

Northampton Borough Council

Statement Of Accounts 2019-20



**NORTHAMPTON
BOROUGH COUNCIL**

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Introduction

This Statement of Accounts presents the statutory financial statements for Northampton Borough Council (the Council) for the period 1 April 2019 to 31 March 2020 and gives a comprehensive summary of the overall financial position of the Council, providing a true and fair view.

The Council has a statutory duty to approve and publish this document, which sets out to ensure that the accounts of the authority provide comparable information through complying with International Financial Reporting Standards. The accounts are presented in the format recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA), as set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code). Our core financial statements use this format and meet the conditions of the Code.

These Accounts have been approved by the Audit and Governance Committee of West Northamptonshire Council at its meeting held on 29 September 2021.

The Statements

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

Core Financial Statements

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

Supplementary Financial Statements

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

Group Accounts

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

The Council's Strategic / Corporate Priorities

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

The Corporate Plan 2019-2021 is relevant to the period of these accounts and can be found on the Council's website using this link:

<https://www.northampton.gov.uk/downloads/file/11771/corporate-plan-2019--2021>

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

- A stronger economy – creating a cleaner, greener town; creating a thriving, vibrant town; and driving growth whilst preserving the town's heritage.
- Resilient communities – keeping the town and people safe; empowering local people; improving the health and wellbeing of local people; and more homes, better homes.
- Exceptional services to be proud of – putting the customer first; using public resources effectively; and improving our governance.

The Council's 2019/20 Performance

In order to provide an overview of the Council's performance during the 2019/20 financial year and the position as at 31 March 2020, significant matters and variances are summarised in this section and supported by the detail included in the statement of accounts and the core financial statements.

Financial Performance

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

The Council set a balanced budget for 2019/20. The main budgeted sources for funding of the 2019/20 **General Fund budget** were as follows:

- Business Rates Retention Scheme £8.8m;
- New Homes Bonus £2.6m;
- Council Tax £16.0m.

At the end of the 2019/20 year, the General Fund outturn for controllable service budgets shows an overspend of £0.4m as detailed below:

Service area	Revised budget (£m)	Outturn (£m)	Variance (£m)
Customers & Communities	11.9	12.1	0.2
Chief Executive	2.2	2.2	0.0
Chief Finance Officer	10.5	11.0	0.5
Economy, Assets & Culture	0.9	0.3	-0.6
Housing & Wellbeing	2.0	3.0	1.0
Borough Secretary	2.1	2.0	-0.1
Planning	0.7	0.3	-0.4
Debt Financing	-0.3	-0.4	-0.2
Total	30.2	30.6	0.4

The main variations were as follows:

Within the Customers & Communities area there was an overall overspend of £0.165m. This overspend was predominantly in the environmental services area which had a net overspend of £0.207m and was due to costs coming out of the recycling risk share pay mechanism. These higher costs were caused by prices for recyclable material continuing to fall. There were other smaller savings and overspends across the Customers and Communities area coming to a net underspend of £0.042m, mainly due to posts being kept vacant in order to offset the overall overspend position. Within the Chief Executive area there was an overall underspend of less than £0.010m.

Within the Chief Finance Officer area there was an overall overspend of £0.506m. This was partly due to an overspend of £0.513m in the benefits area that related to the recovery of housing benefit overpayments from on-going benefits for rent rebates (HRA tenants) and rent allowances. Other overspends were linked to homelessness and temporary accommodation, which manifested itself in the benefits area due to the higher cost of temporary accommodation leading to a loss of subsidy. There was also an overspend due to additional costs for those in supported and exempt accommodation. In addition to the benefits overspend, there was also an overspend of £0.152m on the Audit budget. The scale fee for the 2018/19 external audit of the statement of accounts was £0.062m, and the Council had estimated that the overrun costs would be in the region of £0.200m, but an estimate from the external auditors was that the overspend was likely to be around £0.355m. These overspends are offset by an underspend on the LGSS contract (£0.158m), the IT budget (£0.072m) and other variances which come to a net overspend of £0.071m.

Within the Economy, Assets and Culture area there was an overall underspend of (£0.567m). The main underspends in this area were on Programmes & Enterprise (£0.210m) and Head of Economic Development and Regeneration (£0.129m) due to in year vacancies. In addition, there were smaller underspends on Property Maintenance (£0.083m); Museums and Arts (£0.052m), Car Parking (£0.051m) and Facilities Management (£0.044m). This was partially offset by an overspend in the markets area £0.067m due to a reduction in income due to lower market stall occupancy. Other smaller variances came to a net underspend of (£0.065m).

Within the Housing & Wellbeing area there was an overall overspend of £1.008m. This mainly relate to an increased demand in temporary accommodation and associated increased charge in the bad debt provision totalling £0.778m. The TA Implementation Group which meets fortnightly is monitoring the use and cost of temporary accommodation with the aim of reducing through a series of measures. There was also an under achievement of targeted income across the service of £0.580 predominantly relating to Civil Penalties. These overspends were forecast during the year and have been partially mitigated by savings on staffing budgets and the utilisation of Housing Reserves.

Within the Borough Secretary area there was an overall underspend of (£0.134m), made up of vacancies within the Legal Team (£0.043m) and the Democratic Services Team (£0.042m); a reduction in the cost of the annual canvass in Electoral Services (£0.056m); and other smaller variances net £0.009m overspend .

Within the Planning area there was an overall underspend of (£0.416m). This was partly due to an underspend in the Planning Policy & Heritage area (£0.222m) mainly due to vacant posts. There was also an underspend on Development Control (£0.101m) due to additional income and some vacancies. Other smaller underspends totalled (£0.093m).

On the corporate budget for debt financing there was an underspend of (£0.170m) due to greater interest income generated from cash balances due to the authority having to take out less borrowing than originally forecast due to a strong cash position.

The Council's final approved budget for **general fund capital expenditure** in 2019/20 was £52.5m. The budgeted funding of the 2019/20 capital programme was as follows:

- Self funded schemes £23.3m
- Borrowing £7.0m
- Capital Receipts £5.5m
- Grant and developer contributions £16.6m

In-year changes to the general fund capital budget meant that the final capital budget at the end of 2019/20 was £30.1m, reflecting carry forwards from 2018/19, in year changes and re-profiling approved as part of the setting of the 2020/21 capital programme in February.

Capital expenditure for 2019/20 totalled £24.4m against the final approved budget of £30.1m, a net variance of £5.7m (19%). A large proportion relates to schemes that were currently underway or still planned to take place and these budgets are carried forward into the next financial year (2020/21). The majority of the carry forward is due to the timing of approvals and the timescales for letting contracts and funding agreements.

The provisional HRA outturn position shows an underspend on controllable spending of £0.049m. This reduced the required net contribution to reserves from the budgeted amount of £4.743m to £4.694m, while the HRA working balance remained unchanged at £5m.

The Council's final approved budget for the HRA capital programme expenditure in 2019/20 was £73.096m, a net increase of £30.770m from the original budget of £42.326m. The budget increased due to carry-forwards from 2018/19 of £0.375m and the approval of 2 new schemes totalling £30.395m, these were:

- £5.395m Specialist homes (form of supported living) in support of Social Care outcomes
- £25m Developer Affordable Home Opportunities

HRA capital expenditure for 2019/20 totalled £42.551m (£43.828m including leaseholder funded improvements) against the final approved budget of £73.096m, a net underspend of £29.267m. This underspend relates mainly to the capital programme being re-profiled for the Developer Affordable Home Opportunities (£22.100m) and NPH managed New Build Schemes of £9.286m. The re-profiling of the New Build Schemes is for various reasons which includes: protracted tender negotiations; site clearance and service installation delays; and the relocation of retail tenants.

Further details of the budget that was set for 2019/20 can be found on the Council's website here (items 6 and 7 on the agenda):

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

Further details of the Council's outturn position for 2019/20 can be found on the Council's website here (item 7 on the agenda):

<http://www.northamptonboroughtouncil.com/councillors/ieListDocuments.aspx?CId=528&MId=9137>

Non-Financial Performance

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

	2018/2019	2019/2020			
Performance Status	Q4	Q1	Q2	Q3	Q4
Blue (Exceptional or over performance)	14.71%	32.35%	25.00%	20.59%	17.65%
Green	32.35%	41.18%	56.25%	47.06%	44.12%
Amber (Within agreed tolerance)	14.71%	11.76%	6.25%	11.76%	14.71
Rounded total	61.77%	85.29%	87.50	79.41	76.48%
Red (Outside agreed tolerances)	38.24%	14.71%	12.50%	20.59%	23.52%

The percentage of performance measures, where data was available, that reached their target or performed within agreed tolerances or above for the Corporate Plan priorities ranged from 85.29% in quarter 1 of 2019/20 to 76.48% in quarter 4. Blue (or exceptional) has seen a drop through the year, and green has risen then dropped. There has been a rise on the number of ambers and reds in the second half of the year. COVID-19 has some effect on these in the final quarter of the year, but this would only account for a small loss of performance towards the end of the final quarter, as the Council reacted swiftly to the call for lock down, and moved a large number of staff over to home working as quickly as possible.

Full details of the performance outturn report can be found here (item 8 on the agenda):

<http://www.northamptonboroughtouncil.com/councillors/ieListDocuments.aspx?CId=528&MId=9137>

THE 2019/20 ACCOUNTS

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

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

- The headline figure for the CIES is an overall income figure of £28.580m which includes all accounting adjustments.
- The Net Cost of Services for the year totalled £48.068m to which Other Operating Expenditure and Income and Financing and Investment Expenditure and Income are added. This is then offset by £41.853m of Council Tax Funding and non-specific grants to provide the Overall Deficit on the Provision of Services for the year of £16.933m.
- The Other Comprehensive Income and Expenditure category includes technical items that are not reflected in the Surplus or Deficit on the Provision of Services. This category on the CIES is a £45.513m surplus.

Balance Sheet – setting out the assets and liabilities recognised by the Council at the balance sheet date, the bottom line is effectively the net worth of the organisation at that date. The net assets of the Council (the assets less the liabilities) are matched by the Reserves held by the Council – net assets increased over the year by 28.580m.

Movement in Reserves Statement – analyses the movements on reserves held by the Council during the financial year, split between 'usable reserves', which are those that can be applied to fund expenditure or reduce local taxation and 'unusable' reserves. The 'surplus or (deficit) on provision of services' line shows the true economic cost of providing the Council's services, more details of which are shown in the CIES. This cost is different from the amounts required to be charged to the General Fund balance for Council Tax setting purposes. The 'net increase/decrease before transfers to earmarked reserves' line shows the statutory General Fund balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

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

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

RISK MANAGEMENT

The Council takes a proactive approach to risk management. The management of risk and governance is the responsibility of senior management, officers and members. Service risk registers are reviewed for escalation to the Corporate Risk Register should the impact be Council wide. The Corporate Risk Register is reviewed and updated on a quarterly basis by senior managers and presented to the Corporate Management Board and Audit Committee. The registers identify key risks together with any existing or planned measures to mitigate them. This analysis is then interpreted through an assessment based on a combination of impact and likelihood of occurrence, changes in movement from the previous quarter are shown on a risk matrix. Member involvement is through Cabinet, Audit Committee and Council approval of policies and review of risk areas.

GOVERNANCE

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

THE 2020/21 BUDGET AND MEDIUM TERM OUTLOOK

Economic Context

At the time of setting the 2020/21 budget there continued to be uncertainty around the national and global economic outlook, caused by various factors including the UK's planned withdrawal from the European Union. Therefore the draft budget was built on prudent assumptions around inflation, interest rates, business rates growth and growth in the tax base. At the start of the 2020/21 financial year the COVID-19 pandemic became a significant factor in the budget, and has continued to impact the Council's finances during the year.

Medium Term Financial Strategy

In September 2019 Cabinet approved the Medium Term Financial Strategy, which provides the framework and context for the development of the detailed budget and Medium Term Financial Plan. The Medium Term Financial Strategy included the following strategic principles:

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

The 2020/21 Budget

The Council's 2020/21 budget was agreed on 24 February 2020 and included the following headlines:

- An annual council tax increase, for Northampton Borough Council services only, of £5.00 (2.21%) per band D property for 2020/21 and an indicative increase at the same level for planning purpose in future years;
- A general fund budget of £27.770m, excluding parish precepts.

The agreed general fund net budget for 2020/21 is summarised on the next page.

Description	2020/21 £m
Service base budget	30.400
Proposed growth	(1.387)
Proposed savings	0.320
Corporate budgets*	(1.161)
Contribution from reserves	0.834
Net budget	29.006
Business rates	(9.306)
New homes bonus	(2.424)
Council tax	(17.251)
Collection fund surplus	(0.025)
Total funding	(29.006)
Savings to be identified	0

* This figure includes £1.236m of parish precepts

The value of the proposed general fund capital programme for 2020/21 is £47.6m. Proposed new schemes include enhancements to parks and sports facilities, car park improvements, replacement of footbridges and upgrade of IT assets.

The table below summarises the general fund capital programme and funding for 2020/21:

Description	2020/21 budget £m
Ongoing schemes in the current approved capital programme	7.050
Schemes in the current development pool awaiting formal approval	37.900
New proposals	2.621
Total general fund capital programme	47.571
Funding source:	
Grants and contributions	3.589
S106 funded schemes	0.318
Self-funded schemes	12.150
Borrowing	31.514
Total Funding	47.571

The headlines for the 2020/21 Housing Revenue Account budget are as follows:

- An average rent increase of 2.7% per dwelling, in line with the legislation and the government's national rent policy, to take effect from 6 April 2020;
- HRA budget for 2020/21 of £53.7m expenditure.

The HRA capital programme has been developed within the context of the 30 year business plan and the existing Asset Management Plan. The HRA capital programme has a direct impact on the revenue position of the HRA and is summarised below:

HRA CAPITAL PROGRAMME	2020-21
	£m
External Improvements	9.300
Internal Works	4.600
Environmental Improvements	0.600
Disabled Adaptations	0.650
Structural Works and Compliance	3.000
IT Development	0.300
New Build Programme/Major Projects	20.900
Buybacks and Spot Purchases	0.500
Total	39.850

FINANCING:	
Major Repairs Reserve/Depreciation	12.000
Capital Receipts - RTB (excl 1-4-1)	2.845
Capital Receipts - RTB 1-4-1 Receipts	4.893
Revenue/Earmarked Reserve	6.891
Borrowing / CFR	13.221
Total Financing	39.850

Full details of the medium term financial plan and the budgets that have been set for 2020/21 can be found on the council's website here (particularly items 7, 8, 9 and 10):

<http://www.northamptonboroughtouncil.com/councillors/eListDocuments.aspx?CId=242&MId=8985>

IMPACT OF COVID-19 PANDEMIC

The budget for 2020/21 was set before the impact of the global COVID-19 pandemic were known about. This is clearly had a significant impact on the financial situation of the Council and the wider borough in 2020/21, although it did not have a material impact on the Council's finances for 2019/20. In 2020/21, businesses in the borough have been supported through the provision of business rate reliefs and grants, funded by central government. Residents have been supported through an integrated team effort involving the County Council, District and Borough Councils, health and the voluntary sector. The Council is supporting the national response through multi-agency working at a local level. The COVID-19 response is, out of necessity, taking priority over the delivery of day to day services. Service delivery is facing ongoing review and capacity is needed to be found to deliver additional work such as the processing of government grants. The majority of Officers are working from home which in itself poses challenges in accessing systems and relevant information. Working from home is likely to continue for significant numbers of Officers for the foreseeable future and requires additional IT support. Governance arrangements, in particular, holding Council and Committee meetings have been reviewed and are now being held virtually/remotely.

VALUE FOR MONEY STATEMENT

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

- Delivering services that are fit for purpose and meeting statutory requirements;
- Applying cost effective delivery models for services, be they provided directly, in partnership or commissioned through a third party;
- Holding a clear understanding of costs and what drives them;
- Applying changes and investment to reduce costs and overheads, improving efficiency and the customer experience; and

- Delivering improved outcomes and value for money for local people, through a framework of strategic and local partnerships which cooperate effectively to meet shared goals.

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

- An Efficiency Strategy approved as part of the Medium Term Financial Strategy
- Performance Management reporting
- Procurement rules that ensure VfM is delivered through the Council's procurement of goods and services
- A Governance Action Plan to ensure that proper and effective governance happens in practice at all times.

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

FURTHER INFORMATION

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

LOCAL GOVERNMENT REORGANISATION

The Secretary of State for Housing, Communities and Local Government agreed to the reorganisation of local government in Northamptonshire in April 2019.

As a consequence of this Northampton Borough Council was abolished on 31 March 2021 and a new unitary council came into existence on 1 April 2021, with the responsibilities of three district/borough Councils and the County Council within their boundaries. West Northamptonshire Council is now responsible for the administrative areas of Northampton Borough Council, Daventry District Council and South Northamptonshire District Council.

All the assets, liabilities, resources, staff, rights and functions of the predecessor councils transferred to West Northamptonshire Council on its creation.

Martin Henry
Executive Director of Resources
West Northamptonshire Council
Tbc 2021

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

The Authority's Responsibilities

The Authority is required to:

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

The Chief Financial Officer

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

- Kept proper accounting records which were up to date
- Taken reasonable steps for the prevention and detection of fraud and other irregularities
- Selected suitable accounting policies and then applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Complied with the Code of Practice on Local Authority Accounting

Certificate

I certify that this Statement of Accounts gives a true and fair view of the financial position of the Authority at the reporting date and of its income and expenditure for the year ended 31st March 2020.

Martin Henry
Chief Finance Officer (Section 151 Officer).
Date:

Approval by Audit Committee

I confirm that these audited accounts were approved by the Audit and Governance Committee at the meeting held on 29 September 2021.

Cecile Irving- Swift Chair of Audit and Governance Committee
Date:

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

To follow.

Core Statements

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

D1 COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

The statement is shown on the next page.

Core Statements

Comprehensive Income and Expenditure Statement

Gross Expenditure			Gross Income			Net Expenditure			Gross Expenditure			Gross Income			Net Expenditure		
2018-19	2018-19	2018-19	2018-19	2018-19	2018-19	2018-19	2018-19	2018-19	2019-20	2019-20	2019-20	2019-20	2019-20	2019-20	2019-20	2019-20	
		£'000			£'000			£'000			£'000			£'000			£'000
3,173	(196)	2,977	Chief Executive						2,397	(68)							2,329
60,152	(59,842)	311	Housing & Wellbeing						77,025	(58,873)							18,152
2,106	(330)	1,776	Borough Secretary						2,273	(892)							1,381
25,282	(5,457)	19,825	Customers & Communities						19,566	(4,624)							14,942
69,949	(67,383)	2,566	Chief Finance Officer						64,765	(58,845)							5,920
23,138	(5,841)	17,297	Economy Assets and Culture						11,612	(6,947)							4,665
2,632	(2,203)	429	Planning						2,579	(1,900)							679
186,432	(141,252)	45,180	Cost of Services						180,217	(132,149)							48,068
(1,335)	-	(1,335)	Other Operating Expenditure (1F)						3,968		-						3,968
16,837	(8,111)	8,725	Financing and Investment Income (1G)						19,695	(12,945)							6,750
32,263	(65,835)	(33,571)	Taxation and Non Specific Grants (1H)						32,027	(73,880)							(41,853)
234,197	(215,197)	18,999	Surplus(-) or Deficit on Provision of Services						235,907	(218,974)							16,933
		(18,941)	(Surplus) or Deficit on Revaluation of Non Current Assets														(30,188)
		6,267	Actuarial (gains)/losses on pension assets and liabilities														(15,325)
		(12,674)	Other Comprehensive Income and Expenditure														(45,513)
		6,325	Total Comprehensive Income(-) and Expenditure														(28,580)

Core Statements

D2 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.

	General Fund £'000	Earmarked GF Reserves £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 1 April 2019	(5,498)	(26,956)	(5,000)	(8,771)	(616)	(15,994)	(3,505)	(66,340)	(366,400)	(432,740)
Movement in Reserves during 2018-19										
Total comprehensive income and expenditure	15,695	-	3303	-	-	-	-	18,998	(12,674)	6,324
Adjustments between accounting and funding basis under regulations (note 2)	(11,117)	-	(3,627)	-	616	(2,294)	(246)	(16,668)	16,668	-
Transfer to/from Earmarked Reserves	(3,122)	3,122	325	(325)	-	-	-	-	-	-
(Increase)/decrease in 2018-19	1,456	3,122	1	(325)	616	(2,294)	(246)	2,331	3,994	6,325
Balance at 31 March 2019 carried forward	(4,042)	(23,834)	(4,999)	(9,096)	0	(18,288)	(3,751)	(64,009)	(362,406)	(426,415)
Movement in Reserves during 2019-20										
Total comprehensive income and expenditure	(4,141)	-	21,074	-	-	-	-	16,933	(45,513)	(28,580)
Adjustments between accounting and funding basis under regulations (note 2)	7,480	-	(16,390)	-	-	6,023	544	(2,348)	2,348	-
Transfer to/from Earmarked Reserves	(3,274)	3,274	(4,681)	4,681	-	-	-	-	-	-
(Increase)/Decrease 2019-20	65	3,274	2	4,681	-	6,023	544	14,585	(43,165)	(28,580)
Balance at 31 March 2020 carried forward	(3,977)	(20,561)	(5,000)	(4,415)	-	(12,265)	(3,206)	(49,424)	(405,571)	(454,995)

Core Statements

D3 BALANCE SHEET

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

Balance Sheet			
31 March 2019		31 March 2020	
	£'000	Note	£'000
714,850	Property, Plant and Equipment	4	744,125
28,185	Heritage Assets	5	33,791
13,794	Investment Property	6	24,672
388	Intangible Assets	16	762
48,470	Long Term Debtors	9b	19,905
805,687	Long Term Assets		823,255
23,119	Fixed Term Investments	7a	5,016
7,399	Financial Assets at Fair Value	7a	7,135
5,025	Short Term Investments	7a	7
23	Inventories		41
21,205	Short Term Debtors	9a	28,993
12,230	Cash and Cash Equivalents	10	32,331
69,001	Current Assets		73,523
(5,584)	Short Term Borrowing	7e	(14,480)
(36,315)	Short Term Creditors	12	(33,654)
(6,111)	Provisions	13	(7,774)
(48,010)	Current Liabilities		(55,908)
(16,599)	Receipts in Advance	20	(10,554)
(60)	Provisions	13	(211)
(241,747)	Long Term Borrowing	7f	(247,554)
(141,857)	Other Long Term Liabilities	26	(127,556)
(400,263)	Long Term Liabilities		(385,875)
426,415	Net Assets		454,995
(64,009)	Usable Reserves	14	(49,424)
(362,406)	Unusable Reserves	15	(405,571)
(426,415)	Total Reserves		(454,995)

Core Statements

D4 CASH FLOW STATEMENT

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

Cashflow Statement

2018-19 £'000		2019-20 £'000
(18,998)	Net Surplus or (deficit) on the provision of services (Note D1)	(15,305)
52,390	Adjustment to surplus or deficit on the provision of services for noncash movements (Note 30)	60,445
(12,983)	Adjustment for items included in the net surplus/deficit on the provision of services that are investing and financing activities (Note 30)	(16,938)
20,408	Net Cashflows from Operating Activities	28,201
(14,931)	Net Cashflows from Investing Activities (Note 32)	(22,725)
(10,547)	Net Cashflows from Financing Activities (Note 33)	14,623
(5,071)	Net increase or decrease in cash and cash equivalents	20,109
17,300	Cash and Cash Equivalents at the Beginning of the Reporting Period (Note 10)	12,230
12,230	Cash and Cash Equivalents at the End of the Reporting Period	32,331

Notes to Core Financial Statements

1A

ACCOUNTING POLICIES

1.1A 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 note outlines how Northampton Borough Council (the Council) will account for all income, expenditure, assets and liabilities held and incurred during the 2019-20 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 Going Concern

Going Concern: Local Government Reform in Northamptonshire

Basis of Preparation

The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions of the Code in respect of going concern reporting requirements reflect the economic and statutory environment within which authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. The Council's accounts are therefore produced under the Code and assume that the Council's services will continue to operate for the foreseeable future.

The functions and services of Daventry District Council transferred to West Northamptonshire Council on 1st April 2021 in accordance with The Northamptonshire Structural Changes Order 2020 (Statutory Instrument 2020 No.156).

Establishing the Financial Baseline for West Northamptonshire

The approach to establishing West Northamptonshire Council's budget and financial position has been to create the baseline budget and balance sheet by disaggregating the County Council and aggregating with the District and Borough Councils. This covered the following areas:

- 2020-21 Budget
- Balance sheet (including reserves and balances)
- Capital Programme
- Dedicated Schools Grant
- Public Health Grant

Notes to Core Financial Statements

The disaggregation work was overseen by a member led task and finish group which was supported by relevant senior officers including the Chief Financial Officer.

The budget formulation work was overseen by a separate member led task and finish group, as well as the shadow executive, which again were supported by senior officers.

A critical piece of work was to disaggregate the County Council budget and balance sheet to provide an indicative baseline of what the costs, assets and liabilities are of providing County Council services in 2020/21 had there been a split between the West and the North. The disaggregation was based on a number of agreed principles and provides for what the cost of services should be as a starting position for the West and North. A summary of these key principles is set out in the table below.

Revenue and Capital Disaggregation	Balance Sheet Disaggregation
Place of ordinary residence	Geographical location
Geographical location	Link to capital programme/capital financing requirement
Cost drivers	Link to service disaggregation
Population	Caretaker authority
Funding formulae	District/Borough areas
Staff numbers	

Added to the disaggregated County Council position were the budgets for the District and Borough Councils and when brought together provides for a starting baseline budget for the total estimated cost of services, as well as the assets and liabilities, to be delivered by the new authority.

West Northamptonshire Budget 2021/22 and Medium Term Financial Plans

The focus for establishing financial budgets and plans for the new council has been for a 'safe and legal' provision of services. A key requirement in formulating the 2021/22 budget has been to develop a process for allocating the existing Medium Term Financial Plans to the new organisation. The existing sovereign council plans were carefully scrutinised and updated to reflect a West Northamptonshire perspective to identify and budget for changes related to:

- COVID-19 pressures
- Contract and other inflation
- Demographic and service demand
- Full year impacts of previous decisions
- Technical and legislative changes
- The implementation of the service Blueprint for West Northamptonshire and the Council's drive for further transformation and improvement.

In addition, the actual liquidity position the new council inherit was positive, on the 31st March 2021 it had cash and investment held by sovereign councils totaling £158.9m. This excludes an estimated contribution of £10.3m from the legacy council Northampton County Council for the cash and investment held as at end of March 2021.

b Accruals Concept

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

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

c Overheads and Support Costs

The costs of overheads and support services are charged to services as defined in CIES reporting structure in accordance with the authorities' arrangements for accountability and financial performance.

Notes to Core Financial Statements

d Value Added Tax

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

e Changes in Accounting Policy

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

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

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

f Previous Year Adjustments

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

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

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

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

g Events after the Balance Sheet date

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

h Exceptional and extraordinary items and prior period adjustments

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

i Contingent assets and liabilities

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

j Recognition of Capital Expenditure (de-minimis Policy)

In accordance with International Accounting Standard 16 (IAS16), the Council recognises non-current assets when the following tests are met:

- Assets where it is expected that future economic benefit will flow to the Authority.
- Assets where the cost can be measured reliably.

Notes to Core Financial Statements

The capital cost of an asset is recognised to be:

- Purchase price, construction cost, minimum lease payments or equivalent including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.
- Costs associated with bringing the asset to the location and condition necessary for it to be capable of operating in the manner required by management.
- Initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located, the obligation for which the Authority incurred either when the asset was acquired or as a consequence of having used the asset during a particular period for purposes other than producing inventories during that period.
- Present Value of minimum lease payments if lower than fair value of the asset.
- 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 expenditure that meets the definition of repairs and maintenance is not capital.

The Authority has a general de-minimis level of £6,000 for capital expenditure purposes. However, an asset that has been acquired for less than £6,000 but has been funded by ring fenced capital funding, the de-minimis rule does not apply and it 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 Council Dwellings, Housing Land and Building , Other Land and Building, Community Assets, Vehicles Plant and Equipment, Infrastructure Assets, Assets Under Construction .

- **Council Dwellings** - are dwellings that are within the Housing Revenue Account.
- **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.

Notes to Core Financial Statements

- **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. The current value measurement base is fair value, estimated using highest and best use from a market participant's perspective. .
- **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.
Heritage assets are measured at valuation in accordance with FRS30 but where it is not possible to obtain a valuation at a cost which is commensurate with the benefit to the users of the financial statements, heritage assets are measured at historical cost (less any depreciation, amortisation and impairment). Depreciation or amortisation is not required on assets with indefinite lives.
- **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.

Current Assets

- **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.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

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

I Non-Current Asset Valuation Methodology

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

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

Notes to Core Financial Statements

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** - Other Land and Buildings Property Assets are held at current 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 Existing Use Value (EUV) in accordance with IFRS 13, or if specialised and there is no market, then Depreciated Replacement Cost (DRC) is used.
 - **Council Dwellings** – Land and building structure are valued at EUV for Social Housing, being an appropriate percentage of market value. Individual components are valued at Depreciated Historic Cost. (Since 17-18 SoA individual components are also valued at EUV for Social Housing).
 - **Vehicles and Assets Under Construction** – these assets are held at depreciated historic and historic cost respectively.
 - **Community Assets** - the Authority recognises Community Assets at depreciated historic cost.
 - **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.

Properties held under finance leases would initially be recognised at Present Value of minimum lease payments if lower than fair value of the asset and then at Fair Value under IFRS 13.

- **Assets Held for Sale** - Assets held for sale are valued at the lower of carrying amount or Fair Value less cost of sale, and where these are held at carrying value unless there has been a previous loss to reverse and they are only recognised up to that loss reversal.
- **Heritage Assets** – Heritage Assets are held at valuation where practicable (and at depreciated historic cost where it is not practicable to obtain a valuation).
- **Surplus Assets** – these are described in our accounting policies as follows:

These are assets which the Authority no longer operates from, however they do not meet the definition of held for sale. All surplus assets are treated in the same way as operational assets of the same type (valuation, depreciation, recognition etc). They are therefore valued on a fair value basis.

m Impairment of Non-Current Assets

The accounting policy is in accordance with IAS 36.

Impairment is the amount by which the carrying value of an asset exceeds its recoverable amount.

At the end of each reporting period, the Authority undertakes an assessment of its Non-Current Assets for any impairment.

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.

Notes to Core Financial Statements

An impairment loss, previously recognised in the Surplus or Deficit on the Provision of Services, may no longer exist or may have decreased, the reversal of that loss is permitted if there has been a change in the estimates used to determine the asset's recoverable amount since the impairment loss was recognised.

n Disposal of Non-Current Assets

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

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

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

o Depreciation / Amortisation Methodology

Depreciation is provided for on all completed assets with a determinable finite life (except for investment properties), by allocating the value of the asset in the balance sheet over the periods expected to benefit from their use. Depreciation is calculated using the Straight-Line method over the determined life of the asset. The Council depreciates assets in the year of disposal. Where an asset has major components with different estimated useful lives, these are depreciated separately.

Residual values

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

Notes to Core Financial Statements

Useful Economic Lives of assets are:

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

* Depending on the nature of the specific asset

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

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

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

p Component Accounting

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

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

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

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

Notes to Core Financial Statements

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

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

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

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

q Leases

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

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

r Defining a Finance Lease

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

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

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

s Defining an Operating Lease

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

Notes to Core Financial Statements

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 Capital Grants and Contributions

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

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

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

In order to not impact on the level of Council Tax, the Authority removes the credit from the General Reserves through the Movement in Reserves Statement, and crediting to the Capital Grants Unapplied Reserve. Once expenditure has been incurred on the related asset, the credit is removed from the Capital Grants Unapplied Reserve and credited to the Capital Adjustment Account. Relevant Government Grants are treated in accordance with this policy.

y Revenue Expenditure Funded from Capital Under Statute (REFCUS)

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

z 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".

Notes to Core Financial Statements

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

Estimated life periods are determined in line with accounting guidance and regulations. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the guidance, the Council generally adopts these periods. However, the Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate. The Council seeks to spread MRP charges prudently in relation to asset lives, and with regard to the revenue impact of MRP charges. Where prudent to do so, capital receipts are used to repay borrowing previously taken out in relation to assets with a short life. MRP on residual debt is based on the lives of the remaining asset for which borrowing was undertaken.

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

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

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

Third party loans – Under statute the payment of the loan to a third part for capital purposes will treated as capital expenditure and will increase the Council’s Capital Financing Requirement (CFR). The expenditure will normally be financed by the third party loan principal repayments being treated as capital receipts and applied to reduce the Council’s CFR. As a result MRP will not generally be required to charged in relation to loans to third parties. The Council will review the individual circumstances of each third party loan on an annual basis to assess the risk that the loan will not be repaid. If the Authority considers that some or all of the loan may not be repaid, it will make plans to make financial provision for the potential losses that may arise from non-repayment of the loan principal which may include charging MRP, setting aside capital receipts or building revenue reserves that will be applied to reduce the CFR at an appropriate time based upon prudent assessment.

aa Capital Reserves

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

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

Revenue Accounting

ab Recognition of Revenue Expenditure.

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

ac Employee Costs

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

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

Short-term employee benefits:

- **Salaries and Wages** - The total salary and wages earned by employees within the financial year have been charged to the revenue expenditure account. Where the amount accrued exceeds the amount paid at the 31st March, a creditor will be reflected in the accounts.

Notes to Core Financial Statements

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

Termination Benefits

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

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

- **Pensions Costs**

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

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

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

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

- Current service cost - the increase in liabilities as result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked.
- Past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- Interest cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to Financing and Investment Income and 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 Financing and Investment Income and 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.

Notes to Core Financial Statements

- 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.

ad Revenue Grants and Contributions

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

Revenue grants will either be received to be used only for a specific purpose, or can be used for general purpose. Those for a specific purpose are recognised as income in the relevant service revenue account (wherever the related expenditure is incurred) within the net cost of services. Those, which are for general purpose, are shown in Taxation and Non-Specific Grant income in Note 1H.

ae 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.

af 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 Movement in Reserves Statement. 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 Comprehensive Income and Expenditure Statement. 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.

Notes to Core Financial Statements

The Council's risk-based assessment of the required level of General Fund and HRA working balance is shown within the Movement in Reserves Statement. The level of general working balance is considered reasonable due to the mitigation of some risks through the holding of earmarked reserves.

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

ag 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.

ah 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.

ai 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.

The Council recognises expected credit losses on all of its financial assets held at amortised cost either on a 12 month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Treasury Management

aj 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.

Notes to Core Financial Statements

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.

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

The Authority has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Reserves is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

al Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

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

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

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

Notes to Core Financial Statements

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

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

Financial Assets Measured at fair value through Profit and Loss are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument.

Values are based on the following principles:

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

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

CCLA investments, the Authority is treating it as a FVPL. Any gains or losses that arise on derecognition of the assets are credited or debited to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.

- **Expected Credit Loss Model**

The Authority recognises where material expected credit losses on its financial assets held at amortised cost, either on a 12-month or lifetime basis. Impairment losses are calculated to reflect the expectation that the future cash flows – be it principal and/or interest repayments – might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Fair Value Profit and Loss (FVOCI)

Financial assets that are measured at Fair Value through Other Comprehensive Income (FVOCI) are recognised on the Balance Sheet when the council becomes party to the contractual provisions of a financial instrument and are measured at Fair Value. Fair Value gains and losses are recognised in the Revaluation Reserve on the Balance Sheet.

am Interests in Companies and Other Entities

The Council owns two subsidiaries, Northampton Partnership Homes and Happy to Help (Northampton) which is 100% owned subsidiary of Northampton Partnership Homes. The Council has prepared Group Accounts, see policy aq. The Council has one Joint Arrangements that is Not an Entity (JANEs), the Joint Planning Unit (JPU): this is not material to the accounts.

an 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.

Notes to Core Financial Statements

ao Cash and Cash Equivalents

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

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

ap 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.

aq Group Accounts

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

ar Non Domestic Rates

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

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

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

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

Notes to Core Financial Statements

1B

GENERAL INFORMATION

I. PRIOR YEAR ADJUSTMENTS

There have been no material prior periods adjustments identified that require disclosure within Note 1 of the accounts for 2019-20.

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

Under The Code of Practice on Local Authority Accounting disclosure of the impact of accounting standards issued but not yet adopted is required. Following a review of the relevant standards it has been determined that there would be no material changes to the accounts if these were to have been adopted. The relevant standards being introduced for 2020/21 are:

- Amendments to IAS 28 Investment in Associates and Joint Ventures: Long term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015-2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement
- Amendments to references to the *Conceptual Framework* in IFRS Standards

In addition, IFRS 16 (Leases) will require the Authority to recognise assets on balance sheet where a contract gives them the right to use the asset. The implementation of IFRS16 in the public sector has been deferred to 1 April 2022. The impact has yet to be fully quantified, but is not expected to impact the financial position.

III. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

In the accounts these are as follows:

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

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

Useful economic lives are based on estimates either from professional (RICS qualified) valuers in the case of property or dependant on the nature of the specific asset, and service experts in relation to other assets.

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.

IV. 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 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Notes to Core Financial Statements

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment (excluding land) - Depreciation & Useful Lives	<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be carried out in relation to individual assets. The current economic climate makes it uncertain how much the authority will be able to spend on repairs and maintenance on these assets, so there is uncertainty in the useful economic lives allocated to each asset.</p>	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 PPE including components' would increase by approximately £300k for every year that useful lives had to be reduced.
Property, Plant and Equipment (excluding land) - Valuations	<p>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.</p> <p>Due to the unprecedented set of circumstances caused by the Covid-19 pandemic, at the valuation date we consider that we can attach less weight to previous market evidence for comparison purposes to inform opinions of value. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to property valuation than would normally be the case</p>	<p>The net book value of an asset at 31 March is the value of that asset as it appears on the Balance sheet.</p> <ul style="list-style-type: none"> - A 1% variation in value on Dwellings is equivalent to £4.1m - A 1% variation in value on other operational property is equivalent to £714k.

Notes to Core Financial Statements

Property, Plant and Equipment - Council Dwellings use of Beacon Properties	<p>Council dwellings are valued by reference to representative properties across the housing estate known as 'beacons'. Following a 100% valuation of the portfolio in 2017-18, the portfolio was subject to annual desktop reviews at 1st April and 31st March and will be the next 3 years, then subject to a further full revaluation in 2023.</p>	<p>This process is in compliance with MHCLG (previously DCLG) guidance.</p>
Benefit Overpayments Provision	<p>The Authority has made a provision of £5.6m in respect of Overpayments to Benefit Claimants. This provision is based upon an analysis of outstanding debt as at year end and is considered prudent in light of the highly uncertain nature of future recovery levels.</p>	<p>As the provision for Benefit Overpayments is currently set at 86.9% of the overall debt, any movement in the level of overpayments will have a corresponding, equivalent impact on the level of provision required.</p>
Insurance Provision and Reserve	<p>The Council has made a provision of £518k for actual insurance claims outstanding and a reserve of £1,053k 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.</p>	<p>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.</p>
Pensions Liability	<p>The Council has a liability for retirement benefits promised under the terms of the pension scheme of £127.6m. 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 effect would be:</p> <ul style="list-style-type: none"> 0.5% decrease in discount rate would give rise to an increase in liability of approximately £21.1m 0.5% salary increase would give rise to an increase in liability of approximately £0.8m 0.5% increase in Pensions rate would give rise to an increase in liability of approximately £20.2m

Notes to Core Financial Statements

Arrears	The General Fund has provided for a bad debt provision of £444k. This is based on modelled assumptions of the amount of debt cleared at various time points. The model is based on past recovery rates but any changes in the economic climate could impact on the recovery of outstanding debts.	The amount of debt having a provision against it equates to £2.4m. Therefore any changes in the recovery of our debts will have a maximum impact of £1.9m.
Business Rates Appeals	The council has made a provision for the effects of business rates appeals (including backdated appeals) of which the NBC element is £7.5m. This is based on appeals that had been lodged and were outstanding at 31 March 2020. Contingent liabilities have been disclosed in relation to the risk of new appeals that may come forward in the future and other appeals/risks that have been currently assessed as not meeting the IAS 37 criteria for requiring a provision as at 31st March 2020.	If appeals on the list are rejected or settled at a lower value from the amount taken into account in the appeal provision, the provision for the excess would be released. If appeals on the list are settled at a higher value than the appeal provision or appeals are settled that are not included on the list at 31 March, there would be an impact on the business rates income to the authority under the Rates Retention Scheme.
Minimum lease payments on operating leases (authority as lessor)	Future estimates of minimum lease payments contain a number of assumptions about lease rental income and lease periods; for example that leases will not be renewed at the end of their term, and that vacant properties will not be leased at a future date.	If leases are extended beyond their original term or renewed on expiry, and vacant properties are leased out, then future rental income will exceed the minimum lease payments calculated. Conversely if lessees default on their leases or payments then future rental income may be reduced.

This list does not include assets/liabilities that are carried at fair value based on recently observed market prices. For items relating to the Housing Revenue Account, please see section G of the accounts.

V. EVENTS AFTER THE BALANCE SHEET DATE

On 1st April 2021 all the functions and services along with its assets and liabilities of Northampton Borough Council transferred to the newly created West Northamptonshire Council, under Local Government re-organisation. As the functions of the Council are continuing in West Northamptonshire Council it is appropriate for the accounts to be prepared on a going concern basis.

Notes to Core Financial Statements

1C EXPENDITURE AND FUNDING ANALYSIS (EFA)

The Expenditure and Funding Analysis demonstrates how the funding available to the Council for the year 2019/20 (i.e. government grants, rents, Council Tax and Business Rates) has been used to provide services in comparison with those resources consumed or earned under generally accepted accounting practice (GAAP). The Expenditure and Funding analysis also shows how this expenditure is allocated for decision-making purposes between the Council's directorates. Income and expenditure accounted for under GAAP is presented more fully in the Comprehensive Income and Expenditure Statement.

Expenditure and Funding Analysis

Net expenditure chargeable to the General Fund and Earmarked Reserves £'000	£'000	Adjustments between Funding and Accounting Basis £'000	2018-19 Net Expenditure in the CIES £'000	Net expenditure chargeable to the General Fund and Earmarked Reserves £'000	£'000	Adjustments between Funding and Accounting Basis £'000	2019-20 Net Expenditure in the CIES £'000
2,030	947	2,977	Chief Executive	1,959	370	2,329	
(4,045)	4,356	311	Housing & Wellbeing	3,887	14,265	18,152	
2,114	(338)	1,776	Borough Secretary	1,092	289	1,381	
452	2,114	2,566	Chief Finance Officer	5,409	511	5,920	
15,825	4,000	19,825	Customers & Communities	11,820	3,122	14,942	
7,915	9,382	17,297	Economy Assets and Culture	4,060	605	4,665	
900	(471)	429	Planning	(2,152)	2,831	679	
25,190	19,990	45,180	Net Cost of Services	26,075	21,993	48,068	
(20,936)	(5,245)	(26,181)	Other Income and Expenditure	(19,427)	(13,336)	(32,763)	
4,254	14,746	18,999	(Surplus) or Deficit on Provision of Services	6,648	8,657	15,305	
(46,225)			Opening General Fund and HRA Balances at 31 March 2019	(41,971)			
4,254			Less Deficit on General Fund and HRA Balance In Year	6,648			
(41,971)			Closing General Fund and HRA Balances at 31 March 2020	(35,324)			

Notes to Core Financial Statements

1D NOTES TO THE EXPENDITURE AND FUNDING ANALYSIS

2018-19				Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement	2019-20			
PENSIONS	CAPITAL	OTHER	TOTAL		PENSIONS	CAPITAL	OTHER	TOTAL
Retirement Benefits	Total Capital Adjustments	Financial Instruments & Collection Fund	Total Adjustments in year		Retirement Benefits	Total Capital Adjustments	Financial Instruments & Collection Fund	Total Adjustments in year
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
(138)	1,084		947	Chief Executive	220	150	-	370
1,946	168		2,114	Chief Finance Officer	198	313	-	511
(554)	4,914	(5)	4,356	Housing & Wellbeing	651	13,613	-	14,265
(347)	9		(338)	Borough Secretary	283	7	-	289
(1,411)	5,411		4,000	Customers & Communities	1,528	1,594	-	3,122
(484)	13		(471)	Planning	592	13	-	605
(459)	9,840		9,381	Economy, Assets & Culture	386	2,444	-	2,831
(348)	(4,523)	(374)	(5,245)	Other Income and Expenditure	(2,833)	(11,884)	1,381	(13,336)
(1,794)	16,917	(379)	14,745	Total	1,024	6,250	1,381	8,657

Adjustments for Capital includes depreciation, impairments and revaluation gains and losses. It also adjusts for capital disposals with a transfer on the income to disposals and amounts that have been written off, MRP and revenue contributions to capital outlaid (RCCO)are deducted because they are not chargeable under generally accepted accounting practices to the General Fund.

Penisons – Retirement Benefit- adjustments show where the costs have been affected by the removal of pension contributions and replaced with IAS19 costs.

Other Adjustments – Financial Instruments and Collection Fund- are costs that cannot be alloaced to either Capital or Pension adjustments.

Notes to Core Financial Statements

1E EXPENDITURE AND INCOME ANALYSED BY NATURE

2018-19		2019-20
£'000		£'000
	Expenditure	
13,645	Employee Benefits expenses	17,188
162,411	Other Services expenses	156,786
(3,518)	(Gains)/Loss on the disposal of non current asset	1,744
40,279	Depreciation, Amortisation, Impairment	26,273
16,837	Interest Payments and Investment Costs	19,434
1,111	Precepts and Levies	1,152
1,072	Payments to Housing Capital Receipts Pool	1,072
2,360	(Gain)/Loss on revaluations	10,628
234,196	Total Expenditure	234,279
	Income	
(72,063)	Fees, charges and other service income	(56,503)
(8,112)	Interest and investment income	(12,945)
(65,835)	Income from council tax and NNDR	(73,880)
(69,188)	Government grants and contributions	(75,646)
(215,198)	Total Income	(218,974)
18,998	(Surplus) or Deficit on the Provision of Services	15,305

Notes to Core Financial Statements

1F. OTHER OPERATING EXPENDITURE

2018-19 £'000	Other Operating Expenditure	2019-20 £'000
1,111	Parish council precepts	1,151
1,072	Housing Capital Receipts Pool	1,072
(3,518)	Gains/Losses on the disposal of non-current assets	1,745
(1,335)	Total	3,968

1G. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2018-19 £'000	Financing and Investment Income	2019-20 £'000
7,771	Interest payable and similar charges	7,797
3,473	Pensions interest cost and expected return on pension assets	3,385
(1,802)	Interest receivable and similar charges	(2,005)
186	Short term investment charge	264
57	Other property (income)/charges	(553)
(960)	Income and expenditure in relation to investment properties and changes in their fair value	(2,138)
8,725	Total	6,750

1H TAXATION AND NON-SPECIFIC GRANT INCOME

2018-19 £'000	Taxation And Non Specific Grant Income	2019-20 £'000
(16,237)	Council tax income	(16,728)
(39,828)	Retained Rates	(38,907)
(1,487)	Capital grants and contributions	(8,011)
(886)	Revenue Support Grant	-
(3,082)	Non-ring fenced government grants	(2,595)
(2,274)	Section 31 grants	(3,012)
(2,026)	Other NNDR related transactions	(766)
30,079	Tariff Payment	30,599
-	Section 106 and HRA Homes Funding	(1,634)
2,184	Levy Payment	62
(14)	Donated Assets	(860)
(33,571)	Total	(41,853)

Notes to Core Financial Statements

2. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATION

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

2019/20	General Fund Balance	Housing Revenue Account	Earmarked Reserves	Major Repairs Reserve	Capital receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:								
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:								
Charges for depreciation and impairment of non-current assets	(3,113)	(22,961)	-	13,213	-	-	(12,861)	12,861
Revaluation gains on PPE	3,854	2,484	-	-	-	-	6,338	(6,338)
Revaluation losses on Property Plant and equipment	(3,084)	(15,085)	-	-	-	-	(18,169)	18,169
Movements in the market value of Investment properties	1,198	5	-	-	-	-	1,203	(1,203)
Amortisation of Intangible assets	(63)	-	-	-	-	-	(63)	63
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	8,930	1,634	-	-	-	-	10,564	(10,564)
Income in relation to donated assets if any	860	-	-	-	-	-	860	(860)
Revenue expenditure funded from capital under statute	(4,322)	-	-	-	-	-	(4,322)	4,322
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	(164)	(10,507)	-	-	-	-	(10,671)	10,671
Statutory provision for the financing of capital investment	6,514	-	-	-	-	-	6,514	(6,514)
Capital expenditure charged against the General Fund and HRA balances	336	5,841	-	-	-	-	6,177	6,177
Total Adjustments primarily involving the Capital Adjustment Account	10,946	(38,589)	-	13,213	-	-	(14,430)	14,430

Notes to Core Financial Statements

2019/20	General Fund Balance £'000	Housing Revenue Account £'000	Earmarked Reserves £'000	Major Repairs Reserve £'000	Capital receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Grants Unapplied Account:								
Grants Unapplied from CIES	340		-	-	-	(340)	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-	884	884	(884)
Total Adjustments primarily involving the Capital Grants Unapplied Account	340	-	-	-	-	544	884	(884)
Adjustments primarily involving the Capital Receipts Reserve:								
Transfer of non-current asset sale proceeds from revenue to the capital receipts reserve	(60)	8,986	-	-	(8,926)	-	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	-	13,889	-	13,889	(13,889)
Contribution from the Capital Receipts Reserve to finance payments to Government Capital Receipts pool	(1,072)	-	-	-	1,072	-	-	-
Transfer from Deferred Capital receipts Reserve upon receipt of cash		-	-	-	(12)	-	(12)	12
Total Adjustments primarily involving the Capital Receipts Reserve	(1,132)	8,986	-	-	6,023	-	13,876	(13,876)
Adjustment primarily involving the Major Repairs Reserve:								
Use of the Major Repairs Reserve to finance new capital expenditure	-	13,213	-	(13,213)	-	-	0	0
Total Adjustment primarily involving the Major Repairs Reserve	-	13,213	-	(13,213)	-	-	0	0

Notes to Core Financial Statements

2019/20	General Fund Balance £'000	Housing Revenue Account £'000	Earmarked Reserves £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Movement in Unusable Reserves £'000
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	-	-	-	-	-	-	-	-
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	27	-	-	-	-	-	27	(27)
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	(7,384) 6,360		-	-	-	-	(7,384) 6,360	7,384 (6,360)
Total Adjustments primarily involving the Pensions Reserve	(997)	-	-	-	-	-	(997)	997
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 calculated for the year in accordance with statutory requirements	(1,418)	-	-	-	-	-	(1,418)	1,418
Total Adjustments	7,740	(16,389)	0	0	6,024	545	(2,084)	2,086

2018-19	General Fund Balance	Housing Revenue Account	Earmarked Reserves	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
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	(21,518)	(5,391)	-	(12,998)	-	-	(39,907)	39,907
Revaluation gains on PPE	1,106	9,298	-	-	-	-	10,404	(10,404)
Revaluation losses on Property Plant and equipment	(2,165)	(10,569)	-	-	-	-	(12,733)	12,733
Movements in the market value of Investment properties	(40)	6	-	-	-	-	(34)	34
Amortisation of Intangible assets	(92)	-	-	-	-	-	(92)	92
Capital Grants & contributions applied (if any)	3,162	-	-	-	-	-	3,162	(3,162)
Income in relation to donated assets if any	14	-	-	-	-	-	14	(14)
Revenue expenditure funded from capital under statute	(1,439)	-	-	-	-	-	(1,439)	1,439
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure statement	(107)	(7,871)	-	-	-	-	(7,978)	7,978
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement								
Statutory provision for the financing of capital investment	5,999	-	-	-	-	-	5,999	(5,999)
Total Adjustments primarily involving the Capital Adjustment Account	(15,080)	(14,527)	-	(12,998)	-	-	(42,604)	42,604

Notes to Core Financial Statements

2018-19	General Fund Balance	Housing Revenue Account	Earmarked Reserves	Major Repairs Reserve	Capital receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Grants Unapplied Account:								
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	2,466	-	-	-	19	2,485	2,485
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-	265	265	265
Total Adjustments primarily involving the Capital Grants Unapplied Account	-	2,466	-	-	-	246	2,220	2,220
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	3,061	8,434	-	-	(11,495)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	-	8,214	-	8,214	8,214
Contribution from the Capital Receipts Reserve to finance payments to Government Capital Receipts pool	(1,072)	-	-	-	1,072	-	-	-
Transfer from Deferred Capital receipts Reserve upon receipt of cash	(19)	-	-	-	85	-	85	-
Total Adjustments primarily involving the Capital Receipts Reserve	1,989	8434	-	-	(2,294)	-	8129	(8,129)
Adjustment primarily involving the Major Repairs Reserve:								
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	13,614	-	-	13,614	13,614
Other Adjustment	(8)	-	-	-	-	-	(8)	8
Total Adjustment primarily involving the Major Repairs Reserve	(8)	-	-	13,614	-	-	13,605	(13,605)

Notes to Core Financial Statements

2018/19	General Fund Balance	Housing Revenue Account	Earmarked Reserves	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Received	Total Usable Reserves	Movement in Unusable
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
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	(186)	0	0	0	0	0	(186)	186
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	(4,823)	-2	-	-	-	-	(4,825)	4,825
Total Adjustments primarily involving the Pensions Reserve	1,609	0	-	-	-	-	1,609	(1,609)
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 calculated for the year in accordance with statutory requirements	373	-	-	-	-	-	373	(373)
Adjustment primarily involving Unequal Pay Back Pay Adjustment Account Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlement chargeable in the year in accordance with statutory requirements	0	-	-	-	-	-	0	0
Total Adjustments	(11,117)	(3,627)	-	616	(2,294)	(246)	(16,668)	16,668

Notes to Core Financial Statements

3. TRANSFERS TO / FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2019-20.

Earmarked Reserve	Balance at 31 March 2018	Realigned 2018- 19	Additions to Reserve 2018-19	Use Of Reserve 2018-19	Balance at 31 March 2019	Realigned 2019- 20	Additions to Reserve 2019-20	Use Of Reserve 2019-20	Balance at 31 March 2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund									
Customers and Communities Reserves	682	(484)	0	(102)	96	(43)	0	(45)	8
Economy, Assets & Culture Reserves	543	(97)	164	(133)	477	0	300	(188)	590
Planning Reserves	0	314	120	(8)	426	0	12	(40)	398
Housing & Wellbeing Reserves	600	190	0	(140)	650	0	317	(212)	755
Total Service Related Reserves	1,825	(77)	284	(383)	1,649	(43)	628	(484)	1,750
Delivering the Efficiency Plan Reserve	2,000	0	0	(217)	1,783	(1,281)	0	(502)	(0)
MTFP Cashflow Reserve	4,750	(3,179)	869	(1,186)	1,254	788	657	(852)	1,847
Strategic Investment Reserve	(3)	3	0	0	0	0	0	0	0
Environmental Services Capital Financing	10,000	0	0	(1,000)	9,000	(2,300)	0	(1,000)	5,700
Sixfields Recovery Reserve	0	5,000	0	(4,624)	376	4,500	0	(4,737)	139
Other Corporate Reserves	1,410	0	1,502	(267)	2,645	(1,664)	1,767	(250)	2,498
Total Corporate Reserves	18,157	1,824	2,371	(7,294)	15,058	43	2,423	(7,341)	10,184
Insurance Reserve	1,179	0	0	(302)	877	0	0	(124)	753
Rates Retention Deficit Funding	3,412	0	759	0	4,171	0	1,698	0	5,869
Other Technical Reserves	247	(247)	0	0	0	0	0	0	0
Total Technical Reserves	4,838	(247)	759	(302)	5,048	0	1,698	(124)	6,662
Section 106 Contributions	2,137	0	0	(57)	2,080	0	104	(179)	2,005
Total General Fund	26,957	1,500	3,414	(8,036)	23,835	(0)	4,854	(8,128)	20,561
HRA									
HRA Reserves	6,968	0	328	0	7,296	0	0	(4,681)	2,615
HRA Leaseholder Reserve	500	0	0	0	500	0	0	0	500
HRA Service Improvement Reserve	1,000	0	0	0	1,000	0	0	0	1,000
HRA Insurance Reserve	300	0	0	0	300	0	0	0	300
Total HRA	8,770	0	328	0	9,096	0	0	(4,681)	4,415
Total Earmarked Reserves	35,727	1,500	3,742	(8,036)	32,931	(0)	6,222	(12,809)	26,344

Notes to Core Financial Statements

Service Related Reserves

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

Delivering the Efficiency Plan

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

MTFP Cashflow Reserve

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

Environmental Service Capital Financing

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

Sixfields Recovery Reserve

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

Other Corporate Reserves

These include reserves to cover things such as monies generated by the Enterprise Zone, and specific project carry forwards.

Insurance Reserve

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

Rates Retention Deficit Funding

This reserve is set aside to manage timing differences in the payments of Non Domestic Rates.

S106 Contributions

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

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.

Notes to Core Financial Statements

4. PROPERTY, PLANT AND EQUIPMENT

Movements in 2019-20	Council Dwellings	Housing Land and Buildings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation									
At 1st April 2019	674,983	19,918	87,123	11,112	2,461	7,603	3,395	11,750	818,345
Additions	22,385	339	1,458	1,284	870	113	-	30,806	57,255
Donations	-	-	-	-	-	-	-	-	-
Revaluation increases / (decreases) recognised in the Revaluation Reserve	3,869	51	11,274	(725)	-	-	251	-	14,720
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(16,994)	159	532	(1,196)	-	-	-	-	(17,499)
Derecognition – disposals	(7,157)	(90)	(178)	-	-	-	-	-	(7,425)
Derecognition – other	(2,944)	(490)	-	(80)	-	-	(216)	-	(3,730)
Assets reclassified (to) / from Held for sale	-	-	-	-	-	-	-	-	-
Assets reclassified (to) / from Investment	-	-	(4,513)	-	-	-	-	-	(4,513)
Assets reclassified to / (from) PPE	9,534	(115)	(449)	53	-	-	(2,020)	(7,850)	(847)
At 31 March 2020	683,676	19,772	95,247	10,448	3,331	7,716	1,410	34,706	856,306
Accumulated Depreciation and Impairment									
At 1 April 2019	(88,086)	(792)	(11,044)	(2,364)	(719)	(20)	(473)	-	(103,498)
Depreciation Charge	(12,859)	(323)	(2,076)	(1,197)	(74)	(3)	(7)	-	(16,539)
Depreciation written out to the revaluation reserve	8,285	109	1,722	839	-	-	1	-	10,956
Depreciation written out to the Surplus/Deficit on the Provision of Services	4,230	3	826	653	-	-	-	-	5,712
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	3	-	-	-	-	2	-	5
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(9,773)	5	287	-	-	-	20	-	(9,461)
Derecognition – Disposals	99	1	30	-	-	-	-	-	130
Derecognition – other	72	6	-	68	-	-	216	-	362
Other Movements	(221)	-	128	4	-	-	241	-	152
At 31 March 2020	(98,253)	(988)	(10,127)	(1,997)	(793)	(23)	-	-	(112,181)
Net Book Value									
At 31 March 2019	586,897	19,126	76,079	8,748	1,742	7,583	2,922	11,750	714,849
At 31 March 2020	585,423	18,784	85,120	8,451	2,538	7,693	1,410	34,706	744,125

Notes to Core Financial Statements

Movements in 2018-19	Council Dwellings	Housing Land and Buildings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation									
At 1st April 2018	657,355	16,617	80,505	2,595	2,585	14,530	1,835	17,925	793,947
Additions	18,541	236	810	8,517	-	79	-	8,072	36,255
Donations	-	-	-	-	-	-	-	-	-
Revaluation increases / (decreases) recognised in the Revaluation Reserve	5,979	3,510	(170)	-	-	-	11	-	9,330
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(5,998)	(3)	(1,417)	-	-	-	157	-	(7,261)
Derecognition – disposals	(6,788)	(79)	(47)	-	-	-	(144)	-	(7,058)
Derecognition – other	(805)	(229)	(96)	-	-	-	-	(5,312)	(6,442)
Assets reclassified to / (from) PPE	6,706	(138)	7,539	-	(123)	(7,007)	1,536	(8,935)	(422)
Other Movements	(7)	4	(2)	-	-	-	-	-	(5)
At 31 March 2019	674,983	19,918	87,122	11,112	2,462	7,602	3,395	11,750	818,344
Accumulated Depreciation and Impairment									
At 1 April 2018	(82,565)	(721)	(6,707)	(1,309)	(641)	(569)	(533)	-	(93,045)
Depreciation Charge	(12,628)	(322)	(2,137)	(1,055)	(74)	(156)	(24)	-	(16,396)
Depreciation written out to the revaluation reserve	8,333	119	1,965	-	-	-	15	-	10,432
Depreciation written out to the Surplus/Deficit on the Provision of Services	4,128	13	792	-	-	-	3	-	4,936
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	6	(456)	-	-	-	-	-	(450)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(5,441)	50	(3,839)	-	-	-	-	(5,312)	(14,542)
Derecognition – Disposals	101	1	3	-	-	-	5	-	110
Derecognition – other	46	22	33	-	-	-	-	5,312	5,413
Assets reclassified (to) / from PPE	(67)	13	(706)	-	(6)	-	61	-	(705)
Other Movements	7	30	10	-	-	706	-	-	753
At 31 March 2019	(88,086)	(789)	(11,042)	(2,364)	(721)	(19)	(473)	-	(103,494)
Net Book Value									
At 31 March 2018	574,790	15,896	73,798	1,286	1,944	13,961	1,302	17,925	700,902
At 31 March 2019	586,897	19,129	76,080	8,748	1,741	7,583	2,922	11,750	714,850

Notes to Core Financial Statements

b) Depreciation

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

c) Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured

at fair value is revalued at least every five years. Valuations of land and buildings were carried out by Wilks Head & Eve (WHE) , in accordance

with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS).

Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest prices adjusted for the condition of the asset.

Council Dwellings have been valued as at 1st April 2019 and 31st March 2020 based on a desk top review carried out by Bruton Knowles.

Council Dwellings valuations were prepared in accordance with the MHCLG Guidance on Stock Valuation for Resource Accounting,

published in November 2016 and the RICS Vauation - Global Standards 2017, which incorporates the International Valuation Standards.

	Council Dwellings	Housing Land and Buildings	Other Land and Buildings	Vehicles, Plant, Furniture, and Equipment	Surplus Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Valued at fair value in:						
2019/20	683,677	12,181	77,819	1,741	1,410	776,828
2018/19	-	387	10,037	8,358	-	18,782
2017/18	-	286	2,129	99	-	2,514
2016/17	-	-	1,325	-	-	1,325
2015/16	-	6,919	3,937	173	-	11,029
Previous Years	-	-	-	76	-	76
	683,677	19,773	95,247	10,447	1,410	810,554

d) Donated Assets

No donated assets were received during 2019-20 or 2018-19.

Notes to Core Financial Statements

e) Commitments under Capital Contracts

The significant (over £0.5m) project that have been contracted in the year are as per below.

Project	Capital Contract Commitment	Contractor	Actual Expenditure to end Mar 2020	Outstanding Capital Commitment
Vulcan Works	£10,299,998	Stepnell Ltd	£3,211,088	£7,088,910
Northampton Museum	£6,350,190	Wildgoose Ltd	£6,279,265	£70,925
Environmental Services Vehicles	£1,618,834	Veolia Ltd	£467,326	£1,151,508
North West relief road	£4,200,000	Northamptonshire County Council	£3,059,577	£1,140,423

Notes to Core Financial Statements

5. HERITAGE ASSETS

Reconciliation of the heritage assets held by the Authority:

Movements in 2019-20	Historic Buildings & Statuary £000s	Museum Exhibits £000s	Mayoral Regalia £000s	Guildhall Artefacts £000s	Total Heritage Assets £000s
Cost or Valuation					
At 1 April 2019	14,328	21,732	48	1,932	38,040
Additions	129	-	-	-	129
Donations	-	860	-	-	860
Revaluation increases/(decreases) recognised in the Revaluation Reserve	2,452	2,248	35	(227)	4,508
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	(44)	-	-	(44)
Derecognition – other	-	-	(4)	-	(4)
Assets reclassified (to) / from PPE	231	-	-	-	231
Cost at 31 March 2020	17,139	24,796	79	1,706	43,720
Accumulated Depreciation and Impairment					
At 1 April 2019	(9,854)	-	-	-	(9,854)
Depreciation Charge	(75)	-	-	-	(75)
Depreciation written out to the revaluation reserve	0	0	-	-	0
Acc Depreciation and Impairment as at 31 March 2020	(9,929)	0	-	-	(9,929)
Net Book Value at 31 March 2019	4,473	21,732	48	1,932	28,185
Net Book Value at 31 March 2020	7,210	24,796	79	1,706	33,791

Buildings & Statuary

Historic Buildings that were previously included in Community Assets were valued as part of the five-year rolling programme of valuations undertaken by external valuers in 2018-19. A desktop valuation was undertaken by Coram James Ltd in September 2019 for insurance purpose.

Museum Exhibits

Museum Exhibits were valued by Coram James Ltd for insurance purposes in September 2019. 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. During the valuation, several items received after 2010 were identified and added to asset. They were additions to the Museum's shoe collection and an oil painting. Furthermore, Museum also received donation of a collection of artworks and books during the financial year.

Notes to Core Financial Statements

Mayoral Regalia

These comprise of the chains and pendants of office. The Mayor and Deputy Mayor chains and pendants were valued by Thomas Fattorini Ltd in November 2019.

Guildhall Artefacts

These are items within the Guildhall such as paintings, clocks, lighting and furniture. A desktop valuation was undertaken by Coram James Ltd in September 2019 for insurance purpose.

Enhancements of Heritage Assets

Enhancements on Heritage Assets reflect improvement works undertaken at Delapre Abbey and to Queen Eleanor Cross.

6. INVESTMENT PROPERTIES

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

2018-19 £'000	Investment Properties	2019-20 £'000
1,331	Rental income from investment property	2,081
(371)	Direct operating expenses arising from investment property	(1,145)
960	Net gain / (loss)	936

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:

2018-19 £'000	Investment Property Valuations	2019-20 £'000
13,830	Balance at start of the year	13,794
	Additions:	
-	: Purchases	5,197
1	: Subsequent expenditure	-
(35)	Net gains/(losses) from fair value adjustments	1,203
	Transfers:	
-	(to)/from Property, Plant and Equipment	4,478
(2)	Other Changes	-
13,794	Balance at end of year	24,672

Notes to Core Financial Statements

7. FINANCIAL INSTRUMENTS

a) Categories of Financial Instruments

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

	Long-Term		Current	
	31-Mar-19 £'000	31-Mar-20 £'000	31-Mar-19 £'000	31-Mar-20 £'000
Investments				
Cash and Cash Equivalent	-	-	12,230	33,081
Investments at Amortised Cost	-	-	28,144	5,016
Fair value through profit and loss assets	-	-	7,399	7,068
Total Investments	-	-	47,773	45,165
Debtors				
Loans and receivables	48,364	19,346	6,378	10,248
Total Debtors	48,364	19,346	6,378	10,248
Borrowings				
Financial Liabilities at amortised cost	(241,747)	(247,510)	(5,584)	(14,527)
Total Borrowings	(241,747)	(247,510)	(5,584)	(14,527)
Creditors				
Financial Liabilities at amortised cost	(16,599)	(9,512)	(11,102)	(315)
Total Creditors	(16,599)	(9,512)	(11,102)	(315)
Total	(209,982)	(237,676)	37,465	40,571

b) Reclassifications

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

Notes to Core Financial Statements

c) Income, Expense, Gains, and Losses

	2018-19					2019-20				
	Financial liabilities measured at amortised cost	Financial assets: loans and receivables	Financial assets: available for sale	Assets and liabilities at fair value through profit and loss	Total	Financial liabilities measured at amortised cost	Financial assets: loans and receivables	Financial assets: available for sale	Assets and liabilities at fair value through profit and loss	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Interest expense	7,890	-	-	-	7,890	7,777	-	-	-	7,777
Losses on derecognition	-	-	26	-	26	-	-	-	-	-
Reductions in fair value	-	-	33	-	33	-	-	484	-	484
Impairment losses	-	1,146	-	-	1,146	-	551	-	-	551
Total expense in Surplus or Deficit on the Provision of Services	7,890	1,146	60	-	9,096	7,777	551	484	-	8,813
Interest income	-	(1,900)	-	(99)	(1,999)	-	(2,326)	-	(99)	(2,425)
Increases in fair value	-	-	-	-	-	-	-	-	-	-
Total income in Surplus or Deficit on the Provision of Services	-	(1,900)	-	(99)	(1,999)	-	(2,326)	-	(99)	(2,425)
Gains on revaluation	-	-	-	(22)	(22)	-	-	-	-	-
Losses on revaluation	-	-	-	506	506	-	-	-	-	-
Surplus/(Deficit) arising on revaluation of financial assets in other Comprehensive Income and Expenditure	-	-	-	484	484	-	-	-	-	-
Net Gain/(Loss) for the year	7,890	(754)	60	386	7,581	7,777	(1,775)	484	(99)	6,388

Notes to Core Financial Statements

d) Fair Values

Items are split according to the following hierarchy.

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

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

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

Items Available for Short Term Investments through the Profit and Loss

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

Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair	31-Mar-19	31-Mar-20
			£'000	£'000
Certificate of Deposits	Level 1	Unadjusted quoted prices in active market for identical	23,119	5,016
Total			23,119	5,016

The Council held £5m in Certificates of Deposit at 31 March 2020. The fair value has been calculated by using published price quotations.

The Council holds no other available for sale investments.

Items Disclosed on the Balance Sheet at their Carrying Amount

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

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

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

Financial Instruments – Liabilities

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

- For loans from the PWLB payable, new borrowing rates from the PWLB have been applied to provide the fair value.
- For non-PWLB market loans payable, prevailing market rates have been applied to provide the fair value.

Notes to Core Financial Statements

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

Financial Instruments - Assets

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

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

The fair values are as follows:

Financial Instruments - Liabilities	31 March 2019		31 March 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Short Term				
Borrowing	(5,506)	(10,543)	(14,527)	(15,010)
Creditors & Receipts in Advance	(44,593)	(44,593)	(315)	(315)
Long Term				
Borrowing	(241,874)	(302,858)	(247,510)	(289,353)
Creditors & Receipts in Advance	(15,907)	(15,907)	(9,512)	(9,512)
Financial liabilities	(307,881)	(373,901)	(271,864)	(314,190)

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional loss (based on economic conditions at 31st March 2020) arising from a commitment to pay interest to lenders above current market rates.

PWLB loans included above have a carrying value of £245.4m and a fair value of £287.6m.

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

However, as the Debt Management Office provides a transparent approach allowing exit cost to be calculated without undertaking a repayment or transfer it is also appropriate to disclose this exit price. The exit price reflects the fair value of PWLB loans calculated using early redemptions rates instead of new loan rates. If a value is calculated on this basis the carrying amount of £245.4m would be valued at £286.3m.

Notes to Core Financial Statements

Financial Instruments – Assets

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

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

The fair value of the assets at 31 March 2020 is the same as the carrying value at the Balance Sheet date.

Financial Instruments - Assets	31 March 2019		31 March 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Short Term				
Fixed Term Investments	5,025	5,025	5,016	5,016
Fair value through profit and loss assets	7,399	7,399	7,068	7,068
Cash and Cash Equivalents	11,148	11,148	33,081	33,081
Debtors	17,059	17,059	10,248	10,248
Long Term				
Long Term Debtors	48,494	48,494	19,346	19,346
TOTAL	89,311	89,311	74,759	74,759

e) Short Term Borrowing

31 March 2019		31 March 2020
£'000		£'000
35	HCA principal due within 1 year	38
5,128	PWLB Loans principal due within 1 year	14,204
344	Growing Places Fund principal due within 1 year	168
5,506		14,420

31 March 2018		31 March 2019
£'000		£'000
-	Barclays Capital	67
50	Billing Parish Council 7 day notice account	-
125	Northampton Volunteer Bureau 7 day notice account	-
32	HCA principal due within 1 year	35
10,094	PWLB Loans principal due within 1 year	5,208
245	Growing Places Fund principal due within 1 year	275
10,546		5,585

f) Long Term Borrowing

31 March 2019	Long Term Borrowing	31 March 2020
£'000		£'000
	Analysis of loans by type	
225,350	Public Works Loan Board	231,242
9,067	Fixed term rate loan	9,000
1,002	Homes England	964
5,307	Growing Places Fund	5,136
1,148	Local Infrastructure Fund	1,212
241,874		247,554
	Analysis of loans by maturity	
34,307	Maturing in 1-2 years	2,108
15,673	Maturing in 2-5 years	20,400
40,565	Maturing in 5-10 years	34,531
7,256	Maturing in 10-20 years	7,052
5,276	Maturing in 20-30 years	5,392
4,683	Maturing in 30-40 years	4,070
134,115	Maturing in 40-50 years	174,000
241,874		247,554

g) Investments

31 March 2018				31 March 2019	
Balance Sheet	Fair Value		Fair Value Levels	Balance Sheet	Fair Value
£'000	£'000			£'000	£'000
12,230	12,230	Cash and Cash Equivalent		33,081	33,081
28,144	28,144	Investments at Amortised Cost		5,016	5,016
55,,790	55,790	Debtors		29,594	29,594
7,399	7,399	Financial assets at FVPL	2	7,068	7,068
103,563	103,563	Total financial Assets		74,759	74,759
		Short-term debtors		10,248	
		Short-term investments		45,165	
		Long-term debtors		19,346	
103,563		Total Financial Assets		74,759	

Notes to Core Financial Statements

31 March 2019	Investment Type	31 March 2020
£000		£000
	Cash and Cash Equivalents	
200	Deposit and Notice Accounts	965
12,295	Money Market Funds	32,275
12,495		33,240
	Current Investments - Under 1 Year	
5,017	Fixed Term Investments	-
	Long Term Investments - Over 1 Year	
7,586	Fixed Term Investments	7,247
12,603		7,247
	Short Term Investments	
23,127	Certificates of Deposit	5,016
23,127		5,016
48,225	Total	45,503

h) Soft Loans

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

31 March 2019 £000	Material Soft Loans	31 March 2020 £000
4,240	Opening Balance	3,971
27 (220) (77)	Write down of fair value adjustments in year Loans repaid IFRS9 Credit loss provision	27 (220) -
3,971	Closing balance	3,777

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

8. CONSTRUCTION CONTRACTS

In 2019-20, the Council did not have any external construction contracts in progress.

Notes to Core Financial Statements

9. DEBTORS

9a Short Term Debtors

Short Term Debtors	31 March 2019 £'000	31 March 2020 £'000
Trade receivables	5,845	5,760
Prepayments	523	1,361
Other receivables	14,837	21,872
Total	21,205	28,993

An expected credit loss (bad debt provision) of £9.7m (2018-19 £10.7m) has been provided for and are included in the numbers above.

9b Long Term Debtors

The Council provides loans to third parties to support local businesses and regeneration. (See below)

Long Term Debtors	31 March 2019 £'000	31 March 2020 £'000
Other entities and Individuals	48,470	19,905
TOTAL	48,470	19,905

University of Northampton repaid £20m of the loan in January 2020 and the balance of £8.5m is due to be repaid in March 2021 and this is now included in the short term debtors class above.

9c Significant debtors included in the debtors above are:

Counterparty	Purpose of loan	Start date	End Date	Initial Loan Value £'000	Amount Outstanding at 31 March 2020 £'000
Saints Rugby Club (NTRFC)	To support stadium expansion and associated development	22-Jan-14	22-Jan-39	5,500	3,520
University of Northampton	To support the creation of a waterside campus in Northampton	10-Mar-16	10-Mar-21	28,500	8,500
		10-Mar-16	10-Mar-56	17,500	16,517

10. CASH AND CASH EQUIVALENTS

2018-19 £'000	Cash and Cash Equivalents	2019-20 £'000
13	Cash Held by the Authority	7
13	Cash Held by the authority	7
(278)	Operating Account used as part of cash management/ overdraft	(916)
200 12,295	Deposit Account Facilities with banks Deposits with money market funds	965 32,275
12,495	Total Cash Equivalents	33,240
12,230	Total Cash and Cash Equivalents	32,331

11. CURRENT ASSETS HELD FOR SALE

There were no assets transferred to Held for Sale in 2019-20 and in 2018-19

12. CREDITORS

Short Term Creditors	31 March 2019 £'000	31 March 2020 £'000
Trade Payables	(10,043)	(5,288)
Receipts in advance	(948)	(5,071)
Other payables	(25,324)	(23,293)
Total	(36,315)	(33,654)

Notes to Core Financial Statements

13. PROVISIONS

Long Term Provisions

	Insurance Provision	Business Rates Appeals	Other Provisions	Total
	£'000	£'000	£'000	£'000
Balance at 1 April 2019	(55)	-	(5)	(60)
Additional Provisions Made	(167)	-	-	(167)
Unused Amounts Reversed	12	-	5	17
Balance at 31 March 2020	(211)	-	-	(211)

Short Term Provisions (ie likely to become payable within 12 months)

	Insurance Provision	Business Rates Appeals	Total
	£'000	£'000	£'000
Balance at 1 April 2019	(184)	(5,927)	(6,111)
Additional provisions made	(270)	(1,685)	(1,954)
Amounts used	26	145	171
Unused amounts reversed	120	-	120
Balance at 31 March 2020	(307)	(7,467)	(7,774)

a) Insurance Provision

The provision covers the following risks:

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

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

The estimated cost of outstanding claims is held in the Insurance provision as at 31 March 2020; an actuarial forecast of future valid claims made against 2019-20 and before, is held in the Insurance Reserve.

Notes to Core Financial Statements

b) Business Rates Appeals Provision

Following the localisation of the Business Rates Retention Scheme, The Council is now liable for the impact of its share of the effects of any appeals against business rates ratings assessments decided by the Valuation Office Agency (VOA), including the effects of any backdating. The provision at 31st March 2020 is therefore based on the number of appeals that have been made to the VOA at the balance sheet date, split between long-term and short-term, depending on when the appeals are expected to be settled. Disclosure has been made in the Contingent Liabilities note (note 27) for other risks associated with appeals.

This only includes NBC's share of the Business Rates Appeals provision.

14. USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and further details about earmarked reserves is shown in Note 3.

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

31 March 2019		31 March 2020
£'000		£'000
(4,041)	General Fund	(3,977)
(5,000)	HRA Balance	(5,000)
(18,287)	Capital Receipt Reserve	(12,265)
-	Major Repairs Reserve	-
(3,751)	Capital Grants Unapplied Account	(3,206)
(32,930)	Other Earmarked and Ring-fenced Reserves	(24,976)
(64,009)		(49,424)

15. UNUSABLE RESERVES

a) Balances

31 March 2019	Unusable Reserves	31 March 2020
£'000		£'000
(275,348)	Revaluation Reserve	(290,486)
352	Financial Instruments Adjustment Account	326
671	Financial Instruments Revaluation Reserve	935
(228,218)	Capital Adjustment Account	(243,611)
(113)	Deferred Capital Receipts Reserve	(101)
141,857	Pensions Reserve	127,556
(1,666)	Collection Fund Adjustment Account	(249)
59	Short Term Compensated Absences Account	59
(362,406)	Balance at 31 March	(405,571)

b) Revaluation Reserve

Notes to Core Financial Statements

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.

2018-19			Revaluation Reserve	2019-20		
General Fund	Housing Revenue Account	Total		General Fund	Housing Revenue Account	Total
£000s	£000s	£000s	£000s	£000s	£000s	£000s
(55,045)	(212,926)	(267,972)	Balance at 1 April	(55,066)	(220,282)	(275,348)
(9,079)	(20,800)	(29,878)	Upward Revaluation of assets	(20,240)	(14,763)	(35,003)
7,784	2,834	10,618	Downward Revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	2,471	2,345	4,816
419	(101)	318	Other Movement	0	0	0
(876)	(18,067)	(18,942)	(Surplus) or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(17,769)	(12,418)	(30,188)
825	7,712	8,537	Difference between fair value depreciation and historical cost depreciation	2,058	7,707	9,765
30	2,999	3,029	Accumulated gains on assets sold or scrapped	40	5,245	5,285
855	10,711	11,566	Amounts written off to the Capital Adjustment Account	2,098	12,952	15,050
(55,066)	(220,282)	(275,348)	Balance at 31 March	(70,737)	(219,748)	(290,487)

Notes to 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.

2018-19 £'000		2019-20 £'000
380	Balance at 1 April	352
(28)	Soft Loans - Statutory Fair Value Adjustments	(27)
352	Balance at 31 March	325

d) Financial Instruments Revaluation Reserve

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

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

31 March 2019 £'000		31 March 2020 £'000
26	Balance at 1 April	671
692	CCLA Property Fund initial unrealised revaluation loss	-
718	Surplus or Deficit on revaluation of Investments not posted to the Surplus or Deficit on the Provision of Services	-
(26)	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure as part of Other Investment Income	-
(21)	CCLA Property Fund year-end unrealised revaluation (gain)/loss	264-
671	Balance at 31 March	935

e) Capital Adjustment Account

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

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

Notes to Core Financial Statements

2018-19			Capital Adjustment Account	2019-20		
General Fund £'000	HRA £'000	Total £'000		General Fund £'000	HRA £'000	Total £'000
(32,121)	(202,742)	(234,864)	Balance at 1 April Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	(21,255)	(206,963)	(228,218)
21,518	18,389	39,908	Charges for depreciation and impairment of non current assets	3,113	22,960	26,074
2,160	10,569	12,728	Revaluation losses on Property, Plant and Equipment	3,084	15,086	18,169
(1,106)	(9,298)	(10,404)	Revaluation gains on Property, Plant and Equipment	(3,854)	(2,484)	(6,338)
92	-	92	Amortisation of intangible assets	63	-	63
1,439	-	1,439	Revenue expenditure funded from capital under statute	4,322	-	4,322
107	7,870	7,977	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	164	10,507	10,671
(427)	68	(360)	Other Movement	-	-	-
23,783	27,597	51,380	Total	6,893	46,069	52,962
(854)	(10,712)	(11,565)	Adjusting amounts written out of the Revaluation Reserve	(2,098)	(12,952)	(15,050)
22,929	16,886	39,815	Net written out amount of the cost of the Revaluation Reserve	4,795	33,117	37,912
Capital financing applied in the year:						
(3,193)	(5,021)	(8,214)	Use of the Capital Receipts Reserve to Finance new capital expenditure	(5,107)	(8,782)	(13,889)
-	(13,614)	(13,614)	Use of the Major Repairs Reserve to finance new capital expenditure	-	(13,213)	(13,213)
(2,897)	-	(2,897)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital expenditure	(8,930)	(1,634)	(10,564)
-	-	-	Application of grants to capital financing from the Capital Grants Unapplied Account	(884)	-	(884)
(5,999)	-	(5,999)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(6,514)	-	(6,514)
-	(2,466)	(2,466)	Capital expenditure charged against the General Fund and HRA balances	(337)	(5,841)	(6,177)
(12,089)	(21,102)	(33,191)	Total	(21,772)	(29,469)	(51,242)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement						
40	(5)	35	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(1,198)	(5)	(1,203)
(14)	-	(14)	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	(860)	-	(860)
(21,255)	(206,963)	(228,218)	Balance at 31 March	(40,291)	(203,320)	(243,611)

Notes to Core Financial Statements

f) Deferred Capital Receipts Reserve

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

2018-19 £'000	Deferred Capital Receipts Reserve	2018-19 £'000
(123)	Balance at 1 April	(113)
10	Transfer to the Capital Receipts Reserve upon receipt of cash	12
(113)	Balance at 31 March	(101)

g) Pensions Reserve

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

The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2018-19	Pensions Reserve	2019-20
£'000		£'000
137,385	Balance at 1 April	141,857
6,267	Remeasurements of the net defined liability/(asset)	(15,325)
4,825	Retirement benefits debited or credited to the provision of services in the Comprehensive Income and Expenditure Statement	7,384
(6,620)	Employer's pensions contributions and direct payments payable in the year	(6,360)
141,857	Balance at 31 March	127,556

Notes to 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.

2018-19 £'000	Collection Fund Adjustment Account	2019-20 £'000
(1,293)	Balance as at 1 April 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	(1,666)
(60)		484
(313)	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	933
(1,666)	Balance as at 31 March	(249)

i) Short Term Compensated Absences Account

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

2018-19 £'000	Short Term Compensated Absences Account	2019-20 £'000
59	Balance as at 1 April	59
-	Movements in year	-
59	Balance as at 31 March	59

Notes to 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.

2018-19			Intangible Assets	2019-20		
Internally Generated Assets £'000	Other assets £'000	Total £'000		Internally Generated Assets £'000	Other assets £'000	Total £'000
-	5,235	5,235	Balance at start of year	-	5,443	5,443
-	(4,684)	(4,684)	: Gross carrying amounts	-	(5,056)	(5,056)
-	551	551	Net carrying amount at start of year	-	338	338
-	74	74	Purchases	-	81	81
-	-	-	Other Disposals - Gross Book Value	-	(184)	(184)
-	-	-	Other Disposals - Amortisation	-	179	179
-	134	134	Changes of Asset class - Gross Book Value	-	502	502
-	(371)	(371)	Changes of Asset class - Amortisation	-	-	(4)
-	-	-	Amortisation for the Period	-	(199)	(199)
-	388	388	Other Charges	-	-	-
-	388	388	Net carrying amount at end of year	-	762	762
-	5,298	5,298	Comprising:			
-	388	388	: Gross carrying amounts	-	5,842	5,842
-	388	388	Net carrying amount at end of year	-	762	762

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £199k charged to revenue in 2019-20 was charged to the appropriate cost centres.

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

Notes to Core Financial Statements

17. MEMBERS' ALLOWANCES

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

2018-19 £'000	Members' Allowances	2019-20 £'000
5 420	Expenditure Mayor/Deputy Mayor Allowance Members' Allowances	17 432
425	Total	449

18. OFFICERS' REMUNERATION

a) Senior Officers

	Position	Position Group	Year	Note	Salary (inc Fees & Allowances) £'000	Compensation for loss of Office £'000	Total Remuneration excl £'000	Pension Contribution £'000	Total Remuneration inc £'000	
Chief Executive (George Candler)	Head of Paid Service		2019-20	1	159	-	159	26	185	
			2018-19		127	-	127	21	148	
Borough Secretary	Monitoring Officer		2019-20	2	100	-	100	16	116	
			2018-19		87	-	87	14	101	
Director of Customers & Communities	Director		2019-20		-	-	-	-	-	
			2018-19	5	81	91	172	8	180	
Head of Customer & Cultural Services	Head of Service		2019-20		80	-	80	13	93	
			2018-19		77	-	77	13	90	
Head of Housing & Wellbeing	Head of Service		2019-20		80	-	80	13	93	
			2018-19		76	-	76	12	88	
Head of Planning	Head of Service		2019-20		80	-	80	13	93	
			2018-19		76	-	76	13	89	
Head of Regeneration and Growth	Head of Service		2019-20	3	62	-	62	10	72	
			2018-19		-	-	-	-	-	
Head of Economy, Assets and Culture	Head of Service		2019-20		-	-	-	-	-	
			2018-19		33	-	33	-	33	
Head of Finance (Section 151 Officer)	Head of Service		2019-20	4	102	-	102	6	108	
			2018-19		83	-	83	-	83	
Totals for the year:			2019-20		663	0	663	97	760	
			2018-19		640	91	731	81	812	

Notes to Core Financial Statements

Notes: 2019-20

- 1 - Chief Executive was paid market supplements in 2019-20
- 2 - Borough Secretary was paid election fees in 2019-20
- 3 - Head of Regeneration and Economic Growth was appointed in April 2019
- 4 - Head of Finance was appointed to the post in June 2018.

b) Officers paid over £50,000

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

Note: Senior Officers earning in excess of £50k have been excluded from this note as they are disclosed within Note 18a (Senior Officers).

2018-19 No. of Employees	Remuneration Band	2019-20 No. of Employees
8	£50,000 - £54,999	9
2	£55,000 - £59,999	3
1	£60,000 - £64,999	1
1	£65,000-£69,000	-
12		13

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	
	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20
£0 - £20,000	1	-	-	-	1	-	7	-
£20,001 - £40,000	1	-	1	-	2	-	-	-
£40,001 - £60,000	-	-	-	-	-	-	54	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £200,000	1	-	-	-	1	-	107	-
£200,001 - £400,000	1	-	-	-	1	-	328	-
Total	4	-	1	-	5	-	496	-

Notes to Core Financial Statements

19. EXTERNAL AUDIT COSTS

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

2018-19 £'000	External Audit Costs	2019-20 £'000
62	Fees payable to current External Auditors, EY, with regard to their services carried out as appointed Auditor (Section 5 Audit Commission Act 1998)	62
-	- Fees payable to the Auditor, KPMG, for the certification of Grant Claims and Returns (Section 28 Audit Commission Act 1998)	17
161	Additional charges payable to our previous External Auditor, KPMG, for overruns in 2016/17 and 2017/18	27
0	Additional charges due to our current External Auditors, EY, for a overrun in 2018-19	355
21	Fees payable in respect of other services provided by KPMG	5
244		466

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

Notes to Core Financial Statements

20. GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019-20:

£'000		£'000
	Credited to Taxation and Non-Specific Grant Income	
-	Revenue Support Grant	-
(886)	New Homes Bonus	(2,595)
(3,082)	Section 31 Grants - Business Rates	(3,012)
(2,274)	Local Growth Fund - Vulcan Works	(3,523)
(860)	St Crispins	-
(107)	St James Mill	-
(114)	Upton Country Park	(1,408)
(101)	Mounts Baths - Sport England	-
(153)	Mounts Bath - Northampton Leisure Trust contribution	-
215	Playgrounds and allotments	(370)
(120)	North West Relief Road	(2,761)
-	Homes England	(1,000)
-	Wellingborough Road	(386)
-	Old Towcester Road	(248)
(247)	Other Grants Individually Less Than £100,000	(154)
(7,730)	Total	(15,455)
	Credited to Services	
(213)	Additional Housing Admin. Grant	(232)
(958)	Housing Benefit Admin. Grant	(869)
(25,698)	HRA Rent Rebates Grant	(21,967)
(1,634)	Non HRA Rent Rebates	(1,995)
(34,936)	Rent Allowance Grant	(29,785)
(869)	Flexible Homelessness Support Grant-Homelssness Support	(1,307)
(441)	Discretionary Housing Payments	(437)
(125)	Planning Delivery Grant	(45)
(158)	Section 106 Contributions	(111)
(1,615)	Northamptonshire County Council Recycling Credits	(1,931)
(155)	Northamptonshire County Council Contribution for Grounds Maintenance	(166)
(83)	Joint Planning Unit Contribution	(66)
(132)	Heritage Lotter Fund	-
(283)	NNDR Cost of Collection	(283)
(1,461)	DFG Grant Income	(1,407)
(70)	Decent Homes Recoupment	
-	COVID-19 Funding	(138)
(357)	Total of Other Grants not included in the above	(512)
(69,187)	Total	(61,251)

Notes to 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 year end are as follows:

Current Liabilities

2018-19 £'000	Grant Income Unapplied - Current Liabilities	2019-20 £'000
10	Capital Grants Receipts in Advance Other Grants/Contributions Individually Less Than £100,000	-
10	Total - Capital Receipts in Advance	-
1	Revenue Grants Receipts in Advance: Grants/Contributions Individually Less Than £100,000	1
11	Total - all Receipts in Advance	1

Notes to Core Financial Statements

Long Term Liabilities

2018-19 £'000	Receipts in Advance	2019-20 £'000
	Capital Grants Receipts in Advance:	
873	S106 - SW Country Park - Swan Valley	-
342	S106 - Land at Upton SWD Ph1 re Country Park	-
125	S106 - Southern Development Link road	102
2,480	S106 - Princess Marina	842
330	S106 - Sainsbury's Sixfields	255
850	S106 - Land at Booth Rise	850
1,876	S106 - Banbury Lane	948
380	S106 - Wellingborough Rd	-
230	S106 - Goldings School	223
182	S106 - Former Abington Vale School Site	182
354	S106 - Old Towcester Road	-
130	S106 - Project Angel	130
397	S106 - Upton Country Park	160
349	S106 - Land at Danes Camp Way	303
1,637	S106 - Former Kingsthorpe MS, Northfield	-
2,007	S106 - Park Campus	2,007
196	S106 - Land at Nunn Mills	138
125	CIL - Development of Former Green Oaks Primary School	125
205	CIL - Gambrel Road	205
929	West Northamptonshire Development Corporation	929
1,255	Capital Contributions - General	1,222
649	Other Grants/Contributions Individually Less Than £100,000	556
15,897	Total	9,175
	Revenue Grants Receipts in Advance:	
155	S106 - Pineham	155
-	CIL - Various Applications	573
547	Other Grants/Contributions Individually Less Than £100,000	652
701	Total	1,379
	Donated Assets Account:	
-	Total	-
16,599	Grand Total	10,554

Notes to Core Financial Statements

21. RELATED PARTIES

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

Central Government

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates and provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Grants received from government departments are set out in Note 20 Grant Income.

Northampton Partnership Homes

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

Members of the Council

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2019/20 is shown in Note 17.

During 2019/20 expenditure to the value of £1.489m (2018/19 £1.3m) was paid or granted to parties where members had an interest or where they serve as a nominated representative on the outside body. Income to the value of £0.347m (2018/19 £0.320m) was receivable from these parties. Parties with transactions over £1k are shown below:

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.

Notes to Core Financial Statements

Expenditure 2018-19	Organisation	Expenditure 2019-20
£'000		£'000
403	Brackmills Industrial Estate	439
337	Northampton Town Centre Ltd	311
301	Northampton Theatres Trust	226
62	Community Law	64
59	Delapre Abbey Trust	212
49	Northampton Leisure Trust	58
16	The Hope Centre	8
1	Growing Together Northampton	8
15	Museum of Leathercraft	20
15	Community Spaces Northampton	97
13	Northampton Rape Crisis	12
10	SEMLEP	10
1	Duston Parish Council	7
	Northampton Town Football in the Community	
6	Charity	0
6	Scooters 2 go	4
1	Alliston Gardens Youth & Community Centre	5
0	Abington Youth Drop in Centre	1
0	Caring and Sharing	4
1	Far Cotton Association	2
1	Friends of Eastfield Park	1
1,296	Grand Total	1,489

Income 2018-19	Organisation	Income 2019-20
£'000		£'000
-68	Brackmills Industrial Estate	-66
-4	Northampton Town Centre Ltd	-29
-172	Northampton Theatres Trust	-131
-15	Community Law	-15
0	Delapre Abbey Trust	-1
0	Northampton Leisure Trust	-29
-19	Northampton Islamic Association	0
-1	The Hope Centre	-2
0	Growing Together Northampton	-64
-1	Municipal Churches Charity	0
-2	Community Spaces Northampton	-1
-15	Citizens Advice	0
-19	Catch 22 Education	0
-2	78 Derngate	-1
-1	Duston Parish Council	-7
(320)	Grand Total	(347)

At 31st March outstanding balances with these parties were debtors of £120k (2018/19 £74k); creditors of £36k (2018/19 £310k).

Notes to Core Financial Statements

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 the Collection Fund plus Notes 20 and Note 26.

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

One Member is also on the South East Midlands Local Enterprise Partnership (SEMLEP) Board. SEMLEP is the economic development partnership for the South East Midlands, a company operated jointly by the public and private sectors. SEMLEP is the lead body for the Enterprise Zone, administered by NBC. Additionally, SEMLEP is the accountable body (through Luton Borough Council, the administering body) for payments from DCLG's Growing Places Fund. NBC took out a £6.6m Growing Places Fund loan in 2014/15.

Delapre Abbey Preservation Trust is a separate company limited by guarantee and a charity. There is a provision subject to the restrictions of the LGHA 89 for NBC to have representation on the board (less than 20%). NBC own the freehold of Delapre Abbey. In 2019-20, NBC provided 212k (2018-19 £58,544) of revenue funding for ongoing requirements.

Senior Officers of the Council

During 2019/20 there were no disclosures made in relation to related parties by Senior Officers of the Council.

Other Public Bodies

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

Notes to Core Financial Statements

22. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/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 movement is analysed in the second part of this note.

Capital Financing	2018-19 £'000	2019-20 £'000
Opening Capital Financing Requirement	303,027	307,184
Capital Investment		
Property, Plant & Equipment	36,257	57,254
Heritage Assets	106	989
Investment Properties	0	5,198
Intangible Assets	74	81
Revenue Expenditure Funded from Capital Statute	1,439	4,322
Sources of finance		
Capital receipts	(8,214)	(13,889)
Sums set aside from capital receipts	0	0
Government grants and other contributions	(2,897)	(-12,309)
Sums set aside from revenue	(5,999)	(6,514)
Write Down of Third Party Loans	(529)	(20,536)
Direct Revenue contributions	(16,080)	(19,384)
Closing Capital Financing Requirement	307,184	302,396
<i>Explanation of movements in year:</i>		
Increase/(decrease) in underlying need to borrow	4,157	(4,788)
Increase/(decrease) in Capital Financing Requirement	4,157	(4,788)

Notes to Core Financial Statements

23. LEASES

Leases - Authority as Lessee - Operating Leases

Operating Leases

- a) The Council leases IT equipment and vehicles financed under the terms of operating leases. There are no future minimum lease payments due under non-cancellable leases in future years and this is shown in the table below.

2018-19 £'000	Local Authority as Lessee - Operating Leases	2019-20 £'000
10	Not later than one year	6
6	Later than one year and not later than five years	-
-	Later than five years	-
16	Minimum lease payments	6
-	Future minimum lease sub lease payments receivable	-

The authority sub-leases housing contract hire vehicles to the Northampton Partnership Homes (NPH) for the provision of housing services.

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

2018-19 £000	Local Authority as Lessee - Operating Leases	2019-20 £000
	Minimum Lease Payments	
18	Contract Hire	9
4	Other	-
(1)	Sublease payments received	-
21	Total	9

Notes to Core Financial Statements

Authority as Lessor

Finance Leases

c)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:

2018-19	Leases - Authority as Lessor - Finance Leases	2019-20
£'000		£'000
107	Gross investment in leases Other Land and Buildings	89
11	Net present value of minimum lease payments receivable	12
70	Current Non-current	59
81	Present value of minimum lease payments receivable	71
26	Unearned finance income	18

d)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:

2018-19		Leases - Authority as Lessor - Finance Leases		2019-20	
Gross investment in leases	NPV of minimum lease payments receivable	Gross investment in leases	NPV of minimum lease payments receivable	Gross investment in leases	NPV of minimum lease payments receivable
£'000	£'000	£'000	£'000	£'000	£'000
17	11	Not later than one year		17	12
69	52	Later than one year and not later than five years		69	56
20	18	Later than five years		3	3
106	81	Minimum lease payments receivable		89	71

In respect of pre-existing lessor 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.

Notes to Core Financial Statements

Operating Leases

e) 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:

2018-19 £'000	Operating Leases - Authority as Lessor Minimum Lease Payments	2019-20 £'000
2,016	Not later than one year	1,984
7,212	Later than one year and not later than five years	7,703
53,219	Later than five years	58,131
62,447	Minimum lease payments	67,188

The minimum lease payments receivable do not include rents that are contingent on future events, such as adjustments following rent reviews. In 2019-20, No contingent rents were receivable by the Authority (compared with £11k in 2018-19).

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

24. IMPAIRMENT LOSSES

During 2019-20, the council has recognised material impairment losses totalling £9.9m (2018-19 £5.5m) in relation to Council Dwellings and none (2018-19 £16.34m) in relation to Other Assets. The council reversed £0.4m (2018/19 £0.2m) impairment losses in 2019-20.

25. TERMINATION BENEFITS

There were no material or significant termination benefits paid in 2019-20 as set out in note 18c.

Notes to Core Financial Statements

26. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes:

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

The Authority participates in one post-employment scheme:

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

Transactions Relating to Post-employment Benefits:

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

Notes to Core Financial Statements

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

Local Government Pension Scheme 2018/19 £000	Comprehensive Income and Expenditure Statement	Local Government Pension Scheme 2019/20 £000
3,440	Cost of Services: Service cost comprising: Current service cost	4,155
1,273	Past service cost (including curtailments)	(156)
(3,361)	Gain from settlements	-
3,473	Financing and Investment Income and Expenditure Net interest expense	3,385
4,825	Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	7,384
9,551	Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement Remeasurement of the net defined benefit liability comprising: Return on plan assets (excluding the amount included in the net interest expense)	34,310
- (15,400)	- Actuarial gains and losses arising on changes in demographic assumptions Actuarial gains and losses arising on changes in financial assumptions	(9,325) (16,445)
(418)	Other experience*	(23,865)
6,267	Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	15,325
(1,442)	Movement in Reserves Statement Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	1,024
6,620	Actual amount charged against the General Fund Balance for pensions in the year: Employers' contributions payable to scheme	6,360

* Other Experiences

The experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred (e.g. known investment returns, actual pension increase orders, reflection of any funding valuation which has taken place since the last report etc); and the effects of changes in actuarial assumptions (split between financial and demographic). Per Hyman Robertson report

Notes to 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 are as follows:

	Local Government Pension Scheme		Discretionary Benefits Arrangements		Total	
			2018/19	2019/20		
	£'000	£'000	£'000	£'000	£'000	£'000
Present value of the defined benefit obligation	325,877	278,248	13,791	11,924	339,668	290,172
Fair value of plan assets	(197,811)	(162,616)	-	-	(197,811)	(162,616)
Net liability arising from defined benefit obligation	128,066	115,632	13,791	11,924	141,857	127,556

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements		Total £000	
	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000
Opening fair value of scheme assets	202,555	197,811	-	-	202,555	197,811
Interest income	4,897	4,691	-	-	4,897	4,691
Remeasurement gain/(loss):	(14,063)	-	--	--	(14,063)	-
- The return on plan assets, excluding the amount included in the net interest expense	9,551	(34,310)	-	-	9,551	(34,310)
Contributions from employer	5,760	5,513	-	-	5,760	5,513
Contribution from employees into the Scheme	590	651	-	-	590	651
Contribution in respect of unfunded benefits	860	847	-	-	-	-
Unfunded benefit paid	(860)	(847)	-	-	-	-
Benefits Paid	(11,479)	(11,740)	-	-	(11,479)	(11,740)
Closing fair value of scheme assets	197,811	162,616	-	-	197,811	162,616

Notes to Core Financial Statements

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements		Total	
	2018-19 £'000	2019-20 £'000	2018-19 £'000	2019-20 £'000	2018-19 £'000	2019-20 £'000
Opening balance at 1 April	339,940	325,877	-	13,791	339,940	339,668
Current service cost	3,440	4,155	-	-	3,440	4,155
Interest cost	8,370	8,076	-	-	8,370	8,076
Contribution from scheme participants	590	651	-	-	590	651
Remeasurement gain/(loss):						
Actuarial gains/losses arising from changes in demographic assumptions	-	(9,325)	-	-	-	(9,325)
Actuarial gain/losses arising from changes in financial assumptions	15,400	(16,445)			15,400	(16,445)
Other experience	418	(23,865)			418	(23,865)
Past service cost (Including Curtailments)	1,273	(156)			1,273	(156)
Present value of unfunded liabilities	(13,791)	1,867	13,791	(1,867)	-	-
Unfunded benefit paid	(860)	(847)	-	-	(860)	(847)
Benefits Paid	(11,479)	(11,740)	-	-	(11,479)	(11,740)
Liabilities extinguished on settlements	(17,424)	-	-	-	(17,424)	-
Closing present value of scheme liabilities	325,877	278,248	13,791	11,924	339,668	290,172

Notes to Core Financial Statements

Local Government Pension Scheme assets comprised:

Fair value of scheme assets 2018-19 £'000	Assets comprised of:	Fair value of scheme assets 2019-20 £'000
		2019-20 £'000
4,642	Cash and cash equivalents	2,478
	Equity instruments:	
	<i>By industry type</i>	
21,700	Consumer	4,036
7,610	Manufacturing	1,755
11,286	Energy and utilities	1,100
12,313	Financial institutions	1,610
7,757	Health and care	1,108
10,622	Information technology	1,219
71,288	Total equity	10,828
	Bonds:	
	<i>By sector</i>	
16,927	Government	17,545
16,927	Total bonds	17,545
	Private Equity:	
3,569	Overseas	3,559
3,569	Total private equity	3,559
	Property	
	<i>By type</i>	
15,641	UK Property	12,232
496	Overseas Property	841
16,137	Total property	13,074
	Investment Funds and Unit Trusts:	
70,014	Equities	93,344
14,356	Bonds	12,020
878	Infrastructure	9,768
85,248	Total investment funds and unit trusts	115,132
197,811	Total assets	162,616

The investments above are undertaken by the Pension Fund Investment Manager who have the discretion to invest under the powers granted to them.

Notes to 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 Northamptonshire Pensin Fund being based on the latest full valuation of the scheme as at 31 March 2019.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2018-19	2019-20
Mortality Assumptions:		
Longevity at 65 for Current Pensioners:		
- Men	22.1	21.5
- Women	24.2	23.7
Longevity at 65 for Future Pensioners:		
- Men	23.9	22.3
- Women	26.1	25.1
Rate of Increase in Pensions	2.5%	2.0%
Rate of Increase in Salaries	2.8%	2.5%
Rate for Discounting Scheme Liabilities	2.4%	2.3%

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

Change in assumptions at 31 March 2020:	Approximate increase to Employer Liability %	Approximate Monetary Amount £'000
0.5% decrease in Real Discount Rate	7%	21,098
0.5% increase in the Salary Increase Rate	0%	815
0.5% increase in the Pension Increase Rate	7%	20,180

Notes to Core Financial Statements

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 (66% of scheme assets), bonds (18%) and cash (2%). These percentages are materially the same as the comparative year. The scheme also invests in infrastructure and property as a part of the diversification of the scheme's investments.

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2022.

27. CONTINGENT LIABILITIES

The Council is potentially liable for the following:

Northampton Partnership Homes

- As set out in the explanatory forward and Group Accounts, NBC set up an Arm's Length Management Organisation on 5th January 2015, Northampton Partnership Homes (NPH). NPH is a company limited by guarantee, and as such, NBC is liable for all losses experienced by NPH, and is also the guarantor for NPH's pension liabilities. See Group Accounts for disclosure of the financial performance of NPH in 2019-20.

Business Rates

- Following new Local Authority funding arrangements for Business Rates in April 2013, NBC now assumes a proportion of the liability for refunding businesses who appeal to the Valuation Office (VO) against the rateable value of their properties.
- The estimated value of appeals within NBC's billing authority boarders that had been lodged but their success deemed only possible as per IAS 37 totalled £6.1m. These therefore constitute a contingent liability, with NBC's share (40%) of these appeals being £2.4m.

Other – various

- The Council has received Deposits under Section 106 agreements, which may be repayable if the conditions for each agreement are not met. No provision has been made in the accounts for any interest that may become repayable under the terms of the individual agreements. If every one of these deposits becomes repayable with interest, the Council's maximum liability for interest payable as at 31st March 2020 is estimated to be £0.54m.

Notes to Core Financial Statements

- Financial guarantee for Home Group - a Housing Association. Under the 1987 (Bond issue) "Under the 1987 bond issue Home Group raised finance to carry out development in a number of local authority areas. In so doing they entered into arrangements with local authorities for the purchase of land in return for nomination rights over 50% of the properties constructed. In addition the local authorities agreed to indemnify bond holders against a fixed percentage of indebtedness under the bonds incurred by Home Group. Home Group in turn gave a counter indemnity to the said local authorities for the same amount. Thus, for so long as Home Group remains solvent, there is no practical likelihood of a claim under the indemnity being made against a participant local authority. The NBC proportion is 1.35% of £82.5m representing a value of £1.1m.
- There are a number of outstanding insurance claims that have been received of £1.3m as assessed by our Insurance actuary. These have been assessed and an estimated provision has been charged to the accounts of £518,153 therefore the estimated value of the insurance claims outstanding is £753,047.
- Council Empty Home Scheme (2012-14) leases expire during 2020/21 and beyond. The leases contain only limited information about the condition in which the properties will be returned to the landlord. Although inspections are being carried out to determine the current condition of the properties, the number and size of any dilapidations claims will obviously not be known until the leases expire. It is anticipated that total dilapidations costs can be met from the funds that have been set aside, for this purpose, in earmarked housing reserves. £100k - £120k.

A pension dispute with a previous contractor has been identified as requiring specialist advice to resolve with a potential impact due to anticipated fees of £0.1m. Any change in the provision of future pensions would be covered by arrangements with the Pension Fund.

28. CONTINGENT ASSETS

The Council is currently monitoring the following contingent assets:

- NBC has lodged a court claim for money lent to Northampton Town Football Club for £2.76m.
- There is an obligation upon National Grid (NG) (owners of property) to pay to NBC part of monies advanced by WNDC to NG for remediation of land. Retention payment due to NBC by 2024 is £300k.

29. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

Notes to Core Financial Statements

The Council's risk management processes consider the unpredictability of financial markets and seek to minimise potential adverse effects on the resources available to fund services. The Local Government Act 2003 places a statutory duty on the Council to have regard to guidance issued or specified by the Secretary of State. This guidance includes the CIPFA Treasury Management Code of Practice. Treasury risk management is undertaken by the LGSS treasury team under policies approved by the Council in its Treasury Management Policy Statement, Treasury Management Practices and accompanying Schedules and the annual Treasury Management Strategy. These contain overall principles for risk management and specific risks which include credit and counterparty risk, liquidity risk, interest rate risk, exchange rate risk, refinancing risk, legal and regulatory risk, and market risk.

Credit Risk

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

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

The Annual Investment Strategy also imposes value and investment period limits for each category of approved counterparty. In 2019-20 the maximum limits for placements with individual or group counterparties were £20m and 3 years for the UK government and UK nationalised or part nationalised banking institutions, £15m and 3 years for other UK counterparties and overseas counterparties with AAA sovereign ratings, £15m for AAA CNAV Money Market Funds and £10m and 3 years for UK local authorities and overseas counterparties with AA+ sovereign rating. Within this ceiling, lower limits apply in many instances depending on credit ratings and other factors specific to each institution.

Due to the nature of its business, the Council does not assess operational customers for credit worthiness and does not set credit limits on customers. In relation to mortgages, the Authority holds an equity stake in each relevant property as collateral against the mortgage outstanding. There are also certain exceptional circumstances under which the Council has placed a charge on a property as collateral against a specific debt. Business customers are not given individual credit limits. However, business customers are assessed, taking into account their financial position, past experience, and other factors, in line with parameters set by the council, when contracts are entered into. This forms part of the Council's procurement procedures.

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

The Council's maximum exposure to credit risk in relation to its investments totalling £51.6m in banks, building societies and other institutions cannot be assessed generally as the risk of any counterparty failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2020 that this was likely to crystallise.

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

Notes to Core Financial Statements

Exposure to Credit Risk	Amount at 31 March 2020	Historical Experience of Default	Historical Experience Adjusted for Market Conditions at 31 March 2019	Estimated Maximum Exposure to Default and Uncollectability at March 2020 £'000	Estimated Maximum Exposure at March 2020 £'000
	£'000	%	%		
Third Party Loans	29,197	0.00%	0.00%	0	0
Mortgages	17	0.00%	0.00%	0	0
Finance Leases	12	0.00%	0.00%	0	0
Customers: Tenants	4,063	2.44%	2.44%	99	55
Customers: Sundry					
Debtors	2,252	22.19%	22.19%	500	1,553
Deposits with Banks and Financial Institutions	51,691	0.00%	0.00%	0	0
	87,233			599	1,608

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits. The Council held no investments in the form of bonds during 2018-19.

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

As shown in Table 1, at 31st March there were outstanding loans to third parties of £29.1m. Such loans, by their nature, do carry a degree of risk. However, all are secured according to the terms of the individual loan agreement.

Of the £93.5m total exposure to credit risk £6.3m is past its due date for payment. The past due, but not impaired, amount can be analysed by age as follows:

Aged Debt Analysis	31 March 2020		31 March 2019	
		£'000		£'000
Less than three months		5,255		4,439
Three to six months		270		961
Six months to one year		318		140
More than one year		473		3,452
	6,316		8,992	

Impairment on the debtor's financial asset has been identified, standing at a total of £16.4m at the end of 2019-20

Collateral

The authority holds collateral against a number of mortgages. The balance sheet value of the principal amount outstanding is currently £17k in 2019-20 (£14k in 2018-19). The terms and conditions relating to the pledge are standard in all the mortgages held and set out the rights and responsibilities of the Council and the mortgage holder

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

Notes to Core Financial Statements

Liquidity Risk

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

The maturity analysis of financial liabilities is as follows:

31 March 2019	Long Term Borrowing	31 March 2020
£'000		£'000
	Analysis of loans by type	
225,350	Public Works Loan Board	231,242
9,067	Fixed term rate loan	9,000
1,002	Homes & Communities Agency	964
5,307	Growing Places Fund	5,136
1,148	Local Infrastructure Fund	1,212
241,874		247,554
	Analysis of loans by maturity	
34,307	Maturing in 1-2 years	2,108
15,673	Maturing in 2-5 years	20,400
40,565	Maturing in 5-10 years	34,531
7,256	Maturing in 10-20 years	7,052
5,276	Maturing in 20-30 years	5,392
4,683	Maturing in 30-40 years	4,070
134,115	Maturing in 40-50 years	174,000
241,874		247,554

Amounts maturing within one year include short-term creditors, short-term grants and Section 106 funding commitments, short-term borrowing, principal due within 12 months on annuity and EIP (Equal Interest Instalment) loans, and long-term loans maturing within the next 12 months. PWLB loans totalling £13.5m are due for maturity during 2020-21. 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.

Notes to Core Financial Statements

Market Risk

Interest Rate Risk

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

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

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

The authority has a number of strategies for managing interest rate risk. For example, during periods where interest rates are falling or where economic circumstances are favourable, fixed rate loans may be repaid early to minimise costs.

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

According to this assessment strategy, at 31 March 2020, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

Financial Effect of 1% increase in interest rates	Amount at 31 March 2020	Amount at 31 March 2019
	£'000	£'000
Increase in interest payable on variable rate borrowing	-	3
Increase in interest receivable on variable rate investments	(531)	(317)
Increase in government grant receivable for financing costs	-	-
Impact on Surplus or Deficit on the Provision of Services	(531)	(314)
Share of overall impact credited to the HRA	(236)	116
Impact remaining on General Fund	(767)	(198)
Increase in fair value of fixed rate investment assets	620	137
Impact on Other Comprehensive Income and Expenditure	620	137
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)	214	236

Notes to Core Financial Statements

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

Price Risk

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

Foreign Exchange Risk

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

30. CASH FLOW STATEMENT – Non Cash Movements

The cash flows for operating activities include the following items:

2018-19 £'000	Operating Activities	2019-20 £'000
16,477	Depreciation	16,616
25,431	Impairment and downward valuations	(10,380)
337	Amortisation	741
602	Increase(-)/Decrease in Creditors	4,808
3,015	Increase/Decrease (-) in Debtors	5,896
25	Increase/Decrease (-) in Inventories	(18)
(1,795)	Movement in Pension Liability	1,024
7,929	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	10,524
248	Movement in Provisions	1,814
122	Other non-cash items charged to the deficit on the provision of services	29,419
52,391	Total	60,445

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

2018-19 £'000	Items removed from net cost of service that are investing/financing activities	2019-20 £'000
(11,495)	Proceeds from the sale of property, plant and equipment	(8,926)
(1,487)	Grants for financing capital expenditure	(8,011)
(12,982)	Total	(16,938)

Notes to Core Financial Statements

31. CASH FLOW STATEMENT – OPERATING ACTIVITIES (INTEREST)

2018-19 £'000	Operating Activities	2019-20 £'000
7,771	Interest payable and similar charges	7,800
3,473	Pensions interest cost and expected return on pension assets	3,385
(1,802)	Interest receivable and similar charges	(2,005)
9,442	Total	9,180

32. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2018-19 £'000	Cash Flows from Investing Activities	2019-20 £'000
(36,420)	Purchase of Property, Plant and Equipment	(62,663)
(27,494)	Purchase of short-term and long-term investments	69,000
36,000	Proceeds from short-term and long-term investments	(46,000)
11,496	Proceeds from the Sale of Property, Plant and Equipment	8,926
1,487	Capital Grants Received	8,011
(14,931)	Total	(22,725)

33. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2018-19 £'000	Cash Flows from Financing Activities	2019-20 £'000
-	Cash Receipts of short and long-term borrowing	40,000
(10,547)	Repayments of short and long-term borrowing	(25,378)
(10,547)	Total	14,623

F1. HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE

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

2018-19 £'000	Housing Revenue Account	2019-20 £'000	£'000
(48,945)	Income	(48,421)	
(1,045)	Dwelling Rents	(1,003)	
(3,023)	Non Dwelling Rents	(2,506)	
3	Charges for services & facilities	(23)	
	Contributions Towards Expenditure		
(53,009)	Total Income		(51,952)
	Expenditure		
13,911	Repairs & Maintenance	13,759	
	Supervision & Management		
9,135	General Management	9,937	
6,158	Special Services	6,426	
247	Rent, Rates, Taxes & other charges	171	
19,938	Depreciation, Impairment & Revaluation of Fixed Assets	35,698	
80	Debt Management Costs	80	
502	Increased in provision for bad/doubtful debts	236	
49,971	Total Expenditure		66,307
(3,039)	Net Cost of Services		14,355
744	HRA Services share of Corporate and Democratic Core	800	
(2,295)	Net Cost of HRA Services		15,154
(564)	Gain (-) or Loss on sale of HRA Fixed Assets	1,517	
	Interest Payable and other similar charges		
6,156	Interest and Investment Income	6,035	
1	Pensions interest cost and expected return on pensions assets	1	
4	Non Specific Grant Income	(1,634)	
	Others		
3,303	Surplus (-) or Deficit for the year on HRA services		21,074

F2. a) 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.

2018-19 £'000	Statement of Movements on the Housing Revenue Account Balance	2019-20 £'000
(5,000)	HRA Balance brought forward	(5,000)
3,299	Surplus (-) / Deficit for the year on the HRA Income and Expenditure Account	21,074
(3,627)	Adjustments between accounting basis and funding basis under the legislative framework	(16,387)
328	Transfer to Earmarked Reserves	(4,681)
(5,000)	HRA Balance carried forward	(4,995)

F2. b) Reconciling Items for the Statement of Movement on the Housing Revenue Account Balance

2018-19 £'000	Reconciling Items for the Statement of Movement on the Housing Revenue Account Balance	2019-20 £'000
2,466 (16,143)	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	
9,359	Capital Expenditure	5,841
-	Revaluation Losses	(24,837)
564	Revaluation Gains	2,492
(4)	Capital Grants and Contributions Transferred to the Capital Adjustment A/c	1,634
	Gain or Loss on sale of HRA non-current assets	(1,517)
	HRA share of contributions to or from the pensions reserve	(3)
(3,758)	Total	(16,389)
	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	
14,180	Transfers to / from (-) Revaluation Reserve	12,416
4	Employer's contributions payable to the Northamptonshire County Council Pension Fund and retirement benefits payable direct to pensioners	3
328	Net transfers to / from (-) earmarked reserves	(4,681)
14,512	Total	7,738
10,754	Net additional amount required to be credited or debited to the HRA balance for the year	(8,651)

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

There are no prior year adjustments in relation to the Housing Revenue Account in 2019-20.

2. HRA ASSETS AND CAPITAL TRANSACTIONS

- a) At 31st March 2020 the Council was responsible for managing 11,358 units of accommodation (excluding shared ownership properties):

Type of Property	Number of Bedrooms				Total
	One	Two	Three	Four+	
Flats-Low Rise	1,490	389	2	1	1,882
Flats-Medium Rise	1,554	818	119	4	2,495
Flats-High Rise	394	82	7	-	483
Houses & Bungalows	891	2,369	2,923	315	6,498
Total	4,329	3,658	3,051	320	11,358

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

Type of Property	Stock at 01/04/2019	Stock Movements			Stock at 31/03/2020
		Sales	Additions	Other	
Flats	4,903	(43)	67	(67)	4,857
Houses & Bungalows	6,514	(82)	72	(6)	6,498
Dwellings (excl. Shared)	11,417	(125)	139	(73)	11,358
Shared Ownership	71	(3)			68
Totals	11,488	(128)	139	(73)	11,426

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

2018-19 £'000	Net Balance Sheet Value	2019/20 £'000
176,069	Operational Assets	175,627
410,828	Council Dwellings - Land	409,796
15,180	Council Dwellings - Buildings	18,784
346	Other Housing Land and Buildings	1,471
602,423	Other Operational Assets	605,678
8,521	Total Operational Assets	17,952
610,945	Non Operational Assets	
	Total Net Balance Sheet Value	623,630

d) Capital Receipts

2018-19 £'000	Housing Capital Receipts	2019-20 £'000
(8,594)	Dwelling Sales	(9,122)
(8,594)	Total	(9,122)
1,072	Payable to the Secretary of State	1,072
(7,522)	Useable Capital Receipts	(8,049)

e) Capital Expenditure and Financing

2018-19 £'000	HRA Capital Expenditure and Financing	2019-20 £'000
	Expenditure	
23,482	Dwellings	38,762
90	Re-Purchase of Former Council Housing	3,317
377	Other Property	479
23,949	Total Expenditure	42,558
	Financing	
2,845	Borrowing	13,088
5,021	Useable Capital Receipts	8,782
2,467	Revenue Contributions	5,841
13,614	Major Repairs Reserve	13,213
-	Grants	1,634
23,949	Total Financing	42,558

3. ARREARS

During 2019-20, arrears as a proportion of gross income was 4.9%. This represent an increase of 0.7% since 2018-19 when the proportion was 4.2%.The figures for rent arrears are detailed below.

2018-19 £'000	Rent Arrears	2019-20 £'000
2,040	Gross Arrears at 31 March	2,362
(1,004)	Prepayments	(830)
1,036	Net Arrears at 31 March	1,532
1,062	Provision for bad debts	1,081

4. VACANT POSSESSION VALUE

2018-19 £'000	HRA Vacant Possession Value	2019-20 £'000
1,397,373	Vacant Possession Value as at 31st March	1,393,865

2018-19 £'000	HRA Existing Use	2019-20 £'000
586,897	Existing Use Value as at 31st March	585,423

The vacant possession value of dwellings within the Council's HRA was £1.394m (£1.397m in 2018/19). The difference between the vacant possession valuation and the balance sheet value shows the economic cost to the Government of providing council housing at less than open market rents.

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

a) Depreciation and Amortisation

2018-19 £'000	Depreciation, Amortisation and Impairment	2019-20 £'000
12,628	Operational Assets	
347	Dwellings	12,859
24	Other Property	329
	Vehicles, Plant & Equipment	24
12,999	Total Depreciation	13,213
279	Intangible Assets	136
279	Total Amortisation	136
13,278	TOTAL	13,349

b) Revaluation Gains and Losses

2018-19		Revaluation (Gain), Loss and Impairment	2019-20	
I&E £000s	RR £000s		I&E £000s	RR £000s
7,260 (599)	(14,312) (3,653)	Council Dwellings Other Housing Land and Buildings Other Housing properties and assets Investment properties	22,536 (167) (20) (5)	(12,154) (162) (102) -
6,661	(17,965)	Total	22,344	(12,419)

6. MAJOR REPAIRS RESERVE

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

The transactions on the Major Repairs Reserve are detailed below:

2018-19 £'000	Major Repairs Reserve	2019-20 £'000
(616) (12,999)	Balance B/Fwd Council Dwellings Depreciation	0 (13,213)
(13,614)		(13,213)
13,614	Amount used to finance Capital Expenditure	13,213
13,614		13,213
0	Balance C/Fwd	0

G1. COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

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

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

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 (25% share), Northamptonshire County Council (34% share) and Northamptonshire Commissioner Fire and Rescue Authority (1%). The NBC share is then subject to a tariff payment to Government, which was £30.7m in 2019-20 (£30.1m in 2018-19). The residual amount is then compared to the assessment in the Local Government Finance Settlement and any growth above the Settlement level is subject to a levy payment to Government.

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

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

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

2018-19 Council Tax	2018-19 NNDR	2018-19 Total		2019-20 Council Tax	2019-20 NNDR	2019-20 Total
£'000	£'000	£'000		£'000	£'000	£'000
INCOME						
(115,842)	-	(115,842)	Council Tax (net of benefits, discounts & transitional relief)	(123,915)	-	(123,915)
-	(102,675)	(102,675)	Income collectable from business ratepayers	-	(103,453)	(103,453)
(115,842)	(102,675)	(218,517)	TOTAL INCOME	(123,915)	(103,453)	(227,367)
EXPENDITURE						
Precepts & demands:-						
82,680	-	82,680	Northamptonshire County Council	84,572	-	84,572
14,782	-	14,782	Northamptonshire Police and Crime Commissioner	16,765	-	16,765
-	-	-	Northamptonshire Commissioner Fire and Rescue Authority	4,157	-	4,157
15,794	-	15,794	Northampton Borough Council	16,622	-	16,622
-	-	-				
National Non-Domestic Rates						
-	48,917	48,917	Payments to Central Government	-	24,688	24,688
-	9,788	9,788	Payments to Northamptonshire County Council	-	33,555	33,555
-	-	-	Payments to Northamptonshire Commissioner Fire and Rescue Authority	-	987	987
-	39,137	39,137	Amount retained by Northampton Borough Council	-	39,486	39,486
-	283	283	Cost of collection	-	284	284
-	-	-		-		
-	1,344	1,344	Other - Enterprise Zone	-	2,026	2,026
-	-	-		-		
-	2,162	2,162	Transitional Protection Payments	-	1,115	1,115
-	-	-		-		
Bad & Doubtful Debts / Appeals						
(567)	1,009	441	Provisions	1,206	(3,336)	(2,130)
Contributions						
2,680	(2,212)	468	Towards previous years' Collection Fund surplus/ (deficit)	4,054	285	4,338
115,368	100,427	215,795	TOTAL EXPENDITURE	127,376	99,089	226,465
(474)	(2,248)	(2,723)	Net (Surplus)/deficit for the year	3,462	(4,363)	(902)
COLLECTION FUND BALANCE						
(2,631)	570	(2,061)	Balance brought forward at 1st April	(3,105)	(1,678)	(4,783)
(474)	(2,248)	(2,723)	Net Deficit/(surplus) for the year (as above)	3,462	(4,363)	(902)
(3,105)	(1,679)	(4,784)	Balance carried forward at 31 March	356	(6,041)	(5,685)
Allocated to:-						
-	(839)	(839)	Central Government	-	(1,850)	(1,850)
(2,270)	(168)	(2,438)	Northamptonshire County Council	248	(1,728)	(1,480)
(399)	-	(399)	Northamptonshire Police and Crime Commissioner	49	-	49
(436)	(671)	(1,107)	Northamptonshire Commissioner Fire and Rescue Authority	12	(47)	(35)
(3,105)	(1,678)	(4,783)	Northampton Borough Council	48	(2,417)	(2,369)
(3,105)	(1,678)	(4,783)	Fund Balance c/fwd	356	(6,042)	(5,685)

G2. NOTES TO THE COLLECTION FUND

1. NATIONAL NON DOMESTIC RATES (NNDR)

The total non-domestic rateable value as at 31 March 2020 was £249.4m (2018-19 £248.4m). The National Non-Domestic Rate multiplier for 2019-20 was 50.4p (2018-19 49.3p). The small business non-domestic rating multiplier for 2019-20 was 49.1p (2018-19 48.0p).

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 2019-20, was calculated as follows: -

2018-19 Band D Equivalents	Band	Estimated no of taxable properties 2019/20 after discounts	Ratio	2019-20 Band D Equivalents
21.3	A(-)	34.2	5/9	19.0
14,544.4	A	22,627.9	6/9	15,085.3
13,612.3	B	17,846.2	7/9	13,880.4
18,266.5	C	20,771.3	8/9	18,463.4
9,936.9	D	10,083.8	9/9	10,083.8
6,453.1	E	5,282.6	11/9	6,456.6
3,433.1	F	2,412.2	13/9	3,484.3
2,012.1	G	1,217.0	15/9	2,028.3
98.5	H	50.4	18/9	100.8
68,378.0	Gross Council Tax Base			69,601.8
1,504.3	Non-collection provision			1,183.2
66,873.7	Council Tax Base Used for setting the Precept			68,418.5

The provision for non-collection was set at 1.7% for 2019-20 (2.2% 2018-19).

3. ANALYSIS OF IN-YEAR CONTRIBUTIONS TO FUND DEFICITS/ALLOCATION OF SURPLUS

2018-19 £'000	In year allocation of surplus/deficit - NNDR	2019-20 £'000
(1,106)	Central Government	142
(221)	Northamptonshire County Council	28
(885)	Northampton Borough Council	114
(2,212)	Total (deficit)recovered/Surplus paid out	285

2018-19 £'000	In year allocation of surplus - Council Tax	2019-20 £'000
1,948	Northamptonshire County Council	2,820
349	Northamptonshire Police & Crime Commissioner	529
-	Northamptonshire Commissioner Fire and Rescue Authority	139
383	Northampton Borough Council	565
2,680	Total Surplus paid out	4,054

4. PROVISION FOR BAD AND DOUBTFUL DEBTS

2018-19 £'000	Bad and Doubtful Debts - Council Tax	2019-20 £'000
10,016	Bad Debt Provision B/fwd	8,347
(1,076)	Write-offs	(2,067)
(25)	Council tax benefit transferred to reserve	(7)
(567)	Provision Made in Year	1,206
8,347	Bad Debt Provision c/f	7,479

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

2018-19 £'000	Bad and Doubtful Debts - NNDR	2019-20 £'000
1,649	Bad Debt Provision B/fwd	952
(1,321)	Write offs of uncollectible debt	(821)
623	Allowance for non collection	823
952	Bad Debt Provision C/fwd	954
0	Amounts written off in year not charged to provision	-

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 2020:

2018-19 £'000	Provision for Appeals - NNDR	2019-20 £'000
14,431	Appeals Provision B/fwd	14,817
(1,898)	Amounts used in year	(362)
2,284	Additional/(relased) provisions made	(3,796)
14,817	Appeals Provision C/fwd	10,658

GROUP ACCOUNTS

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

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

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

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

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

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

H1. GROUP ACCOUNTS CORE STATEMENTS

GROUP 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.

2018/19			GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	2019/20		
Gross Expenditure £000s	Gross Income £000	Net Expenditure £000		Gross Expenditure £000s	Gross Income £000	Net Expenditure £000
			INCOME AND EXPENDITURE ON SERVICES			
3,173	(196)	2,977	Chief Executive	2,397	(68)	2,329
56,368	(56,294)	74	Housing	73,780	(55,501)	18,279
2,106	(330)	1,776	Borough Secretary	2,273	(892)	1,381
25,282	(5,457)	19,825	Customers & Communities	19,566	(4,624)	14,942
69,949	(67,383)	2,566	Chief Finance Officer	64,765	(58,845)	5,920
2,632	(2,203)	429	Planning	2,578	(1,900)	678
23,138	(5,841)	17,297	Economy Assets and Culture	11,612	(6,947)	4,665
182,648	(137,704)	44,944	COST OF SERVICES	176,971	(128,777)	48,194
(1,334)		(1,334)	Other Operating Expenditure	3,968	0	3,968
18,454	(9,363)	9,091	Financing and Investment Income and Expenditure	19,836	(12,955)	6,881
36,559	(70,130)	(33,571)	Taxation and Non-Specific Grant Income	30,675	(73,880)	(43,205)
		19,130	(Surplus) or Deficit on Provision of Services			15,838
		(18,941)	(Surplus) or Deficit on Revaluation of Non Current Assets			(30,188)
		8,788	Deficit on financial assets measured at fair value through other Comprehensive income			338
		(10,153)	Actuarial gains / losses on pension assets/liabilities			(21,354)
		8,977	Other Comprehensive Income and Expenditure			(51,204)
			TOTAL COMPREHENSIVE INCOME AND EXPENDITURE			(35,366)

GROUP MOVEMENT IN RESERVES STATEMENT

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

Group Movement in Reserves Statement	Single Entity Usable Reserves	Single Entity Unusable Reserves	Total Single Entity Reserves	Authority share of reserves of subsidiary	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2018 Brought forward	(66,339)	(366,401)	(432,741)	13,013	(419,729)
Movement in reserves during 2018/19					
Total Comprehensive Expenditure and Income	18,998	(12,674)	6,324	2,652	8,976
Adjustments between accounting basis and funding basis under regulations	(16,668)	16,668	-0	-	-0
Transfers to/from Earmarked Reserves	-	-	-	-	-
(Increase) / Decrease in Year	2,330	3,994	6,324	2,652	8,976
Balance at 31 March 2019 carried forward	(64,009)	(362,407)	(426,417)	15,665	(410,753)
Movement in reserves during 2019/20					
Total Comprehensive Expenditure and Income	15,305	(45,175)	(29,870)	(5,495)	(35,365)
Adjustments between accounting basis and funding basis under regulations	(2,083)	2,083	0	-	0
Transfers to/from Earmarked Reserves	-	-	-	-	-
Increase / (Decrease) in Year	13,222	(43,092)	(29,870)	(5,495)	(35,365)
Balance at 31 March 2020 carried forward	(50,787)	(405,499)	(456,287)	10,170	(446,117)

GROUP BALANCE SHEET

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

31st March 2019	Group Balance Sheet	31st March 2020
£'000		£'000
714,850	Property, Plant & Equipment	744,125
28,185	Heritage Assets	33,791
13,794	Investment Property	25,006
388	Intangible Assets	762
48,470	Long Term Debtors	19,441
805,687	Long Term Assets	823,125
23,119	Fixed Term Investments	5,016
7,399	Financial Assets at Fair Value	7,061
5,025	Short Term Investments	7
135	Inventories	125
21,401	Short Term Debtors	44,163
13,924	Cash and Cash Equivalents	40,460
71,003	Current Assets	96,832
(5,584)	Short Term Borrowing	(14,527)
(37,428)	Short Term Creditors	(53,901)
(6,111)	Provisions	(7,774)
(49,123)	Current Liabilities	(76,202)
(16,599)	Long Term Creditors	(11,119)
(60)	Provisions	(211)
(241,747)	Long Term Borrowing	(247,510)
(158,411)	Other Long Term Liabilities	(138,800)
(416,817)	Long Term Liabilities	(397,640)
410,750	Net Assets	446,115
(64,898)	Usable Reserves	(51,862)
(345,852)	Unusable Reserves	(394,253)
(410,750)	Total Reserves	(446,115)

GROUP CASH FLOW STATEMENT

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

2018-19 £'000	Group Cashflow Statement	2019-20 £'000
(19,129)	Net surplus or (deficit) on the provision of services	(15,839)
52,533	Adjustment to surplus or deficit on the provision of services for noncash movements	67,748
(12,983)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(16,938)
20,421	Net Cash flows from operating activities	34,972
(14,931)	Net Cash flows from Investing Activities	(23,059)
(10,547)	Net Cash flows from Financing Activities	14,622
(5,057)	Net increase or decrease in cash and cash equivalents	26,535
18,982	Cash and cash equivalents at the beginning of the reporting period	13,925
13,925	Cash and cash equivalents at the end of the reporting period	40,460

H2. NOTES TO THE GROUP ACCOUNTS

1. Group boundary

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

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

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

2. Intra-group transactions

During 2019-20 the Council made payments of £67.2m to Northampton Partnership Homes (£51.1m in 2018-19). During 2019-20 the Council received payments of £3.4m from Northampton Partnership Homes (£3.7m in 2018-19). At 31st March 2020 there was a debtor balance of £1.4m (£0.074m in 2018-19), and a creditor balance of £0.2m (£2.890m in 2018-19) with Northampton Partnership Homes

3. Basis of consolidation

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

4. Business activities of Northampton Partnership Homes

Northampton Partnership Homes is responsible for the following services:

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

5. Accounting policies

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

6. Corporation Tax

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

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

7. Group Cash Flow Statement – Operating Activities

2018-19 £'000		2019-20 £'000
16,477	Depreciation	16,616
25,431	Impairment and downward valuations	(10,380)
337	Amortisation	741
4,730	Increase/(decrease) in creditors	26,543
(1,173)	Increase/(decrease) in debtors	(9,282)
11	Increase/(decrease) in inventories	10
(1,579)	Movement in pension liability	1,743
248	Contributions to/(from) provisions	1,814
7,929	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	10,524
122	Other non-cash items charged to the net surplus or deficit on the provision of services	29,419
52,533		67,748

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

2018-19 £'000		2019-20 £'000
(11,496)	Proceeds from the sale of property, plant and equipment	(8,926)
(1,487)	Grants for financing capital expenditure	(8,011)
(12,983)		(16,938)

2018-19 £'000		2019-20 £'000
7,771	Interest payable and similar charges	7,800
4,297	Pensions interest cost and expected return on pension assets	3,385
(1,802)	Interest receivable and similar charges	(2,005)
10,266		9,180

9. Group Cash Flow Statement – Investing Activities

2018-19 £'000		2019-20 £'000
(36,420)	Purchase of property, plant and equipment, investment property and intangible assets	(62,997)
(27,494)	Purchase of short-term and long-term investments	69,000
11,496	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	8,926
36,000	Proceeds from short-term and long-term investments	(46,000)
1,487	Capital Grants Received	8,011
(14,931)	Net cash flows from investing activities	(23,059)

10. Group Cash Flow Statement – Financing Activities

2018-19 £'000		2019-20 £'000
550	Cash receipts of short- and long-term borrowing	40,000
(11,097)	Repayments of short- and long-term borrowing	(25,378)
(10,547)	Net cash flows from financing activities	14,622

11. Group Debtors

31 March 2019		31 March 2020
5,863	Trade receivables	5,333
701	Prepayments	2,137
14,837	Other receivables	36,695
21,401	Total	44,164

12. Group Creditors

31 March 2019		31 March 2020
(10,585)	Trade Payables	(8,988)
(948)	Receipts in advance	(5,183)
(25,895)	Other payables	(41,524)
(37,428)	Total	(55,695)

13. Group defined benefit pension scheme

Northampton Partnership Homes is a fully owned subsidiary of Northampton Borough Council. Therefore details of the Northampton Partnership Homes pension scheme need to be combined with the Northampton Borough Pension scheme to give an understanding of the group pension scheme. Full details of the Northampton Borough Council pension scheme are in note 26 to the core financial statements.

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

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

The following tables give details of the pension assets and liabilities for the Group, including Northampton Borough Council and Northampton Partnership Homes.

The following transactions have been made in the group comprehensive income and expenditure statement and the general fund balance via the group movement in reserves statement during the year:

	2018-19	2019-20
Cost of Service	£'000	£'000
Current service cost	6,081	7,371
Past service cost (including curtailments)	1,288	(156)
Effect of settlements	(3,361)	0
Pension contribution adjustment	0	0
net interest expense	3,843	3,787
Total post employment benefits charged to the surplus or deficit on the provision of services	7,851	11,002
Other post employment benefits charged to the comprehensive income and expenditure statement		
Return on plan assets (excluding the amount included in the net interest expense)	(10,798)	35,451
Actuarial gains and losses arising on changes in demographic assumptions	0	(9,325)
Actuarial gains and losses arising on changes in financial assumptions	19,168	(23,615)
Other expenditure	418	(23,865)
Total post-employment benefits charged to the comprehensive income and expenditure statement	16,639	(10,352)
Movement in reserves statement		
Reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the code	(1,226)	1,783
Employers contributions payable to the scheme	9,430	9,219

Reconciliation of the movements in fair value of scheme assets:

	2018/19	2019/20
	£000s	£000s
Opening fair value of scheme assets	221,974	221,935
Interest income	5,460	5,307
Remeasurement gain/(loss)	(14,063)	0
Return on plan assets excluding the amount included in the net interest expense	10,798	(35,451)
Contributions from employer	9,430	8,412
Contributions from employees into the scheme	1,036	1,120
Benefits paid	(12,700)	(12,139)
Closing fair value of scheme assets	221,935	189,184

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

	2018/19	2019/20
	£000s	£000s
Opening present value of scheme liabilities	373,176	380,346
Current service cost	6,096	7,371
Interest cost	9,303	9,094
Contribution from scheme participants	1,036	1,120
Remeasurement gain/(loss)	14,063	
Actuarial gains/losses arising from changes in demographic assumptions	0	(9,325)
Actuarial gains/losses arising from changes in financial assumptions	(11,632)	(23,615)
Actuarial gains/losses arising from other experience	519	(23,865)
Past service cost	485	(156)
Benefits paid	(12,700)	(12,986)
Closing present value of scheme liabilities	380,346	327,984

Fair value of plan assets:

	2018/19	2019/20
	£000s	£000s
Equity securities		
Consumer	24,262	4,094
Manufacturing	8,530	1,776
Energy & utilities	12,620	1,126
Financial institutions	13,759	1,638
Health and care	8,711	1,121
Information technology	11,941	1,237
Other	0	0
Debt securities		
UK Government	19,008	17,696
Private equity		
All	4,024	28,524
Real Estate		
All	18,226	13,278
Investment funds and unit trusts		
Equities	78,443	94,285
Bonds	16,214	12,133
Infrastructure	879	9,768
Cash and cash equivalents		
All	5,318	2,509
Total	221,935	189,184

14. Group External Audit costs

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

Group Auditor Fees	2018/19	2019/20
	£'000	£'000
Northampton Borough Council Auditor Fees	244	466
Northampton Partnership Homes Auditor Fees	32	28
Total Group Auditor Fees	276	494

I. GLOSSARY OF TERMS**Accruals**

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

Actuary

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

Actuarial Basis

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

Actuarial Gains and Losses

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

Actuarial Valuation

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

Admitted Bodies

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

Amortisation

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

Appointed Auditors

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

Balance Sheet

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

Capital Adjustment Account

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

Capital Expenditure

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

Capital Receipts

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

Cash Equivalents

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

Code

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

Community Assets

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

Council Tax

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

Creditor

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

Current assets

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

Current Liabilities

An amount which will become payable or could be called in within the next accounting period

Debtor

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

Deferred Grants

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

Deferred Capital Receipts

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

Defined Benefit Scheme

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

Depreciation

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

DRC

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

Dividend

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

Earmarked Reserves

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

External Audit

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

Fair Value

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

Financial Instruments

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

General Fund (GF)

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

Grants

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

Housing Benefit

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

Impairment

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

Infrastructure Assets

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

Intangible Assets

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

Inventory

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

Member

A Councillor, a member of the Council.

Ministry of Housing, Communities and local Government (MHCLG)

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

Minimum Revenue Provision (MRP)

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

Net Book Value (NBV)

The value of an asset after depreciation.

Net Realisable Value

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

Non-Current Asset

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

Non-Distributable Costs

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

Non Operational Assets

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

Officer

Employee of the Council.

Operational Assets

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

Payment in Advance

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

Precept

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

Private Finance Initiative (PFI)

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

Provision

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

Provision for Bad and Doubtful Debts

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

Prudential Borrowing

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

Public Works Loan Board (PWLB)

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

Reporting Standards

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

Reserves

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

Revaluation Gain

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

Revenue Support Grant (RSG)

Government funding which provides general support for council services.

Straight Line Basis

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

Subsidiary

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

Surplus

The remainder after taking away all expenses from income.

Treasury Management Strategy

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

Useful Life

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



Annual Governance Statement

2019/20

ANNUAL GOVERNANCE STATEMENT 2019/20

1. Introduction

This document describes Northampton Borough Council's (NBC) governance arrangements and assesses how closely the Council aligns with good practice. This statement for the 2019/20 financial year is a more positive statement that has seen many changes and improvements in response to previous governance issues identified in previous years. This document draws on several assurance mechanisms including the internal audit annual review, internal audit reports throughout the year, internal control reviews, the Statement of Accounts, Audit Committee, the overview and scrutiny process, and external audit.

Work has been completed around internal controls within NBC, LGSS (shared service) and Northampton Partnership Homes (NPH) to enable policies, procedures and processes to be reviewed, evaluated, improved and, where necessary, implemented. Following the completion of internal reviews, a programme of works around compliance within a number of processes has been developed to ensure service areas follow the agreed procedures.

The continued work of BDO as the Council's internal auditors has seen a greater increase in internal audit review activity and has assisted the services areas in focussing their actions to areas of risk that had previously been seen as weak. This statement details the internal audit reviews performed in 2019/20 at section 10.

The close down process within LGSS, who are responsible for the finance function of NBC, was improved for the 18/19 and 19/20 annual statement of accounts. Ernst and Young were appointed the external auditors, as per PSAA, for the last two years and the issues around the previous years late submission have not been a factor.

The close down team are working closely with the external auditors to ensure all information is accurate and correct with further reviews on the balance sheet reconciliations being conducted by LGSS internal audit to provide assurance around the processes in place.

2. Corporate Governance

Corporate governance comprises the systems and values by which councils are directed and controlled and through which they are accountable to and engage with their communities. The Chief Executive, Senior Management, managers, employees and Councillors acknowledge they have full responsibility for ensuring there is a sound system of governance (incorporating the system of internal control) within NBC.

To demonstrate compliance with the principles of good corporate governance, NBC must ensure that it does the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

The governance arrangements within NBC have been revised with greater focus on the control environment, policies and procedures ensuring that councillors and employees are educated and well informed when making decisions. This continued throughout 2019/20. This statement sets out the how the effectiveness of the governance arrangements have been monitored and evaluated during the year and sets out any changes planned for 2020/21.

This statement describes the extent to which the Council has, for the year ended 31st March 2020, complied with its Governance Code and how the Council met the requirements of regulation 6 of the Accounts and Audit Regulations 2015, in relation to an annual review of the effectiveness of the Council's system of internal control, and the preparation and approval of an annual governance statement.

A copy of the code of corporate governance (updated September 2019) can be found on our website
[Click here](#)

In 2019/20 the governance code was reviewed and updated in accordance with the governance guidance produced by CIPFA and SOLACE in 2016. The principles set out in the Council's code are consistent with the guidance.

3. The purpose of the governance framework

The Governance Framework comprises the systems and processes, and culture and values, by which the council is directed and controlled and the activities through which it accounts to, engages with and

Northampton Borough Council Code of Corporate Governance (2019)

Our commitment to good governance is made across the following core principles:

1. Focusing on the purpose of the authority and on the outcomes for the community and creating and implementing a vision for the local area
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles
3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
5. Developing the capacity and capability of members and officers to be effective
6. Engaging with local people and other stakeholders to ensure robust public accountability

leads the community. It enables the council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

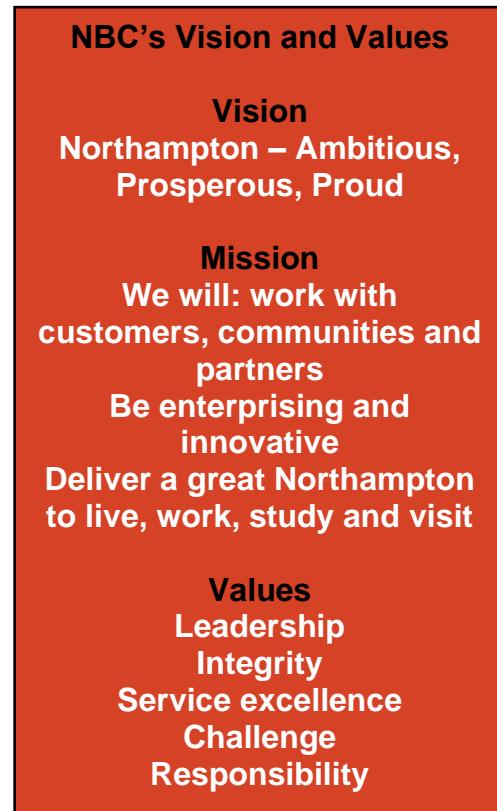
The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims, and objectives and can therefore only provide reasonable, not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims, and objectives. It is also designed to evaluate the likelihood of those risks being realised and their impact should they be realised, and to manage them efficiently, effectively and economically.

The Constitution is the key document in the Council's governance framework. The Borough Secretary (the 'Monitoring Officer') has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council reviews the Constitution regularly to incorporate any necessary changes that are approved as part of any policy changes. The last major revision of the Constitution was in November 2018.

4. Corporate Plan

The Council's corporate priorities are set out in the Corporate Plan 2019-21. These are based around three strategic priorities:

- **A Stronger Economy**
Creating a cleaner, greener town
Creating a thriving, vibrant town
Driving growth whilst preserving the town's heritage
- **Resilient Communities**
More homes, better homes
Empowering local people
Improving the health and wellbeing of local people
Keeping the town and people safe
- **Exceptional Services to be proud of**
Putting the customer first
Using public resources effectively
Improving our governance



5. Evaluating Performance

The Council has a comprehensive and robust performance management framework. The framework is reviewed annually to ensure that learning and improvement is captured and changes made where necessary. The Council monitors delivery of its priorities and objectives through the performance management framework.

The service plans represent the key plan for each service and clearly set out targets and actions and how each service area contributes to corporate objectives and targets. The service plans address service level improvements, including value for money objectives. Service plans also set out how each service will contribute to a range of corporate performance and improvement objectives. Performance data is reported on a quarterly basis to Cabinet.

The Council has several committees, which carry out regulatory or scrutiny functions, and ensure that decisions and financial performance can be scrutinised:

- Council – Approves annual budget, medium term financial plan and sets council tax.
- Cabinet - makes executive decisions which can be called in by Scrutiny using formal call-in powers in the constitution.
- Planning Committee - determines planning applications and related matters.

- Standards Committee - Standards Committee promotes monitors and helps to maintain high ethical standards amongst the Council's Members, and this extends to having the same responsibility for all town and parish councils within the Borough.

On behalf of Standards Committee the Council's Monitoring Officer has provided briefings and guidance to Members, Parish Councillors and relevant officers on matters in relation to Standards generally and to also remind Members of their obligations under the Code of Conduct, the Register of Interests, Gifts and Hospitality.

Audit Committee - provides overview on the adequacy of internal controls, financial accounting and performance reporting arrangements, and that effective risk management is in place. Its work is intended to enhance public trust in the corporate and financial governance of the council. It also reviews areas of concern to the committee, particularly around risk, fraud and failure of systems of control. The Audit Committee meets quarterly.

Licensing Committee - monitors and reviews the effectiveness of the Council's licensing policy and procedures and make individual licensing decisions as required. Committee Members receive initial training to enable them to sit on the Committee, and ad-hoc training on any legislation changes as required.

General Purposes Committee - which is a sub-committee of full Council, makes decisions that are not the responsibility of the Executive or other committees.

Appointments and Appeals Committee - has responsibility for appraising senior officers and dealing with certain disciplinary and grievance matters.

The Overview and Scrutiny Committee (O & S) - since May 2010 the Council has had one O & S Committee which sets up time-limited Scrutiny Panels to carry out in-depth reviews. The Committee comprises fifteen Members. The Scrutiny Panels now hold their meetings in public and individuals are encouraged to attend.

Overview and Scrutiny is a key part of the modernised arrangements for governance in local councils and also an important mechanism for driving forward performances in services. The four key legislative roles are:

- Holding the Executive to account
- Policy development and review
- Best Value Reviews
- Independent Scrutiny

The Committee provides the opportunity for Councillors that are not members of Cabinet to examine various functions of the Council, to question how key decisions have been made and to champion issues of local concern to residents.

It is also charged with finding ways of ensuring that the issues that matter to the public are the focus of their attention, and with finding new ways of getting citizens involved in the things that affect them. Overview and Scrutiny has considerable powers:

- Holding decision makers to account
- Challenging and improving performance
- Supporting the achievement of value for money
- Challenging the ways things are done
- Influencing decision makers with evidence based recommendations
- Bringing the evidence and views of stakeholders, users and citizens

The Committee is Councillor led and as well as Councillors leading on the review of topics, where they research issues and develop recommendations, they are also involved in setting the Committee agenda, bringing forward topics and issues, identifying who they want to hear from to help their work and what they want to know and how they want it presented to them.

The O&S Committees can “call-in” a decision that has been made by the Executive but not yet implemented, to enable it to consider whether the decision is appropriate. Call in can be referred to O&S by at least two Councillors.

The Committee becomes involved with decisions at an appropriate early stage to apply real influence and therefore play the important role of ‘critical friend’ to Cabinet.

The Council’s O & S Committee is a very effective model, both for pre-decision investigations, and for a call-in process to scrutinise decisions of the executive.

Open Policy and Decision-making – All Council meetings, agendas and minutes can be viewed on the website [click here](#).

6. Financial Framework

The financial management of the Authority is conducted in accordance with the financial rules set out at Article 16, the Financial Regulations section within the Constitution. The Council has a designated Chief Finance Officer in accordance with Section 151 (S151) of the Local Government Act 1972 who is an NBC employee. The Strategic Finance Business Partner is the Deputy S151 officer. The Deputy 151 Officer is an NCC employee, seconded to LGSS whose function is provided to the Council through a service agreement. This arrangement has been reviewed against CIPFA’s Statement on the Role of the Chief Finance Officer 2010, and successfully complies with all of the criteria. The Chief Finance Officer is a member of Corporate Management Board and reports directly to the Chief Executive.

The Council maintains an Internal Audit service provided through a contract with BDO awarded in 18/19 to provide internal audit services to NBC. BDO operate to the standards set out in the ‘Code of Practice for Internal Audit in Local Government in the UK’. This is supplemented by an internal audit function delivered by LGSS to provide assurance to NBC for the services hosted by LGSS.

Individual services produce annual service plans. These Service Plans are updated each year so as to incorporate the Corporate Plan requirements into service activities, so that services know what they are required to do to achieve the Council’s priorities and ambitions. These plans also identify any governance impact.

The Council’s external audit services have been previously provided by KPMG and for 2018/19 onwards Ernst & Young (EY) were appointed as external auditors through PSAA. EY have audited the Statement of Accounts for 2019/20.

7. Risk Management Framework

The Council’s risk management process is fundamental to the system of internal control.

The aim of risk management at NBC is not to remove all risks, but to understand the nature of risks and to implement controlled, sensible, balanced and cost-effective measures, to manage or mitigate risk and achieve objectives within each activity and across the portfolio of all activities. Risk management therefore is not about being ‘risk averse,’ but about being ‘risk aware’ and this awareness will mean that the Council and its leadership team is better able to avoid threats and hazards and also take full advantage of opportunities that arise in the course of its business.

NBC recognises there is uncertainty in everything it does, and the uncertainties present both threats and opportunities. The Council will manage these uncertainties by identifying, evaluating and managing risk, increasing the authority’s success in achieving its priorities and objectives and also by putting in place contingencies and an organisational agility for both planned and also unforeseen events.

Although the corporate risk management framework is set and monitored by Cabinet (who have ultimate responsibility for it) and the Council's Management Board (working in conjunction with the Chief Finance Officers department), core delivery of the approved risk management framework is primarily led by and rests with the Chief Executive, Heads of Service and statutory officers acting individually and collectively as part of the Management Board, and who are then supported by their departmental management teams or equivalent. The Borough Secretary works in collaboration with Heads of Service further to this offering professional advice and challenge and works in reporting and monitoring terms to this protocol.

Furthermore, all Members, managers and staff of the Council, including when acting in partnership and joint venture with other bodies and organisations, have a general responsibility and duty to manage risk as an integral part of their role.

In addition, specific core risk-related/risk-driven support service activities, such as the performance management function, health and safety, insurance, emergency and business continuity planning and programme and project management, all contribute to the overall corporate risk management process.

The Council and its leadership team set the "tone from the top" on risk management and directly oversee the risk management function in achieving its objectives which are:

- Continuously develop Northampton Borough Council's risk management framework to support the achievement of the Council's corporate plan Securing Northampton's Future and its core ambition to be one the best councils in the country
- Facilitate the achievement of Council priorities and objectives by embedding an effective process of identification and management of strategic, service level and key operational risks
- Similarly facilitate the achievement of Council priorities and objectives by embedding an effective process of identification and management of major programme and project risks
 - Ensure where appropriate risks are effectively escalated, and escalation is timely
- Successfully manage the risks associated with the economic and financial short, medium and long-term
 - Ensure the risks associated with partnerships are effectively identified and managed
- Promote risk-awareness, particularly business risk awareness, risk-intelligence and risk management throughout the Council
 - Ensure risk management processes are engaging and relevant to all staff
 - Capture, expand and act upon positive risk opportunities
- Support the effective identification and management of risks associated with delivering existing and new council services into both existing and new markets
 - Proactively identify and manage emergent risk
- Clearly state and communicate to all council officers, managers, partners and residents their risk management responsibilities
 - Manage risk in line with recognised best practice in public sector governance

Operational risk registers are in place within each service area. Any risks are escalated to Management Board if an identified risk is thought to have a corporate impact. The Corporate Risk register is updated on a quarterly basis. For 2019/20 the corporate risk register was presented to Cabinet and Audit Committee on a quarterly basis.

Programme and Project Management Governance:

During 2019/20 key projects were reported monthly into Management Board through the Head of Service for Economy, Assets and Culture. The governance arrangements were amended to improve the focus of decision making, and to support the early consideration of issues through new member/officer arrangements. Individual projects are governed by project boards which report into the Head of Service for Economy, Assets and Culture.

The Project Management Framework was updated during 19/20 and covers the governance in place to ensure that programmes and projects make the best use of the organisation's resources, that risks associated with the investments are managed and that there is accountability for decisions made at programme level.

The framework included all the levels of engagement for a programme and its projects and included the Leader, Cabinet Members, EPB and review agencies such as Internal Audit.



So that Members and Senior Officers had oversight of key council programmes of work, the Leader chairs the Executive Programme Board (EPB).

The Membership of the EPB includes the Leader, Management Board, the Deputy Leader and the Cabinet Members.

The oversight that EPB provided on programmes of work acted as a two way communication between the political level and the Management Board level and sought to inform Management Board decisions, whilst recognising formal decisions are made publicly through formal Cabinet.

8. Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of its governance framework including the system of internal control. The system for 2019/20 is below:

- BDO internal audit reports and LGSS assurance reports
- Review and approval by Corporate Management Board
- Review and approval by EPB
- Review and approval by the Audit Committee
- Follow up on audit recommendations by the internal auditors and the governance team

The review of effectiveness was informed by the work of the managers within the Council who had responsibility for the development and maintenance of the governance environment, the internal auditor's annual report and by comments made by the external auditors and other review agencies and inspectorates.

Internal audit, under the terms of engagement, is required to provide those charged with governance with an opinion on the overall adequacy and effectiveness of the council's:

- Risk management
- Control
- Governance processes

Collectively this is referred to as "the system of internal control". The BDO 2019/20 annual opinion is covered at point 10.

9. Councillors and Senior Officers Development

Councillors are offered a full, comprehensive induction programme after their election. This includes initial and ongoing training sessions. For 2019/20 the following courses and briefing sessions were run for Councillors:

- 15th April 2019 – Financial and Governance Awareness (development)
- 25th April 2019 – Antisemitism and Islamophobia (briefing)
- 1st May 2019 – Unitary Update (briefing)
- 9th May 2019 – Cllr Development Group
- 20th June 2019 – Local Government Reorganisation (briefing)
- 16th July 2019 – Cllr Development Group
- 18th September 2019 – Local Government Reorganisation (briefing)
- 23rd September 2019 – Cllr Development Group
- 1st October 2019 – Cllr Briefing Session (briefing)
- 28th October 2019 – Town Centre Masterplan (briefing)
- 16th December 2019 – Cllr Briefing Session (briefing)
- 23rd January 2020 – Local Government Reorganisation (briefing)
- 26th February 2020 – LGBTQ (briefing)
- 27th February 2020 – Cllr Briefing Session (briefing)
- 11th March 2020 – Cllr Briefing Session (briefing)

Additionally, all Councillors new to Committees are trained before they sit on a Committee. Further sessions are planned for 2020/21.

The development and training needs of all levels of employees and Councillors are identified in a number of ways - through performance appraisals, a Health & Safety training matrix and a 360-degree feedback process for the leadership teams. Job specific and interpersonal skills development interventions were sourced from specialists who had the expertise to deliver the required support.

10. Internal Audit

An internal audit plan is prepared each year and agreed at the Audit Committee. For 2019/20 the audit plan was considered and approved by Audit Committee on March 18th, 2019. Audits completed during the year are detailed below.

BDO Internal audit services were responsible for the end to end review of internal processes and controls for 2019/20. LGSS internal audit services do not provide the internal audit service for NBC but do provide assurance on the areas delivered by LGSS as a third party as detailed below.

The reporting process for internal audit required a report of each audit to be submitted to the relevant service manager and/or chief officer. The reports included recommendations for improvements that were presented within an action plan and required agreement or rejection by a service manager and/or chief officer. The process included follow-up reviews of recommendations to ensure that they have been acted upon, usually within six months. The Governance team assist with this tracker and follow up after initial contact by BDO. A follow up tracker is presented to Corporate Management Board monthly and to the Audit Committee quarterly.

All internal audit reports included a report on the quality and effectiveness of internal control within the Council's systems, and an assessment in accordance with quantification and classification of internal control level definitions. These definitions are summarised below.

BDO Internal Audit Outturn

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

APPENDIX I - DEFINITIONS				
LEVEL OF ASSURANCE	DESIGN OF INTERNAL CONTROL FRAMEWORK		OPERATIONAL EFFECTIVENESS OF CONTROLS	
	DESIGN OPINION	FINDINGS FROM REVIEW	EFFECTIVENESS OPINION	FINDINGS FROM REVIEW
Substantial	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

Based on the work completed, internal audit have issued the following opinion for 2019/20:

“The annual report from internal audit provides an overall opinion of Moderate on the adequacy and effectiveness of the organisation’s risk management, control and governance processes, within the scope of work undertaken by our firm as outsourced providers of the internal audit service.”

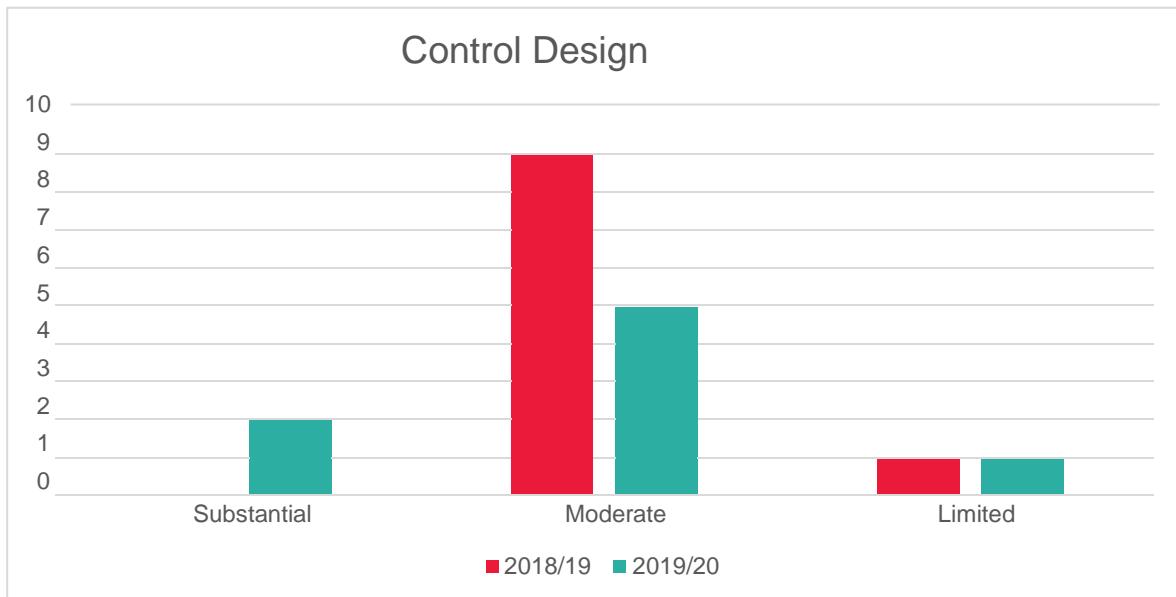
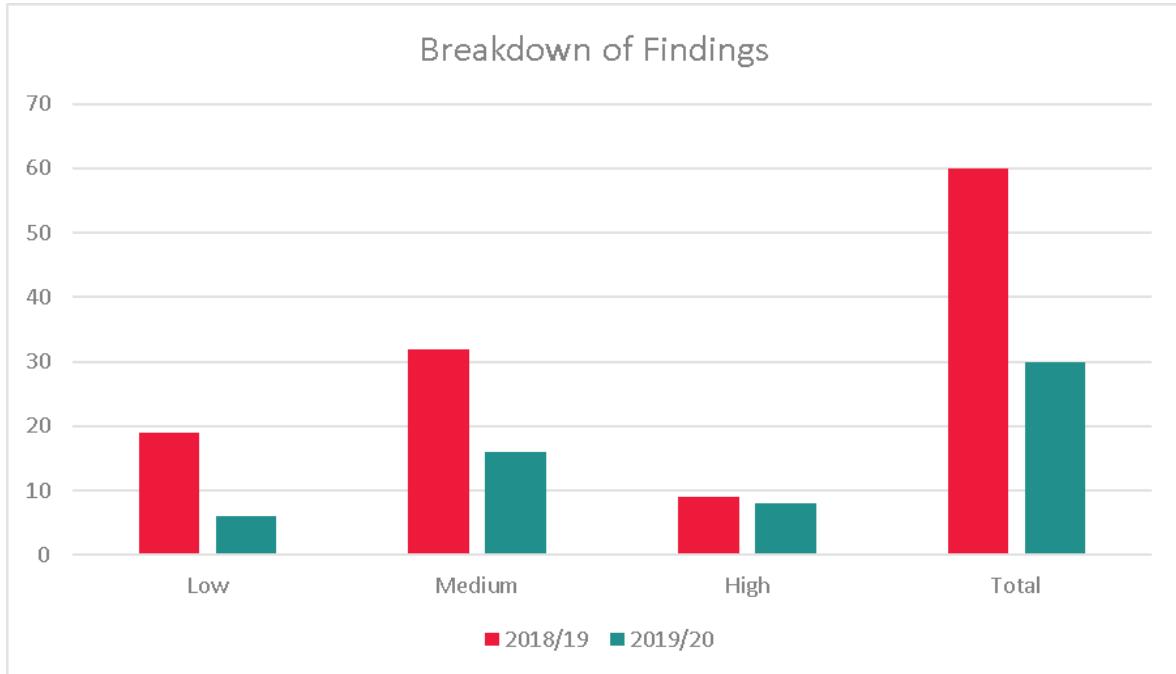
This is an improvement on the 2018/19 opinion of ‘Limited’ which was formed mainly due to the number of high and medium findings in 2018/19 compared to previous years and the lack of implementation of recommendations in a timely manner. There has been a significant improvement in the implementation of 2018/19 and 2019/20 recommendations during the follow ups.

During the year BDO completed audit reviews in the following areas:

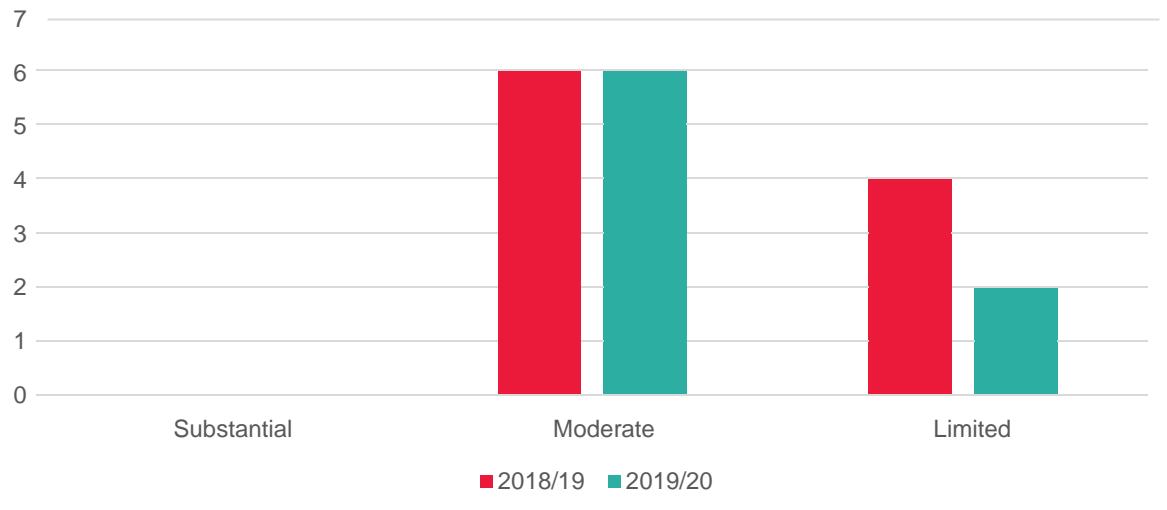
- Planning and Section 106
- Enterprise Zone (Economic Growth)
- Contract Management

- Asset Management
- Disabled Facilities Grant
- Health and Safety
- Cyber Security
- GDPR Compliance

Graph summary of BDO findings for 2019-20



Control Effectiveness Opinions



The audits completed were focussed as a result of reviewing the Corporate Risk Register and targeting the high-risk areas. Interviews were also conducted with the Heads of Service for their input and views on risk within NBC.

Limited audit opinions for the design and control effectiveness relates to the Asset Management audit report and the Disabled Facilities Grants audit report. The issues are detailed below with the planned action to address them during 20/21.

Design and control effectiveness limited assurance			
Asset Management			
Risk	Finding	Planned actions	Due date:
Inadequate reconciliations are completed between the asset management system and the finance system to recognise rent collection	The following reconciliations are not in place at the time of the review: reconciliation between the (a) GVA (Tenancy Schedule) and RAM and (b) Tenancy Schedule and Agresso for completeness of records and accuracy of valuations.	Tenancy schedule and Agresso reconciliation for year ending 2019 2020 has begun, any discrepancies will be investigated and corrective action taken	Jun-20
Rent income is not charged, billed and collected effectively leading to a failure to recuperate all due income	Out of date records and tenancies or missing memorandum may result in incorrect information being used for capital accounting, rent reviews not being undertaken in a timely manner, rentals being collected that are not market value and possible disputes with tenants especially where there is a change in staff.	The focus for the estates surveyors must be to review the tenancies and document the results of the review, and where this is an uplift this must be collected in a timely manner.	Jun-20
Asset repairs and maintenance are processed inadequately/ineffectively leading to poor condition of assets	There was inconsistency in the processing of internal work requests from Council teams which are not always processed through the Help Desk but by telephone against policy requirements.	All repair and maintenance work requests are processed through the Help Desk for consistency and facilitation of an appropriate audit trail.	Jun-20
Disabled Facilities Grant			
Risk	Finding	Planned actions	Due date:
Inspections of work are inadequately completed or incomplete which could lead to DFG payments being inappropriately approved and paid to contractors for work that does not meet the Council's standard.	Prior to making a payment, a site inspection should be completed by an authorised individual and a works completion form should be signed by both the contractor and the customer. The invoice total should then reconcile to the agreed purchase order for matching prior to payment.	Process to be reviewed and recommended actions to be implemented.	Oct-20
There are inadequate processes in place to ensure that appropriate contractors are selected	As administered grants are contingent on the income and savings of the individual it is key for the Council to complete financial assessments prior to grant agreements (excluding child applicants which are exempt).	Agreed	Oct-20
There are inadequate processes in place to ensure that appropriate contractors are selected	Where the Council is sourcing a contractor to deliver a home adaptation through the DFG, they are required to obtain three quotes from a county wide register of approved contractors. This is to ensure value for money can be achieved for Council expenditure.	Process will be reviewed and updated to include quotes from registered contractors.	Oct-20

LGSS Internal Audit

LGSS internal audit is a function that provides **assurance** on the work completed by LGSS as a third-party supplier to NBC, they are not engaged directly by NBC for the provision of internal audit services.

To ensure consistency in reporting, the following definitions of audit assurance are used:

Control Environment Assurance	
Level	Definition
Substantial	There are minimal control weaknesses that present very low risk to the control environment.
Good	There are minor control weaknesses that present low risk to the control environment.
Satisfactory	There are some control weaknesses that present a medium risk to the control environment.
Limited	There are significant control weaknesses that present a high risk to the control environment.
No Assurance	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment.

Compliance Assurance	
Level	Definition
Substantial	The control environment has substantially operated as intended although some minor errors have been detected.
Good	The control environment has largely operated as intended although some errors have been detected.
Satisfactory	The control environment has mainly operated as intended although errors have been detected.
Limited	The control environment has not operated as intended. Significant errors have been detected.
No Assurance	The control environment has fundamentally broken down and is open to significant error or abuse.

Organisational Impact	
Level	Definition
Major	The weaknesses identified during the review have left the Council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole.
Moderate	The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a moderate impact upon the organisation as a whole
Minor	The weaknesses identified during the review have left the Council open to low risk. This could have a minor impact on the organisation as a whole.

The processes reviewed by LGSS in 2019/20:

Audit	Status	Control Environment Assurance	Compliance Assurance	Organisational Impact
Housing Benefits (18/19)	Final	Good	Good	Minor
Agresso IT Review (18/19)	Draft*	Satisfactory	Satisfactory	Minor
Northgate IT Review	Planning			
Academy IT Review	Planning			
Fixed Assets	Final	Good	Satisfactory	Minor
General Ledger	Fieldwork			
Treasury Management	Fieldwork			

*This audit was still at draft report stage at the time of writing this report

For each process area where the assurance is less than “Substantial” either at an overall opinion level or for specific areas within the process, an action plan of improvements for implementation by LGSS has been agreed between the relevant Service Manager and LGSS Internal Audit. These actions will be monitored and followed up during 20/21 by LGSS Internal Audit.

11. Northampton Partnership Homes (NPH)

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

Statement on Internal Controls

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

- Corporate Governance
- Business Planning

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

NPH - Review of Effectiveness

Internal Audit, under the terms of engagement, is required to provide the NPH Board with an opinion on the overall adequacy and effectiveness of:

- Risk management
- Control
- Governance processes

Collectively this is referred to as “the system of internal control”.

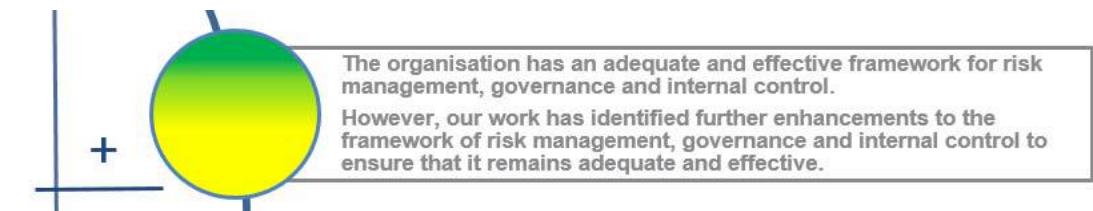
An audit plan is prepared each year and is agreed at NPH’s Audit Committee. The 2019/20 audit plan was agreed by the Audit Committee on 19th February 2019 and ratified by their main Board on 6th March 2019.

A summary of internal audit work completed in 2019/20 showing the level of assurance reported:

Assignment Assurance level Actions agreed

Risk Management	Substantial Assurance
Governance – Transparency between CIC Board and the Parent Board	Reasonable Assurance
Rent Collection & Arrears	Substantial Assurance
Key Financial Controls	Reasonable Assurance
Data Quality	Reasonable Assurance
Tenant Health & Safety - Electrical and Radon	Partial Assurance
Voids (Non-Maintenance) and Allocations	Reasonable Assurance
Business Planning	Substantial Assurance
Project Management	Substantial Assurance
Direct Labour Organisation (DLO)	Reasonable Assurance
Follow up	Reasonable Progress
Resident Scrutiny	Reasonable Assurance

RSM 2019/20 Annual Internal Audit Opinion



RSM had identified the following issue that should be included within the Annual Governance Statement for 2019/20:

Based on the work we have undertaken on the system of internal controls we consider that the issues identified within the Tenant Health & Safety - Electrical and Radon reviews should be considered for inclusion in the statement on internal control. The issues relate to the recording of information on the Open Housing system in relation to installations in new properties and updates following planned maintenance and repairs.

12 Current Governance Issues

The Senior Management team during 19/20 remained more stable which led to greater governance in terms of service areas being aligned and allowed greater control over internal processes and procedures, LGSS contract management, finance, IT, procurement and governance.

Controls throughout the business have greatly increased with the implementation of internal audit recommendations and the business being assisted by the governance and internal controls team where necessary to ensure relevant controls are in place before processes are implemented.

Reporting to Corporate Management Board (CMB) was on a weekly basis with a Head of Service report being presented by each service area on a bi-monthly basis. Heads of Service also give weekly service updates as part of 'any other business' to CMB members. For 20/21 it is planned that there will be the introduction of a dedicated CMB once a month to discuss operational issues within the service areas and address any strategic issues.

Reports were presented to CMB on GDPR breaches, FOI requests, Health & Safety (H & S) audit and inspections and related recommendations, internal control and internal control audit recommendations and the current status of each. This has helped in implementation and closure of the recommendations made through feedback from the senior team to their managers.

The Chief Executive continues with the monthly briefing sessions to inform employees on the progress of the Local Government Reform, all employees are invited to the sessions which serve to give detail about the various workstreams in the unitary project. These will continue until March 2021 supplemented by the wider Future Northants communications that happen on a monthly basis.

As NBC will be going into a Unitary authority on 1st April 2021 that work will consume a good deal of time in 20/21 of senior managers and service area managers who will be involved in the workstreams, with workloads increasing as the year progresses. Policies, procedures and processes will be worked on as part of the joint working with the other authorities and merged into the new authority enabling any control weaknesses to be addressed where they are identified. The main governance issue for 20/21 will be of the capacity for staff to manage additional workloads.

For 20/21 NBC will work on the current outstanding audit recommendations in all areas to ensure they have been implemented prior to going in to unitary and service area managers will be assisted by the governance team to ensure this is done. Follow up and progress reports are presented to the Audit Committee on a quarterly basis.

Managers sessions are run bi-monthly for all service managers and these are presented by two of the heads of service on a rotating basis. These sessions are extremely popular and informative with topics ranging from the introduction of new procedures i.e. project management, to the presentations by park rangers and neighbourhood wardens and information on important subjects such as safeguarding. In 2019/20 a focus group was introduced to review employee facing policies with a view to influencing the content prior to them being approved at Management and Trade Union Consultation Meeting (MTUCM) and CMB. This has proved to be effective and has resulted in a number of policy changes.

The Corporate Plan was totally refreshed and approved in March 2020, following on from that the service areas reviewed and updated their plans to be in line with the Corporate Plan objectives, vision mission and values and will take NBC into unitary.

Performance monitoring continues to be collated and reported quarterly to Cabinet. 2020/21 will see a change in the reporting format for corporate measures and will continue to be presented to Cabinet on a quarterly basis and annually to Audit Committee.

13 Covid-19 Impact

The first National Lockdown commenced on 16 March 2020. This may affect various aspects of Accounts and Reporting on the basis Covid-19 became prevalent on the cusp of the financial year changeover 2019-2020 rolling into the current year 2020-2021.

NBC management feel that this should be reflected in the 2019-2020 Annual Governance Statement with regards to the following areas:

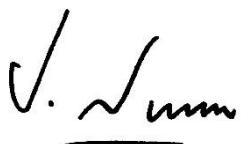
- Risk Registers – Covid-19 response was initially included in the Corporate Risk register and latterly specific risk registers were created through the Strategic Command Group (SCG) and the Tactical Command Group (TCG) when they were formed in March 2020 in line with the emergency planning procedures in place.
- Emergency Planning – Gold/Silver activated to ‘assess and control’ from an emergency plan perspective (Friday 13th March 2020).
- Council Meetings continued in virtual form.
- Rules were agreed, reviewed and understood around ‘single member decisions’.
- Mobilisation of BDO (internal auditors) support in respect of formulating processes/protocols for Business Grants (BEIS letters instigated 23rd March 2020).
- Business Continuity Plans were updated and activated in March 2020.
- Staff were re-deployed from various areas to assist the Northamptonshire County response.
- Processes were developed to manage Covid-19 costs incurred.

14 Conclusion

In 2019/2020 there has been an improvement in the governance arrangements with more engagement by senior management on control issues. Governance arrangements have been improved during the period and have provided a firm foundation for the Council's financial planning and management to move forward and to better support the Council's corporate objectives. Other governance arrangements are generally fit for purpose in most other areas in accordance with the governance framework. The Council is committed to enhancing these arrangements and ensuring that the improvements required are prioritised and sufficiently resourced.

15

Approval of the Annual Governance Statement



Councillor Jonathan Nunn

Leader of the Council

Date: 25th February, 2021



Stuart McGregor

Chief Finance Officer/S151

Date: 22 February 2021

