement of Accounts for 2018-19 is presented for Audit Committee to note under a separate item on this agenda.

- 3.5.2 In respect of delivering a workshop on the Accounts for 2018-19, this has not yet been achievable due to clashes of dates with other Council Committees/meetings. As the formal audit is not due to start until late October, there will be time to arrange a training workshop prior to the Auditor (EY) completing their work.
- 3.5.3 EY have not yet provided the Council with their proposed Audit Plan, nationally the Council is aware that all Auditors have reported issues with resources and for 2018-19 it is estimated that some 2/5 of Audits were not / have not been completed within the timescale set by Government.

### **3.6 Housing Benefit Subsidy Claim Audit**

- 3.6.1 The Northamptonshire Chief Finance Officers have been discussing for some weeks concern that the audits for Housing Benefit Subsidy Claim, which if delayed can impact on the payment of the DWP Housing Benefit Administration Grant. EY have suffered resource challenges, CFOs have/are therefore re-engaging KPMG to conduct this separate audit to certainty of delivery. EY have been understanding and I can confirm that KPMG have been engaged to deliver this standalone piece of work for 2018-19 and 2019-20.
- 3.6.2 KPMG provided the following fee costs for the two years, £15,500 for 2018/19 and £16,500 for 2019/20, which is considered to be lower than the Public Sector Audit Appointments Ltd (PSAA) scale fee for the NBC audit of the 2017/18 Housing Benefit Subsidy Claim for both 2018/19 and 2019/20. The Revenue and Benefit Service has now engaged with KPMG to commence the relevant activities and testing.

### **3.7 Choices (Options)**

- 3.7.1 Although this report is just for noting, Audit Committee have the opportunity to ask questions directly to Officers on issues associated with the completion of the statutory accounts for 2017/18 and 2018/19.

## **4. Implications (including financial implications)**

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### **4.1 Policy**

- 4.1.1 None to report.

### **4.2 Resources and Risk**

- 4.2.1 The Council diverted significant staff resources in order to ensure that KPMG were provided with the assurance required to enable them to give their opinion on the 2017/18 statement of accounts as soon as was practicable. This has

had a knock-on impact on the ability to progress the closure of the 2018/19 accounts.

4.2.2 Where improvements could not be made within the financial year 2017-18, the lessons learnt were being actioned for 2018-19.

4.2.3 The Council has mitigated the risk of failing to deliver Housing Benefit Subsidy Claims on time, through changing Audit companies.

### **4.3 Legal**

4.3.1 The actions proposed in this report will enable the Council to meet its statutory requirements of finalising its 2017/18 Statement of Accounts, signed and with an external audit opinion.

4.3.2 The agenda includes a specific item relating to the draft Statement of Accounts for 2018-19 which if approved will enable the Accounts to be submitted to the new Auditor, EY and the public inspection period to begin.

### **4.4 Equality**

4.4.1 Not applicable.

### **4.5 Consultees (Internal and External)**

4.5.1 External Auditors, KPMG

4.5.2 External Auditors, EY

4.5.3 Corporate Management Board

### **4.6 Other Implications**

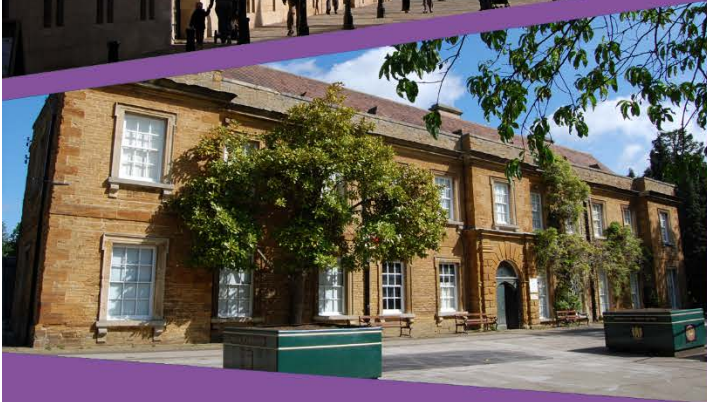
4.6.1 None.

## **5. Background Papers**

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5.1 None

**Stuart McGregor**  
**Chief Finance Officer**



# Statement of Accounts 2018 - 19



NORTHAMPTON  
BOROUGH COUNCIL

Northampton Borough Council  
Draft Statement Of Accounts 2018-19

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## Introduction

This Statement of Accounts presents the statutory financial statements for Northampton Borough Council (the Council) for the period 1 April 2018 to 31 March 2019 and gives a comprehensive summary of the overall financial position of the Council, providing a true and fair view.

The Council has a statutory duty to approve and publish this document, which sets out to ensure that the accounts of the authority provide comparable information through complying with International Financial Reporting Standards. The accounts are presented in the format recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA), as set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19 (the Code). Our core financial statements use this format and meet the conditions of the Code.

The final Statement of Accounts will be approved by Audit Committee at its meeting on [date tbc].

## The Statements

The financial statements which make up these accounts are listed below, and further details of their purpose are provided with each statement:

### Core Financial Statements

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

### Supplementary Financial Statements

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

### Group Accounts

- Northampton Partnership Homes (NPH) and Happy to Help (Northampton) are wholly owned subsidiaries of the Council and, in order to provide a full picture of the Council's economic activities and financial position, the accounting statements of the Council and NPH and Happy to Help (Northampton) have been consolidated. Full details can be found in the Group Accounts section.

### The Council's Strategic / Corporate Priorities

The Council adopts a Corporate Plan each year as part of its policy and management framework. This sets out the future direction of the Council and commitments for action on behalf of the elected Administration.

The Corporate Plan 2018-2020 is relevant to the period of these accounts and can be found on the Council's website using this link:

<https://www.northampton.gov.uk/downloads/file/10585/corporate-plan-2018-2020>

The Corporate Plan outlines the strategic priorities set by the Council for that period, as follows:

- A stronger economy – shaping place and driving growth; creating a thriving, vibrant town; and a clean, green and tidy town.
- Resilient communities – keeping the town and people safe; empowering local people; and more homes, better homes.
- Exceptional services to be proud of – putting the customer first; spending your money wisely; and improving our governance.

### The Council's 2018-19 Performance

In order to provide an overview of the Council's performance during the 2018/19 financial year and the position as at 31 March 2019, significant matters and variances are summarised in this section and supported by the detail included in the statement of accounts and the core financial statements.

### Financial Performance

The Council's budget is divided across two accounts as required by statute. The General Fund, the Housing Revenue Account (HRA), and their respective sources of funding are kept entirely separate.

The Council set a balanced budget for 2018/19. The main budgeted sources for funding of the 2018/19 **General Fund budget** were as follows:

- Revenue Support Grant £0.886m;
- Business Rates Retention Scheme £8.346m;
- New Homes Bonus £3.082m;
- Council Tax £15.793m.

At the end of the 2018/19 year, the General Fund outturn for controllable service budgets shows an overspend of £0.732m as detailed below:

Service area	Revised budget £000s	Outturn £000s	Variance £000s
Customers & Communities	12,492	12,980	488
Chief Executive	921	767	(153)
Chief Finance Officer	10,559	10,457	(102)
Economy, Assets & Culture	936	1,118	181
Housing & Wellbeing	2,734	3,969	1,235
Borough Secretary	2,480	2,256	(225)
Planning	613	115	(497)
Corporate budgets	233	38	(195)
<b>Total</b>	<b>30,968</b>	<b>31,700</b>	<b>732</b>

The main variations were as follows:

- Within Customers & Communities there was an overall overspend of £0.488m. This was mainly due to an overspend of £0.312m on the environmental services contract and its management.  
This related to additional ad hoc works; legal costs; and costs of a risk share mechanism reflecting lower sales proceeds of recycled materials. This was partially offset by performance deductions relating to ~~the~~ old contract, and some variable elements of the

contract coming out under budget. There was also an overspend of £0.232m on Parks and Open Spaces.

- Within the Chief Executive area there was an overall underspend of £0.153m associated with the senior management restructure that took place during the year.
- Within the Chief Finance Officer Area there was an overall underspend of £0.102m, mainly due to a saving on the LGSS contract related to new insurance premiums. There was also a significant pressure of £0.400m in the Benefits area due to subsidy loss resulting from the increased demand in temporary accommodation – this was forecast during the year. This overspend has been offset by an underspend on rent allowances due to increased recovery rates.
- Within the Economy, Assets and Culture area there was an overall overspend of £0.181m. This was made up of overspends in the Asset Management area (£0.377m) due to vacant posts being covered by interims, valuation work being carried out by external companies and additional maintenance costs in relation to water hygiene at the Racecourse. There was also an overspend in Programmes & Enterprise (£0.154m) partly due to the write off of a large debt. These overspends were partially offset by underspends against Car Parking (£0.263m) and Facilities Management (£0.120m) due to savings on postage associated with a reduction in post sent by the authority.
- Within the Housing & Wellbeing area there was an overall overspend of £1.235m. This mainly relates to the Housing Options and Advice area and is due to pressures resulting from the increased demand in temporary accommodation and includes the associated increased charge in the bad debt provision. This pressure was forecast during the year. This pressure was partly offset by additional homelessness grants received from central government in March 2019.
- Within the Borough Secretary area there was an overall underspend of £0.225m, mainly due to vacancies within the Legal Team.
- Within the Planning area there was an overall underspend of £0.497m. This was partly due to an underspend in the Planning Policy & Heritage area (£0.252m) due to an underspend on the Local Plan Part 2. There was also an underspend on Development Control (£0.206m) due to additional planning income and some vacancies.
- On the Corporate budget there was an underspend of £0.195m due to greater interest income generated from cash balances due to cash balances remaining higher than forecast, and an interest rate rise.

The Council's final approved budget for **General Fund capital** expenditure in 2018/19 was £24.828m. The budgeted funding of the 2018/19 capital programme was as follows:

- Borrowing £16.206m
- Capital Receipts £5.541m
- Grants and developer contributions £3.081m

In-year changes to the general fund capital budget meant that the final capital budget at the end of 2018/19 was £19.979m. Capital expenditure for 2018/19 totalled £14.016m against the final approved budget of £19.979m, a net variance of £5.964m (30%). A large proportion of this relates to schemes that are currently underway or still planned to take place and these budgets will be carried forward into the 2019/20 financial year. The majority of this carry forward is due to the timing of approvals and the timescales for letting contracts and funding agreements.

The **HRA outturn** position shows an underspend on controllable spending of £0.884m. After technical accounting adjustments this position moves to an underspend of £0.620m. This has reduced the required net contribution to reserves from the budgeted amount of £0.922m to £0.620m, while the HRA working balance remains unchanged at £5.000m.

**HRA capital** expenditure for 2018/19 totalled £25.319m against the final approved budget of £25.694m, a net underspend of £0.375m. This underspend relates mainly to the repurchase of former council houses (£0.410m) to be carried forward into 2019/20 and an NPH managed capital schemes overspend (£0.035m) these are on behalf of NBC.

Further details of the budget that was set for 2018/19 can be found on the Council's website here (agenda items 8 and 9):

<http://www.northamptonboroughcouncil.com/councillors/ieListDocuments.aspx?CId=242&MId=8518>

Further details of the Council's outturn position for 2018/19 can be found on the Council's website here (agenda item 11):

<http://www.northamptonboroughcouncil.com/councillors/ieListDocuments.aspx?CId=528&MId=8734>

### Non-Financial Performance

Data is collected across a range of locally developed indicators which are collected on a monthly, quarterly or annual basis. These form the basis of the council's performance monitoring process. A summary of the overall indicator performance against targets is shown below:

Performance Status	2017/18	2018/19			
	End of year	Q1	Q2	Q3	Q4
Blue (exceptional or over performance)	21.21%	20.00%	13.33%	13.79%	14.71%
Green	39.39%	40.00%	46.67%	44.83%	32.35%
Amber (within agreed tolerance)	9.09%	9.09%	10.00%	10.00%	14.71%
Rounded total	69.69%	69.69%	70.00%	70.00%	61.77%
Red (outside agreed tolerances)	30.30%	30.04%	30.00%	30.00%	38.24%

61.77% of performance measures where data was available reached their target or performed within agreed tolerances. The figures reported for the quarter and year end unfortunately have shown an increase in the red indicators. This is largely due to the handover of the contract from Enterprise Services to Veolia which impacted on reporting while the new contractor got to grips with how we needed data reporting. Although this means the overall figures appear poor, there have been significant improvements overall in the service now being delivered to residents of Northampton. We have changed some KPIs from four monthly reporting (which didn't line up with quarterly reports in any meaningful way) to monthly. This will give the opportunity to identify areas of concern more promptly and take remedial action.

Full details of the performance outturn report can be found here:

<http://www.northamptonboroughcouncil.com/councillors/ieListDocuments.aspx?CId=528&MId=8734>

## THE 2018/19 ACCOUNTS

The Core Financial Statements consist of the following, which are supported by the details provided in the associated notes to the accounts:

**Comprehensive Income and Expenditure Statement (CIES)** – provides a summary of the resources which have been applied and generated during the year through the process of delivering services and managing the Council. The statement analyses total expenditure and income by major category or type of service and shows that Housing is the largest area of expenditure.

- The headline figure for the CIES is an overall deficit (expenditure over income) of £1.39m which includes all accounting adjustments.
- The Net Cost of Services for the year totalled £40.95m to which Other Operating Expenditure and Income and Financing and Investment Expenditure and Income are added. This is then offset by £33.57m of Council Tax funding and non-specific grants to provide the Overall Deficit on the Provision of Services for the year of £14.54m.
- The Other Comprehensive Income and Expenditure category includes technical items that are not reflected in the Surplus or Deficit on the Provision of Services. This category in the CIES is a £13.14m surplus.

**Expenditure and Funding Analysis** – produced to provide further context to the CIES, and shows the difference between the net expenditure chargeable to the Council's General Fund and earmarked reserves and the income and expenditure in the CIES. The analysis also demonstrates how the Council's resources are allocated between directorates.

For 2018/19, the net expenditure chargeable to the Council's General Fund is £(0.33)m. This differs from the income and expenditure shown in the CIES due to a number of technical accounting adjustments which the Council is required to make by the Code. These include capital charges such as depreciation, actuarial pension adjustments and adjustments to the Collection Fund, and are shown in the supporting note to the EFA.

**Balance Sheet** – setting out the assets and liabilities recognised by the Council at the balance sheet date, the bottom line is effectively the net worth of the organisation at that date. The net assets of the Council (the assets less the liabilities) are matched by the Reserves held by the Council – net assets decreased slightly over the year by £1.4m to £431.3m

The key points to note from this statement are:

- The value of property, plant and equipment has increased by £18.7m to £719.6m.
- Heritage Assets have decreased by £8.6m to £28.2m.
- Long term Debtors are £1.0m down at £48.5m
- Current Assets are £14.7m less at the 31 March 2019 due to reductions in Short Term Investments. Short Term Available for Sale Financial Instruments, Cash and Cash Equivalents offset with an increase in the value of Short Term Debtors.
- Both Current and Long Term Liabilities at £456.6m remain relatively stable compared to the prior year value of £453.4m. The largest liabilities that the Authority has are Long Term Borrowing and the Pension Liability.

**Movement in Reserves Statement** – analyses the movements on reserves held by the Council during the financial year, split between 'usable reserves', which are those that can be applied to fund expenditure or reduce local taxation and 'unusable' reserves. The 'surplus or (deficit) on provision of services' line shows the true economic cost of providing the Council's services, more details of which are shown in the CIES. This cost is different from the amounts required

to be charged to the General Fund balance for Council Tax setting purposes. The 'net increase/decrease before transfers to earmarked reserves' line shows the statutory General Fund balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

The main message from this statement in 2018/19 is that Usable Reserves have increased by £2.3m over the period to £68.6 m. Within this category of reserves the General Fund reserve has decreased by £1.5m to £4.0m and the Housing Revenue Account General Reserve remained static at £5.0m. Unusable Reserves over the period to 31 March 2019 decreased by £3.6m to £362.8m in total

**Cash Flow Statement** – outlines the changes in the cash and cash equivalents during the year. For example, changes in debtor and creditor balances during the year. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

**Supplementary Financial Statements** – the Housing Revenue Account shows the in-year cost of providing housing services in accordance with generally accepted accounting practices. The transactions of the Council, acting as billing authority for Council Tax and NNDR are shown on the Collection Fund Statement in accordance with the code of accounting practice.

## **RISK MANAGEMENT**

The Council takes a proactive approach to risk management. The management of risk and governance was undertaken at officer level through service risk registers, which were, where necessary, escalated to the Corporate Risk Register and the Corporate Management Board on a quarterly basis. The registers identify key risks together with any existing or planned measures to mitigate them. This analysis is then interpreted through an assessment based on a combination of impact and likelihood of occurrence. Member involvement is through Cabinet, Audit Committee and Council approval of policies and review of risk areas.

## **GOVERNANCE**

A number of policies and procedures are in place to govern financial management and decision making, with the constitution being the principal one as it includes financial regulations and contract procedures.



## THE 2019/20 BUDGET AND MEDIUM-TERM OUTLOOK

### Economic Context

There continues to be uncertainty around the national and global economic outlook, caused by various factors including the UK's planned withdrawal from the European Union. Therefore the draft budget is built on prudent assumptions around inflation, interest rates, business rates growth and growth in the tax base.

### Medium Term Financial Strategy

In October 2018 Cabinet approved the Medium Term Financial Strategy, which provides the framework and context for the development of the detailed budget and Medium Term Financial Plan. The Medium Term Financial Strategy included the following strategic principles:

- The Council will, within available resources, seek to maximise delivery of services and levels of performance and ensure that resources are targeted to meeting its objectives and priorities
- The Council will set a balanced budget, which is stable and sustainable and fully represents the cost of providing the levels of service and performance set out in the Corporate Plan and Service Plans
- Income streams will be maximised through the delivery of high quality, cost effective services.
- Council Tax will be increased up to the maximum allowed without requiring a referendum.
- Investment decisions will take into account both revenue and capital implications.
- Where requirements to undertake borrowing are identified, the costs and benefits of doing so will be assessed as required in line with CIPFA's Prudential Code.
- Financial implications will be underpinned by a robust risk assessment.
- Decision making will be business case lead. There will be a focus on the short, medium and long-term financial implications of decisions.
- Reserves will be utilised to fund investments that will deliver a long-term sustainable financial position.

### The 2019/20 Budget

The Council's 2019/20 budget was agreed on 20 February 2019 and included the following headlines:

- An annual council tax increase of £6.56 (2.99%) per band D property and an indicative increase at the same level for planning purpose in future years;
- A general fund budget of £27.495m, excluding parish precepts.

The agreed general fund net budget for 2019/20 is summarised in the table below:

Description	2019/20 £000s
Service Base Budget	29,702
Proposed Growth	970
Proposed Savings	(1,134)
Corporate Budgets	(1,005)
Contribution from Reserves	133
<b>Net Budget</b>	<b>28,665</b>
Business Rates	(8,883)
New Homes Bonus	(2,595)
Council Tax	(16,622)
Collection Fund Surplus	(565)
<b>Total Funding</b>	<b>(28,665)</b>
<b>Savings to be identified</b>	<b>-</b>

The value of the proposed capital programme for 2019/20 is just over £52.5m. Proposed new schemes include support for the northwest relief road, new office developments/town centre regeneration schemes, street light repairs and temporary accommodation for homeless people.

The table below summarises the general fund capital programme and funding for 2019/20:

Description	Budget 2019/20 £000s
Schemes in the current capital programme	7,800
Scheme where approval has recently been given	7,667
Schemes in the current development pool awaiting formal approval	1,525
New proposals	35,525
<b>Total general fund capital programme</b>	<b>52,516</b>
Funding source:	
Self funded schemes	23,327
Borrowing	6,999
Capital receipts	5,549
ESIF and LGF funding for Vulcan Works	7,140
s106 funding for North West Relief Road and Upton Country Park	5,700
Other grants and contributions	3,801
<b>Total Funding</b>	<b>52,516</b>

The headlines for the 2019/20 Housing Revenue Account budget are as follows:

- An average rent decrease of 1% per dwelling, in line with the legislation and the government's national rent policy, to take effect from 1st April 2019;
- HRA budget for 2019/20 of £51.8m expenditure.

The HRA capital programme has been developed within the context of the 30 year business plan and the latest stock condition survey information. The HRA capital programme has a direct impact on the revenue position of the HRA and is summarised below:

HRA Capital Programme	2019/20 £000s
External Improvements	10,600
Internal Works	3,500
Environmental Improvements	3,000
Structural Works and Compliance	450
Disabled Adaptations	1,300
IT Development	400
New Build Programme/Major Projects	22,576
Buybacks and Spot Purchases	500
<b>Total</b>	<b>42,326</b>

HRA Capital Financing	2019/20 £000s
Major Repairs Reserve / Depreciation	9,642
Capital Receipts – RTB (excl 1-4-1)	3,134
Capital Receipts – RTB 1-4-1 Receipts	7,035
Revenue / Earmarked Reserves	9,405
Borrowing / CFR	13,110
<b>Total</b>	<b>42,326</b>

Full details of the medium term financial plan and the budgets that have been set for 2019/20 can be found on the council's website here:

<http://www.northamptonboroughcouncil.com/councillors/ieListDocuments.aspx?CId=242&MId=8719>

## VALUE FOR MONEY STATEMENT

Northampton Borough Council strives to achieve Value for Money (VfM) through:

- Delivering services that are fit for purpose and meeting statutory requirements;
- Applying cost effective delivery models for services, be they provided directly, in partnership or commissioned through a third party;
- Holding a clear understanding of costs and what drives them;
- Applying changes and investment to reduce costs and overheads, improving efficiency and the customer experience; and
- Delivering improved outcomes and value for money for local people, through a framework of strategic and local partnerships which cooperate effectively to meet shared goals.

The Council has developed a range of integrated approaches and organisational processes which together help to drive the delivery of VfM. For example:

- An Efficiency Strategy approved as part of the Medium Term Financial Strategy
- Performance Management reporting
- Procurement rules that ensure VfM is delivered through the Councils procurement of goods and services

- A Governance Action Plan to ensure that proper and effective governance happens in practice at all times.

The Council will continue to maintain the focus on Value for Money whilst striving to achieve its key outcomes.

## **FURTHER INFORMATION**

For information please contact:

Stuart McGregor  
Chief Finance Officer  
Northampton Borough Council  
Guildhall  
St Giles Square  
Northampton  
NN1 1DE

You have the right to inspect our accounts each year during the Public Inspection Period. We advertise the dates during which you can inspect the accounts on our website. Our accounts are audited by Ernst & Young. They are the auditors appointed by PSAA (Public Service Accounts Appointments Board).

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:

- Arrange 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 31<sup>st</sup> March 2019.

<b>Stuart McGregor –Chief Finance Officer</b>
<b>Date:</b>

### Approval by Audit Committee

I confirm that these audited accounts were approved by the Audit Committee at the meeting held on xxth 2019.

<b>Ian Orrell CPFA – Independent Chair of Audit Committee</b>
<b>Date:</b>

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







These financial statements and accompanying notes have been prepared using the relevant level of rounding according to individual notes. In some instances, this has led to a variance in totals/sub-totals. Any variances of 2 units (£000s etc.) are caused by roundings and are considered to be trivial for the purpose of the accounts.

## **D1 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

	General Fund	Earmarked GF Reserves	Housing Revenue Account	Earmarked HRA Reserves	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usuable Reserves	Total Unusable Reserves	Total Authority Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Balance at 1-Apr-18</b>	(5,505)	(25,182)	(4,999)	(11,060)	(12)	(12,506)	(3,307)	(62,567)	(326,596)	(389,165)
<b>Movement in Reserves during 2017-18</b>										
Total comprehensive income and expenditure	(1,565)		142,420					<b>140,855</b>	(184,430)	<b>(43,575)</b>
Adjustments between accounting and funding basis under regulations (note 2)	(202)		(140,132)		(604)	(3,487)	(198)	<b>(144,625)</b>	144,625	-
Transfer to/from Earmarked Reserves	1,774	(1,774)	(2,289)	2,289				-	-	-
<b>Increase/(decrease) in 2017-18</b>	<b>7</b>	<b>(1,774)</b>	<b>(1)</b>	<b>2,289</b>	<b>(604)</b>	<b>(3,487)</b>	<b>(198)</b>	<b>(3,770)</b>	<b>(39,806)</b>	<b>(43,575)</b>
<b>Balance at 31 March 2018 carried forward</b>	<b>(5,498)</b>	<b>(26,956)</b>	<b>(5,000)</b>	<b>(8,771)</b>	<b>(616)</b>	<b>(15,993)</b>	<b>(3,505)</b>	<b>(66,339)</b>	<b>(366,401)</b>	<b>(432,741)</b>
<b>Movement in Reserves during 2018-19</b>										
Total comprehensive income and expenditure	2,672	-	11,864	-	-	-	-	<b>14,536</b>	(13,144)	<b>1,391</b>
Adjustments between accounting and funding basis under regulations (note 2)	(2,677)	-	(12,190)	-	616	(2,294)	(246)	<b>(16,790)</b>	16,790	-
Transfer to/from Earmarked Reserves	1,503	(1,503)	326	(326)	-	-	-	-	-	-
<b>Increase/(decrease) in 2018-19</b>	<b>1,498</b>	<b>(1,503)</b>	<b>-</b>	<b>(326)</b>	<b>616</b>	<b>(2,294)</b>	<b>(246)</b>	<b>(2,255)</b>	<b>3,646</b>	<b>1,391</b>
<b>Balance at 31 March 2019 carried forward</b>	<b>(4,000)</b>	<b>(28,459)</b>	<b>(5,000)</b>	<b>(9,097)</b>	<b>-</b>	<b>(18,287)</b>	<b>(3,751)</b>	<b>(68,594)</b>	<b>(362,755)</b>	<b>(431,350)</b>

**D2 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 Financial Statements.

The statement is shown on the next page.

### Comprehensive Income and Expenditure Statement

Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
2017-18 £000s	2017-18 £000s	2017-18 £000s		2018-19 £000s	2018-19 £000s	2018-19 £000s
5,052	(3,003)	2,049	Regeneration, Enterprise & Planning	5,343	(2,718)	2,625
255,858	(117,984)	137,874	Housing	61,104	(58,312)	2,792
3,818	(1,249)	2,569	Borough Secretary	3,346	(348)	2,998
34,486	(16,334)	18,152	Customers & Communities	42,701	(10,830)	31,871
8,183	(1,774)	6,409	Central Services Budgets	6,985	(1,598)	5,387
67,466	(68,079)	(613)	Corporate Budgets	61,188	(65,915)	(4,727)
<b>374,863</b>	<b>(208,423)</b>	<b>166,440</b>	<b>Cost of Services</b>	<b>180,667</b>	<b>(139,721)</b>	<b>40,946</b>
2,166	(1,508)	658	Other Operating Expenditure (1c)	15,462	(16,796)	(1,335)
14,691	(6,655)	8,036	Financing and Investment Income (1d)	31,863	(23,368)	8,495
0	(34,279)	(34,279)	Taxation and Non Specific Grants (1e)	45,738	(79,309)	(33,571)
<b>391,720</b>	<b>(250,865)</b>	<b>140,855</b>	<b>Surplus(-) or Deficit on Provision of Services</b>	<b>273,729</b>	<b>(259,194)</b>	<b>14,536</b>
		<b>(178,466)</b>	(Surplus) or Deficit on Revaluation of Non Current Assets (1b)			<b>(19,411)</b>
		<b>(5,964)</b>	Actuarial (gains) / losses on pension assets / liabilities			<b>6,267</b>
		<b>(184,430)</b>	<b>Other Comprehensive Income and Expenditure (1b)</b>			<b>(13,144)</b>
		<b>(43,575)</b>	<b>Total Comprehensive Income(-) and Expenditure</b>			<b>1,391</b>

**D3 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'.

Balance Sheet			
31 March 2018		Note	31 March 2019
£000s			£000s
700,902	Property, Plant and Equipment	4	719,603
36,806	Heritage Assets	5	28,220
13,830	Investment Property	6	13,794
551	Intangible Assets	16	388
0	Long Term Investments	7g	7,586
49,500	Long Term Debtors	9	48,494
<b>801,589</b>	<b>Long Term Assets</b>		<b>818,085</b>
10,021	Short Term Investments	7g	5,025
34,021	Short Term Available for Sale Financial Instruments	7d	23,119
0	Assets held for Sale	11	0
48	Inventories		27
23,193	Short Term Debtors	9	30,551
17,300	Cash and Cash Equivalents	10	11,162
<b>84,583</b>	<b>Current Assets</b>		<b>69,884</b>
(10,546)	Short Term Borrowing	7e	(5,506)
(39,578)	Short Term Creditors	12	(44,553)
(5,912)	Provisions	13	(6,170)
<b>(56,036)</b>	<b>Current Liabilities</b>		<b>(56,229)</b>
(12,734)	Long Term Creditors	20	(16,599)
(11)	Provisions	13	(60)
(247,263)	Long Term Borrowing	7	(241,874)
(137,385)	Other Long Term Liabilities	26	(141,857)
<b>(397,393)</b>	<b>Long Term Liabilities</b>		<b>(400,390)</b>
<b>432,743</b>	<b>Net Liabilities</b>		<b>431,350</b>
66,341	Usuable Reserves	14	68,594
366,402	Unusable Reserves	15	362,756
<b>432,743</b>	<b>Total Reserves</b>		<b>431,350</b>

**D4 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.

<b>Cashflow Statement</b>
---------------------------

2017/18 £000s		2018/19 £000s
(140,855)	Net Surplus or (deficit) on the provision of services (Notes D2/D5a)	(14,536)
182,367	Adjustment to surplus or deficit on the provision of services for noncash movements (Note 30)	39,370
(3,081)	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Notes 30)	(2,822)
<b>38,431</b>	<b>Net Cashflows from Operating Activities</b>	<b>22,013</b>
(31,192)	Net Cashflows from Investing Activities (Note 32)	(17,603)
(3,027)	Net Cashflows from Financing Activities (Note 33)	(10,547)
	Net increase or decrease in cash and cash equivalents	
<b>4,212</b>	<b>Net increase or decrease in cash and cash equivalents</b>	<b>(6,138)</b>
13,088	Cash and Cash Equivalents at the Beginning of the Reporting Period (Note 10)	17,300
<b>17,300</b>	<b>Cash and Cash Equivalents at the End of the Reporting Period</b>	<b>11,162</b>

## D5. EXPENDITURE AND FUNDING ANALYSIS (EFA)

The Expenditure and Funding Analysis demonstrates how the funding available to the Council for the year 2018/19 (i.e. government grants, rents, Council Tax and Business Rates) has been used to provide services in comparison with those resources consumed or earned under generally accepted accounting practice (GAAP). The Expenditure and Funding analysis also shows how this expenditure is allocated for decision-making purposes between the Council's directorates. Income and expenditure accounted for under GAAP is presented more fully in the Comprehensive Income and Expenditure Statement.

## Expenditure and Funding Analysis

Net expenditure chargeable to the General Fund and Earmarked Reserves £000s	Adjustments between Funding and Accounting Basis £000s	2017-18 Net Expenditure in the CIES £000s		Net expenditure chargeable to the General Fund and Earmarked Reserves £000s	Adjustments between Funding and Accounting Basis £000s	2018-19 Net Expenditure in the CIES £000s
1,477	572	<b>2,049</b>	Regeneration, Enterprise & Planning	3,025	(400)	<b>2,625</b>
(10,769)	148,642	<b>137,874</b>	Housing	2,716	76	<b>2,792</b>
2,085	485	<b>2,569</b>	Borough Secretary	3,305	(307)	<b>2,998</b>
10,892	7,260	<b>18,152</b>	Customers & Communities	12,849	19,022	<b>31,871</b>
5,993	416	<b>6,409</b>	Central Services Budgets	5,485	(98)	<b>5,387</b>
(692)	80	<b>(613)</b>	Corporate Budgets	2,826	(7,553)	<b>(4,727)</b>
<b>8,986</b>	<b>157,454</b>	<b>166,440</b>	<b>Net Cost of Services</b>	<b>30,205</b>	<b>10,741</b>	<b>40,946</b>
(8,464)	(17,121)	<b>(25,585)</b>	Other Income and Expenditure	(30,537)	4,127	<b>(26,410)</b>
<b>522</b>	<b>140,333</b>	<b>140,855</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>(332)</b>	<b>14,867</b>	<b>14,536</b>
(46,747)			Opening General Fund Balance at 31 March	<b>(46,225)</b>		
522			Plus: Surplus on General Fund Balance In Year	<b>(332)</b>		
(46,225)			<b>Closing General Fund Balance at 31 March</b>	<b>(46,557)</b>		

## Notes to Expenditure and Funding Analysis

<b>Adjustments between funding and accounting basis 2018-19</b>				
<b>Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts</b>	<b>Adjustments for Capital Purposes</b>	<b>Net Change for the Pensions Adjustments</b>	<b>Other Adjustments</b>	<b>Total Adjustments</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Regeneration, Enterprise & Planning	(75)	361	(685)	<b>(400)</b>
Housing	(1,515)	323	1,268	<b>76</b>
Borough Secretary	9	310	(627)	<b>(307)</b>
Customers & Communities	18,714	993	(686)	<b>19,022</b>
Central Services Budgets	-	0	(99)	<b>(98)</b>
Corporate Budgets	63	(7,255)	(360)	<b>(7,553)</b>
<b>Net Cost of Services</b>	<b>17,196</b>	<b>(5,268)</b>	<b>(1,188)</b>	<b>10,741</b>
Other Income and Expenditure	104	8,495	(4,472)	<b>4,127</b>
<b>Difference between General Fund surplus/deficit and CIES surplus/deficit on provision of services</b>	<b>17,300</b>	<b>3,227</b>	<b>(5,660)</b>	<b>14,867</b>
<b>Adjustments between funding and accounting basis 2017-18</b>				
<b>Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts</b>	<b>Adjustments for Capital Purposes</b>	<b>Net Change for the Pensions Adjustments</b>	<b>Other Adjustments</b>	<b>Total Adjustments</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Regeneration, Enterprise & Planning	(54)	<b>626</b>	-	<b>572</b>
Housing	148,224	<b>418</b>	-	<b>148,642</b>
Borough Secretary	8	<b>477</b>	-	<b>485</b>
Customers & Communities	5,563	<b>1,697</b>	-	<b>7,260</b>
Central Services Budgets	416	-	-	<b>416</b>
Corporate Budgets	80	-	-	<b>80</b>
<b>Net Cost of Services</b>	<b>154,237</b>	<b>3,218</b>	-	<b>157,455</b>
Other Income and Expenditure	(13,105)	(2,560)	(1,454)	<b>(17,121)</b>
<b>Difference between General Fund surplus/deficit and CIES surplus/deficit on provision of services</b>	<b>141,132</b>	<b>658</b>	<b>(1,454)</b>	<b>140,333</b>



### Adjustments for Capital purposes

In the service lines this column records adjustments in respect of depreciation, impairment, movements in fair value of investment properties, revenue expenditure funded from capital under statute (REFCUS) and revaluation gains/losses

- For *Other Operating expenditure* – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- For *Financing and investment income and expenditure* – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure, as these are not chargeable under generally accepted accounting practices.
- For *Taxation and non-specific grant income and expenditure* – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

### Net Change for Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS19 *Employee Benefits* pension related expenditure and income

- For services, this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For *Financing and investment income and expenditure*, the net interest on the defined benefit liability is charged to the CIES.

### Other Adjustments

Other difference between amounts debited/credited to the CIES and amounts payable/receivable to be recognised under statute.

- For services, this comprises the accrual made in respect of accumulated absences.
- The charge under *Taxation and non-specific grant income and expenditure* represents the difference between what is chargeable under statutory regulations for Council Tax and NNDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing issue, as any difference will be brought forward in future surpluses or deficits on the Collection Fund.

### Expenditure and Income Analysed by Nature

The Authority's expenditure and income is analysed as follows:

2017/18		2018/19
£000s	Expenditure/Income	£000s
	<b>Expenditure</b>	
14,832	Employee Benefits expenses	13,645
202,945	Other Services expenses	183,210
(1,900)	(Gains)/Loss on the disposal of non current asset	(1,487)
1,519	Support Services Recharges	7,663
68,095	Depreciation, Amortisation, Impairment	77,935
8,036	Interest Payments	7,890
1,058	Precepts and Levies	1,111
1,072	Payments to Housing Capital Receipts Pool	(16,237)
96,063	(Gain)/Loss on revaluations	-
<b>391,720</b>	<b>Total Expenditure</b>	<b>273,730</b>
	<b>Income</b>	
(215,110)	Fees, charges and other service income	(92,298)
(1,476)	Interest and investment income	(1,599)
(36,886)	Income from council tax and NNDR	(100,522)
2,607	Government grants and contributions	(64,775)
<b>(250,865)</b>	<b>Total Income</b>	<b>(259,193)</b>
<b>140,855</b>	<b>(Surplus) or Deficit on the Provision of Services</b>	<b>14,536</b>

**1a. MATERIAL ITEMS OF INCOME AND EXPENSE**

For the financial year 2018/19 the Council has 3 material items disclosed in the accounts.

- The first item relates to a contract to carry out the councils Environmental Services (Waste Collection, Street Cleaning, Parks). The contract cost in relation to this item in 2018/19 was £10m (2017/18 £7.6m);
- A 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 2018/19 was £5m (2017/18 £6.8m); and
- The following expenditure on Housing Benefit has also been made:

Rent Allowance of £34.9m (2017/18 £35.7m)

Rent Rebates £28.3m (2017/18 £29.95m)

**1b. OTHER COMPREHENSIVE INCOME AND EXPENDITURE**

2017/18 £000s	Other Comprehensive Income & Expenditure	2018/19 £000s
	<b>Revaluation Reserve</b>	
(5,392)	General Fund Revaluation Gains	(7,160)
3,208	General Fund Revaluation Losses	553
160	General Fund Impairment	1,377
(209,046)	HRA Revaluation Gains	(17,031)
32,512	HRA Revaluation Losses	2,850
92	HRA Impairment	0
<b>(178,466)</b>	<b>Total</b>	<b>(19,411)</b>
(5,964)	Actuarial Gains & Losses to the Pensions Reserve	6,267
<b>(184,430)</b>	<b>Other Comprehensive Expenditure and Income</b>	<b>(13,144)</b>

**1c. OTHER OPERATING EXPENDITURE**


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2017/18 £000s	Other Operating Expenditure	2018/19 £000s
1,058	Parish council precepts	1,111
1,072	Payments to the Government Housing Capital Receipts Pool	1,072
428	Trading	0
(1,900)	Gains/Losses on the disposal of non-current assets	(3,518)
<b>658</b>	<b>Total</b>	<b>(1,335)</b>

**1d. FINANCING AND INVESTMENT INCOME AND EXPENDITURE**


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2017/18 £000s	Financing And Investment Income And Expenditure	2018/19 £000s
8,008	Interest payable and similar charges	7,890
3,530	Pensions interest cost and expected return on pension assets	3,550
(1,476)	Interest receivable and similar charges	(1,599)
(2,026)	Income and expenditure in relation to investment properties and changes in their fair value	(1,346)
<b>8,036</b>	<b>Total</b>	<b>8,495</b>

**1e TAXATION AND NON-SPECIFIC GRANT INCOME**


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2017/18 £000s	Taxation And Non Specific Grant Income	2018/19 £000s
(15,326)	Council tax income	(16,237)
(36,878)	Retained Rates	(39,828)
(1,122)	Capital grants and contributions	(1,487)
(1,817)	Revenue Support Grant	(886)
(4,345)	Non-ring fenced government grants	(3,082)
(1,836)	Section 31 grants	(2,274)
(3,586)	Other NNDR related transactions	(2,026)
29,120	Tariff Payment	30,079
	Donated Assets	(14)
1,511	Levy Payment	2,184
<b>(34,279)</b>	<b>Total</b>	<b>(33,571)</b>

## 2 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.

2018/19	General Fund Balance	Housing Revenue Account	Earmarked Reserves	Major Repairs Reserve	Capital receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Movement in Unusable Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Adjustments primarily involving the Capital Adjustment Account:</b>								
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>								
Charges for depreciation and impairment of non-current assets	(18,451)	(5,495)	-	(12,998)	-	-	(36,944)	36,944
Impairment - Long Term Debtor	-	-	-	-	-	-	-	-
Revaluation gains on PPE	1,574	9,350	-	-	-	-	10,924	(10,924)
Revaluation losses on Property Plant and equipment	(1,273)	(10,644)	-	-	-	-	(11,917)	11,917
Movements in the market value of Investment properties	(40)	5	-	-	-	-	(35)	35
Amortisation of Intangible assets	(92)	-	-	-	-	-	(92)	92
Capital Grants & contributions applied (if any)	3,162	-	-	-	-	-	3,162	(3,162)
Income in relation to donated assets if any	14	-	-	-	-	-	14	(14)
Revenue expenditure funded from capital under statute	(1,439)	-	-	-	-	-	(1,439)	1,439
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	(107)	(7,871)	-	-	-	-	(7,978)	7,978
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>								
Statutory provision for the financing of capital investment	1,375	-	-	-	-	-	1,375	(1,375)
Capital expenditure charged against the General Fund and HRA balances	-	-	-	-	-	-	-	-
Balance of MRA	-	-	-	-	-	-	-	-
	<b>(15,277)</b>	<b>(14,655)</b>	<b>-</b>	<b>(12,998)</b>	<b>-</b>	<b>-</b>	<b>(42,930)</b>	<b>42,930</b>

2018/19	General Fund Balance	Housing Revenue Account	Earmarked Reserves	Major Repairs Reserve	Capital receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Movement in Unusable Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>								
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	2466	-	-	-	19	2,485	(2,485)
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-	(265)	(265)	265
<b>Total Adjustments primarily involving the Capital Grants Unapplied Account</b>	-	2466	-	-	-	(246)	2,220	(2,220)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>								
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	11658	-	-	-	(11,658)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	-	8,110	-	8,110	(8,110)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(163)	-	-	-	163	-	-	-
Contribution from the Capital Receipts Reserve to finance payments to Government Capital Receipts pool	(1,072)	-	-	-	1,072	-	-	-
Transfer from Deferred Capital receipts Reserve upon receipt of cash	(19)	-	-	-	19	-	-	-
<b>Total Adjustments primarily involving the Capital Receipts Reserve</b>	10,404	-	-	-	(2,294)	-	8110	-8110
<b>Adjustment primarily involving the Major Repairs Reserve:</b>								
Reversal of major Repairs Allowance credited to the HRA	-	-	-	-	-	-	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	13,614	-	-	13,614	(13,614)
<b>Total Adjustment primarily involving the Major Repairs Reserve</b>	-	-	-	13,614	-	-	13,614	(13,614)

2018/19	General Fund Balance	Housing Revenue Account	Earmarked Reserves	Major Repairs Reserve	Capital receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Movement in Unusable Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>								
<b>Adjustments primarily involving the Pensions Reserve:</b>		-						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and expenditure Statement	6,619	1	-	-	-	-	6,620	(6,620)
Employer's pensions contributions and direct payments to pensioners payable in the year	(4,823)	(2)	-	-	-	-	(4,825)	4,825
<b>Total Adjustments primarily involving the Pensions Reserve</b>	<b>1,796</b>	<b>(1)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,795</b>	<b>(1,795)</b>
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>								
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 calculated for the year in accordance with statutory requirements	373	-	-	-	-	-	373	(373)
<b>Adjustment primarily involving Unequal Pay Back Pay Adjustment Account</b>								
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlement chargeable in the year in accordance with statutory requirements	27	-	-	-	-	-	27	(27)
<b>Total Adjustments</b>	<b>(2,677)</b>	<b>(12,190)</b>	<b>-</b>	<b>616</b>	<b>(2,294)</b>	<b>(246)</b>	<b>(16,790)</b>	<b>16,790</b>



2017/18	General Fund Balance	Housing Revenue Account	Earmarked Reserves	Major Repairs Reserve	Capital receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Movement in Unusable Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Adjustments primarily involving the Capital Adjustment Account:</b>								
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>								
Charges for depreciation and impairment of non-current assets	(3,464)	(51,826)	-	(12,604)	-	-	(67,894)	67,894
Impairment - Long Term Debtor	-	-	-	-	-	-	-	-
Revaluation gains on PPE	4,973	58,485	-	-	-	-	63,458	(63,458)
Revaluation losses on Property Plant and equipment	(7,790)	(153,791)	-	-	-	-	(161,581)	161,581
Movements in the market value of Investment properties	1,853	8	-	-	-	-	1,861	(1,861)
Amortisation of Intangible assets	(349)	-	-	-	-	-	(349)	349
Capital Grants & contributions applied (if any)	2,516	-	-	-	-	-	2,516	(2,516)
Income in relation to donated assets if any	-	-	-	-	-	-	-	-
Revenue expenditure funded from capital under statute	(1,519)	-	-	-	-	-	(1,519)	1,519
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure statement	(1,163)	(8,553)	-	-	-	-	(9,716)	9,716
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>								
Statutory provision for the financing of capital investment	1,333	-	-	-	-	-	1,333	(1,333)
Capital expenditure charged against the General Fund and HRA balances	824	6,791	-	-	-	-	7,615	(7,615)
Balance of MRA								
<b>Total Adjustments primarily involving the Capital Adjustment Account</b>	<b>(2,787)</b>	<b>(148,886)</b>	<b>-</b>	<b>(12,604)</b>	<b>-</b>	<b>-</b>	<b>(164,278)</b>	<b>164,278</b>

2017/18	General Fund Balance	Housing Revenue Account	Earmarked Reserves	Major Repairs Reserve	Capital receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Movement in Unusable Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>								
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	(211)	(211)	211
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-	13	13	(13)
<b>Total Adjustments primarily involving the Capital Grants Unapplied Account</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(198)</b>	<b>(198)</b>	<b>198</b>
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>								
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,898	8,898	-	-	(11,796)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	-	7,066	-	7,066	(7,066)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(38)	(142)	-	-	179	-	(1)	1
Contribution from the Capital Receipts Reserve to finance payments to Government Capital Receipts pool	(1,072)	-	-	-	1,072	-	-	-
Transfer from Deferred Capital receipts Reserve upon receipt of cash	-	-	-	-	(9)	-	(9)	9
<b>Total Adjustments primarily involving the Capital Receipts Reserve</b>	<b>1,787</b>	<b>8,756</b>	<b>-</b>	<b>-</b>	<b>(3,487)</b>	<b>-</b>	<b>7,056</b>	<b>(7,056)</b>
<b>Adjustment primarily involving the Major Repairs Reserve:</b>								
Reversal of major Repairs Allowance credited to the HRA	-	-	-	-	-	-	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	12,000	-	-	12,000	(12,000)
<b>Total Adjustment primarily involving the Major Repairs Reserve</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,000</b>	<b>-</b>	<b>-</b>	<b>12,000</b>	<b>(12,000)</b>

2017/18	General Fund Balance	Housing Revenue Account	Earmarked Reserves	Major Repairs Reserve	Capital receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Movement in Unusable Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b> Transfer of deferred sale proceed credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-	-	-
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b> 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	(10)	-	-	-	-	-	(10)	10
<b>Adjustments primarily involving the Pensions Reserve:</b> Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and expenditure Statement Employer's pensions contributions and direct payments to pensioners payable in the year	(6,747) 6,090	(4) 3	- -	- -	- -	- -	(6,751) 6,093	6,751 (6,093)
<b>Total Adjustments primarily involving the Pensions Reserve</b>	<b>(657)</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(657)</b>	<b>657</b>
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b> 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 calculated for the year in accordance with statutory requirements	1,464	-	-	-	-	-	1,464	(1,464)
<b>Adjustment primarily involving Unequal Pay Back Pay Adjustment Account</b> Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlement chargeable in the year in accordance with statutory requirements	-	-	-	-	-	-	-	-
<b>Total Adjustments</b>	<b>(202)</b>	<b>(140,131)</b>	<b>-</b>	<b>(604)</b>	<b>(3,487)</b>	<b>(197)</b>	<b>(144,623)</b>	<b>144,623</b>

### 3. 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 2018/19.

Earmarked Reserve	Balance at 31 March 2017	Realignmt 2017/18	Additions to Reserve 2017/18	Use Of Reserve 2017/18	Balance at 31 March 2018	Realignmt 2018/19	Additions to Reserve 2018/19	Use Of Reserve 2018/19	Balance at 31 March 2019
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>General Fund</b>									
Customers and Communities Reserves	1,349	-	-	(667)	682	(484)	-	(102)	96
Economy, Assets & Culture Reserves	722	(64)	171	(286)	543	(97)	164	(133)	477
Planning Reserves	-	-	-	-	-	314	120	(8)	426
Housing & Wellbeing Reserves	610	-	73	(83)	600	190	-	(140)	650
<b>Total Service Related Reserves</b>	<b>2,681</b>	<b>(64)</b>	<b>244</b>	<b>(1,036)</b>	<b>1,825</b>	<b>(77)</b>	<b>284</b>	<b>(383)</b>	<b>1,649</b>
Delivering the Efficiency Plan Reserve	7,101	(5,101)	-	-	2,000	-	-	(217)	1,783
MTFP Cashflow Reserve	5,762	(3,307)	3,065	(770)	4,750	(3,179)	869	(1,186)	1,254
Strategic Investment Reserve	2,851	(1,528)	-	(1,326)	(3)	3	-	-	-
Environmental Services Capital Financing	-	10,000	-	-	10,000	-	-	(1,000)	9,000
Sixfields Recovery Reserve	-	-	-	-	-	5,000	-	-	5,000
Other Corporate Reserves	1,371	-	422	(383)	1,410	-	1,502	(267)	2,645
<b>Total Corporate Reserves</b>	<b>17,085</b>	<b>64</b>	<b>3,487</b>	<b>(2,479)</b>	<b>18,157</b>	<b>1,824</b>	<b>2,371</b>	<b>(2,670)</b>	<b>19,682</b>
Insurance Reserve	1,027	-	152	-	1,179	-	-	(302)	877
Rates Retention Deficit Funding	1,964	-	1,448	-	3,412	-	759	-	4,171
Other Technical Reserves	247	-	-	-	247	(247)	-	-	-
<b>Total Technical Reserves</b>	<b>3,238</b>	<b>-</b>	<b>1,600</b>	<b>-</b>	<b>4,838</b>	<b>(247)</b>	<b>759</b>	<b>(302)</b>	<b>5,048</b>
<b>Section 106 Contributions</b>	<b>2,183</b>	<b>-</b>	<b>-</b>	<b>(46)</b>	<b>2,137</b>	<b>-</b>	<b>-</b>	<b>(57)</b>	<b>2,080</b>
<b>Total General Fund</b>	<b>25,186</b>	<b>-</b>	<b>5,331</b>	<b>(3,561)</b>	<b>26,957</b>	<b>1,500</b>	<b>3,414</b>	<b>(3,412)</b>	<b>28,459</b>
<b>HRA</b>									
HRA Reserves	8,295	961	-	(2,288)	6,968	-	328	-	7,296
HRA Supporting People Reserve	558	(558)	-	-	-	-	-	-	-
HRA Reform Reserve	8	(8)	-	-	-	-	-	-	-
HRA Leaseholder Reserve	500	-	-	-	500	-	-	-	500
HRA Service Improvement Reserve	1,395	(395)	-	-	1,000	-	-	-	1,000
HRA Insurance Reserve	300	-	-	-	300	-	-	-	300
<b>Total HRA</b>	<b>11,056</b>	<b>-</b>	<b>-</b>	<b>(2,288)</b>	<b>8,770</b>	<b>-</b>	<b>328</b>	<b>-</b>	<b>9,096</b>
<b>Total Earmarked Reserves</b>	<b>36,242</b>	<b>-</b>	<b>5,331</b>	<b>(5,849)</b>	<b>35,727</b>	<b>1,500</b>	<b>3,742</b>	<b>(3,412)</b>	<b>37,555</b>

## **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 had set aside funding to support future Invest to save initiatives and meet strategic priorities.

## **Delivering the Efficiency Plan**

To fund the one-off revenue costs of initiatives leading to ongoing efficiency savings.

## **MTFP Cashflow Reserve**

To cover any delays in achieving planned savings, or shortfalls, in income generation.

## **Environmental Service Capital Financing**

This reserve is set aside to fund vehicles and equipment to be used in the new environmental services contract

## **Sixfields Recovery Reserve**

This reserve is set aside against the recovery of money relating to the Sixfields case.

## **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.

## **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.

## **Rates Retention Deficit Funding**

This reserve is set aside to manage timing differences in the payments of NNDR

4. PROPERTY, PLANT AND EQUIPMENT

a) Movement

Movements in 2018/19	Council Dwellings £000's	Housing Land and Buildings £000's	Other Land and Buildings £000's	Vehicles, Plant, Furniture & Equipment £000's	Infra-structure Assets £000's	Community Assets £000's	Surplus Assets £000's	Assets Under Construction £000's	Total Property, Plant and Equipment £000's
<b>Cost or Valuation</b>									
At 1st April 2018	657,355	16,617	80,505	2,595	2,585	14,530	1,835	17,925	793,947
Additions	18,541	236	811	8,518	-	80	-	8,072	36,258
Donations	-	-	-	-	-	-	-	-	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	5,979	(266)	5,410	-	-	-	11	-	11,134
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(5,974)	(117)	(1,103)	-	-	-	587	-	(6,607)
Derecognition – disposals	(6,782)	(79)	(47)	-	-	-	(144)	-	(7,052)
Derecognition – other	(785)	(229)	(96)	-	-	-	-	-	(1,110)
Assets reclassified (to) / from Held for sale	-	-	-	-	-	-	-	-	-
Assets reclassified (to) / from Investment	-	-	-	-	-	-	-	-	-
Assets reclassified (to) / from PPE	6,643	(138)	532	-	32	-	19	(7,355)	(267)
Other Movements	-	4	(2)	-	-	-	-	-	2
<b>At 31 March 2019</b>	<b>674,977</b>	<b>16,028</b>	<b>86,010</b>	<b>11,113</b>	<b>2,617</b>	<b>14,610</b>	<b>2,308</b>	<b>18,642</b>	<b>826,303</b>
<b>Accumulated Depreciation and Impairment</b>									
At 1 April 2018	(82,565)	(721)	(6,707)	(1,309)	(641)	(569)	(533)	-	(93,045)
Depreciation Charge	(12,628)	(323)	(2,139)	(1,055)	(74)	(157)	(24)	-	(16,400)
Depreciation written out to the revaluation reserve	8,333	84	1,199	-	-	-	15	-	9,631
Depreciation written out to the Surplus/Deficit on the Provision of Services	4,159	49	780	-	-	-	3	-	4,991
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	(524)	-	-	-	-	-	(524)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(5,495)	-	(6,085)	-	-	-	-	-	(11,580)
Derecognition – Disposals	95	1	3	-	-	-	5	-	104
Derecognition – other	26	22	33	-	-	-	-	-	81
Other Movements	(4)	43	11	-	(6)	-	(2)	-	42
<b>At 31 March 2019</b>	<b>(88,079)</b>	<b>(845)</b>	<b>(13,429)</b>	<b>(2,364)</b>	<b>(721)</b>	<b>(726)</b>	<b>(536)</b>	<b>-</b>	<b>(106,700)</b>
<b>Net Book Value</b>									
At 31 March 2018	574,790	15,896	73,798	1,286	1,944	13,961	1,302	17,925	700,902
At 31 March 2019	586,898	15,183	72,581	8,749	1,896	13,884	1,772	18,642	719,603

Movements in 2017/18	Council Dwellings £000's	Housing Land and Buildings £000's	Other Land and Buildings £000's	Vehicles, Plant, Furniture & Equipment £000's	Infra-structure Assets £000's	Community Assets £000's	Surplus Assets £000's	Assets Under Construction £000's	Total Property, Plant and Equipment £000's
<b>Cost or Valuation</b>									
At 1st April 2017	582,235	20,566	80,895	2,067	2,530	14,471	1,549	9,353	713,666
Additions	17,966	147	170	464	47	58	-	8,849	27,701
Donations	-	-	-	-	-	-	-	-	-
Revaluation increases / (decreases) recognised in the Revaluation Reserve	166,862	(3,294)	1,261	-	-	-	429	-	165,258
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(98,790)	(703)	(3,529)	-	-	-	42	-	(102,980)
Derecognition – disposals	(6,811)	(186)	-	-	-	-	-	-	(6,997)
Derecognition – other	(1,372)	-	-	-	-	-	(330)	-	(1,702)
Assets reclassified (to) / from Held for sale	-	-	-	-	-	-	-	-	-
Assets reclassified (to) / from Investment	-	200	(600)	-	-	-	-	-	(400)
Other movements in cost or valuation	(2,735)	(113)	2,308	64	8	1	145	(277)	(599)
<b>At 31 March 2018</b>	<b>657,355</b>	<b>16,617</b>	<b>80,505</b>	<b>2,595</b>	<b>2,585</b>	<b>14,530</b>	<b>1,835</b>	<b>17,925</b>	<b>793,947</b>
<b>Accumulated Depreciation and Impairment</b>									
At 1 April 2017	(35,640)	(501)	(6,221)	(707)	(566)	(411)	(40)	-	(44,086)
Depreciation Charge	(12,184)	(384)	(1,843)	(602)	(74)	(158)	(29)	-	(15,274)
Depreciation written out to the revaluation reserve	12,530	10	914	-	-	-	6	-	13,460
Depreciation written out to the Surplus/Deficit on the Provision of Services	3,777	352	709	-	-	-	16	-	4,854
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	(56)	(158)	-	-	-	(38)	-	(252)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(51,209)	(155)	(707)	-	-	-	(462)	-	(52,533)
Derecognition – Disposals	95	6	-	-	-	-	-	-	101
Derecognition – other	27	-	-	-	-	-	18	-	45
Other Movements	39	7	599	-	(1)	-	(4)	-	640
<b>At 31 March 2018</b>	<b>(82,565)</b>	<b>(721)</b>	<b>(6,707)</b>	<b>(1,309)</b>	<b>(641)</b>	<b>(569)</b>	<b>(533)</b>	<b>-</b>	<b>(93,045)</b>
<b>Net Book Value</b>									
<b>At 31 March 2017</b>	<b>546,595</b>	<b>20,065</b>	<b>74,674</b>	<b>1,360</b>	<b>1,964</b>	<b>14,060</b>	<b>1,509</b>	<b>9,353</b>	<b>669,580</b>
<b>At 31 March 2018</b>	<b>574,790</b>	<b>15,896</b>	<b>73,798</b>	<b>1,286</b>	<b>1,944</b>	<b>13,961</b>	<b>1,302</b>	<b>17,925</b>	<b>700,902</b>

b) Depreciation

The useful lives and depreciation rates used in the calculation of depreciation are detailed in the accounting policies.

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. Valuations have been carried out by appointed external valuers. 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 20% of the beacons valued each year are reviewed to see if beacons that are more appropriate are available; the potential uncertainties around this methodology are set out in Appendix J2 General Information – Section 4 Assumptions (page 151) made about the future and other major sources of estimation uncertainty.

The significant assumptions applied in estimating values are:

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

	Council Dwellings	Housing Land and Buildings	Other Land and Buildings	Vehicles, Plant, Furniture, and Equipment	Surplus Assets	Total
	£000s	£000s	£000s	£000s	£000s	£000s
<b>Valued at fair value in:</b>						
2018/19	674,977	2,190	67,205	8,512	2,308	755,192
2017/18	-	6,891	3,820	482	-	11,193
2016/17	-	0	3,958	25	-	3,983
2015/16	-	6,919	4,969	173	-	12,061
2014/15	-	27	6,055	1,919	-	8,001
Previous Years	-	-	2	-	-	2
	<b>674,977</b>	<b>16,027</b>	<b>86,009</b>	<b>11,111</b>	<b>2,308</b>	<b>790,432</b>



d) Information on Asset

31st March 2018	Information on Assets Held	31st March 2019
11,472	<b>Council Dwellings</b>	11,417
	<b>Housing Land and Building</b>	
2,877	Council Garages	2,877
75	Shared Ownership Properties	71
66	Operational Shops	66
18	Council Houses not used as dwellings - Community Rooms	16
29	Commercial Property (Units)	28
	<b>Other Land and Buildings</b>	
26	Community Centres	26
21	Other Operational Properties	20
17	Surface Pay & Display Car Parks	17
5	Multi-Storey Pay & Display Car Parks	5
1	Bus Station	1
1	Depots	1
14	Sub-Depots	14
3	Central Administrative Offices	3
1	Local Area Offices	1
1	Open Markets	1
1	Museums	1
3	Theatres, Cinepod	3
1	Golf Course	1
7	Sports & Leisure Facilities	7
7	Pavilions	7
1	Travellers Site	1
8	Public Conveniences	6
92	Commercial Property (Units)	92
65.97ha	Agricultural Land	65.97ha
62.88ha	Allotments	62.88ha
84	<b>Infrastructure</b>	85
144	<b>Vehicles, Plant and Equipment</b>	165
	<b>Community Assets</b>	
8	Cemeteries	9
2	Monuments/Memorials/Exhibitions	2
1	Guildhall	1
1	Historical Buildings	1
1	Commercial Property (Units)	1
925.53ha	Parks and Open Spaces	925.36ha
	<b>Heritage Assets</b>	
164	Museum Exhibits	166
123	Guildhall Contents	123
38	Buildings & Statuary	38
15	Mayoral Regalia	15
1	Museum	1
	<b>Investment Assets</b>	
16	Land	16
17	Properties	17
41	Units	41
0	<b>Asset held for Sale</b>	-
	<b>Surplus Assets</b>	
99	Residential Land/Units held for Development	76
5	Public Conveniences	5
1	Other Surplus Asset	1
58	<b>Intangible Assets</b>	64

e) Donated Assets

No donated assets were received during 2018/19 or 2017/18.

f) Commitments under Capital Contracts

As at 31st March 2019, there are no material commitments under existing capital contracts.

## 5. HERITAGE ASSETS

Reconciliation of the heritage assets held by the Authority:

Movements in 2018/19	Historic Buildings & Statuary	Museum Exhibits	Mayoral Regalia	Guildhall Artefacts	Total Heritage Assets
	£000s	£000s	£000s	£000s	£000s
<b>Cost or Valuation</b>					
<b>At 1 April 2018</b>	<b>13,675</b>	<b>21,718</b>	<b>48</b>	<b>1,932</b>	<b>37,373</b>
Additions	92				92
Donations		14			14
Revaluation increases/(decreases) recognised in the Revaluation Reserve	462				462
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services					-
Derecognition – disposals					-
Derecognition – other					-
Assets reclassified (to)/from Held for sale					-
Assets reclassified (to) / from PPE	133				133
<b>Cost at 31 March 2019</b>	<b>14,362</b>	<b>21,732</b>	<b>48</b>	<b>1,932</b>	<b>38,074</b>
<b>Accumulated Depreciation and Impairment</b>					
<b>At 1 April 2018</b>	<b>(567)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(567)</b>
Depreciation Charge	(80)				(80)
Depreciation written out to the revaluation reserve	529				529
Depreciation written out to the Surplus/Deficit on the Provision of Services					-
Impairment losses/(reversals) recognised in the Revaluation Reserve	(853)				(853)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(8,884)				(8,884)
Derecognition – Disposals					-
Derecognition – other					-
Other Movements					-
<b>Acc Depreciation and Impairment as at 31 March 2019</b>	<b>(9,854)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(9,854)</b>
<b>Net Book Value at 31 March 2018</b>	<b>13,108</b>	<b>21,718</b>	<b>48</b>	<b>1,932</b>	<b>36,806</b>
<b>Net Book Value at 31 March 2019</b>	<b>4,508</b>	<b>21,732</b>	<b>48</b>	<b>1,932</b>	<b>28,220</b>

**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. During the valuation in 2018-19, a total impairment of 9.7m was recognised in relation to the Delapre Abbey and the cottage at Delapre Park

### Museum Exhibits

Museum Exhibits were valued in March 2010 by Arts and Antiques Ltd for insurance purposes, which is based on market values. Of particular interest is the shoe collection, which is the largest collection of shoe heritage in the world and is designate as being of national importance. During the financial year 2018/19, the Malcolm Arnold Knighthood Medal Set and a portrait of Sir Mathew Arnold with a total value of £14k were donated to the museum.

### Mayoral Regalia

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

### Guildhall Artefacts

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

### Enhancement of Heritage Assets

Enhancements on Heritage Assets reflect improvement works undertaken at Abington Park Museum and to the Francis Crick Memorial.

## 6. 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:

2017/18 £000s	Investment Properties	2018/19 £000s
477	Rental income from investment property	443
(368)	Direct operating expenses arising from investment property	(55)
<b>109</b>	<b>Net gain/loss</b>	<b>388</b>

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.

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

2017/18 £'000's	Investment Property Valuations	2018/19 £'000's
12,150	<b>Balance at start of the year</b>	13,830
	<b>Additions:</b>	
	: Purchases	
	: Construction	
20	: Subsequent expenditure	(1)
	<b>Disposals</b>	
1,860	<b>Net gains/losses from fair value adjustments</b>	(35)
	<b>Transfers:</b>	
	: to/from Inventories	
(200)	: to/from Property, Plant and Equipment	
	Other Changes	
<b>13,830</b>	<b>Balance at end of year</b>	<b>13,794</b>

**7. 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 2018 £000s	31 March 2019 £000s	31 March 2018 £000s	31 March 2019 £000s
<b>Investments</b>				
Loans and receivables	-	-	27,321	16,173
Available for sale financial assets	-	-	34,021	23,119
Unquoted equity investments at cost	-	7,586	-	-
<b>Debtors</b>				
Loans and receivables	49,500	48,494	12,813	17,059
<b>Borrowings</b>				
Financial Liabilities at amortised cost	(247,263)	(241,874)	(10,546)	(5,506)
<b>Other Long Term Liabilities</b>				
PFI and finance leases	-	-	-	-
<b>Creditors</b>				
Financial Liabilities at amortised cost	(12,734)	(15,907)	(39,578)	(44,593)

b) Reclassifications

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

c) Income, Expense, Gains, and Losses

2017/18				Income, Expense, Gains and Losses	2018/19				
Financial Liabilities measured at amortised cost	Financial Assets: Loans and Receivables	Financial Assets: Available for Sale	Total		Financial Liabilities measured at amortised cost	Financial Assets: Loans and Receivables	Financial Assets: Available for Sale	Assets and liabilities at fair value through profit and loss	Total
£000s	£000s	£000s	£000s		£000s	£000s	£000s	£000s	£000s
7,961	-	-	7,961	Interest expenditure	7,890	-	-	-	7,890
-	-	12	12	Losses on derecognition	-	-	27	-	27
-	-	-	-	Reduction in fair value	-	-	33	-	33
-	732	-	732	Impairment losses	-	1,146	-	-	1,146
7,961	732	12	8,705	Total Expense in Surplus or Deficit on the Provision of Services	7,890	1,146	60	-	9,096
-	(1,468)	-	(1,468)	Interest income	-	(1,900)	-	(99)	(1,999)
-	-	14	14	Increases in fair value	-	-	-	-	-
-	(1,468)	14	(1,454)	Total Income in Surplus or Deficit on the Provision of Services	-	(1,900)	-	(99)	(1,999)
	-	-		Gains on Revaluation	-	-	-	(22)	(22)
	-	-		Losses on Revaluation	-	-	-	506	506
	-	-		Surplus/(Deficit) arising on revaluation of financial assets in other Comprehensive Income and Expenditure	-	-	-	484	484
7,961	(736)	26	7,251	Net gain/(loss) for the year	7,890	(754)	60	385	7,581

The Authority did not have any Assets and Liabilities at Fair Value through Profit and Loss for 2017-18.

d) Fair Values

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 transfers 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.

<b>Financial Assets measured at fair value</b>				
<b>Recurring fair value measurements</b>	<b>Input level in fair value hierarchy</b>	<b>Input level in fair value hierarchy</b>	<b>2017/18 £000s</b>	<b>2018/19 £000s</b>
Available for sale - Certificate of deposits	Level 1	Unadjusted quoted prices in active market for identical shares	34,021	23,119
<b>Total</b>			<b>34,021</b>	<b>23,119</b>

The Council held £23m in Certificates of Deposit at 31 March 2019. The fair value has been calculated by using published price quotations. The fair value of the assets at 31 March 2019 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 2019) attributable to the commitment to receive interest above current market rates. 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 - Liabilities	31 March 2018		31 March 2019	
	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s
<b>Short Term</b>				
Borrowing	(10,546)	(10,651)	(5,506)	(10,543)
Creditors & Receipts in Advance	(40,054)	(40,054)	(44,593)	(44,593)
<b>Long Term</b>				
Borrowing	(247,263)	(298,697)	(241,874)	(302,858)
Creditors & Receipts in Advance	(12,258)	(12,258)	(15,907)	(15,907)
Finance Leases	-	-	-	-
<b>Financial Liabilities</b>	<b>(310,121)</b>	<b>(361,660)</b>	<b>(307,881)</b>	<b>(373,901)</b>

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 2019) arising from a commitment to pay interest to lenders above current market rates.

PWLB loans included above have a carrying value of £230.5m and a fair value of £279.6m.

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 £230.5m would be valued at £333.2m.

**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 value of the assets at 31 March 2019 is the same as the carrying value at the Balance Sheet date.

Financial Instruments - Assets	31 March 2018		31 March 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000s	£000s	£000s	£000s
Loans & Receivables				
<b>Short Term</b>				
Fixed Term Investments	10,021	10,021	12,611	12,611
Cash and Cash Equivalents	17,300	17,300	17,059	17,059
Debtors	12,813	12,813	33,231	33,231
<b>Long Term</b>				
Long Term Investments	-	-	7,586	7,586
Long Term Debtors	49,500	49,500	56,080	56,080
Finance Leases	-	-	-	-
<b>Total</b>	<b>89,634</b>	<b>89,634</b>	<b>126,459</b>	<b>126,459</b>

e) Short Term Borrowing

31 March 2018 £000s	Short Term Borrowing	31 March 2019 £000s
50	Billing Parish Council 7 day notice account	-
125	Northampton Volunteer Bureau 7 day notice account	-
32	HCA principal due within 1 year	34
10,094	PWLB Loans principal due within 1 year	5,128
245	Growing Places Fund principle due within 1 year	275
<b>10,546</b>	<b>Total</b>	<b>5,437</b>

f) Long Term Borrowing

31 March 2018 £000s	Long Term Borrowing	31 March 2019 £000s
	<b>Analysis of loans by type</b>	
230,401	Public Works Loan Board	225,350
9,066	Money Market LOBOs	9,067
1,037	Homes & Communities Agency	1,002
5,620	Growing Places Fund	5,307
1,140	Local Infrastructure Fund	1,148
<b>247,263</b>	<b>Total</b>	<b>241,874</b>
	<b>Analysis of loans by maturity</b>	
5,451	Maturing in 1-2 years	34,308
44,092	Maturing in 2-5 years	15,673
45,712	Maturing in 5-10 years	40,566
7,198	Maturing in 10-20 years	7,256
5,421	Maturing in 20-30 years	5,276
5,277	Maturing in 30-40 years	4,683
134,112	Maturing in 40-50 years	134,112
<b>247,263</b>	<b>Total</b>	<b>241,874</b>

g) Investments

31 March 2018 £000s	Investment Type	31 March 2019 £000s
	<b>Included in Cash and Cash Equivalents</b>	
200	Deposit and Call Accounts	200
21,200	Money Market Funds	12,295
<b>21,400</b>	<b>Total - Cash and Cash Equivalents</b>	<b>12,495</b>
	<b>Investments:</b>	
	<b>Current Investments - Under 1 Year</b>	
10,021	Fixed Term Investments	5,025
-	Notice Accounts	-
	<b>Long Term Investments - Over 1 Year</b>	
-	Fixed Term Investments	7,586
<b>10,021</b>	<b>Total - Investments</b>	<b>12,611</b>
	<b>Available for Sale Financial Instruments:</b>	
	<b>Current Investments - Under 1 Year</b>	
34,021	Certificate of Deposit	23,127
<b>34,021</b>	<b>Total - Available for Sale Financial Instruments</b>	<b>23,127</b>
<b>65,442</b>	<b>Total</b>	<b>48,233</b>

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.

2017/18 £000s	Material Soft Loans	2018/19 £000s
4,624	<b>Balance at 1 April</b>	4,433
-	- Nominal value of new loans granted in year	-
-	- Fair value adjustment on initial recognition	-
29	Write down of fair value adjustments in year	28
(220)	Loans repaid	(220)
-	- Impairment losses	-
<b>4,433</b>	<b>Balance at 31 March</b>	<b>4,241</b>

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.

**8. CONSTRUCTION CONTRACTS**

In 2018/19, the Council did not have any external construction contracts in progress.

**9. DEBTORS**

Debtors	Long-term 31 March 2018 £000s	Long-term 31 March 2019 £000s	Short-term 31 March 2018 £000s	Short-term 31 March 2019 £000s
Central Government Bodies Less Impairment Allowance	-	-	7,472	16,481
<b>Central Government Bodies</b>	-	-	<b>7,472</b>	<b>16,481</b>
Other Local Authorities Less Impairment Allowance	-	-	3,247	3,244
<b>Other Local Authorities</b>	-	-	<b>3,144</b>	<b>3,244</b>
NHS Bodies Less Impairment Allowance	-	-	-	-
<b>NHS Bodies</b>	-	-	-	-
Other Entities & Individuals Less Impairment Allowance	49,500	48,494	14,099	12,351
<b>Other Entities &amp; Individuals</b>	<b>49,500</b>	<b>48,494</b>	<b>12,577</b>	<b>10,826</b>
<b>TOTAL</b>	<b>49,500</b>	<b>48,494</b>	<b>23,193</b>	<b>30,551</b>

The Council provides loans to third parties to support local businesses and regeneration. See the table below

Counterparty	Purpose of loan	Start date	End Date	Initial Loan Value	Amount Outstanding at 31 March 2019
				£000s	£000s
Cosworth	To support the acquisition of specialist machinery at their new factory in the enterprise zone	01-Jan-14	01-Jan-19	1,400	-
Saints Rugby Club (NTRFC)	To support stadium expansion and associated development	22-Jan-14	22-Jan-39	5,500	3,970
Unity Leisure	To facilitate the purchase a soft play facility in Northampton.	10-Jul-15	10-Jul-20	300	90
University of Northampton	To support the creation of a waterside campus in Northampton.	10-Mar-16	10-Mar-21	28,500	28,500
		10-Mar-16	10-Mar-56	17,500	16,773

## 10. CASH AND CASH EQUIVALENTS

31/03/2018 £000s	Cash and Cash Equivalents	31/03/2019 £000s
7	Cash Held by the authority	12
7	<b>Total Cash &amp; Giro Accounts</b>	<b>12</b>
(4,107)	<b>Operating Account used as part of cash management/ overdraft</b>	<b>(1,345)</b>
200	Deposit Account Facilities with banks	200
-	Deposit Account Facilities with building societies	-
21,200	Deposits with money market funds	12,295
-	Short Term Investments (up to 3 months) with banks	-
-	Short Term Investments (up to 3 months) with building societies	-
21,400	<b>Total Cash Equivalents</b>	<b>12,495</b>
17,300	<b>Total Cash and Cash Equivalents</b>	<b>11,162</b>

## 11. CURRENT ASSETS HELD FOR SALE

2017/18 £000s	Assets Held for Sale	2018/19 £000s
1,159	<b>Balance outstanding at start of year</b>	-
	<b>Assets newly classified as held for sale:</b>	
	Property Plant and Equipment	-
(1,163)	Assets sold	-
4	Other Movements	-
-	<b>Balance outstanding at year end</b>	<b>-</b>

Note: All assets in Held for Sale in 2018/19 are classified as current assets where disposal is anticipated within 12 months.

## 12. CREDITORS

31 March 2018 £000s	Creditors	31 March 2019 £000s
(15,154)	Central Government Bodies	(13,780)
(11,331)	Other Local Authorities	(7,527)
-	Public Corporations and Trading Funds	-
(13,093)	Other entities and Individuals	(23,246)
<b>(39,578)</b>	<b>Total</b>	<b>(44,553)</b>

## 13. PROVISIONS

## Long Term Provisions

	Insurance Provision £000s	Business Rates Appeals £000s	Other Provisions £000s	Total £000s
<b>Balance at 1 April 2018</b>	(6)	-	(5)	(11)
Transferred to Short Term Provisions	-	-	-	-
<b>Additional Provisions Made</b>	<b>(49)</b>	-	-	<b>(49)</b>
<b>Balance at 31 March 2019</b>	<b>(55)</b>	-	<b>(5)</b>	<b>(60)</b>

## Short Term Provisions

	Insurance Provision £000s	Business Rates Appeals £000s	Accumulated Absences £000s	Total £000s
<b>Balance at 1 April 2018</b>	(80)	(5,773)	(59)	(5,912)
Transferred from Long Term Provisions	-	-	-	-
Additional provisions made	<b>(167)</b>	<b>(914)</b>	-	<b>(1,080)</b>
Amounts used	27	759	-	787
Unused amounts reversed	36	-	-	36
Unwinding of discounts	-	-	-	-
<b>Balance at 31 March 2019</b>	<b>76</b> <b>(184)</b>	<b>(5,927)</b>	<b>(59)</b>	<b>(6,170)</b>

a) Insurance Provision

The provision covers the following risks:

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

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

The estimated cost of outstanding claims is held in the Insurance provision as at 31 March 2019; an actuarial forecast of future valid claims made against 2018/19 and before, is held in the Insurance Reserve.

b) Business Rates Appeals Provision

Following the localisation of the Business Rates Retention Scheme, The Council 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 2019 is therefore based on the number of appeals that have been made to the VOA at the balance sheet date, split between long-term and short-term, depending on when the appeals are expected to be settled. Disclosure has been made in the Contingent Liabilities note (note 27) 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 G to these Accounts.

**14. USABLE RESERVES**

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Movements in the Authority’s usable reserves are detailed in the Movement in Reserves Statement on page 20 and further detail about earmarked reserves is shown in Note 3.

The summary table below shows that Usable Reserves balances held the end of the year.

31 March 2018 £000s		31 March 2019 £000s
66,341	<b>Usable Reserves</b>	68,594

## 15. UNUSABLE RESERVES

a) Balances

31 March 2018 £000s		31 March 2019 £000s
(267,972)	Revaluation Reserve	(276,463)
380	Financial Instruments Adjustment Account	352
26	Available for Sale Financial Instruments Reserve	484
(234,864)	Capital Adjustment Account	(227,266)
(123)	Deferred Capital Receipts Reserve	(113)
137,385	Pensions Reserve	141,857
(1,293)	Collection Fund Adjustment Account	(1,666)
59	Short Term Compensated Absences Account	59
<b>(366,402)</b>		<b>(362,756)</b>

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.



2017/18			Revaluation Reserve	2018/19		
General Fund £000s	Housing Revenue Account £000s	Total £000s		General Fund £000s	Housing Revenue Account £000s	Total £000s
(53,831)	(48,304)	(102,135)	Balance at 1 April	(55,046)	(212,925)	(267,971)
(5,392)	(209,046)	(214,438)	Upward Revaluation of assets	(8,380)	(16,997)	(25,377)
3,368	32,604	35,972	Downward Revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	2,150	2,850	5,000
(2,024)	(176,442)	(178,466)	Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(6,230)	(14,147)	(20,377)
736	7,964	8,701	Difference between fair value depreciation and historical cost depreciation	826	7,712	8,538
73	3,857	3,929	Accumulated gains on assets sold or scrapped	450	2,897	3,347
809	11,821	12,630	Amounts written off to the Capital Adjustment Account	1,276	10,609	11,885
(55,046)	(212,925)	(267,971)	Balance at 31 March	(60,000)	(216,463)	(276,463)

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.

2017/18 £000s	Financial Instruments Adjustments Account	2018/19 £000s
408	Balance as at 1 April	380
-	Transitional Arrangements - Unattached Premia	-
(28)	Soft Loans - Statutory Fair Value Adjustments	(28)
380	Balance as at 31 March	352

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.

31-Mar-18 £000s		31-Mar-19 £000s
(12)	<b>Balance at 1 April</b>	26
-	CCLA Property Fund initial unrealised revaluation loss	506
(1)	Upward Revaluation of Investments	-
27	Downward Revaluation of Investments not charged to the Surplus or Deficit on the Provision of Services	
<b>14</b>	<b>Surplus or Deficit on revaluation of Investments not posted to the Surplus or Deficit on the Provision of Services</b>	<b>532</b>
12	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure as part of Other Investment Income	(26)
-	CCLA Property Fund year-end unrealised revaluation gain	(22)
<b>26</b>	<b>Balance at 31 March</b>	<b>484</b>

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

2017/18			Capital Adjustment Account	2018/19		
General Fund £000s	HRA £000s	Total £000s		General Fund £000s	HRA £000s	Total £000s
(32,204)	(335,442)	(367,646)	<b>Balance at 1 April</b>	(32,121)	(202,742)	(234,864)
			<b>Reversal of items relating to capital expenditure debited or credited to the CIES:</b>			
3,464	64,430	67,894	Charges for depreciation and impairment of non current assets	18,451	18,494	36,944
7,791	153,791	161,582	Revaluation losses on Property, Plant and Equipment	1,273	10,644	11,917
(4,972)	(58,486)	(63,458)	Revaluation gains on Property, Plant and Equipment	(950)	(9,350)	(10,300)
349	-	349	Amortisation of intangible assets	92	-	92
1,519	-	1,519	Revenue expenditure funded from capital under statute	1,439	-	1,439
1,163	8,553	9,717	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	99	7,836	7,935
<b>9,315</b>	<b>168,289</b>	<b>177,603</b>	<b>Total</b>	<b>20,404</b>	<b>27,623</b>	<b>48,027</b>
(809)	(11,821)	(12,630)	Adjusting amounts written out of the Revaluation Reserve	(1,274)	(10,610)	(11,884)
<b>8,506</b>	<b>156,468</b>	<b>164,973</b>	<b>Net written out amount of the cost of the Revaluation Reserve</b>	<b>19,130</b>	<b>17,013</b>	<b>36,143</b>

General Fund £000s	HRA £000s	Total £000s	Capital financing applied in year	General Fund £000s	HRA £000s	Total £000s
(2,095)	(4,971)	(7,066)	Use of the Capital Receipts Reserve to Finance new capital expenditure	(3,193)	(5,021)	(8,214)
-	(12,000)	(12,000)	Use of the Major Repairs Reserve to finance new capital expenditure	-	(13,614)	(13,614)
(2,309)	-	(2,309)	Capital grants and contributions credited to the CIES that have been applied to capital expenditure	(2,897)	-	(2,897)
(9)	-	(9)	Application of grants to capital financing from the Capital Grants Unapplied Account	-	-	-
(1,333)	-	(1,333)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(1,375)	-	(1,375)
(824)	(6,791)	(7,614)	Capital expenditure charged against the General Fund and HRA balances	-	(2,466)	(2,466)
<b>(6,571)</b>	<b>(23,761)</b>	<b>(30,331)</b>	<b>Total</b>	<b>(7,465)</b>	<b>(21,102)</b>	<b>(28,567)</b>
(1,853)	(8)	(1,860)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	40	(5)	35
-	-	-	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	(14)	-	(14)
<b>(32,121)</b>	<b>(202,743)</b>	<b>(234,864)</b>	<b>Balance at 31 March</b>	<b>(20,430)</b>	<b>(206,836)</b>	<b>(227,266)</b>

f) Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current 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.

Deferred Capital Receipts Reserve		
2017/18 £000s		2018/19 £000s
(132)	<b>Balance at 1 April</b>	(123)
-	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-
9	Transfer to the Capital Receipts Reserve upon receipt of cash	10
(123)	<b>Balance at 31 March</b>	(113)

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.

2017/18	Pensions Reserve	2018/19
£000s		£000s
142,692	Balance at 1 April	137,385
(5,964)	Remeasurements of the net defined liability/(asset)	-
6,750	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	(1,263)
(6,102)	Employer's pensions contributions and direct payments to pensioners payable in the year	5,760
9	Pensions Correction	(25)
<b>137,385</b>	<b>Balance at 31 March</b>	<b>141,857</b>

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.

2017/18	Collection Fund Adjustment Account	2018/19
£000s		£000s
171	Balance as at 1 April	(1,293)
132	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	(60)
(1,596)	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	(313)
<b>(1,293)</b>		<b>(1,666)</b>

i) 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 be neutralised by transfers to or from the Account.

2017/18 £000s	Short Term Compensated Absences Account	2018/19 £000s
59	<b>Balance as at 1 April</b>	59
-	Movements in year	-
59	<b>Balance as at 31 March</b>	59

j) 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 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 and there is not a reserve against this.

## 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.

2017/18			Intangible Assets	2018/19		
Internally Generated Assets £000s	Other assets £000s	Total £000s		Internally Generated Assets £000s	Other assets £000s	Total £000s
			<b>Balance at start of year</b>			
-	4,679	4,679	: Gross carrying amounts	-	5,235	5,235
-	(4,388)	(4,388)	: Accumulated amortisation	-	(4,684)	(4,684)
-	<b>291</b>	<b>291</b>	<b>Net carrying amount at start of year</b>	-	<b>551</b>	<b>551</b>
			Additions:			
-	-	-	: Internal development	-	-	-
-	46	46	: Purchases	-	74	74
-	-	-	: Acquired through business combinations	-	-	-
-	-	-	Assets reclassified as held for sale	-	-	-
-	(61)	(61)	Other Disposals - Gross Book Value	-	-	-
-	61	61	Other Disposals - Amortisation	-	-	-
-	559	559	Changes of Asset class - Gross Book Value	-	134	134
-	-	-	Changes of Asset class - Amortisation	-	-	-
-	-	-	Revaluations increases or decreases	-	-	-
-	-	-	Impairment losses recognised or reversed directly in the Revaluation reserve	-	-	-
-	-	-	Impairment losses recognised in the Surplus/deficit on the Provision of Services	-	-	-
-	-	-	Reversals of past impairment losses written back to the surplus/Deficit on the Provision of Services	-	-	-
-	(345)	(345)	Amortisation for the Period	-	(371)	(371)
-	-	-	Other Charges	-	-	-
-	<b>551</b>	<b>551</b>	<b>Net carrying amount at end of year</b>	-	<b>388</b>	<b>388</b>
			<b>Comprising:</b>			
-	5,235	5,235	: Gross carrying amounts	-	5,298	5,298
-	<b>551</b>	<b>551</b>	<b>Net carrying amount at end of year</b>	-	<b>388</b>	<b>388</b>

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £371k charged to revenue in 2018/19 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.

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

**17. MEMBERS' ALLOWANCES**

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

2017/18 £000s	Members' Allowances	2018/19 £000s
	<b>Expenditure</b>	
22	Mayor/Deputy Mayor Allowance	5
412	Members' Allowances	420
<b>434</b>	<b>Total</b>	<b>425</b>



## 18. OFFICERS' REMUNERATION

## a) Senior Officers

Position	Position Group	Year	Note	Salary (inc Fees & Allowances)	Performance Related Pay	Compensation for loss of Office	Benefits in Kind (Car Allowance)	Total Remuneration excl Pension	Total Remuneration inc Pension
				£000s	£000s	£000s	£000s	£000s	£000s
Chief Executive	Head of Paid Service	2018/19	1	127	-	-	-	127	148
		2017/18		117	-	-	-	117	126
Borough Secretary	Monitoring Officer	2018/19		87	-	-	-	87	101
		2017/18		85	-	-	-	85	99
Director of Customers & Communities	Director	2018/19	2	81	-	62	-	143	151
		2017/18		113	-	-	-	113	132
Director of Regeneration, Enterprise & Planning	Director	2018/19		-	-	-	-	-	-
		2017/18		35	-	-	-	35	40
Head of Customer & Cultural Services	Head of Service	2018/19		77	-	-	-	77	90
		2017/18		75	-	-	-	75	87
Head of Housing & Wellbeing	Head of Service	2018/19		76	-	-	-	76	88
		2017/18		72	-	-	-	72	84
Head of Planning	Head of Service	2018/19		76	-	-	-	76	89
		2017/18		74	-	-	-	74	86
Head of Economy, Assets and Culture	Head of Service	2018/19	3	33	-	-	-	33	33
		2017/18		48	-	35	-	83	83
Head of Finance (Section 151 Officer)	Head of Service	2018/19	4	83	-	-	-	83	3
		2017/18		62	-	-	-	62	62
<b>Totals for the year:</b>		2018/19		640	-	62	0	702	703
		2017/18		681	-	35	0	716	799

## Notes:2018/19

- 1- Chief Executive was appointed in April 2018.
- 2- Director for Customers and Communities left post August 2018. Was compensated for loss of Office
- 3- Head of Economy, Asset and Culture was appointed in December 2018.
- 4- Head of Finance was appointed to the position in June 2018 on a fixed term contract.

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 18a (Senior Officers).

2017/18 No. of Employees	Remuneration Band	2018/19 No. of Employees
5	£50,000 - £54,999	8
0	£55,000 - £59,999	2
0	£60,000 - £64,999	1
0	£65,000-£69,000	1
<b>5</b>		<b>12</b>

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)	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
£0 - £20,000	2	1	2	-	4	1	18	7
£20,001 - £40,000	-	1	1	1	1	2	35	44
£40,001 - £60,000	-	-	1	-	1	-	47	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £200,000	-	1	-	-	-	1	-	107
£200,001 - £400,000	-	1	-	-	-	1	-	328
<b>Total</b>	<b>2</b>	<b>4</b>	<b>4</b>	<b>1</b>	<b>6</b>	<b>5</b>	<b>100</b>	<b>486</b>

## 19. 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.

2017/18 £000s	External Audit Costs	2018/19 £000s
81	Fees payable with regard to external audit services carried out by the appointed auditor (Section 5 Audit Commission Act 1998)	62
196	Additional changes due to overruns *	-
11	Fees payable for the certification of Grant Claims and Returns (Section 28 Audit Commission Act 1998)	11
21	Fees payable in respect of other services provided by the appointed auditor	-
<b>309</b>	<b>Total</b>	<b>73</b>

- The final 2018/19 external audit fee variations have yet to be agreed

## 20. GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/19:

2017/18 £000s	Grant Income	2018/19 £000s
	<b>Credited to Taxation and Non-Specific Grant Income</b>	
(1,793)	Revenue Support Grant	(886)
(4,229)	New Homes Bonus	(3,082)
(462)	Local Growth Fund - Vulcan Works	(860)
-	St Crispins	(107)
-	St James Mill	(114)
-	Upton Country Park	(101)
(293)	Mounts Baths - Sport England	(153)
(215)	Mounts Baths - Northampton Leisure Trust (Contribution accrued)	215
-	Playgrounds and allotments	(120)
(176)	Other Grants Individually Less Than £100,000	(247)
<b>(7,168)</b>	<b>Total</b>	<b>(5,455)</b>
	<b>Credited to Services</b>	
(1,354)	DFG Grant Income	(1,461)
(200)	Additional Housing Admin. Grant	(213)
(1,044)	Housing Benefit Admin. Grant	(958)
(27,101)	Housing Revenue Account Rent Rebates Grant	(25,698)
(1,168)	Non Housing Revenue Account Rent Rebates	(1,634)
(34,907)	Rent Allowance Grant	(34,936)
(16)	Property Searches New Burdens Payment	-
(547)	Discretionary Housing Payments	(441)
(146)	Section 106 Contributions	(158)
(2,007)	Northamptonshire County Council Recycling Credits	(1,615)
(166)	Northamptonshire County Council Contribution for Grounds Maintenance	(155)
(71)	Joint Planning Unit Contribution	(83)
(160)	Total of Other Grants not included in the above	(1,233)
<b>(68,887)</b>	<b>Total</b>	<b>(68,585)</b>

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

2017/18	Grant Income Unapplied - Current Liabilities	2018/19
£000s		£000s
	<b>Capital Grants Receipts in Advance</b>	
10	Other Grants/Contributions Individually Less Than £100,000	10
<b>10</b>	<b>Total - Capital Receipts in Advance</b>	<b>10</b>
	<b>Revenue Grants Receipts in Advance:</b>	
1	Grants/Contributions Individually Less Than £100,000	-
<b>11</b>	<b>Total - all Receipts in Advance</b>	<b>10</b>

## Long Term Liabilities

2017/18	Grant Income Unapplied - Long-Term Liabilities	2018/19
£000s		£000s
	<b>Capital Grants Receipts in Advance:</b>	
873	S106 - SW Country Park - Swan Valley	873
337	S106 - Land at Upton SWD Ph1 re Country Park	342
125	S106 - Southern Development Link road	125
2,606	S106 - Princess Marina	2,480
334	S106 - Sainsbury's Sixfields	330
850	S106 - Land at Booth Rise	850
1,898	S106 - Banbury Lane	1,876
369	S106 - Wellingborough Rd	380
266	S106 - Goldings School	230
454	S106 - Former Abington Vale School Site	182
354	S106 - Old Towcester Road	354
130	S106 - Project Angel	130
-	S106 - Upton Country Park	397
-	S106 - Land at Danes Camp Way	349
-	S106 - Former Kingsthorpe MS, Northfield	1,637
-	S106 - Park Campus	2,006
-	S106 - Land at Nunn Mills	195
125	Community Infrastructure Levy -Development of former Green Oaks Primary School	125
-	Community Infrastructure Levy - Gambrel Road	205
1,014	West Northamptonshire Development Corporation	929
1,467	Capital Contributions - General	1,255
1,047	Other Grants/Contributions Individually Less Than £100,000	649
<b>12,249</b>	<b>Total - Capital Receipts in Advance</b>	<b>15,898</b>
	<b>Revenue Grants Receipts in Advance:</b>	
155	S106 - Pineham	154
331	Other Grants/Contributions Individually Less Than £100,000	547
<b>486</b>	<b>Total - Revenue Receipts in Advance</b>	<b>701</b>
<b>12,734</b>	<b>Total - all Receipts in Advance</b>	<b>16,599</b>

## 21. 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 the 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 20 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 2018/19 is shown in Note 17.

During 2018/19 expenditure to the value of £1.3m (2017/18 £1.7m) 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 £0.3m (2017/18 £0.3m) was receivable from these parties. Parties with transactions over £200k are shown below:

2017/18 £000s	Related Parties - Expenditure	2018/19 £000s
300	Northampton Theatres Trust	301
399	Brackmills Bid	403
290	Northampton Town Centre Bid	337
361	Delapre Abbey Preservation Trust (Revenue)	59
47	Delapre Abbey Preservation Trust (Capital)	-

At 31st March 2019, the outstanding balances with these parties were debtors of £74k (2017/18 £299k); creditors of £310k (2017/18 £200k).

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 20 and 26.

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 is 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.

Delapre Abbey Preservation Trust is a separate company limited by guarantee and a charity. There is a provision subject to the restrictions of the LGHA 89 for NBC to have representation on the board (less than 20%). NBC own the freehold of Delapre Abbey. In 2018/19, NBC provided £58,544 of revenue funding for ongoing requirements.

### **Senior Officers of the Council**

During 2018/19 there were two disclosures made in relation to related parties, Art Regeneration Ltd and Mind Tyneside and Northumberland. No transactions were identified in relation to these organisations.

### **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 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.

## 22. 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/PPP –Public Private Partnership 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) which is a measure of the capital expenditure incurred Financing Requirement (CFR) which reflects the capital expenditure incurred historically by the Authority that has yet to be financed.

Capital Financing	2017/18 £000s	2018/19 £000s
<i>Opening Capital Financing Requirement</i>	302,815	301,900
<b>Capital Investment</b>		
Property, Plant & Equipment	27,701	36,257
Heritage Assets	1,004	106
Investment Properties	18	0
Intangible Assets	46	74
Revenue Expenditure Funded from Capital Statute	1,519	1,439
Loans to Third Parties	-	-
<b>Sources of finance</b>		
Capital receipts	(6,639)	(8,564)
Sums set aside from capital receipts	(777)	-
Government grants and other contributions	(2,318)	(2,897)
Sums set aside from revenue	(2,110)	(1,285)
Write Down of Third Party Loans	(522)	(529)
Direct Revenue contributions	(18,837)	(16,080)
<b>Closing Capital Financing Requirement</b>	<b>301,900</b>	<b>310,421</b>
<i>Explanation of movements in year:</i>		
Increase in underlying need to borrow	(915)	8,607
Assets acquired under finance lease	-	-
Assets de-recognised as finance leases	-	-
Assets acquired under PFI/PPP	-	-
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>(915)</b>	<b>8,607</b>



## 23. LEASES

### Authority as Lessee

#### Finance Leases

- a) In 2017/18 the Council had a number of leases that were required to be treated under IFRS accounting rules in 2018/19 the Council did not hold any leases. In 2017/18 the assets acquired under these leases were carried in the Balance Sheet as net amounts:

31-Mar-18	Local Authority as Lessee - Finance Leases	31-Mar-19
£000s		£000s
50	Vehicles, Plant, Furniture and Equipment	-
52	Intangible Fixed Assets	-
<b>102</b>	<b>Total</b>	<b>-</b>

- 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 2018 £000s	Local Authority as Lessee - Finance Leases	31 March 2019 £000s
46	<b>Future minimum lease payments</b> Vehicles, Plant, Furniture and Equipment	-
56	Intangible Fixed Assets	-
<b>102</b>	<b>Future minimum lease payments</b>	<b>-</b>
100	<b>Net present value of minimum lease payments</b> Current	-
-	Non-current	-
<b>100</b>	<b>Present value of minimum lease payments</b>	<b>-</b>
<b>2</b>	<b>Finance costs payable in future years</b>	<b>-</b>

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-18		Local Authority as Lessee - Finance Leases	31-Mar-19	
Present Value of Leases £000s	Minimum Lease Payments £000s		Present Value of Leases £000s	Minimum Lease Payments £000s
100	102	Not later than one year	-	-
-	-	Later than one year and not later than five years	-	-
<b>100</b>	<b>102</b>	<b>Total</b>	<b>-</b>	<b>-</b>

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 2018 £000s	Local Authority as Lessee - Operating Leases	31 March 2019 £000s
33	Not later than one year	10
39	Later than one year and not later than five years	6
-	Later than 5 years	-
<b>72</b>	<b>Minimum lease payments</b>	<b>16</b>
<b>(43)</b>	<b>Future minimum sub-lease payments receivable</b>	<b>-</b>

- 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:

2017/18 £000s	Local Authority as Lessee - Operating Leases	2018/19 £000s
	<b>Minimum lease payments</b>	
107	Contract Hire	18
23	Other	4
(86)	Sublease payments receivable	(1)
<b>44</b>	<b>Total</b>	<b>21</b>

**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 2018 £000s	Leases - Authority as Lessor - Finance Leases	31 March 2019 £000s
124	<b>Gross investment in leases</b> Other Land and Buildings	107
<b>124</b>	<b>Net present value of minimum lease payments receivable</b>	<b>107</b>
10	Current	11
81	Non-current	70
<b>91</b>	<b>Present value of minimum lease payments receivable</b>	<b>81</b>
<b>33</b>	<b>Unearned finance income</b>	<b>26</b>

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

31 March 2018		Leases - Authority as Lessor - Finance Leases	31 March 2019	
Gross investment in leases £000s	NPV of minimum Lease payments receivable £000s		Gross investment in leases £000s	NPV of minimum Lease payments receivable £000s
17	10	Not later than one year	17	11
69	48	Later than one year and not later than five years	69	52
37	33	Later than five years	20	18
<b>123</b>	<b>91</b>	<b>Minimum lease payments receivable</b>	<b>106</b>	<b>81</b>

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 2018 £000s	Local Authority as Lessor - Operating Leases - Minimum Lease Payments	31 March 2019 £000s
1,932	Not later than one year	1,863
6,746	Later than one year and not later than five years	6,601
55,383	Later than 5 years	53,826
<b>64,061</b>	<b>Total</b>	<b>62,290</b>

The minimum lease payments receivable do not include rents that are contingent on future events, such as adjustments following rent reviews.

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

## 24. IMPAIRMENT LOSSES

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No assets were impaired during 2017/18 or 2018/19.

## 25. TERMINATION BENEFITS

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There were no material or significant termination benefits paid in 2018/19 as set out in note 18c.

## 26. DEFINED BENEFIT PENSION SCHEMES

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### 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, 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 pension's 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 2017/18 £000s	Comprehensive Income and Expenditure Statement	Local Government Pension Scheme 2018/19 £000s
	<b>Cost of Services:</b>	
	<b>Service cost comprising:</b>	
3,220	Current service cost	3,440
-	Past service cost (including curtailments)	(1,273)
-	Gain from settlements	-
-	Pension contribution adjustment	(25)
	<b>Financing and Investment Income and Expenditure</b>	
3,530	Net interest expense	3,473
<b>6,750</b>	<b>Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>5,615</b>
	<b>Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	
	Remeasurement of the net defined benefit liability comprising:	
6	Return on plan assets (excluding the amount included in the net interest expense)	9,551
-	Actuarial gains and losses arising on changes in demographic assumptions	-
5,356	Actuarial gains and losses arising on changes in financial assumptions	(15,400)
602	Other experience	(418)
<b>786</b>	<b>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>11,882</b>
	<b>Movement in Reserves Statement</b>	
(786)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(9,215)
	<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>	
6,102	Employers' contributions payable to scheme	4,718

### 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	
	2017/18 £000s	2018/19 £000s	2017/18 £000s	2018/19 £000s	2017/18 £000s	2018/19 £000s
<b>Present value of the defined benefit obligation</b>	326,226	325,877	13,714	13,791	339,940	339,668
Fair value of plan assets	(202,555)	(197,811)			(202,555)	(197,811)
<b>Net liability arising from defined benefit obligation</b>	<b>123,671</b>	<b>128,066</b>	<b>13,714</b>	<b>13,791</b>	<b>137,385</b>	<b>141,857</b>

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements		Total £000	
	2017/18 £000s	2018/19 £000s	2017/18 £000s	2018/19 £000s	2017/18 £000s	2018/19 £000s
<b>Opening fair value of scheme assets</b>	202,975	202,555	-	-	202,975	202,555
Interest income	5,003	4,897	-	-	5,003	4,897
Remeasurement gain/(loss): - The return on plan assets, excluding the amount included in the net interest expense	6	(14,063)	-	-	6	(14,063)
Contributions from employer	5,248	5,760	845	860	6,093	6,620
Contribution from employees into the Scheme	529	590	-	-	529	590
Benefits Paid	(11,206)	(11,479)	(845)	(860)	(12,051)	(12,339)
Assets Distributed in Settlements	-	-	-	-	-	-
<b>Closing fair value of scheme assets</b>	<b>202,555</b>	<b>197,811</b>	<b>-</b>	<b>-</b>	<b>202,555</b>	<b>197,811</b>

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements		Total	
	2017/18 £000s	2018/19 £000s	2017/18 £000s	2018/19 £000s	2017/18 £000s	2018/19 £000s
<b>Opening balance at 1 April</b>	330,805	326,226	14,862	13,714	345,667	339,940
Current service cost	3,220	3,440	-	-	3,220	3,440
Interest cost	8,533	8,370	-	-	8,533	8,370
Contribution from scheme participants	529	590	-	-	529	590
Remeasurement gain/(loss):	-	14,063	-	-	-	14,063
- Actuarial gains/losses arising from changes in demographic assumptions	-	-	-	-	-	-
- Actuarial gain/losses arising from changes in financial assumptions	(5,356)	(15,400)	-	-	(5,356)	(15,400)
- Other experience	(299)	(418)	(303)	937	(602)	519
Past service cost (Including Curtailments)	-	485	-	-	-	485
Liabilities assumed on entity combinations	-	-	-	-	-	-
Benefits Paid	(11,206)	(11,479)	(845)	(860)	(12,051)	(12,339)
Liabilities extinguished on settlements	-	-	-	-	-	-
<b>Closing present value of scheme liabilities</b>	<b>326,226</b>	<b>325,877</b>	<b>13,714</b>	<b>13,791</b>	<b>339,940</b>	<b>339,668</b>



Local Government Pension Scheme assets comprised:

Fair value of scheme assets <sub>1</sub>	Assets comprised of:	Fair value of scheme assets <sub>1</sub>
2017/18 £000s		2018/19 £000s
3,861	Cash and cash equivalents	5,547
	<b>Equity instruments:</b>	
	<b><i>By industry type</i></b> <sub>2</sub>	
14,351	Consumer	21,008
1,030	Manufacturing	7,539
11,450	Energy and utilities	10,936
14,839	Financial institutions	11,858
6,330	Health and care	7,820
13,865	Information technology	10,817
11,909	Other	-
<b>73,774</b>	<b>Total equity</b>	<b>69,978</b>
	<b>Bonds:</b>	
	<b><i>By sector</i></b>	
17,632	Corporate	17,070
	Government	
	Other	
<b>17,632</b>	<b>Total bonds</b>	<b>17,070</b>
	<b>Private Equity:</b>	
1,502	Overseas	3,737
<b>1,502</b>	<b>Total private equity</b>	<b>3,737</b>
	<b>Property</b>	
	<b><i>By type</i></b>	
15,924	Retail	-
<b>15,924</b>	<b>Total property</b>	<b>-</b>
	<b>Investment Funds and Unit Trusts:</b>	
74,420	Equities	69,118
15,442	Bonds	15,232
-	Commodities	329
-	Infrastructure	16,802
<b>89,862</b>	<b>Total investment funds and unit trusts</b>	<b>101,481</b>
<b>202,555</b>	<b>Total assets</b>	<b>197,813</b>

## Notes

<sub>1</sub> All scheme assets have quoted prices in active markets

<sub>2</sub> 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:

Assumptions used	Local Government Pension Scheme	
	2017/18	2018/19
Mortality Assumptions:		
Longevity at 65 for Current Pensioners:		
- Men	22.1	22.1
- Women	24.2	24.2
Longevity at 65 for Future Pensioners:		
- Men	23.90	23.90
- Women	26.10	26.10
Rate of Increase in Pensions	2.4%	2.5%
Rate of Increase in Salaries	2.7%	2.8%
Rate for Discounting Scheme Liabilities	2.5%	2.4%

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

\*\* Salary Increases are assumed to be 1% p.a. until 31 March 2018 reverting to the long-term assumption thereafter. (actual 17/18 1%, actual 18/19 2%).

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 2018:	Approximate increase to Employer Liability %	Approximate Monetary Amount £000s
0.5% decrease in Real Discount Rate	8%	27,758
0.5% increase in the salary increase rate	0%	1,661
0.5% increase in the Pension Increase Rate	8%	25,807

### **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 2019.

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.

## 27. CONTINGENT LIABILITIES

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The Council is potentially liable for the following:

### Northampton Partnership Homes

- As set out in the explanatory forward and 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 Group Accounts for disclosure of the financial performance of NPH in 2018/19

### Other – various

- 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. If every one of these deposits becomes repayable with interest, the Council's maximum liability for interest payable as at 31st March 2019 is estimated to be £0.7m.
- Employment tribunal claims for discrimination – age, and age related, harassment £0.18m.
- Financial guarantee for Home Group - a Housing Association.  
“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.  
The NBC proportion is 1.35% of £82.55m representing a value of £1.11m.
- There are a number of outstanding insurance claims that have been received of £1.27m as assessed by our Insurance Actuary. These have been assessed and an estimated provision has been charged to the accounts of £0.39m, therefore the estimated value of the insurance claims outstanding is £0.88m.
- There are a number of small appeals, and claims, estimated at £79k.
- Errors, anomalies and poor record keeping have been identified in the administration of the Council's Empty Homes Scheme (2012-14). The amount of money that the Council can expect to recover from the property owners will need to be recalculated £100k.

## 28. 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 £17k.
- NBC have lodged a court claim for money lent to Northampton Town Football club to the value of £2.76m.
- 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. Retention payment due to NBC by 2024 is £300k.

## 29. 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 because 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 include, 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 2018-19 the maximum limits for placements with individual or group counterparties were £20m and 10 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. However, business customers are assessed, taking into account their financial position, past experience, and other factors, in line with parameters set by the council, when contracts are entered into. This forms part of the Council’s procurement procedures.

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

In 2015-16 the Council experienced default on a loan to a third party, however due to the individual circumstances of this default, this does not increase the likelihood of default on other third party loans.

The Council's maximum exposure to credit risk in relation to its investments totalling £61.3m 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 non-recoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2019 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 non-collectability 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 2018 £000s	Credit Risk	Amount at 31 March 2019 £000s	Historical Experience of Default at 31 March 2018 %	Historical Experience Adjusted for Market Conditions at 31 March 2019 %	Estimated Maximum Exposure to Default and Uncollect-ability at 31 March 2019 £000s
-	Third Party Loans	48,914	0.00%	-	-
-	Mortgages	17	0.00%	-	-
-	Finance Leases	10	0.00%	-	-
73	Customers: Tenants	3,522	2.44%	86	55
1,025	Customers: Sundry Debtors	2,831	22.19%	628	1,553
-	Deposits with Banks and Financial Institutions	61,342	0.00%	-	-
<b>1,098</b>	<b>Total</b>	<b>116,636</b>		<b>714</b>	<b>1,608</b>

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 2018-19.

With the exception of third party loans and mortgages, 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 £48.9m. 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 £116.6m total exposure to credit risk £9.0m 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 2018 £000s	Aged Debt Analysis	Amount at 31 March 2019 £000s
5,859	Less than three months	4,439
197	Three to six months	961
199	Six months to one year	140
1,342	More than one year	3,452
<b>7,597</b>	<b>Total</b>	<b>8,992</b>

Impairment on the debtor's financial asset has been identified, standing at a total of £12.4m at the end of 2018-19

### Collateral

The authority holds collateral against a number of mortgages. The balance sheet value of the principal amount outstanding is currently £14k in 2018-19 (£14k in 2017-18). 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 cash flow management system in place that seeks to ensure that cash is available as needed. In the event of unexpected movements to the downside, the Council has ready access to borrowings from the money markets and (for capital expenditure purposes) from the Public Works Loan Board (PWLB). There is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The strategy is to manage loans that are due to mature within any rolling three-year period through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments.

The maturity analysis of financial liabilities is as follows:

31 March 2018 £000s	Maturity Profiles of Financial Liabilities	31 March 2019 £000s
(50,599)	Less than one year	(19,336)
(17,709)	One to two years	(20,623)
(44,092)	Two to five years	(43,673)
(197,720)	More than five years	(203,506)
<b>(310,120)</b>	<b>Total</b>	<b>(287,138)</b>

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 £4.5m are due for maturity during 2019-20(excl amortisation adjustments and EIP/Annuity repayments) per loan schedule. 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 respect of 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 affect 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 where interest rates are falling or where economic circumstances are favourable, fixed rate loans may be repaid early to minimise costs.

The Council has an active strategy for assessing interest rate exposure that is applied in setting the annual budget and 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 2018, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

31 March 2018 £000s	Market Risk	31 March 2019 £000s
2	Increase in interest payable on variable rate borrowing	2
(317)	Increase in interest receivable on variable rate investments	(266)
<b>(315)</b>	<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>(266)</b>
(81)	Share of overall impact credited to the HRA	(203)
<b>(396)</b>	<b>Impact remaining on General Fund</b>	<b>(63)</b>
113	Increase in fair value of fixed rate investment assets	140
<b>113</b>	<b>Impact on Other Comprehensive Income and Expenditure</b>	<b>140</b>
<b>234</b>	<b>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)</b>	<b>71</b>

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.

**30. CASH FLOW STATEMENT – OPERATING ACTIVITIES**

The cash flows for operating activities include the following items:

2017/18 £000s	Operating Activities	2018/19 £000s
15,365	Depreciation	16,479
178,143	Impairment and downward valuations	(22,555)
91	Amortisation	380
8,340	Increase(-)/Decrease in Creditors	8,840
(1,855)	Increase/Decrease (-) in Debtors	(13,938)
(9)	Increase/Decrease (-) in Inventories	25
657	Movement in Pension Liability	(1,795)
9,717	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	7,935
867	Movement in Provisions	307
(28,949)	Other non-cash items charged to the deficit on the provision of services	43,692
<b>182,367</b>	<b>Total</b>	<b>39,370</b>

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

2017/18 £000s	Items removed from net cost of service that are investing/financing activities	2018/19 £000s
(1,959)	Proceeds from the sale of property, plant and equipment	(1,335)
-	Grants for financing capital expenditure	-
(1,122)	Any other items for which the cash effects are investing or financing activities	(1,487)
<b>(3,081)</b>	<b>Total</b>	<b>(2,822)</b>

**31. CASH FLOW STATEMENT – OPERATING ACTIVITIES (INTEREST)**

2017/18 £000s	Operating Activities (Interest)	2018/19 £000s
1,468	Interest Received	1,802
(7,961)	Interest Paid	(7,890)
<b>(6,493)</b>	<b>Total</b>	<b>6,088</b>

**32. CASH FLOW STATEMENT – INVESTING ACTIVITIES**

2017/18 £000s	Cash Flows from Investing Activities	2018/19 £000s
(28,773)	Purchase of Property, Plant and Equipment	(36,425)
(20,000)	Purchase of short-term and long-term investments	(15,000)
(68,000)	Purchase of Available for sale Financial instrument	(58,000)
43,000	Proceed from Available for sale financial instrument	69,000
39,500	Proceeds from short-term and long-term investments	20,000
1,959	Proceeds from the Sale of Property, Plant and Equipment	1,335
1,122	Capital Grants Received	1,487
<b>(31,192)</b>	<b>Total</b>	<b>(17,603)</b>

**33. CASH FLOW STATEMENT – FINANCING ACTIVITIES**

2017/18 £000s	Cash Flows from Financing Activities	2018/19 £000s
80	Cash Receipts of short and long-term borrowing	550
-	Other Receipts from financing activities	-
(120)	Cash Payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts (principal)	-
(3,007)	Repayments of short and long-term borrowing	(11,097)
<b>(3,047)</b>	<b>Total</b>	<b>(10,547)</b>

**F1. 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.

2017/18 £000s	Housing Revenue Account	2018/19	
		£000s	£000s
	<b>Income</b>		
(49,798)	Dwelling Rents	(48,945)	
(1,064)	Non Dwelling Rents	(1,045)	
(2,520)	Charges for services & facilities	(3,023)	
(2)	Contributions Towards Expenditure	3	
<b>(53,385)</b>	<b>Total Income</b>		<b>(53,009)</b>
	<b>Expenditure</b>		
14,506	Repairs & Maintenance	13,911	
	Supervision & Management		
8,403	General Management	9,133	
5,469	Special Services	6,158	
188	Rent, Rates, Taxes & other charges	247	
159,915	Depreciation, Impairment & Revaluation of Fixed Assets	20,065	
80	Debt Management Costs	80	
332	Increased in provision for bad/doubtful debts	502	
<b>188,893</b>	<b>Total Expenditure</b>		<b>50,096</b>
<b>135,508</b>	<b>Net Cost of Services</b>		<b>(2,913)</b>
919	HRA Services share of Corporate and Democratic Core		744
-	HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services		-
<b>136,427</b>	<b>Net Cost of HRA Services</b>		<b>(2,169)</b>
(203)	Gain (-) or Loss on sale of HRA Fixed Assets		7,871
	Interest Payable and other similar charges		
6,195	Interest and Investment Income		6,156
2	Pensions interest cost and expected return on pensions assets		3
-	Non Specific Grant Income		-
(176,534)	Surplus or deficit on revaluation of non current assets		(14,180)
<b>(34,113)</b>	<b>Surplus (-) or Deficit for the year on HRA services</b>		<b>(2,320)</b>

**F2. 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.

2017/18 £000s	Statement of Movements on the Housing Revenue Account Balance	2018/19 £000s
(34,113)	Surplus (-) / Deficit for the year on the HRA Income and Expenditure Account	(2,320)
34,113	Net additional amount required by statute to be debited or credited to the HRA Balance for the year	2,320
-	<b>Increase (-) / Decrease in the HRA Balance for the Year</b>	-
(5,000)	HRA Balance brought forward	(5,000)
<b>(5,000)</b>	<b>HRA Balance carried forward</b>	<b>(5,000)</b>

**F3. NOTES TO THE HRA****1. PRIOR YEAR ADJUSTMENTS**

There are no prior year adjustments in relation to the Housing Revenue Account in 2017/18.

**2. HRA ASSETS AND CAPITAL TRANSACTIONS**

- a) At 31<sup>st</sup> March 2019 the Council was responsible for managing 11,417 units of accommodation (excluding shared ownership properties):

Type of Property	Number of Bedrooms				Total
	One	Two	Three	Four	
Flats-Low Rise	1,458	377	2	1	<b>1,838</b>
Flats-Medium Rise	1,639	812	112	4	<b>2,567</b>
Flats-High Rise	395	82	20	-	<b>497</b>
Houses & Bungalows	880	2,381	2,935	319	<b>6,515</b>
<b>Total</b>	<b>4,372</b>	<b>3,652</b>	<b>3,069</b>	<b>324</b>	<b>11,417</b>

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

Type of Property	Stock at 01/04/2018	Stock Movements			Stock at 01/04/2019
		Sales	Additions	Lost Units	
Flats	4,878	(49)	73	(2)	4,900
Houses & Bungalows	6,594	(76)	2	(3)	6,517
Dwellings (excl. Shared)	11,472	(125)	75	(5)	11,417
Shared Ownership	75	(4)			71
<b>Totals</b>	<b>11,547</b>	<b>(129)</b>	<b>75</b>	<b>(5)</b>	<b>11,488</b>

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

2017/18 £000s	Net Balance Sheet Value	2018/19 £000s
	<b>Operational Assets</b>	
179,588	Council Dwellings - Land	176,069
395,202	Council Dwellings - Buildings	410,828
15,896	Other Housing Land and Buildings	15,180
468	Other Operational Assets	346
<b>591,154</b>	<b>Total Operational Assets</b>	<b>602,423</b>
9,633	<b>Non Operational Assets</b>	8,521
<b>600,787</b>	<b>Total Net Balance Sheet Value</b>	<b>610,945</b>

d) Capital Receipts

2017/18 £000s	Housing Capital Receipts	2018/19 £000s
-	Land Sales	-
(8,855)	Dwelling Sales	(8,594)
-	Other Property Sales	-
<b>(8,855)</b>	<b>Total</b>	<b>(8,594)</b>
1,072	Payable to the Secretary of State	1,072
-	Other	-
<b>(7,783)</b>	<b>Useable Capital Receipts</b>	<b>(7,521)</b>

e) Capital Expenditure and Financing

2017/18 £000s	HRA Capital Expenditure and Financing	2018/19 £000s
	<b>Expenditure</b>	
-	Land Purchase	-
22,975	Dwellings	23,480
288	Re-Purchase of Former Council Housing	90
500	Other Property	377
<b>23,763</b>	<b>Total Expenditure</b>	<b>23,947</b>
	<b>Financing</b>	
	Dwellings	
-	Borrowing	2,845
4,971	Useable Capital Receipts	5,021
6,792	Revenue Contributions	2,466
12,000	Major Repairs Reserve	13,614
-	Grants	-
-	Third Party Contributions	-
<b>23,763</b>		<b>23,947</b>
<b>23,763</b>	<b>Total Financing</b>	<b>23,947</b>

**3 ARREARS**

During 2018/19, arrears as a proportion of gross income was 4.2%. This represent an increase of 0.4% since 2017/18 when the proportion was 3.8%.The figures for rent arrears are detailed below

2017/18 £000s	Arrears	2018/19 £000s
1,882	Gross Arrears at 31 March	2,040
(928)	Prepayments	(1,004)
<b>953</b>	<b>Net Arrears at 31 March</b>	<b>1,036</b>
<b>909</b>	<b>Provision for bad debts</b>	<b>1,062</b>



#### 4. VACANT POSSESSION VALUE

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2017/18 £000s	HRA Vacant Possession Value	2018/19 £000s
1,368,548	Vacant Possession Value as at 31st March	1,397,373

2017/18 £000s	HRA Existing Use	2018/19 £000s
574,790	Existing Use Value as at 31st March	586,897

The vacant possession value of dwellings within the HRA as at 31st March 2019 was £1,367m (£1,369m in 2017/18). For the balance sheet, the figure has been reduced to 42% of this value. 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

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##### a) Depreciation and Amortisation

2017/18 £000s	Depreciation	2018/19 £000s
12,185	Operational Assets	
403	Dwellings	12,628
16	Other Property	347
	Vehicles, Plant & Equipment	24
<b>12,604</b>	<b>Total Depreciation</b>	<b>12,999</b>
181	Intangible Assets	279
<b>12,785</b>	<b>Total Amortisation</b>	<b>13,277</b>

d) Revaluation Gains and Losses

2017/18			2018/19	
I&E £000s	RR £000s		I&E £000s	RR £000s
204,470	29,067	Council Dwellings	10,501	2,354
1,147	3,536	Other Housing Land & Buildings	142	
-	-	Other Operational Assets	-	-
-	-	Non operational Assets	4	-
<b>205,617</b>	<b>32,604</b>	<b>Revaluation Losses</b>	<b>10,648</b>	<b>2,850</b>
(58,249)	(208,460)	Council Dwellings	(8,686)	(16,666)
(245)	(586)	Other Housing Land & Buildings	(664)	(331)
33333-	-	Other Operational Assets	-	-
-	-	Non operational Assets	(9)	-
<b>(58,494)</b>	<b>(209,046)</b>	<b>Revaluation Gains</b>	<b>(9,359)</b>	<b>(16,997)</b>
<b>147,123</b>	<b>(176,442)</b>	<b>Total</b>	<b>1,289</b>	<b>(14,147)</b>

**6. MAJOR REPAIRS RESERVE**

The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year end.

The transactions on the Major Repairs Reserve are detailed below:

Major Repairs Reserve	2018/19 £000s
Balance at 1 April 2018	(616)
Council Dwellings Depreciation	(12,999)
Depreciation adjustment to agree to MRA	-
	<b>(13,614)</b>
Amount used to finance Capital Expenditure	
Dwellings	13,614
Other Property	-
	13,614
<b>Balance at 31 March 2019</b>	<b>-</b>

**G1. 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 £30.1m in 2018/19 (£29.1m in 2017/18). 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.

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

2017/18 Council Tax £000s	2017/18 NNDR £000s	2017/18 Total £000s		2018/19 Council Tax £000s	2018/19 NNDR £000s	2018/19 Total £000s
			<b>INCOME</b>			
(108,549)	-	(108,549)	Council Tax (net of benefits, discounts & transitional relief)	(115,842)	-	(115,842)
-	-	-	Transfers from General Fund	-	-	-
-	(105,641)	(105,641)	- Council Tax benefits	-	(102,675)	(102,675)
			Income collectable from business ratepayers			
<b>(108,549)</b>	<b>(105,641)</b>	<b>(214,190)</b>	<b>TOTAL INCOME</b>	<b>(115,842)</b>	<b>(102,675)</b>	<b>(218,517)</b>
			<b>EXPENDITURE</b>			
			<b>Precepts &amp; demands:-</b>			
76,656	-	76,656	Northamptonshire County Council	82,680	-	82,680
13,736	-	13,736	Northamptonshire Police and Crime Commissioner	14,782	-	14,782
15,066	-	15,066	Northampton Borough Council	15,794	-	15,794
			<b>National Non-Domestic Rates</b>			
-	46,098	46,098	Payments to Central Government	-	48,917	48,917
-	9,220	9,220	Payments to Northamptonshire County Council	-	9,788	9,788
-	36,878	36,878	Amount retained by Northampton Borough Council	-	39,137	39,137
-	283	283	Cost of collection	-	283	283
-	1,261	1,261	Other - Enterprise Zone	-	1,344	1,344
-	5,231	5,231	Transitional Protection Payments	-	2,162	2,162
			<b>Bad &amp; Doubtful Debts / Appeals</b>			
1,329	5,934	7,263	Provisions	(567)	1,009	441
			<b>Contributions</b>			
2,636	(2,799)	(162)	Towards previous years' Collection Fund surplus/ (deficit)	2,680	(2,212)	468
-	-	-	Prior Year Adjustments (deferrals)	-	-	-
<b>109,423</b>	<b>102,106</b>	<b>211,529</b>	<b>TOTAL EXPENDITURE</b>	<b>115,368</b>	<b>100,427</b>	<b>215,795</b>
873	(3,535)	(2,662)	<b>Net (Surplus)/deficit for the year</b>	(474)	(2,248)	(2,723)
			<b>COLLECTION FUND BALANCE</b>			
(3,504)	4,105	601	Balance brought forward at 1st April	(2,631)	570	(2,061)
873	(3,535)	(2,662)	Net Deficit/(surplus) for the year (as above)	(474)	(2,248)	(2,723)
<b>(2,631)</b>	<b>570</b>	<b>(2,061)</b>	<b>Balance carried forward at 31 March</b>	<b>(3,105)</b>	<b>(1,679)</b>	<b>(4,784)</b>
			Allocated to:-			
-	285	285	Central Government	-	(839)	(839)
(1,912)	57	(1,855)	Northamptonshire County Council	(2,270)	(168)	(2,438)
(343)	-	(343)	Northamptonshire Police and Crime Commissioner	(399)	-	(399)
(376)	228	(148)	Northampton Borough Council	(436)	(671)	(1,107)
<b>(2,631)</b>	<b>570</b>	<b>(2,061)</b>	<b>Fund Balance c/fwd</b>	<b>(3,105)</b>	<b>(1,678)</b>	<b>(4,783)</b>

**G2. NOTES TO THE COLLECTION FUND****1. NATIONAL NON DOMESTIC RATES (NNDR)**

The total non-domestic rateable value as at 31 March 2019 was £247.2m and the equivalent figure for 2017/18 was £248.3m. The National Non-Domestic Rate multiplier for 2018/19 was 49.3p and the equivalent figure for 2017/18 was 47.9p. The small business non-domestic rating multiplier for 2018/19 was 48.0p and the equivalent figure for 2017/18 was 46.6p.

**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: -

2017/18 Band D Equivalents	Band	Estimated no of taxable properties 2018/19 after discounts	Ratio	2018/19 Band D Equivalents
20.8	A(-)	38.3	5/9	21.3
14,259.8	A	21,816.5	6/9	14,544.4
13,477.0	B	17,501.5	7/9	13,612.3
18,115.6	C	20,549.8	8/9	18,266.5
9,930.5	D	9,936.9	9/9	9,936.9
6,423.1	E	5,279.8	11/9	6,453.1
3,402.2	F	2,376.8	13/9	3,433.1
2,012.0	G	1,207.3	15/9	2,012.1
100.5	H	49.3	18/9	98.5
<b>67,741.5</b>	<b>Gross Council Tax Base</b>			<b>68,378.0</b>
<b>2,032.2</b>	<b>Non-collection provision</b>			<b>1,504.3</b>
<b>65,709.3</b>	<b>Council Tax Base Used for setting the Precept</b>			<b>66,873.7</b>

The provision for non-collection was set at 2.2% for 2018/19 (3.0% 2017/18)

**3. ANALYSIS OF IN-YEAR CONTRIBUTIONS TO FUND DEFICITS**

2017/18 £000s	In year contribution to deficit - NNDR	2018/19 £000s
206	Central Government	(1,106)
41	Northamptonshire County Council	(221)
165	Northampton Borough Council	(885)
<b>412</b>	<b>Total deficit recovered</b>	<b>(2,212)</b>

2017/18 £000s	In year allocation of surplus - Council Tax	2018/19 £000s
2,541	Northamptonshire County Council	1,948
478	Northamptonshire Police & Crime Commissioner	349
533	Northampton Borough Council	383
<b>3,552</b>	<b>Total Surplus paid out</b>	<b>2,680</b>

#### 4. PROVISION FOR BAD AND DOUBTFUL DEBTS

2017/18 £000s	Bad and Doubtful Debts - Council Tax	2018/19 £000s
10,010	Bad Debt Provision B/fwd	10,016
(1,296)	Write-offs	(1,076)
(27)	Council tax benefit transferred to reserve	(25)
1,329	Provision Made in Year	(567)
<b>10,016</b>	<b>Bad Debt Provision c/f</b>	<b>8,347</b>

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

2017/18 £000s	Bad and Doubtful Debts - NNDR	2018/19 £000s
620	Bad Debt Provision B/fwd	1,649
(620)	Write offs of uncollectible debt	(1,321)
1,649	Allowance for non collection	951
<b>1,649</b>	<b>Bad Debt Provision c/f</b>	<b>1,279</b>
<b>(1,721)</b>	<b>Amounts written off in year not charged to provision</b>	<b>(328)</b>

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 31<sup>st</sup> March 2019:

2017/18 £000s	Provision for Appeals - NNDR	2018/19 £000s
11,867	Appeals Provision B/fwd	14,431
(1,095)	Amounts used in year	(1,898)
3,660	Additional provisions made	2,284
<b>14,431</b>	<b>Appeals Provision c/f</b>	<b>14,817</b>

## 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 its subsidiary Northampton Partnership Homes (NPH), and also NPH's subsidiary Happy to Help (Northampton) 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.

Happy to Help (Northampton) Community Interest Company was incorporated on the 18th July 2018 which is a company wholly owned by Northampton Partnership Homes. Happy to Help (Northampton) Community Interest Company has therefore been consolidated into Northampton Partnership Homes' group accounts.



## H1. 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

Group Movement in Reserves Statement	Single Entity Usable Reserves	Single Entity Unusable Reserves	Total Single Entity Reserves	Authority share of reserves of subsidiary	Total Group Reserves
	£000s	£000s	£000s	£000s	£000s
<b>Balance at 31 March 2017 Brought forward</b>	<b>(62,572)</b>	<b>(326,596)</b>	<b>(389,166)</b>	<b>14,121</b>	<b>(375,045)</b>
<b><u>Movement in reserves during 2017/18</u></b>					
<b>Total Comprehensive Expenditure and Income</b>	<b>140,855</b>	<b>(184,430)</b>	<b>(43,575)</b>	<b>(1,108)</b>	<b>(44,683)</b>
Adjustments between accounting basis and funding basis under regulations	(144,625)	144,625	-	-	-
Transfers to/from Earmarked Reserves	-	-	-	-	-
<b>(Increase) / Decrease in Year</b>	<b>(3,770)</b>	<b>(39,805)</b>	<b>(43,576)</b>	<b>(1,108)</b>	<b>(44,683)</b>
<b>Balance at 31 March 2018 carried forward</b>	<b>(66,342)</b>	<b>(366,400)</b>	<b>(432,742)</b>	<b>13,013</b>	<b>(419,729)</b>
<b><u>Movement in reserves during 2018/19</u></b>					
<b>Total Comprehensive Expenditure and Income</b>	<b>14,535</b>	<b>(13,144)</b>	<b>1,391</b>	<b>2,652</b>	<b>4,043</b>
Adjustments between accounting basis and funding basis under regulations	(16,790)	16,790	-	-	-
Transfers to/from Earmarked Reserves	-	-	-	-	-
<b>Increase / (Decrease) in Year</b>	<b>(2,255)</b>	<b>3,646</b>	<b>1,391</b>	<b>2,652</b>	<b>4,043</b>
<b>Balance at 31 March 2019 carried forward</b>	<b>(68,594)</b>	<b>(362,755)</b>	<b>(431,350)</b>	<b>15,665</b>	<b>(415,685)</b>

**GROUP 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.

2017/18			GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	2018/19		
Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s		Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
			<b>INCOME AND EXPENDITURE ON SERVICES</b>			
5,052	(3,003)	2,049	Regeneration, Enterprise & Planning	5,343	(2,718)	2,625
251,064	(113,946)	137,118	Housing	57,320	(54,764)	2,556
3,818	(1,249)	2,569	Borough Secretary	3,346	(348)	2,998
34,486	(16,334)	18,152	Customers & Communities	33,879	(10,830)	23,049
8,183	(1,774)	6,409	Central Service Budgets	6,985	(1,598)	5,388
67,466	(68,079)	(613)	Corporate Budgets	61,187	(65,915)	(4,728)
<b>370,069</b>	<b>(204,385)</b>	<b>165,684</b>	<b>COST OF SERVICES</b>	<b>168,060</b>	<b>(136,172)</b>	<b>31,887</b>
2,166	(1,508)	658	Other Operating Expenditure	25,474	(18,554)	6,920
15,059	(6,657)	8,402	Financing and Investment Income and Expenditure	31,119	(21,690)	9,429
-	(34,279)	(34,279)	Taxation and Non-Specific Grant Income	45,738	(79,309)	(33,571)
		<b>140,465</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>14,665</b>
		(178,466)	Surplus or deficit on revaluation of Property, Plant and Equipment assets			(19,411)
		(6,682)	Actuarial gains / losses on pension assets/liabilities			8,788
		<b>(185,148)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(10,623)</b>
		<b>(44,683)</b>	<b>TOTAL COMPREHENSIVE INCOME AND EXPENDITURE</b>			<b>4,042</b>

**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 2018	Group Balance Sheet	31st March 2019
£000s		£000s
700,903	Property, Plant & Equipment	719,603
36,806	Heritage Assets	28,220
13,830	Investment Property	13,794
551	Intangible Assets	388
0	Long Term Investments	7,586
49,500	Long Term Debtors	48,494
<b>801,590</b>	<b>Long Term Assets</b>	<b>818,085</b>
10,021	Short Term Investments	5,025
34,021	Short Term Available for Sale Financial Instruments	23,119
-	Assets Held for Sale	-
146	Inventories	139
19,201	Short Term Debtors	15,197
18,983	Cash and Cash Equivalents	12,856
<b>82,372</b>	<b>Current Assets</b>	<b>56,336</b>
(10,546)	Short Term Borrowing	(5,506)
(36,563)	Short Term Creditors	(30,106)
(5,912)	Provisions	(6,170)
<b>(53,021)</b>	<b>Current Liabilities</b>	<b>(41,782)</b>
(12,734)	Long Term Creditors	(16,599)
(11)	Provisions	(60)
(247,263)	Long Term Borrowing	(241,874)
(151,202)	Other Long Term Liabilities	(158,422)
<b>(411,210)</b>	<b>Long Term Liabilities</b>	<b>(416,955)</b>
<b>419,731</b>	<b>Net Assets</b>	<b>415,685</b>
67,146	Usable Reserves	69,483
352,585	Unusable Reserves	346,202
<b>419,731</b>	<b>Total Reserves</b>	<b>415,685</b>

## 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.

2017/18 £000s	Group Cashflow Statement	2018/19 £000s
(140,465)	Net surplus or (deficit) on the provision of services	(14,667)
182,433	Adjustment to surplus or deficit on the provision of services for noncash movements	39,513
(3,081)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(2,822)
<b>38,887</b>	<b>Net Cash flows from operating activities</b>	<b>22,0024</b>
(31,192)	Net Cash flows from Investing Activities	(17,603)
(3,027)	Net Cash flows from Financing Activities	(10,547)
<b>4,668</b>	<b>Net increase or decrease in cash and cash equivalents</b>	<b>(6,126)</b>
14,314	Cash and cash equivalents at the beginning of the reporting period	18,982
<b>18,982</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>12,856</b>

## H2. NOTES TO THE GROUP ACCOUNTS

### 1. Group boundary

Northampton Partnership Homes was incorporated on the 30<sup>th</sup> April 2014 and commenced trading on the 5<sup>th</sup> 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.

Happy to Help (Northampton) Community Interest Company was incorporated on the 18th July 2018 which is a company wholly owned by Northampton Partnership Homes. Happy to Help (Northampton) Community Interest Company has therefore been consolidated into Northampton Partnership Homes' group accounts.

Both Northampton Partnership Homes and its subsidiary Happy to Help (Northampton) Community Interest Company are subsidiaries of Northampton Borough Council for accounting purposes and have been consolidated into the Council's group accounts.

### 2. Intra-group transactions

During 2018/19 the Council made payments of £51.058m to Northampton Partnership Homes (£49.174m in 2017/18). During 2018/19 the Council received payments of £3.751m from Northampton Partnership Homes (£4.280m in 2017/18). At 31st March 2019 there was a debtor balance of £9.249m (£4.534m in 2017/18), and a creditor balance of £12.065m (£6.607m in 2017/18) 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

2017/18 £000s		2018/19 £000s
15,365	Depreciation	16,479
178,143	Impairment and downward valuations	(22,555)
27	Amortisation	380
5,123	Increase/(decrease) in creditors	(2,582)
1,080	Increase/(decrease) in debtors	(2,576)
2	Increase/(decrease) in inventories	11
994	Movement in pension liability	(1,579)
867	Contributions to/(from) provisions	307
9,717	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	7,935
(28,889)	Other non-cash items charged to the net surplus or deficit on the provision of services	43,693
<b>182,429</b>		<b>39,513</b>

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

2017/18 £000s		2018/19 £000s
(1,959)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,335)
(1,122)	Any other items for which the cash effects are investing or financing cash flows	(1,487)
<b>(3,081)</b>		<b>(2,822)</b>

2017/18 £000s		2018/19 £000s
1,476	Interest received	1,802
(8,008)	Interest paid	(7,890)
<b>(6,532)</b>		<b>(6,088)</b>

## 9. Group Cash Flow Statement – Investing Activities

2017/18 £000s		2018/19 £000s
(28,773)	Purchase of property, plant and equipment, investment property and intangible assets	(36,425)
(68,000)	Purchase of Available for Sale Financial Instruments	(58,000)
(20,000)	Purchase of short-term and long-term investments	(15,000)
1,959	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,335
39,500	Proceeds from short-term and long-term investments	20,000
43,000	Proceeds from Available for Sale Financial Instruments	69,000
1,122	Capital Grants Received	1,487
<b>(31,192)</b>	<b>Net cash flows from investing activities</b>	<b>(17,603)</b>

## 10. Group Cash Flow Statement – Financing Activities

2017/18 £000s		2018/19 £000s
80	Cash receipts of short- and long-term borrowing	550
(100)	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	-
(3,007)	Repayments of short- and long-term borrowing	(11,097)
<b>(3,027)</b>	<b>Net cash flows from financing activities</b>	<b>(10,547)</b>



### 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 28 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 5<sup>th</sup> January 2015 when employees of Northampton Partnership Homes Ltd transferred from Northampton Borough Council under Transfer of Undertakings (Protection of Employment) (TUPE). At the time of admission the Company scheme was fully funded under the actuarial valuation assumptions made. However the figures presented in these financial statements are reported under the requirements of IAS19, which are prepared on a different basis to the actuarial valuation.

The 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:

	2017/18	2018/19
<b>Cost of Service</b>	<b>£000s</b>	<b>£000s</b>
Current service cost	6,031	5,876
Past service cost (including curtailments)	-	-
Gain from settlements	-	-
Pension contribution adjustment	(134)	9
net interest expense	3,896	3,900
<b>Total post employment benefits charged to the surplus or deficit on the provision of services</b>	<b>9,793</b>	<b>9,785</b>
<b>Other post employment benefits charged to the comprehensive income and expenditure statement</b>		
Return on plan assets (excluding the amount included in the net interest expense)	(711)	10,887
Actuarial gains and losses arising on changes in demographic assumptions	-	-
Actuarial gains and losses arising on changes in financial assumptions	4,550	(12,126)
Other expenditure	602	(418)
<b>Total post-employment benefits charged to the comprehensive income and expenditure statement</b>	<b>14,234</b>	<b>8,128</b>
<b>Movement in reserves statement</b>		
Reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the code	(11,919)	(9,215)
Employers contributions payable to the scheme	6,102	6,595

**Reconciliation of the movements in fair value of scheme assets:**

	2017/18	2018/19
	£000s	£000s
<b>Opening fair value of scheme assets</b>	<b>219,032</b>	<b>221,974</b>
Interest income	5,461	5,571
Return on plan assets excluding the amount included in the net interest expense	(887)	13,381
Contributions from employer	9,067	9,430
Contributions from employees into the scheme	991	1,036
Benefits paid	(12,348)	(12,700)
Assets distributed in settlements	-	(8,832)
<b>Closing fair value of scheme assets</b>	<b>221,316</b>	<b>229,860</b>

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

	2017/18	2018/19
	£000s	£000s
<b>Opening present value of scheme liabilities</b>	<b>375,923</b>	<b>373,176</b>
Current service cost	6,031	6,096
Interest cost	9,357	9,428
Contribution from scheme participants	694	675
Actuarial gains/losses arising from changes in demographic assumptions	-	-
Actuarial gains/losses arising from changes in financial assumptions	(6,162)	(12,126)
Actuarial gains/losses arising from other experience	(602)	519
Past service cost	-	12,134
Benefits paid	(12,051)	(12,339)
Liabilities extinguished on settlements	-	8,831
<b>Closing present value of scheme liabilities</b>	<b>373,190</b>	<b>386,394</b>

## Fair value of plan assets:

	2017/18	2018/19
	£000s	£000s
<b>Equity securities</b>		
Consumer	15,811	24,411
Manufacturing	743	8,761
Energy & utilities	12,556	12,708
Financial institutions	15,332	13,779
Health and care	6,232	9,087
Information technology	15,659	12,569
Other	14,140	0
<b>Debt securities</b>		
UK Government	18,546	19,836
<b>Private equity</b>		
All	1,188	4,343
<b>Real Estate</b>		
UK property	17,536	2,089
<b>Investment funds and unit trusts</b>		
Equities	81,381	80,316
Bonds	16,268	17,700
<b>Cash and cash equivalents</b>		
All	5,925	6,446
<b>Total</b>	<b>221,317</b>	<b>212,045</b>

## 12. Group External Audit costs

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

Group Auditor Fees	2017/18	2018/19
	£000s	£000s
Northampton Borough Council Auditor Fees	309	73
Northampton Partnership Homes Auditor Fees	25	32
<b>Total Group Auditor Fees</b>	<b>334</b>	<b>105</b>

## GLOSSARY OF TERMS

### Accruals

Income and expenditure are recognised as they are earned or incurred, not as money is received or paid (see Debtors and Creditors).

### Actuary

An independent and appropriately qualified adviser who carries out statutorily required pension fund valuations.

### 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.

### Actuarial Gains and Losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation or the actuarial assumptions have changed.

### Actuarial Valuation

An actuary undertakes valuations by checking what a pension scheme's assets are worth compared to its liabilities. The actuary then works out how much needs to be paid into the scheme by the employer and the members to make sure that there will be enough money to pay the pensions when they are due.

### Admitted Bodies

Voluntary and charitable bodies whose staff can become members of the Local Government Pension Scheme subject to certain terms and conditions and other organisations to whom Local Government employees have been transferred under the outsourcing of Local Government services.

### Amortisation

A charge to the comprehensive income and expenditure statement which spreads the cost of the value of an asset or liability over its useful life in line with the Council's accounting policies.

### Appointed Auditors

From 1 April 2015 the appointment of External Auditors to local Authorities has been undertaken by Public Sector Audit Appointments (PSAA), an independent company incorporated by the Local Government Association. KPMG was the Council's appointed Auditor for 2017/18, Ernst & Young became the appointed auditor with effect from 1 April 2018.

### Balance Sheet

A statement of the assets, liabilities and other balances at the end of an accounting period. The Balance Sheet combines all the accounts of an authority, excluding trust funds, as they are not at the disposal of the council.

**Capital Adjustment Account**

This account contains the resources set aside to meet the cost of past expenditure. These include capital receipts, released grants and contributions and sums set aside for debt redemption.

**Capital Expenditure**

Expenditure on acquisition, Improvement or enhancement of either the council's or third-party assets are defined as capital expenditure. Expenditure, which merely maintains the value, e.g. repairs and maintenance is charged to revenue.

**Capital Receipts**

Proceeds from the sale of capital assets such as land or buildings. They are available to finance new capital outlay and to repay existing loan debt. (Subject to the provisions contained within the Local Government Act 2003)

**Cash Equivalents**

Funds invested in call accounts and 30-day notice accounts which are readily available convertible to known amounts of cash with insignificant risk of change in value

**Code**

The rules and regulations governing the information and layout of the council's Statement of Accounts.

**Community Assets**

Assets which are held for the benefit of the community where there is no determinable useful life, such as works of art. These may have restrictions on their disposal.

**Council Tax**

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

**Creditor**

Represents the amount that the Council owes other parties at the balance sheet date.

**Current assets**

An Asset where the value changes because the volume held varies from day to day e.g. Inventories. It is reasonable to expect that these assets will either be consumed or realised during the next accounting period e.g. cash and bank balances, debtors.

**Current Liabilities**

An amount which will become payable or could be called in within the next accounting period e.g. creditor,

**Debtor**

Represents the amounts owed to the Council not received at the balance sheet date.

**Deferred Grants**

Amounts received or receivable that have been used to finance capital expenditure. Under the capital accounting arrangements these amounts will be released to offset depreciation in respect of the fixed assets to which they relate.

**Deferred Capital Receipts**

These represent capital income still to be received after disposals have taken place and wholly consists of principal outstanding from the sale of council houses

**Defined Benefit Scheme**

A pension where the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded

**Depreciation**

The measure of the wearing out, consumption or other reduction in the useful economic life of a long-term asset.

**DRC**

Depreciated Replacement cost. A method of valuation which provides the current cost of replacing an asset with its modern equivalent

**Dividend**

The distribution of profits by a company to its shareholders. The dividend may be passed or cut if profits fall.

**Earmarked Reserves**

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

**External Audit**

The independent examination of the activities and accounts of Local Authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Authority has made proper arrangements to secure value for money in its use of resources.

**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.

**Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a liability of another, it covers both financial assets and liabilities.

**General Fund (GF)**

This is the main revenue account of the council. Day to day transactions are conducted through this account, except for those relating to the Housing Revenue Account, Collection Fund or any other trust funds held by the Council.

**Grants**

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

**Housing Benefit**

An allowance to persons receiving little or no income to meet their rent. Benefits can be paid by Local Authorities but refunds in part are received from Central Government.

**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**

Expenditure on works of construction or improvement but which have no tangible value, such as construction of, or improvement to highways.

**Intangible Assets**

Non-monetary assets that cannot be seen, touched or physically measured, but can be identified as a separate asset.

**Reporting Standards**

The Code of Practice prescribes the accounting treatment and disclosures for all normal transactions of a Local Authority. It is based on International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) plus UK Generally Accepted Accounting Practice (GAAP) and Financial Reporting Standards (FRS).

**Inventory**

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

**Member**

A Councillor, a member of the Council.

**Ministry of Housing, Communities and local Government (MHCLG)**

MHCLG is a Central Government Department with the overriding responsibility for determining the allocation of general resources to Local Authorities.

**Minimum Revenue Provision (MRP)**

This is the amount we have to set aside out of our revenue to repay loans.

**Net Book Value (NBV)**

The value of an asset after depreciation.

**Net Realisable Value**

The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.



**Non-Current Asset**

A tangible asset with a benefit beyond one financial year, which has a realisable value e.g. land, buildings and plant

**Non-Distributable Costs**

Costs that cannot be specifically applied to a service and are held centrally.

**Non Operational Assets**

Non-current assets held by the council but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets would be investment properties and assets that are surplus to requirements, pending sale or redevelopment.

**Officer**

Employee of the Council.

**Operating Leases**

Leases other than a finance Lease

**Operational Assets**

Non-Current Asset held and occupied, used or consumed by the council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

**Payment in Advance**

A charge considered when preparing the financial statements, which are for benefits to be received in a period after the accounting date.

**PFI Credits**

The financial support provided to Local Authorities to part fund PFI capital projects. These are provided to the County Council direct.

**Precept**

This is an amount we receive from district and borough Councils (for Council Tax collected on our behalf) so that we can cover our expenses less our income. We also pay precepts to authorities such as the Environment Agency.

**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.

**Provision**

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.

**Prudential Borrowing**

Borrowing which is financed from the Council's own resources and conforms to the Prudential Code.

**Public Works Loan Board (PWLB)**

A government body set up specifically to lend money to local authorities.

**PVEQ**

Plant, Vehicles and Equipment.

**Reserves**

Amounts earmarked in the accounts for purposes falling outside the definition of provisions can be classified as reserves. The movements in year being charged or generated as an appropriation to the Movement in Reserves Statement rather than directly to Service Revenue Accounts.

**Revaluation Gain**

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

**Revenue Support Grant (RSG)**

Government funding which provides general support for council services.

**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**

The remainder after taking away all expenses from income.

**Treasury Management Strategy**

A strategy prepared with regard to legislative and CIPFA requirements setting out the framework for treasury management activity for the Council.

**Useful Life**

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

## J1. ACCOUNTING POLICIES

### Appendix 1 – Accounting Policies 2018/19

#### 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 2018/19 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 Overheads and Support Costs**

The costs of overheads and support services are charged to service segments in accordance with the authorities' arrangements for accountability and financial performance.

**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 the financial statements comparative year balances, and the columns headed restated. In addition, full disclosure as to the nature, circumstance, and value of the adjustment will be disclosed in the notes to the accounts.

### g **Events after the Balance Sheet date**

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

### h **Exceptional and extraordinary items and prior period adjustments**

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

### i **Contingent assets and liabilities**

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

### **Capital Accounting**

### j **Recognition of Capital Expenditure (de-minimis Policy)**

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

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

The capital cost of an asset is recognised to be:

- Purchase price, construction cost, minimum lease payments or equivalent including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.
- Costs associated with bringing the asset to the location and condition necessary for it to be capable of operating in the manner required by management.
- Initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located, the obligation for which the Authority incurred either when the asset was acquired or as a consequence of having used the asset during a particular period for purposes other than producing inventories during that period.
- Subsequent expenditure that will substantially increase the market value of the asset.
- Subsequent expenditure that will substantially increase the extent to which the Authority can use the asset for the purpose, or in conjunction with the functions of the Authority.

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

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

### k **Non-Current Asset Classification**

The Authority manages its assets in the following categories:

- **Intangible Assets.**

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

- **Property, Plant and Equipment Assets**

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

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

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

Test for Community Assets:

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

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

- **Infrastructure Assets**, include all tangible (physical) assets required within the authorities land drainage system, and cemetery roadways. There is no prospect for sale of infrastructure assets; expenditure is only recoverable through continued use of the asset.
- **Vehicles, Plant and Equipment Assets and Assets under Construction** are also classified as Property Plant and Equipment where they do not meet the criteria for Investment Property Assets or Assets Held for Sale.
- **Surplus Assets** are assets, which the Authority no longer operates from, however do not meet the definition of held for sale. All surplus assets are treated in the same way as operational assets of the same type (valuation, depreciation, recognition etc.).
- **Heritage Assets** are assets with historical, artistic, scientific, technological, geophysical or environmental qualities that make it important to ensure that they are preserved for future generations. They may be any kind of asset including buildings, works of art, furniture, exhibits, artefacts, etc. or intangible assets such as recordings of significant historical events.

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

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

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

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

- **Assets Held for Sale**

The Authority will classify assets as held for sale where:

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

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

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

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

## I **Non-Current Asset Valuation Methodology**

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

- **Plant Vehicles and Equipment** - are held at depreciated historic cost.
- **Assets Under Construction** – are held at historic cost.
- **Community Assets** - the Authority recognises Community Assets at depreciated historic cost.
- **Surplus Assets** – are held at fair value.
- **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 disposal. 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 disposal, the Authority charges a quarter of the annual depreciation where the asset is owned on the first day of the financial year.

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

Component Type	Useful Economic Lives (UELs)
Kitchens	20 years
Heating Systems, Lights and Electrics	23 years
Bathrooms	25 years
Windows and Doors	25 years
Roof	25 years

#### p Component Accounting

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

**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. Examples of this expenditure are improvement grants and disabled facility grants.

**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 1<sup>st</sup> 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.

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. The 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 that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. 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 based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- **Amortised Cost** - assets that have fixed or determinable payments but are not quoted in an active market.

Financial assets measured at amortised cost 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 de-recognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement.

- **Fair value through profit or loss** - assets that have a quoted market price and/or do not have fixed or determinable payments.

Financial Assets Measured at fair value through Profit and Loss 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.

Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services Statements. Any gains and losses that arise on the derecognition of the asset are credited to the Financing and Investment income and expenditure line in the Comprehensive Income and Expenditure Statement. IFRS 9 Financial Instruments sets out that investments in equity should be classified as fair value through profit and loss unless there is an irrevocable election to recognise changes in fair value through other comprehensive income. The Council will assess each investment on an individual basis and assign an IFRS 9 Category. The assessment will be based on the underlying purpose for holding the financial instrument

- **Expected Credit Loss Model**

The Authority recognises where material expected credit losses on its financial assets held at amortised cost, either on a 12-month or lifetime basis.

Impairment losses are calculated to reflect the expectation that the future cash flows – be it principal and/or interest repayments - might not take place because the borrower could

default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

The Authority has provided a historic loan to Northampton Saints Rugby Club, which is secured against land assets that's value exceeds the loan principal. For the purposes of Credit Loss provision, this over-collateralised security against default is ignored. Given that Northampton Saints Rugby Club have presented recent Statements of Accounts showing losses, the Authority has prudently begun to set aside loss allowances. This provision will then be built up on the basis of the cumulative change in lifetime expected credit losses since initial recognition. For 2018/19, a loss provision of £77k has been set aside. The Authority maintains an ongoing working relationship with Northampton Saints Rugby Club, who have consistently met all scheduled principal and interest repayment on the loan so far.

**Fair Value through other comprehensive income** – the Authority holds an investment in the CCLA Local Authority Property Fund that it makes an irrevocable election to classify at Fair value through other comprehensive income. This investment is eligible for the election as the Authority considers it meets the definition of an equity instrument in paragraph 11 of IAS32 and is neither held for trading (the Council holds this investments as a long term strategic investment) nor is contingent consideration recognised by an acquirer in a business combination to which IFRS3 applies. The CCLA Property Fund have issued a notice that it may require up to six months' notice to honour redemption requests to allow for the orderly disposal of underlying assets. This investment is therefore not considered to be a 'puttable' instrument as despite the Authority having the ability to request repayment, it does not have a contractual right to 'put' the instrument back to the issuer for immediate redemption of cash.

The Authority 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.

**as Non Domestic Rates**

The Local Government Finance Act 2012 amended the 1988 Local Government Finance Act to give local authorities the power to retain a proportion of funds obtained from business rates in their area.

The changes under the 'Localisation of Business Rates' means that from April 2013, local authorities retain a share of the income they collect from business rates as funding to meet the cost of service provision. Prior to this date, all business rates in England were paid to Central Government from the billing authorities, and a proportion was then paid back to each authority as Formula Grant.

The Department for Communities and Local Government guidance indicates that each billing authority should formally set a Business Rate Baseline each year. This baseline will be the authority's estimate of the business rates it forecasts to collect in the following financial year, net of any reductions such as reliefs and estimated cost of appeals.

As such, the business rates the Council collected and retained are adjusted for the anticipated outcome of the on-going national backlog of Business Rate appeals cases, which are still currently being assessed by the Valuation Office.

## J2. GENERAL INFORMATION

### 1. PRIOR YEAR ADJUSTMENTS

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There have been no material prior periods adjustments identified that require disclosure within Note 1 of the accounts for 2018/19.

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

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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 2019/2020 Code:

- Amendments to IAS 40 Investment Property: Transfers of Investment Property
- Annual Improvements to IFRS standards 2014-2016 Cycle
- IFRIC 22 Foreign Currency Transactions and Advanced Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial Instruments: Prepayment features with Negative Compensation.

These changes are not expected to have a material impact on the Council's single entity statements or Group statements

### 3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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In applying the accounting policies laid out in Appendix J1, the Council has had to make certain critical judgements about complex transactions or those involving uncertainty about future events.

In the accounts these are as follows:

There is a high degree of uncertainty regarding future levels of funding for local government and the impact of the decision for Britain to leave the European Union remains unclear. However the Council takes the view that this uncertainty is not yet sufficient indication that the value of the Council's assets might need to be impaired due to reduced levels of service provision or the need to close facilities.

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.

The existing 2016/17 valuation of Delapre Golf Course was completed using the investment method of valuation.

The rental income was considered and the passing rent was capitalised at a yield that was felt to be sufficient to reflect the risk profile of the property as an investment, taking into

account the covenant strength of the tenant, the likely sustainability of the rent and the length of the lease.

However, Royal Institution of Chartered Surveyors (RICS) guidance suggests that as Golf Course valuation is a specialised sector of the market and comparable evidence is scarce, the accurate valuation of golf courses will depend on many issues, some of which are not found when valuing other property types, including:

- An understanding of golf, its development and operation;
- An appreciation of the physical features of the property in question and other factors influencing value;
- A thorough understanding of the trading accounts of the business;
- An ability to prepare accurate forecasts for the fair maintainable trade; and
- A detailed knowledge of the market.

For 2016/17, the Council did not have all of the required information to fully undertake a valuation of the Course based on RICS Guidance. The impact of substituting the investment method of valuation is currently unknown and therefore does present an element of uncertainty on the valuation figure which it has not been possible to quantify.

For 2017/18 and 2018/19, the valuation of Delapre Golf Course was completed by the same specialist valuer, using a methodology based on the RICS guidance and the latest trading accounts provided by the tenant.

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

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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 2019 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 dependent 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 £0.3m 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 £4.11m - A 1% variation in value on other operational property is equivalent to £0.661m
Property, Plant and Equipment - Council Dwellings use of Beacon Properties	Council dwellings are valued by reference to representative properties across the housing estate known as 'beacons'. Following a 100% valuation of the portfolio in 2017-18, the portfolio was subject to annual desktop reviews at 1 <sup>st</sup> April and 31 <sup>st</sup> March and will be the next 3 years, then subject to a further full revaluation in 2023.	This process is in compliance with MHCLG (previously DCLG) guidance.
Benefit Overpayments Provision	The Authority has made a provision of £6.9m in respect of Overpayments to Benefit Claimants. This provision is based upon an 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 87.1% 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 £0.239m for actual insurance claims outstanding and a reserve of £0.877m 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 £140.713m. 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 effect would be: 0.5% decrease in discount rate would give rise to an increase in liability of approximately £27.7m 0.5% salary increase would give rise to an increase in liability of approximately £1.7m 0.5% increase in Pensions rate would give rise to an increase in liability of approximately £25.8m
Arrears	The General Fund has provided for a bad debt provision of £0.935m. 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 £2.848m. Therefore any changes in the recovery of our debts will have a maximum impact of £1.912m.
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 £6.806m. This is based on appeals that had been lodged and were outstanding at 31 March 2019. 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 2019.	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.
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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. EVENTS AFTER THE BALANCE SHEET DATE

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In March 2018 the Secretary of State for Housing, Communities and Local Government invited all eight principal councils in Northamptonshire to “develop and submit locally led proposals for establishing new unitary authorities across the county which will be right for the communities and people they serve”. The Secretary of State’s invitation stemmed primarily from the well-documented severe financial and operational plight that Northamptonshire County Council (NCC) faced, continues to face and is expected to otherwise face in future.

A proposal to create two new Unitary Councils for West and North Northamptonshire from April 2020 was submitted to the Secretary of State at the end of August 2018. The Secretary of State has now approved the move to two unitary authorities, but with a vesting date of 1st April 2021. This will see Northampton Borough forming part of the West Northamptonshire authority along with the current Daventry and South Northamptonshire Council and the current county council services in these areas.