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A. Auditor's Report

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

A. Auditor's Report

B. Explanatory Foreword

1. Introduction

The Council has a statutory duty to approve and publish this Statement of Accounts document for the period 1st April 2011 to 31st March 2012.

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

To comply with the Accounts and Audit Regulation 2003 (as amended by later updates), the Council is required to make reasonable endeavours to have the Statement of Accounts audited and received and approved by the end of September 2012. The responsibility for approval is delegated to the Audit Committee. The Audit Committee met and approved the accounts at its meeting on XXth September 2012 to include any changes arising from the audit of the accounts. These accounts have been amended. The Council's Chief Financial Officer approved the accounts for publication on XXth September 2012.

This foreword outlines the key individual statements that comprise the Statement of Accounts, including a description of their purpose and the relationship between them. It also highlights the main activities/variations that took place during 2011/12 in each of the main activity areas.

2. The Statements

Single Entity Accounts

These financial statements are for a single entity.

The detailed accounts and related information are shown on pages 17 to 144 and consist of the following: -

Core Financial Statements

Movements in Reserves Statement (pages 17 to 19)

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

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

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

Comprehensive Income and Expenditure Statement (page 20 to 21)

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

B. Explanatory Foreword

Balance Sheet (page 23)

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

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

Cash Flow Statement (page 25)

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

Notes to the Core Statements (pages 27 to 127)

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

Supplementary Financial Statements

Housing Revenue Account (HRA) Income and Expenditure Account (page 129)

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

Movement in Housing Revenue Account Reserve (pages 131 to 132)

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

B. Explanatory Foreword

Notes to the HRA Accounts (pages 133 to 139)

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

The Collection Fund Income and Expenditure Account (page 141)

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

Notes to the Collection Fund (pages 143 to 144)

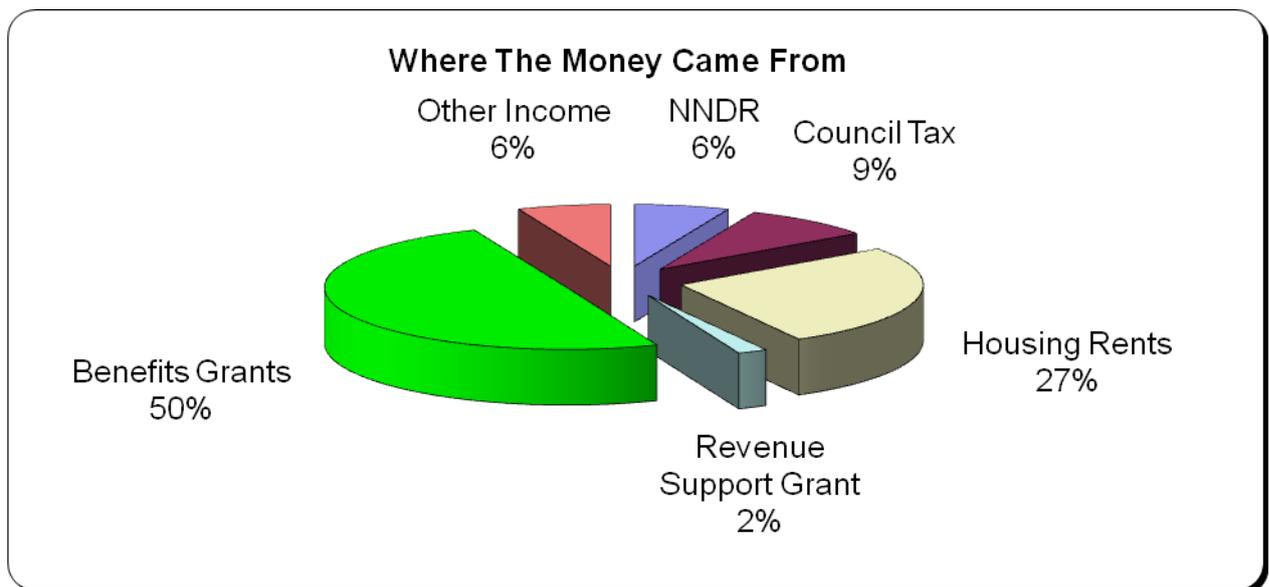
This section comprises the recommended notes to the Collection Fund supplementary financial statements.

3. Financial Summary 2011/12

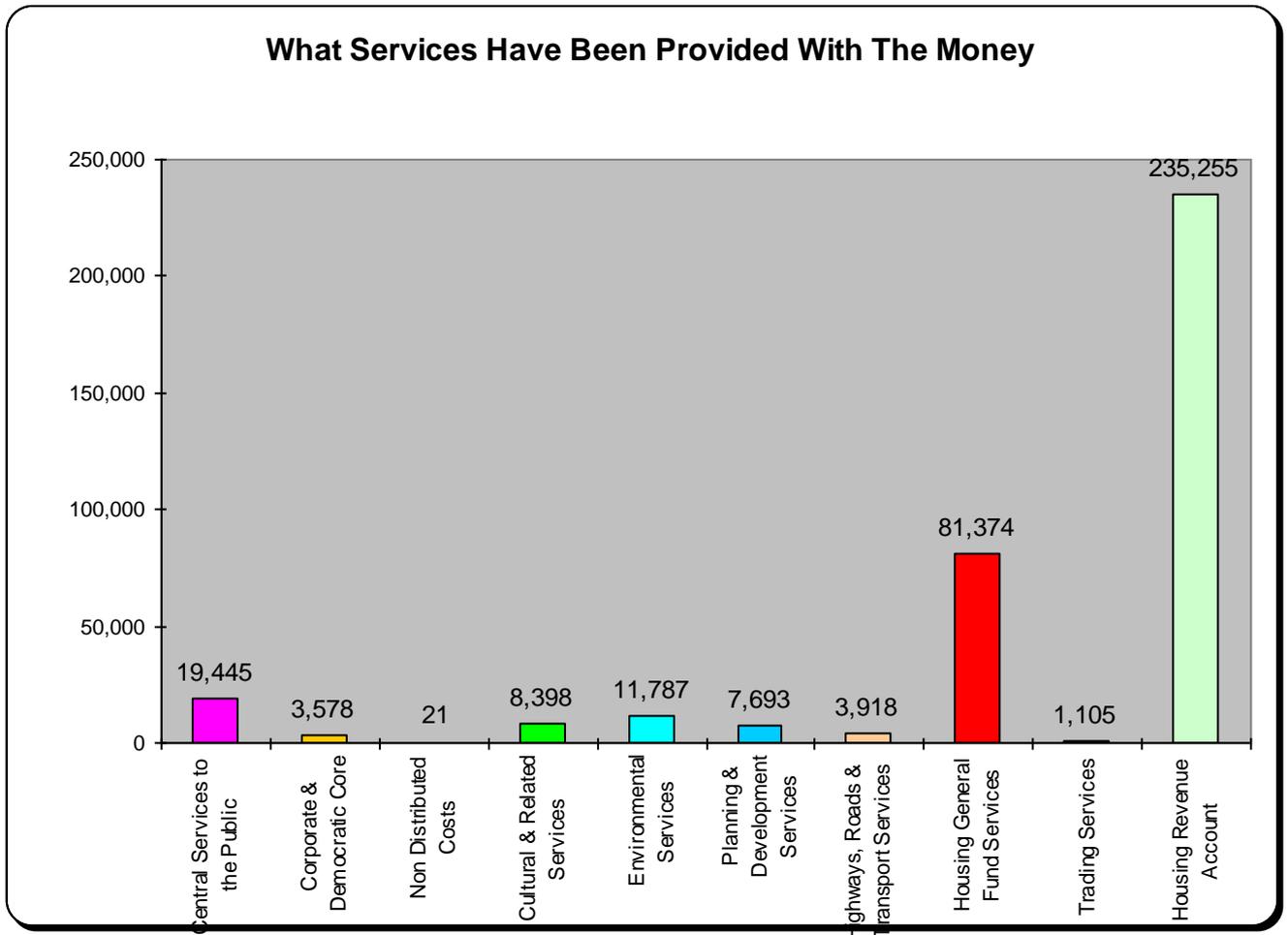
This section shows service expenditure, interest payable, other operating costs, income from grants, local taxpayers and other sources compared in overall terms to the budget.

a) Revenue Spending and Sources of Income

The following charts outline where the Council's revenue money came from, how it was spent and on which services. The charts show the overall position of the Council's revenue accounts for 2011/12 (i.e. both General Fund and HRA).



B. Explanatory Foreword



Of the £235,255k HRA gross expenditure, £192,920k related to the Housing Finance Reform payment to Government. The remaining £42,335k related to routine HRA expenditure.

B. Explanatory Foreword

b) General Fund Account

The following table summarises the position for the General Fund for 2011/12. Some notes are included following the table to explain the main variations to the budget for the year.

	Budget	Actual	Variance
	£000	£000	£000
Assistant Chief Executive	4,633	4,246	-387
Director of Planning and Regeneration	2,859	2,314	-545
Director of Finance and Support	14,761	14,548	-213
Director of Housing	225	309	84
Borough Solicitor	652	636	-16
Director of Environment and Culture	9,885	9,741	-144
Total within Budget Managers Control	33,015	31,794	-1,221
Capital Expenditure charged to Revenue Account	134	119	-15
Provisions	0	481	481
Net Support Service Recharges	-4,856	-4,880	-24
Interest and Financing	1,899	1,411	-488
Parish Precepts & Grants	922	922	0
Government Funding	-14,207	-14,207	0
Council Tax	-14,969	-14,966	3
Council tax freeze grant	-351	-351	0
Non specific grants		-989	-989
Technical Accounting Adjustments	-31,428	-32,460	-1,032
General Fund (under) / over spend	1,587	-666	-2,253
Net Contribution to/(from) Reserves	-1,687	199	1,886
General Fund Deficit (Surplus)	-100	-467	-367
Balance b/fwd		-2,672	
Balance c/fwd		-3,139	

Variations to Budget

After taking account of contributions to reserves and balances, the Council's General Fund working balance was increased by £467k. This is after making a net contribution to General Fund earmarked reserves of £199k to mitigate some specific business risks.

There were a number of variances that have contributed to this position, which are listed below. Further details of these variances can be found in the Council's out-turn reports which were considered by Cabinet on 11th July 2012.

B. Explanatory Foreword

Under (-) / Over spends	£000s
Reserve Movements	1,888
Provisions	481
Interest and Debt Management	-488
Electoral Services	-67
Assistant Chief Executive	-76
Performance and change	-53
Community Centres	-92
Asset Management	-338
Development Control	-143
Audit	-84
Customer Services	94
Office Accommodation	-101
Information Technology	-63
Benefits	-51
Call Care	185
Director of Environment & Culture	-99
Neighbourhood Management	-88
Neighbourhood Environmental Services	-85
Car Parking	236
Non Specific Grants	-989
Other Variations Each Below +/- £60k	-434
	-367

B. Explanatory Foreword

c) Housing Revenue Account

The following table outlines the outturn position for the Housing Revenue Account for 2011/12. Some notes are included following the table to explain the main variations to the budget for the year.

	Budget	Actual	Variance
	£000s	£000s	£000s
Expenditure			
Net Service Expenditure	-262	-269	-7
Interest & Capital Financing Adjustments	262	163	-99
(Surplus)/Deficit for the year	0	-106	-106
Balance brought forward		-4,894	
Balance carried forward		-5,000	

Variations to Budget

After taking account of contributions to reserves and balances, the Council's Housing Revenue Account working balance was increased by £106k. This is after making a net contribution to HRA reserves earmarked for general revenue purposes of £179k. There was also use of £832k reserve to fund leaseholder refunds. Capital reserves received a contribution of £2.2m and a total of £12.4m was used to fund the planned capital programme acceleration.

There were a number of variances that have contributed to this position, the most significant of which are listed below. Further details of these variances can be found in the Council's out-turn reports which were considered by Cabinet on 11th July 2012.

Under (-) / Over spends	£000s
Repairs & Maintenance	273
General Management	326
Special Services	-156
Contribution to Earmarked Reserves	556
Housing Revenue Account Subsidy	-765
Increase in Bad Debt Provision	-273
Interest and Financing	-100
Other Minor Variations	32
	-106

B. Explanatory Foreword

d) Capital Expenditure

Capital expenditure relates to spending on new and improved assets, such as land, buildings, infrastructure, equipment, and IT. It also includes revenue expenditure funded from capital under statute (REFCUS). In 2011/12 the Council spent £33.09 million on capital projects, compared with a budget of £35.36 million, excluding finance lease expenditure and the HRA reform debt payment.

	Budget	Actual	Variance
	£000s	£000s	£000s
Expenditure			
Housing Revenue Account Schemes	21,582	21,314	-291
HRA Reform Debt Payment		192,920	192,920
General Fund Housing Schemes	4,030	3,214	-816
Other General Fund Schemes	9,746	9,040	-706
Total Capital Expenditure	35,358	226,488	191,107
Sources of Financing			
Major Repairs Allowance		8,161	
Revenue Contributions to Capital Expenditure		12,573	
Grants & Contributions		4,523	
Capital Receipts		4,978	
Finance Leases		454	
HRA Reform Financing		192,920	
Supported Borrowing		0	
Unsupported Borrowing		2,856	
		226,465	

Capital Variations to Budget

The spend on the capital programme was approximately £2.2m below budget for the year, excluding the HRA reform payment of £193m and the accounting of £454k expenditure as finance leases which were not included in the capital budget. The majority of this variance relates to schemes that are currently underway or still planned to take place. The budget has been carried forward into the next financial year (i.e. 2012/13). The majority of this carry forward is due to the timing of approvals and the timescales for letting contracts.

B. Explanatory Foreword

e) Current Borrowing Facilities

Current borrowing facilities are as detailed below: -

Description	£000s
Long Term Borrowing - LOBOs	24,788
Homes & Communities Agency PWLB	1,191
Temporary Borrowing	190,113
	348
	216,440

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

Borrowing decisions are made with reference to prudential indicators that ensure that borrowing is prudent, affordable, and sustainable. The prudential indicator for net borrowing and capital financing requirement (CFR) is the key indicator of prudence, measuring whether net external borrowing exceeds the closing CFR in the preceding year plus the estimates of any additional capital requirement for the current and next two financial years. The Councils net external borrowing figure (borrowing less investment) is £180m, which falls well within the forward looking CFR forecast of £204m (based on prudential indicators agreed by Council in February 2012).

The Localism Act 2011 incorporated statutory changes to housing finance, which required the Council to make a settlement payment of £193m to the Department of Communities and Local Government (CLG) on 28th March 2012 to buy out of the housing subsidy system. As a direct result of this new long term PWLB borrowing of £184m was entered into during 2011/12 to fund the HRA self financing settlement payment, the balance being funded from existing borrowing.

The Council's existing borrowing was reduced by £19k in respect of the annual annuity loan payment to the Homes and Communities Agency, long term finance lease liabilities increased by £67k, and the amount of temporary borrowing increased by £157k.

Capital programme expenditure of £2.9m financed by borrowing during 2011/12 was funded through internal borrowing (cash balances).

The current net book value (fair value) of the Council's property plant and equipment (non current assets) is £483m, of which £373m relates to council dwellings.

B. Explanatory Foreword

4. Significant Changes in 2011/12

a) Assets acquired or enhanced

Capital expenditure represents major investment in new and improved assets such as land, buildings, infrastructure, equipment, and information technology assets. Expenditure is incurred in pursuit of the Council's objectives and priorities and the delivery of services, and can be for the acquisition of new assets, enhancement of existing assets or investment in assets owned by third parties. None of these are unusual in scale when considered in the context of the Council's normal activities.

Capital Expenditure	
	£000s
Housing Revenue Account	
Council Housing	21,184
Information Technology	129
Other Housing Assets	1
Revenue Expenditure Funded from Capital under Statute	192,920
	214,234
General Fund	
Information Technology	796
Corporate Buildings	5,454
Leisure and Community Facilities	1,005
Other Capital Works	159
Finance Leases	454
Derecognised Finance Leases	-509
Revenue Expenditure Funded from Capital under Statute	4,364
	11,723
	225,957

b) Statutory Functions

There have been no changes to the statutory functions of the Authority for 2011/12.

c) Accounting Policies

Accounting policies have been amended to reflect the changes in regulations concerning Heritage Assets.

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

At the end of March 2012 the Council made a one off payment to Government of £192m to buy out of the old subsidy system as part of the HRA financing reform. This payment is shown on the face of the Comprehensive Income & Expenditure Account as an exceptional item.

5. Other Matters of Note

a) Pensions Liabilities and Assets

Retirement Benefits that are promised to employees under the terms of the pension scheme are recognised as a liability on the Council's balance sheet. Liabilities are measured on an actuarial basis, estimating the future cash flows that will arise. The Council's share of the investments held in the pension scheme is measured at fair value

B. Explanatory Foreword

at the date of the balance sheet. Details of the Council's pension assets and liabilities can be found in note 43 to the financial statements.

b) Significant Provisions or Contingencies and Material Write-offs

The Council makes a provision to cover future insurance liabilities where values can be reasonably estimated. Details of this provision, and all other provisions made by the Council, are shown in note 22 to the Core Statements.

There are two significant contingency items reported in the accounts (at note 44 and 45 to the Core Statements) relating to interest on section 106 deposits and a capital grant received from the East Midland Development Agency (EMDA). Section 106 agreements are made where a developer has to pay for additional costs of services relating to their development, i.e. new parks requirements. This interest will only become due if the Council fails in its obligations under the section 106 agreements. Since it is unlikely that the interest will become payable, the Council has chosen to report this as a contingent liability. The capital grant received from EMDA for site clearance of the Blueberry Diner was awarded on condition of scheme completion within a fixed time period and, due to that time period not having been complied with, up to the full amount of the grant of £2m may be clawed back by EMDA. The Council is in discussion with the successor organisation to EMDA about this matter and is confident that the claw back will not be applied. These are not new contingent liabilities for this year.

There have not been any material write offs in the year.

c) Current Economic Climate

The main financial impact on the Council of the current economic climate has been the continuation of low returns on investment due to the low interest rates offered by banks, building societies and other investment counterparties. The average rate of interest earned on investments in 2011/12 was 1.00%, compared to 0.95% in 2010/11. Actual investment interest earned in 2011/12 was £770k, compared to £757k in 2010/11. The impact of the low returns has been managed through savings and efficiencies made generally across the Council's budgets.

d) Adequacy of Reserves

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

The Chief Financial Officer has developed a risk management approach to the level of reserves and determined that the minimum level should be £3m.

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

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

B. Explanatory Foreword

6. Conclusion

On the General Fund, the Council has managed to deliver an outturn at less than budget for 2011/12, allowing the Council to increase its level of working balances to over its risk assessed level of £3m and increase the level of earmarked reserves needed to support future expenditure and mitigate against future business risks. This is against a backdrop of an increasingly challenging funding regime (including Local Government Finance Reform), which presupposes continuing efficiency savings from council services and significantly cut the amount of government grant for 2011/12 and onwards. The Council is committed to continuing its programme of strategic business reviews, which will drive out further efficiencies and will allow the Council to meet the financial challenges ahead.

During 2011/12, the Council managed to increase General Fund working balances to £3.14m whilst also contributing a net of £199k to General Fund earmarked reserves to mitigate some specific business risks. This is testament to the strong financial control operated by the Council and to the ability of service managers to deliver services, aided by strong support services, in a difficult economic climate.

The Capital Programme is under-spent by £2.2m in 2011/12 against budget, excluding technical accounting adjustments for HRA reform debt payment and finance leases; however this is largely to do with timing. The Council has made positive improvements in project management and is committed to maintaining and improving on this into the future.

The outturn for the Housing Revenue Account (HRA) shows an increase in the level of working balances to £5m and an increase in general revenue earmarked reserves. The revenue position of the HRA continues to be healthy with challenges facing the Council in delivering the capital improvements necessary to deliver good quality homes at an affordable price to its tenants. The HRA finance reform is now in place as of 1st April 2012 and the Council is monitoring the developing position on this.

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

7. Further Information

Further information about these accounts is available from: -

Rebecca Smith Assistant Head of Finance Northampton Borough Council The Guildhall, St Giles Square Northampton NN1 1DE	Isabell Procter Director of Resources Northampton Borough Council The Guildhall, St Giles Square Northampton NN1 1DE
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Interested members of the public have a statutory right to inspect the accounts before the audit is completed and the availability of the accounts was advertised in the local press and on the Council's website in order to facilitate this.

C. Statement of Responsibilities

The Authority's Responsibilities

The Authority is required to:-

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

The Chief Financial Officer

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

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

Certificate

I certify that this Statement of Accounts gives a true and fair view of the financial position of the authority at the reporting date and of its income and expenditure for the year ended 31st March 2012.

Isabell Procter Section 151 Officer
Date: 19 September 2012

C. Statement of Responsibilities

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D. Core Financial Statements

D1 Movement in Reserves Statement

The Movement in Reserves Statement (MIRS) shows the movement in the year on the different reserves held by the authority, analysed into:

- Usable Reserves – those that can be applied to fund expenditure or reduce local taxation); and
- Unusable Reserves – those that cannot be applied. These comprise of reserves to hold accounting adjustments relating largely to timing differences between when amounts have to be reported as income and expenditure and when those amounts are actually realised.

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 two pages.

D. Core Financial Statements

D1 Movement in Reserves Statement

	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Earmarked HRA Reserves
	£000s	£000s	£000s	£000s
Balance at 31st March 2010 Brought forward	-2,198	-13,352	-6,855	-11,258
<u>Movement in reserves during 2010/11</u>				
Surplus or (deficit) on provision of services	-15,067	0	134,973	0
Other Comprehensive Expenditure and Income	0	0	0	0
Total Comprehensive Expenditure and Income	-15,067	0	134,973	0
Adjustments between accounting basis & funding basis under regulations	11,936	0	-138,993	0
Net Increase/Decrease before Transfers to Earmarked Reserves	-3,131	0	-4,020	0
Transfers to/from Earmarked Reserves	2,657	-2,657	5,981	-5,981
Increase / (Decrease) in Year	-474	-2,657	1,961	-5,981
Balance at 31st March 2011 carried forward	-2,672	-16,009	-4,894	-17,239
<u>Movement in reserves during 2011/12</u>				
Surplus or (deficit) on provision of services	4,095	0	190,377	0
Other Comprehensive Expenditure and Income	0	0	0	0
Total Comprehensive Expenditure and Income	4,095	0	190,377	0
Adjustments between accounting basis & funding basis under regulations	-4,762	0	-179,586	0
Net Increase/Decrease before Transfers to Earmarked Reserves	-666	0	10,794	0
Transfers to/from Earmarked Reserves	199	-199	-10,900	10,900
Increase / (Decrease) in Year	-467	-199	-106	10,900
Balance at 31st March 2012 carried forward	-3,140	-16,208	-5,000	-6,339

D. Core Financial Statements

D1 Movement in Reserves Statement

Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
£000s	£000s	£000s	£000s	£000s	£000s
-2,082	-651	-2,391	-38,787	-488,549	-527,336
0	0	0	119,906	0	119,906
0	0	0	0	-35,682	-35,682
0	0	0	119,906	-35,682	84,224
2,082	-3,840	686	-128,129	128,129	0
2,082	-3,840	686	-8,223	92,447	84,224
0	0	0	0	0	0
2,082	-3,840	686	-8,223	92,447	84,224
0	-4,491	-1,705	-47,010	-396,102	-443,112
0	0	0	194,473	0	194,473
0	0	0	0	15,136	15,136
0	0	0	194,473	15,136	209,609
0	2,423	1,012	-180,913	180,913	0
0	2,423	1,012	13,563	196,046	209,609
0	0	0	0	0	0
0	2,423	1,012	13,563	196,046	209,609
0	-2,068	-693	-33,448	-200,056	-233,504

D. Core Financial Statements

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 Statements.

2010/11			
Gross Expenditure	Gross Income	Net Expenditure	
£000s	£000s	£000s	
18,708	-16,933	1,775	EXPENDITURE ON SERVICES
			Central services to the public
			Cultural, environmental & planning
14,748	-5,867	8,881	Cultural & related services
14,441	-5,149	9,292	Environment and Regulatory Services
6,629	-1,888	4,741	Planning Services
6,788	-4,877	1,911	Highways, roads & transport
			Housing
36,463	-44,661	-8,198	Housing Revenue Account
151,457	0	151,457	Exceptional Item - change in valuation basis
0	0	0	Exceptional Item - HRA Reform Payment
78,594	-72,352	6,242	General Fund Housing
3,798	-101	3,697	Corporate & democratic core
-33	0	-33	Non distributed costs
-29,209	0	-29,209	Exceptional Item - Past Service Gain
302,384	-151,828	150,556	Cost of Services
			Other Operating Expenditure
10,111	-9,508	603	Financing and Investment Income and Expenditure
18,021	-13,466	4,555	Taxation and Non-Specific Grant Income
0	-35,809	-35,809	
		119,905	(Surplus) or Deficit on Provision of Services
		7,913	Surplus or deficit on revaluation of non current assets
		127,818	Net Operating Expenditure
		0	Surplus or deficit on revaluation of available for sale financial assets - Generally movement in Available for Sale FI's
		-43,595	Actuarial gains / losses on pension assets / liabilities
		0	Share of other Comprehensive Expenditure & Income of associates & joint ventures
		84,223	Total Comprehensive Income and Expenditure

D. Core Financial Statements

D2 Comprehensive Income and Expenditure Statement

	2011/12			Note
	Gross Expenditure	Gross Income	Net Expenditure	
EXPENDITURE ON SERVICES	£000s	£000s	£000s	
Central services to the public	19,444	-16,768	2,676	
Cultural, environmental & planning				
Cultural & related services	8,398	-975	7,423	
Environment and Regulatory Services	11,787	-4,431	7,356	
Planning Services	7,692	-2,369	5,323	
Highways, roads & transport	3,918	-4,026	-108	
Housing				
Housing Revenue Account	42,334	-45,962	-3,628	
Exceptional Item - change in valuation basis	0	0	0	
Exceptional Item - HRA Reform Payment	192,920	0	192,920	
General Fund Housing	81,374	-75,259	6,115	
Corporate & democratic core	3,578	-48	3,530	
Non distributed costs	21	-70	-49	
Exceptional Item - Past Service Gain	0	0	0	
Cost of Services	371,466	-149,908	221,558	
Other Operating Expenditure	7,394	-4,763	2,631	9
Financing and Investment Income and Expenditure	15,740	-13,012	2,728	10
Taxation and Non-Specific Grant Income	143	-32,588	-32,445	11
(Surplus) or Deficit on Provision of Services			194,472	
Surplus or deficit on revaluation of non current assets			-5,104	
Net Operating Expenditure			189,368	
Surplus or deficit on revaluation of available for sale financial assets - Generally movement in Available for Sale FI's			0	
Actuarial gains / losses on pension assets / liabilities			20,240	
Share of other Comprehensive Expenditure & Income of associates & joint ventures			0	
Total Comprehensive Income and Expenditure			209,608	

D. Core Financial Statements
D2 Comprehensive Income and Expenditure Statement

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D. Core Financial Statements

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'.

1 st April 2010	31st March 2011		31st March 2012	Notes
£000s	£000s		£000s	
629,931	467,687	Property, Plant & Equipment	482,538	12
33,333	33,319	Heritage Assets	36,536	12h
7,058	6,664	Investment Property	7,522	13
3,370	3,919	Intangible Assets	3,258	14
0	0	Assets Held for Sale	0	20
0	0	Long Term Investments	0	15
36	33	Long Term Debtors	240	15
673,728	511,622	Long Term Assets	530,094	
14,706	44,162	Short Term Investments	12,089	15g
0	892	Assets Held for Sale	869	20
438	502	Inventories	420	16
21,379	7,841	Short Term Debtors	13,498	18
32,809	34,633	Cash and Cash Equivalents	25,205	19,15g
69,332	88,030	Current Assets	52,081	
0	0	Cash and cash Equivalents	0	19
-354	-191	Short Term Borrowing	-348	15
-11,907	-23,814	Short Term Creditors	-12,521	21
-230	-206	Provisions	-384	22
-12,491	-24,211	Current Liabilities	-13,253	
-4,110	-4,240	Capital Grants Receipts in Advance	-3,825	15
-957	-59	Provisions	-52	22
-32,477	-32,397	Long Term Borrowing	-216,092	15
-165,689	-95,633	Other Long Term Liabilities	-115,448	15/43
-203,233	-132,329	Long Term Liabilities	-335,418	
527,336	443,112	Net Assets	233,504	
38,787	47,010	Usable Reserves	33,452	23
488,549	396,102	Unusable Reserves	200,052	24
527,336	443,112	Total Reserves	233,504	

The unaudited accounts were issued on 29 June 2012. The audited accounts were authorised for issue on 24th September 2012.

D. Core Financial Statements

D3 Balance Sheet

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D. Core Financial Statements

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.

2010/11 £,000		2011/12 £,000
-119,905	Net Surplus or (deficit on the provision of services	-194,472
165,340	Adjustment to surplus or deficit on the provision of services	13,806
-25,757	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	-7,217
19,678	Net Cashflows from Operating Activities	-187,883
-34,103	Net Cashflows from Investing Activities	9,709
16,197	Net Cashflows from Financing Activities	168,747
1,772	Net increase or decrease in cash and cash equivalents	-9,427
32,809	Cash and Cash Equivalents at the Beginning of the Reporting Period	34,633
34,581	Cash and Cash Equivalents at the End of the Reporting Period	25,206

D. Notes to the Core Financial Statements

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D. Notes to the Core Financial Statements

1 ACCOUNTING POLICIES

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 2011/12 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 G

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

D. Notes to the Core Financial Statements

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

c **Cost of Services**

Internal service costs (e.g. Human Resources) are apportioned across the core service areas to represent the total cost of delivering that service to the public.

This is in accordance with the costing principals of the CIPFA Service Reporting Code of Practice 2011/12 (SERCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to benefits received, with the exception of:

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

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

d **Value Added Tax**

Income and expenditure treated as either capital or revenue, excludes any amounts related to VAT. All VAT collected is payable to HM Revenue & 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

D. Notes to the Core Financial Statements

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

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

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

g Events after the Balance Sheet date

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

h Exceptional and extraordinary items and prior period adjustments

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

i Contingent assets and liabilities

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

Capital Accounting

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

In accordance with International Accounting Standard 16 (IAS 16), the council recognises non-current assets when all for 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.

D. Notes to the Core Financial Statements

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 & Building, Community Assets, Vehicles Plant & 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).

D. Notes to the Core Financial Statements

- **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 Councils assets are revalued each year.

D. Notes to the Core Financial Statements

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

Valuations are completed as follows:

- **Intangible Assets** - the authority recognises Intangible Assets at cost. The authority will revalue intangible assets annually where there is determinable market value for the asset.
- **Property Plant and Equipment** - Property Assets are held at fair value, which is the amount that would be paid for the asset in its existing use. This requirement is met by providing a valuation on the basis of exiting use value (EUV) in accordance with UKPS 1.3 of the RICS Valuation Standards. As a matter of last resort, where no other valuation method can be used, depreciated replacement cost is used.

Vehicles and Assets under construction within PPE 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.
- **Community Assets** - the authority recognises Community Assets at depreciated historic cost (not revalued).
- **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.

D. Notes to the Core Financial Statements

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 councils underlying need to borrow (the capital financing requirement). Receipts are transferred to the Reserve from the movement in reserves statement. The value of the asset is transferred to the capital adjustment account via the movement in reserves statement.

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

o Depreciation / Amortisation Methodology

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

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

Residual values

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

Useful Economic Lives of assets are:

Asset Group	Useful economic Lives (UELS)
Council Dwellings	50 years

D. Notes to the Core Financial Statements

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 & Equipment	3-25 years*
Investment Properties	Not depreciated
Assets Held for Sale	Not depreciated
Surplus Assets	5-60 years*

* Depending on the nature of the specific asset

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

p Leases

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

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

q Defining a Finance Lease

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

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

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

D. Notes to the Core Financial Statements

- 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.

D. Notes to the Core Financial Statements

r **Defining an Operating Lease**

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

s **Lessee Accounting for a Finance Lease**

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

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

t **Lessor Accounting for a Finance Lease**

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

u **Lessor Accounting for an Operating Lease**

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

v **Lessee Accounting for an Operating Lease**

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

w **Service Concession Agreements (PFI and other similar contracts)**

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

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

Where these lie with the authority, the authority shall assess them against 2 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.

D. Notes to the Core Financial Statements

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

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

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

PFI Credits are treated as general revenue government grants.

x **Capital Grants and Contributions**

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

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

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

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

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

Relevant Government Grants are treated in accordance with this policy.

y **Revenue Expenditure Funded from Capital Under Statute (REFCUS)**

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

z **Minimum Revenue Provision (MRP)**

D. Notes to the Core Financial Statements

As a result of the changes introduced by International Financial Reporting Standards, some PFI and Leased assets now classified as finance leases are being brought onto the balance sheet. As a result, the authority has adopted the policy of charging MRP for these assets using the asset life method. This method charges MRP at the value of the associated with the asset depreciation each year, thus mitigating the impact to the general fund.

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

aa Capital Reserves

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

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

Revenue Accounting

ab Recognition of Revenue Expenditure.

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

ac Employee Costs

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

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

Short-term employee benefits:

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

Termination Benefits

D. Notes to the Core Financial Statements

- **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.

D. Notes to the Core Financial Statements

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.

ad **Revenue Grants and Contributions**

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

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

ae **Carbon Reduction Commitment Scheme**

The authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase, which will last until 31 March 2014. The authority is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption

af **Provisions**

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

Provisions are charged to the appropriate service revenue account in the year that the authority recognises an obligation, based on the best estimate of the likely settlement. When payments are eventually made, it is charged to the provision. Estimated settlements are reviewed at the end of each financial year and adjustments with the service revenue account are made as required.

D. Notes to the Core Financial Statements

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 £3m. This level of general working balance is considered reasonable due to the mitigation of some risks through the holding of earmarked reserves.

Certain reserves are kept to manage the accounting processes for tangible fixed assets, retirement benefits, and financial instruments and these reserves do not represent usable resources for the council – these reserves are explained below.

Insurance Provision/Reserve

Surpluses or deficits required in the insurance provision are charged or credited back to individual services. Claims paid that are not recognised in the provision are funded from this reserve. Any changes required to the Insurance Reserve will be debited or credited to the MIRS.

Subsidy Equalisation Reserve

Subsidy claims are very much reliant upon regulations issued by the grant paying bodies. These can change in-year and so the net cost of benefit payments and subsidy claims from the Government can be extremely volatile. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

Core Business Systems Reserve

The Core Business Systems Reserve will be used to improve the main financial and subsidiary financial systems of the Council to streamline administrative processes and improve the quality of information and controls. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

Building Maintenance Reserve

This reserve consists of balances set aside from revenue to finance any major unanticipated maintenance projects. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

Supporting Business and Economic Growth Reserve

D. Notes to the Core Financial Statements

This reserve has been set up to finance corporate initiatives to support business and economic growth in the local area. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

Change and Performance Reserve

This reserve will continue to support strategic business reviews and other service reviews that will improve the performance of the Council. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

Debt Financing Reserve

This reserve has been set up to mitigate the additional market risks inherent in treasury management transactions during this period of worldwide economic uncertainty. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

Rent Deposit Scheme

The rent deposit scheme reserve supports part of the council's anti-homelessness policies. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

Leasing

The leasing reserve is used to equalise the impact of lease agreements to revenue over the life of the lease. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

Carbon Management

This reserve is used to hold funding for carbon management initiatives and includes funds the Council has saved from operating such initiatives and also the balance of funding received from Salix (which is an independent social enterprise, a not for profit company limited by guarantee), which must be used specifically for this purpose. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

General Reserve

The General Reserve allows the Council to commit funding to individual projects which may spread across more than one year. This reserve is also used for any contingency sums set aside during budget setting to mitigate risks within the budget. It also holds general fund grants where any conditions have been met pending matching expenditure. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

Arts Reserve

This is used to finance the purchase of exhibits for the Museum and Art Gallery. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

HRA Earmarked Reserves

These reserves contain amounts specifically set aside to finance HRA projects. The money in these reserves must be used on the Housing Revenue Account. Any changes required to these Reserves will be debited or credited to the Movement in Reserves Statement.

D. Notes to the Core Financial Statements

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 years 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.

D. Notes to the Core Financial Statements

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

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

al **Financial Liabilities**

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

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

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

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

am **Financial Assets**

Financial assets are classified into two types:

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

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

D. Notes to the Core Financial Statements

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

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

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

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

Values are based on the following principles:

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

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

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

an **Interests in Companies and Other Entities**

The council has no material interests in companies and other entities that have the nature of subsidiaries, associates, and joint ventures and so there is no requirement to

D. Notes to the Core Financial Statements

prepare group accounts. The Council has one Joint Arrangements that is Not an Entity (JANEs), the Joint Planning Unit (JPU): this is not material to the accounts.

ao **Business Improvement Districts**

The Council collects Business Rates in respect of two Business Improvement Districts (BID), 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 **Component Accounting**

Components will only be shown separately in the asset register if they are significant i.e. if they cost more than £6,000 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.

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 £6,000 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.

D. Notes to the Core Financial Statements

ar General Government Grants

General government grants and contributions in the form of Revenue Support Grant, Redistributed NNDR, 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. Further detail of this is shown in Note 11 to the accounts.

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

IFRS7 requires the authority to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that been issued, but is not yet required to be adopted by the Authority. There are no such standards for 2011/12 that require disclosure here.

3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgments about complex transactions or those involving uncertainty about future events. The critical judgments made in the Statement of Accounts are:

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

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

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

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends, and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Authority's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

D. Notes to the Core Financial Statements

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment (excluding land)	Assets are depreciated over useful lives that are dependant on assumptions about the level of repairs and maintenance that will be carried out in relation to individual assets. The current economic climate makes it uncertain how much the authority will be able to spend on repairs and maintenance on these assets, so there is uncertainty in the useful economic lives allocated to each asset.	If useful economic lives are reduced there would be an increase in depreciation and a reduction in the carrying value of the assets. It is estimated that the annual depreciation charge for buildings would increase by approximately £171k for every year that useful lives had to be reduced.
Benefit Overpayments Provision	The Authority has made a provision of £4.23m in respect of Overpayments to Benefit Claimants. This provision is based upon a analysis of outstanding debt as at year end and is considered prudent in light of the highly uncertain nature of future recovery levels.	As the provision for Benefit Overpayments is currently set at 97% 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 £228k for actual insurance claims outstanding and a reserve of £2.1m 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 £95m. 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	If the principal assumptions used to measure the liability were to differ, then the effect would be: - <ul style="list-style-type: none"> • 0.5% decrease in discount rate = £22m • 1 year increase in life expectancy = £8m • 0.5% salary increase = £4m • 0.5% increase in Pensions rate = £18m

D. Notes to the Core Financial Statements

	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.	
Arrears	The General Fund has provided for a bad debt provision of £467k. 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 £1.763m. Therefore any changes in the recovery of our debts will have a maximum impact of £1,296k.
Minimum lease payments on operating leases (authority as lessor)	Future estimates of minimum lease payments contain a number of assumptions about lease rental income and lease periods; for example that leases will not be renewed at the end of their term, and that vacant properties will not be leased at a future date.	If leases are extended beyond their original term or renewed on expiry, and vacant properties are leased out, then future rental income will exceed the minimum lease payments calculated. Conversely if lessees default on their leases or payments then future rental income may be reduced.

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

5 MATERIAL ITEMS OF INCOME AND EXPENSE

During the financial year 2011/12, the Council had one material item to disclose in the accounts which is not detailed elsewhere. The Council entered in a contract from 4th June 2011 for the provision of Environmental Services (Waste Collection, Street Cleaning, Parks etc.). The contract payments in 2011/12 totalled £5.29m. The contract period is for a minimum of seven years.

6 EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Director of Finance Resources on the date shown in the Explanatory Foreword section B. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. There have been no events after the balance sheet event requiring disclosure.

D. Notes to the Core Financial Statements

7 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATION

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

2010/11	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
Adjustments primarily involving the capital adjustment account:								
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:								
Charges for depreciation and impairment of non-current assets	-3,148	0	0	0	0	0	-3,148	3,148
Revaluation gains on PPE	452	131	0	0	0	0	583	-583
Revaluation losses on Property Plant and equipment	-3,737	-151,457	0	0	0	0	-155,194	155,194
Movements in the market value of Investment properties	127	0	0	0	0	0	127	-127
Amortisation of Intangible assets	-589	-170	0	0	0	0	-759	759
Capital Grants & contributions applied (if any)	1,775	393	0	0	0	0	2,168	-2,168
Income in relation to donated assets if any	0	0	0	0	0	0	0	0
Revenue expenditure funded from capital under statute	-3,924	-35	0	0	0	0	-3,959	3,959
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	-5,769	-1,031	0	0	0	0	-6,800	6,800
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement								
Statutory provision for the financing of capital investment	716	0	0	0	0	0	716	-716
Capital expenditure charged against the General Fund and HRA balances	193	0	0	0	0	0	193	-193
Balance of MRA	0	0	0	-4,394	0	0	-4,394	4,394
Total Adjustments primarily involving the capital adjustment account	13,904	-152,169	0	-4,394	0	0	-170,467	170,467

D. Notes to the Core Financial Statements

2010/11	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
Adjustments primarily involving the Capital Grants Unapplied Account:								
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,106	59	0	0	0	-1,165	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	1,872	1,872	-1,872
Total Adjustments primarily involving the Capital Grants Unapplied Account	1,106	59		0	0	707	1,872	-1,872
Adjustments primarily involving the Capital Receipts Reserve:								
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	4,916	3,487	0	0	-8,403	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	0	3,315	-20	3,295	-3,295
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-13	-8	0	0	21	0	0	0
Contribution from the Capital Receipts Reserve to finance payments to Government Capital Receipts pool	-1,231	0	0	0	1,231	0	0	0
Transfer from Deferred Capital receipts Reserve upon receipt of cash	0		0	0	-4	0	-4	4
Total Adjustments primarily involving the Capital Receipts Reserve	3,672	3,479	0	0	-3,840	-20	3,291	-3,291
Adjustment primarily involving the Major Repairs Reserve:								
Reversal of major Repairs Allowance credited to the HRA	0	3,646	0	-3,646	0	0	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	10,122	0	0	10,122	-10,122
Total Adjustment primarily involving the Major Repairs Reserve	0	3,646	0	6,476	0	0	10,122	-10,122
Adjustments primarily involving the Financial Instruments Adjustment Account:								
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	0	315	0	0	0	0	315	-315

D. Notes to the Core Financial Statements

2010/11	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
Adjustments primarily involving the Pensions Reserve: Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and expenditure Statement Employer's pensions contributions and direct payments to pensioners payable in the year	14,297	3,879	0	0	0	0	18,176	-18,176
	6,563	1,786	0	0	0	0	8,349	-8,349
Total Adjustments primarily involving the Pensions Reserve	20,860	5,665	0	0	0	0	26,525	-26,525
Adjustments primarily involving the Collection Fund Adjustment Account: Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	174	0	0	0	0	0	174	-174
Adjustment primarily involving the Accumulated Absences Account: Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	28	12	0	0	0	0	40	-40
Total Adjustments	11,936	-138,993	0	2,082	-3,840	687	-128,128	128,128

D. Notes to the Core Financial Statements

2011/12	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
Adjustments primarily involving the capital adjustment account:								
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:								
Charges for depreciation and impairment of non-current assets	-2,329	-51	0	-6,835	0	0	-9,215	9,215
Revaluation gains on PPE	1,341	5,695	0	0	0	0	7,036	-7,036
Revaluation losses on Property Plant and equipment	-2,995	-5,736	0	0	0	0	-8,731	8,731
Movements in the market value of Investment properties	652	0	0	0	0	0	652	-652
Amortisation of Intangible assets	-498	-411	0	0	0	0	-909	909
Capital Grants & contributions applied (if any)	3,061	0	0	0	0	0	3,061	-3,061
Income in relation to donated assets if any	0	0	0	0	0	0	0	0
Revenue expenditure funded from capital under statute	-4,364	-192,920	0	0	0	0	197,284	197,284
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	-2,168	-2,202	0	0	0	0	-4,370	4,370
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement								
Statutory provision for the financing of capital investment	446	0	0	0	0	0	446	-446
Capital expenditure charged against the General Fund and HRA balances	119	12,455	0	0	0	0	12,574	-12,574
Balance of MRA	0	0	0	0	0	0	0	0
Total Adjustments primarily involving the capital adjustment account	-6,735	-183,170	0	-6,835	0	0	196,740	196,740
Adjustments primarily involving the Capital Grants Unapplied Account:								
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	392	0	0	0	0	-392	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	1,404	1,404	-1,404
Total Adjustments primarily involving the Capital Grants Unapplied Account	392	0	0	0	0	1,012	1,404	-1,404

D. Notes to the Core Financial Statements

2011/12	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
Adjustments primarily involving the Capital Receipts Reserve:								
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,720	1,767	0	0	-3,487	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	0	4,978	0	4,978	-4,978
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	-4	0	0	4	0	0	0
Contribution from the Capital Receipts Reserve to finance payments to Government Capital Receipts pool	-973	0	0	0	973	0	0	0
Transfer from Deferred Capital receipts Reserve upon receipt of cash	0	0	0	0	-46	0	-46	46
Total Adjustments primarily involving the Capital Receipts Reserve	747	1,763	0	0	2,422	0	4,932	-4,932
Adjustments primarily involving the Deferred Capital Receipts Reserve:								
Transfer of deferred sale proceed credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	281	2	0	0	0	0	283	-283
Total Adjustments primarily involving the Deferred Capital Receipts Reserve	281	2	0	0	0	0	283	-283
Adjustment primarily involving the Major Repairs Reserve:								
Reversal of major Repairs Allowance credited to the HRA	0	1,326	0	-1,326	0	0	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	8,161	0	0	8,161	-8,161
Total Adjustment primarily involving the Major Repairs Reserve	0	1,326	0	6,835	0	0	8,161	-8,161
Adjustments primarily involving the Financial Instruments Adjustment Account:								
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	0	315	0	0	0	0	315	-315

D. Notes to the Core Financial Statements

2011/12	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
Adjustments primarily involving the Pensions Reserve:								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and expenditure Statement	-5,237	-1,699	0	0	0	0	-6,936	6,936
Employer's pensions contributions and direct payments to pensioners payable in the year	5,798	1,884	0	0	0	0	7,682	-7,682
Total Adjustments primarily involving the Pensions Reserve	561	185	0	0	0	0	746	-746
Adjustments primarily involving the Collection Fund Adjustment Account:								
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory	0	0	0	0	0	0	0	0
Adjustment primarily involving the Accumulated Absences Account:								
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-7	-7	0	0	0	0	-14	14
Total Adjustments	-4,761	-179,586	0	0	2,422	1,012	-180,913	180,913

7b OTHER COMPREHENSIVE EXPENDITURE AND INCOME

2010/11 £,000		2011/12 £,000
	Revaluation Reserve	
-3,930	General Fund Revaluation Gains	-5,081
668	General Fund Revaluation Losses	991
0	General Fund Impairment	20
-1,512	HRA Revaluation Gains	-1,105
12,686	HRA Revaluation Losses	71
7,912	Total	-5,104
-43,595	Actuarial Gains & Losses to the Pensions Reserve	20,240
-35,683	Other Comprehensive Expenditure and Income	15,136

D. Notes to the Core Financial Statements

8 TRANSFERS TO / FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2011/12.

	Balance at 31st March 2010	Additions to Reserve 2010/11	Use Of Reserve 2010/11	Balance at 31st March 2011	Additions to Reserve 2011/12	Use Of Reserve 2011/12	Balance at 31st March 2012
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
General Fund							
Insurance	1,520	782	0	2,302	87	-246	2,143
Subsidy Equalisation	600	94	-194	500	0	0	500
Core Business Systems	299	0	0	299	0	-45	254
Building Maintenance	500	0	-171	329	0	-20	309
Supporting Business & Economic Growth	402	0	-16	386	119	-222	283
Change and Performance	832	500	-472	860	24	-66	818
Debt Financing	477	0	-100	377	0	0	377
Rent Deposit Scheme	100	0	0	100	60	0	160
Leasing	31	0	-24	7	0	0	7
Carbon Management	77	46	0	123	46	0	169
General	8,467	4,943	-2,703	7,230	995	-2,380	5,845
Revenue Grants				3,477	1,986	-661	4,802
Arts	47	0	-28	19	0	0	19
Delapre Abbey	0	0	0	0	525	-3	522
Total General Fund	13,352	6,365	-3,708	16,009	3,842	-3,643	16,208
HRA							
HRA Reserves	10,260	3,600	0	13,860	2,208	-13,287	2,781
Supporting People Reserve	58	500	0	558	0	0	558
HRA Reform Reserve	0	2,000	0	2,000	0	0	2,000
Service Improvement Reserve	920	0	-119	801	347	-148	1,000
Project Reserve	20	0	0	20	0	-20	0
Total HRA	11,258	6,100	-119	17,239	2,555	-13,455	6,339
Total Earmarked	24,610	12,465	-3,827	33,248	6,397	-17,098	22,547

Insurance Reserve

Surpluses or deficits required in the insurance provision are charged or credited back to individual services. Claims paid that are not recognised in the provision are funded from this reserve. Any changes required to the Insurance Reserve will be debited or credited to the MIRS.

Subsidy Equalisation Reserve

Subsidy claims are very much reliant upon regulations issued by the grant paying bodies. These can change in-year and so the net cost of benefit payments and subsidy

D. Notes to the Core Financial Statements

claims from the Government can be extremely volatile. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

Core Business Systems Reserve

The Core Business Systems Reserve will be used to improve the main financial and subsidiary financial systems of the Council to streamline administrative processes and improve the quality of information and controls. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

Building Maintenance Reserve

This reserve consists of balances set aside from revenue to finance any major unanticipated maintenance projects. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

Supporting Business and Economic Growth Reserve

This reserve has been set up to finance corporate initiatives to support business and economic growth in the local area. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

Change and Performance Reserve

This reserve will continue to support strategic business reviews and other service reviews that will improve the performance of the Council. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

Debt Financing Reserve

This reserve has been set up to mitigate the additional market risks inherent in treasury management transactions during this period of world-wide economic uncertainty. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

Rent Deposit Scheme

The rent deposit scheme reserve supports part of the council's anti-homelessness policies. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

Leasing

The leasing reserve is used to equalise the impact of lease agreements to revenue over the life of the lease. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

Carbon Management

This reserve is used to hold funding for carbon management initiatives and includes funds the Council has saved from operating such initiatives and also the balance of funding received from Salix (which is an independent social enterprise, a not for profit company limited by guarantee), which must be used specifically for this purpose. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

D. Notes to the Core Financial Statements

General Reserve

The General Reserve allows the Council to commit funding to individual projects which may spread across more than one year. This reserve is also used for any contingency sums set aside during budget setting to mitigate risks within the budget. It also holds general fund grants pending matching expenditure. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

Arts Reserve

This is used to finance the purchase of exhibits for the Museum and Art Gallery. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

HRA Earmarked Reserves

These reserves contain amounts specifically set aside to finance HRA projects. The money in these reserves must be used on the Housing Revenue Account. Any changes required to these Reserves will be debited or credited to the Movement in Reserves Statement.

9. OTHER OPERATING EXPENDITURE

2010/11		2011/12
£000s		£000s
926	Parish council precepts	943
-20	Levies	-20
1,231	Payments to the Government Housing capital Receipts Pool	973
48	Trading	132
-1,581	Gains/Losses on the disposal of non-current assets	604
604	Total	2,632

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2010/11		2011/12
£000s		£000s
1,792	Interest payable and similar charges	1,625
5,181	Pensions interest cost and expected return on pensions assets	3,267
-1,876	Interest receivable and similar charges	-812
-541	Income and expenditure in relation to investment properties and changes in their fair value	-1,352
4,556	Total	2,728

D. Notes to the Core Financial Statements

11. TAXATION AND NON SPECIFIC GRANT INCOME

2010/11		2011/12
£000s		£000s
-14,954	Council tax income	-14,966
-931	Capital grants and contributions	-1,932
-2,401	Revenue Support Grant	-3,355
-16,535	Non domestic rates	-10,852
-989	Non-ring fenced government grants	-1,340
-35,810	Total	-32,445

D. Notes to the Core Financial Statements

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D. Notes to the Core Financial Statements

12. PROPERTY, PLANT AND EQUIPMENT

a) Movements

Movements in 2010/11	Council Dwellings	Housing Land and Buildings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment
	£000s	£000s	£000s	£000s
Cost or Valuation				
At 1st April 2010	522,041	17,846	89,532	8,956
Additions	11,415	69	739	2,039
Donations	0	0	0	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-16,952	540	1,499	23
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	-151,123	-330	-3,294	-541
Derecognition – disposals	-794	-243	-5,225	-44
Derecognition – other	0	0	0	0
Assets reclassified (to) / from Held for sale	0	-146	0	0
Other movements in cost or valuation	0	0	0	44
At 31 March 2011	364,587	17,736	83,251	10,477
Accumulated Depreciation and Impairment				
At 1 April 2010	-4,949	-408	-6,364	-6,307
Depreciation Charge	-4,070	-312	-2,308	-777
Depreciation written out to the revaluation reserve	4,949	287	1,203	6
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	110	624	506
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	-1
Derecognition – Disposals	5	1	225	25
Derecognition – other	0	0	0	0
Other Movements	0	0	-1	-15
At 31 March 2011	-4,065	-322	-6,621	-6,563
Net Book Value				
At 31 March 2010	517,092	17,438	83,168	2,649
At 31 March 2011	360,522	17,414	76,630	3,914

D. Notes to the Core Financial Statements

Infra-structure Assets	Community Assets	Surplus Assets	Assets Under Construct-ion	Total Property, Plant and Equipment
£000s	£000s	£000s	£000s	£000s
1,402	5,133	1,717	1,624	648,251
0	29	0	1,614	15,905
0	0	0	0	0
0	0	474	0	-14,416
0	0	-279	0	-155,567
0	0	0	0	-6,306
0	0	0	0	0
0	0	-523	0	-669
0	-28	1	-1,624	-1,607
1,402	5,134	1,390	1,614	485,591
-226	-3	-63	0	-18,320
-13	-1	-44	0	-7,525
0	0	3	0	6,448
1	0	13	0	1,254
0	0	0	0	0
0	0	0	0	-1
0	0	0	0	256
0	0	0	0	0
0	0	0	0	-16
-238	-4	-91	0	-17,904
1,176	5,130	1,654	1,624	629,931
1,164	5,130	1,299	1,614	467,687

D. Notes to the Core Financial Statements

Movements in 2011/12	Council Dwellings	Housing Land and Buildings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment
	£000s	£000s	£000s	£000s
Cost or Valuation				
At 1st April 2011	364,587	17,736	83,251	10,477
Additions	21,156	28	3,590	940
Donations	0	0	0	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-64	388	-313	-188
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	-4,114	3	-5,547	-699
Derecognition – disposals	-1,835	0	-154	-4,268
Derecognition – other	0	-225	0	0
Assets reclassified (to) / from Held for sale	0	0	-150	0
Other movements in cost or valuation	0	0	1,278	55
At 31 March 2012	379,730	17,930	81,955	6,317
Accumulated Depreciation and Impairment				
At 1 April 2011	-4,065	-322	-6,621	-6,563
Depreciation Charge	-6,501	-320	-1,799	-438
Depreciation written out to the revaluation reserve	2	158	1,196	275
Depreciation written out to the Surplus/Deficit on the Provision of Services	4,062	8	4,314	278
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	-20	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	-51	-11	0
Derecognition – Disposals	28	0	22	3,576
Derecognition – other	0	8	0	0
Other Movements	0	0	3	-3
At 31 March 2012	-6,474	-519	-2,916	-2,875
Net Book Value				
At 31 March 2011	360,522	17,414	76,630	3,914
At 31 March 2012	373,256	17,411	79,039	3,442

D. Notes to the Core Financial Statements

Infra-structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
£000s	£000s	£000s	£000s	£000s
1,402	5,134	1,390	1,614	485,591
0	419	0	2,130	28,263
0	0	0	0	0
0	0	-65	0	-242
0	0	1	0	-10,356
0	0	0	0	-6,257
0	0	0	0	-225
0	0	-735	0	-885
0	3	0	-1,614	-278
1,402	5,556	591	2,130	495,611
-238	-4	-91	0	-17,904
-16	-5	-20	0	-9,099
0	0	87	0	1,718
0	0	0	0	8,662
0	0	0	0	-20
0	0	0	0	-62
0	0	0	0	3,626
0	0	0	0	8
0	0	0	0	0
-254	-9	-24	0	-13,071
1,164	5,130	1,299	1,614	467,687
1,148	5,547	567	2,130	482,540

The tables in note 12a) above include several assets valued at depreciated replacement cost (DRC). In common with some other local authorities, the Royal Institute of Chartered Surveyors (RICS) methodology for calculating DRC has been used. This requires financing costs to be incorporated into the calculation, while the CIPFA Code of Practice on Local Authority Accounting methodology for calculating DRC requires financing costs to be excluded. The total value of property plant and equipment is therefore over stated by £1.447m, relating to the financing costs included in the RICS methodology.

D. Notes to the Core Financial Statements

b) Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

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 & 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

c) Capital Commitments

At 31 March 2012, the Authority has a number of committed contracts for the construction or enhancement of Property, Plant, and Equipment in 2012/13 and future years budgeted to cost £1,925k. Similar commitments at 31 March 2011 were £634k. The major commitments are:

Contract	Contractor	2012/13 £000s	2013/14 £000s	2014/15 £000s	Basis of Commitment
Periodical Electrical Works		125	125	125	Planned & responsive Electrical repairs
Community Energy Savings Programme (CESP)	E.ON Energy Solutions Ltd	750	0	0	Provision of Energy saving works to Housing stock
Complete Roofs		400	200	200	Roofing works on Housing properties
Total		1,275	325	325	

d) Effects of Changes in Estimates

In line with FRS30, Heritage Assets have been recognised on the face of the balance sheet, separately from Property, Plant and Equipment. Heritage Assets are those that are intended to be preserved in trust for future generations because of their cultural, environmental, or historical associations.

Many of the assets now identified as Heritage were previously held at nominal cost. During 2011 they were revalued by Arts & Antiques Ltd and given a market value. This

D. Notes to the Core Financial Statements

is being used as an estimate of their value as at 1 April 2009 and the balance sheets for 2009/10 and 2010/11 have been restated.

The net value of Heritage Assets previously reported as part of Property, Plant & Equipment was £884,716. The net increase in non-current assets as a result of the revaluation exercise is £32,434,071.

In 2010/11, the Authority made one material change to its accounting estimates for Property, Plant, and Equipment. In line with guidance issued by the Royal Institute of Chartered Surveyors, the reduction to the market value of Social Housing to reflect its existing use has increased from 50% to 66%. This resulted in additional revaluation losses of £165m, and, as a result, reduced depreciation charges to the HRA of approximately £1.9m.

e) Revaluations

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

The significant assumptions applied in estimating the fair values are:

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

	Council Dwellings	Other HRA Land & Build.	Other Land & Build.	Vehicles, Plant, Furniture & Equip.	Surplus Assets	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Carried at Historical Cost	0	0	0	0	0	0
Valued at fair value in						
2011/12	360,409	11,497	57,789	10,186	735	440,616
2010/11	0	6,241	3,970	0	359	10,570
2009/10	0	37	7,719	0	0	7,756
2008/09	0	71	6,979	0	0	7,050
2007/08	0	281	934	0	181	1,396
Previous Years	0	0	0	0	50	50
Total	360,409	18,127	77,391	10,186	1,325	467,438

D. Notes to the Core Financial Statements

f) Information on Assets Held

31/03/2011		31/03/2012
Number	Operational Assets	Number
12,201	Council Dwellings	12,102
	Other Land and Buildings	
	Council Houses not used as dwellings -	
27	Community Rooms	27
90	Shared Ownership Properties	89
3,202	Council Garages	3,150
16	Other Housing Properties	16
68	Operational Shops	66
0	Other Garages	0
1	Guildhall	1
62.88ha	Allotments	62.88ha
5	Sports & Leisure Centres	5
26	Community Centres	26
2	Museums, Art Galleries	1
1	Open Markets	1
13	Public Conveniences	13
5	Multi-Storey Pay & Display Car Parks	5
3	Local Area Offices	3
3	Central Administrative Offices	3
1	Gypsy Site	1
1	Bus Station	1
19	Surface Pay & Display Car Parks	19
1	Depots	1
13	Sub-Depots	13
73	Infrastructure	73
223	Vehicles, Plant, Furniture and Equipment	186
	Community Assets	
887.45ha	Parks and Open Spaces	887.45ha
4	Historical Buildings	2
34	Monuments/Memorials/Exhibitions	2
6	Pavilions	6
8	Cemeteries	8
	Heritage Assets	
37	Buildings & Statuary	37
163	Museum Exhibits	163
123	Guildhall Contents	123
15	Mayoral Regalia	15
	Non-operational Assets	
290	Commercial Property (Units)	290
65.97ha	Agricultural Land	65.97ha
1	Golf Course	1
1	Theatres	1
1	Indoor Market/Arts Venue	1
53	Intangible Assets	54

D. Notes to the Core Financial Statements

g) Donated Assets

The Council did not hold any donated assets in 2010/11 or 2011/12.

h) Heritage Assets

Reconciliation of the heritage assets held by the authority:

	Historic Buildings & Statuary	Museum Exhibits	Mayoral Regalia	Guildhall Artefacts	Total Heritage Assets
	£,000		£,000	£,000	£,000
Cost or Valuation					
1 April 2011	1,717	29,655	48	1,932	33,352
Additions	112	0	0	0	112
Disposals	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	3,096	0	0	0	3,096
Revaluation increases/(decreases) recognised in Surplus or Deficit on the Provision of Services	0	0	0	0	0
31 March 2012	4,925	29,655	48	1,932	36,560
Depreciation and Impairment					
1 April 2011	-33	0	0	0	-33
Depreciation	-53	0	0	0	-53
Disposals	0	0	0	0	0
Depreciation written out to the revaluation reserve	61	0	0	0	61
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	-1	0	0	-1
31 March 2012	-25	-1	0	0	-26
Net Book Value					
at 31 March 2011	1,684	29,655	48	1,932	33,319
at 31 March 2012	4,900	29,654	48	1,932	36,534

D. Notes to the Core Financial Statements

	Historic Buildings & Statuary	Museum Exhibits	Mayoral Regalia	Guildhall Artefacts	Total Heritage Assets
	£,000		£,000	£,000	£,000
Cost or Valuation					
1 April 2010	1,713	29,707	48	1,932	33,400
Additions	0	0	0	0	0
Disposals	0	-52	0	0	-52
Revaluation increases/(decreases) recognised in the Revaluation Reserve	4	0	0	0	4
Revaluation increases/(decreases) recognised in Surplus or Deficit on the Provision of Services	0	0	0	0	0
31 March 2011	1,717	29,655	48	1,932	33,352
Depreciation and Impairment					
1 April 2010	-67	0	0	0	-67
Depreciation	-16	0	0	0	-16
Disposals	0	0	0	0	0
Depreciation written out to the revaluation reserve	50	0	0	0	50
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0
31 March 2011	-33	0	0	0	-33
Net Book Value					
at 31 March 2010	1,646	29,707	48	1,932	33,333
at 31 March 2011	1,684	29,655	48	1,932	33,319

Buildings & Statuary

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

Museum Exhibits

Museum Exhibits were valued in March 2010 by Arts and Antiques Ltd for insurance purposes, 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 designated as being of national importance.

Mayoral Regalia

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

D. Notes to the Core Financial Statements

Guildhall Artefacts

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

Enhancements of Heritage Assets

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

There were no disposals of Heritage Assets in 2011/12

13. 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:

2010/11		2011/12
£000s		£000s
-569	Rental income from investment property	-892
9	Direct operating expenses arising from investment property	19
-560	Net (gain) / loss	-873

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

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

2010/11		2011/12
£000s		£000s
7,058	Balance at start of the year	6,664
	Additions:	
0	Purchases	0
0	Construction	0
0	Subsequent expenditure	0
0	Disposals	0
	Transfers:	
0	to/from Inventories	0
-315	to/from Property, Plant and Equipment	206
-79	Net Gains / Losses from fair value adjustments	651
6,664	Balance at end of year	7,521

D. Notes to the Core Financial Statements

14. INTANGIBLE ASSETS

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

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

	Internally Generated Assets	Other Assets
	£000s	£000s
3 Years	0	274
5 Years	0	2,371
10 Years	0	614
Total	0	3,259

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £909k charged to revenue in 2011/12 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.

D. Notes to the Core Financial Statements

b) Movements

2010/11				2011/12		
Internally Generated Assets	Other Assets	Total		Internally Generated Assets	Other Assets	Total
£000s	£000s	£000s		£000s	£000s	£000s
			Balance at start of year			
0	4,581	4,581	Gross carrying amounts	0	5,271	5,271
0	-1,211	-1,211	Accumulated amortisation	0	-1,351	-1,351
0	3,370	3,370	Net carrying amount at start of year	0	3,920	3,920
0	441	441	Purchases	0	298	298
0	1,550	1,550	Changes in Asset class - Gross value	0	73	73
0	15	15	Changes in Asset class - Amortisation	0	0	0
0	-1,301	-1,301	Disposals - Gross value	0	-463	-463
0	603	603	Disposals - Amortisation	0	340	340
0	-758	-758	Amortisation for the Period	0	-909	-909
0	3,920	3,920	Net carrying amount at end of year	0	3,259	3,259
			Comprising:			
0	5,271	5,271	Gross carrying amounts	0	5,179	5,179
0	-1,351	-1,351	Accumulated Amortisation	0	-1,920	-1,920
0	3,920	3,920	Net carrying amount at end of year	0	3,259	3,259

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

31 March 2011		31 March 2012	Remaining Amortisation Period
£000s		£000s	
1,883	IBS - Housing Management System	1,575	4 Years

D. Notes to the Core Financial Statements

15. FINANCIAL INSTRUMENTS

a) Categories of Financial Instruments

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

	Long-Term		Current	
	31 March 2011	31 March 2012	31 March 2011	31 March 2012
	£000s	£000s	£000s	£000s
Investments				
Loans and receivables	0	0	79,189	37,293
Total Investments	0	0	79,189	37,293
Debtors				
Loans and receivables	33	240	6,823	6,345
Total Debtors	33	240	6,823	6,345
Borrowings				
Financial Liabilities at amortised cost	-32,046	-216,092	-586	-348
Financial liabilities at fair value through profit and loss	0	0	0	0
Total Borrowings	-32,046	-216,092	-586	-348
Other Long Term Liabilities				
PFI and finance leases	-351	-418	0	0
Total Other long term liabilities	-351	-418	0	0
Creditors				
Financial Liabilities at amortised cost	-4,240	-3,825	-14,271	-12,581
Total Creditors	-4,240	-3,825	-14,271	-12,581

b) Reclassifications

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

D. Notes to the Core Financial Statements

c) Income, Expense, Gains, and Losses

2010/11				2011/12		
Financial Liabilities measured at amortised cost	Financial Assets: Loans and Receivables	Total		Financial Liabilities measured at amortised cost	Financial Assets: Loans and Receivables	Total
£000s	£000s	£000s		£000s	£000s	£000s
-1,792	0	-1,792	Interest expenditure	-1,625	0	-1,625
0	-1,054	-1,054	Impairment losses	0	-508	-508
-1,792	-1,054	-2,846	Total Expense in Surplus or Deficit on the Provision of Services	-1,625	-508	-2,133
0	1,876	1,876	Interest income	0	812	812
0	1,876	1,876	Total Income in Surplus or Deficit on the Provision of Services	0	812	812
-1,792	822	-970	Net gain/(loss) for the year	-1,625	304	-1,321

The authority did not have any Financial Assets available for sale or Assets and Liabilities at Fair Value through profit and loss for either 2010/11 or 2011/12.

d) Fair Values of Assets and Liabilities

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

- Estimated ranges of interest and discount rates at 31 March 2012:
 - 1.80% to 4.36% for loans from the PWLB based on new lending rates for equivalent loans at that date;
 - 1.42% to 4.29% for other loans payable, based on discount rates applying at 31 March 2012;
 - 0.39% to 1.17% for loans receivable, based on new lending rates for equivalent loans at that date;
- no early repayment or impairment is recognised;
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2011		31 March 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000s	£000s	£000s	£000s
Financial Liabilities	-14,857	-14,867	-12,929	-12,929
Long Term Creditors	-36,637	-40,691	-220,335	-196,414

D. Notes to the Core Financial Statements

The fair value of liabilities at 31 March 2012 is lower than the carrying amount at the same date because the Authority's portfolio of loans includes a number of fixed rate loans where the interest payable is lower than the prevailing rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2012) arising from a commitment to pay interest to lenders below current market rates.

The fair value of liabilities at 31 March 2011 was higher than the carrying amount at the same date because the Authority's portfolio of loans included a number of fixed rate loans where the interest payable was higher than the prevailing rates at the Balance Sheet date. This showed a notional future loss (based on economic conditions at 31 March 2011) arising from a commitment to pay interest to lenders above current market rates.

	31 March 2011		31 March 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000s	£000s	£000s	£000s
Loans and Receivables	86,013	86,032	43,638	43,707
Long Term Debtors	33	33	240	240

The fair value of the assets at 31 March 2011 and 31 March 2012 is higher than the carrying amount at the same date because the Authority's portfolio of investments includes a number of fixed rate loans where the interest payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2011 and 31 March 2012 respectively) attributable to the commitment to receive interest above current market rates.

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

e) Short Term Borrowing

31 March 2011	Short Term Borrowing	31 March 2012
£000s		£000s
80	Billing Parish Council 7 day notice account	90
94	Northampton Volunteer Bureau 7 day notice account	239
17	HCA principal due within 1 year	19
191		348

D. Notes to the Core Financial Statements

f) Long Term Borrowing

31 March 2011	Long Term Borrowing	31 March 2012
£000s		£000s
	Analysis of loans by type	
6,049	Public Works Loan Board	190,113
24,788	Money Market LOBOs	24,788
1,209	Homes & Communities Agency	1,191
32,046		216,092
	Analysis of loans by maturity	
19	Maturing in 1-2 years	20
17,802	Maturing in 2-5 years	23,824
4,193	Maturing in 5-10 years	12,194
10,032	Maturing in over 10 years	180,054
32,046		216,092

g) Investments

31/03/2011	Investment Type	31/03/2012
£,000		£,000
	Included in Cash and Cash Equivalents	
21,004	Deposit and Call Accounts	10,141
5,000	Money Market Funds	3,930
9,000	Fixed Term Investments	11,000
35,004		25,071
	Current Investments - Under 1 Year	
4,007	Building Society Investments < 1 Year	0
34,139	Bank Investments < 1 Year	12,089
6,011	Local Authorities < 1 Year	0
5	Other Investments < 1 Year	0
44,162		12,089
	Long Term Investments - Over 1 Year	
0	Long Term Investments - Fixed Term	0
0		0
79,166	Total	37,160

D. Notes to the Core Financial Statements

16. INVENTORIES

	Westbridge Depot Main Stores	Sub Stores	Other Stores	Total
	£000s	£000s	£000s	£000s
2010/11				
Balance outstanding at start of year	219	55	163	437
Purchases	1,091	763	468	2,322
Revaluations	0	3	4	7
Recognised as an expense in the year	-1,042	-714	-459	-2,215
Written off balances	0	-44	-5	-49
Reversals of write-offs in previous years	0	0	0	0
Reclassification / Transfers	0	0	0	0
Balance outstanding at year end	268	63	171	502
2011/12				
Balance outstanding at start of year	268	63	171	502
Purchases	1,034	8	163	1,205
Revaluations	0	0	11	11
Recognised as an expense in the year	-878	-54	-147	-1,079
Written off balances	-171	0	-18	-189
Reversals of write-offs in previous years	0	0	0	0
Reclassification / Transfers	0	0	-30	-30
Balance outstanding at year end	253	17	150	420

17. CONSTRUCTION CONTRACTS

In 2011/12, the Council did not have any external construction contracts in progress.

D. Notes to the Core Financial Statements

18. DEBTORS

1 April 2010 £,000	31 March 2011 £,000		31 March 2012 £,000
11,041	5,675	Central Government Bodies	11,911
-1,402	-1227	Less Impairment Allowance	-1,728
9,639	4,448	Central Government Bodies	10,183
3,855	2,071	Other Local Authorities	827
-490	-448	Less Impairment Allowance	-120
3,365	1,623	Other Local Authorities	707
78	52	NHS Bodies	0
-10	-11	Less Impairment Allowance	0
68	-337	NHS Bodies	0
2,949	1,560	Public Corporations and Trading Funds	2,718
-374	-337	Less Impairment Allowance	-394
2,575	1,223	Public Corporations and Trading Funds	2,324
11,126	6,366	Other entities and Individuals	5,945
-5,394	-5,860	Less Impairment Allowance	5,661
5,732	506	Other entities and Individuals	284
21,379	7,841	Total	13,498

19. CASH AND CASH EQUIVALENTS

31/03/2011		31/03/2012
£000s		£000s
24	Cash held by the authority	10
0	Bank current accounts - Giro Account	0
24	Total Cash & Giro Accounts	10
-395	Overdraft/Operating Account used as part of cash management	123
21,004	Deposit Account Facilities with banks	10,141
0	Deposit Account Facilities with building societies	0
5,000	Deposits with money market funds	3,930
9,000	Short Term Investments (up to 3 months) with banks	11,000
0	Short Term Investments (up to 3 months) with building societies	0
35,004	Total Cash Equivalents	25,071
34,633	Total Cash and Cash Equivalents	25,204

D. Notes to the Core Financial Statements

20. ASSETS HELD FOR SALE

	Current		Non Current	
	2010/11	2011/12	2010/11	2011/12
	£000s	£000s	£000s	£000s
Balance outstanding at start of year	0	893	0	0
Assets newly classified as held for sale:				
Property Plant and Equipment	984	885	0	0
Intangible Assets	0	0	0	0
Other assets/liabilities in disposal groups	0	0	0	0
Revaluation losses	-91	-85	0	0
Revaluation gains	0	574	0	0
Impairment losses	0	0	0	0
Assets declassified as held for sale:				
Property, Plant and Equipment	0	0	0	0
Intangible Assets	0	0	0	0
Other assets/liabilities in disposal groups	0	0	0	0
Assets sold	0	-1398	0	0
Transfers from non-current to current	0	0	0	0
Other movements	0	0	0	0
Balance outstanding at year end	893	869	0	0

21. CREDITORS

31/03/2010	31/03/2011		31/03/2012
£000s	£000s		£000s
1,573	12,542	Central Government Bodies	1,591
2,546	1,819	Other Local Authorities	1,636
0	0	NHS Bodies	13
6,636	8,461	Public Corporations and Trading Funds	7,242
1,152	992	Other Entities & Individuals	2,039
11,907	23,814		12,521

D. Notes to the Core Financial Statements

22. PROVISIONS

Long Term Provisions

	Insurance Provision	Accumulated Absences	Other Provisions	Total
	£000s		£000s	£000s
Balance at 1 April 2011	-54	0	-5	-59
Additional provisions made	-33	0	0	-33
Amounts used	30	0	0	30
Unused amounts reversed	10	0	0	10
Unwinding of discounts	0	0	0	0
Balance at 31 March 2012	-47	0	-5	-52

Short Term Provisions

	Insurance Provision	Accumulated Absences	Other Provisions	Total
	£000s	£000s	£000s	£000s
Balance at 1 April 2011	-17	-189	0	-206
Additional provisions made	-177	-204	0	-381
Amounts used	2	190	0	192
Unused amounts reversed	11	0	0	11
Unwinding of discounts	0	0	0	0
Balance at 31 March 2012	-181	-203	0	-384

a) Insurance Provision

The provision covers the following risks: -

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

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

The estimated cost of outstanding claims is held in the Insurance provision as at 31st March 2012; an actuarial forecast of future valid claims made against 2011/12 and before is held in the Insurance Reserve.

b) Other

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

The balance of £203k on Short Term Provisions represents a provision for payments for leave time owed to staff at 31st March; there is unlikely to be a claim for this so this is represented as a provision rather than a charge to the accounts.

D. Notes to the Core Financial Statements

23. USABLE RESERVES

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

24. UNUSABLE RESERVES

a) Balances

31/03/2011		31/03/2012
£000s		£000s
-46,046	Revaluation Reserve	-49,477
658	Financial Instruments Adjustment Account Available for Sale Financial Instruments Reserve	343
0		0
-446,405	Capital Adjustment Account	-265,882
-35	Deferred Capital Receipts Reserve	-270
95,536	Pensions Reserve	115,030
0	Collection Fund Adjustment Account	0
0	Unequal Pay Back Pay Account	0
190	Short Term Compensated Absences Account	204
-396,102		-200,052

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.

D. Notes to the Core Financial Statements

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.

General Fund	Housing Revenue Account	2010/11		General Fund	Housing Revenue Account	2011/12
£000s	£000s	£000s		£000s	£000s	£000s
-42,069	-14,836	-56,905	Balance at 1 April	-42,494	-3,552	-46,046
-3,930	-1,512	-5,442	Upward Revaluation of assets	-5,081	-1,105	-6,186
668	12,686	13,354	Downward Revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	1,011	71	1,082
-3,262	11,174	7,912	Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	-4,070	-1,034	-5,104
1,220	91	1,311	Difference between fair value depreciation and historical cost depreciation	582	102	684
1,617	19	1,636	Accumulated gains on assets sold or scrapped	912	77	989
2,837	110	2,947	Amounts written off to the Capital Adjustment Account	1,494	179	1,673
-42,494	-3,552	-46,046	Balance at 31 March	-45,070	-4,407	-49,477

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.

2010/11		2011/12
£000s		£000s
973	Balance as at 1 April	658
-315	Transitional Arrangements - Unattached Premia	-315
658	Balance as at 31 March	343

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.

D. Notes to the Core Financial Statements

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

e) Capital Adjustment Account

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

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

D. Notes to the Core Financial Statements

General Fund	HRA	2010/11		General Fund	HRA	2011/12
£000s	£000s	£000s		£000s	£000s	£000s
-71,419	-527,218	-598,637	Balance at 1 April	-64,670	-381,734	-446,404
			Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:			
			- Charges for depreciation and impairment of non current assets	2,329	6,885	9,214
3,148	4,393	7,541	- Revaluation losses on Property, Plant and Equipment	2,995	5,736	8,731
3,737	151,457	155,194	- Revaluation gains on Property, Plant and Equipment	-1,341	-5,695	-7,036
-452	-131	-583	- Amortisation of intangible assets	498	411	909
589	170	759	- Revenue expenditure funded from capital under statute	4,364	192,920	197,284
3,924	35	3,959	- 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	2,168	2,202	4,370
5,769	1,031	6,800				
16,715	156,955	173,670		11,013	202,459	213,472
			Adjusting amounts written out of the Revaluation Reserve	-1,360	-314	-1,674
-2,836	-110	-2,946				
13,879	156,845	170,724	Net written out amount of the cost of the Revaluation Reserve	9,653	202,145	211,798
			Capital financing applied in the year:			
			- Use of the Capital Receipts Reserve to Finance new capital expenditure	-4,280	-698	-4,978
-2,617	-679	-3,296	- Use of the Major Repairs Reserve to finance new capital expenditure	0	-8,161	-8,161
0	-10,122	-10,122	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital expenditure	-3,061	0	-3,061
-1,775	-393	-2,168	- Application of grants to capital financing from the Capital Grants Unapplied Account	-1,462	58	-1,404
-1,737	-132	-1,869	- Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	-446	0	-446
-716	0	-716	- Capital expenditure charged against the General Fund and HRA balances	-119	-12,455	-12,574
-193		-193				
-7,038	-11,326	-18,364		-9,368	-21,256	-30,624
			Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	-652	0	-652
-127	0	-127				
			Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	0	0	0
0	0	0				
-64,705	-381,699	-446,404	Balance at 31 March	-65,037	-200,845	-265,882

f) Deferred Capital Receipts Reserve

D. Notes to the Core Financial Statements

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

2010/11		2011/12
£000s		£000s
-40	Balance as at 1 April	-35
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-281
5	Transfer to the Capital Receipts Reserve upon receipt of cash	46
-35	Balance as at 31 March	-270

g) Pensions Reserve

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

2010/11		2011/12
£000s		£000s
165,657	Balance as at 1 April	95,537
-43,595	Actuarial gains or losses on pension assets and liabilities	20,240
-18,133	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of services in the Comprehensive Income and Expenditure Statement	6,927
-8,349	Employer's pensions contributions and direct payments to pensioners payable in the year	-7,968
-43	Pensions Correction	295
95,537	Balance as at 31 March	115,031

h) Collection Fund Adjustment Account

D. Notes to the Core Financial Statements

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

2010/11		2011/12
£000s		£000s
174	Balance as at 1 April	0
-174	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	0
0	Balance as at 31 March	0

i) Unequal Pay Back Pay Account

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

j) Short Term Compensated Absences Account

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

2010/11		2011/12
£000s		£000s
230	Balance as at 1 April	190
-40	Movements in year	14
190	Balance as at 31 March	204

D. Notes to the Core Financial Statements

25. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2010/11		2011/12
£'000		£'000
(119,853)	Net Surplus or (Deficit) on the Provision of Services	(194,472)
	<u>Adjust net surplus or deficit on the provision of services for non cash movements</u>	
7,541	Depreciation	9,214
155,194	Impairment and downward valuations	1,695
758	Amortisation	909
0	Adjustments for effective interest rates	0
10	Increase/Decrease in Interest Creditors	53
2,302	Increase/Decrease in Creditors	4,020
1,373	Increase/Decrease in Interest and Dividend Debtors	90
5,052	Increase/Decrease in Debtors	(5,400)
(64)	Increase/Decrease in Inventories	82
(26,525)	Pension Liability	(746)
(922)	Contributions to/(from) Provisions	170
6,748	Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets]	4,370
0	Issuing of Council Mortgages relating to deferred capital receipts	0
14,000	Carrying amount of short and long term investments sold	0
(127)	Movement in Investment Property Values	(651)
165,340	Adjusted net surplus or deficit on the provision of services for non cash movements	13,806
	<u>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</u>	
(3,375)	Capital Grants credited to surplus or deficit on the provision of services	(3,453)
(14,000)	Proceeds from the sale of short and long term investments	0
(8,382)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(3,764)
(25,757)	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	(7,217)
19,730	Net Cash Flows from Operating Activities	(187,883)

D. Notes to the Core Financial Statements

26. CASH FLOW STATEMENT - OPERATING ACTIVITIES (INTEREST)

2010/11		2011/12
£'000		£'000
3,249	Interest Received	902
(1,756)	Interest Paid	(1,572)
0	Dividends Received	0
1,493	Total	(670)

27. CASH FLOW STATEMENT - INVESTING ACTIVITIES

2010/11		2011/12
£'000		£'000
(16,333)	Purchase of Property, Plant and Equipment, investment property and intangible assets	(28,265)
(44,005)	Purchase of short and long term investments	(29,000)
0	Other payments for investing activities	(274)
8,387	Proceeds from the sale of property plant and equipment, investment property and intangible assets	1,809
14,000	Proceeds from short-term and long-term investments	61,005
3,848	Other Receipts from Investing Activities	4,434
(34,103)	Total Cash Flows from Investing Activities	9,709

D. Notes to the Core Financial Statements

28. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2010/11		2011/12
£'000		£'000
10	Cash receipts of short and long term borrowing	- 184,230
16,491	Billing Authorities - Council Tax and NNDR adjustments	(15,021)
(189)	Repayment of Short-Term and Long-Term Borrowing	(92)
(115)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(370)
16,197	Total Cash Flows from Financing Activities	168,747

29. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

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

D. Notes to the Core Financial Statements

	2010/11				
	Chief Executive	Director of Environment and Culture	Director of Finance and Support	Director of Planning and Regeneration	Borough Solicitor
	£000s	£000s	£000s	£000s	£000s
Fees, charges and other service income	-522	-13,058	-2,035	-2,964	-258
Surplus or deficit on associates and joint ventures	0	0	0	0	0
Interest and investment income	0	0	0	0	0
Income from council tax	0	0	0	0	0
Government grants and contributions	-404	-2,897	-83,054	-354	-51
Employee expenses	2,210	13,878	-12,448	3,930	880
Other service expenses	2,490	10,691	89,049	2,822	142
Support service recharges	1,876	2,947	-8,754	-936	-786
Depreciation, amortisation and impairment	337	4,586	1,538	401	10
Interest payments	0	0	0	0	0
Pensions interest cost and expected return on pensions assets	0	0	0	0	0
Precepts and levies	0	0	0	0	0
Payments to Housing Capital Receipts Pool	0	0	0	0	0
Gain or loss on disposal of non-current assets	2	0	897	-33	0
Surplus or deficit on the provision of services	5,989	16,147	-14,807	2,866	-63

	2011/12				
	Chief Executive	Director of Environment and Culture	Director of Finance and Support	Director of Planning and Regeneration	Borough Solicitor
	£000s	£000s	£000s	£000s	£000s
Fees, charges and other service income	-523	-11,993	-2,845	-4,298	-287
Interest and investment income	0	0	0	0	0
Income from council tax	0	0	0	0	0
Government grants and contributions	-17	-4	-85,317	0	0
Employee expenses	2,279	5,085	10,470	3,657	865
Other service expenses	2,575	16,551	88,996	2,617	105
Support service recharges	1,872	2,653	-9,234	339	-720
Depreciation, amortisation and impairment	214	2,042	2,151	-635	17
Interest payments	0	0	0	0	0
Pensions interest cost and expected return on pensions assets	0	0	0	0	0
Precepts and levies	0	0	0	0	0
Payments to Housing Capital Receipts Pool	0	0	0	0	0
Gain or loss on disposal of non-current assets	0	288	-29	-96	0
Surplus or deficit on the provision of services	6,400	14,622	4,192	1,584	-20

D. Notes to the Core Financial Statements

	2010/11				
	Director of Housing	HRA	Debt Financing	Other (Below the line)	Total
	£000s	£000s	£000s	£000s	£000s
Fees, charges and other service income	-2,276	-54,627	0	0	-75,740
Surplus or deficit on associates and joint ventures	0	0	0	0	0
Interest and investment income	0	0	-1,876	0	-1,876
Income from council tax	0	0	0	-14,954	-14,954
Government grants and contributions	-2,541	9,966	0	-20,856	-100,191
Employee expenses	2,627	2,693	0	0	13,770
Other service expenses	1,187	18,304	0	0	124,685
Support service recharges	4,765	4,785	0	0	3,897
Depreciation, amortisation and impairment	22	155,889	0	0	162,783
Interest payments	0	0	1,792	0	1,792
Pensions interest cost and expected return on pensions assets	0	0	0	5,181	5,181
Precepts and levies	0	0	0	906	906
Payments to Housing Capital Receipts Pool	0	0	0	1,231	1,231
Gain or loss on disposal of non-current assets	0	-2,447	0	0	-1,581
Surplus or deficit on the provision of services	3,784	134,563	-84	-28,492	119,903

	2011/12				
	Director of Housing	HRA	Debt Financing	Other (Below the line)	Total
	£000s	£000s	£000s	£000s	£000s
Fees, charges and other service income	-3,482	-57,935	0	-204	-81,567
Interest and investment income	0	-223	-590	0	-813
Income from council tax	0	0	0	-14,966	-14,966
Government grants and contributions	-734	11,972	0	-17,274	-91,374
Employee expenses	2,761	8,881	0	0	33,998
Other service expenses	1,274	21,325	0	0	133,443
Support service recharges	4,571	197,712	0	0	197,193
Depreciation, amortisation and impairment	41	7,337	0	0	11,167
Interest payments	0	70	1,555	0	1,625
Pensions interest cost and expected return on pensions assets	0	801	0	2,466	3,267
Precepts and levies	0	0	0	922	922
Payments to Housing Capital Receipts Pool	0	0	0	973	973
Gain or loss on disposal of non-current assets	4	437	0	0	604
Surplus or deficit on the provision of services	4,435	190,377	965	-28,083	194,472

D. Notes to the Core Financial Statements

30. TRADING ACCOUNTS

The Authority has established 2 trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the authority or other organisations. Details of these units are as follows:

2009/10 Net	2010/11 Net		2011/12 Income	2011/12 Exp.	2011/12 Net
£000s	£000s		£000s	£000s	£000s
2,730	-514	Property Management	-2,988	1,377	-1,611
88	21	Construction Services	0	11	11
2,818	-493	Total Surplus\Deficit	-2,988	1,388	-1,600

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

2009/10 Net	2010/11 Net		2011/12 Income	2011/12 Exp.	2011/12 Net
£000s	£000s		£000s	£000s	£000s
-2	4	Trade Refuse	0	1	1
482	729	Markets	-492	1,309	817
480	733	Total Surplus\Deficit	-492	1,310	818

31. AGENCY SERVICES

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

2010/11		2011/12
£000s		£000s
438	Administration costs and ancillary services	271
-289	Income including transfer fees from NCC	-187
149	Net surplus / deficit arising on the agency agreement	84

D. Notes to the Core Financial Statements

32. POOLED BUDGETS

The Council has entered into a pooled budget arrangement with its partners, led by Northamptonshire County Council, to work together to increase the joint working they undertake to improve the well being of children and young people in their area and to better deliver the "Every Child Matters" agenda. In 2011/12 the Borough's contribution to the pooled budget was £10k (£13k in 2010/11).

The contributions were agreed to be in the following proportions for 2011/12: -

Northamptonshire County Council	59%
PCT	29%
District / Borough Councils in Northamptonshire (Total)	10%
Police Authority	2%

The contributions are subject to change as per the agreement.

2010/11		2011/12
£000s		£000s
-198	Balance Brought Forward	-256
	Funding Provided to the Pool	
-13	Northampton BC	-11
-710	The Partners	-573
-723		-584
665	Expenditure Met from the Pool	596
-256	Balance Carried Forward	-244

33. MEMBERS' ALLOWANCES

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

2010/11		2011/12
£000s		£000s
	Expenditure	
27	Mayor/Deputy Mayor Allowance	26
420	Members' Allowances	399
3	Expenses	3
450	Total	428

D. Notes to the Core Financial Statements

34. OFFICERS' REMUNERATION

a) Senior Officers

Job Title	Year	Note	Salary (inc Fees & Allowances)	Compensation for loss of Office	Benefits in Kind (Car Allowance)	Total Remuneration excl Pension	Pension Contributions	Total Remuneration including Pension
			£000s	£000s	£000s	£000s	£000s	£000s
Chief Executive	2011/12		138	0	1	139	18	157
	2010/11		138	0	1	139	38	177
Assistant Chief Executive	2011/12	1	64	60	1	125	9	134
	2010/11		83	0	1	84	23	107
Borough Solicitor	2011/12		70	0	1	71	9	80
	2010/11		69	0	0	69	19	88
Director of Environment & Culture	2011/12		111	0	1	112	15	127
	2010/11		111	0	1	112	30	142
Director of Finance & Support	2011/12		105	0	1	106	14	120
	2010/11		105	0	1	106	28	134
Director of Housing	2011/12		105	0	1	106	14	120
	2010/11		105	0	1	106	28	134
Director of the Local Strategic Partnership	2011/12		63	0	1	64	9	73
	2010/11		67	0	1	68	19	87
Director of Planning & Regeneration	2011/12		102	0	1	103	14	117
	2010/11		102	0	1	103	27	130
Head of Culture & Leisure	2010/11	6	56	0	2	58	15	73
Head of Customer Service & ICT	2011/12		67	0	1	68	9	77
	2010/11		67	0	1	68	18	86
Head of Housing Needs & Support	2011/12		80	0	0	80	11	91
	2010/11		80	0	0	80	22	102
Head of Human Resources	2011/12		83	0	1	84	11	95
	2010/11		83	0	1	84	22	106
Head of Joint Planning Unit	2011/12		65	0	1	66	9	75
	2010/11		63	0	1	64	18	82
Head of Landlord Services	2011/12	2	70	42	1	113	9	122
	2010/11		77	0	1	78	21	99
Head of Neighbourhood & Environment Services	2011/12	3	13	0	0	13	2	15
	2010/11		67	0	0	67	18	85
Head of Northampton Area Procurement Service	2011/12	4	2	5	0	7	0	7
	2010/11		55	0	1	56	15	71
Head of Performance & Improvement	2011/12	5	56	0	0	56	7	63
	2010/11		55	0	1	56	15	71
Head of Planning	2011/12		85	0	1	86	11	97
	2010/11		85	0	1	86	23	109
Head of Policy & Community Engagement	2011/12		62	0	1	63	8	71
	2010/11		62	0	1	63	17	80
Head of Public Protection	2011/12		56	0	1	57	7	64
	2010/11		56	0	1	57	15	72
Head of Regeneration & Development	2011/12		71	0	1	72	9	81
	2010/11		71	0	1	72	19	91
Head of Revenues & Benefits	2011/12		59	0	1	60	8	68
	2010/11		58	0	1	59	16	75

D. Notes to the Core Financial Statements

Head of Finance	2011/12		65	0	0	65	7	72
	2010/11	7	37	0	0	37	10	47
Head of Finance & Assets	2010/11	8	27	0	1	28	8	36
Total	2011/12		1,592	107	17	1,716	210	1,926
	2010/11		1,779	0	21	1,800	474	2,274

Notes re 2011/12

- 1 Assistant Chief Executive left December 2011 - Annualised Salary £82k
- 2 Head of Landlord Services left March 2012 - Annualised Salary £76k
- 3 Head of Neighbourhood & Environment Services post Outsourced to Enterprise 3 June 2011 Annualised Salary £65k
- 4 Head of Performance & Improvement left March 2012 - Annualised Salary £56k
- 5 Head of Northamptonshire Area Procurement Service left April 2011 Annualised Salary £55k

Notes re 2010/11

- 6 Head of Leisure & Culture post deleted from NBC establishment due to set up of Northampton Leisure Trust from 1 April 2011
- 7 Head of Finance - Appointment September 2010 - Annualised Salary £63,453
- 8 Head of Finance & Assets - Left August 2010 - Annualised Salary £67,317

D. Notes to the Core Financial Statements

b) Officers paid over £50,000

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

2010/11 No. of Employees	Remuneration Band	2011/12 No. of Employees
4	£50,000 - £54,999	9
6	£55,000 - £59,999	3
4	£60,000 - £64,999	3
4	£65,000 - £69,999	3
1	£70,000 - £74,999	2
1	£75,000 - £79,999	0
3	£80,000 - £84,999	2
1	£85,000 - £89,999	1
0	£90,000 - £94,999	0
0	£95,000 - £99,999	0
1	£100,000 - £104,999	1
2	£105,000 - £109,999	2
1	£110,000 - £114,999	2
0	£115,000 - £119,999	0
0	£120,000 - £124,999	0
0	£125,000 - £129,999	1
0	£130,000 - £134,999	0
1	£135,000 - £139,999	1

c) Exit Packages

(a) Exit Package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other agreed departures		(d) Total Number of exit packages by cost band (b + c)		(e) Total cost of exit packages in each band	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11 £'000	2011/12 £'000
£0 - £20,000	10	14	19	5	29	19	£219	£154
£20,001 - £40,000	0	2	3	0	3	2	£86	£42
£40,001 - £60,000	0	3	3	1	3	4	£141	£186
£60,001 - £80,000	0	1	0	0	0	1	£0	£75
£80,001 - £100,000	0	0	0	0	0	0	£0	£0
£100,001 - £150,000	0	0	0	0	0	0	£0	£0

D. Notes to the Core Financial Statements

The total cost in the table above includes £457k for exit packages that have been agreed, accrued for, and charged to the authority's Comprehensive Income and Expenditure Statement in the current year and £446k for 2010/11.

35. 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:

2010/11		2011/12
£000s		£000s
200	Fees payable with regard to external audit services carried out by the appointed auditor (Section 5 Audit Commission Act 1998)	164
0	Fees payable in respect of statutory inspection (Section 10 Local Government Act 1999)	0
42	Fees payable for the certification of Grant Claims and Returns (Section 28 Audit Commission Act 1998)	33
1	Fees payable in respect of other services provided by the appointed auditor	1
243		198

The Council's appointed auditor for the 2010/11 and 2011/12 Statement of Accounts audits was the Audit Commission.

D. Notes to the Core Financial Statements

36. GRANT INCOME

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

2010/11		2011/12
£000s		£000s
	Credited to Taxation and Non-Specific Grant Income	
-276	Area Based Grant	0
-713	Concessionary Travel Scheme	0
-2,401	Revenue Support Grant	-3,354
-16,535	NNDR from Pool	-10,852
-33	Other Grants individually less than £100,000	-558
0	Council tax freeze grant	-351
0	New Homes Bonus	-989
0	Housing & Planning Delivery Grant	-266
0	West Northants Development Corporation	-1,000
0	Northants Improvement and Efficiency Partnership	-109
-19,958	Total	-17,479
	Credited to Services	
-359	Additional Housing Admin. Grant	-170
-15,140	Council Tax Benefit Subsidy	-15,014
-891	Rent Rebate Subsidy Limitation Claim	-818
-110	Northampton County Council Contribution for Grass Cutting	-187
-131	Homelessness Admin Grant	-184
-1,662	Housing Benefit Admin. Grant	-1,662
-26,243	HRA Rent Rebates Grant	-27,928
-209	Non HRA Rent Rebates	-269
-228	Northampton Area Procurement Service Contributions	0
-1,149	Northamptonshire County Council Recycling Credits	-1,568
-135	Recruitment Portal project	0
-37,135	Rent Allowance Grant	-39,312
-320	Section 106 Contributions	-23
-199	Shared Customer Contact Centre	-16
0	Home Choice funding	-125
-127	Single Persons Discount	0
-665	Joint Planning Unit Contribution	-568
-310	Supporting People	-140
0	NCC Food Caddies	-495
0	Housing & Planning Delivery Grant paid to planning service	-132
-2,119	Other Grants Individually Less Than £100,000	-721
-87,132	Total	-89,332

D. Notes to the Core Financial Statements

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

Current Liabilities

2010/11		2011/12
£000s		£000s
	Capital Grants Receipts in Advance	
546	S 106 - St Crispins Hospital Site	916
288	S 106 - Pineham	373
305	S 106 - SW Country Park - Swan Valley	0
266	Housing & Planning Delivery Grant	0
474	Other Grants/Contributions Individually Less Than £100,000	0
1,879	Total	1,289
	Revenue Grants Receipts in Advance:	
90	Grants/Contributions Individually Less Than £100,000	135
90	Total	135
	Donated Assets Account:	
0	Grants/Contributions Individually Less Than £100,000	0
0	Total	0

D. Notes to the Core Financial Statements

Long-Term Liabilities

2010/11		2011/12
£000s		£000s
	Capital Grants Receipts in Advance:	
809	S 106 - St Crispins Hospital Site	439
536	S 106 Pineham	68
568	S 106 - SW Country Park - Swan Valley	873
288	S 106 - Land at Upton SWD Ph1 re Country Park	442
289	Other Grants/Contributions Individually Less Than £100,000	229
2,490	Total	2,051
	Revenue Grants Receipts in Advance:	
1,438	S 106 - St Crispins Hospital Site	1,438
137	S 106 - CCTV-Southern Development Link road	125
136	S 106 - CCTV-Harvey Reeves Road	85
105	Other Grants/Contributions Individually Less Than £100,000	125
1,816	Total	1,773
	Donated Assets Account:	
0		0
0	Total	0

37. RELATED PARTIES

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

The UK 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).

Members of the Council have direct control over the Council's financial and operating policies. During 2011/12 expenditure to the value of £3.289m (£1.26m 2010/11) was paid to parties where members had an interest or where they serve as a nominated representative on outside bodies and income to the value of £4.207m (£0.111m in 2010/11) was receivable from these bodies. Contracts were entered into in full compliance with the Council's standing orders. All transactions are recorded in the Register of Members' Interest, open to public inspection at The Guildhall, Northampton.

D. Notes to the Core Financial Statements

There has been an increase in the values between 2010/11 and 2011/12. This is due to firstly the creation of the Leisure Trust. The Council's 3 Leisure Centres and the Cinema transferred to the Trust from April 2011. Councillor Golby is a representative on the board so the Trust's income and expenditure have been included. Secondly two substantial invoices were raised on the 31 March 2012 for the Grants relating to the Bus Station.

The Council approved grant funding (£1.592m) to a number of organisations, some of which have representatives of the Council as members and these are detailed in the Register of Members' Interest. The values involved are not considered by the Council to be material but it is supposed would cause the organisations in question considerable hardship if withdrawn.

Grants paid to outside bodies where a member has an involvement with the organisation:

	2011/12 Payments £
Age Concern	78,625
Northampton Rape Crisis Centre	22,500
Northamptonshire Racial Equality Council	19,500
Storton Pits Local Nature Reserve	23,335
Northampton Theatres Trust	430,092
Northampton Twinning association	700
Total	574,752

D. Notes to the Core Financial Statements

Other Grants Paid to Outside Bodies:

Only values paid over £5k are individually listed.

	2011/12 £
Young Womens Christian Association	5,625
Home-Start Northampton	18,500
Northants Society for Autism	5,500
Indian Hindu Welfare Assoc.	7,500
Doddridge Community Care	16,875
Door To Door Service	73,000
Soup Kitchen	13,500
Tools for Self Reliance	6,125
Volunteer Bureau	126,001
Manna House	8,125
Shopmobility	28,375
Victim Support	18,500
Citizens Advice Bureau	83,250
Welfare Rights Advice Service	83,250
Northampton Womens Aid	46,250
Bellinge Community House	22,500
Families In Partnership	7,500
Multi Agency Protection	8,016
Sunflower Centre	20,000
Community Wardens Police Partnership	94,644
Arts Development NBC	25,000
General All Comm Centres	117,000
Parks & Open Spaces	19,000
Environmental Protection	48,430
Nightsafe - Building Safer Communities	6,975
Domestic Abuse A&E	8,598
Democratic services support	9,000
Northants Community Foundation	50,000
Other small grants (<£5k each)	40,694
Total	1,017,733

D. Notes to the Core Financial Statements

38. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

Total 2010/11		Total 2011/12
£000s		£000s
18,224	Opening Capital Financing Requirement	20,107
	Capital Investment	
15,846	Property, Plant & Equipment	28,263
	Heritage Assets	112
0	Investment Properties	0
441	Intangible Assets	298
3,959	Revenue Expenditure Funded from Capital under Statute	197,284
20,246		225,957
	Sources of Finance	
-2,483	Capital Receipts	-4,978
-812	Sums Set aside from Capital Receipts	0
	Government Grants and Other	
-14,159	Contributions	-12,626
-716	Sums Set aside from Revenue	-446
-193	Direct Revenue Contributions	-12,573
-18,363		-30,623
20,107	Closing Capital Financing Requirement	215,441

D. Notes to the Core Financial Statements

Total 2010/11		Total 2011/12
£000s		£000s
18,224	Opening Capital Financing Requirement	20,107
500	Increase in underlying need to borrow (supported by government financial assistance)	0
1,373	Increase in underlying need to borrow (unsupported by government financial assistance)	195,331
10	Assets acquired under finance lease	454
0	Assets derecognised as finance leases	-509
0	Assets acquired under PFI/PPP	0
1,883	Increase/(decrease) in Capital Financing Requirement	195,334
20,107	Closing Capital Financing Requirement	215,441

39. LEASES

Authority as Lessee

Finance Leases

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

31/03/2011		31/03/2012
£000s		£000s
464	Vehicles, Plant, Furniture and Equipment	384
16	Intangible Fixed Assets	12
480		396

- 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:

D. Notes to the Core Financial Statements

31/03/2011		31/03/2012
£000s		£000s
582	Future minimum lease payments	624
12	Vehicles, Plant, Furniture and Equipment	8
	Intangible Fixed Assets	
594	Future minimum lease payments	632
	Net present value of minimum lease payments	
168	Current	139
351	Non-current	418
519	Present value of minimum lease payments	557
75	Finance costs payable in future years	75

- 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:

31/03/2011		Local Authority as Lessee - Finance Leases	31/03/2012	
Present Value of Leases	Minimum Lease Payments		Present Value of Leases	Minimum Lease Payments
£000s	£000s		£000s	£000s
168	200	Not later than one year	139	164
351	394	Later than one year and not later than five years	331	378
0	0	Later than 5 years	87	90
519	594		557	632

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

31 March 2011	Local Authority as Lessee - Finance Leases - Sub Leases	31 March 2012
£000s		£000s
0	Total future minimum lease payments Vehicles, Plant, Furniture and Equipment	107

Operating Leases

D. Notes to the Core Financial Statements

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

31/03/2011	Local Authority as Lessee - Operating Leases	31/03/2012
£000s		£000s
417	Not later than one year	212
426	Later than one year and not later than five years	424
0	Later than 5 years	26
843	Minimum lease payments	662
0	Future minimum sub-lease payments receivable	-434

- 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:

31/03/2011	Local Authority as Lessee - Operating Leases	31/03/2012
£000s		£000s
	Minimum lease payments	
1,977	Contract Hire	347
65	Other	678
0	Contingent rents	0
0	Sublease payments receivable	-156
2,042		869

Authority as Lessor

Finance Leases

- g) Two new property leases where the authority is lessor, which have been identified as finance leases, commencing during 2011/12.

D. Notes to the Core Financial Statements

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

31 March 2011	Leases - Authority as Lessor - Finance Leases	31 March 2012
£000s		£000s
0	Gross investment in leases Other Land and Buildings	225
0	Net present value of minimum lease payments receivable	
0	Current	6
0	Non-current	136
0	Present value of minimum lease payments receivable	142
0	Unearned finance income	83

- 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 2011		Leases - Authority as Lessor - Finance Leases	31 March 2012	
Gross investment in leases	Minimum Lease payments receivable		Gross investment in leases	Minimum Lease payments receivable
£000	£000		£000	£000
0	0	Not later than one year	17	6
0	0	Later than one year and not later than five years	68	30
0	0	Later than five years	140	100
0	0	Minimum lease payments receivable	225	136

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.

D. Notes to the Core Financial Statements

- 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:

31/03/2011	Local Authority as Lessor - Operating Leases - Minimum Lease Payments	31/03/2012
£000s		£000s
1,777	Not later than one year	2,051
4,876	Later than one year and not later than five years	5,375
34,010	Later than 5 years	53,657
40,663		61,083

The minimum lease payments receivable do not include rents that are contingent on future events, such as adjustments following rent reviews. In 2011/12, £9k contingent rents were receivable by the Authority (£1k in 2010/11).

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

40. IMPAIRMENT LOSSES

During 2011/12 the Council suffered Impairment losses in relation to two properties, both as a result of fires. In both cases it is anticipated that costs of rebuilding these properties will be recovered from insurance and that the value will be reinstated during 2012/13.

During 2010/11 the Council recognised impairment losses of £1,700. This related to small items of equipment that are no longer of operational use following the consolidation of the Council's office accommodation. Land and property assets have been reviewed and no impairment due to economic consumption was identified.

41. CAPITALISATION OF BORROWING COSTS

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

42. TERMINATION BENEFITS

The Authority terminated the contracts of a number of employees in 2011/12, incurring liabilities of £460,408 (£450,507 in 2010/11). Of this total, £101,962 relates to pension strain, and £358,445 relates to the lump sum payments. The majority of these benefits were incurred as a result of restructures that occurred during the year.

43. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make

D. Notes to the Core Financial Statements

the payments that needs to be disclosed at the time that employees earn their future entitlement.

The authority participates in one post employment scheme:

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

Transactions Relating to Post-employment Benefits

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

- a) 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:

D. Notes to the Core Financial Statements

2010/11		2011/12
£000s		£000s
	<u>Comprehensive Income and Expenditure Statement</u>	
	Net Cost of Service	
5,895	Current Service Cost	3,991
-29,209	Past Service Cost	49
0	Settlements and curtailments	-380
-43	Correction of Pension Contributions	295
	Financing and investment Income and Expenditure	
16,295	Interest Cost	13,028
-11,114	Expected Return on Scheme Assets	-9,761
-18,176	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of services	7,222
43,595	Actuarial gains and losses	20,240
25,419	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	27,462
	Movement in Reserves Statement	
-25,419	Reversal of net charges against the Surplus or deficit for the Provision of Services for the post employment benefits in accordance with the Code	-27,462
8,349	Actual amount charged against the General Fund Balance for pensions in the year: employers' contributions payable to scheme	7,968

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31st March 2012 is a loss of £83m.

D. Notes to the Core Financial Statements

Assets and Liabilities in Relation to Post-employment Benefits

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

2009/10	2010/11		2011/12
£000s	£000s		£000s
-208,599	-320,187	Opening Balance	-254,467
-3,430	-5,895	Current Service Cost	-3,991
-14,302	-16,295	Interest Cost	-13,028
-1,742	-1,738	Contribution by Scheme Participants	-1,384
-99,975	50,224	Actuarial Gains/(Losses)	-12,621
-28	29,209	Past Service Gains/(Costs)	-49
-464	0	Curtailment Gains/(Losses)	-200
0	0	Liabilities Extinguished on Settlements	17,156
8,353	10,215	Benefits Paid	11,401
-320,187	-254,467	Closing Balance	-257,183

c) Reconciliation of fair value of the scheme (plan) assets:

2009/10	2010/11		2011/12
£000s	£000s		£000s
111,481	154,530	Opening Balance	158,931
7,192	11,115	Expected Return on Assets	9,761
1,742	1,738	Contribution by Scheme Participants	1,384
7,597	7,539	Contributions by the Employer	6,789
867	854	Contributions in respect of unfunded benefits	884
34,004	-6,629	Actuarial Gains/(Losses)	-7,619
-8,353	-10,216	Assets distributed in settlements	-16,576
		Benefits Paid	-11,401
154,530	158,931	Closing Balance	142,153

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was a loss of £2.2m (£10.561m in 2010/11).

D. Notes to the Core Financial Statements

d) Scheme History

	2007/08	2008/09	2009/10	2010/11	2011/12
	£000s	£000s	£000s	£000s	£000s
Present Value of Scheme Liabilities	-243,308	-208,600	-320,187	-254,468	-257,184
Fair Value of Assets	141,506	111,482	154,530	158,931	142,153
Surplus / (Deficit) in the Scheme	-101,802	-97,118	-165,657	-95,537	-115,031

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability of £115m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2012 is £6.8m.

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. The Local Government Pension Scheme has been assessed by Hymans Robertson LLP, 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 2007.

D. Notes to the Core Financial Statements

e) The principal assumptions used by the actuary have been:

31/03/2011		31/03/2012
	Long Term Expected Rate of Return on Assets in the Scheme	
7.5%	Equity Investments	6.2%
4.9%	Bonds	3.5%
5.5%	Property	4.4%
4.6%	Other	3.5%
	Mortality Assumptions	
	Longevity at 65 for Current Pensioners:	
21.4	- Men	21.4
23.3	- Women	23.3
	Longevity at 65 for Future Pensioners:	
23.4	- Men	23.4
25.5	- Women	25.5
2.8%	Rate of Inflation	2.5%
5.1%**	Rate of Increase in Salaries*	4.8%*
2.8%	Rate of Increase in Pensions	2.5%
5.5%	Rate for Discounting Scheme Liabilities	4.8%
50.0%	Take-up of Option to Convert Annual Pension into Retirement Lump Sum Pre April 2008	50.0%
75.0%	Take-up of Option to Convert Annual Pension into Retirement Lump Sum Post April 2008	75.0%

*Salary increases are assumed to be 1% p.a. until 31st March 2015, reverting to the long term assumption shown thereafter

**Salary increases are assumed to be 1% p.a. until 31st March 2012, reverting to the long term assumption shown thereafter

f) The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

31/03/2011		31/03/2012
72%	Equities	71%
20%	Bonds	21%
6%	Property	6%
2%	Cash	2%
100.0%		100.0%

D. Notes to the Core Financial Statements

History of Experienced Gains and Losses

- g) The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31st March 2012:

	2007/08	2008/09	2009/10	2010/11	2011/12
	£000s	£000s	£000s	£000s	£000s
Fair Value of Employer Assets	141,506	111,482	154,531	158,931	142,153
Experienced Gain/Loss(-) on Assets	-31,927	-41,244	34,004	-6,629	-7,619
Gain/Loss(-) as % of Asset Fair Value	-22.56%	-37.00%	22.00%	-4.17%	-5.36%
Present Value of Liabilities	-243,308	-208,600	-320,188	-254,468	-257,184
Experienced Gain/Loss(-) on Liabilities	6,529	-739	-726	35,113	-4,227
Gain/Loss(-) as % of Total Liabilities	-2.68%	0.35%	0.23%	-13.80%	1.64%

44. CONTINGENT LIABILITIES

The Council is potentially liable for the following payments: -

- The Council has received Deposits under Section 106 agreements, which may be repayable if the conditions for each agreement are not met. No provision has been made in the Accounts for any interest that may become repayable under the terms of the individual agreements. In the event that every one of these deposits becomes repayable with interest, the Council's maximum liability for interest payable as at 31st March 2012 was estimated to be £825k (£887k as at 31st March 2011).
- A capital grant received from the East Midland Development Agency (EMDA) for site clearance of the Blueberry Diner. The grant was awarded on condition of scheme completion within a fixed time period and, due to that time period not having been complied with, up to the full amount of the grant of £2m may be clawed back by EMDA. The Council is making endeavours to secure a development partner for this site and is keeping EMDA fully updated of the progress. To date they have continued to be supportive.
- Currently the Council is involved in the following Human Resources issues:
 - There are 3 Unlawful deduction of earnings cases which if lost could cost £6k
- Under the 1987 [bond issue] Home Group raised finance to carry out development in a number of local authority areas. In so doing they entered into arrangements with local authorities for the purchase of land in return for nomination rights over 50% of the properties constructed. In addition the local authorities agreed to indemnify bond holders against a fixed percentage of indebtedness under the bonds incurred by Home Group. Home Group in turn gave a counter indemnity to the said local authorities in the same amount. Thus, for so long as Home Group remains solvent, there is no practical likelihood of a claim under the indemnity being made against a participant local authority. Home Group has a strong credit rating, the bond issue is underpinned by income from the properties constructed using the finance provided. The NBC proportion of the financial guarantee is 1.35% of £82.551m, representing a value of £1.111m.

D. Notes to the Core Financial Statements

- There is a legal dispute with Mobisoft over the length of a contract with them. The Council's belief is that they were contracted for 12 months but the company dispute this and say the contract was for 4 years. This case is going forward into Law with the worst case scenario being £80k.

45. CONTINGENT ASSETS

The Council is currently monitoring one contingent asset. This is: -

- Historic Costs associated with the redevelopment of Grosvenor / Greyfriars may be reimbursed by the developer depending on agreement of contract terms and the timing of that agreement.

46. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

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

D. Notes to the Core Financial Statements

Credit Risk

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

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

The Annual Investment Strategy also imposes value and investment period limits for each category of approved counterparty. The maximum limits for placements with individual or group counterparties in 2011/12 were £15m and 729 days for UK nationalised or part nationalised banking institutions and UK banks or building societies supported by the UK banking system support package, and £12m and 729 days for counterparties having sovereign ratings of AAA (Overseas or UK). Within this ceiling, lower limits will 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.

The Council's maximum exposure to credit risk in relation to its investments totalling £37.1m in banks, building societies and other institutions cannot be assessed generally as the risk of any counterparty failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2012 that this was likely to crystallise. Deposit protection arrangements, such as the UK banking system support package, will limit any losses that might arise.

D. Notes to the Core Financial Statements

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

Estimated Maximum Exposure to Default and Uncollectability at 31 March 2011		Amount at 31 March 2012	Historical Experience of Default	Historical Experience Adjusted for Market Conditions at 31 March 2012	Estimated Maximum Exposure to Default and Uncollectability at 31 March 2012
£000s		£000s	%	%	£000s
0	Mortgages	32	0.00	0.00	0
0	Finance Leases	237	0.00	0.00	0
95	Customers: Tenants	2,747	3.17	3.17	87
2,215	Customers: Sundry Debtors	4,848	27.43	27.43	1,330
0	Deposits with Banks and Financial Institutions	37,160	0.00	0.00	0
2,310		45,024			1,417

No credit limits were exceeded during the reporting period and the authority 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 2011/12.

The Council does not generally allow credit for customers, (with the exception of mortgagees) such that £7.5m of the £45.0m balance 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 2011	Aged Debt Analysis	Amount at 31 March 2012
£000s		£000s
4,951	Less than three months	3,595
1,427	Three to six months	970
1,375	Six months to one year	618
3,256	More than one year	2,412
11,009		7,595

Impairment on the debtors financial asset has been identified, standing at a total of £6.7m at the end of 2011/12.

The Council holds collateral against a number of mortgages. The balance sheet value of the principal amount outstanding on these is currently £34.1k (£35.8k in 2010/11).

D. Notes to the Core Financial Statements

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

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

Liquidity Risk

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

The maturity analysis of financial liabilities is as follows:

Amount at 31 March 2011	Maturity Profiles of Financial Liabilities	Amount at 31 March 2012
£000s		£000s
-19,097	Less than one year	-12,929
-160	One to two years	-149
-18,011	two to five years	-24,026
-14,226	More than five years	-196,160
-51,494		-233,264

The value of long term liabilities maturing after five years has increased significantly due to new borrowing of £184m, which was taken out by the Council to fund the HRA self financing settlement to the government on 28 March 2012.

D. Notes to the Core Financial Statements

Market Risk

Interest Rate Risk

The Authority is exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, 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;
- Investment at fixed rates – the fair value of the assets will fall.

Borrowing is not carried at fair value, so nominal gains and losses on fixed rate borrowing would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowing and investment 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 Council has a number of strategies for managing interest rate risk. For example, during periods of falling interest rates and where economic circumstances make it favourable, fixed rate loans may be repaid early to limit exposure to losses.

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

According to this assessment strategy, at 31 March 2012, if interest rates had been 1% higher with all other variables held constant, the financial effect would be: -

D. Notes to the Core Financial Statements

Amount at 31 March 2011		Amount at 31 March 2012
£000s		£000s
248	Increase in interest payable on variable rate borrowing	248
-163	Increase in interest receivable on variable rate investments	-283
0	Increase in government grant receivable for financing costs	0
85	Impact on Surplus or Deficit on the Provision of Services	-35
52	Share of overall impact credited to the HRA	82
33	Impact remaining on General Fund	-117
141	Increase in fair value of fixed rate investment assets	57
141	Impact on Other Comprehensive Income and Expenditure	57
13	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)	33

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

Price Risk

The Council 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.

47. BUILDING CONTROL TRADING ACCOUNT

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

D. Notes to the Core Financial Statements

The Building Control chargeable service has, for the three-year period to 31st March 2012, made an operating surplus of £59k on a turnover of £879k. In the previous three-year period to 31st March 2011, there was a deficit of £18k against a turnover of £879k.

	2011/12		
	Chargeable	Non-Chargeable	Total
	£000s	£000s	£000s
Expenditure			
Employees	141	76	217
Premises	0	0	0
Transport	7	4	11
Supplies and services	33	18	51
Support service charges	125	67	192
Capital Charges	0	0	0
Total Expenditure	306	165	471
Income			
Building Regulation fees	-279	0	-279
Other Income	0	0	0
Total Income	-279	0	-279
Surplus (-) / Deficit for Year	27	165	192
	2010/11		
Comparatives for 2010/11	Chargeable	Non-Chargeable	Total
	£000s	£000s	£000s
Expenditure	277	227	504
Income	-345	0	-345
Surplus (-) / Deficit for Year	-68	227	159

D. Notes to the Core Financial Statements

48. PUBLICITY EXPENDITURE

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

2010/11			2011/12	
£000s			£000s	
		Expenditure		
29		Recruitment Advertising	15	
219		Publicity Unit	242	
185		Other Publicity	100	
433		Total	357	

49. LOCAL AUTHORITIES (GOODS AND SERVICES) ACT 1970

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

2010/11			2011/12	
Exp	Income		Exp	Income
£000s	£000s		£000s	£000s
210	-282	Call Care	255	-300
27	-27	Print Services Unit	100	-100
237	-309		355	-400

50. TRUST FUNDS

The Council acts as sole trustee in respect of two Trust Funds. One for the Northamptonshire Regiment Museum (balances of £82k) and the other the Northamptonshire Yeomanry Museums Trust (balances of £1k). The Trust funds are used to finance expenditure on the exhibits donated by the Regiments at their disbandment, which are housed at Abington Museum. Surplus funds are invested and accounted for separately to the Council's funds and no money is expended unless there are funds to do so.

D. Notes to the Core Financial Statements

51. BIG LOTTERY FUND

2010/11 Exp.	2010/11 Income	2010/11 Accrual	Big Lottery Fund Grants	2011/12 Exp.	2011/12 Income	2011/12 Accrual
£000s	£000s	£000s		£000s	£000s	£000s
47	-45	0	Community Spaces - Camp Hill MUGA (Capital)	0	0	0
35	-35	0	Improving Access (Capital)	0	0	0
47	-45	0		0	0	0

52. MINIMUM REVENUE PROVISION

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

The Council approved the Council's Annual MRP statement for 2011/12, which is required by the guidance issued by CLG, on 28th February 2011. The MRP charged to the 2011/12 accounts relates to the general fund historic debt liability incurred for the year.

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

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

The Council's Minimum Revenue Provision, including finance lease adjustments, for 2011/12 was £446k. This compares to £716k in 2010/11.

53. HERITAGE ASSETS – 5 YEAR SUMMARY OF TRANSACTIONS

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

There have been no acquisitions or donations of Heritage Assets since 1 April 2010.

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

D. Notes to the Core Financial Statements

54. HERITAGE ASSETS – COLLECTIONS AND POLICIES

COLLECTIONS

1. Designated Shoe Collections

The boot and shoe collection of shoes and related objects from the industry (The National Shoe Collection) is recognised by Arts Council as a Designated Collection of national and international importance. The Shoe Collection is the largest collection of shoes and related shoe industry objects in the world. The Shoe Collection began purely as a collection of footwear, however, over the years this has developed into a collection covering the whole of the footwear industry worldwide. The whole of The Shoe Collection represents over 50,000 objects that can be broken down into the following subdivisions: Footwear, Machinery, Tools, Lasts, Patterns and components Material associated with the selling of shoes, Polish, shoe trees and other items used in the care of shoes, including shoe repairing, Factory furniture and fittings, Overshoes, spats, gaiters, ice skates and other items worn with shoes (excluding hosiery), Objects shaped like shoes, Archival material including catalogues, photographs and trade magazines and Prints and paintings of shoes and shoemakers. There are over 12,000 shoes in the collection and in total there are about 50,000 objects. In size these can range from a very large machine weighing several tonnes to a tiny miniature shoe only 15 mm long.

2. Archaeology Collection

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

3. Art Collection

The greater part of the fine art collection consists of British easel paintings and works on paper, from the 19th and 20th centuries. The collection's greatest strength lies in landscapes, topographical works and, to a lesser extent, portraits. The non-British pictures include an important group of 15th to 18th century Italian paintings - works of high quality by secondary masters, particularly from the Venetian School, most of which were consciously collected between 1967 and 1987 as a result of a former policy which sought to concentrate purchases in this one area of the collection. At present there are approximately 2,700 items in the Art Collection which fall into the following categories: Watercolours, Drawings, Prints (contemporary), Mixed Media (excluding drawings), and Sculpture.

D. Notes to the Core Financial Statements

4. Decorative Art - Nature of the Current Collection

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

5. Ethnography

A collection of ethnographic material is held in store and on display at Abington Museum. Many objects were purchased many years ago or as the result of local collecting as well as some casual donations. The collections reflect the constantly changing cultural and religious beliefs of the many diverse communities in Northampton.

6. Geology

Geological items were given to the Museum upon its foundation in the 1860s. However, two names stand out as being the main collectors from whom specimens were obtained: Spencer Compton (Lord Northampton) and Beeby Thompson. Both were outstanding local geologists. The collection consists of about 40,000 items of which 75% are Northamptonshire Jurassic finds acquired mainly from Compton and Thompson. The remaining 25% consists of fossils from outside the county, and a worldwide mineral collection. The collection is one of the most important in the Midlands containing over 120 type and figured specimens, most of which were local finds.

7. Natural History

The small Natural History Collection that remains consists of a few mounted specimens, a mollusca collection, and small collections of birds' eggs and forestry seeds. The mollusca collection has about 3,200 items.

8. Social History

In general, the Social History Department covers all historical material post 1600 to the present that is not the responsibility of another department - it covers community life including civic affairs, working life, and the full range of personal and domestic life material.

9. Northamptonshire Regiment and Yeomanry

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

POLICIES

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

Some museum heritage assets are on display at the Authority's two museums, while others are held at secure locations in storage e.g. while awaiting conservation work.

D. Notes to the Core Financial Statements

Access to the civic regalia is limited to appropriate occasions, such as the use of the mace and mayor's chain at Council meetings. The statues, buildings, and similar heritage assets are largely accessible to the public to view in the parks and public places of Northampton.

55. HERITAGE ASSETS – CHANGE OF ACCOUNTING POLICY

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 introduced a change to the treatment in accounting for heritage assets held by the Authority. As set out in our summary of significant accounting policies, the Authority now requires heritage assets to be carried in the balance sheet at valuation.

Heritage Assets

For 2011/12 the Authority is required to change its accounting policy for heritage assets and recognise them at valuation. Previously, heritage assets were either recognised as community assets (at cost) in the property, plant and equipment classification in the Balance Sheet or were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets. Community Assets (that are now to be classified as heritage assets) that were donated to the authority were held at valuation as a proxy for historical cost. The Authority's accounting policies for recognition and measurement of heritage assets are set out in the Authority's summary of significant accounting policies (see Note 1.2).

In applying the new accounting policy, the Authority has identified that the assets that were previously held as community assets within property, plant and equipment at £0.9 million should now be recognised as heritage assets. These were land and buildings that had been revalued as part of the rolling programme and thus were transferred at the same value, £0.9m. The Authority will also recognise an additional £32.4 million for the recognition of heritage assets that were not previously recognised in the Balance Sheet. This increase is also recognised in the Revaluation Reserve. The 1 April 2010 and 31 March 2011 Balance Sheets and 2010/11 comparative figures have thus been restated in the 2011/12 Statement of Accounts to apply the new policy.

The effects of the restatement are as follows:

- At 1 April 2010 the carrying amount of the Heritage Assets is presented at its valuation at £33.3 million. The element that was previously recognised in property, plant and equipment has been reclassified and written down by £0.9 million. The revaluation reserve has increased by £32.4 million.
- The fully restated 1 April 2010 Balance Sheet is provided on page CC. The adjustments that have been made to that Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

D. Notes to the Core Financial Statements

Effect on Opening Balance Sheet 1 April 2010	Opening Balances as at 1 April 2010	Restatement	Restatement required to opening balances as at 1 April 2010
	£'000	£'000	£'000
Property, Plant & Equipment	630,778	629,931	-847
Heritage Assets	0	33,333	33,333
Long-term Assets	641,242	673,728	32,486
Total Net Assets	494,850	527,336	32,486
Unusable Reserves	456,063	488,549	32,486
Net Worth/Total Reserves	494,850	527,336	32,486

Comprehensive Income and Expenditure Statement

During 2010/11 a collection of stuffed animals was sold at auction for £52k, which is taken to be its value at the time. This transaction was not previously recognised in the Comprehensive Income and Expenditure Statement, which thus needs restatement.

Movement in Reserves Statement - Unusable Reserves 2010/11

The restatement of the relevant lines of the Movement in Reserves Statement, as of 31 March 2011, as a result of the application of this new accounting policy is presented in the table below.

	As previously Stated 31 March 2011	As Restated 31 March 2011	Restatement 2011
	£'000	£'000	£'000
Balance as at the end of the previous reporting period - 31 March 2010	-456,063	-488,549	-32,486
Surplus or Deficit on the Provision of Services	0	0	0
Other Comprehensive Income & Expenditure	0	52	52
Adjustments between the accounting basis and the funding basis under regulations	-92,395	-92,447	-52
Increase/(decrease) in the year	92,395	92,447	52
Balance as at the end of the current reporting period - 31 March 2011	-363,668	-396,102	-32,434

D. Notes to the Core Financial Statements

The resulting restated Balance Sheet for 31 March 2011 is provided earlier in these accounts. The adjustments that have been made to that Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

Effect on Balance Sheet 31 March 2011	As previously Stated 31 March 2011	As Restated 31 March 2011	Restatement 2011
	£'000	£'000	£'000
Property, Plant & Equipment	468,572	467,687	-885
Heritage Assets	0	33,319	33,319
Long-term Assets	479,188	511,622	32,434
Total Net Assets	410,679	443,113	32,434
Unusable Reserves	363,668	396,102	32,434
Net Worth/Total Reserves	410,679	443,113	32,434

The effect of the change in accounting policy in 2010/11 has been that heritage assets are recognised at £33.3m on the Balance Sheet resulting in an increase to the Revaluation Reserve of £32.4m and property, plant and equipment being restated by the amount of heritage assets previously recognised at cost in community assets and other land & buildings (sub-classification of PPE) of £0.9m.

56. COLLECTION FUND

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

a) Precept Split

The split of these precepts is shown below:

Precept 2010/11	Percentage of Total Precepts		Precept 2011/12	Percentage of Total Precepts
£000s		Precepting Authorities	£000s	
68,777	71%	Northamptonshire County Council	68,779	71%
12,924	13%	Northamptonshire Police Authority	12,925	13%
14,951	16%	Northampton Borough Council	14,966	16%
96,652	100%	Total Precepts for the year	96,670	100%

D. Notes to the Core Financial Statements

b) Allocation of deficit

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

Collection Fund Balance 2010/11	Treatment	Collection Fund Balance 2011/12
£		£
	Creditors / Debtors	
172	Northamptonshire County Council	-434
32	Northamptonshire Police Authority	-82
	Reserve	
37	Northampton Borough Council	-95
241	Collection Fund Balance	-611

c) Allocation of Council Tax Balances

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

Statutory Presentation 2010/11	Agency Presentation 2010/11		Statutory Presentation 2011/12	Agency Presentation 2011/12
£000s	£000s		£000s	£000s
		Creditors / Debtors		
9,580	1,483	Local Taxpayers Arrears	8,996	1,394
-1,112	-172	Local Taxpayers Prepayments	-1,100	-170
-7,402	-1,146	Local Taxpayers Impairments	-7,999	-1,240
-	759	Northamptonshire County Council	-	-74
-	142	Northamptonshire Police Authority	-	-14
		Reserves		
0	-	Collection Fund	-1	-
-	-	Council Tax Adjustment Account	-	-
1,066	1,066	Total	-104	-104

D. Notes to the Core Financial Statements

d) Allocation of NNDR Balances

The treatment of NNDR balances, held in debtors and creditors, is shown below for both the statutory presentation and the presentation on an agency basis.

Statutory Presentation 2010/11 £000s	Agency Presentation 2010/11 £000s		Statutory Presentation 2011/12 £000s	Agency Presentation 2011/12 £000s
		Creditors / Debtors		
1,033	-	Local Taxpayers Arrears	1,000	-
-372	-	Local Taxpayers Prepayments	-1,456	-
-504	-	Local Taxpayers Impairments	-476	-
-9,970	-	NNDR Pool	7,284	-
-	-9,813	Net Amount owed to / from Central Government	-	6,352
-9,813	-9,813	Total	6,352	6,352

57. CHANGES IN ACCOUNTING POLICY TAKING EFFECT AFTER THE REPORTING YEAR

There are none

D. Notes to the Core Financial Statements

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E1. 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.

2010/11		2011/12		Notes
£000s		£000s	£000s	
	Income			
-42,246	Dwelling Rents	-44,789		HRA2-4
-1,118	Non Dwelling Rents	-1,107		
-1,452	Charges for services & facilities	-1,351		
-88	Contributions Towards Expenditure	-13		
0	Housing Revenue Account subsidy receivable	0		
0	Sums Directed by the Secretary of State that are income in accordance with UK GAAP	0		
-44,904	Total Income		-47,260	
	Expenditure			
11,038	Repairs & Maintenance	12,548		
	Supervision & Management			
6,310	General Management	6,918		
-6,249	Exceptional Item - Past Service Gain	0		
	Exceptional Item - HRA Reform Payment	192,920		
3,536	Special Services	3,777		
90	Rent, Rates, Taxes & other charges	86		
10,014	Negative Housing Revenue Account subsidy payable	11,972		HRA6
4,432	Depreciation and Impairment of Fixed Assets	7,336		HRA7
151,457	Exceptional Item - change in valuation basis	0		
0	Debt Management Costs	0		
396	Increased in provision for bad/doubtful debts	177		
0	Sums Directed by the Secretary of State that are expenditure in accordance with UK GAAP	0		
891	Rent Rebates transfer to General Fund	818		HRA8
181,915	Total Expenditure		236,552	
137,011	Net Cost of Services		189,292	
0	HRA Services share of Corporate and Democratic Core		0	
	HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services		0	
0			0	
137,011	Net Cost of HRA Services		189,292	
-2,447	Gain (-) or Loss on sale of HRA Fixed Assets		437	
	Interest Payable and other similar charges			
-247	Interest and Investment Income		-153	
1,108	Pensions interest cost and expected return on pensions assets		801	
-452	Non Specific Grant Income		0	
11,174	Surplus or deficit on revaluation of non current assets		-1,034	
146,147	Surplus (-) or Deficit for the year on HRA services		189,343	

E1. Housing Revenue Account Income and Expenditure

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E2. 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.

2010/11		2011/12
£000s		£000s
146,147	Surplus (-) / Deficit for the year on the HRA Income and Expenditure Account	189,343
-144,186	Net additional amount required by statute to be debited or credited to the HRA Balance for the year	-189,450
1,961	Increase (-) / Decrease in the HRA Balance for the Year	-107
-6,854	HRA Balance brought forward	-4,893
-4,893	HRA Balance carried forward	-5,000

E2. Movement in Housing Revenue Account Reserve

Detailed Transactions

2010/11		2011/12	Note
£000s		£000s	
	Amounts included in the HRA Income and Expenditure Account but required by statute to be excluded when determining the Movement on the HRA Balance for the year		
-151,457	Impairment of non-current assets	-5,787	
-170	Amortisation of intangible non-current assets	-411	
2,447	Gain or Loss on sale of HRA non-current assets	-437	
3,879	HRA share of contributions to or from the pensions reserve	-1,699	
-35	Revenue Expenditure Funded from Capital Under Statute	-192,920	
452	Application of Capital Grants and Contributions to capital financing passing through CI&E	0	
131	Revaluations	5,695	
-144,753		-195,559	
	Amounts not included in the HRA Income and Expenditure Account but required by statute to be included when determining the Movement on the HRA Balance for the year		
3,646	Transfer to / from (-) Major Repairs Reserve	1,326	HRA9
0	Transfers to / from (-) Housing Repairs Account	0	HRA5
-11,174	Transfers to / from (-) Revaluation Reserve	1,034	
1,786	Employer's contributions payable to the Northamptonshire County Council Pension Fund and retirement benefits payable direct to pensioners	1,884	
315	Financial Instruments Adjustments	315	
13	Amount by which officer remuneration charged to CI&E on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-7	
0	Capital expenditure charged in-year to the HRA Balance	12,455	
5,981	Net transfers to / from (-) earmarked reserves	-10,898	
567		6,109	
-144,186	Net additional amount required to be credited or debited to the HRA balance for the year	-189,450	

E3. Notes to the HRA Accounts

1. Prior Year Adjustments

None

2. HRA Assets and Capital Transactions

- a) At 31st March 2012 the Council was responsible for managing 12,102 units of accommodation (excluding shared ownership properties): -

Type of Property	Number of Bedrooms				Total
	One	Two	Three	Four+	
Flats-Low Rise	1,465	394	2	1	1,862
Flats-Medium Rise	1,765	865	119	4	2,753
Flats-High Rise	398	83	22		503
Houses & Bungalows	880	2,563	3,199	342	6,984
Totals	4,508	3,905	3,342	347	12,102

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

Type of Property	Stock at 01/04/2011	Stock Movements			Stock at 31/03/2012
		Sold	Disposed	Demolished	
Flats	5,188	-4	0	-66	5,118
Houses & Bungalows	7,013	-16	-13	0	6,984
Dwellings (excl. Shared)	12,201	-20	-13	-66	12,102
Shared Ownership	90	-1	0	0	89
Totals	12,291	-21	-13	-66	12,191

13 houses / bungalows were disposed of as part of a site disposal; 66 flats were demolished and the site transferred to a registered provider.

E3. Notes to the HRA Accounts

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

2010/11	Gross Balance Sheet Value	2011/12
£000s		£000s
	Operational Assets	
188,396	Land	107,582
176,191	Dwellings	272,148
20,113	Other Capital Assets	20,197
384,700	Total Operational Assets	399,927
71	Non Operational Assets	71
384,771	TOTAL	399,998
1,038,447	Vacant Possession Value as at 1st April	1,060,010

d) Capital Receipts

2010/11	Housing Capital Receipts	2011/12
£000		£000
1,790	Land Sales	434
1,693	Dwelling Sales	1,331
0	Other Property Sales	0
3,483	Total	1,765
-1,231	Payable to the Secretary of State	-973
-1,231	Net cost of Payments to CLG	-973
2,252	Useable Capital Receipts	792

E3. Notes to the HRA Accounts

e) Capital Expenditure & Financing

2010/11	HRA Capital Expenditure and Financing	2011/12
£000s		£000s
	Expenditure	
0	Land Purchase	0
11,358	Dwellings	21,156
468	Other Property	158
0	Self Financing	192,920
11,826	Total Expenditure	214,234
	Financing	
	Dwellings	
500	Borrowing	192,920
567	Useable Capital Receipts	540
0	Revenue Contributions	12,455
9,766	Major Repairs Reserve	8,161
393	Grants	0
132	Third Party Contributions	0
11,358		214,076
	Other Property	
112	Useable Capital Receipts	158
356	Major Repairs Reserve	0
468		158
11,826	Total Financing	214,234

3 Arrears

During 2011/12, arrears as a percentage of gross income were 5.1%. This represents a decrease of 1.8% since 2010/11 when the percentage was 6.9%. The figures for rent arrears are detailed below: -

2010/11	Arrears	2011/12
£000s		£000s
2,899	Gross Arrears at 31 March	2,278
-566	Prepayments	-716
2,333	Net Arrears at 31 March	1,562
1,863	Provision for bad debts at 31 March	1,607

E3. Notes to the HRA Accounts

4 Vacant Possession Value

2010/11	HRA Vacant Possession Value	2011/12
£000s		£000s
1,038,447	Vacant Possession Value as at 1st April	1,060,010

2010/11	HRA Existing Use	2011/12
£000s		£000s
353,966	Existing Use Value as at 1st April	360,409

The Vacant Possession value of dwellings within the HRA as at 1 April was £1,060m (£1,038m in 2010/11). For the balance sheet, the figure has been reduced to 34% of this value for all except a small number of specific properties, i.e. £360m (£354m in 2010/11). This reflects the economic cost of providing Council housing at less than open market rents.

5 Housing Repairs Account

The transactions on the Housing Repairs Account for 2011/12 balanced to nil for the year, although this may not always be the case.

2010/11	Housing Repairs Account	2011/12
£000s		£000s
0	Balance B/f	0
9,831	Expenditure in the Year	10,347
-9,831	Contributions to the Housing Repairs Account	-10,347
0	Increase (-) / Decrease in the Housing Repairs Account Balance for the year	0
0	Balance c/f	0

E3. Notes to the HRA Accounts

6 Housing Subsidy

The Government operated a "subsidy system" in relation to the Housing Revenue Account up to 31st March 2012. It is based upon a notional account representing the Government's assessment of what the Council should be collecting and spending. A breakdown of the elements in the subsidy calculations is shown below: -

2010/11	Housing Subsidy	2011/12
£000s		£000s
-19	Prior Year Adjustment	23
-21,274	Management and Maintenance Allowance	-21,913
-8,039	Major Repairs Allowance	-8,161
-1,200	Charges for Capital	-1,262
0	Other Allowances	0
40,545	Notional Rent	43,284
1	Interest on Receipts	1
10,014	Total Amount to be paid to Government	11,972

7 Depreciation, Amortisation, Impairment, and Revaluation of Non Current Assets

a) Depreciation and Amortisation

2010/11	Depreciation and Amortisation	2011/12
£000s		£000s
4,070	Operational Assets Dwellings	6,501
313	Other Property	321
11	Vehicles, Plant & Equipment	13
4,394	Total Depreciation	6,835
170	Intangible Assets -amortisation	411
170	Total Amortisation	411
4,564	Total	7,246

E3. Notes to the HRA Accounts

b) Impairment

2010/11	Impairment	2011/12
£000s		£000s
163,174	Operational Assets	
969	Dwellings	0
0	Other Property	51
	Vehicles, Plant & Equipment	0
164,143	TOTAL	51

c) Revaluation Gains and Losses

2010/11 I&E	2010/11 RRA	Revaluation Gains & Losses	2011/12 I&E	2011/12 RRA
£000s	£000s		£000s	£000s
151,124	12,066	Dwellings	5,724	63
333	620	Other Property	11	8
0	0	Vehicles, Plant & Equipment	0	0
151,457	12,686	Revaluation Losses	5,735	71
0	0	Dwellings	-5,673	-2
-131	-1,512	Other Property	-23	-1,103
0	0	Vehicles, Plant & Equipment	0	0
-131	-1,512	Revaluation Gains	-5,696	-1,105
151,326	11,174	TOTAL	39	-1,034

There was significant revaluation loss on dwellings in 2010/11 due to the change in percentage used for the Existing Use Value Social Housing calculation. In 2009/10 the adjustment factor was 50%, however this was reduced to 34% in 2010/11 as advised in the Stock Valuation for Resource Accounting guidance.

E3. Notes to the HRA Accounts

8 Secretary of State Determinations

When councils raise rents by more than an amount determined by the Government, the Government limits the subsidy payable to those councils. Now that the responsibility for paying rent rebates has transferred to the General Fund, any authorities that had rent rebate subsidy limited have to transfer an amount from the HRA to the General Fund to recompense the General Fund in order that the General Fund does not carry additional costs.

2010/11	Secretary of State Determinations	2011/12
£000s		£000s
891	Rent Rebate Subsidy Limitation	818
891	Total Effect of Special Directions	818

9 Major Repairs Reserve

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

HRA depreciation is not the same as the MRA, therefore an adjustment is required to ensure there is no bottom line impact on the HRA. The transactions on the MRR are detailed below: -

Major Repairs Reserve	£000s
Balance at 1 April 2011	0
HRA Depreciation	-6,835
Depreciation adjustment to agree to MRA	-1,326
	-8,161
Amount used to finance Capital Expenditure	
Dwellings	8,161
Other Property	0
	8,161
Balance at 31 March 2012	0

E3. Notes to the HRA Accounts

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F1. Collection Fund Income and Expenditure Account

The Collection Fund account reflects the statutory requirement for billing Authorities to establish and maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and National Non Domestic Rates (NNDR).

2010/11		2011/12	Note
£000s		£000s	
	INCOME		
-83,261	Council Tax (net of benefits, discounts & transitional relief)	-83,973	CF2
-14,892	Transfers from General Fund Council Tax benefits	-14,764	
-97,011	Income collectable from business ratepayers	-94,330	
-1,098	Contributions Towards previous years' Collection Fund deficit	0	CF3
-196,262		-193,067	
	EXPENDITURE		
	Precepts & demands:-		
68,777	Northamptonshire County Council	68,779	56a
12,924	Northamptonshire Police Authority	12,925	56a
14,951	Northampton Borough Council	14,966	56a
	National Non-Domestic Rates		
96,707	Payments to national pool	94,027	
304	Cost of collection	304	
	Bad & Doubtful Debts / Appeals		CF4
0	Write-offs		
1,484	Provisions	2,066	
	Contributions		
0	Towards previous years' Collection Fund surplus	0	
195,147		193,067	
-1,115	(Surplus)/deficit for the year	0	
1,115	Fund balance b/fwd	0	
0	Fund Balance c/fwd	0	

F1. Collection Fund Income and Expenditure Account

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F2. Notes to the Collection Fund

1. National Non Domestic Rates (NNDR)

The Council collects non-domestic rates for its area that are based on local rateable values multiplied by a uniform rate in the pound. The total amount, less certain reliefs and other deductions, is paid into a central pool (the NNDR pool) managed by Central Government, which in turn pays back to councils a standard amount per head of the local adult population.

The total non-domestic rateable value as at 31 March 2012 was £245.8m and the equivalent figure for 2010/11 was £247.6m. The National Non-Domestic Rate multiplier for 2011/12 was 43.3p and the equivalent figure for 2010/11 was 41.4p. The small business non-domestic rating multiplier for 2011/12 was 42.6p and the equivalent figure for 2010/11 was 40.7p.

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 2011/12, was calculated as follows: -

2010/11 Band D Equivalents	Band	Estimated number of taxable properties 2011/12 after discounts	Ratio	2011/12 Band D Equivalents
19.4	A(-)	30.8	5/9	17.1
16,598.0	A	25,108.2	6/9	16,738.8
14,125.0	B	18,088.5	7/9	14,068.8
17,428.6	C	19,571.8	8/9	17,397.1
9,315.6	D	9,281.3	9/9	9,281.3
6,095.8	E	4,968.8	11/9	6,073.0
3,090.5	F	2,142.4	13/9	3,094.6
1,835.3	G	1,102.8	15/9	1,838.1
102.9	H	52.9	18/9	105.8
68,611.2	Gross Council Tax Base			68,614.5
1,715.3	Non-collection provision			1,715.4
66,896	Council Tax Base Used for setting the Precept			66,899

The provision for non-collection was set at 2.5% for 2011/12 (and the same for 2010/11).

F2. Notes to the Collection Fund

3. Analysis of In-year Contributions to Fund Deficits

The in-year contributions to Collection Fund deficits from the precepting authorities are detailed below: -

2010/11	Allocation Of Collection Fund Deficits	2011/12
£000s		£000s
-171	Northampton Borough Council	0
-780	Northamptonshire County Council	0
-147	Northamptonshire Police Authority	0
-1,098	Total Deficit Recovered	0

4. Provision for Bad and Doubtful Debts

2010/11	Provision for Bad and Doubtful Debts	2011/12
£000s		£000s
7,280	Bad Debt Provision B/f	7,402
-1,362	Write Offs	-1,469
1,484	Provision Made in Year	2,066
7,402	Bad Debt Provision c/f	7,999

G Glossary of Terms

GLOSSARY OF TERMS

Accrual

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

Actuarial Basis

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

Amortisation

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

Amortised Cost

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

Assets

Right or other access to future economic benefits.

Assets Held for Sale

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

Available for Sale Assets

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

Balance Sheet

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

Balance Sheet Date

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

Capital Adjustment Account

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

Capital Costs

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

Capital Expenditure

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

Capital Grant

Grant which is intended to fund capital expenditure.

G Glossary of Terms

Capital Grant Unapplied Reserve

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

Capital Reserves

Reserve balances held for capital purposes

Cash Flow Statement

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

CIPFA Code

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

Collection Fund

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

Collection Fund Adjustment Account

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

Collection Fund Statements

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

Community Assets

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

Comprehensive Income and Expenditure Statement (CIES)

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

Contingent Liability

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

Core Service Areas

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

Corporate & Democratic Core

Costs associated with the democratic management of the authority such as the Chief Executives salary and Members Allowances.

Council

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

G Glossary of Terms

Council Tax

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

Credit

A credit represents income to an account.

Creditors

Represents the amount that the Council owes other parties.

Debit

A debit represents expenditure against an account.

Debtors

Represents the amounts owed to the Council.

Deficit

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

Defined Benefit Scheme

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

Depreciation

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

Derecognition

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

Discount

An allowance received through the early repayment of debt

Discounted Cash Flow

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

Donated Assets

Assets which have been acquired at below market cost.

Earmarked Reserves

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

Employee

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

G Glossary of Terms

Employee Costs

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

Enhancement Expenditure

Expenditure which increases the value of an asset.

Exceptional Items

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

Extraordinary Items

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

Fair Value

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

Finance Costs

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

Finance Lease

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

Financial Assets

A right to future economic benefits controlled by the authority.

Financial Instruments Adjustment Account

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

Financial Liabilities

An obligation to transfer economic benefits controlled by the authority.

General Reserves / General Fund Balance

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

Going Concern

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

Grants

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

G Glossary of Terms

Impairment

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

Infrastructure Assets

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

Intangible Asset

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

Internal Service Costs

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

International Accounting Standard (IASs)

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

International Financial Reporting Standards

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

Investment Property Assets

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

Leases

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

Lessee

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

Lessor

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

Liabilities

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

Loans and Receivables

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

Materiality

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

Minimum Revenue Provision (MRP)

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

G Glossary of Terms

Movement in Reserves Statement

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

Non-Current Assets

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

Non-Distributed Costs

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

Operating Lease

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

Pensions Costs

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

Pensions Liability

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

PFI

See Private Finance Initiative

PFI Credits

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

Premium

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

Previous Year Adjustments

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

Principal

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

Private Finance Initiative (PFI)

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

Projected Unit Method

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

Provisions

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

G Glossary of Terms

Provision for Bad & Doubtful Debts

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

Quoted Market Prices

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

Recognition

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

Revaluation Gain

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

Revaluation Reserve

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

Revenue Expenditure

Expenditure which is not capital.

Revenue Grant

Grant which is not capital.

Revenue Expenditure Funded from Capital under Statute

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

Service Reporting Code of Practice (SERCOP)

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

Service Concession Arrangements

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

Service Costs

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

Short Term Benefits

Employee benefits earned and consumed during employment.

Soft Loans

Low interest rate loans.

Specific Grant

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

Stock

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

G Glossary of Terms

Straight Line Basis

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

Subsidiary

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

Surplus

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

Surplus Assets

Assets which are no longer in operation.

Tenant

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

Termination Benefits

Employee benefits paid upon termination of employment such as redundancy.

Treasury Management

Utilisation of cash flows through investments and loans.

Useful Life

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

Value Added Tax

National taxation charged on goods and services.

Work in Progress

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