

Statement of Accounts

2013-14



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AUDITOR'S REPORT

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

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 2013 to 31st March 2014.

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

To comply with the Accounts and Audit Regulation 2003 (as amended by later updates), the Council is required to make reasonable endeavours to have the Statement of Accounts audited and received and approved by the end of September 2014. The responsibility for approval is delegated to the Audit Committee. The Audit Committee met and approved the accounts at its meeting on 9th September 2014 to include any changes arising from the audit of the accounts. These accounts have been amended. The Council's Chief Financial Officer approved the accounts for publication on 9th September 2014.

This foreword outlines the key individual statements that comprise the Statement of Accounts, including a description of their purpose and the relationship between them. It also highlights the main activities/variations that took place during 2013/14 in each of the main activity areas.

2. THE STATEMENTS

Single Entity Accounts

These financial statements are for a single entity.

The detailed accounts and related information are shown from page 43 onwards and consist of the following:

Core Financial Statements

Movements in Reserves Statement

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

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

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

B. EXPLANATORY FOREWORD

Comprehensive Income and Expenditure Statement

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

Balance Sheet

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

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

Cash Flow Statement

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

Notes to the Core Statements

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

B. EXPLANATORY FOREWORD

Supplementary Financial Statements

Housing Revenue Account (HRA) Income and Expenditure Account

The HRA Income and Expenditure Account shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Statement of Movement in the Housing Revenue Account Reserve. The HRA accounts have been prepared in accordance with IFRS, UK GAAP and the Code of Practice on Local Authority Accounting.

Movement in Housing Revenue Account Reserve

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

Notes to the HRA Accounts

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

The Collection Fund Income and Expenditure Account

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

Due to the implementation of the Business Rates Retention Scheme with effect from 1 April 2013 there have been some changes to the presentation of the Collection Fund Statement and related notes. The changes are explained at the beginning of Section H to the Statement of Accounts.

In addition, the Government abolished Council Tax Benefit from 1 April 2013 and replaced it with Local Council Tax Support schemes set by local billing authorities. This change is also reflected in the Collection Fund Statement and subsequent notes.

Notes to the Collection Fund

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

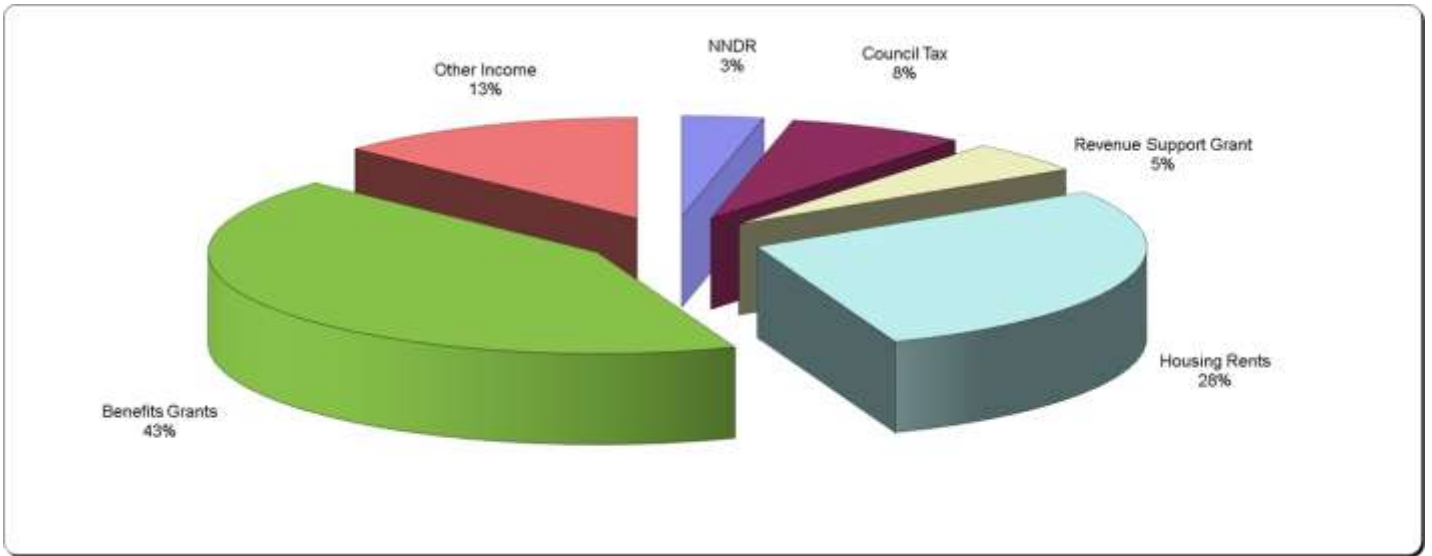
B. EXPLANATORY FOREWORD

3. FINANCIAL SUMMARY 2013/14

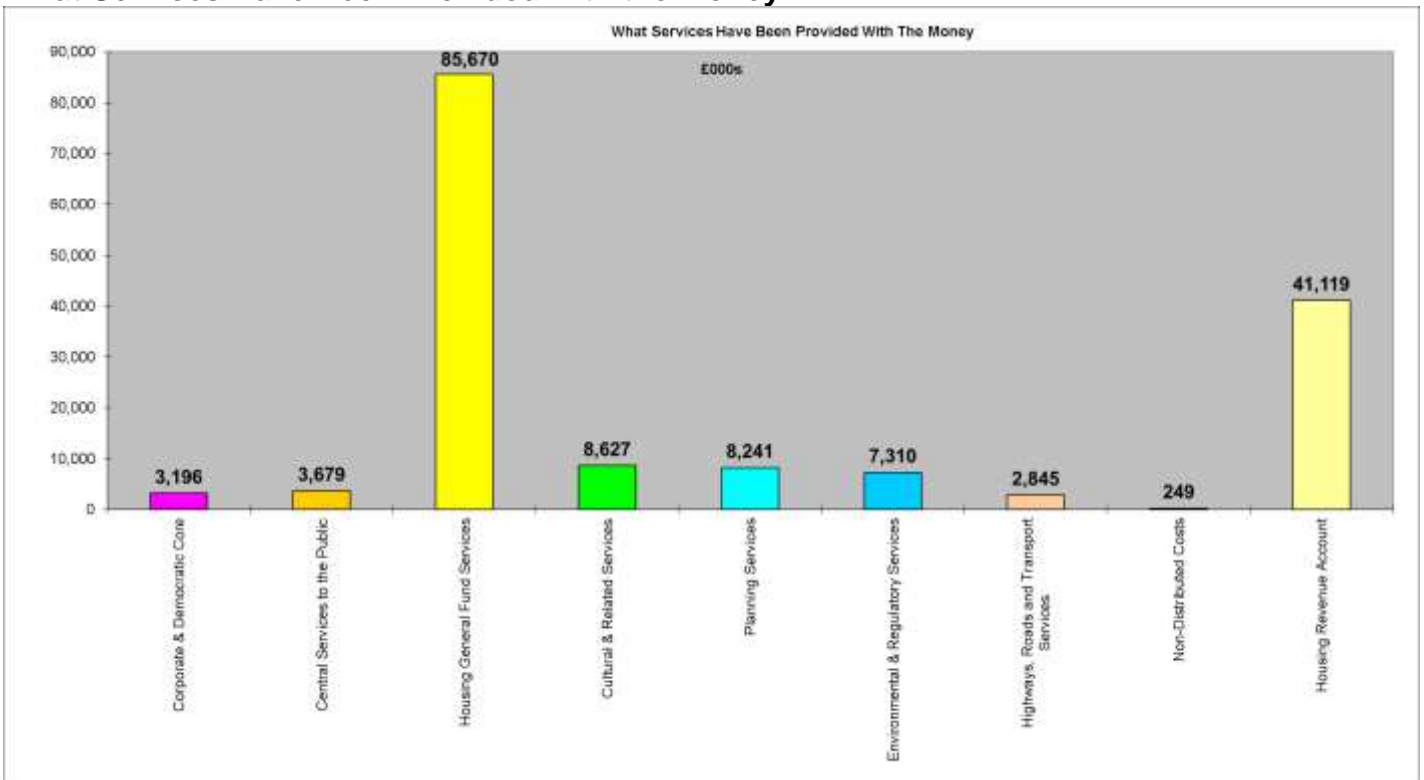
This section shows service expenditure, interest payable, other operating costs, income from grants, local taxpayers and other sources compared in overall terms to the budget.

a) Revenue Spending and Sources of Income

The following charts outline where the Council's revenue money came from, how it was spent and on which services. The charts show the overall position of the Council's revenue accounts for 2013/14 (i.e. both General Fund and HRA).



What Services Have Been Provided with the Money?



NOTE: General Fund Housing Services includes Housing Benefits expenditure, for which grant income is received from DWP, see the Comprehensive Income and Expenditure Statement on page 44.

B. EXPLANATORY FOREWORD

b) General Fund Account

The following table summarises the position for the General Fund for 2013/14. Some notes are included following the table to explain the main variations to the budget for the year:

General Fund Account	Budget £000	Actual £000	Variance £000
Director of Regeneration, Enterprise and Planning	3,292	2,705	-587
Director of Housing	1,704	1,599	-105
Borough Secretary	14,354	13,349	-1,005
Director of Customers & Communities	14,446	13,346	-1,100
Total within Budget Managers Control	33,796	30,999	-2,797
Capital Expenditure charged to Revenue Account	0	132	132
Provisions	0	579	579
Net Support Service Recharges	-4,705	-6,967	-2,262
Interest and Financing	1,643	1,160	-483
Parish Precepts & Grants	993	993	0
Government Funding	-14,939	-18,392	-3,453
Council Tax	-13,225	-13,137	88
Council tax freeze grant	-142	-146	-4
Non specific grants (mainly New Homes Bonus)	-1,967	-2,693	-726
Technical Accounting Adjustments	-32,341	-38,471	-6,130
General Fund (under) / over spend	1,455	-7,472	-8,927
Net Contribution to/(from) Reserves	-1,455	6,946	8,401
General Fund Deficit (Surplus)	0	-526	-526
Balance b/fwd		-3,132	
Balance c/fwd		-3,658	

Variations to Budget

After taking account of contributions to reserves and balances, the Council's General Fund working balance was increased by £526k. This is after making a net contribution to General Fund earmarked reserves of £6,946k to mitigate specific business risks.

B. EXPLANATORY FOREWORD

There were a number of variances that have contributed to this position, which are listed below. Further details of these variances can be found in the Council's outturn reports which were considered by Cabinet on 9th July 2014 and are available on the NBC website, see <http://www.northampton.gov.uk/budgetmonitoring>.

Under (-) / Over spends	£000s
Reserve Movements	8,401
Provisions	579
Net Support Service Recharges	-2,262
Interest and Debt Management	-483
Government Funding	-3,453
Non specific grants	-726
Asset Management	-71
Other Buildings & Land	55
Major Projects and Enterprise	162
Development Control	-648
Housing	-105
Non Distributed Costs	-82
Benefits	-346
Revenues	78
Business Improvement	-68
Performance and change	102
Electoral Services	-85
Legal	-229
Local Government Shared Service	-331
Customer Services	-87
Print Unit	68
Office Accommodation	-89
Information Technology	-58
Community Safety	50
Community and Other Grants	-51
Community Centres	-53
Environmental Protection	-246
Environmental Services	-603
Other Variations each below +/- £50k	58
Total	-526

B. EXPLANATORY FOREWORD

c) Housing Revenue Account

Housing Revenue Account	Budget £000s	Actual £000s	Variance £000s
Expenditure			
Net Service Expenditure	-6,047	-6,073	-26
Interest & Capital Financing Adjustments	6,047	6,074	27
(Surplus)/Deficit for the year	-0	1	1
Balance brought forward		-5,001	
Balance carried forward		-5,000	

After taking account of contributions to reserves and balances, the Council's Housing Revenue Account working balance was remained at £5m. This is after making a net contribution to HRA earmarked reserves of £3.745m, to fund the capital programme in future years (£6.705m) and HRA service improvements (£36k). Transfers were made from the HRA Capital Programme Reserve (£2.5M), the Service Improvement Reserve (£36k) and the HRA Reform Reserve (£460k) to support revenue expenditure during the year.

There were a number of variances that have contributed to this position, the most significant of which are listed below. Further details of these variances can be found in the Council's outturn reports which were considered by Cabinet on 9th July 2014 and are available on the NBC website, see <http://www.northampton.gov.uk/budgetmonitoring>.

Under (-) / Over spends	£000s
Rent Income - Dwellings	310
Service Charge income	427
Repairs and Maintenance	-859
General Management	-817
Special Services	139
Rent Rebate Subsidy Deductions	-96
Capital Adjustments	888
Other Minor Variations	9
Total	0

B. EXPLANATORY FOREWORD

d) Capital Expenditure

Capital expenditure relates to spending on new and improved assets, such as land, buildings, infrastructure, equipment and IT.

Capital Expenditure and Financing	Budget £000s	Actual £000s	Variance £000s
Expenditure			
Housing Revenue Account Schemes	29,343	24,371	-4,972
General Fund Housing Schemes	4,011	2,549	-1,462
Other General Fund Schemes	24,906	21,565	-3,341
Total Capital Expenditure	58,260	48,485	-9,775
Sources of Financing			
Major Repairs Allowance		4,286	
Revenue Contributions to Capital Expenditure		132	
Grants & Contributions		21,916	
Capital Receipts		6,067	
Prudential Borrowing		16,084	
		48,485	

Capital Variations to Budget

Capital Programme spending in 2013/14 was some £9.8 m (17%) below budget. A large proportion (£5.7m) of this variance relates to schemes that are currently underway or still planned to take place and these budgets will be carried forward into the next financial year (2014/15). The majority of this carry forward is due to the timing of approvals and the timescales for letting contracts. Please see page 16 for details of the capital schemes.

B. EXPLANATORY FOREWORD

e) Current Borrowing Facilities

Current borrowing facilities are as detailed below: -

Description	£000s
Long Term Borrowing - PWLB	200,172
Long Term Borrowing - LOBOs	24,789
Homes & Communities Agency	1,170
Long Term Finance Leases	496
Temporary Borrowing	279
Total	226,906

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

Borrowing decisions are made with reference to prudential indicators that ensure that borrowing is prudent, affordable and sustainable. The prudential indicators for external borrowing for 2013-14, the operational boundary and the authorised limit, were set at £240m and £250m respectively. Borrowing as at 31 March 2014 was within these limits.

The prudential indicator for gross debt and the capital financing requirement (CFR) is the key indicator of prudence, measuring whether external borrowing exceeds the closing CFR in the preceding year plus the estimates of any additional capital requirement for the current and next two financial years. The Council's external borrowing figure at 31 March 2014 is below the latest forward looking CFR forecast of £299m, as agreed by Council in February 2014.

New capital programme expenditure of £16.5m was financed by borrowing during 2013-14. This included £10m of external borrowing for loans to third parties (Northampton Town Football Club and Northampton Rugby Club), and £6.5m of internal borrowing (i.e. from cash balances).

Existing external borrowing was reduced by £20k as a result of an annual annuity loan payment to the Homes and Communities Agency.

The current net book value (fair value) of the Council's property plant and equipment (non current assets) is £486m, of which £362m relates to council dwellings.

B. EXPLANATORY FOREWORD

4. SIGNIFICANT CHANGES IN 2013/14

a) Assets acquired or enhanced

Capital expenditure represents major investment in new and improved assets such as land, buildings, infrastructure, equipment, and information technology assets. Expenditure is incurred in pursuit of the Council's objectives and priorities and the delivery of services, and can be for the acquisition of new assets, enhancement of existing assets or investment in assets owned by third parties.

Capital Expenditure	£000s
Housing Revenue Account	
Council Housing	23,475
Other Housing Assets	103
Repurchase of Former Council Housing	793
HRA Total	24,371
General Fund	
Information Technology	448
Corporate Buildings	691
Strategic Property Investment	1,673
Cinepod	240
Delapre Abbey Restoration	149
St Crispin Football Pitches & Play Provision	148
Leisure and Community Facilities	796
Bus Interchange	6,082
Capital Loans	10,000
Enterprise Zone	346
Other Capital Works	699
Revenue Expenditure Funded from Capital under Statute	2,841
General Fund Total	24,114
Total	48,485

B. EXPLANATORY FOREWORD

b) Statutory Functions

There have been no changes to the statutory functions of the Authority during 2013/14. However during 2013/14 The Council joined LGSS (Local Government Shared Service), a partnership established by the County Councils of Northamptonshire and Cambridgeshire, as an Added Value Partner.

On 1 June 2013, the Council transferred the majority of its support service functions (Revenues and Benefits, Insurance, Legal, Finance, Procurement, ICT, and Human Resources, Organisational Development and Business Improvement) to LGSS with the intention of reducing costs and improving the quality of the services it delivers.

Also on 9th December 2013, the Council approved the option determining the future ownership and management of the Housing Service and agreed to create an Arm's Length Management Organisation. Work has now begun on setting up the ALMO so that it is operating by 5 January 2015.

c) Accounting Policies

There have been no material changes to the Accounting Policies in 2013/14.

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

There was one exceptional item for NBC during 2013-14. This was a grant for Decent Homes from the Homes and Communities Agency to the value of £17,000,000.

5. OTHER MATTERS OF NOTE

a) Pensions Liabilities and Assets

Retirement Benefits that are promised to employees under the terms of the pension scheme are recognised as a liability on the Council's balance sheet. Liabilities are measured on an actuarial basis, estimating the future cash flows that will arise. The Council's share of the investments held in the pension scheme is measured at fair value at the date of the balance sheet. Details of the Council's pension assets and liabilities can be found in note 45 to the financial statements.

b) Significant Provisions or Contingencies and Material Write-offs

The Council makes a provision to cover future insurance liabilities where values can be reasonably estimated. Details of this provision, and all other provisions made by the Council, are shown in note 24 to the Core Statements.

There is one significant contingency item reported in the accounts (at note 46 and 47 to the Core Statements) relating a capital grant received from the East Midland Development Agency (EMDA). The capital grant received from EMDA for site clearance of the Blueberry Diner was awarded on condition of scheme completion within a fixed time period and, due to that time period not having been complied with, up to the full amount of the grant of £2m may be clawed back by EMDA. The Council is in discussion with the successor organisation to EMDA, HCA about this matter and is confident that the claw back will not be applied. This is not a new contingent liability for this year.

There have been no material write-offs in the year.

B. EXPLANATORY FOREWORD

c) Current Economic Climate

The main financial impact on the Council of the current economic climate has been the continuation of low returns on investment due to the exceptionally low interest rates offered by banks, building societies and other investment counterparties.

The average rate of interest earned on investments in 2013/14 was 0.79%, compared to 1.21% in 2012/13. Actual investment interest earned in 2013/14 was £552k, compared to £692k in 2012/13.

The impact of the low returns has been managed through savings and efficiencies made generally across the Council's budgets.

The Council is also working actively along with partners to improve the local economy through investment in major regeneration works. With work continuing on developments from its Enterprise Zone and Northampton Alive programmes, Northampton is investing in local business. It was also recently recognised by Experian as the best performing town in the UK, scoring highly for turnover growth, start-up rates, and financial strength.

d) Adequacy of Reserves

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

The Chief Financial Officer has developed a risk management approach to the level of reserves and determined that the minimum level should be £3.1m.

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

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

e) Events after the Reporting Period

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

B. EXPLANATORY FOREWORD

6. CONCLUSION

On the General Fund, the Council has managed to deliver an outturn at virtually on budget for 2013/14, allowing the Council to increase its level of working balances above its risk assessed level of £3.1m to £3.7m. In addition it was possible to increase the level of earmarked reserves for supporting future expenditure, mitigating against future business risks.

This was achieved against a backdrop of the increasingly challenging funding regime. The Government presupposes continuing efficiency savings from council services and continues with significant cuts to the amount of government funding for local authorities. The Council remains committed to its continuing programme of strategic business reviews, which aim to drive out further efficiencies and will allow the Council to meet the financial challenges ahead.

During 2013/14, the Council managed to increase its General Fund working balances to £3.6m whilst also contributing a net of £6,947m to General Fund earmarked reserves to mitigate some specific business risks. This is testament to the strong financial control operated by the Council and to the ability of service managers to deliver services, aided by strong support services, in a difficult economic climate.

The Capital Programme is under-spent by £9.8m in 2013/14 against budget; however this is largely to do with timing. The Council has made positive improvements in project management and is committed to maintaining and improving on this into the future.

The outturn for the Housing Revenue Account (HRA) shows that the level of working balances is maintained at £5m and general revenue earmarked reserves are increased. The revenue position of the HRA continues to be healthy with challenges facing the Council in delivering the capital improvements necessary to deliver good quality homes at an affordable price to its tenants.

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

B. EXPLANATORY FOREWORD

7. FURTHER INFORMATION

Further information about these accounts is available from: -

Rebecca Smith Assistant Head of Finance for Northampton Borough Council, LGSS Northamptonshire County Council John Dryden House 8-10 The Lakes Northampton NN4 7YD	Glenn Hammons Chief Finance Officer Northampton Borough Council LGSS Northamptonshire County Council John Dryden House 8-10 The Lakes Northampton NN4 7YD
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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

This Statement of Accounts has been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom.

The Authority's Responsibilities

The Authority is required to:-

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

The Chief Financial Officer

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

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

Certificate

I certify that this Statement of Accounts gives a true and fair view of the financial position of the Authority at the reporting date and of its income and expenditure for the year ended 31st March 2014.

Glenn Hammons
Chief Finance Officer
Date:

D. ACCOUNTING POLICES

1.1 INTRODUCTION

The accounting policies for the Authority have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code for Local Authority Accounting. Where there is no specific guidance in the CIPFA Code, the Authority has developed its own accounting policy, which is aimed at creating information, which is:

- Relevant to the decision making needs of users; and
- Reliable, in that the financial statements:
 - Represent faithfully the financial position, financial performance and cash flows of the entity;
 - Reflect the economic substance of transactions, other events and conditions and not merely the legal form;
 - Are neutral i.e. free from bias;
 - Are prudent; and
 - Are complete in all material respects.

This document outlines how Northampton Borough Council (the Council) will account for all income, expenditure, assets and liabilities held and incurred during the 2013/14 financial year.

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

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

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

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

1.2 ACCOUNTING PRINCIPLES

a **Going Concern**

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

D. ACCOUNTING POLICES

b Accruals Concept

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

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

c Cost of Services

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

This is in accordance with the costing principals of the CIPFA Service Reporting Code of Practice 2013/14 (SERCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to benefits received, with the exception of:

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

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

d Value Added Tax

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

e Changes in Accounting Policy

Where there is a known future change in accounting policy required by the CIPFA Code, the Authority will disclose in the notes to the accounts:

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

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

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

D. ACCOUNTING POLICES

f **Previous Year Adjustments**

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

- i) Was available when financial statements for those periods were authorised for issue; and
- ii) Could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

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

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

g **Events after the Balance Sheet date**

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

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

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

i **Contingent assets and liabilities**

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

Capital Accounting

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

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

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

The capital cost of an asset is recognised to be:

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

D. ACCOUNTING POLICES

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

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

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

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

k **Non-Current Asset Classification.**

The Authority manages its assets in the following categories:

- **Intangible Assets.**

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

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

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

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

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

Test for Community Assets:

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

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

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

D. ACCOUNTING POLICES

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

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

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

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

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

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

- **Assets Held for Sale.**

The Authority will classify assets as held for sale where:

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

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

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

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

D. ACCOUNTING POLICES

I Non-Current Asset Valuation Methodology.

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

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

Valuations are completed as follows:

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

D. ACCOUNTING POLICES

m Impairment of Non-Current Assets

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

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

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

The Authority recognises impairment as:

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

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

n Disposal of Non-Current Assets

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

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

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

D. ACCOUNTING POLICES

o Depreciation / Amortisation Methodology

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

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

Residual values

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

Useful Economic Lives of assets are:

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

* Depending on the nature of the specific asset

D. ACCOUNTING POLICES

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

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

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

p Component Accounting

For **Council Dwellings** the following components are valued, enhanced and depreciated separately – Kitchen, Bathroom, Windows and Doors, Heating Systems and Lights and Electrics. No other components are material and are therefore treated as part of the building structure. The separately identified components will be depreciated over their useful lives. They will be derecognised when replaced by new components.

For **all other assets**, components will only be shown separately in the asset register if they are significant i.e. if they cost more than £250,000 and their cost amounts to more than 25% of the total cost of the asset. Where the value of an asset is not known, Gross Book Value will be used as a proxy for the determination of significant components.

Land and buildings will be separately valued. The building component will be fully depreciated over its useful life, the residual value of the whole asset being the land component.

The nature of property assets is such that any revaluation relates mainly to the land and structure so will not be passed down to any individual components that have been identified.

Non-dwelling assets will be considered for componentisation if they are material, i.e. have a total building valuation in excess of £1m. Components will only be separately valued if they are significant, i.e. above the de-minimis level of 25% detailed above.

Components will only be separately valued if they are significant, i.e. above the de-minimis level detailed above.

Components will be derecognised if their replacement is deemed to be significant under this policy, i.e. if the cost of it is more than £250,000 and amounts to more than 25% of the total cost of the asset.

Where significant components, as defined above, have been separately recorded on the Asset Register they will be depreciated over their useful lives.

D. ACCOUNTING POLICES

q Leases

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

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

r Defining a Finance Lease

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

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

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

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

D. ACCOUNTING POLICES

s **Defining an Operating Lease**

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

t **Lessee Accounting for a Finance Lease**

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

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

u **Lessor Accounting for a Finance Lease**

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

v **Lessor Accounting for an Operating Lease**

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

w **Lessee Accounting for an Operating Lease**

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

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

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

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

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

- a) the local authority controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price;
and where
- b) the local authority controls – through ownership, beneficial entitlement or otherwise – any significant residual interest in the infrastructure at the end of the term of the arrangement.

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

D. ACCOUNTING POLICES

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

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

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

PFI Credits are treated as general revenue government grants.

y **Capital Grants and Contributions**

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

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

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

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

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

Relevant Government Grants are treated in accordance with this policy.

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

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

D. ACCOUNTING POLICES

aa Minimum Revenue Provision (MRP)

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

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

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

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

As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives are assessed on a basis that most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it is grouped together in a manner that reflects the nature of the main component of expenditure and is only be divided up in cases where there are two or more major components with substantially different useful economic lives.

The Council seeks to spread MRP charges prudently in relation to asset lives, and with regard to the revenue impact of MRP charges. Where prudent to do so, capital receipts are used to repay borrowing previously taken out in relation to assets with a short life. MRP on residual debt is based on the lives of the remaining asset for which borrowing was undertaken.

MRP is charged from the financial year after the asset comes into use. In cases where the Council has approved the use of capital receipts to fund the asset, this funding is assumed when the receipt is contractually certain, even if not actually received. In such cases no MRP charge is made.

Where finance leases are held on the balance sheet, the MRP is set at a charge equivalent to the element of the annual lease charge that goes to write down the balance sheet liability, thereby applying Option 3 in a modified form.

The Council has taken advantage of any transitional arrangements introduced to minimise or negate the impact of retrospective accounting adjustments as a result of the transfer to the balance sheet of finance leases previously treated as operating leases under the introduction of IFRS.

ab Capital Reserves

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

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

D. ACCOUNTING POLICES

Revenue Accounting

ac Recognition of Revenue Expenditure.

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

ad Employee Costs

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

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

Short-term employee benefits:

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

Termination Benefits

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

- **Pensions Costs**

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

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

D. ACCOUNTING POLICES

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

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

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

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

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

ae Revenue Grants and Contributions

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

D. ACCOUNTING POLICES

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

af **Carbon Reduction Commitment Scheme**

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

ag **Provisions**

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

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

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

ah **Revenue Reserves**

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

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

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

D. ACCOUNTING POLICES

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

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

ai Council Tax Recognition

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

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

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

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

aj Inventories and long-term contracts

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

ak Provisions for bad and doubtful debts

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

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

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

D. ACCOUNTING POLICES

Treasury Management

al **Definition of Treasury Management Activities**

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

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

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

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

am **Financial Liabilities**

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

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

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

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

an **Financial Assets**

Financial assets are classified into two types:

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

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans

D. ACCOUNTING POLICES

that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable plus any interest accrued to 31st March and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement. However, the Council could make loans to organisations or individuals at less than market rates (soft loans).

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

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

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

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

Values are based on the following principles:

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

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

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

D. ACCOUNTING POLICES

ao **Interests in Companies and Other Entities**

The council has no material interests in companies and other entities that have the nature of subsidiaries, associates, and joint ventures and so there is no requirement to prepare group accounts. The Council has one Joint Arrangements that is Not an Entity (JANEs), the Joint Planning Unit (JPU): this is not material to the accounts.

ap **Business Improvement Districts**

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

aq **Cash and Cash Equivalentents**

Cash is represented by notes and coins held by the Authority and deposits available on demand. Cash equivalentents 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 Equivalentents.

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 equivalentents.

ar **General Government Grants**

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

E. CORE FINANCIAL STATEMENTS

E1 MOVEMENT IN RESERVES STATEMENT

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

The Statement is shown on the next page.

E. CORE FINANCIAL STATEMENTS

Movement in Reserves Statement	General Fund Balance £000s	Earmarked GF Reserves £000s	Housing Revenue Account £000s	Earmarked HRA Reserves £000s	Major Repairs Reserve £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Total Usable Reserves £000s	Total Unusable Reserves £000s	Total Authority Reserves £000s
Balance at 31 March 2012 Brought forward	-3,140	-16,209	-5,001	-6,340	0	-2,068	-693	-33,451	-187,328	-220,779
<u>Movement in reserves during 2012/13</u>										
Surplus or (deficit) on provision of services (Note 31c)	2,369	0	-1,577	0	0	0	0	792	0	792
Other Comprehensive Expenditure and Income (Note 9)	0	0	0	0	0	0	0	0	10,174	10,174
Total Comprehensive Expenditure and Income	2,369	0	-1,577	0	0	0	0	792	10,174	10,966
Adjustments between accounting basis and funding basis under regulations (Note 7)	-3,220	0	-4,632	0	-1,542	-1,199	-1,844	-12,437	12,437	0
Net Increase/Decrease before Transfers to Earmarked Reserves	-851	0	-6,209	0	-1,542	-1,199	-1,844	-11,645	22,611	10,966
Transfers to/from Earmarked Reserves (Note 8)	863	-863	6,209	-6,209	0	0	0	0	0	0
Increase / (Decrease) in Year	12	-863	0	-6,209	-1,542	-1,199	-1,844	-11,645	22,611	10,966
Balance at 31 March 2013 carried forward	-3,128	-17,071	-5,001	-12,549	-1,542	-3,267	-2,537	-45,096	-164,717	-209,813
<u>Movement in reserves during 2013/14</u>										
Surplus or (deficit) on provision of services (Note 31c)	-6,384	0	-21,508	0	0	0	0	-27,892	0	-27,892
Other Comprehensive Expenditure and Income (Note 9)	0	0	0	0	0	0	0	0	-228	-228
Total Comprehensive Expenditure and Income	-6,384	0	-21,508	0	0	0	0	-27,892	-228	-28,120
Adjustments between accounting basis and funding basis under regulations (Note 7)	-2,441	0	17,763	0	-7,863	910	-1,275	7,094	-7,094	0
Net Increase/Decrease before Transfers to Earmarked Reserves	-8,825	0	-3,745	0	-7,863	910	-1,275	-20,798	-7,322	-28,120
Transfers to/from Earmarked Reserves (Note 8)	8,310	-8,310	3,746	-3,746	0	0	0	0	0	0
Increase / (Decrease) in Year	-515	-8,310	1	-3,746	-7,863	910	-1,275	-20,798	-7,322	-28,120
Balance at 31 March 2014 carried forward	-3,643	-25,381	-5,000	-16,295	-9,405	-2,357	-3,812	-65,894	-172,039	-237,933

E. CORE FINANCIAL STATEMENTS

E2 COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. This statement does not show in detail the amount of funding from local taxes and general government grants. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Notes to the Core Statements.

2012/13			COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	2013/14		
Gross Expenditure £000s	Gross Income £000	Net Expenditure £000		Gross Expenditure £000s	Gross Income £000	Net Expenditure £000
			INCOME AND EXPENDITURE ON SERVICES			
19,171	-16,551	2,620	Central services to the public	3,679	-1,753	1,926
			Cultural, environmental & planning			
10,180	-886	9,294	Cultural & related services	8,627	-1,910	6,717
10,423	-3,919	6,504	Environment and Regulatory Services	7,310	-819	6,491
7,294	-3,231	4,063	Planning Services	8,242	-3,419	4,823
5,076	-3,493	1,583	Highways, roads & transport	2,846	-3,748	-902
			Housing			
58,345	-50,925	7,420	Housing Revenue Account	41,119	-53,327	-12,208
84,474	-78,960	5,514	General Fund Housing	85,670	-79,566	6,104
3,272	-39	3,233	Corporate & democratic core	3,196	-649	2,547
368	-360	8	Non distributed costs	250	-2,417	-2,167
198,603	-158,364	40,239	COST OF SERVICES	160,939	-147,608	13,331
7,750	-5,327	2,423	Other Operating Expenditure (Note 10)	10,173	-7,201	2,972
20,611	-9,301	11,310	Financing and Investment Income and Expenditure (Note 11)	20,470	-8,235	12,235
1	-53,181	-53,180	Taxation and Non-Specific Grant Income (Note 12)	36,636	-93,065	-56,429
		792	(Surplus) or Deficit on Provision of Services			-27,891
		-1,855	Surplus or deficit on revaluation of Property, Plant and Equipment assets			-10,529
		12,029	Actuarial gains / losses on pension assets/liabilities			10,301
		10,174	Other Comprehensive Income and Expenditure (Note 9)			-228
		10,966	TOTAL COMPREHENSIVE INCOME AND EXPENDITURE			-28,119

E. CORE FINANCIAL STATEMENTS

E3 BALANCE SHEET

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

31st March 2013 £000s	Balance Sheet	31st March 2014 £000s	Notes
460,705	Property, Plant & Equipment	485,704	13
36,448	Heritage Assets	36,592	14
7,398	Investment Property	7,479	15
2,214	Intangible Assets	1,531	16
1,003	Long Term Investments	0	17g
163	Long Term Debtors	8,996	20
507,931	Long Term Assets	540,303	
25,745	Short Term Investments	28,612	17g
1,144	Assets Held for Sale	1,309	22
67	Inventories	164	18
17,023	Short Term Debtors	19,650	20
21,803	Cash and Cash Equivalents	42,060	21
65,782	Current Assets	91,795	
-299	Short Term Borrowing	-16,283	17e
-14,018	Short Term Creditors	-21,548	23
-318	Provisions	-392	24
-14,635	Current Liabilities	-38,223	
-5,279	Long Term Creditors	-8,233	38
-205	Provisions	-1,272	24
-216,071	Long Term Borrowing	-210,126	17f
-127,710	Other Long Term Liabilities	-136,313	41b/45
-349,265	Long Term Liabilities	-355,945	
209,813	Net Assets	237,930	
45,100	Usable Reserves	65,894	MiRS
164,713	Unusable Reserves	172,036	26
209,813	Total Reserves	237,930	

E. CORE FINANCIAL STATEMENTS

E4 CASH FLOW STATEMENT

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

2012/13 £000	Cashflow Statement	2013/14 £000
-792	Net Surplus or (deficit) on the provision of services	27,891
38,947	Adjustment to surplus or deficit on the provision of services	28,840
-28,660	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	-26,439
9,495	Net Cashflows from Operating Activities	30,292
-18,616	Net Cashflows from Investing Activities	-17,423
5,719	Net Cashflows from Financing Activities	7,388
-3,402	Net increase or decrease in cash and cash equivalents	20,257
25,205	Cash and Cash Equivalents at the Beginning of the Reporting Period	21,803
21,803	Cash and Cash Equivalents at the End of the Reporting Period	42,060

F. NOTES TO THE CORE FINANCIAL STATEMENTS

1. PRIOR YEAR ADJUSTMENTS

Note 20 Debtors and Note 23 Creditors

A review of the classification of Debtors and Creditors balances under the analysis specified by The Code of Practice on Local Authority Accounting has been performed.

As a result of this review, the prior year comparators for both Debtors (Note 20) and Creditors (Note 23) have been re-stated in regards to their classification.

There has been no change to the total debtors and creditors disclosed, and as such this has no effect on the Balance Sheet.

Note 45 Defined Benefit Pension Schemes

The presentation of Note 45 - Defined Benefit Pension Schemes has changed as per the 2013/14 CIPFA Code of Practice, with a number of disclosures providing more detail than previously required in the 2012/13 Statement of Accounts.

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

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

IAS 8 requires an authority to disclose the impact of an accounting change that has been issued but not yet adopted. These changes will be applied retrospectively unless there are specific transitional arrangement specified in the Code. There are a number of changes detailed below that are likely to apply for 2014/15, all of which will apply from 1st April 2014, and will be adopted (where applicable) by NBC from 1st April 2014:

IFRS 10 - Consolidated Financial Statements, IFRS 11 - Joint Arrangements, IFRS 12 - Disclosure of Interests in Other Entities, IAS 27 - Separate Financial Statements (as amended in 2011), IAS 28 - Investments in Associates and Joint Ventures (as amended in 2011)

The 2014/15 Code of Practice will introduce a number of changes in relation to Standards applicable to Group Accounting.

Northampton Borough Council is not required to prepare group accounts for 2013/14, therefore this has no effect on the 2013/14 Statement of Accounts for Northampton Borough Council.

IAS 32 - Financial Instruments: Presentation

In December 2011 the IASB issued amendments to IAS 32 Financial Instruments: Presentation (Offsetting Financial Assets and Financial Liabilities). The amendments clarify its requirements for offsetting financial instruments.

There will not be a material effect on the 2013/14 Statement of Accounts for Northampton Borough Council.

F. NOTES TO THE CORE FINANCIAL STATEMENTS

Annual Improvements to IFRS 2009-2011 Cycle

The IASB carries out cyclical work to identify and implement improvements in IFRSs. The following amendments have been incorporated into the 14/15 Code of Practice:

IAS 1 Presentation of Financial Statements—Clarification of the requirements for comparative information

IAS 16 Property, Plant and Equipment—Classification of servicing equipment

These are not expected to have a material effect on the 2013/14 Statement of Accounts for Northampton Borough Council.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

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

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

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends, and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Authority's Balance Sheet at 31 March 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

F. 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 £311k for every year that useful lives had to be reduced.
Property, Plant and Equipment (excluding land) - Valuations	Assets are valued each year by professional valuers using appropriate valuation methods, judgements, and assumptions. Council dwellings are valued as at 1 April annually, non investment properties with a closing value of over £300k the previous year are revalued mid-year, and other non-investment property is valued on a 5-year rolling programme part way through the year. The assumptions used and timings of these valuations introduce a degree of estimation risk if property values differ from the valuations used.	A desktop exercise was carried out as at 31 March which indicated a possible uplift in the value of council dwellings of 3.6%. This is equivalent to an increase of £3.1m on the balance sheet value reported in the financial statements for council dwellings
Benefit Over-payments Provision	The Authority has made an provision of £4.48m in respect of Overpayments to Benefit Claimants. This provision is based upon a analysis of outstanding debt as at year end and is considered prudent in light of the highly uncertain nature of future recovery levels.	As the provision for Benefit Overpayments is currently set at 97.5% of the overall debt, any movement in the level of overpayments will have a corresponding, equivalent impact on the level of provision required.
Insurance Provision and Reserve	The Council has made a provision of £368k for actual insurance claims outstanding and a reserve of £2.48m is set aside for unknown future claims. The amount in the reserve is based upon an actuarial report from our independent advisors, who have specialist experience in forecasting.	If the insurance provision proves to be insufficient then funds can be transferred from the insurance reserve. If the level of insurance reserve were to prove incorrect, then the effect would be equivalent to the amount of the additional claims.

F. NOTES TO THE CORE FINANCIAL STATEMENTS

Pensions Liability	<p>The Council has a liability for retirement benefits promised under the terms of the pension scheme of £136m. Liabilities are measured on an actuarial basis, estimating future cash flows discounted to present values. This estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.</p>	<p>If the principal assumptions used to measure the liability were to differ, then the increase in liability would be:</p> <ul style="list-style-type: none"> - 0.5% decrease in discount rate = £24.5m - 1 year increase in life expectancy = £8.8m - 0.5% salary increase = £5.1m - 0.5% increase in Pensions rate = £19.2m
Arrears	<p>The General Fund has provided for a bad debt provision of £672k. This is based on modelled assumptions of the amount of debt cleared at various time points. The model is based on past recovery rates but any changes in the economic climate could impact on the recovery of outstanding debts.</p>	<p>The amount of debt having a provision against it equates to £2.263m. Therefore any changes in the recovery of our debts will have a maximum impact of £1.590m.</p>
Business Rates Appeals	<p>The council has made a provision for the effects of business rates appeals (including backdated appeals) of which the NBC element is £1.188m. This is based on appeals that had been lodged and were outstanding at 31 March 2014. A contingent liability has been disclosed in relation to the risk of new appeals that may come forward in the future.</p>	<p>If appeals on the list are rejected or settled at a lower value from the amount taken into account in the appeal provision, the provision for the excess would be released.</p> <p>If appeals on the list are settled at a higher value than the appeal provision or appeals are settled that are not included on the list at 31 March, there would be an impact on the business rates income to the authority under the Rates Retention Scheme.</p>
Minimum lease payments on operating leases (Authority as lessor)	<p>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.</p>	<p>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.</p>

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

F. NOTES TO THE CORE FINANCIAL STATEMENTS

5. MATERIAL ITEMS OF INCOME AND EXPENSE

The following material items are included in NBC's accounts for 2013/14:

- 1) An Environmental Services contract for waste collection, street cleaning, park maintenance etc. The contract costs in relation to this item in 2013/14 are £5.86m.
- 2) The LGSS contract to cover the Council's primary back office functions (H.R., Finance, ICT etc.) for the period 1st June 2013 – 31st March 2014. The contract costs in relation to this item in 2013/14 are £8.47m.
- 3) A grant of £17m for Decent Homes from the Homes and Communities Agency.
- 4) Expenditure on Housing Benefits:
Rent Allowances of £42m
Rent Rebates of £32m
The grant income received from DWP in respect of these payments is disclosed within Note 38.

6. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Chief Finance Officer on the date shown in the Explanatory Foreword section B. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

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

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

The effects on the 2014/15 Balance Sheet are summarised in the following table:

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

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

F. 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.

2013/14	General Fund Balance £000s	Housing Revenue Account £000s	Earmarked Reserves £000s	Major Repairs Reserve £000s	Capital receipts Reserve £000s	Capital Grants Unapplied £000s	Total Usable Reserves £000s	Movement in Unusable Reserves £000s
Adjustments primarily involving the Capital Adjustment Account:								
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:								
Charges for depreciation and impairment of non-current assets	-2,475	0	0	-8,477	0	0	-10,952	10,952
Revaluation gains on PPE	1,437	14,829	0	0	0	0	16,266	-16,266
Revaluation losses on PPE	-2,309	-18,701	0	0	0	0	-21,010	21,010
Movements in the market value of Investment properties	157	-9	0	0	0	0	148	-148
Amortisation of Intangible assets	-329	0	0	0	0	0	-329	329
Capital Grants & contributions applied (if any)	4,993	17,020	0	0	0	0	22,013	-22,013
Revenue expenditure funded from capital under statute	-2,841	0	0	0	0	0	-2,841	2,841
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure statement	-3,068	-3,867	0	0	0	0	-6,935	6,935
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement								
Statutory provision for the financing of capital investment	1,065	0	0	0	0	0	1,065	-1,065
Capital expenditure charged against the General Fund and HRA balances	132	0	0	0	0	0	132	-132
Balance of MRA	0	0	0	0	0	0	0	0
Total Adjustments primarily involving the Capital Adjustment Account	-3,238	9,272	0	-8,477	0	0	-2,443	2,443

F. NOTES TO THE CORE FINANCIAL STATEMENTS

2013/14	General Fund Balance £000s	Housing Revenue Account £000s	Earmarked Reserves £000s	Major Repairs Reserve £000s	Capital receipts Reserve £000s	Capital Grants Unapplied £000s	Total Usable Reserves £000s	Movement in Unusable Reserves £000s
Adjustments primarily involving the Capital Grants Unapplied Account:								
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	2,678	0	0	0	0	-2,678	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	1,404	1,404	-1,404
Total Adjustments primarily involving the Capital Grants Unapplied Account	2,678	0		0	0	-1,274	1,404	-1,404
Adjustments primarily involving the Capital Receipts Reserve:								
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,702	4,379	0	0	-6,081	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	0	6,067	0	6,067	-6,067
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	-113	0	0	113	0	0	0
Contribution from the Capital Receipts Reserve to finance payments to Government Capital Receipts pool	-869	0	0	0	869	0	0	0
Transfer from Deferred Capital receipts Reserve upon receipt of cash	0		0	0	-56	0	-56	56
Total Adjustments primarily involving the Capital Receipts Reserve	833	4,266	0	0	912	0	6,011	-6,011
Adjustments primarily involving the Deferred Capital Receipts Reserve:								
Transfer of deferred sale proceed credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	0	0	0
Total Adjustments primarily involving the Deferred Capital Receipts Reserve	0	0	0	0	0	0	0	0
Adjustment primarily involving the Major Repairs Reserve:								
Reversal of major Repairs Allowance credited to the HRA	0	3,671	0	-3,671	0	0	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	4,286	0	0	4,286	-4,286
Total Adjustment primarily involving the Major Repairs Reserve	0	3,671	0	615	0	0	4,286	-4,286

F. NOTES TO THE CORE FINANCIAL STATEMENTS

2013/14	General Fund Balance £000s	Housing Revenue Account £000s	Earmarked Reserves £000s	Major Repairs Reserve £000s	Capital receipts Reserve £000s	Capital Grants Unapplied £000s	Total Usable Reserves £000s	Movement in Unusable Reserves £000s
Adjustments primarily involving the Financial Instruments Adjustment Account: Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-943	41	0	0	0	0	-902	902
Adjustments primarily involving the Pensions Reserve: Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and expenditure Statement Employer's pensions contributions and direct payments to pensioners payable in the year	-4,450	-1,633	0	0	0	0	-6,083	6,083
	5,848	2,140	0	0	0	0	7,988	-7,988
Total Adjustments primarily involving the Pensions Reserve	1,398	507	0	0	0	0	1,905	-1,905
Adjustments primarily involving the Collection Fund Adjustment Account: Amount by which council tax income and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax income and non-domestic rating income calculated for the year in accordance with statutory requirements	-3,221	0	0	0	0	0	-3,221	3,221
Adjustment primarily involving the Accumulated Absences Account: Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	49	6	0	0	0	0	55	-55
Total Adjustments	-2,444	17,763	0	-7,862	912	-1,274	7,095	-7,095

F. NOTES TO THE CORE FINANCIAL STATEMENTS

2012/13	General Fund Balance £000s	Housing Revenue Account £000s	Earmarked Reserves £000s	Major Repairs Reserve £000s	Capital receipts Reserve £000s	Capital Grants Unapplied £000s	Total Usable Reserves £000s	Movement in Unusable Reserves £000s
Adjustments primarily involving the Capital Adjustment Account:								
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:								
Charges for depreciation and impairment of non-current assets	-2,446	0	0	-7,819	0	0	-10,265	10,265
Revaluation gains on PPE	2,836	276	0	0	0	0	3,112	-3,112
Revaluation losses on PPE	-8,033	-24,919	0	0	0	0	-32,952	32,952
Movements in the market value of Investment properties	-46	0	0	0	0	0	-46	46
Amortisation of Intangible assets	-821	0	0	0	0	0	-821	821
Capital Grants & contributions applied (if any)	5,571	16,945	0	0	0	0	22,516	-22,516
Revenue expenditure funded from capital under statute	-2,759	0	0	0	0	0	-2,759	2,759
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure statement	-1,326	-3,370	0	0	0	0	-4,696	4,696
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement								
Statutory provision for the financing of capital investment	903	0	0	0	0	0	903	-903
Capital expenditure charged against the General Fund and HRA balances	301	0	0	0	0	0	301	-301
Balance of MRA	0	0	0	0	0	0	0	0
Total Adjustments primarily involving the Capital Adjustment Account	-5,820	-11,068	0	-7,819	0	0	-24,707	24,707

F. NOTES TO THE CORE FINANCIAL STATEMENTS

2012/13	General Fund Balance £000s	Housing Revenue Account £000s	Earmarked Reserves £000s	Major Repairs Reserve £000s	Capital receipts Reserve £000s	Capital Grants Unapplied £000s	Total Usable Reserves £000s	Movement in Unusable Reserves £000s
Adjustments primarily involving the Capital Grants Unapplied Account:								
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,913	0	0	0	0	-1,913	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	69	69	-69
Total Adjustments primarily involving the Capital Grants Unapplied Account	1,913	0		0	0	-1,844	69	-69
Adjustments primarily involving the Capital Receipts Reserve:								
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,636	2,670	0	0	-4,306	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	0	2,334	0	2,334	-2,334
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	-73	0	0	73	0	0	0
Contribution from the Capital Receipts Reserve to finance payments to Government Capital Receipts pool	-755	0	0	0	755	0	0	0
Transfer from Deferred Capital receipts Reserve upon receipt of cash	0		0	0	-56	0	-56	56
Total Adjustments primarily involving the Capital Receipts Reserve	881	2,597	0	0	-1,200	0	2,278	-2,278
Adjustments primarily involving the Deferred Capital Receipts Reserve:								
Transfer of deferred sale proceed credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	0	0	0
Total Adjustments primarily involving the Deferred Capital Receipts Reserve	0	0	0	0	0	0	0	0
Adjustment primarily involving the Major Repairs Reserve:								
Reversal of major Repairs Allowance credited to the HRA	0	3,624	0	-3,624	0	0	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	9,901	0	0	9,901	-9,901
Total Adjustment primarily involving the Major Repairs Reserve	0	3,624	0	6,277	0	0	9,901	-9,901

F. NOTES TO THE CORE FINANCIAL STATEMENTS

2012/13	General Fund Balance £000s	Housing Revenue Account £000s	Earmarked Reserves £000s	Major Repairs Reserve £000s	Capital receipts Reserve £000s	Capital Grants Unapplied £000s	Total Usable Reserves £000s	Movement in Unusable Reserves £000s
Adjustments primarily involving the Financial Instruments Adjustment Account: Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	0	302	0	0	0	0	302	-302
Adjustments primarily involving the Pensions Reserve: Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and expenditure Statement Employer's pensions contributions and direct payments to pensioners payable in the year	-6,211	-2,091	0	0	0	0	-8,302	8,302
Total Adjustments primarily involving the Pensions Reserve	-271	-91	0	0	0	0	-362	362
Adjustments primarily involving the Collection Fund Adjustment Account: Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	33	0	0	0	0	0	33	-33
Adjustment primarily involving the Accumulated Absences Account: Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	41	4	0	0	0	0	45	-45
Total Adjustments	-3,223	-4,632	0	-1,542	-1,200	-1,844	-12,441	12,441

F. 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 2013/14.

Earmarked Reserves	Balance at 31 March 2012 £000s	Additions to Reserve 2012/13 £000s	Use Of Reserve 2012/13 £000s	Balance at 31 March 2013 £000s	Additions to Reserve 2013/14 £000s	Use Of Reserve 2013/14 £000s	Balance at 31 March 2014 £000s
General Fund							
Insurance	2,143	390	-90	2,443	196	-155	2,484
Subsidy Equalisation	500	62	0	562	50	-344	268
Core Business Systems	254	0	-20	234	0	-29	205
Building Maintenance	309	0	-75	234	0	-3	230
Supporting Business & Economic Growth	283	0	-58	225	0	-95	130
Change and Performance	818	0	-116	702	331	-150	883
Council Tax Benefit	0	0	0	0	235	0	235
Regeneration	0	0	0	0	1,075	0	1,075
Debt Financing	377	109	-1	485	0	-200	286
Rent Deposit Scheme	100	0	0	100	60	0	160
Leasing	7	0	0	7	0	-7	0
Carbon Management	169	15	-89	95	57	-28	125
General	5,845	995	-1,204	5,636	6,203	-1,798	10,041
Revenue Grants	4,802	2,124	-1,479	5,447	4,198	-1,297	8,347
Arts	19	0	0	19	0	0	19
Delapre Abbey	522	390	-29	883	75	-63	895
Total General Fund	16,148	4,085	-3,161	17,072	12,480	-4,169	25,382
HRA							
HRA Reserves	2,781	6,013	0	8,794	6,705	-2,500	12,999
Supporting People Reserve	558	0	0	558	0	0	558
HRA Reform Reserve	2,000	0	-667	1,333	0	-460	873
Leaseholders Reserve	0	168	0	168	0	0	168
Insurance Reserve	0	300	0	300	0	0	300
Service Improvement Reserve	1,000	670	-274	1,396	36	-36	1,395
Total HRA	6,339	7,151	-941	12,549	6,741	-2,996	16,294
Total Earmarked	22,487	11,236	-4,102	29,621	19,221	-7,165	41,676

Insurance Reserve

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

F. NOTES TO THE CORE FINANCIAL STATEMENTS

Subsidy Equalisation Reserve

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

Core Business Systems Reserve

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

Building Maintenance Reserve

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

Supporting Business and Economic Growth Reserve

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

Change and Performance Reserve

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

Council Tax Benefit Reserve

Reserve held as a contingency for costs that may arise as a result of back dated council tax benefit claims, and relevant changes in circumstances relating to the period up to 31 March 2013 as detailed in the Department for Works and Pensions circular HB/CTB A1/2013.

Regeneration Reserve

Reserve held to facilitate the delivery of the Council's regeneration plans including Northampton Alive.

Debt Financing Reserve

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

Rent Deposit Scheme

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

Leasing

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

F. NOTES TO THE CORE FINANCIAL STATEMENTS

Carbon Management

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

General Reserve

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

Arts Reserve

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

HRA Earmarked Reserves

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

Delapre Abbey Reserve

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

9. OTHER COMPREHENSIVE EXPENDITURE AND INCOME

2012/13 £000s	Other Comprehensive Income & Expenditure	2013/14 £000s
	Revaluation Reserve	
-5,401	General Fund Revaluation Gains	-11,211
5,544	General Fund Revaluation Losses	1,177
18	General Fund Impairment	0
-2,243	HRA Revaluation Gains	-574
227	HRA Revaluation Losses	80
-1,855	Total	-10,528
12,029	Actuarial Gains & Losses to the Pensions Reserve	10,301
10,174	Other Comprehensive Expenditure and Income	-227

F. NOTES TO THE CORE FINANCIAL STATEMENTS

10. OTHER OPERATING EXPENDITURE

2012/13 £000s	Other Operating Expenditure	2013/14 £000s
976	Parish council precepts	1,014
-20	Levies	-20
755	Payments to the Government Housing capital Receipts Pool	869
248	Trading	141
464	Gains/Losses on the disposal of non-current assets	968
2,423	Total	2,972

11. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2012/13 £000s	Financing And Investment Income And Expenditure	2013/14 £000s
7,659	Interest payable and similar charges	7,746
4,438	Pensions interest cost and expected return on pensions assets	5,517
-834	Interest receivable and similar charges	-676
47	Income and expenditure in relation to investment properties and changes in their fair value	-352
11,310	Total	12,235

12. TAXATION AND NON SPECIFIC GRANT INCOME

2012/13 £000s	Taxation And Non Specific Grant Income	2013/14 £000s
-15,092	Council tax income	-13,380
-6,200	Capital grants and contributions	-6,908
-253	Revenue Support Grant	-8,971
-13,042	Non domestic rates	-5,948
-18,593	Non-ring fenced government grants	-21,223
-53,180	Total	-56,430

F. NOTES TO THE CORE FINANCIAL STATEMENTS

13. PROPERTY, PLANT AND EQUIPMENT

a) Movement

Movements in 2013/14	Council Dwellings £000s	Housing Land and Buildings £000s	Other Land and Buildings £000s	Vehicles, Plant, Furniture & Equipment £000s	Infrastructure Assets £000s	Community Assets £000s	Surplus Assets £000s	Assets Under Construction £000s	Total Property, Plant and Equipment £000s
Cost or Valuation									
At 1st April 2013	361,264	18,307	80,094	2,913	2,134	5,325	365	1,789	472,191
Additions	24,371	0	9,111	979	69	565	0	191	35,286
Donations	0	0	1,500	0	0	0	0	0	1,500
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-42	353	2,410	-1	0	7,160	0	0	9,880
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	-9,804	18	-2,194	-722	0	0	0	0	-12,702
Derecognition – disposals	-1,893	-269	-1,674	-14	0	0	0	0	-3,850
Derecognition – other	-2,014	-27	-1,044	0	0	0	0	0	-3,085
Assets reclassified (to) / from Held for sale	0	0	-457	0	0	124	0	0	-333
Other movements in cost or valuation	0	0	1,734	0	0	0	0	-1,787	-53
At 31 March 2014	371,882	18,382	89,480	3,155	2,203	13,174	365	193	498,834
Accumulated Depreciation and Impairment									
At 1 April 2013	-7,707	-599	-2,414	-442	-302	-17	-5	0	-11,486
Depreciation Charge	-8,150	-324	-1,351	-777	-58	-80	-2	0	-10,742
Depreciation written out to the revaluation reserve	0	182	317	133	0	16	0	0	648
Depreciation written out to the Surplus/Deficit on the Provision of Services	5,914	0	1,445	600	0	0	0	0	7,959
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0
Derecognition – Disposals	41	5	8	6	0	0	0	0	60
Derecognition – other	285	4	142	0	0	0	0	0	431
Other Movements	0	0	0	0	0	0	0	0	0
At 31 March 2014	-9,617	-732	-1,853	-480	-360	-81	-7	0	-13,130
Net Book Value									
At 31 March 2013	353,557	17,708	77,680	2,471	1,832	5,308	360	1,789	460,705
At 31 March 2014	362,265	17,650	87,627	2,675	1,843	13,093	358	193	485,704

F. NOTES TO THE CORE FINANCIAL STATEMENTS

Movements in 2012/13	Council Dwellings £000s	Housing Land and Buildings £000s	Other Land and Buildings £000s	Vehicles, Plant, Furniture & Equipment £000s	Infrastructure Assets £000s	Community Assets £000s	Surplus Assets £000s	Assets Under Construction £000s	Total Property, Plant and Equipment £000s
Cost or Valuation									
At 1st April 2012	368,044	17,930	81,955	6,317	1,402	5,555	591	2,130	483,924
Additions	27,430	0	4,258	408	309	126	0	1,789	34,320
Donations	0	0	0	0	0	0	0	0	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-6,088	488	-547	-1,998	0	0	-161	0	-8,306
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	-24,774	2	-6,270	-1,222	0	0	0	0	-32,264
Derecognition – disposals	-1,720	-108	-1,098	-562	0	0	0	0	-3,488
Derecognition – other	-1,629	-5	-10	-33	0	0	-55	0	-1,732
Assets reclassified (to) / from Held for sale	0	0	-250	0	0	0	-79	0	-329
Other movements in cost or valuation	0	0	2,057	5	422	-356	70	-2,130	68
At 31 March 2013	361,263	18,307	80,095	2,915	2,133	5,325	366	1,789	472,193
Accumulated Depreciation and Impairment									
At 1 April 2012	-7,513	-519	-2,916	-2,875	-254	-9	-24	0	-14,110
Depreciation Charge	-7,813	-315	-1,464	-832	-44	-12	-5	0	-10,485
Depreciation written out to the revaluation reserve	7,390	225	316	2,126	0	0	22	0	10,079
Depreciation written out to the Surplus/Deficit on the Provision of Services	122	8	1,683	572	0	0	0	0	2,385
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	-18	0	0	0	0	0	-18
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	-17	0	0	0	0	0	-17
Derecognition – Disposals	29	2	0	545	0	0	0	0	576
Derecognition – other	78	0	1	21	0	0	2	0	102
Other Movements	0	0	0	0	-4	4	0	0	0
At 31 March 2013	-7,707	-599	-2,415	-443	-302	-17	-5	0	-11,488
Net Book Value									
At 31 March 2012	360,531	17,411	79,039	3,442	1,148	5,546	567	2,130	469,814
At 31 March 2013	353,556	17,708	77,680	2,472	1,831	5,308	361	1,789	460,705

F. NOTES TO THE CORE FINANCIAL STATEMENTS

b) Depreciation

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

c) Revaluations

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

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

The significant assumptions applied in estimating the fair values are:

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

	Council Dwellings	Housing Land & Build.	Other Land & Build.	Vehicles, Plant, Furniture & Equip.	Surplus Assets	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Valued at fair value in:						
2013/14	327,904	12,044	52,092	2,176	0	394,216
2012/13	19,607	163	14,920	0	6	34,696
2011/12	0	0	578	0	0	578
2010/11	0	6,143	4,469	0	359	10,971
2009/10	0	32	6,810	0	0	6,842
Total	347,511	18,382	78,869	2,176	365	447,303

F. NOTES TO THE CORE FINANCIAL STATEMENTS

d) Information on Assets Held

31 March 2013 Number	Information on Assets Held	31 March 2014 Number
	Operational Assets	
12,047	Council Dwellings	11,969
	Other Land and Buildings	
27	Council Houses not used as dwellings - Community Rooms	27
88	Shared Ownership Properties	81
3,132	Council Garages	3,130
21	Other Housing Properties	21
66	Operational Shops	66
62.88ha	Allotments	62.88ha
7	Sports & Leisure Centres	7
25	Community Centres	23
1	Museums, Art Galleries	1
1	Open Markets	1
13	Public Conveniences	8
5	Multi-Storey Pay & Display Car Parks	5
2	Local Area Offices	1
3	Central Administrative Offices	3
1	Gypsy Site	1
1	Bus Station	1
18	Surface Pay & Display Car Parks	18
7	Pavilions	7
1	Depots	1
14	Sub-Depots	14
80	Infrastructure	81
166	Vehicles, Plant, Furniture and Equipment	174
	Community Assets	
887.45ha	Parks and Open Spaces	887.45ha
1	Guildhall	1
1	Historical Buildings	1
2	Monuments/Memorials/Exhibitions	2
8	Cemeteries	8
	Heritage Assets	
37	Buildings & Statuary	37
163	Museum Exhibits	163
123	Guildhall Contents	123
15	Mayoral Regalia	15
	Non-operational Assets	
290	Commercial Property (Units)	290
65.97ha	Agricultural Land	65.97ha
0	Indoor Market/Arts Venue	0
1	Golf Course	1
0	Cinepod	1
1	Theatres	1
54	Intangible Assets	53

F. NOTES TO THE CORE FINANCIAL STATEMENTS

e) Donated Assets

During the financial year 2013/14, the Council received donated assets from West Northamptonshire Development Corporation with a value of £1.5m, due to the closure of the Corporation on 31 March 2014.

14. HERITAGE ASSETS

Reconciliation of the heritage assets held by the Authority:

Heritage Assets	Historic Buildings & Statuary £000s	Museum Exhibits £000s	Mayoral Regalia £000s	Guildhall Artefacts £000s	Total Heritage Assets £000s
Cost or Valuation					
1 April 2013	4,927	29,655	48	1,932	36,562
Additions	234	0	0	0	234
Disposals	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	0	0	0	0
Revaluation increases/(decreases) recognised in Surplus or Deficit on the Provision of Services	0	0	0	0	0
31 March 2014	5,161	29,655	48	1,932	36,796
Depreciation and Impairment					
1 April 2013	-114	0	0	0	-114
Depreciation	-89	0	0	0	-89
Disposals	0	0	0	0	0
Depreciation written out to the revaluation reserve	0	0	0	0	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0
31 March 2014	-203	0	0	0	-203
Net Book Value					
at 31 March 2013	4,813	29,655	48	1,932	36,448
at 31 March 2014	4,958	29,655	48	1,932	36,593

F. NOTES TO THE CORE FINANCIAL STATEMENTS

Heritage Assets	Historic Buildings & Statuary £000s	Museum Exhibits £000s	Mayoral Regalia £000s	Guildhall Artefacts £000s	Total Heritage Assets £000s
Cost or Valuation					
1 April 2012	4,926	29,655	48	1,932	36,561
Additions	1	0	0	0	1
Disposals	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	0	0	0	0
Revaluation increases/(decreases) recognised in Surplus or Deficit on the Provision of Services	0	0	0	0	0
31 March 2013	4,927	29,655	48	1,932	36,562
Depreciation and Impairment					
1 April 2012	-25	0	0	0	-25
Depreciation	-89	0	0	0	-89
Disposals	0	0	0	0	0
Depreciation written out to the revaluation reserve	0	0	0	0	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0
31 March 2013	-114	0	0	0	-114
Net Book Value					
at 31 March 2012	4,901	29,655	48	1,932	36,536
at 31 March 2013	4,813	29,655	48	1,932	36,448

Buildings and Statuary

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

Museum Exhibits

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

F. NOTES TO THE CORE FINANCIAL STATEMENTS

Mayoral Regalia

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

Guildhall Artefacts

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

Enhancements of Heritage Assets

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

Disposals

There were no disposals of Heritage Assets in 2013/14

15. INVESTMENT PROPERTIES

- a) The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

2012/13 £000s	Investment Properties	2013/14 £000s
-580	Rental income from investment property	-525
74	Direct operating expenses arising from investment property	22
-506	Net (gain) / loss	-503

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

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

2012/13 £000s	Investment Property Valuations	2013/14 £000s
7,522	Balance at start of the year	7,398
-54	Disposals	28
-70	Transfers: to/from Property, Plant and Equipment	53
7,398	Balance at end of year	7,479

F. NOTES TO THE CORE FINANCIAL STATEMENTS

16. INTANGIBLE ASSETS

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

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

	Purchased Assets
	£000s
3 Years	879
5 Years	467
10 Years	185
Total	1,531

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £891k charged to revenue in 2013/14 was charged to the appropriate cost centres and then absorbed as an overhead across all the service headings in the Net Expenditure of Services where the original service charged was an overhead. It is not, therefore, possible to quantify exactly how much of the amortisation is attributable to each service heading.

F. NOTES TO THE CORE FINANCIAL STATEMENTS

b) Movements

2012/13			Intangible Assets	2013/14		
Internally Generated Assets	Other Assets	Total		Internally Generated Assets	Other Assets	Total
£000s	£000s	£000s		£000s	£000s	£000s
			Balance at start of year			
0	5,179	5,179	Gross carrying amounts	0	5,376	5,376
0	-1,921	-1,921	Accumulated amortisation	0	-3,162	-3,162
0	3,258	3,258	Net carrying amount at start of year	0	2,214	2,214
0	195	195	Purchases	0	533	533
0	2	2	Changes in Asset class - Gross	0	0	0
0	0	0	Disposals - Gross value	0	-819	-819
0	0	0	Disposals - Amortisation	0	493	493
0	-1,241	-1,241	Amortisation for the Period	0	-891	-891
0	2,214	2,214	Net carrying amount at end of year	0	1,531	1,531
			Comprising:			
0	5,376	5,376	Gross carrying amounts	0	5,091	5,091
0	-3,162	-3,162	Accumulated Amortisation	0	-3,560	-3,560
0	2,214	2,214	Net carrying amount at end of year	0	1,531	1,531

c) Material Items

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

Carrying Amount 31 March 2013 £000s	Material Intangible Assets	Carrying Amount 31 March 2014 £000s	Remaining Amortisation Period
1,196	IBS - Housing Management System	665	1 Year

F. NOTES TO THE CORE FINANCIAL STATEMENTS

17. FINANCIAL INSTRUMENTS

a) Categories of Financial Instruments

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

Categories of Financial Instruments	Long-Term		Current	
	31 March 2013 £000s	31 March 2014 £000s	31 March 2013 £000s	31 March 2014 £000s
Investments				
Loans and receivables	1,003	0	47,548	70,671
Debtors				
Loans and receivables	163	8,996	13,627	10,726
Borrowings				
Financial Liabilities at amortised cost	-216,072	-210,126	-299	-16,283
Other Long Term Liabilities				
PFI and finance leases	-289	-496	0	0
Creditors				
Financial Liabilities at amortised cost	-5,279	-8,233	-12,175	-12,919

b) Reclassifications

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

F. NOTES TO THE CORE FINANCIAL STATEMENTS

c) Income, Expense, Gains, and Losses

2012/13			Income, Expense, Gains and Losses	2013/14		
Financial Liabilities measured at amortised cost £000s	Financial Assets: Loans and Receivables £000s	Total £000s		Financial Liabilities measured at amortised cost £000s	Financial Assets: Loans and Receivables £000s	Total £000s
-7,659	0	-7,659	Interest expenditure	-7,746	0	-7,746
0	-589	-589	Impairment losses	0	-902	-902
-7,659	-589	-8,248	Total Expense in Surplus or Deficit on the Provision of Services	-7,746	-902	-8,648
0	833	833	Interest income	0	675	675
0	833	833	Total Income in Surplus or Deficit on the Provision of Services	0	675	675
-7,659	244	-7,415	Net gain/(loss) for the year	-7,746	-227	-7,973

The Authority did not have any Financial Assets available for sale or Assets and Liabilities at Fair Value through profit and loss for either 2013/14 or 2012/13.

d) Fair Values of Assets and Liabilities

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

- Ranges of estimated interest rates and discount rates at 31 March 2014:

1.63% to 4.29% for loans from the PWLB, based on new lending rates for equivalent loans at that date

3.72% to 4.32% for other loans payable, based on discount rates applying at that date

0.40% to 0.60% for loans receivable, based on new market rates for equivalent loans at that date

- No early repayment or impairment is recognised

- The fair value of trade and other receivables is taken to be the invoiced or billed amount

F. NOTES TO THE CORE FINANCIAL STATEMENTS

The fair values calculated are as follows:

	31 March 2013		31 March 2014	
	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s
Financial Liabilities	-12,474	-12,474	-30,359	-30,685
Long Term Creditors	-221,639	-209,646	-220,520	-197,886

The fair value of the assets at 31 March 2013 and 31 March 2014 is marginally higher than the carrying amount at the same date because the Authority's portfolio of investments includes a number of fixed rate investments where the interest payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2013 and 31 March 2014 respectively) attributable to the commitment to receive interest above current market rates.

	31 March 2013		31 March 2014	
	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s
Loans and Receivables	62,178	62,306	81,690	81,736
Long Term Debtors	163	163	8,996	8,996

The fair value of the assets at 31 March 2013 and 31 March 2014 is marginally higher than the carrying amount at the same date because the Authority's portfolio of investments includes a number of fixed rate investments where the interest payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2013 and 31 March 2014 respectively) attributable to the commitment to receive interest above current market rates.

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

F. NOTES TO THE CORE FINANCIAL STATEMENTS

e) Short Term Borrowing

31 March 2013 £000s	Short Term Borrowing	31 March 2014 £000s
90	Billing Parish Council 7 day notice account	90
189	Northampton Volunteer Bureau 7 day notice account	189
20	HCA principal due within 1 year	22
0	LOBO Loans principal due within 1 year	15,721
0	PWLB Loans principal due within 1 year	261
299	Total	16,283

f) Long Term Borrowing

31 March 2013 £000s	Long Term Borrowing	31 March 2014 £000s
	Analysis of loans by type	
190,113	Public Works Loan Board	199,910
24,788	Money Market LOBOs	9,068
1,170	Homes & Communities Agency	1,148
216,071	Total	210,126
	Analysis of loans by maturity	
15,743	Maturing in 1-2 years	2,259
10,129	Maturing in 2-5 years	18,299
15,194	Maturing in 5-10 years	16,312
175,005	Maturing in over 10 years	173,256
216,071	Total	210,126

F. NOTES TO THE CORE FINANCIAL STATEMENTS

g) Investments

31 March 2013 £000s	Investment Type	31 March 2014 £000s
	Included in Cash and Cash Equivalents	
17,071	Deposit and Call Accounts	21,681
2,620	Money Market Funds	22,860
19,691	Total - Cash and Cash Equivalents	44,541
	Current Investments - Under 1 Year	
25,745	Short Term Investments - Fixed Term	28,612
25,745	Total - Short Term Investments	28,612
	Long Term Investments - Over 1 Year	
1,003	Long Term Investments - Fixed Term	0
1,003	Total - Long Term Investments	0
46,439	Total	73,153

h) Soft Loans

The Council has made loans to two local sports club. These have been assessed as material soft loans.

One loan has been made to Northampton Town Football Club (NTFC) to redevelop the Sixfields Stadium.

The other loan has been made to Northampton Rugby Football Club (NRFC) to redevelop the Franklins Garden Stadium.

2012/13 £000s	Material Soft Loans	2013/14 £000s
0	Balance at 1 April 2013	0
0	Nominal value of new loans granted in year	10,000
0	Fair value adjustment on initial recognition	-974
0	Loans repaid	31
0	Balance at 31 March 2014	9,057

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

F. NOTES TO THE CORE FINANCIAL STATEMENTS

18. INVENTORIES

	Westbridge Depot Main Stores £000s	Sub Stores £000s	Other Stores £000s	Total £000s
2012/13				
Balance outstanding at start of year	253	17	150	420
Purchases	737	0	149	886
Revaluations	0	0	1	1
Recognised as an expense in the year	-797	0	-187	-984
Written off balances	-193	0	-22	-215
Reclassification / Transfers	0	-17	-25	-42
Balance outstanding at year end	0	0	66	66
2013/14				
Balance outstanding at start of year	0	0	66	66
Purchases	1,264	0	135	1,398
Revaluations	0	0	1	1
Recognised as an expense in the year	-1,194	0	-100	-1,294
Written off balances	-68	0	-7	-75
Reclassification / Transfers	68	0	0	68
Balance outstanding at year end	69	0	94	164

19. CONSTRUCTION CONTRACTS

In 2013/14, the Council did not have any external construction contracts in progress.

F. NOTES TO THE CORE FINANCIAL STATEMENTS

20. DEBTORS

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

21. CASH AND CASH EQUIVALENTS

31 March 2013 £000s	Cash and Cash Equivalents	31 March 2014 £000s
12	Cash held by the authority	13
12	Total Cash & Giro Accounts	13
2,099	Overdraft/Operating Account used as part of cash management	-2,494
17,071	Deposit Account Facilities with banks	21,681
2,620	Deposits with money market funds	22,860
19,691	Total Cash Equivalents	44,541
21,802	Total Cash and Cash Equivalents	42,060

F. NOTES TO THE CORE FINANCIAL STATEMENTS

22. CURRENT ASSETS HELD FOR SALE

Current 2012/13 £000s	Assets Held for Sale	Current 2013/14 £000s
869	Balance outstanding at start of year	1,144
	Assets newly classified as held for sale:	
428	Property Plant and Equipment	333
0	Assets declassified as held for sale:	0
-153	Assets sold	-168
1,144	Balance outstanding at year end	1,309

Note: All assets transferred to Held for Sale in 2013/14 are classified as current assets as disposal within 12 months is anticipated.

23. CREDITORS

31 March 2013 £000s	Creditors	31 March 2014 £000s
-891	Central Government Bodies	-3,818
-3,259	Other Local Authorities	-8,800
-42	NHS Bodies	0
0	Public Corporations and Trading Funds	-14
-9,827	Other entities and Individuals	-8,917
-14,018	Total	-21,548

F. NOTES TO THE CORE FINANCIAL STATEMENTS

24. PROVISIONS

Long Term Provisions

Long Term Provisions	Insurance Provision £000s	Business Rates Appeals £000s	Other Provisions £000s	Total £000s
Balance at 1 April 2013	-200	0	-5	-205
Additional Provisions Made	0	-1,183	0	-1,183
Amounts Used	25	0	0	25
Unused Amounts Reversed	90	0	0	90
Balance at 31 March 2014	-84	-1,183	-5	-1,272

Short Term Provisions

Short Term Provisions	Insurance Provision £000s	Business Rates Appeals £000s	Accumulated Absences £000s	Total £000s
Balance at 1 April 2013	-159	0	-159	-318
Additional provisions made	-249	-4	-104	-357
Amounts used	66	0	159	225
Unused amounts reversed	58	0	0	58
Balance at 31 March 2014	-284	-4	-104	-392

a) Insurance Provision

The provision covers the following risks: -

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

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

The estimated cost of outstanding claims is held in the Insurance provision as at 31st March 2014; an actuarial forecast of future valid claims made against 2013/14 and before is held in the Insurance Reserve.

F. NOTES TO THE CORE FINANCIAL STATEMENTS

b) Business Rates Appeals Provision

Following the localisation of the Business Rates Retention Scheme, NBC is now liable for the impact of its share of the effects of any appeals against business rates ratings assessments decided by the Valuation Office Agency (VOA), including the effects of any backdating. The provision at 31st March 2014 is therefore based on the number of appeals that have been made to the VOA at the balance sheet date, split between long-term and short-term, depending on when the appeals are expected to be settled. Recognition has been made in the Contingent Liabilities note (note 46) for the risk of appeals being made in the future.

This note excludes the Collection Fund provisions for appeals, which are shown in the Collection Fund notes in section H to these Accounts.

c) Other

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

The balance of £104k on Short Term Provisions represents a provision for payments for leave time owed to staff at 31st March; there is unlikely to be a claim for this so this is represented as a provision rather than a charge to the accounts.

25. USABLE RESERVES

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

26. UNUSABLE RESERVES

a) Balances

31 March 2013 £000s	Unusable Reserves	31 March 2014 £000s
-50,714	Revaluation Reserve	-60,056
41	Financial Instruments Adjustment Account	943
0	Available for Sale Financial Instruments Reserve	0
-241,373	Capital Adjustment Account	-251,877
-214	Deferred Capital Receipts Reserve	-155
127,421	Pensions Reserve	135,817
-33	Collection Fund Adjustment Account	3,188
159	Short Term Compensated Absences Account	104
-164,713	Total	-172,036

F. NOTES TO THE CORE FINANCIAL STATEMENTS

b) Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2012/13			Revaluation Reserve	2013/14		
General Fund £000s	Housing Revenue Account £000s	TOTAL £000s		General Fund £000s	Housing Revenue Account £000s	TOTAL £000s
-45,071	-4,407	-49,478	Balance at 1 April	-44,675	-6,039	-50,714
-5,401	-2,243	-7,644	Upward Revaluation of assets	-11,211	-574	-11,785
5,563	226	5,789	Downward Revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	1,177	79	1,256
162	-2,017	-1,855	Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	-10,034	-495	-10,529
213	276	489	Difference between fair value depreciation and historical cost depreciation	407	168	575
21	109	130	Accumulated gains on assets sold or scrapped	389	223	612
234	385	619	Amounts written off to the Capital Adjustment Account	796	391	1,187
-44,675	-6,039	-50,714	Balance at 31 March	-53,913	-6,143	-60,056

F. NOTES TO THE CORE FINANCIAL STATEMENTS

c) Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account is used to reconcile the accounting treatment of Financial Instruments that has been adopted and the actual charges that must be made under statute.

2012/13 £000s	Financial Instruments Adjustments Account	2013/14 £000s
343	Balance as at 1 April	41
-302	Transitional Arrangements - Unattached Premia	-41
0	Soft Loans - Statutory Fair Value Adjustments	943
41	Balance as at 31 March	943

d) Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised.

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

e) Capital Adjustment Account

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

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

F. NOTES TO THE CORE FINANCIAL STATEMENTS

2012/13			Capital Adjustment Account	2013/14		
General Fund £000s	HRA £000s	Total £000s		General Fund £000s	HRA £000s	Total £000s
-65,072	-188,085	-253,157	-61,289	-180,089	-241,378	
			Balance at 1 April			
			Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:			
2,446	7,814	10,260	2,475	8,477	10,952	
			Charges for depreciation and impairment of non current assets			
8,033	24,918	32,951	2,309	18,701	21,010	
			Revaluation losses on Property, Plant and Equipment			
-2,836	-276	-3,112	-1,437	-14,829	-16,266	
			Revaluation gains on Property, Plant and Equipment			
821	0	821	329	0	329	
			Amortisation of intangible assets			
2,759	0	2,759	2,841	0	2,841	
			Revenue expenditure funded from capital under statute			
1,326	3,371	4,697	3,068	3,868	6,936	
			Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement			
12,549	35,827	48,376	9,585	16,217	25,802	
			Total			
-234	-385	-619	-796	-390	-1,186	
			Adjusting amounts written out of the Revaluation Reserve			
12,315	35,442	47,757	8,789	15,827	24,616	
			Net written out amount of the cost of the Revaluation Reserve			
			Capital financing applied in the year:			
-1,734	-600	-2,334	-2,319	-3,748	-6,067	
			Use of the Capital Receipts Reserve to Finance new capital expenditure			
0	-9,901	-9,901	0	-4,286	-4,286	
			Use of the Major Repairs Reserve to finance new capital expenditure			
-5,571	-16,945	-22,516	-4,992	-17,020	-22,012	
			Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital expenditure			
-69	0	-69	-1,404	0	-1,404	
			- Application of grants to capital financing from the Capital Grants Unapplied Account			
-903	0	-903	-1,065	0	-1,065	
			Statutory provision for the financing of capital investment charged against the General Fund and HRA balances			
-301	0	-301	-132	0	-132	
			Capital expenditure charged against the General Fund and HRA balances			
-8,578	-27,446	-36,024	-9,912	-25,054	-34,966	
			Total			
46	0	46	-157	9	-148	
			Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement			
0	0	0	0	0	0	
			Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement			
-61,289	-180,089	-241,378	-62,569	-189,307	-251,876	
			Balance at 31 March			

F. NOTES TO THE CORE FINANCIAL STATEMENTS

f) Deferred Capital Receipts Reserve

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

2012/13 £000s	Deferred Capital Receipts Reserve	2013/14 £000s
-270	Balance as at 1 April	-213
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0
57	Transfer to the Capital Receipts Reserve upon receipt of cash	59
-213	Balance as at 31 March	-154

g) Pensions Reserve

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

2012/13 £000s	Pensions Reserve	2013/14 £000s
115,030	Balance as at 1 April	127,421
12,029	Actuarial gains or losses on pension assets and liabilities	10,301
8,302	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of services in the Comprehensive Income and Expenditure Statement	6,083
-7,939	Employer's pensions contributions and direct payments to pensioners payable in the year	-7,981
-1	Pension contribution adjustment	-7
127,421	Balance as at 31 March	135,817

F. NOTES TO THE CORE FINANCIAL STATEMENTS

h) Collection Fund Adjustment Account

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

2012/13 £000s	Collection Fund Adjustment Account	2013/14 £000s
0	Balance as at 1 April	-33
-33	Amounts by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	-243
	Amounts by which NNDR income credited to the Comprehensive Income and Expenditure Statement is different from NNDR income calculated for the year in accordance with statutory requirements	3,464
-33	Balance as at 31 March	3,188

i) Unequal Pay Back Pay Account

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

j) Short Term Compensated Absences Account

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

2012/13 £000s	Short Term Compensated Absences Account	2013/14 £000s
204	Balance as at 1 April	159
-45	Movements in year	-55
159	Balance as at 31 March	104

F. NOTES TO THE CORE FINANCIAL STATEMENTS

27. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2012/13 £000s	Cash Flows from Operating Activities	2013/14 £000s
(792)	Net Surplus or (Deficit) on the Provision of Services	27,891
	<u>Adjust net surplus or deficit on the provision of services for non cash movements</u>	
10,263	Depreciation	10,952
29,840	Impairment and downward valuations	4,744
821	Amortisation	329
	Adjustments for effective interest rates - soft loans	943
0	Adjustments for effective interest rates - other	59
673	Increase/Decrease in Creditors	1,722
(159)	Increase/Decrease in Interest and Dividend Debtors	118
(8,036)	Increase/Decrease in Debtors	4,046
353	Increase/Decrease in Inventories	(97)
362	Pension Liability	(1,905)
87	Contributions to/(from) Provisions	1,141
4,697	Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets]	6,936
46	Movement in Investment Property Values	(148)
38,155	Adjusted net surplus or deficit on the provision of services for non cash movements	56,731
	<u>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</u>	
(24,429)	Capital Grants credited to surplus or deficit on the provision of services	(20,474)
(4,231)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(5,965)
(28,660)	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	(26,439)
9,495	Net Cash Flows from Operating Activities	30,292

F. NOTES TO THE CORE FINANCIAL STATEMENTS

28. CASH FLOW STATEMENT - OPERATING ACTIVITIES (INTEREST)

2012/13 £000s	Operating Activities (Interest)	2013/14 £000s
675	Interest Received	1,734
(7,659)	Interest Paid	(7,687)
(6,984)	Total	(5,953)

29. CASH FLOW STATEMENT - INVESTING ACTIVITIES

2012/13 £000s	Cash Flows from Investing Activities	2013/14 £000s
(34,516)	Purchase of Property, Plant and Equipment, investment property and intangible assets	(33,827)
(31,500)	Purchase of short and long term investments	(2,000)
0	Long term loans granted	(10,000)
2,653	Proceeds from the sale of property plant and equipment, investment property and intangible assets	6,024
17,000	Proceeds from short-term and long-term investments	0
27,747	Other Receipts from Investing Activities	22,380
(18,616)	Total Cash Flows from Investing Activities	(17,423)

F. NOTES TO THE CORE FINANCIAL STATEMENTS

30. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2012/13 £000s	Cash Flows from Financing Activities	2013/14 £000s
70	Cash receipts of short and long term borrowing	10,095
5,927	Billing Authorities - Council Tax and NNDR adjustments	(2,645)
(139)	Repayment of Short-Term and Long-Term Borrowing	(115)
(139)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(190)
0	Other items in relation to financing activities	243
5,719	Total Cash Flows from Financing Activities	7,388

F. NOTES TO THE CORE FINANCIAL STATEMENTS

31. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

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

The income and expenditure of the Authority's directorates recorded in the budget reports for the year is as follows:

F. NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

NOTE: The Resources Directorate was closed in 2013/14 when the majority of services were transferred into the LGSS partnership.

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

F. NOTES TO THE CORE FINANCIAL STATEMENTS

Income and expenditure of the Authority's Directorates Recorded in the Budget Reports for the Year 2012/13:

2012/13	Customers & Communities	Resources	Regeneration, Enterprise, and Planning	Borough Secretary	Housing General Fund	General Fund Total	HRA	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Fees, Charges, & Other Service Income	-10,879	-2,570	-4,118	-689	-2,547	-20,803	-51,325	-72,128
Government Grants	-65	-89,284	0	0	-297	-89,646	0	-89,646
Total Income	-10,944	-91,854	-4,118	-689	-2,844	-110,449	-51,325	-161,774
Employee Expenses	6,864	11,330	3,548	1,763	2,569	26,074	10,581	36,655
Other Service Expenses	19,280	90,877	3,378	885	1,345	115,765	10,936	126,701
Support Services Recharges	0	0	0	0	0	0	0	0
Total Expenditure	26,144	102,207	6,926	2,648	3,914	141,839	21,517	163,356
Total	15,200	10,353	2,808	1,959	1,070	31,390	-29,808	1,582

F. NOTES TO THE CORE FINANCIAL STATEMENTS

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

	2012/13 £000s	2013/14 £000s
Net expenditure in the Directorate Analysis	1,582	2,009
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	38,951	11,112
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	-294	211
Cost of Services in Comprehensive Income and Expenditure Statement	40,239	13,332

F. NOTES TO THE CORE FINANCIAL STATEMENTS

c) Reconciliation to Subjective Analysis 2013/14:

Reconciliation to Subjective Analysis	2013/14							
	Customers & Communities	Regeneration, Enterprise, and Planning	Borough Secretary	Housing General Fund	HRA	Debt Financing	Other (Below the line)	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Fees, charges and other service income	-9,572	-4,964	-79,471	-2,694	-67,357	0	-6,034	-170,092
Interest and investment income	0	0	0	0	-319	-405	0	-724
Income from council tax	0	0	0	0	0	0	-13,380	-13,380
Government grants and contributions	0	0	0	0	-17,020	0	-19,995	-37,015
Employee expenses	6,529	4,042	887	2,746	9,322	0	0	23,526
Other service expenses	17,081	3,817	85,752	1,178	27,471	0	0	135,299
Support service recharges	-2,379	409	-5,453	3,298	6,041	0	0	1,916
Depreciation, amortisation and impairment	2,626	697	141	54	12,920	0	0	16,438
Interest payments	0	0	0	0	6,351	1,443	0	7,794
Pensions interest cost and expected return on pensions assets	0	0	0	0	1,481	0	4,036	5,517
Precepts and levies	0	0	0	0	0	0	993	993
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	869	869
Gain or loss on disposal of non-current assets	683	191	101	391	-398	0	0	968
Surplus or deficit on the provision of services	14,968	4,192	1,957	4,973	-21,508	1,038	-33,511	-27,891

NOTE: The Resources Directorate was closed in 2013/14 when the majority of services were transferred into the LGSS partnership.

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

F. NOTES TO THE CORE FINANCIAL STATEMENTS

Reconciliation to Subjective Analysis 2012/13:

Reconciliation to Subjective Analysis	2012/13								
	Customers & Communities	Resources	Regeneration, Enterprise, and Planning	Borough Secretary	Housing General Fund	HRA	Debt Financing	Other (Below the line)	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Fees, charges and other service income	-10,879	-2,279	-4,376	-689	-3,749	-51,325	0	-6,160	-79,457
Interest and investment income	0	0	0	0	0	6,353	-532	0	5,821
Income from council tax	0	0	0	0	0	0	0	-15,092	-15,092
Government grants and contributions	-65	-89,284	0	0	-297	-16,945	0	-14,982	-121,573
Employee expenses	7,158	7,304	3,727	1,827	2,678	9,551	0	0	32,245
Other service expenses	19,304	90,894	3,476	889	1,371	10,935	0	0	126,869
Support service recharges	-2,144	-3,244	33	-312	3,253	5,012	0	0	2,598
Depreciation, amortisation and impairment	6,433	631	1,103	19	324	33,254	0	0	41,764
Interest payments	0	0	0	0	0	-304	1,308	0	1,004
Pensions interest cost and expected return on pensions assets	0	0	0	0	0	1,118	0	3,320	4,438
Precepts and levies	0	0	0	0	0	0	0	956	956
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	0	755	755
Gain or loss on disposal of non-current assets	-264	12	-41	0	-17	774	0	0	464
Surplus or deficit on the provision of services	19,543	4,034	3,922	1,734	3,563	-1,577	776	-31,203	792

F. NOTES TO THE CORE FINANCIAL STATEMENTS

32. TRADING ACCOUNTS

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

2012/13 Net £000s	Trading Accounts	2013/14 Income £000s	2013/14 Exp. £000s	2013/14 Net £000s
269	Property Management	-1,902	1,677	-225
269	Total Surplus\Deficit	-1,902	1,677	-225

Property Management - Relates to the property costs of Industrial Units, Investment Property and Other Properties that the Council rents out.

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

2012/13 Net £000s	Trading Undertakings	2013/14 Income £000s	2013/14 Exp. £000s	2013/14 Net £000s
168	Markets	-344	847	503
168	Total Surplus\Deficit	-344	847	503

Markets - This service maintains and manages the Northampton market square.

F. NOTES TO THE CORE FINANCIAL STATEMENTS

33. AGENCY SERVICES

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

2012/13 £000s	Agency Income and Expenditure	2013/14 £000s
262	Administration costs and ancillary services	264
-187	Income including transfer fees from NCC	-187
75	Net surplus / deficit arising on the agency agreement	77

34. POOLED BUDGETS

The Council has entered into a pooled budget arrangement with its partners, led by Northamptonshire County Council, to work together to increase the joint working they undertake to improve the well-being of children and young people in their area and to better deliver the "Every Child Matters" agenda. In 2013/14 the Borough's contribution to the pooled budget was £11k (£11k in 2012/13).

The contributions were agreed to be in the following proportions for 2013/14:

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

The contributions are subject to change as per the agreement.

2012/3 £000s	Pooled Budgets	2013/14 £000s
-244	Balance B/f	-291
	Funding Provided to the Pool	
-11	Northampton BC	-11
-537	Other Partners	-829
-548	Total	-840
501	Expenditure met from the Pool	414
-291	Balance c/f	-717

F. NOTES TO THE CORE FINANCIAL STATEMENTS

35. MEMBERS' ALLOWANCES

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

2012/13 £000s	Members' Allowances	2013/14 £000s
	Expenditure	
27	Mayor/Deputy Mayor Allowance	27
400	Members' Allowances	446
1	Expenses	1
428	Total	474

36. OFFICERS' REMUNERATION

a) Senior Officers

Position	Position Group	Year	Note	Salary (inc Fees & Allowances)	Compensation for loss of Office	Benefits in Kind (Car Allowance)	Total Remuneration excl Pension Contributions	Pension Contributions	Total Remuneration inc Pension Contributions
				£000	£000	£000	£000	£000	£000
Chief Executive	Chief	2013/14		138	0	0	138	18	157
		2012/13		138	0	1	139	18	158
Borough Secretary	Monitoring Officer	2013/14		79	0	0	79	11	90
		2012/13		78	0	1	79	10	89
Director of Customers & Communities	Director	2013/14		111	0	0	111	15	126
		2012/13		111	0	1	112	15	127
Director of Resources	Director	2013/14	1	84	69	0	153	4	156
		2012/13		108	0	1	109	14	123
Director of Housing	Director	2013/14	2	99	19	0	118	6	124
		2012/13		108	0	1	109	14	123
Director of Regeneration, Enterprise & Planning	Director	2013/14		105	0	0	105	14	119
		2012/13	8	51	0	0	51	7	58
Head of Customer & Cultural Services	Head of Service	2013/14		71	0	0	72	9	81
		2012/13		69	0	1	71	9	80
Head of Strategic Housing	Head of Service	2013/14	3	74	29	0	103	7	110
		2012/13		83	0	0	83	11	94
Head of Business Change	Head of Service	2013/14	4	35	54	0	89	2	91
		2012/13		85	0	1	86	11	98
Head of West N'ptonshire Joint Planning Unit	Head of Service	2013/14		69	0	0	69	9	79
		2012/13		67	0	1	68	9	77
Head of Planning	Head of Service	2013/14		85	0	0	85	11	97
		2012/13		85	0	1	86	11	97
Head of Communities & Environment	Head of Service	2013/14		66	0	0	66	9	75
		2012/13		60	0	1	61	8	69
Head of Regeneration & Development	Head of Service	2013/14	5	24	38	0	61	1	62
		2012/13		71	0	1	72	9	82
Head of Finance & Resources	Head of Service	2013/14	6	11	0	0	11	1	12
		2012/13		65	0	1	67	9	75
Totals for the year:		2013/14	7	1,053	209	1	1,262	117	1,379
		2012/13		1,181	0	12	1,194	157	1,350

F. NOTES TO THE CORE FINANCIAL STATEMENTS

Notes: 2013/14

1. The Director of Resources (Chief Finance Officer) left 30 June 2013. The post was deleted as a result of NBC entering a partnership arrangement with LGSS for various services. 60% of the compensation for loss of office payment was funded by LGSS.

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

2. The Director of Housing left 31 August 2013. The post was deleted.

3. The Head of Strategic Housing left 22 November 2013 and the post was deleted.

4. The Head of Business Change left 31 May 2013. The post was deleted as a result of NBC entering a partnership arrangement with LGSS for various services. 60% of the compensation for loss of office payment was funded by LGSS.

5. The Head of Regeneration and Development left on 30 April 2013 and the post was deleted.

6. Head of Finance & Resources. This post transferred to LGSS from 1 June 2013.

7. There are currently three posts that are not showing in the above figures as they are being covered by Interims as follows:

- Vacant Head of Landlord Services post

- Two new posts that were created during 2013/14. The Head of Major Projects & Enterprise and Head of Housing and Well Being

Notes: 2012/13

8. Director of Regeneration, Enterprise & Planning started 1 October 2012 - Annualised Salary £102k

b) Officers paid over £50,000

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

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

2012/13 Re-stated* No. of Employees	Remuneration Band	2013/14 No. of Employees
6	£50,000 - £54,999	3
1	£55,000 - £59,999	3
3	£60,000 - £64,999	1

*The 2012/13 figures have been re-stated from a total number of employees of 25 reported in the 2012/13 accounts, to exclude Senior Officers that were previously included in this note in addition to Note 36a (Senior Officers).

F. NOTES TO THE CORE FINANCIAL STATEMENTS

c) Exit Packages

Exit Package cost band (including special payments)	Number of compulsory redundancies		Number of other agreed departures		Total Number of exit packages by cost band		Total cost of exit packages in each band (£000)	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
£0 - £20,000	8	15	4	19	12	34	82	325
£20,001 - £40,000	2	2	1	7	3	9	88	251
£40,001 - £60,000	0	3	1	3	1	6	53	324
£60,001 - £80,000	0	0	0	1	0	1	0	73
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	1	0	0	0	1	0	122
Total	10	21	6	30	16	51	224	1,095

The total costs for 12/13 and 13/14 of £1,486k in the table above includes £1,262k for exit packages that have been agreed, accrued for and charged to the authority's Comprehensive Income and Expenditure Statement in the current year and £224k for 2012/13.

Two exit packages included in the total of £1,262k in 13/14 were 60% funded by LGSS, see Note 36a for more information.

37. EXTERNAL AUDIT COSTS

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors:

2012/13 £000s	External Audit Costs	2013/14 £000s
97	Fees payable with regard to external audit services carried out by the appointed auditor (Section 5 Audit Commission Act 1998)	107
46	Fees payable for the certification of Grant Claims and Returns (Section 28 Audit Commission Act 1998)	12
143	Total	119

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

F. NOTES TO THE CORE FINANCIAL STATEMENTS

38. GRANT INCOME

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

2012/13 £000s	Grant Income	2013/14 £000s
	Credited to Taxation and Non-Specific Grant Income	
-209	Revenue Support Grant	-8,971
-13,042	NNDR from Pool	-6,009
-352	Council tax freeze grant	-163
-1,259	New Homes Bonus	-2,042
0	Small Business Rate Relief	-693
-5,000	WNDC - Bus Interchange	-2,000
0	WNDC - Transferred Assets	-1,500
-16,945	Decent Homes Grant	-17,000
-125	St Crispins S106	-148
-506	South Meadow Road S106	0
-206	Former Rylands School s106	0
0	Princess Marina S106	-1,201
0	Cherry Orchard S106	-227
-400	Other Grants Individually Less Than £100,000	-627
-38,044	Total	-40,581
	Credited to Services	
0	West Northants Development Corporation	-145
-156	Additional Housing Admin. Grant	-341
-14,990	Council Tax Benefit Subsidy	0
-187	Northampton County Council Contribution for Grounds Maintenance	-187
-1,578	Housing Benefit Admin. Grant	-1,477
-30,275	HRA Rent Rebates Grant	-31,375
-386	Non HRA Rent Rebates	-439
-1,584	Northamptonshire County Council Recycling Credits	-1,766
-41,127	Rent Allowance Grant	-41,840
-92	Section 106 Contributions	-386
-187	Home choice funding	-126
-598	Joint Planning Unit Contribution	-577
-126	Supporting People	0
-195	HPDG Planning	-141
-1,364	Total of Other Grants not included in the above	-1,391
-92,845	Total	-80,191

F. 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

2012/13 £000s	Grant Income Unapplied - Current Liabilities	2013/14 £000s
	Capital Grants Receipts in Advance	
861	S106 - St Crispins Hospital Site	0
149	English Heritage Grant	65
262	Other Grants/Contributions Individually Less Than £100,000	124
1,272	Total	189
	Revenue Grants Receipts in Advance:	
4	Grants/Contributions Individually Less Than £100,000	41
4	Total	41
1,276	Grand Total	230

F. NOTES TO THE CORE FINANCIAL STATEMENTS

Long-Term Liabilities

2012/13 £000s	Grant Income Unapplied - Long-Term Liabilities	2013/14 £000s
	Capital Grants Receipts in Advance:	
308	S106 - St Crispins Hospital Site	0
873	S106 - SW Country Park - Swan Valley	873
442	S106 - Land at Upton SWD Ph1 re Country Park	442
113	S106 - Southern Development Link road	125
548	S106 - Sainsburys Sixfields	421
236	S106 - Land at Booth Rise	307
115	S106 - British Timken	115
307	S106 - Banbury Lane	1,900
0	S106 - Brackmills Point	278
0	S106 - Wellingborough Rd	395
0	Department of Communities and Local Government	1,400
0	West Northamptonshire Development Corporation	1,100
608	Other Grants/Contributions Individually Less Than £100,000	506
3,550	Total	7,862
	Revenue Grants Receipts in Advance:	
1,489	S106 - St Crispins Hospital Site	0
155	S106 - Pineham	155
84	Other Grants/Contributions Individually Less Than £100,000	216
1,728	Total	371
5,278	Grand Total	8,233

F. NOTES TO THE CORE FINANCIAL STATEMENTS

39. RELATED PARTIES

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

Central Government

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates and provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Grants received from government departments are set in Note 31 Amounts Reported for Resource Allocation Decisions. Any amounts outstanding are reported in Note 38 Grant Income.

Members of the Council

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2013/14 is shown in Note 35.

During 2013/14 expenditure to the value of £2.189m (Re-stated 2012/13 £3.338m) was paid/granted to parties where members had an interest or where they serve as a nominated representative on the outside body. Income to the value of £3.554m (Re-stated 2012/13 £2.515m) was receivable from these parties. Parties with transactions over £500,000 are shown below:

2012/13 £000s	Related Parties - Expenditure	2013/14 £000s
1,108	Northampton Leisure Trust	678
540	Northampton Theatres Trust	301
721	West Northamptonshire Development Corporation	229

2012/13 £000s	Related Parties - Income	2013/14 £000s
-260	Northampton Leisure Trust	-244
-102	Northampton Theatres Trust	-75
-2,000	West Northamptonshire Development Corporation	-3,100

F. NOTES TO THE CORE FINANCIAL STATEMENTS

At 31st March 2014, the outstanding balances with these parties were debtors of £127,245 (Re-stated 2012/13 £311,988); and creditors of £68,975.74 (Re-stated 2012/13 £367,698).

Contracts were entered into in full compliance with the Council's standing orders and all grants were made with proper consideration of declarations of interests. The relevant members did not take part in any discussions or decisions that involved their disclosed interests. The Register of Members' Interest is open to public inspection at The Guildhall, Northampton during office hours and is available on the Council's website.

A number of the Members of Northampton Borough Council are also members of Northamptonshire County Council. Material transactions with Northamptonshire County Council have been disclosed elsewhere in the accounts, see Notes 34, 38, and 45.

Additionally, a number of Members are also Parish Councillors within the district of Northampton Borough Council. As above, these members did not take part in discussions related to these bodies.

One Member is also on the South East Midlands Local Enterprise Partnership (SEMLEP) Board. SEMLEP is the economic development partnership for the South East Midlands, a company operated jointly by the public and private sectors. SEMLEP is the lead body for the Enterprise Zone, administered by NBC. No material transactions occurred in 2013/14 (none in 2012/13).

Senior Officers of the Council

During 2013/14 the only disclosures made by Senior Officers were in relation to roles at other Local Authority bodies, namely:

- 1) Northamptonshire County Council (see above within Members disclosures for reference of material transactions disclosed with NCC elsewhere in the accounts)
- 2) East Northamptonshire District Council (see 'Other Public Bodies' below) (none disclosed in 2012/13).

Other Public Bodies

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

The Chief Financial Officer (Section 151 Officer) for NBC is also contracted from LGSS, who is shared on a part-time basis with East Northamptonshire District Council. He is employed by Northamptonshire County Council.

The Council is also involved in a number of joint working initiatives across the county with various other Local Authorities, for instance the Joint Planning Unit and Waste Management Partnership. In this capacity, a number of NBC Members have representations on their running boards. None of these relationships are considered material to either party involved both in terms of the value of transactions or the potential for the authority to control or influence NBC's actions to materially affect transactions or balances.

F. NOTES TO THE CORE FINANCIAL STATEMENTS

40. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

2012/13 £000s	Capital Expenditure and Financing	2013/14 £000s
215,440	Opening Capital Financing Requirement	216,615
	Capital Investment	
34,320	Property, Plant & Equipment	35,286
1	Heritage Assets	234
0	Investment Properties	0
195	Intangible Assets	533
2,759	Revenue Expenditure Funded from Capital under Statute	2,841
0	Loans to third parties	10,000
37,275	Total	48,894
	Sources of Finance	
-2,334	Capital Receipts	-6,067
0	Sums Set aside from Capital Receipts	0
-32,486	Government Grants and Other Contributions	-26,203
-903	Sums Set aside from Revenue	-1,065
-301	Direct Revenue Contributions	-132
-76	Adjustment	0
-36,100	Total	-33,467
216,615	Closing Capital Financing Requirement	232,042

F. NOTES TO THE CORE FINANCIAL STATEMENTS

2012/13 £000s	Capital Financing Requirement	2013/14 £000s
215,440	Opening Capital Financing Requirement	216,615
1,175	Increase in underlying need to borrow (unsupported by government financial assistance)	15,018
0	Assets acquired under finance lease	409
1,175	Increase/(decrease) in Capital Financing Requirement	15,427
216,615	Closing Capital Financing Requirement	232,042

41. LEASES

Authority as Lessee

Finance Leases

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

31 March 2013 £000s	Local Authority as Lessee - Finance Leases	31 March 2014 £000s
304	Vehicles, Plant, Furniture and Equipment	250
3	Intangible Fixed Assets	400
307	Total	650

F. NOTES TO THE CORE FINANCIAL STATEMENTS

- b) The Authority is committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The present value of the leases and the future minimum lease payments at the balance sheet date are as follows:

31 March 2013 £000s	Local Authority as Lessee - Finance Leases	31 March 2014 £000s
464	Future minimum lease payments	
	Vehicles, Plant, Furniture and Equipment	320
4	Intangible Fixed Assets	390
468	Future minimum lease payments	710
	Net present value of minimum lease payments	
129	Current	140
289	Non-current	496
418	Present value of minimum lease payments	636
50	Finance costs payable in future years	74

- c) The present value of the leases and the minimum lease payments at the balance sheet date split over the over future periods are as follows:

31 March 2013		Local Authority as Lessee - Finance Leases	31 March 2014	
Present Value of Leases £000s	Minimum Lease Payments £000s		Present Value of Leases £000s	Minimum Lease Payments £000s
129	148	Not later than one year	140	170
276	307	Later than one year and not later than five years	496	540
13	13	Later than 5 years	0	0
418	468	Total	636	710

F. NOTES TO THE CORE FINANCIAL STATEMENTS

- d) The Council had a sub lease arrangement for a finance lease for wheeled bins. This came to maturity during 2013-14. The total of future minimum sub lease payments expected to be received under this non-cancellable sub lease at the balance sheet date is as follows:

31 March 2013 £000s	Local Authority as Lessee - Finance Leases - Sub Leases	31 March 2014 £000s
51	Total future minimum lease payments Vehicles, Plant, Furniture and Equipment	0

Operating Leases

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

31 March 2013 £000s	Local Authority as Lessee - Operating Leases	31 March 2014 £000s
295	Not later than one year	433
786	Later than one year and not later than five years	830
4	Later than 5 years	0
1,085	Minimum lease payments	1,263
-289	Future minimum sub-lease payments receivable	-163

- f) Charges to revenue

The expenditure charged to the Council's Comprehensive Income and Expenditure Statement during the year in relation to operating leases was:

2012/13 £000s	Local Authority as Lessee - Operating Leases	2013/14 £000s
	Minimum lease payments	
184	Contract Hire	98
162	Other	133
-112	Sublease payments receivable	-106
234	Total	125

F. NOTES TO THE CORE FINANCIAL STATEMENTS

Authority as Lessor

Finance Leases

- g) The authority has two lessor property leases that have been assessed as finance leases.

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

31 March 2013 £000s	Leases - Authority as Lessor - Finance Leases	31 March 2014 £000s
	Gross investment in leases	
210	Other Land and Buildings	193
	Net present value of minimum lease payments	
7	Current	7
123	Non-current	116
130	Present value of minimum lease payments receivable	123
80	Unearned finance income	70

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

31 March 2013		Leases - Authority as Lessor - Finance Leases	31 March 2014	
Gross investment in leases £000	Minimum Lease payments receivable £000		Gross investment in leases £000	Minimum Lease payments receivable £000
17	7		Not later than one year	17
69	33	Later than one year and not later than five years	69	35
124	91	Later than five years	107	81
210	131	Minimum lease payments receivable	193	123

In respect of pre-existing leases as at 31 March 2010 the Authority has adopted the mitigation contained in The Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2010.

F. NOTES TO THE CORE FINANCIAL STATEMENTS

Operating Leases

i) Periods

The Authority leases out property under operating leases for the following purposes:

- The provision of other land and buildings including shops and industrial units to meet local demand for commercial premises.
- The provision of community assets to meet residents' community needs.
- To provide infrastructure enabling current and future construction to service local demand for housing and commercial property.

The future minimum lease payments receivable under non-cancellable leases in future years are:

31 March 2013 £000s	Local Authority as Lessor - Operating Leases - Minimum Lease Payments	31 March 2014 £000s
1,966	Not later than one year	1,934
5,283	Later than one year and not later than five years	5,480
53,704	Later than 5 years	53,333
60,953	Total	60,747

The minimum lease payments receivable do not include rents that are contingent on future events, such as adjustments following rent reviews. In 2013-14 £2k contingent rents were receivable by the Authority (2012-13 £9k).

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

42. IMPAIRMENT LOSSES

During 2013/14 impairment losses of £297k were incurred due to the demolition of buildings, predominantly to make way for the new bus station. Advertising hoardings ceased to be useable due to redevelopment of land, resulting in impairments totalling £120k. A building damaged by fire in 2011/12 was reinstated and its value increased accordingly.

43. CAPITALISATION OF BORROWING COSTS

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

44. TERMINATION BENEFITS

The Authority terminated the contracts of a number of employees in 2013/14, incurring liabilities of £1,262,035 (£261,218 in 2012/13). Of this, £431,462 relates to pension strain, and £830,573 relates to lump sum payments. The majority of these benefits were incurred as a result of restructures that occurred during the year.

F. NOTES TO THE CORE FINANCIAL STATEMENTS

45. DEFINED BENEFIT PENSION SCHEMES

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

Participation in Pension Schemes:

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Authority participates in one post-employment scheme:

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

Transactions Relating to Post-employment Benefits:

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

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

F. NOTES TO THE CORE FINANCIAL STATEMENTS

Local Government Pension Scheme 2012/13 £000	Comprehensive Income and Expenditure Statement	Local Government Pension Scheme 2013/14 £000
	COST OF SERVICE:	
	Service cost comprising:	
3,759	Current service cost	3,416
105	Past service cost (including curtailments)	345
0	Gain from settlements	-3,195
-1	Pension contribution adjustment	-7
	Financing and Investment Income and Expenditure	
4,438	Net interest expense	5,517
8,301	Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	6,076
	OTHER POST-EMPLOYMENT BENEFITS CHARGED TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT:	
	Remeasurement of the net defined benefit liability comprising:	
-12,633	Return on plan assets (excluding the amount included in the net interest expense)	-7,611
0	Actuarial gains and losses arising on changes in demographic assumptions	4,647
24,921	Actuarial gains and losses arising on changes in financial assumptions	10,610
-259	Other expenditure	2,655
20,330	Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement:	16,377
	MOVEMENT IN RESERVE STATEMENT:	
-20,330	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	-16,413
	Actual amount charged against the General Fund Balance for pensions in the year:	
7,939	Employers' contributions payable to scheme	7,981

F. NOTES TO THE CORE FINANCIAL STATEMENTS

Pension Assets and Liabilities Recognised in the Balance Sheet:

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements*		Total	
	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000
Present value of the defined benefit obligation	273,748	280,013	14,093	14,644	287,841	294,657
Fair value of plan assets	-160,419	-158,840	0	0	-160,419	-158,840
Net liability arising from defined benefit obligation	113,329	121,173	14,093	14,644	127,422	135,817

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

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements*		Total	
	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000
Opening fair value of scheme assets	142,153	160,419	0	0	142,153	160,419
Interest income	6,772	6,661	0	0	6,772	6,661
Remeasurement gain/(loss):					0	0
The return on plan assets, excluding the amount included in the net interest expense	13,621	7,611	0	0	13,621	7,611
Contributions from employer	7,071	7,082	869	906	7,940	7,988
Contribution from employees into the Scheme	1,266	964	0	0	1,266	964
					0	0
Benefits Paid:	-10,464	-10,520	-869	-906	-11,333	-11,426
Assets Distributed in Settlements	0	-13,377	0	0	0	-13,377
Closing fair value of scheme assets	160,419	158,840	0	0	160,419	158,840

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

F. NOTES TO THE CORE FINANCIAL STATEMENTS

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements*		Total	
	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000
Opening balance at 1 April	257,184	287,841	0	0	257,184	287,841
Current service cost	3,759	3,416	0	0	3,759	3,416
Interest cost	12,198	12,178			12,198	12,178
Contribution from scheme participants	1,266	964	0	0	1,266	964
Remeasurement gain/(loss):					0	0
Actuarial gains/losses arising from changes in demographic assumptions	0	4,647	0	0	0	4,647
Actuarial gain/losses arising from changes in financial assumptions	24,921	10,610	0	0	24,921	10,610
Other expenditure	-259	2,655	0	0	-259	2,655
Past service cost	105	345	0	0	105	345
Losses/(gains) on curtailment:			0	0	0	0
Benefits Paid	-10,464	-10,520	-869	-906	-11,333	-11,426
Liabilities extinguished on settlements	0	-16,573	0	0	0	-16,573
Closing present value of scheme liabilities	288,710	295,563	-869	-906	287,841	294,657

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

F. NOTES TO THE CORE FINANCIAL STATEMENTS

Local Government Pension Scheme assets comprised:

Fair value of scheme assets ₁	Assets comprised of:	Fair value of scheme assets ₁
2012/13 £000		2013/14 £000
9,780	Cash and cash equivalents	3,513
	Equity instruments:	
	By industry type	
12,830	Consumer	12,320
8,379	Manufacturing	7,629
8,849	Energy and utilities	11,171
11,097	Financial institutions	10,504
7,185	Health and care	7,610
9,523	Information technology	10,515
4,034	Other	3,405
61,897	Total Equity	63,154
	Bonds:	
	By sector	
16,828	Corporate	15,834
4,475	Government	4,265
8,263	Other	8,604
29,566	Total Bonds	28,702
	Private Equity:	
187	Overseas	173
187	Total Private Equity	173
	Property:	
7,938	Retail	8,190
7,938	Total Property	8,190
	Investment Funds and Unit Trusts:	
49,621	Equities	54,201
1,435	Bonds	907
51,055	Total Investment Funds and Unit Trusts	55,108
	Derivatives	
-5	Other	0
-5	Total Derivatives	0
160,419	Total assets	158,840

₁ All scheme assets have quoted prices in active markets

F. NOTES TO THE CORE FINANCIAL STATEMENTS

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc.

Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Hymans Robertson, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 1 April 2013.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefits Arrangements*	
	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000
Long-term expected rate of return on assets in the scheme:				
Equity investments	6%	7%	-	-
Bonds	4%	4%	-	-
Property	4%	5%	-	-
Cash	3%	4%	-	-
Mortality Assumptions				
Longevity at 65 for Current Pensioners:				
Men	21.4	22.3		
Women	23.3	24.3		
Longevity at 65 for Future Pensioners:				
Men	23.4	24	-	-
Women	25.5	26.6	-	-
Other:				
Rate of Increase in Pensions	3%	3%	3%	3%
Rate of Increase in Salaries **	5.1%**	5%	-	-
Rate for Discounting Scheme Liabilities	5%	4%	5%	4%

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

** Salary Increases are assumed to be 1% p.a. until 31 March 2016 reverting to the long term assumption shown

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant.

F. NOTES TO THE CORE FINANCIAL STATEMENTS

The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated.

The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Change in assumptions at 31 March 2014:	Approximate increase to Employer Liability %	Approximate Monetary Amount £000
0.5% decrease in Real Discount Rate	8%	24,506
1 year increase in member life expectancy	3%	8,840
0.5% increase in the salary increase rate	2%	5,098
0.5% increase in the Pension Increase Rate	7%	19,247

Asset and Liability Matching (ALM) Strategy

The Pensions Committee of Northamptonshire County Council has agreed to an asset and liability matching strategy (ALM) that matches, to the extent possible, the types of asset invested to the liabilities in the defined benefit obligation.

The Fund has matched assets to the pensions' obligations by investing in long-term fixed interest securities and index linked gilt edged investment with maturities that match the benefits payments as they fall due. This is balanced with a need to maintain the liquidity of the fund to ensure that it is able to make current payments.

As is required by the pensions and (where relevant) investment regulations the suitability of various types of investment have been considered, as has the need to diversify investments to reduce the risk of being invested in too narrow a range.

A large proportion of the assets relate to equities (75% of scheme assets) and bonds (19%). These percentages are materially the same as the comparative year. The scheme also invests in properties as a part of the diversification of the scheme's investments

F. NOTES TO THE CORE FINANCIAL STATEMENTS

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Deficit recovery payments have been set with respect to the payroll at the 2013 valuation. For the year ending 31.3.2015, the rate will be 28.2% per annum; thereafter for the following two years it will step up by 2% per annum (of the 2013 payroll). The rate will be reassessed at the 2016 valuation.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales).

The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

NBC is anticipated to pay £7m expected contributions to the scheme in 2014/15.

46. CONTINGENT LIABILITIES

The Council is potentially liable for the following payments:

- A capital grant received from the East Midland Development Agency (EMDA) for site clearance of the Blueberry Diner. The grant was awarded on condition of scheme completion within a fixed time period and, due to that time period not having been complied with, up to the full amount of the grant of £2m may be clawed back by EMDA. The Council is making endeavours to secure a development partner for this site and is keeping EMDA fully updated of the progress. To date they have continued to be supportive.
- Under the 1987 [bond issue] Home Group raised finance to carry out development in a number of local authority areas. In so doing they entered into arrangements with local authorities for the purchase of land in return for nomination rights over 50% of the properties constructed. In addition the local authorities agreed to indemnify bond holders against a fixed percentage of indebtedness under the bonds incurred by Home Group. Home Group in turn gave a counter indemnity to the said local authorities in the same amount. Thus, for so long as Home Group remains solvent, there is no practical likelihood of a claim under the indemnity being made against a participant local authority. Home Group has a strong credit rating, the bond issue is underpinned by income from the properties constructed using the finance provided. The NBC proportion is 1.35% of £82.551m representing a value of £1.111m
- The Council has received Deposits under Section 106 agreements, which may be repayable if the conditions for each agreement are not met. No provision has been made in the Accounts for any interest that may become repayable under the terms of the individual agreements as repayment is not probable. In the event that every one of these deposits becomes repayable with interest, the Council's maximum liability for interest payable as at 31st March 2014 is estimated to be £607k

F. NOTES TO THE CORE FINANCIAL STATEMENTS

- There are a number of outstanding insurance claims that were received on or before 31st March 2014, but not settled, that in total equal £294k
- Three unfair dismissals which could cost a maximum of £223k if taken to tribunal.
- A class action relating to Local Land Charges fees and environmental information, which according to a decided case should have been provided for free, could cost NBC £175k (this impacts all Local Authorities).
- There are a number of other contingent liabilities estimated at a total of £216k that are considered insignificant (both individually and collectively), and thus do not require separate disclosure.
- Following the disbandment of West Northamptonshire Development Corporation, NBC received donated land assets valued at £1.5m on 31st March 2014. There are a number of contingent liabilities associated with the land; however there are measures in place to ensure that the Council would not be materially affected should these events occur.
- Following the new Local Authority funding arrangements for Business Rates in April 2013, NBC now assumes a proportion of the liability for refunding businesses who appeal to the Valuation Office against the rateable value of their properties. Appeals that have been lodged have been taken into account in the calculation of provisions, however it is probable that other appeals will be lodged in the future and as the value and timing of that by its nature cannot be known, it is necessary to recognise this as a contingent liability.
- There are various outstanding issues relating to the Councils Environment contract with EMS, however they are not considered material.

47. CONTINGENT ASSETS

The Council is currently monitoring the following contingent assets:

- Recovery of costs estimated at £1.75m from Legal and General expended by NBC upon the Grosvenor Multi Storey Car Park (MSCP) refurbishment, in the event that the Development Agreement becomes unconditional.
- Payback of administration costs relating to the Enterprise Zone which will come from the Business Rates uplift. Repayment is currently projected to commence in 2019 and be in the region of £609k in relation to 12/13 and 13/14.
- Historic costs associated with the redevelopment of Grosvenor/Greyfriars that may be reimbursed by the developer depending on agreement of contract terms and the timing of that agreement. The expectation is in the region of £230k.

F. NOTES TO THE CORE FINANCIAL STATEMENTS

48. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

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

This guidance includes the CIPFA Treasury Management Code of Practice. Treasury risk management is undertaken by the LGSS treasury team under policies approved by the Council in its Treasury Management Policy Statement, Treasury Management Practices and accompanying Schedules and the annual Treasury Management Strategy. These contain overall principles for risk management and specific risks which include credit and counterparty risk, liquidity risk, interest rate risk, exchange rate risk, refinancing risk, legal and regulatory risk, and market risk.

Credit Risk

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

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

The Annual Investment Strategy also imposes value and investment period limits for each category of approved counterparty. The maximum limits for placements with individual or group counterparties in 2013-14 were £20m and 729 days for UK nationalised or part nationalised banking institutions, and £15m and 729 days for other UK counterparties, overseas counterparties with AAA sovereign ratings, UK local authorities and the UK Debt Management Office. Within this ceiling, lower limits apply in many instances depending on credit ratings and other factors specific to each institution.

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

F. NOTES TO THE CORE FINANCIAL STATEMENTS

However, business customers are assessed, taking into account their financial position, past experience, and other factors, in line with parameters set by the council, when contracts are entered into. This forms part of the Council's procurement procedures.

To support local regeneration the Council has made third party loans during 2013-14 to two local sports clubs for the purposes of stadia expansion and associated development. Assessment of the credit risk to the authority from the loans was undertaken as part of the due diligence work prior to the signing of the loan agreements.

The Council's maximum exposure to credit risk in relation to its investments totalling £73.2m in banks, building societies and other institutions cannot be assessed generally as the risk of any counterparty failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2014 that this was likely to crystallise.

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

Estimated Maximum Exposure to Default and Uncollectability at 31 March 2013	Credit Risk	Amount at 31 March 2014	Historical Experience of Default at 31 March 2014	Historical Experience Adjusted for Market Conditions at 31 March 2014	Estimated Maximum Exposure to Default and Uncollectability at 31 March 2014
£000s		£000s	%	%	£000s
0	Third Party Loans	8,837	0%	0%	0
0	Mortgages	30	0%	0%	0
0	Finance Leases	123	0%	0%	0
82	Customers: Tenants	2,622	2.89%	2.89%	76
1,011	Customers: Sundry Debtors	3,822	29.46%	29.46%	1,126
0	Deposits with Banks and Financial Institutions	73,153	0%	0%	0
1,093	Total	88,587			1,202

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits. The Council held no investments in the form of bonds during 2013-14.

F. NOTES TO THE CORE FINANCIAL STATEMENTS

With the exception of third party loans and mortgages, the Council does not generally allow credit for its customers. Of the £88.6m exposure to credit risk, £6.4m is past its due date for payment. The past due, but not impaired, amount can be analysed by age as follows:

Amount at 31 March 2013 £000s	Aged Debt Analysis	Amount at 31 March 2014 £000s
2,854	Less than three months	3,380
781	Three to six months	1,267
842	Six months to one year	597
1,621	More than one year	1,199
6,098	Total	6,443

Impairment on the debtors financial asset has been identified, standing at a total of £6.2m at the end of 2013-14.

Collateral

The authority holds collateral against a number of mortgages. The balance sheet value of the principal amount outstanding on these is currently £31.9k (£32.8k in 2012-13).

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

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

Liquidity Risk

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

F. NOTES TO THE CORE FINANCIAL STATEMENTS

The maturity analysis of financial liabilities is as follows:

31 March 2013 £000s	Maturity Profiles of Financial Liabilities	31 March 2014 £000s
-12,474	Less than one year	-30,359
-21,086	One to two years	-12,305
-10,341	Two to five years	-18,647
-190,212	More than five years	-189,568
-234,113	Total	-250,879

Amounts maturing within one year include short term creditors, short term grants and Section 106 funding commitments, short term borrowing, principal due within 12 months on annuity and EIP (Equal Interest Instalment) loans, and long term loans maturing within the next 12 months. Two LOBO loans totalling £15.6m are due for maturity in the final quarter of 2014-15. Repayment of these will be funded from internal borrowing, new loans, or a combination of both. Longer term maturities consist of long term debt (including finance leases), and long term grants and Section 106 funding.

Market Risk

Interest Rate Risk

The authority is exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For example a rise in interest rates would have the following effects:

- Borrowing at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise;
- Borrowing at fixed rates – the fair value of the liabilities will fall;
- Investment at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise;
- Investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The authority has a number of strategies for managing interest rate risk. For example, during periods of falling interest rates and where economic circumstances make it favourable, fixed rate loans may be repaid early to limit exposure to losses.

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

F. NOTES TO THE CORE FINANCIAL STATEMENTS

According to this assessment strategy, at 31 March 2014, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

31 March 2013 £000s	Market Risk	31 March 2014 £000s
249	Increase in interest payable on variable rate borrowing	249
-261	Increase in interest receivable on variable rate investments	-392
-12	Impact on Surplus or Deficit on the Provision of Services	-143
-15	Share of overall impact credited to the HRA	107
-27	Impact remaining on General Fund	-36
128	Increase in fair value of fixed rate investment assets	117
128	Impact on Other Comprehensive Income and Expenditure	117
33	Decrease in fair value of fixed rate borrowings liabilities (no impact on the surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	50

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

Price Risk

The authority does not invest in equity shares and therefore has no exposure to loss arising from movements in share prices.

Foreign Exchange Risk

The authority has no financial assets or liabilities denominated in foreign currencies and therefore has no exposure to loss arising from movements in exchange rates.

F. NOTES TO THE CORE FINANCIAL STATEMENTS

49. BUILDING CONTROL TRADING ACCOUNT

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

The Building Control chargeable services has, for the three-year period to 31st March 2014, made an operating surplus of £25k on a turnover of £768k. In the previous three-year period to 31st March 2013, there was an operating surplus of £41k against a turnover of £869k

Building Control Trading Account	2013/14		
	Chargeable £000s	Non- Chargeable £000s	Total £000s
Expenditure			
Employees	128	104	232
Premises	0	0	0
Transport	4	3	7
Supplies and services	10	9	19
Support service charges	100	82	182
Capital Charges	0	0	0
Total Expenditure	241	199	440
Income			
Building Regulation fees	-244	0	-244
Other Income	0	0	0
Total Income	-244	0	-244
Surplus (-) / Deficit for Year	-3	199	196
	2012/13		
Comparatives for 2012/13	Chargeable £000s	Non- Chargeable £000s	Total £000s
Expenditure	245	151	396
Income	-245	0	-245
Surplus (-) / Deficit for Year	0	151	151

F. NOTES TO THE CORE FINANCIAL STATEMENTS

50. PUBLICITY EXPENDITURE

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

2012/13 £000s	Publicity Expenditure	2013/14 £000s
	Expenditure	
13	Recruitment Advertising	21
276	Publicity Unit	406
131	Other Publicity	214
420	Total	641

51. LOCAL AUTHORITIES (GOODS AND SERVICES) ACT 1970

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

2012/13		Local Authority (Goods & Services) Act 1970	2013/14	
Exp £000s	Income £000s		Exp £000s	Income £000s
96	-79	Call Care	101	-42
74	-74	Print Services Unit	115	-115
169	-152	Total	216	-157

52. TRUST FUNDS

The Council acts as sole trustee in respect of two Trust Funds, one the Northamptonshire Regiment museum (balances of £90k) and the other the Northamptonshire Yeomanry Museums Trust (balances of £1k) The Trust Funds are used to finance expenditure on the exhibits donated by the Regiments at their disbandment, these collections are housed at Abington Museum. Surplus funds are invested and accounted for separately to the Councils funds.

F. NOTES TO THE CORE FINANCIAL STATEMENTS

53. MINIMUM REVENUE PROVISION

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

The Council approved the Council's Annual MRP statement for 2013/14, which is required by the guidance issued by CLG, on 25th February 2013. The MRP charged to the 2013/14 accounts relates to the general fund historic debt liability incurred for the year.

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

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

The Council's Minimum Revenue Provision, including finance leases, for 2013/14 was £1.065m. This compares to £0.903m in 2012/13.

54. HERITAGE ASSETS – 5 YEAR SUMMARY OF TRANSACTIONS

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

There was a large collecting programme of trainers to enhance the shoe collection between April 2009 and April 2012. This amounted to £75,000 for which the museum was given a purchase grant by the Heritage Lottery Fund. Since 1 April 2012 a number of shoes, social and military history artefacts, archaeology and art works have been donated to the museum the aggregate value of which is less than £3,000. Four works of art have been purchased for an aggregate cost of £2,150.

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

F. NOTES TO THE CORE FINANCIAL STATEMENTS

55. HERITAGE ASSETS – COLLECTIONS AND POLICIES

Collections

1. Designated Shoe Collection

The collection of shoes and related objects from the industry is recognised by Arts Council England as a Designated Collection of national and international importance. The Shoe Collection is the largest collection of shoe heritage and related shoe industry objects in the world. The Shoe Collection began purely as a collection of footwear, however, over the years this has developed into a collection including over 12,000 shoes and covering the whole of the footwear industry worldwide. In total the collection contains over 60,000 objects and can be analysed into the following subdivisions: Footwear, Machinery, Tools, Lasts, Patterns and Material associated with the selling of shoes, Polish, shoe trees and other items used in the care of shoes, including shoe repairing, Factory furniture and fittings, Overshoes, spats, gaiters, ice skates and other items worn with shoes (excluding hosiery), Objects shaped like shoes and depicting shoes, Archival material including catalogues, photographs and trade magazines and Prints and paintings of shoes and shoemakers.

2. Archaeology Collection

For over a century, Northampton Museums has collected archaeological material. The majority of archaeological material now coming to light in the county is the product of contract excavations in advance of development. Significant collections include Bronze Age pottery, Iron Age finds from Hunsbury, Roman finds from Duston and Irchester, pottery, weapons and jewellery from Anglo-Saxon cemeteries and many other objects were first collected in the 19th century. This set the scene for collecting and through excavations and fieldwork this has carried on ever since. There is a Numismatic Collection of about 12,000 items, principally locally found Roman, English Medieval and later coins and tokens. Particular strengths are the coins from Northampton Mint, and a large number of Northamptonshire tokens and checks. There is also a collection of approximately 800 medals relating to local people, clubs or societies. The future of the small Ancient Egyptian collection of approximately 250 items is currently under review. As at 31 March 2014 this collection included a statue of Sekhemka, which is over 4,500 years old. The statue was sold on 10th July 2014. See note 6 for more details.

3. Art Collection

The greater part of the fine art collection consists of British easel paintings and works on paper, from the 19th and 20th centuries. The collection's greatest strength lies in landscapes and portraits, topographical works and graphic art from 1960-2000. The collection has strong representation from local, professional artists, some of whom have been recognised nationally and are often linked to the 100 year old Town & County Art Society. The non-British pictures include an important group of 15th to 18th century Italian paintings - works of high quality by secondary masters, particularly from the Venetian School, most of which were consciously collected between 1967 and 1987 as a result of a former policy which sought to concentrate purchases in this one area of the collection. At present there are approximately 2,700 items in the Art Collection which fall into the following categories: Watercolours, Drawings, Prints (contemporary), Mixed Media (excluding drawings), and Sculpture.

F. NOTES TO THE CORE FINANCIAL STATEMENTS

4. Decorative Art

The current collection encompasses ceramics, glassware, and metalware. The great areas of strength are the fine collections of British and Oriental ceramics given early in the 20th century by five private collectors. There are approximately 4,100 items in the decorative art collection (excluding furniture): Ceramics – British (and some Continental and North African), Glass – British (and some Irish), Metalwork, Enamels, and Oriental Collections (ceramics, bronzes and miscellaneous).

5. Ethnography

The ethnographic collection consists of about 300 historic (not contemporary) objects from India, China and Japan, Africa, North America and. Many objects were purchased in the early to mid-20th century to enhance the displays at Abington Museum or acquired as the result of local collecting as well as some casual donations.

6. Geology

A substantial number of Geological items were given to the Museum in the forty years following its founding in 1866, principally by the Third and Fourth Marquesses of Northampton and Beeby Thompson. The collection consists of about 40,000 items of which 75% are Northamptonshire Jurassic finds. The remaining 25% consists of fossils from outside the county, and a worldwide mineral collection.

7. Natural History

The small Natural History Collection consists of a few mounted specimens and small collections of birds' eggs.

8. Social History

In general, the Social History collection covers historical material post 1600 to the present that does not fall within another collection and includes fashion and costume. The collection covers community life including civic affairs, working life, and the full range of personal and domestic life material.

9. Northamptonshire Regiment and Yeomanry

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

Policies

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

Some museum heritage assets are on display at the Authority's two museums; while others are held at secure locations in storage e.g. while awaiting conservation work. Access to the civic regalia is limited to appropriate occasions, such as the use of the mace and mayor's chain at Council meetings. The statues, buildings, and similar heritage assets are largely accessible to the public to view in the parks and public places of Northampton.

F. NOTES TO THE CORE FINANCIAL STATEMENTS

56. COLLECTION FUND

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

a) Precept Split

The split of these precepts is shown below:

Precept 2012/13 £000s	Percentage of Total Precepts	Collection Fund - Precept Split	Precept 2013/14 £000s	Percentage of Total Precepts
		Precepting Authorities		
69,089	71%	Northamptonshire County Council	59,857	71%
12,983	13%	Northamptonshire Police and Crime Commissioner	11,248	13%
15,059	16%	Northampton Borough Council	13,137	16%
97,131	100%	Total Precepts for the year	84,242	100%

b) Allocation of deficit

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

Collection Fund Balance 2012/13 £000	Allocation of Deficit - Council Tax	Collection Fund Balance 2013/14 £000
	Creditors / Debtors:	
-150	Northamptonshire County Council	-1,257
-28	Northamptonshire Police and Crime Commissioner	-236
	NBC Reserve:	
-33	Northampton Borough Council	-276
-211	Collection Fund Balance	-1,770

F. NOTES TO THE CORE FINANCIAL STATEMENTS

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

c) Allocation of Council Tax Balances

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

Statutory Presentation 2012/13 £000s	Agency Presentation 2012/13 £000s	Debtor and Creditor Representation	Statutory Presentation 2013/14 £000s	Agency Presentation 2013/14 £000s
		Creditors / Debtors		
8,819	1,383	Local Taxpayers Arrears	9,271	1,446
-2,276	-357	Local Taxpayers Prepayments	-2,585	-403
-8,094	-1,269	Local Taxpayers Impairments	-9,514	-1,484
0	-1,251	Northamptonshire County Council	0	-3,266
0	-235	Northamptonshire Police and Crime Commissioner	0	-614
		Reserves		
-211	0	Collection Fund	-1,770	0
0	-33	Collection Fund Adjustment Account	0	-276
-1,762	-1,762	Total	-4,597	-4,597

G. Housing Revenue Account

G1. HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE

The Housing Revenue Account (HRA) summarises the transactions relating to the provision, maintenance, and sale of Council houses and flats. The account has to be self-financing and there is a legal prohibition on cross subsidy to or from local taxpayers.

2012/13 £000s	Housing Revenue Account	2013/14		Notes
		£000s	£000s	
	Income			
-46,810	Dwelling Rents	-49,154		HRA3-4
-1,094	Non Dwelling Rents	-1,136		
-2,669	Charges for services & facilities	-2,321		
-72	Contributions Towards Expenditure	-37		
-50,644	Total Income		-52,648	
	Expenditure			
12,795	Repairs & Maintenance	16,447		HRA5
	Supervision & Management			
7,263	General Management	5,982		HRA6
4,290	Special Services	4,343		
29	Rent, Rates, Taxes & other charges	301		
33,245	Depreciation, Impairment & Revaluation of Fixed Assets	12,910		
84	Debt Management Costs	98		
357	Increased in provision for bad/doubtful debts	360		
58,063	Total Expenditure		40,440	
7,420	Net Cost of Services		-12,207	
0	Core		590	
7,420	Net Cost of HRA Services		-11,617	
774	Gain (-) or Loss on sale of HRA Fixed Assets		-398	HRA6
6,057	Interest and Investment Income		6,047	
1,118	Pensions interest cost and expected return on pensions assets		1,481	
-16,945	Non Specific Grant Income		-17,020	
-2,017	Surplus or deficit on revaluation of non current assets		-494	
-3,593	Surplus (-) or Deficit for the year on HRA services		-22,002	

G. Housing Revenue Account

G2. MOVEMENT IN HOUSING REVENUE ACCOUNT RESERVE

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Authority is required to account for the net costs of Council Housing in a different way.

This statement below and the detailed reconciling items on the following page summarise the differences between the outturn on the HRA Income and Expenditure Account and the Housing Revenue Account Balance.

2012/13 £000s	Statement of Movements on the Housing Revenue Account Balance	2013/14 £000s
-3,594	Surplus (-) / Deficit for the year on the HRA Income and Expenditure Account	-22,002
3,594	Net additional amount required by statute to be debited or credited to the HRA Balance for the year	22,003
0	Increase (-) / Decrease in the HRA Balance for the Year	1
-5,001	HRA Balance brought forward	-5,001
-5,001	HRA Balance carried forward	-5,000

G. Housing Revenue Account

DETAILED TRANSACTIONS

2012/13 £000s	Reconciling Items for the Statement of Movement on the Housing Revenue Account Balance	2013/14 £000s	Note
	Amounts included in the HRA Income and Expenditure Account but required by statute to be excluded when determining the Movement on the HRA Balance for the year		
-24,919	Revaluation Losses	-18,710	
276	Revaluation Gains	14,829	
16,945	Capital Grants and Contributions Transferred to the Capital Adjustment Account	17,020	
-774	Gain or Loss on sale of HRA non-current assets	398	
-2,091	HRA share of contributions to or from the pensions reserve	-1,633	
-10,563	Total	11,904	
	Amounts not included in the HRA Income and Expenditure Account but required by statute to be included when determining the Movement on the HRA Balance for the year		
3,625	Transfer to / from (-) Major Repairs Reserve	3,672	HRA7
2,017	Transfers to / from (-) Revaluation Reserve	494	HRA6
2,000	Employer's contributions payable to the Northamptonshire County Council Pension Fund and retirement benefits payable direct to pensioners	2,140	
302	Financial Instruments Adjustments	41	
4	Amount by which officer remuneration charged to CI&E on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	6	
6,209	Capital expenditure charged in-year to the HRA Balance Net transfers to / from (-) earmarked reserves	3,746	
14,156	Total	10,099	
3,594	Net additional amount required to be credited or debited to the HRA balance for the year	22,003	

G. HOUSING REVENUE ACCOUNT

G3. NOTES TO THE HRA

1. PRIOR YEAR ADJUSTMENTS

There are no prior year adjustments in relation to the Housing Revenue Account in 2013/14.

2. HRA ASSETS AND CAPITAL TRANSACTIONS

- a) At 31st March 2014 the Council was responsible for managing 11,969 units of accommodation (excluding shared ownership properties):

Type of Property	Number of Bedrooms				Total
	One	Two	Three	Four+	
Flats-Low Rise	1,459	392	2	1	1,854
Flats-Medium Rise	1,756	850	119	4	2,729
Flats-High Rise	397	83	21	0	501
Houses & Bungalows	881	2,532	3,138	334	6,885
Total	4,493	3,857	3,280	339	11,969

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

Type of Property	Stock at 01 April 2013	Stock Movements		Stock at 31 March 2014
		Sold	Additions	
Flats	5,102	-19	9	5,092
Houses & Bungalows	6,945	-68	0	6,877
Dwellings (excl. Shared)	12,047	-87	9	11,969
Shared Ownership	88	-6	0	82
Total	12,135	-93	9	12,051

G. HOUSING REVENUE ACCOUNT

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

31 March 2013 £000s	Gross Balance Sheet Value	31 March 2014 £000s
	Operational Assets	
100,646	Land	104,914
260,618	Dwellings	232,469
20,427	Other Capital Assets	20,501
381,691	Total Operational Assets	357,885
520	Non Operational Assets	604
382,210	Total	358,488
991,714	Vacant Possession Value as at 1st April	1,031,600

d) Capital Receipts

2012/13 £000s	Housing Capital Receipts	2013/14 £000s
61	Land Sales	-189
1,781	Dwelling Sales	-4,190
1,842	Total	-4,379
-755	Payable to the Secretary of State	869
-755	Net cost of Payments to CLG	869
1,087	Useable Capital Receipts	-3,510

G. HOUSING REVENUE ACCOUNT

e) Capital Expenditure and Financing

2012/13 £000s	HRA Capital Expenditure and Financing	2013/14 £000s
	Expenditure	
0	Land Purchase	0
27,163	Dwellings	23,475
	Re-Purchase of Former Council Housing	793
283	Other Property	103
27,446	Total Expenditure	24,371
	Financing	
	Dwellings	
318	Useable Capital Receipts	2,169
0	Revenue Contributions	0
9,901	Major Repairs Reserve	4,286
16,945	Grants	17,020
27,163	Total Financing	23,475
	Other Property	
283	Useable Capital Receipts	896
283	Total Other Property	896
27,446	Total Financing	24,371

3 ARREARS

In 2013/14, arrears as a proportion of gross income was 4.8%. This represents a decrease of 0.5% since 2012/13 when the proportion was 5.3%. The figures for rent arrears are detailed below:

2012/13 £000s	Rent Arrears	2013/14 £000s
2,482	Gross Arrears at 31 March	2,375
-609	Prepayments	-717
1,873	Net Arrears at 31 March	1,657
1,218	Provision for bad debts at 31 March	998

G. HOUSING REVENUE ACCOUNT

4. VACANT POSSESSION VALUE

2012/13 £000s	HRA Vacant Possession Value	2013/14 £000s
991,714	Vacant Possession Value as at 1st April	1,031,600

2012/13 £000s	HRA Existing Use	2013/14 £000s
337,183	Existing Use Value as at 1st April	351,054

The vacant possession value of dwellings within the HRA as at 1 April 2013 was £1,032m (£992m in 2012/13). For the balance sheet, the figure has been reduced to 34% of this value for all except a small number of specific properties - i.e. £351m (£337m in 2012/13). This reflects the economic cost of providing Council housing at less than open market rents.

5. HOUSING REPAIRS ACCOUNT

The transactions on the Housing Repairs Account for 2012/13 balanced to nil for the year, although this may not always be the case.

2012/13 £000s	Housing Repairs Account	2013/14 £000s
0	Balance B/f	0
12,795	Expenditure in the Year	16,447
-12,795	Contributions to the Housing Repairs Account	-16,447
0	Increase (-) / Decrease in the Housing Repairs Account Balance for the year	0
0	Balance c/f	0

G. HOUSING REVENUE ACCOUNT

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

a) Depreciation and Amortisation

2012/13 £000s	Depreciation and Amortisation	2013/14 £000s
	Operational Assets	
7,814	Dwellings	8,150
315	Other Property	325
16	Vehicles, Plant & Equipment	2
8,146	Total Depreciation	8,477
414	Intangible Assets -amortisation	562
414	Total Amortisation	562
8,560	Total	9,038

b) Revaluation Gains and Losses

Re-stated* 2012/13 I&E £000s	2012/13 RRA £000s	Revaluation Gains & Losses	2013/14 I&E £000s	2013/14 RRA £000s
24,912	13	Dwellings	18,701	72
7	214	Other Property	0	7
4	0	Vehicles, Plant & Equipment	0	0
24,923	226	Revaluation Losses	18,701	79
-260	-1,315	Dwellings	-14,811	-30
-16	-927	Other Property	-18	-543
0	-1	Vehicles, Plant & Equipment	0	0
-276	-2,243	Revaluation Gains	-14,829	-573
24,647	-2,017	Total	3,872	-494

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

G. HOUSING REVENUE ACCOUNT

7. MAJOR REPAIRS RESERVE

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

Council dwellings depreciation is not the same as the MRA; therefore an adjustment is required to ensure there is no bottom line impact on the HRA. This is known as the Capital asset charges accounting adjustment. The transactions on the MRR are detailed below:

Major Repairs Reserve	£000s
Balance at 1 April 2013	-1,542
Council Dwellings Depreciation	-8,477
Depreciation adjustment to agree to MRA	-3,672
Total	-12,149
Amount used to finance Capital Expenditure	
Dwellings	4,286
Total	4,286
Balance at 31 March 2014	-9,405

H. COLLECTION FUND

H1. COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

The Council has a statutory requirement to operate a Collection Fund as a separate account to the General Fund. The purpose of the Collection Fund is to isolate the income and expenditure relating to Council Tax and National Non-Domestic Business Rates. The administrative costs associated with the collection process are charged to the General Fund.

Collection Fund surpluses/deficits declared by the Billing Authority in relation to Council Tax are apportioned to the relevant precepting bodies in the subsequent financial year. For NBC, the Council Tax precepting bodies are Northamptonshire County Council and Northamptonshire Police and Crime Commissioner.

In 2013/14, the Local Government finance regime was revised with the introduction of the retained business rates scheme. The main aim of the scheme is to give Councils a greater incentive to grow businesses in the Borough. It does, however, also increase the financial risk to the authority due to non-collection and the volatility of the NNDR tax base.

The scheme allows the Council to retain a proportion of the total NNDR received. The initial Northampton Borough Council share is 40% with the remainder paid to precepting bodies. For NBC, the NNDR precepting bodies are Central Government (50% share) and Northamptonshire County Council (10% share). The NBC share is then subject to a tariff payment to Government, which was £31,499,736 in 2013/14. The residual amount is then compared to the assessment in the Local Government Finance Settlement and any growth above the Settlement level is subject to a levy payment to Government.

Northampton Borough Council participates in a pool with other local authorities in the county to minimise the levy payment due and thereby maximise the local retention of locally generated business rates.

NNDR surpluses/deficits declared by the Billing Authority in relation to the Collection Fund are apportioned to the relevant precepting bodies and Government in the subsequent financial in their respective proportions.

The Code of Practice followed by Local Authorities in England stipulates that a Collection Fund Income and Expenditure account is included in the Council's accounts. The Collection Fund balance sheet meanwhile is incorporated into the Council's consolidated balance sheet.

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

H. COLLECTION FUND

2012/13 £000s	Collection Fund	2013/14 Council Tax £000's	2013/14 NNDR £000's	2013/14 Total £000's	Note
	INCOME				
-84,566	Council Tax (net of benefits, discounts & transitional relief)	-88,509	0	-88,509	
-14,796	Transfers from General Fund Council Tax benefits	235	0	235	
-93,664	Income collectable from business ratepayers	0	-98,294	-98,294	
-193,026		-88,274	-98,294	-186,568	
	EXPENDITURE				
	Precepts & demands:				
69,089	Northamptonshire County Council	59,857	0	59,857	56a
12,983	Northamptonshire Police and Crime Commissioner	11,248	0	11,248	56a
15,059	Northampton Borough Council	13,137	0	13,137	56a
	National Non-Domestic Rates				
93,363	Payments to national pool	0	0	0	CF1
-	Payments to Central Government	0	50,108	50,108	CF1
-	Payments to Northamptonshire County Council	0	10,022	10,022	CF1
-	Amount retained by Northampton Borough Council	0	40,086	40,086	CF1
301	Cost of collection	0	301	301	
-	Other transfers to General Fund - Enterprise Zone Growth	0	536	536	
-	Transitional Protection Payments	0	2,871	2,871	
	Bad & Doubtful Debts / Appeals				
2,020	Provisions	2,473	3,859	6,332	CF4
192,815		86,715	107,783	194,583	
-211	(Surplus)/deficit for the year	-1,559	9,489	7,930	
	COLLECTION FUND BALANCE				
	Balance brought forward at 1st April	-211	0	-211	
-211	Deficit/(surplus) for the year (as above)	-1,559	9,489	7,930	
-211	Balance carried forward at 31 March	-1,770	9,489	7,719	
	Allocated to:				
-	National Pool	0	0	0	
-	Central Government	0	4,744	4,744	
-150	Northamptonshire County Council	-1,257	949	-308	
-28	Northamptonshire Police and Crime Commissioner	-236	0	-236	
-33	Northampton Borough Council	-276	3,795	3,519	
-211	Fund Balance c/fwd	-1,770	9,489	7,719	56b

H. COLLECTION FUND

H2. NOTES TO THE COLLECTION FUND

1. NATIONAL NON DOMESTIC RATES (NNDR)

The Council collects non-domestic rates for its area that are based on local rateable values multiplied by a uniform rate in the pound. The total non-domestic rateable value as at 31 March 2014 was £243.6m and the equivalent figure for 2012/13 was £245.9m. The National Non-Domestic Rate multiplier for 2013/14 was 47.1p and the equivalent figure for 2012/13 was 45.8p. The small business non-domestic rating multiplier for 2013/14 was 46.2p and the equivalent figure for 2012/13 was 45.0p.

2. COUNCIL TAX

The Council's tax base, i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings for 2012/13, was calculated as follows: -

2012/13 Band D Equivalents	Band	Estimated number of taxable properties 2013/14 after discounts	Ratio	2013/14 Band D Equivalents
18.19	A(-)	29	5/9	16.35
16,735.19	A	21,924	6/9	14,616.21
14,105.30	B	15,747	7/9	12,248.00
17,523.50	C	17,310	8/9	15,386.64
9,314.80	D	8,137	9/9	8,136.84
6,122.60	E	4,357	11/9	5,325.00
3,118.39	F	1,903	13/9	2,749.42
1,877.38	G	977	15/9	1,628.86
107.72	H	41	18/9	81.47
68,923.08	Gross Council Tax Base			60,188.79
1,723.10	Non-collection provision			2,115.00
67,200	Council Tax Base Used for setting the Precept			58,074

The provision for non-collection was set at 3.5% for 2013/14 (2.5% for 2012/13).

NOTE: Due to the replacement of council tax benefit with the council tax support scheme from 1 April 2013 there was a reduction in the tax base to reflect the effects of this change.

H. COLLECTION FUND

3. ANALYSIS OF IN-YEAR CONTRIBUTIONS TO FUND DEFICITS

There were no in-year contributions to Collection Fund deficits from the precepting authorities.

4. PROVISION FOR BAD AND DOUBTFUL DEBTS

2012/13 £000s	Provision for Bad and Doubtful Debts Council Tax	2013/14 £000s
7,999	Bad Debt Provision B/f	8,094
-1,925	Write Offs	-819
0	Council tax benefit transferred to reserve	-235
2,020	Provision Made in Year	2,474
8,094	Bad Debt Provision c/f	9,514

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

2012/13 £000s	Bad and Doubtful Debts NNDR	2013/14 £000s
476	Bad Debt Provision B/fwd	449
27	Write offs of uncollectible debt	659
0	Allowance for non collection	230
503	Bad Debt Provision c/f	1,338

The Collection Fund account also provides for provisions for appeals against the rateable valuation set by the Valuation Office Agency (VOA) not settled as at 31st March 2014:

2012-13 £000s	Provision for Appeals	2013-14 £000s
0	Appeals Provision B/fwd	0
0	Provision for 13/14 appeals	11
0	Provision for backdated appeals	2,958
0	Appeals Provision c/f	2,969

I. GLOSSARY OF TERMS

GLOSSARY OF TERMS

Accrual

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

Actuarial Basis

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

Amortisation

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

Amortised Cost

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

Assets

Right or other access to future economic benefits.

Assets Held for Sale

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

Available for Sale Assets

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

Balance Sheet

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

Balance Sheet Date

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

Capital Adjustment Account

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

Capital Costs

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

Capital Expenditure

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

Capital Grant

Grant which is intended to fund capital expenditure.

I. GLOSSARY OF TERMS

Capital Grant Unapplied Reserve

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

Capital Reserves

Reserve balances held for capital purposes

Cash Flow Statement

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

CIPFA Code

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

Collection Fund

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

Collection Fund Adjustment Account

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

Collection Fund Statements

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

Community Assets

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

Comprehensive Income and Expenditure Statement (CIES)

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

Contingent Liability

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

Core Service Areas

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

Corporate and Democratic Core

Costs associated with the democratic management of the Authority such as the Chief Executive's salary and Members' Allowances.

Council

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

I. GLOSSARY OF TERMS

Council Tax

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

Credit

A credit represents income to an account.

Creditors

Represents the amount that the Council owes other parties.

Debit

A debit represents expenditure against an account.

Debtors

Represents the amounts owed to the Council.

Deficit

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

Defined Benefit Scheme

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

Depreciation

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

Derecognition

The process by which assets that are no longer deemed to belong to the Authority 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.

I. GLOSSARY OF TERMS

Employee Costs

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

Enhancement Expenditure

Expenditure which increases the value of an asset.

Exceptional Items

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

Extraordinary Items

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

Fair Value

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

Finance Costs

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

Finance Lease

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

Financial Assets

A right to future economic benefits controlled by the Authority.

Financial Instruments Adjustment Account

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

Financial Liabilities

An obligation to transfer economic benefits controlled by the Authority.

General Reserves / General Fund Balance

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

Going Concern

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

Grants

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

I. GLOSSARY OF TERMS

Impairment

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

Infrastructure Assets

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

Intangible Asset

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

Internal Service Costs

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

International Accounting Standard (IASs)

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

International Financial Reporting Standards

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

Inventory

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

Investment Property Assets

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

Leases

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

Lessee

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

Lessor

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

Liabilities

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

Loans and Receivables

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

Materiality

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

I. GLOSSARY OF TERMS

Minimum Revenue Provision (MRP)

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

Movement in Reserves Statement

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

Non-Current Assets

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

Non-Distributed Costs

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

Operating Lease

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

Pensions Costs

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

Pensions Liability

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

PFI

See Private Finance Initiative

PFI Credits

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

Premium

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

Previous Year Adjustments

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

Principal

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

Private Finance Initiative (PFI)

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

Projected Unit Method

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

I. GLOSSARY OF TERMS

Provisions

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

Provision for Bad and Doubtful Debts

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

Quoted Market Prices

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

Recognition

The process upon which assets are deemed to belong to the Authority 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.

I. GLOSSARY OF TERMS

Specific Grant

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

Straight Line Basis

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

Subsidiary

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

Surplus

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

Surplus Assets

Assets which are no longer in operation.

Tenant

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

Termination Benefits

Employee benefits paid upon termination of employment such as redundancy.

Treasury Management

Utilisation of cash flows through investments and loans.

Useful Life

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

Value Added Tax

National taxation charged on goods and services.

Work in Progress

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

Statement of Accounts
2013-14
Northampton Borough Council

