

Draft

# Statement of Accounts

2020-21

The accounts were issued XX XXXXX 2022



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# Narrative Report 2020-21

This document presents the statutory financial statements for Northamptonshire County Council (the Council) for the period 1 April 2020 to 31 March 2021 and gives a comprehensive summary of its overall financial position.

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 2020-21 (the Code). The core financial statements use this format and meet the conditions of the Code.

This is the final Statement of Accounts for Northamptonshire County Council prior to local government reorganisation and the creation of two new unitary councils, West Northamptonshire Council and North Northamptonshire Council, on 1 April 2021.

## The Council Plan

The Council approved an updated Council Plan for 2019-21 in February 2019, which outlined the strategy through which the Council will resource through its Medium-Term Financial Plan (MTFP).

The plan set out our county vision where we all look after each other and take responsibility, where the vulnerable are protected and supported, and where the people who can help themselves receive the assistance, they need to stay independent and healthy.

We can only do this in partnership with other public sector organisations (such as the seven District and Borough Councils, the local NHS bodies, Northamptonshire Police), private sector businesses, the voluntary and community sector and you; who all have a vital role to play in the economic health of the county.

As such, we see the future of public services in the county as being shaped by closer working with partner agencies – our focus will be not only on aligning our priorities with the seven District and Borough Councils, but also continuing to identify opportunities to integrate with Health and Northamptonshire Police.

The Council will;

- Continue to improve how we operate so that we deliver value for money and live within our means
- Prioritise the needs of the vulnerable children and adults amongst us
- Make it easier for residents and communities to do all they can to help themselves and each other
- Help create the right environment for businesses to thrive and the economy to grow
- Provide you with the information you need to make the right choices for you and your family
- Listen to your feedback and use it to improve what we do.

Across our local economy and infrastructure, we will work on growing revenue, shaping the place, and enabling communities to live well and businesses to thrive and generate prosperity.

Our work with children and families will focus on investment in prevention, better outcomes through permanent placements for our children in care and effectively managing risks, to ensure the most vulnerable young people are consistently safeguarded and protected from harm.

In supporting vulnerable adults, we will focus on preventing needs and intervening early to provide people with the best possible chance of maintaining an independent life, ensuring they are safeguarded and receive good quality care at the right time through services which demonstrate good value for money.

Across the organisation, we will ensure those support services which allow us to run our business and deliver services are fit for purpose and provide good value for money. They exist to support and enable effective front line service delivery and allow our residents to interact with the Council when and wherever they want to.



## Outturn Position 2020-21

Spending against the budget has been monitored regularly throughout the year and reported to each of the Council's Cabinet meetings. The outturn position against budget for the 2020-21 financial year is set out in the table below.

The Council's Outturn position for the financial year ending 31 March 2021, was an underspend of £3.8m against the approved budget of £445.7m (-0.86%).

### Outturn position 2020-21

Outturn 2020-21 by Directorate	Net Budget £'000	Net Spend at 31/03/21 £'000	Outturn Variance as 31/03/21 £'000
Corporate Services	27,589	25,863	(1,726)
Children First Northamptonshire	127,904	124,282	(3,622)
Northamptonshire Adult Social Services (NASS)	177,849	175,023	(2,826)
Place Services	91,710	89,596	(2,114)
Public Health & Wellbeing	(25)	(24)	2
Technical Finance, Treasury, and Insurance	20,678	24,945	4,267
Total budgeted expenditure	<b>445,705</b>	<b>439,685</b>	<b>(6,020)</b>
Less Funding	(445,705)	(443,521)	2,184
Net Outturn Position 2019-20	<b>0</b>	<b>(3,836)</b>	<b>(3,836)</b>

## 2020-21 Performance and Financial Summary

### Northamptonshire Adult Social Services (NASS)

The final outturn for NASS (Northamptonshire Adult Social Services) for 20-21 was an underspend of £2.8m. This was as a result of £9.4m of underspends across the service, that offset £5m of in year pressures, £1.1m of undeliverable savings and a carry forward of £0.5m.

£5m of the underspends were a direct impact of the Covid 19 pandemic during 20-21 where the service saw a significant reduction in demand in independent care as vulnerable clients shielded and our client numbers reduced. The pandemic had a knock-on effect on other areas of spend including both staff and client transport, where travel was restricted. The £5m in year pressures were also driven by the impact of Covid, where as a result of reduced demand for care, the service saw pressures on client contribution and in house provider income budgets of £2.1m. In addition, NASS saw increased demand for Mental Health services that aligned to the National picture, following multiple lockdowns that increased spend above budget by £1.6m.

During 20-21 NASS were still able to deliver £8.6m of their £14.3m saving target despite the challenge of the pandemic. The service was able to move to a new Target Operating model where teams were aligned with a strength-based approach of assessment and structured into locality teams that aligned with the two unitary model. These changes generated £2.1m of the £3.5m savings target.

The service utilised £12m of government non ringfenced Covid money to cover the additional burdens of the pandemic that covered undeliverable savings of £4.6m, Additional packages of care £2.4m and support directly to providers in Northamptonshire of £3.8m. As part of the National covid response, NASS received £18.4m of grants that were then passported to care providers in Northamptonshire in 2020-21 to support them with Infection Control measures, Testing and workforce capacity.

## Children First Northamptonshire (CFN)

The Children First Northamptonshire final outturn position was an underspend of £3.6m mainly comprising of management interventions, discretionary underspends and additional income above planned levels totalling £4.7m which offset demand pressures totalling £1.1m.

In Northamptonshire the numbers of Children in Care remained stable over the course of the year, resulting in underspends totalling £2.1m across placements where budgeted growth did not materialise alongside improved expenditure controls. In addition to this additional grant income in UASC totalling £0.6m follows an uplift to rates awarded by central Government and a further £0.3m additional grant income to support remand placements. Further one-off underspends totalling £1.8m across staffing attributable to difficulties in filling Qualified Social Worker vacancies, non-placement related safeguarding care costs and contract variations make up the balance.

In year demand pressures total £1.1m and largely relate to legal expenditure due to additional section 31 cases above budgeted levels (£0.4m) and non-placement related care costs for children in care.

Northamptonshire Children's Trust (NCT), a company wholly owned by NCC, was established from 1 November 2020 to deliver early help and social care services for children and families on behalf of NCC until 31 March 2021; with ownership then transferring to the two new unitary authorities thereafter.

The part year impact of the core budget for the Northamptonshire Children's Trust was determined largely based on 5 months of the annual 2020-21 approved budget for in scope services plus the material additional costs of running a Trust such as management costs. The contract sum also includes notional sums for the buyback of property, support services and insurance which continue to be provided by the Council and collectively are termed as "other agreements".

Key principles for the part-year NCT core budget are that any under/ overspends incurred in the 7 months up to the 1 November 2020 go live date would be retained by the Council, and that expenditure funded by one off grant e.g. Covid-19 related expenditure, would not form part of the contract sum and would be paid across to the trust contingent upon providing evidence of compliant expenditure.

The CFN outturn represents the pro rata position based on the NCC budget performance over the first 7 months of the financial year (April - October 2020 inclusive) for services in scope of NCT. There are no reported variations to the Northamptonshire Children's Trust budget. For the out-of-scope services, the position still reflects the full year position.

## LGSS

LGSS provided shared back-office services to Northamptonshire County Council, Cambridgeshire County Council and Milton Keynes Council, and also provides services to a number of external customers and a range of schools.

On 1 October 2020 a number of services repatriated back to the Council which were previously under LGS. These services included IT, HR Advisory, Workforce Policy & Strategy, Procurement, and Learning and Development. The budget of £7.5m previously delegated to LGSS, and £3.3m budget managed by LGSS in relation to these services, is now shown within Corporate Services. A further budget of £1.1m previously delegated to LGSS in relation to Social Care Finance Operations is now shown within NASS.

For services which continue to be shared, the move to the Lead Authority model took place in December 2020.

## Public Health

Public Health's final outturn position was an underspend against the Public Health grant of £5.5m made up of underspends in the following areas; £1.7m within the public health core public health budget, £0.5m provider service and Smoking Cessation Service, £0.7m Weight Management and Social Wellbeing budgets, £0.4m Community Development and Health Checks and £2.2m against out of area Sexual Health costs and 0-19 services. The underspend is mainly due to the reduction in service due to Covid-19.

There was a net nil variance reported at outturn as the £5.5m unspent Public Health Grant had been transferred to the Public Health reserve to be spent in future years.

## Place

Place's final outturn position was an underspend of £2.1m. This included a savings delivery pressure of £0.8m, which related mainly to the Schools PFI budget and was due to a significant reduction in the actual level of monthly performance deductions after the budget was set. There was also a £1.7m overspend on Highways which comprised £0.4m on general highways maintenance, £0.9m on overheads and £0.5m following the decision to enhance the highways service during the winter months in order to improve the quality of the network. This, together with a £0.2m pressure on Energy and Carbon Management, due to the removal of rebate income under the new contract and the repayment of loans from the SALIX energy fund, and a £0.1m directorate pressure due to deferral of the planned Public Health Reinvestment Fund contribution led to an overall overspend of £3.2m.

Offsetting this pressure were a range of underspends across all areas of the Directorate totalling £5.3m. The most significant of these were a £1.2m underspend on Waste Management, driven mainly by the receipt of additional third party and other one-off income and a reduction of management fee costs at HWRCs, and a £0.8m underspend on Strategic Assets due to one-off reductions on service charges and some rebaselining of the budget. There were also significant underspends in relation to Schools PFI, Property running and utility costs, Concessionary Fares, Asset, Traffic Management & Regulations and Parking Services.

## Corporate Services

Corporate Services' final outturn position was an underspend of £1.7m. The most significant pressure was £0.3m relating to external audit fees for the 2018-19 audit. This, together with an underachievement on Emergency Planning income, additional costs arising from the re-procurement of the storage and archive contract and overspends on subscriptions and IT services, contributed to an overall overspend of £1.4m.

Offsetting this pressure were underspends across the Directorate totalling £3.1m. The most significant of these were £0.6m due to the local elections not taking place in May 2020, £0.4m on Libraries due to vacancies and an underspend on the book fund, £0.3m on the Coroners Service due to vacancies and operational changes, £0.2m on Business Intelligence due to long term vacancies and £0.8m on Support Services, (including £0.2m on Occupational Health due to an alternative approach to case management and a £0.2m contribution from the Lead Authority Services underspend).

## Technical Finance, Treasury, and Insurance

The directorate reported an overspend of £4.3m.

As part of the Council's preparation for the transfer into the new Unitary Authorities a detailed review of the Council's aged debt portfolio has been undertaken including an updated assessment on collectability, and a risk analysis of aged debt. As a result the bad debt provision was increased by £4.2m.

Following discussion with the Council's external auditors as part of the audit of the 2018-19 Statement of Accounts, a minimum revenue provision (MRP) policy decision from 2017-18 has been reversed, resulting in a pressure of £1.6m. This has been offset by utilisation of the same amount from the Council's base budget contingency.

Other minor variances totalled £0.1m.

## Funding

The Council's central funding comprised Council Tax, Business Rates, Revenue Support Grant, and New Homes Bonus funding. Council Tax and Business Rates precepts were received on a monthly basis from Borough and District Councils. These precept payments are based upon budgeted amounts set prior to the



start of the financial year. Therefore, Council Tax and Business Rates precepts for 2020-21 were set and agreed in February 2020, prior to the Covid-19 pandemic.

The final outturn position on this funding was a £2.2m favourable variance, predominantly due to a change to Northampton Borough Council's 2019-20 NNDR3 return has resulted in a £2.0m accrual to the Sustainability Fund in 2020-21. The additional funding variances set out below have been transferred to earmarked reserves so do not form part of this figure.

The Covid-19 pandemic impacted upon the Business Rates Collection Fund due to a reduction in collection rates, increases in applications for Business Rates reliefs, and a number of businesses ceasing to trade.

As part of the government response to the pandemic, businesses could apply for further business rates relief, such as retail discount. The Government paid section 31 grants to Councils in order to offset the loss of Business Rates income due to the increase in the reliefs granted. Accounting regulations stipulate that these additional Section 31 grants are accounted for in-year. The Council received an additional £8.8m in Section 31 grant in-year as a result.

However, whilst this appears to result in a large amount of additional forecast income in 2020-21, this is due to a timing difference as the reduction in Business Rates income that these Section 31 grants are offsetting will not be felt until 2021-22. This is because precept amounts are set prior to the start of the financial year and therefore the reduction in Business Rates income from the current year will not affect the Council budgets until the following year. Therefore, any in-year benefit from additional Section 31 grant income will be required to mitigate the impact on the new Unitary Authorities' Collection Funds in future years. This grant has been transferred to an earmarked reserve to provide contingency against fluctuations in the resource base for the two new unitary councils.

There was also a further in-year benefit of £1.4m compared to the budgeted amount of Business Rates income. This was largely due to timing differences as precept payments are based upon Borough and District Council's NNDR1 returns to Government and these included additional growth and benefits from Business Rates pooling in 2019-20, compared to budgetary assumptions. This has also been transferred to earmarked reserves.

As part of the Covid emergency funding package, the government announced a local tax income guarantee which will cover 75% of irrecoverable losses in business rates and council tax. The effect of this was a further benefit of £3.8m, which has been transferred to earmarked reserves.

## Transformation

The Council's Transformation Strategy was approved at meeting of full Council on 22 November 2018. The Strategy set out the Council's Transformation Programme, its objectives, together with the projects and programmes being funded through it.

The costs associated with the delivery of each of these projects have been met through the flexible use of capital receipts.

The delivery of these projects and their outcomes have been monitored closely in order to ensure that benefits are realised and that they continue to qualify for funding through this route. These projects are to deliver improved outcomes for the Council and reduce its cost base.

An updated Flexible Use of Capital Receipts Strategy was approved by full Council on 17 September 2020. The updated Strategy included a revised list of transformation projects to be funded through the flexible use of capital receipts in 2020-21.

Expenditure of £14.8m on the Council's Transformation projects for 2020-21 has been funded by flexible use of capital receipts. The savings generated through this funding will be realised in 2020-21 and in future years. Some projects are enablers and savings will be delivered in other areas due to them being in place.



## Regular Performance Reporting

The service performance of the Council was monitored through the quarterly Corporate Performance Report, which was presented to Cabinet on a quarterly basis, providing an oversight of key performance indicators which are grouped against the Council's priority and transformation themes. The indicators included in the Corporate Performance report forms part of a wider performance management framework within the Council that monitors performance on a regular basis.

The table below provides a summary of how the performance indicators within the corporate scorecard performed against target at the end of the 2020-21 year. There were 12 indicators showing as performing to at least 99% of the target set at the start of the year, a further 6 of indicators achieving at least 95% of their target, overall this is 7.42% lower than the previous year. It is, however, important to note that part of this reduction will be due to the education attainment indicators which, due to Covid-19, are not reported this year (there were no examinations to report against).

Rating	Number	% of Total	% Change from 2019-20
Green (99% of target set or greater)	21	28.0	-1.0
Amber (Between 95% and 99% of target)	6	8.0	-6.5
Red (Less than 95% of target)	19	25.3	4.3
No Target in place for the current year	2	2.7	3.9
No Tolerance (Indicators where, depending on viewpoint, it is equally positive to reduce or increase performance (e.g. rate of Children in Care) or measures such as number of employees etc...)	14	18.7	-3.7
Trend only (indicators that are include for monitoring purposes only, normally the council has no direct impact over these (e.g. Job Seekers Allowance claimants), but are useful to understand the context of the county)	6	8.0	1.4
No data reported this year (these are all education attainment measures where there have been no exams in 2020-21 due to the Covid-19 pandemic)	7	9.3	9.3
<b>Total</b>	<b>75</b>		

Target setting for the 2020-21 year was primarily to maintain performance of the previous year as the priority for the council was the transition into Unitary councils, in addition to this there were two indicators that had no targets set for the year;

- **Permanent Exclusions:** It would not be appropriate to set a hard target for this indicator, the council works with schools in order to keep the greatest number of children in mainstream education as possible.
- **Proportion of CiC placed out of county and Proportion of CiC Placed more than 20 miles from home:** It is preferable to have the children placed in care close to their family location and therefore it is expected that the numbers on these two indicators are as low as possible, however similar to the previous indicator it would be inappropriate to set a hard target for this indicator.

The full detail of the Council's performance in the 2020-21 financial year are available upon request. Each quarter these reports provide a position in the year on the current performance against target and also a rolling 2-year trend if a quarterly indicator and a 4-year trend if an annual indicator.

## Capital

The initial forecast capital expenditure for 2020-21 totalled £82m, within a total committed Capital Programme of £128m through to 2023-24. During 2020-21 Cabinet also approved new schemes into the capital programme, granted extensions to current schemes, and removed schemes to give a net increase of £34m in the capital programme across all years. As a result of new schemes entering the capital programme, primarily from the development pool, and schemes being re-phased to give revised expenditure forecasts, the final capital expenditure for 2020-21 is £64m.

The main areas of capital expenditure are:

- Environment, Development and Transport - £35m, (55% of total spend), including Highways *DFT Block Grant schemes 2020-21* (£22.7m)
- Children First Northamptonshire - £19m, (29% of total spend), including Kettering Secondary School Extensions (£6.6m)
- NASS - £5m, (8% of total spend), including Community Equipment (£4.8m)

Throughout the year, forecast borrowing requirements to fund the capital programme reduced significantly due to a review of scheme priorities, expenditure profiling, receipt of funding in relation to schemes completed in previous years and a policy of minimising the level of borrowing.

## Statement of Accounts 2020-21

The Statement of Accounts for 2020-21 has been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom'. This sets out the accounting principles and practices required to present a true and fair view of the financial position of a local Council and is based on International Financial Reporting Standards (IFRS).

The Core Financial Statements are set out on pages 23 to 26 and consist of the following, which are explained in more detail in the notes to the accounts:

**Comprehensive Income and Expenditure Statement (CIES)** – this statement provides a summary of the resources which have been applied and generated in providing services and managing the Council during the year;

The headline figures and messages from this statement for the Council are the net cost of services for 2020-21 across the Council's directorates was £411.3. After taking into consideration other operating expenditure, financing and investment income/expenditure, grant income, and income from taxation (Council Tax and Business Rates), the Council's deficit on the provision of services was £14.0m

It should be noted that the CIES shows the resources that have been generated and consumed in providing services and managing the Council in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The amount to be funded from taxation can be seen within the Council's Movement in Reserves Statement.

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



The headline figures and messages from this statement for the Council are a general fund balance of £26.4m at 31 March 2021, an increase of £6.2m.

In addition, the Council's earmarked reserves, including school reserves, have increased by £52.3m in-year to a balance of £114.9m.

**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. The net assets of the Council (assets less liabilities) are matched by the Reserves held by the Council.

There has been a reduction in short term borrowing undertaken by the authority of £13.8m, long term borrowing has also reduced by £7.7m meaning an overall reduction of £21.5m in borrowing.

The movement in the value of the Council's Property, Plant and Equipment (PPE) on the Balance Sheet incorporates the revaluation of assets under the rolling valuation programme, together with any additions, disposals and reclassifications which took place during the year. PPE reduced by £18m during 20-21, giving a closing balance of £1,127.5m.

**Cash Flow Statement** – outlines the changes in the cash and cash equivalents, for example, changes in debtor balances (those owing the Council money) and creditor balances (those which the Council owes money to) 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.

The headline figures from this statement are that during 2020-21 the Council's cash and cash equivalents decreased by £13.2m from £49.7m as at 31 March 2020 to £36.5m as at 31 March 2021.

## Covid-19 pandemic response

The Covid-19 virus has had considerable impact on the way services are provided by the Council and its partners. The impact on the 2020-21 budget and the medium-term financial outlook has been significant.

On 20 March 2020 the Chancellor announced initial funding of £1.6bn to Local Government for emergency support to deal with the coronavirus (Covid-19). Northamptonshire County Council received its allocation of £17.2m from this funding in Period 12 2019-20. Further funding to Local Government of an additional £1.6bn was announced on 18 April 2020 (Council's allocation £13.4m); a further £500m funding for Local Government was announced on 2 July (Council's allocation £4.7m); and an additional £1bn was announced on 22 October 2020 (Council's allocation £8.4m); making an overall total £43.7m

In addition to NCC's £43.7m share from the £4.6bn additional funding announced nationally, there have also been the following measures announced by the Government for Local Authorities:

- £600m for infection control in care homes. Northamptonshire's allocation from this funding is £8.2m. This funding has been passported to care homes.
- £546m for infection control in care homes. This is in addition to the funding above, of which the Council's allocation was £6.75m.
- £149m to support roll out of rapid testing in care home testing. The grant helps care homes in Tiers 1, 2 and 3 meet additional costs associated with visits, supporting residents to see friends and family. The Council's allocation was £2.1m
- £300m to support the new test and trace service. Northamptonshire's allocation of this is £3.3m



- The Council received £7.7m from the Contain Outbreak Management Fund (COMF), to put additional Public Health and outbreak response measures in place, in line with government announcement of national restrictions in November 2020 and covered the period from June to 29 December 2020.
- Further COMF outbreak management funding to cover the period from 30 December to the end of the financial year. Upper tier local authorities in Tier 2 were eligible to receive funding of £2 per head of population per each 28-day period, and £4 per head per each 28 days in a Tier 3, or 4 area (or National lockdown). This additional funding was available from the end of national restrictions on 29 December until the end of this financial year, resulting in an additional £9.9m funding for Northamptonshire.
- £1.8bn of section 31 grant compensation brought forward from business rates reliefs – this is a cash flow measure split between Districts and the County and reflects early payment of existing funding.
- £2.6bn in deferred local authority payments of the Central Share of retained business rates – this is a cash flow measure, not additional funding, and would only relate to District Councils in a two-tier setting.
- £850m upfront payment in social care grants – this is a cash flow measure and reflects early payment of existing funding.
- £3.2m of initial emergency funding for local authorities to support rough sleepers – this is additional funding payable to District Councils in a two-tier setting.
- £63m to be distributed to Local Authorities to help those struggling to afford food and other essentials due to Covid-19. The Council received £0.8m from the total funding.
- A phased proposal which will enable Authorities to spread Collection Fund deficits over 3 years. No direct financial support has been announced for the anticipated significant shortfalls in Council Tax or Business Rates income and any other ongoing expenditure pressures falling into 2021-22 financial year.
- £99m Section 31 grant distributed to local transport authorities to provide additional transport capacity for journeys to school and college for the Autumn and Spring terms. The Council will receive £1.9m of this funding.
- On 22 September 2020 it was announced that £60m would be made available nationally to Local Authorities and Police to support Covid compliance and enforcement activities. Within two tier settings this funding has been provided to Borough and District Councils. Within Northamptonshire, the Borough and District Councils have received a combined £0.4m.
- £170m Covid Winter Grant Scheme to support those most in need across England with the cost of food, energy and water bills and other associated costs. Funding is ring-fenced and covers the period from early December 2020 until end of March 2021. The council received £2.1m of this funding.
- £32m Funding for Local Authorities for support to Clinically Extremely Vulnerable (CEV) individuals. Funding will be an unringfenced Section 31 grant. The Council received £0.9m of this funding.
- £180m Section 31 grant: Emergency Active Travel Fund to support local transport authorities with producing cycling and walking facilities. The funding is in 2 tranches: Tranche 1 supports the installation of temporary projects for the Covid-19 pandemic, and Tranche 2 is for the creation of longer-term projects. The council received £1.7m of this funding (including both revenue and capital funding).
- £310m Homelessness Prevention Grant for 2021 to 2022. The grant will be targeted at areas with high numbers of homeless people, those at risk of homelessness, or those living in temporary accommodation - helping them to rebuild their lives.to prevent vulnerable people becoming homeless. The funding is part

of overall investment of more than £750m to tackle homelessness and rough sleeping next year. Funding went directly to Districts and Boroughs.

- £7.5m funding package to help tackle loneliness over the winter period, supporting sectors that are well known for bringing people and communities together such as the arts, libraries, charities, and radio. This funding has been provided to District and Borough Councils.
- £120m Workforce Capacity funding to help increase staffing capacity in social care. Northamptonshire's allocation of this was £1.4m
- A scheme to compensate Local Authorities for losses on Sales, Fees and Charges income. The government will recompense 75 % of fees and charges income shortfalls, over and above losses of 5% of budgeted income by an authority. The Council received £1.9m in respect of SFC losses, with a further £0.5m still to be received, which has been accrued at year end as a debtor.

The final 2020-21 position on Covid-19 funding for Northamptonshire County Council is as follows:

	£m
Spent in 20-21	56.4
Unspent to earmarked reserve	37.1
Returned to government as per grant conditions	0.2
Year-end Debtor	(0.5)
<b>Total covid funding received 20-21</b>	<b>93.2</b>

Any unspent Covid funding is being transferred to an earmarked reserve, in order to be carried across to the new Unitary Councils to fund the recovery phase of the pandemic (subject to terms and conditions on each funding stream).

Of the unspent balanced transferred to earmarked reserves at year end, £22.1m relates to the unringfenced funding, £13.2m COMF and Community Testing, and £1.8m other funding streams.

## Budget 2021-22 and Local Government Reorganisation

Local Government Reorganisation will take place on 1 April 2021, with West Northamptonshire Council and North Northamptonshire Council providing a range of services to residents and businesses from this date. This includes care to vulnerable adults and children, education, the collection and disposal of waste, household waste recycling, leisure and community wellbeing, highways, planning, economic development, housing, and support for the homeless.

The creation of a new single tier councils provides the opportunity to transform and improve local services for the residents of Northamptonshire in line with the vision previously set out in the prospectus for change and the stated ambition of the executives. The new Councils will also work with businesses and other partners to support economic recovery following the Covid-19 pandemic and to promote economic recovery and growth. They will also continue to protect and support our communities and vulnerable people as we emerge from the public health crisis and through our ongoing work with system partners, agencies, and the voluntary and community sector.

The 2021-22 budget for each Unitary has been set in the context of the current health emergency and its impacts but with a focus on building a strong foundation with a 'safe and legal plus' transition from the ex-sovereign councils to a new Unitary Councils. Their budgets include initial efficiencies arising from a review of the senior management structures and builds in the resources to progress significant transformation and drive benefits from bringing the councils together.

The creation of the Councils presents a number of opportunities, such as the financial benefits of economies of scale both from amalgamating councils into one and from the consolidation of contracts, assets, and the

redesign of processes. However, there remains a significant amount of financial risk, such as the nationally recognised budget pressures for local government, not only from the longer-term impact of Covid-19 on costs and income, but also from demand led and other cost pressures which pre-date the pandemic.

# Independent Auditor's Report to the Members of Northamptonshire County Council

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# Statement of Responsibilities

## The Council's responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is Executive Director of Finance.
- Manage its affairs to secure economic, efficient, and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

Following the approval of the Northamptonshire Structural Changes Order (2020) by Parliament, Northamptonshire County Council will cease to exist as a result of the reorganisation of local government in the County of Northamptonshire. The newly created West Northamptonshire Council is charged with overseeing the completion of the audit of the 2020-21 Statement of Accounts. Its Audit and Governance Committee will consider the results of the 2020-21 audit at a meeting in March 2022, after which the final audited accounts will be published.

**Cecile Irving-Swift**

**Chair of the Audit Committee**

## Responsibilities of the Executive Director of Finance

The Executive Director of Finance is responsible for the preparation of the Council's Statement of Accounts and the Northamptonshire Pension Fund's Statement of Accounts, in accordance with proper practices as set out in The Chartered Institute of Public Finance and Accountancy (CIPFA)/Local Authority Scotland Accounts Advisory Committee (LASAAC) Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice'), and is required to give a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ending 31 March 2021.

In preparing this Statement of Accounts, the Executive Director of Finance has:

- Selected appropriate accounting policies and then applied them consistently,
- Made judgments and estimates that were reasonable and prudent, and
- Complied with the Code of Practice.

The Executive Director of Finance has also:

- Kept proper accounting records that were up to date, and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

## Certificate of the Executive Director of Finance

I certify that the Statement of Accounts give a true and fair view of the financial position of Northamptonshire County Council as at 31 March 2021 and the Authority's income and expenditure for the year then ended.

I certify that the Statement of Accounts give a true and fair view of the financial transactions of the Northamptonshire Pension Fund during the year ended 31 March 2021 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2021.

This statement of Accounts is authorised for issue on XX XXXXX 2022 and any events up to this date are reflected in the note Events after the Balance Sheet date.

**Martin Henry BA (Hons.), CPFA**

**Executive Director of Finance**

**XX XXXXX 20212**



# Core Financial Statements



## Comprehensive Income and Expenditure Statement

This statement shows the resources that have been generated and consumed in providing services and managing the Council in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. It includes all day-to-day expenses and related income on an accruals basis as well as transactions measuring the value of non-current assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

Gross Expenditure  2019-20 £000	Gross Income  2019-20 £000	Net Expenditure  2019-20 £000	Comprehensive Income and Expenditure Statement				Gross Expenditure  2020-21 £000	Gross Income  2020-21 £000	Net Expenditure  2020-21 £000			
26,714	(6,059)	20,655	Corporate Services				72,617	(34,272)	38,345			
405,957	(291,992)	113,965	Children First Northamptonshire				426,830	(292,478)	134,352			
45,328	(22,476)	22,852	LGSS*				-	-	-			
250,154	(88,658)	161,496	Northamptonshire Adult Social Services (NASS)				305,394	(123,164)	182,230			
128,033	(45,724)	82,309	Place Services				193,624	(106,635)	86,989			
31,596	(37,232)	(5,636)	Public Health				41,890	(57,946)	(16,056)			
18,652	(59,014)	(40,362)	Corporate Costs				10,499	(25,028)	(14,529)			
<b>906,435</b>	<b>(551,156)</b>	<b>355,279</b>	<b>Cost of Services</b>				<b>1,050,854</b>	<b>(639,523)</b>	<b>411,331</b>			
34,344	-	34,344	Other Operating Income and Expenditure (Note 11)				5,638	-	5,638			
34,319	(876)	33,443	Financing and Investment Income\Expenditure (Note 12)				51,745	(24,328)	27,417			
5	(412,308)	(412,303)	Taxation and Non-Specific Grant Income (Note 13)				-	(430,379)	(430,379)			
<b>975,103</b>	<b>(964,340)</b>	<b>10,763</b>	<b>(Surplus) or Deficit on Provision of Services</b>				<b>1,108,237</b>	<b>(1,094,230)</b>	<b>14,007</b>			
		(4,590)	(Surplus) or Deficit on Revaluation of Non-Current Assets (Note 18)						(9,457)			
		(178,929)	Actuarial (gains) / losses on pension assets / liabilities (Note 18)						112,282			
		(183,519)	<b>Other Comprehensive (Income) and Expenditure</b>						102,825			
		(172,756)	<b>Total Comprehensive (Income) and Expenditure</b>						116,832			

\*LGSS now within Corporate Services



## Movement in Reserves Statement (MiRS)

This statement shows the movement in the year on the different reserves held by the Council analysed into 'Usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and Unusable reserves. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the Council'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 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.

Movement in Reserves Statement	General Fund £'000	Earmarked Reserves £'000	Schools Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Authority Reserves £'000
<b>Balance at April 2019 carried forward</b>	(16,895)	(19,857)	(21,062)	(16,663)	(22,890)	(97,367)	338,683	241,316
<b>Movement in Reserves during 2019-20</b>								
Total comprehensive income and expenditure	10,763	-	-	-	-	10,763	(183,519)	(172,757)
Adjustments between accounting and funding basis under regulations (Note 16)	(35,704)	-	-	12,280	(2,863)	(26,287)	26,287	-
Transfer to/from Reserves (Note 17)	21,672	(25,779)	4,108	-	-	-	-	-
<b>(Increase)/decrease in 2019-20</b>	<b>(3,269)</b>	<b>(25,779)</b>	<b>4,108</b>	<b>12,280</b>	<b>(2,863)</b>	<b>(15,524)</b>	<b>(157,232)</b>	<b>(172,756)</b>
<b>Balance at 31 March 2020 carried forward</b>								
<b>Balance at 31 March 2020 carried forward</b>	<b>(20,164)</b>	<b>(45,636)</b>	<b>(16,954)</b>	<b>(4,383)</b>	<b>(25,753)</b>	<b>(112,891)</b>	<b>181,451</b>	<b>68,560</b>
<b>Movement in Reserves during 2020-21</b>								
Total comprehensive income and expenditure	14,007	-	-	-	-	14,007	102,825	116,832
Adjustments between accounting and funding basis under regulations (Note 16)	(72,528)	-	-	3,609	7,402	(61,517)	61,517	-
Transfer (to) /from Reserves (Note 17)	52,287	(41,404)	(10,883)	-	-	-	-	-
<b>(Increase)/decrease in 2020-21</b>	<b>(6,234)</b>	<b>(41,404)</b>	<b>(10,883)</b>	<b>3,609</b>	<b>7,402</b>	<b>(47,510)</b>	<b>164,343</b>	<b>116,832</b>
<b>Balance at 31 March 2021 carried forward</b>								
<b>Balance at 31 March 2021 carried forward</b>	<b>(26,398)</b>	<b>(87,040)</b>	<b>(27,837)</b>	<b>(775)</b>	<b>(18,352)</b>	<b>(160,401)</b>	<b>345,793</b>	<b>185,392</b>



## Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. The Balance Sheet is fundamental to the understanding of the Council's financial position at the end of the financial year. This statement reports on the Council's balances on assets (non-current and current), liabilities (long and short term) and reserves.

31 March 2020		Balance Sheet		31 March 2021	
	£'000		Notes		£'000
1,145,427	Property, Plant and Equipment		21	1,127,453	
2,055	Heritage Assets		24	5,376	
50,898	Investment Property		22	34,886	
3,131	Intangible Assets		23	1,624	
676	Long-Term Investments		37	675	
28,304	Long-Term Debtors		26	22,875	
<b>1,230,491</b>	<b>Long Term Assets</b>			<b>1,192,889</b>	
425	Assets held for Sale		25	12,801	
750	Inventories			701	
107,759	Short-Term Debtors		27	168,074	
61,830	Cash and Cash Equivalents		28	40,119	
<b>170,764</b>	<b>Current Assets</b>			<b>221,695</b>	
(12,091)	Bank Overdraft		28	(3,619)	
(123,724)	Short-Term Borrowing		37	(109,925)	
(89,762)	Short-Term Creditors		29	(134,467)	
(6,263)	Receipts in Advance		14	(2,272)	
(20,192)	Capital Grants Receipts in Advance (<1yr)		14	(20,102)	
(2,264)	Provisions (<1yr)		30	(1,804)	
<b>(254,296)</b>	<b>Current Liabilities</b>			<b>(272,189)</b>	
(42,808)	Capital Grants Receipts in Advance (>1yr)		14	(53,640)	
(18,184)	Provisions (>1yr)		30	(7,988)	
(451,238)	Long-Term Borrowing		37	(443,541)	
(703,291)	Other Long-Term Liabilities		31	(822,619)	
<b>(1,215,521)</b>	<b>Long-Term Liabilities</b>			<b>(1,327,788)</b>	
<b>(68,562)</b>	<b>Net Liabilities</b>			<b>(185,393)</b>	
(112,891)	Usable Reserves		17	(160,401)	
181,453	Unusable Reserves		18	345,794	
<b>68,562</b>	<b>Total Reserves</b>			<b>185,393</b>	

Martin Henry BA (Hons.), CPFA

Executive Director of Finance

XX XXXXX 2022

# Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents. The cash flow is analysed between 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 Council are funded by way of taxation and grant income or from the recipients of services provided by the Council.

**Investing activities** is the acquisition and disposal of Long-Term assets and other investments that are not considered to be cash equivalents. These are intended to aid the Council to manage its service delivery over the long term.

Cash flows arising from **financing activities** are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council. Cash figures are shown net of overdraft

2019-20		Cash Flow Statement		2020-21	
	£'000			Note	£'000
(10,763)	Net Surplus/(Deficit) on the provision of services				(14,007)
71,231	Adjustment to surplus or deficit on the provision of services for non-cash movements			34	60,877
(66,756)	Adjust for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities			34	(62,142)
<b>(6,288)</b>	<b>Net Cash flows from Operating Activities</b>				<b>(15,272)</b>
32,207	Net Cash flows from Investing Activities			35	31,417
(11,807)	Net Cash flows from Financing Activities			36	(29,384)
<b>14,112</b>	<b>Net Increase /(Decrease) in cash and cash equivalents</b>				<b>(13,239)</b>
35,627	Cash and Cash equivalents at the beginning of the reporting year			28	49,739
<b>49,739</b>	<b>Cash and Cash equivalents at the end of the reporting year</b>				<b>36,500</b>

# Notes to the Core Statements

# Setting the Accounts Framework

## 1. Accounting Concepts and Policies

### Going Concern: Northamptonshire County Council as at September 2021

#### 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.

Due to local government reform, the functions and services of Northamptonshire County Council transferred to North Northamptonshire Council and West Northamptonshire Council, along with the respective functions and services of the surrounding districts and boroughs on 1 April 2021, in accordance with The Northamptonshire Structural Changes Order 2020 (Statutory Instrument 2020 No. 156).

#### Establishing the Financial Baseline for North Northamptonshire and West Northamptonshire

The approach to establishing North Northamptonshire Council's and West Northamptonshire Council's 2021-22 budget and opening financial position, had 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 Revenue Budget
- Dedicated Schools Grant
- Capital Programme
- Public Health Grant
- Balance sheet (including reserves and balances)

The disaggregation work was completed by identifying a set of principles that provided a fair representation of how income, expenditure, assets, and liabilities should be distributed between North and West Northamptonshire Council, once these principles were agreed, the most up to date data sets were then obtained to inform the percentage split. This piece of work was completed collaboratively by the NCC finance team working with senior managers within the services, overseen by a member led task and finish group which was supported by relevant senior officers including the Chief Financial Officer. A summary of these key principles is set out in the table below.

Revenue and Capital Disaggregation Principles	Balance Sheet Disaggregation Principles
<ul style="list-style-type: none"> <li>• Place of ordinary residence</li> <li>• Geographical location</li> <li>• Cost drivers</li> <li>• Population</li> <li>• Funding formulae</li> <li>• Staff numbers</li> </ul>	<ul style="list-style-type: none"> <li>• Geographical location</li> <li>• Link to capital programme / capital financing requirement</li> <li>• Link to service disaggregation</li> <li>• Caretaker authority</li> <li>• District/Borough areas</li> </ul>



Added to the disaggregated County Council position were the budgets for the District and Borough Council's 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.

## **North Northamptonshire and West Northamptonshire Budget 2021-22**

The focus for establishing financial budgets and plans for the new councils has been for a 'safe and legal' provision of services. A key requirement in formulating the 2021-22 budgets has been to develop a process for allocating the existing Medium Term Financial Plans to the new organisations. The existing sovereign council plans were carefully scrutinised and updated to reflect a North Northamptonshire perspective and 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 North Northamptonshire and West Northamptonshire and both Councils drive for further transformation and improvement.

Key assumptions included in the 2021-22 budget for **North Northamptonshire** are;

- safe and legal service provision,
- a balanced net revenue budget of £293m,
- Covid-19 pressures of £17m,
- a contingency of £6m,
- a 4-year capital investment programme (including HRA) of £219m (funded by £43m of borrowing),
- an Affordable Borrowing Limit of £824m for 2021-22,
- general fund reserves of £22m, and earmarked reserves of £124m, including £20m of HRA reserves, at 1 April 2021

In addition, the actual liquidity position the new council inherited was positive, on the 31 March 2021 it had cash and investment held by sovereign councils totalling £156m. 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.

The organisations projected financial gap for 2022-23 was £18.5m for 2022-23. The medium-term financial position is currently being reviewed and the respective budget gap will be closed as the part of future budget setting processes.

Key assumptions included in the 2021-22 budget for **West Northamptonshire** are;

- safe and legal service provision
- a balanced net revenue budget of £327m
- Covid-19 pressures of £12.5m
- a contingency of £10.1m
- a 4-year capital investment programme (including HRA) of £340m (funded by up to £94.5m of borrowing)
- an Affordable Borrowing Limit of £850m for 2021-22 (The headroom is £300m representing 35% of the approval limit at the beginning of the financial year. This headroom will increase to £325m at

the end of the going concern period as outstanding loans are repaid during this period. This also subject to the capital funding requirement changes during for 2022/23 financial that could alter borrowing needs in the early part of that year.)

- estimated general fund balance of £40m, and earmarked reserves of £55m, including £5m of HRA reserves, at 1 April 2021.

The actual liquidity position that the new council held on vesting day which included cash and investments held by relevant legacy councils totalled £164.9m.

There is an element of the liquidity related to Northampton County Council (NCC- the legacy council) totalling £20.6m that is subject to the local Government disaggregation process to be split between North and West Northamptonshire following the auditing of the NCC's final accounts that is not reflected in figure stated above. It is estimated that WNC proportion of that split is £10.3m in addition to the £164.9m.

Over the going concern period (up to November 2022), the loan repayment terms vary as the council has different types of loan, the majority of the loans are annuity or maturity-based loans. The total loan repayments due during this period is £25.2m.

The cash flow forecast model prepared as at October 2021 shows a cash and investment position of £180.5m. The forecast for the period to November 2022 shows an improvement of £25m from the October 2021 position within the model, but this includes estimates for cash inflow and outflow for the first 8 months of 2022/23 that are subject to changes that could reduce or increase that position, there is sufficient available cash and liquid investments to enable the Council to remain liquid throughout the going concern assessment period.

## **Children's Social Care**

In November 2020 the Northamptonshire Children's Trust was established. This follows Northamptonshire County Council being issued statutory directions from the Department for Education which required the Council to voluntarily establish a Children's Trust.

The Children's Trust is a wholly owned and 'Teckal' compliant company to perform specified children's social care functions on behalf of the Council in Northamptonshire with the statutory responsibility for children's services retained by the Council.

The Trust was established as a company limited by guarantee on 1 November 2020 and was a wholly owned subsidiary of Northamptonshire County Council, who were therefore responsible for its underwriting liabilities.

From 1 April 2021 the ownership and responsibilities of the Trust transferred to North and West Northamptonshire Council's, providing contractual oversight of the Trust which operates as a separate entity in its own right, and within the terms of the contractual agreement. The associated forecast liabilities are reflected in the budget and liquidity considerations described above.

## **Northamptonshire County Council Provisional Outturn 2020/21**

West Northamptonshire Council provided a provisional outturn position for all legacy councils within West Northants including the County Council (before disaggregation), to its Cabinet on 14 September 2021. The table below sets out the summary position.

Sovereign Authority	Net Budget £'000	Forecast Net Spend at 31/03/2021 £'000	Provisional Outturn Position £'000	% Variance to budget at 31/03/2021
<b>Northamptonshire County Council</b>	<b>445,705</b>	<b>439,297</b>	<b>(6,408)</b>	<b>-1%</b>
Northampton Borough Council	30,835	30,170	(665)	-2%
Daventry District Council	18,316	17,851	(466)	-3%
South Northamptonshire Council	15,951	15,524	(427)	-3%
<b>Total</b>	<b>510,807</b>	<b>502,841</b>	<b>(7,966)</b>	<b>-2%</b>



## West Northamptonshire Council Finance Resilience

### The Professional Finance Team

Ensuring a suitably qualified and resourced Finance Team was an important priority for WNC. Prior to vesting day, an interim finance structure was created for the new Strategic Finance and Accountancy divisions within Finance. This structure was informally consulted on with staff throughout March 2021 and was subsequently refined, and finalised based on the feedback received before 1 April 2021.

The S151 Officer has ensured there is robust financial governance and control throughout the organisation. There are two Deputy S151 Officers who each lead the following teams.

The Strategic Finance Team operates a Business Partnering Service to ensure services have access to timely and accurate financial information to support decision making, provide support on financial training, and in year and future years reporting requirements and support the discharge of s151 responsibilities throughout the organisation.

The Accountancy Team provides the Treasury Management function and technical financial advice, while also being responsible for the Collection Fund, the preparation of the Statement of Accounts and the implementation of new and updated International Financial Reporting Standards and supporting the execution of s.151 responsibilities.

The Procurement Service, Revenue and Benefits and Pension Team also form part of the wider Finance Directorate, reporting to the S151 officer, which supports a joined up and collaborative approach to financial management.

### Robustness Review of 2021-22 Revenue Budget

Each budget group has a dedicated budget manager, responsible for the probity and financial management for their respective service.

A 'zero-based budgeting' (ZBB) costing exercise was undertaken by Finance and Service Managers to review and validate staffing budgets against staffing establishments, test disaggregated and aggregated budget envelopes, review demand led budget allocations and ensure legacy decisions are fully funded, to ensure 2021-22 budget is still at an appropriate level.

### Quarter 1 Review of 2021-22 Revenue Budget Outturn

Following on from the first quarter review of revenue outturn, WNC is reporting a forecast balanced budget position to its 14 September 2021 Cabinet. The summary forecast outturn position is reported in the table below.

Directorate	Net Budget £'000	Forecast Net Spend at 31/03/22 £'000	Forecast Variance at 31/03/22 £'000	% Forecast Variance against budget
Corporate Services	20,837	21,407	570	3%
Chief Executive Office	1,757	2,090	333	19%
Children's Services	73,701	73,701	0	0%
Adults, Communities & Wellbeing	108,862	109,466	604	1%
Place, Economy and Environment	80,060	80,316	256	0.3%
Finance Directorate	10,359	10,220	(139)	-1%
Technical / Centrally Controlled Budgets	30,994	30,994	0	0%
<b>Total budgeted expenditure</b>	<b>326,570</b>	<b>328,194</b>	<b>1,624</b>	<b>0.5%</b>
Less funding	(326,570)	(326,570)	0	0%
<b>Net Position 2021-22</b>	<b>0</b>	<b>1,624</b>	<b>1,624</b>	
Less budget contingency		(1,624)	(1,624)	
<b>Overall Net Position 2021-22</b>		<b>0</b>	<b>0</b>	

The Council has also provisionally finalised NCC's brought forward reserve position, including which is set out below as well as the disaggregated balances for WNC;

	Total NCC £'000	NCC West £'000	NBC £'000	DDC £'000	SNC £'000	Grand Total £'000
<b>General Fund Balance</b>	<b>26,889</b>	<b>14,227</b>	<b>4,000</b>	<b>21,900</b>	<b>2,212</b>	<b>42,339</b>
<b>Earmarked Reserves:</b>						
Budget Delivery Reserve	7,478	3,957				3,957
Public Health Reserve	17,383	8,935				8,935
Insurance reserve	2,830	1,415	803	171	158	2,547
LGSS reserves	692	366				366
Business Rates Reserve	14,045	770	6,098	9,031	1,335	17,234
Business Rates S31 grant		7,709	19,793	7,808	4,056	39,366
Service specific reserves	809	439	2,202	674		3,315
MTFP cash flow reserve	2,874	1,520	2,899			4,419
Environmental Services capital financing reserve			4700			4,700
Sixfields recovery reserve			270			270
Enterprise zone reserve			3549			3,549
Council tax income guarantee reserve			200		79	279
Other Earmarked reserves	3,279	1059		8311	8144	17,514
<b>Total Earmarked Reserves</b>	<b>49,391</b>	<b>26,171</b>	<b>40,514</b>	<b>25,995</b>	<b>13,772</b>	<b>106,452</b>
<b>COVID-19 Funding</b>						
Unringfenced general covid grant	22,061	11,137	936	1,227	0	13,300
COMF and Test & Trace	13,186	6,656	323	0	0	6,979
Other covid funding	1,814	916	120	0	201	1,237
<b>Total Covid-19 Funding</b>	<b>37,061</b>	<b>18,709</b>	<b>1,379</b>	<b>1,227</b>	<b>201</b>	<b>21,516</b>
<b>Grand Total</b>	<b>113,341</b>	<b>59,107</b>	<b>45,893</b>	<b>49,122</b>	<b>16,185</b>	<b>170,307</b>

The Council is forecasting a balanced 2021/22 revenue position and is therefore not expecting to draw down any of its General Balance or budget delivery reserves in the current financial year. The Council also operates applies a principle of not using one-off resources primarily for funding ongoing pressures as part of the annual budget.

Through the 2022-23 budget setting process, which will formally commence in October 2021, the S151 Officer will make a number of assessments on the council's financial position including the latest funding forecasts, expected level of demand for services, risks, issues and opportunities to ensure a robust balanced Budget is set and ensuring an adequate General Balance is held along with a suitable set of earmarked reserves.

It is important to note, at this stage the Council does not have any financial resilience concerns on the level of reserves and balances transferred from the legacy sovereign councils.

### Robustness Review of Capital Programme

WNC has undertaken a detailed review of its Capital Programme and updated it to account for the following;

- changes identified while finalising 2020-21 provisional outturn
- scheme expenditure re-phasing
- new scheme approvals

The revised Capital programme is set out below and has been reported to WNC 14 September 2021 Cabinet.



West Northants GF Capital Budget	2021-22	2022-23	2023-24	2024-25	Total
	£k	£k	£k	£k	£k
Approved Budget 2021-22	52,256	21,815	6,630	3,522	84,223
New scheme approvals	23,659	27,659	2,262	3,865	57,445
Changes to existing scheme budgets approved by legacy councils	526	(333)	(170)	246	269
Scheme rephasing	25,483	0	0	0	25,483
<b>Total</b>	<b>101,924</b>	<b>49,141</b>	<b>8,722</b>	<b>7,633</b>	<b>167,420</b>
<i>Movement from February 2021 capital programme</i>	49,668	27,326	2,092	4,111	83,197

The Capital approval governance process is set out below:

#### Executive Leadership Board (ELT)

- ELT will have first sight of all budget proposals / capital bids and will undertake an initial scrutiny and challenge process before any schemes are submitted to the Capital and Assets Board for approval (see below). There is an expectation that before any proposal is considered by ELT that it has already received the relevant portfolio holder's support.

#### Capital and Assets Board (CAB)

- This is an officer and councillor group, chaired by the S151 Officer. The purpose of this Board is to review and challenge capital schemes prior to their submission to Cabinet / Full Council for final approval, in line with the limits outlined in the Capital Strategy. The group will also monitor and challenge active projects, holding project managers to account for specific project performance.

#### Individual Project Board Groups

- Specific Project Board Groups must be set up for high risk / high value projects which should meet regularly. CAB will identify the need for a specific Project Board as part of its approval process for each scheme. These groups will be concerned with the management of a specific project, including contract details, contractor performance, value for money and publication / communication of progress.

### 2022-23 Budget Setting and Medium-Term Financial Planning Process

The development of the 2022-23 revenue budget and refinement of the medium-term financial plan will be informed through a 'Star Chambers' process for WNC.

This is a budget review process for each directorate which Service Directors and respective Portfolio Holders will set out key service financial information to the Chief Executive, S151 Officer, Portfolio Holder for Finance, focusing on the robustness of the current year's budget and existing MTFP, while identifying new opportunities for transformation and efficiency and outlining any risks and financial issues. The outcome of these sessions will inform the detailed budget setting process led by the S151 Officer in October 2021.

The development of the Capital Strategy and Capital Programme will be through the guidance and steer of the S151 Officer, ELT, and the Capital Assets Board. Services have been invited to refresh and review the existing Capital Programme and set out the rationale for any new capital schemes which they wish to progress. These new schemes will be subject to review by S151 Officer, ELT, and Capital Assets Board in October 2021.

## Financial Resilience Update – North Northamptonshire Council

### The Professional Finance Team

Ensuring a suitably qualified and resourced Finance Team was an important priority for NNC. Prior to vesting day, an interim finance structure was created for the new Strategic Finance and Accountancy divisions within Finance.

The S151 Officer has ensured there is robust financial governance and control throughout the organisation. There are two Deputy S151 Officers roles in the structure who each lead the following teams.

The Strategic Finance Team operates a Business Partnering Service to ensure services have access to timely and accurate financial information to support decision making, provide support on financial training, and in year and future years reporting requirements and support the discharge of s151 responsibilities throughout the organisation.

The Accountancy Team provides the Treasury Management function and technical financial advice, while also being responsible for the Collection Fund, the preparation of the Statement of Accounts and the implementation of new and updated International Financial Reporting Standards and supporting the execution of s.151 responsibilities.

The Procurement Service, Revenue and Benefits also form part of the wider Finance Directorate, reporting to the S151 officer, which supports a joined up and collaborative approach to financial management.

### Robustness Review of 2021-22 Revenue Budget

Each budget group has a dedicated budget manager, responsible for the probity and financial management for their respective service.

### Period 4 Review of 2021-22 Revenue Budget Outturn

The forecast outturn position for the Council reported to the 26 August Executive Committee of the Council was £266k. The summary forecast outturn position is set out in the table below.

	<b>Net Budget</b> £'000	<b>Forecast Position at 31/03/22</b> £'000	<b>P4 Variance Forecast at 31/03/22</b> £'000
<b>Net Total Available Resources</b>	<b>292,505</b>	<b>292,505</b>	<b>0</b>
<b>Total Corporate Budgets</b>	<b>23,950</b>	<b>23,950</b>	<b>0</b>
Children's & Education Services	60,351	60,351	0
Adults, Communities & Wellbeing Services	120,854	120,604	(250)
Place & Economy	55,783	55,135	(648)
Enabling & Support Services	31,567	32,199	632
<b>Total Directorate Budgets</b>	<b>268,555</b>	<b>268,289</b>	<b>(266)</b>
<b>Total Budget</b>	<b>292,505</b>	<b>292,239</b>	<b>(266)</b>
<b>Net Position 2021/22</b>	<b>0</b>	<b>(266)</b>	<b>(266)</b>

Set out below is NNC's projected reserves and balances position up to March 2023. The table also details estimated commitment against these reserves up to March 2023.



	Forecast Balance at 01/04/2021 £'000	Transfers to/ (from) Reserve 2021/22 £'000	Forecast Balance at 31/03/22 £'000	Transfers to/ (from) Reserves 2022/23 £'000	Forecast Balance at 31/03/23 £'000
<b>General Fund Balance</b>	21,911	115	22,026	0	22,026
<b>Earmarked Reserves</b>					
Regeneration and Economic Investments	2,250	0	2,250	0	2,250
Investment Income	3,550	0	3,550	0	3,550
Welfare Reform	1,498	0	1,498	0	1,498
Recycling Commodities	1,931	0	1,931	0	1,931
Homelessness	1,542	0	1,542	0	1,542
Budget Delivery	7,105	(450)	6,655	0	6,655
Covid-19 Related Risks	6,593		6,593		6,593
Business Rates Retention Risks	41,418	(21,445)	19,973		19,973
Transformation Reserves	10,569	(4,175)	6,394	(2,300)	4,094
Other Efficiency and Transformation	2,351		2,351		2,351
Building Repairs and Investment	1,325		1,325		1,325
Planning Risks	417		417		417
Economic Development and Regeneration	1,490		1,490		1,490
Voluntary Community and Social Enterprise	0	400	400	(200)	200
Community Projects	4,132	(342)	3,790		3,790
LGSS Reserves	591		591		591
Burton Wold	111		111		111
Joint Planning Unit	288	(212)	76		76
Capacity Fund	191	(191)	0		0
COVID-19 - Contain Outbreak Mgt Fund and Test & Trace	6,593	(6,593)	0		0
Public Health Reserve	4,463		4,463		4,463
Adult Social Care Reserve	0	3,200	3,200		3,200
Local Council Tax Support Reserve	0	500	500		500
Waste Management	0	2,300	2,300		2,300
Other Earmarked Reserves	1,903	(449)	1,454		1,454
Capital General Fund	2,039		2,039		2,039
Insurance Risk Reserve	1,195		1,195		1,195
<b>Total Earmarked Reserves</b>	<b>103,545</b>	<b>(27,457)</b>	<b>76,088</b>	<b>(2,500)</b>	<b>73,588</b>
<b>Total General Fund Reserves &amp; Balances</b>	<b>125,456</b>	<b>(27,342)</b>	<b>98,114</b>	<b>(2,500)</b>	<b>95,614</b>

### Robustness Review of Capital Programme

The Council has a Strategic Capital Board, the purpose of this Board is to review and challenge capital schemes prior to their submission to the Executive Committee / Full Council for final approval. The SCB will ensure that revenue implications of capital projects have been assessed including an options appraisal exercise and that schemes are in line with the limits outlined in the Capital Strategy prior to the scheme moving from planning stage to the delivery stage of the capital approval process. Budget managers are required to account for the delivery of project objectives and specific performance of the project.

### Liquidity

In addition, the forecast liquidity position the new council inherited is positive, on 31 March 2021 the level of cash and investment held by sovereign councils which transferred to North Northamptonshire was around £156m. The forecast cash position to the end of March 23 is estimated to be positive, at £58m. The principles for the disaggregation of Northamptonshire County Council's loan portfolio between North Northamptonshire and West Northamptonshire has been agreed in principle and remains subject to final sign off. The cashflow forecast assumes loans amounting to around £37m & £13m are repaid during 2021/22 & 2022/23 and aren't refinanced. The Council's estimated level of external borrowing over the next 12 months is significantly less than the affordable borrowing limit.

## 2022-23 Budget Setting and Medium-Term Financial Planning Process

The development of the 2022-23 revenue budget and refinement of the Medium-Term financial plan commenced in Spring 2021.

The budget review process for 2022/23 is focussed on delivering the transformation that is required for the Council to quickly move into delivering services in the most efficient way to residents. As part of this process, the Transformation Team are meeting with service leads to review service delivery across all directorates of the Council. The real time information being gathered as part of the 2021/22 budget monitoring process is also being used to update the budget and MTFP. The outcome of these reviews along with other budget review work that is being delivered by the corporate finance team under the leadership of the Section 151 Officer will feed into the budget and MTFP that will be presented to the Executive and Council at the end of the budget setting process in February 2022.

The development of the Capital Strategy and Capital Programme will be through the guidance and steer of the S151 Officer and Corporate Leadership Team, the Strategic Capital Board, and the Executive. Aside from the in-year adjustment to the capital programme that would have already received approval prior to the new budget being set, services have been invited to refresh and review the existing capital programme and to set out the rationale for any new capital schemes that they want considered for inclusion in the 2022/23 capital programme. These proposed new schemes will be subject to review by S151 Officer and Corporate Leadership Team colleagues and the Strategic Capital Board prior to submission to the Executive for approval and inclusion in the draft 2022/23 capital programme.

### Conclusion

Having regard to the Code and its reporting requirements the Council concludes that it is appropriate to prepare the financial statements on a going concern basis, and that the Council will be a going concern, for the period to 30 November 2022. This is on the basis that the functions of Northamptonshire County Council will continue in the new council(s). It is therefore appropriate for the Accounts to be prepared on a going concern basis.

## Policy in Detail

### 1.1 General Principles

The Statement of Accounts summarises the Council's financial transactions for the 2020-21 financial year and its position at the year-end of 31 March 2021.

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. These regulations require the Statement of Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 7 of the 2015 Regulations.

As local authorities need to reflect statutory conditions, accounting standards are amended for specific statutory adjustments so that the Council's accounts present a true and fair view of the financial position and transactions of the authority. All accounting policies are disclosed where they are material.

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 financial instruments.



## 1.2 Qualitative Characteristics of Financial Statements

### 1.2.1 Relevance

The accounts have been prepared with the objective of providing information about the Council's financial performance and position that is useful for assessing the stewardship of public funds and for making financial decisions.

### 1.2.2 Reliability

The financial information is reliable as it has been prepared so as to reflect the reality or substance of the transaction, is free from deliberate or systematic bias, is free from material error and has been prudently prepared.

### 1.2.3 Understandability

These accounts are based on accounting concepts and terminology which require reasonable knowledge of accounting and local government. Every effort has been made to use plain language and where technical terms are unavoidable, they have been explained in the glossary contained within the accounts.

### 1.2.4 Materiality

The concept of materiality has been utilised in preparing the accounts so that insignificant items and fluctuations under an acceptable level of tolerance are permitted, provided that in aggregate they would not affect the interpretation of the accounts.

## 1.3 Underlying Assumptions

### 1.3.1 Accruals Basis

The financial statements are prepared on an accrual basis. Income and expenditure are recognised in the accounts in the period in which it is earned or incurred, not as cash is received or paid. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

## 1.4 Accounting Policies

### 1.4.1 Acquired operations

When necessary, income and expenditure directly related to other acquired operations will be shown separately within the Comprehensive Income and Expenditure Statement under the heading of acquired operations.

### 1.4.2 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours and investments whose maturity date is three months or less from the date



of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

#### **1.4.3 Exceptional Items**

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

#### **1.4.4 Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

#### **1.4.5 Contingent Assets**

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

#### **1.4.6 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Where items of income and expenditure are material, their nature and amount is disclosed separately either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's Financial Performance.

#### **1.4.7 Provisions**

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.



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

#### **1.4.8 Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to protect against unexpected events. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year, to be recorded against the Net Cost of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council tax for the expenditure.

County Council Reserves include:

- Earmarked reserves, which are set aside for specific purposes;
- General reserves, which are set aside for unexpected events and cash flow management;

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement and employee benefits, and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

#### **1.4.9 Government Grants and Contributions**

Whether paid on account, in arrears or by instalments, Government grants and other contributions are accounted for on an accruals basis and recognised as income when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

#### **1.4.10 Revenue Grants and Contributions:**

Revenue grants and contributions are matched in the Comprehensive Income and Expenditure Statement to the service expenditure to which they relate. Revenue grants received in advance of entitlement or meeting of conditions are treated as creditors (receipt in advance) until such time as they can be justifiably recognised as income and credited to the Comprehensive Income and Expenditure Statement. Grants to cover general expenditure are credited to the Comprehensive Income and Expenditure Statement after Net Cost of Services. For the Public Health ring-fenced grant, from Department of Health and Social Care, the treatment in line with 1.4.8 (Reserves) will be that the unspent grant will be transferred to an earmarked reserve, with the funding to be utilised in line with grant conditions.

#### **1.4.11 Capital Grants and Contributions:**

Capital grants or contributions and donated assets are to be accounted for through the Comprehensive Income and Expenditure Statement once any conditions have been met and the expenditure has been incurred. The grant or contribution is then transferred from the General Fund to the Capital Adjustment Account (CAA), reflecting the application of capital resources to finance expenditure. The transfer is reported in the Movement in Reserves Statement.

Where a capital grant or contribution is received and conditions remain outstanding at the balance sheet date, the grant or contribution is to be recognised in Capital Grants Receipts in Advance. Once conditions are met, the grant or contribution will be transferred from the Capital Grants Receipts in Advance and recognised in the Comprehensive Income and Expenditure Statement.

Where a capital grant or contribution is received and there are no conditions, but the expenditure has not been incurred at the balance sheet date, the grant or contribution shall be recognised in the Comprehensive Income and Expenditure Statement and then transferred to the Capital Grants Unapplied account, reflecting its status as a capital resource available to finance expenditure. When the expenditure to be financed from the grant or contribution is incurred, the grant or contribution shall be transferred from the Capital Grants Unapplied account to the Capital Adjustment Account.

## 1.4.12 Employment Benefits

### I Benefits payable during employment

Short term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### II Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line (or in discontinued operations) in the Comprehensive Income and Expenditure Statement when the Council can no longer withdraw the offer of those benefits or when the Council recognises cost for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the Pension Fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year end.

### III Post-Employment Benefits

Northamptonshire County Council participates in three different pension schemes that meet the needs of employees in particular services. All the schemes provide members with defined benefits related to pay and service. The schemes are as follows:

#### a. Teachers

This is an unfunded scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education. In an unfunded defined benefit scheme no assets are set aside, and the benefits are paid for by the employer or other pension sponsor as and when they are paid. It is classified as a 'single-employer defined benefit scheme' in which the assets and liabilities are not identifiable at individual employer level on a consistent and reasonable basis. However, the individual employer has to pay for the unfunded discretionary benefits awarded. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet.

#### b. The Local Government Pension Scheme

The Northamptonshire Local Government Pension Scheme is accounted for as a defined benefit scheme.

The liabilities of the Pension Fund attributable to the Council 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, and projections of projected earnings for current employees.

The assets of the Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

- Quoted securities – current bid price.
- Unquoted securities – professional estimate.
- Unitised securities – current bid price.
- Property – market value.

The change in the net pension liability is analysed into service cost and re-measurement components.

- The service cost element comprises:
  - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the 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 Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non -Distributed Costs.
  - Net interest on the net defined benefit liability (i.e. the net interest expense for the authority) – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit liability at the beginning of the period, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
- Re-measurements comprise:
  - The return on plan assets – excluding amounts included in the net interest on the net defined benefit liability. These are charged to the Pensions Reserve as Other Comprehensive Income and Expenditure; and
  - 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. These are charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the LGPS Pension Fund – cash paid as employer's contributions to the Pension Fund in settlement of liabilities; not accounted for as an expense.

### **c. The NHS Pension scheme**

This is a defined benefit scheme operated by the NHS Business Services Authority solely for ex NHS staff who are now working in Public Health services within the Council due to the transfer of those services from NHS to Local Authority.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the Pension Fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards.

In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

#### **1.4.13 Discretionary Benefits**

The Council also 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.

#### **1.4.14 Value Added Tax (VAT)**

The Comprehensive Income and Expenditure Statement excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from them.

#### **1.4.15 Overheads and Support Services**



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

#### **1.4.16 Intangible assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services. Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

The Council's Intangible Assets consist of purchased software licences and any directly attributable costs of preparing the software for its intended use. The useful economic life of recognised intangible assets is at least three years. All Intangible Assets are included at historic cost and written down on a straight-line basis over their economic lives from the year following acquisition. The useful economic lives are reviewed at the end of each reporting period and revised if necessary.

#### **1.4.17 Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment. This includes Heritage Assets.

##### **I Measurement**

Assets are initially measured at cost, comprising:

- The purchase price;
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management;
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council has adopted a policy of capitalising borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.



## II Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment with a value over £10,000 is capitalised, on an accruals basis. Provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably, provided it yields benefits to the Council and the services that it provides exceed one financial year. This applies to either single items over £10,000 or to groups of similar items whose value collectively exceeds £10,000. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as an expense when it is incurred.

Assets are recorded in the Balance Sheet using the following measurement bases:

- Land and Buildings and Surplus Assets are valued using current values.
- Vehicles, plant and equipment, furniture and equipment- lower of net current replacement cost or net realisable value in existing use.
- Infrastructure assets (i.e. roads, roundabouts and bridges) – depreciated historical cost.
- Community assets – depreciated historical cost.
- Assets Under Construction valued at historical cost
- Heritage Assets – rolling programme of revaluation for land and buildings, historical cost or the most recent insurance valuation for all other assets

Asset valuations are as shown in the table under Note 22.

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. (Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service).

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement;
- The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

## III Impairment

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);



- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Expenditure and income relating to capital projects is accounted for on an accruals basis.

#### IV Depreciation

Depreciation is provided for on all assets with a determinable finite life (except for land, investment properties and heritage assets), by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use. We do not provide reductions in value for new assets in their first year or for assets being made or built until they are brought into use.

Depreciation is calculated on a straight-line basis over the length of useful life:

Category	Useful Life in Years
IT Equipment	3
Infrastructure	40
Buildings	1 to 60
Furniture and Equipment	5
Vehicles - Cars	5
- Vans and Lorries	7
- Buses	10
- Fire Appliances	13

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

#### V Component Accounting for Property Assets

Where a building has major components, whose cost is significant in relation to the total cost of the item, the components are depreciated separately over the useful life of that component. The table below identifies the significant components and useful life.

Component	Typical maximum useful life
Building Structure = substructure + superstructure including internal walls, windows and doors, but excludes roof, finishes and fittings.	60 years
Roof = flat roof types and non-traditional pitched, pitched/tiled (excluding thatch).	50 years
Mechanical & Electrical (services) = water, heat, ventilation, electrics, lifts, fire, communications.	20 years
External Works = hard surfaces, below ground services (excludes fences).	45 years

The Council has applied a phased approach for its property assets to meet the Code's prospective requirements as follows:

- Enhancement expenditure incurred over £500k,

- Acquisition expenditure incurred over £500k, and
- Revaluations carried out as part of the Council's five-year rolling programme of property valuations with a value over £500k.

As part of the rolling programme of building and land valuations, each valuation provides a value and remaining life for each significant component. Each year the Asset Register will be updated with this information. Therefore, all buildings above the de minimis of £500k will have been recorded on a component basis at the end of the five-year programme.

## **VI Disposals and Non-Current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale. 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.

Assets that are to be abandoned or scrapped continue to be classified as Surplus Assets until they are removed from the Balance Sheet.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also 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 accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts credited to the 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 appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement. The written off value of disposals is not a charge against Council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

## **VII Investment Property**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.



## VIII Charges to Revenue for Non - Current Assets

The Council's services revenue accounts, support services and trading accounts are debited with the following amounts to record the cost of holding non - current assets during the year:

- Depreciation attributable to the assets used by the relevant service;
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be recovered;
- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance via the annual Minimum Revenue Provision (MRP) charge, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## IX Revenue Expenditure Funded from Capital Under Statute

This represents expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of fixed assets belonging to the Council. This amount is charged to the relevant service revenue account in the year. This may include expenditure on assets not belonging to the Council such as service user homes and foundation schools. Where the Council has determined to meet the cost of this expenditure from existing capital resources or borrowings, a transfer to the Capital Adjustment Account is made to reverse out the amount charged so there is no impact on the level of Council tax.

### 1.4.18 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the Property, Plant or Equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

### I The Council as Lessee: Finance Leases

Property, Plant and Equipment held under finance leases are recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability;
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the



deemed capital investment in accordance with statutory requirements. Depreciation, revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance via the annual Minimum Revenue Provision (MRP) charge, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## **Operating Leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g., there is a rent-free period at the commencement of the lease).

## **II The Council as Lessor: Finance Leases**

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also 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), matched by a lease (long term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received);
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written off value of disposals is not a charge against council tax, as the cost of non - current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

## **Operating Leases**

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g., there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

### **1.4.19 Heritage Assets**

Heritage Assets are a distinct class of asset which are reported separately from property, plant and equipment and intangible assets. The Council holds these assets principally for future generations because of their contribution to knowledge, environment or culture. The Code requires authorities to recognise heritage assets where the authority has information on the cost or value of the asset. Where information on cost or value is not available, and the cost of obtaining this information outweighs the benefits to the users of the financial statements, the asset is not recognised on the Council's Balance Sheet. However, the Council makes

appropriate disclosure in the accounts where heritage assets are not recognised on the Balance Sheet. Where valuations are made an appropriate method is adopted; this may include, for example, insurance valuations of museum collections. The Council reviews the carrying amounts of heritage assets carried at valuation on a yearly basis to ensure they remain current. Depreciation is not charged on heritage assets which have indefinite lives. However, an impairment review is carried out where there is physical deterioration or new doubts as to the authenticity of the Heritage Asset exist.

#### **1.4.20 Financial Instruments**

##### **I      Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in 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. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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 accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line 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 Fund Balance to be spread over future years. The Council has a policy of spreading the gain or 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 Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

##### **II      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 cash flow characteristics.

There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

##### **Financial Assets Measured at Amortised Cost**

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) 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 financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

However, if the authority makes any loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) 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 to the Financing and Investment Income and Expenditure line in the CIES 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 Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

### **Financial Assets Measured at Fair Value through Profit or Loss**

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

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

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets 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, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

#### **1.4.21 Inventories and Work in Progress**

Inventories are included in the Balance Sheet at the lower of cost or net realisable value. Work in progress is recognised at cost and held in the Balance Sheet until the work has been completed.

#### **1.4.22 Private Finance Initiative (PFI) transactions and similar contracts**

The Code requires these contracts to be accounted for in a manner consistent with the adoption of International Financial Reporting Interpretations Committee (IFRIC) 12 Service Concession Arrangements as contained in the Government's Financial Reporting Manual (FrM). The Code has determined that the Council shall account for PFI schemes where the Council controls the use of the Tangible Fixed Assets and the residual interest in the asset at the end of the arrangement as service concession arrangements, following the principles of the requirements of IFRIC 12. The Council therefore recognises the PFI assets as Tangible Fixed Assets together with a liability to pay for it. The services received under the contract are recorded as operating expenses.

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:

- Payment for the value of services received;



- Payment for the PFI asset, including finance costs; and
- Payment for the replacement of components of the asset during the contract 'lifecycle replacement'.

## I Services received

The value of services received in the year is recorded under the relevant expenditure headings within 'operating expenses'.

## II PFI Asset

The PFI assets are recognised as Tangible Fixed Assets when they come into use. The assets are measured at the lower of net current replacement cost or net realisable value in existing use.

## III PFI liability

A PFI liability is recognised at the same time as the PFI assets are recognised. It is measured initially at the same amount as the value of the PFI assets and is subsequently measured as a finance lease liability in accordance with IFRIC12.

An annual finance cost is calculated by applying the implicit interest rate in the lease to the opening lease liability for the period and is included in Interest Payable and similar charges within the Comprehensive Income and Expenditure Statement.

The element of the annual unitary payment that is allocated as a finance lease rental is applied to meet the annual finance cost and to repay the lease liability over the contract term.

An element of the annual unitary payment increase due to cumulative indexation is allocated to the finance lease. In accordance with IFRIC12, this amount is not included in the minimum lease payments but is instead treated as contingent rent and is expensed as incurred. In substance, this amount is a finance cost in respect of the liability and the expense is included in Interest Payable and similar charges within the Comprehensive Income and Expenditure Statement.

## IV Lifecycle replacement

Components of the asset replaced by the operator during the contract ('lifecycle replacement') are capitalised where they meet the Council's criteria for capital expenditure. They are capitalised at the time they are provided by the operator and are measured initially at the lower of net current replacement cost or net realisable value in existing use.

The element of the annual unitary payment allocated to lifecycle replacement is pre-determined for each year of the contract from the operator's planned programme of lifecycle replacement. Where the lifecycle component is provided earlier or later than expected, a reserve is recognised respectively.

Where the value of the lifecycle component is less than the amount determined in the contract, the difference is recognised as an expense when the replacement is provided.

## V Assets contributed by the Council to the operator for use in the scheme

Assets contributed for use in the scheme continue to be recognised as Tangible Fixed Assets.

## VI PFI credits

Government Grants received for PFI schemes, in excess of current levels of expenditure, are carried forward as an earmarked reserve to fund future contract expenditure and will be drawn down as required.

### 1.4.23 Minimum Revenue Provision (MRP)

The Council is required to have regard for the Section 21(1A) of the Local Government Act 2003. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) specifies that "A local authority shall determine for the current financial year an amount of minimum revenue provision which it considers to be prudent".

The Council is required to repay annually an element of its total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources (the CFR). This is achieved through a



revenue charge known as the Minimum Revenue Provision (MRP). It is also allowed to undertake additional voluntary payments if desired -Voluntary Revenue Provision (VRP).

#### **1.4.24 Borrowing Costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset shall be capitalised and form part of the cost of that non-current asset.

Borrowing costs form part of the cost of the non - current asset and are charged to revenue over the life of the asset in accordance with Minimum Revenue Provision (MRP) policy.

Where the Council borrows funds specifically for the purpose of obtaining a qualifying asset, the Council shall determine the amount of borrowing costs eligible for capitalisation as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings.

Where the Council borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Council shall apply a capitalisation rate to the expenditures on that asset. The capitalisation rate shall be the weighted average of the borrowing costs that are outstanding during the period.

The amount of borrowing costs capitalised shall not exceed the amount of borrowing costs incurred during the period.

NCC capitalise borrowing costs for those schemes in active delivery which are NCC assets, and which are not completed at the end of the year. A qualifying asset is defined as an NCC asset in active delivery and represents assets under construction (AUC) at the end of the year. Capitalised interest is only applicable to schemes actively progressing and those which would go through AUC

#### **Capitalisation**

The commencement of capitalisation begins when all of the following are met:

- Expenditure in respect of the asset is incurred;
- Finance costs in respect of the asset are incurred; and
- Activities that are necessary to develop an asset are in progress.

Capitalisation ceases when substantially all of the activities necessary to prepare the asset for its intended use or sale are complete.

Capitalisation should be suspended during periods in which active development is interrupted.

#### **1.4.25 Events after the Reporting Period**

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

#### **1.4.26 Foreign Currency Translation**

Payments made in any other currency other than sterling are translated at the rate applicable on that date.

#### **1.4.27 Interests in Companies and Other Entities**

A 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's wholly owned subsidiary,

Northamptonshire Children's Trust, which commenced trading on 1 November 2020 has therefore been included within the Group Accounts.

#### **1.4.28 Fair Value Measurement**

The authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

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

## 2. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

The Code requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the new or amended standards within the 2020-21 Code.

The standards that may be relevant for additional disclosures that will be required in the 2020-21 financial statements in respect of accounting changes that are introduced in the 2020-21 Code (i.e. that are relevant to the requirements of paragraph 3.3.4.3) are:

- Definition of a Business: Amendments to IFRS 3 Business Combinations. The impact of these amendments is not expected to be material.
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7. None of these are expected to have a material impact.
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 4. None of these are expected to have a material impact.
- 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 is currently in progress within West Northamptonshire Council and comes into effect 1 April 2022.

## 3. Critical Judgements in Applying Accounting Policies

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

### PFI and Similar Arrangements

The Council is deemed to control the services provided in its PFI arrangements and also to control the residual value of the assets at the end of the contract. The accounting policy for PFIs and similar contracts has been applied to these arrangements and the assets are recognised as Property, Plant and Equipment in the Council's Balance Sheet.

In applying this PFI accounting policy, the Council has made the following judgements:

- The operators' models were examined to identify the service element of the unitary charge. Where that charge couldn't be clearly separated the relevant costs were obtained from the models and a margin was applied to the costs to provide an amount for the service costs. The margin used was based on advice received from expert external advisors.
- The service element of the unitary charge is inflated annually by an agreed indicator (e.g. Retail Price Index) as per the contract.
- The implicit interest rate was calculated by discounting the non-service element of the unitary charge at a rate that brings it back to the fair value of the asset.
- The fair value of the asset is taken as the construction or refurbishment costs of the scheme.

### Accounting for leases

Judgements have been made regarding whether risks and rewards of ownership pass to the lessee under lease arrangements. Where risks and rewards are transferred, leases have been classified as finance leases.

### Arrangements Containing a Lease

The Council may enter into an arrangement, comprising a transaction or a series of related transactions, that does not take the legal form of a lease but conveys a right to use an asset (e.g. an item of property, plant or



equipment) in return for a payment or series of payments. IFRIC 4 provides guidance for determining whether such arrangements are, or contain, leases that should be accounted for in accordance with IAS 17.

Judgements have been made regarding whether:

- Fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and the arrangement conveys a right to use the asset.
- An arrangement conveys the right to use the asset if the arrangement conveys to the purchaser (lessee) the right to control the use of the underlying asset. The right to control the use of the underlying asset is conveyed if any one of the following conditions are met:
  - ◆ The purchaser has the ability or right to operate the asset or direct others to operate the asset in a manner it determines while obtaining or controlling more than an insignificant amount of the output or other utility of the asset.
  - ◆ The purchaser has the ability or right to control physical access to the underlying asset while obtaining or controlling more than an insignificant amount of the output or other utility of the asset.
  - ◆ Facts and circumstances indicate that it is unlikely that one or more parties other than the purchaser will take more than an insignificant amount of the output or other utility that will be produced or generated by the asset during the term of the arrangement, and the price that the purchaser will pay for the output is neither contractually fixed per unit of output nor equal to the current market price per unit of output as of the time of delivery of the output.

The Council is deemed to control assets that fall within contractual and other arrangements which involve the provision of a service using specific underlying assets and which therefore are considered to contain a lease. Arrangements containing a finance lease have been added to the Balance Sheet as assets under Property, Plant and Equipment.

### **Legal Claims against the Council**

In deciding whether to recognise material legal claims against the Council as an item of expenditure in the accounts, the Council has taken a judgement on:

- The likelihood of an outflow of resources and,
- The degree of certainty surrounding the amount of any outflow.

Where an outflow of resources is unlikely or the amount cannot be measured with sufficient reliability, the Council has judged the material legal claim to be a Contingent Liability and disclosed it as a note. Where an outflow of resources is probable and a reliable estimate can be made of the amount of the obligation, the Council has judged the legal claim against the Council to be a provision and recognised this in the accounts.

### **Accounting for Schools – Consolidation**

In line with the Code requirements on group accounts and consolidation, maintained schools within the County are considered to be entities controlled by the Council. The income, expenditure, assets, liabilities, reserves and cash flows of these schools are recognised within the Council's single entity accounts rather than the group accounts.

### **Accounting for Schools – Balance Sheet Recognition**

The Council recognises the land and buildings used by schools in line with the requirements of the Code. It states that property used by local authority maintained schools should be recognised in accordance with the asset recognition tests relevant to the arrangements that prevail for the property. The Council recognises the schools land and buildings on its Balance Sheet where it directly owns the assets and/or the Council retains substantive rights over the assets and the future economic benefits/service potential of school assets flow to the Council or rights to use the assets have been transferred from another entity.

### **Accounting for Schools – Academies**

Academies are not considered to be maintained schools in the Council's control, so their assets are not included within the Council's Balance Sheet. When a school held on the Council's Balance Sheet transfers

to Academy status this is treated as an asset disposal for nil consideration. The underlying ownership does however remain with the Council.

### Better Care Fund

The Council recognises expenditure and income relating to its duties with regard to the Better Care Fund (BCF) created in partnership with local health Clinical Commissioning Groups (CCGs) which became operational on the 1 April 2015. The fund's governance arrangements are outlined in the Section 75 Agreement between the Council and the local CCGs and involve the strategic oversight by the Health and Wellbeing Board. After reviewing the substance of the agreement between the parties, against the accounting standards, it is appropriate for each entity governed by the section 75 agreement to account for expenditure they commission, with the other party's expenditure disclosed in a note to the accounts (Note 47).

## 4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council 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 Council Balance Sheet at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.  It is estimated that the annual depreciation charge for buildings would increase by £4,109k for every year that useful lives had to be reduced.
Pensions Liability	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.	The effects on the net pensions liability of changes in individual assumptions can be measured.  For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of approximately £177.9m.  A 0.5% increase in salary increase rate would result in an increase of approximately £9.6m in the pension fund liability.  A 0.5% increase in pension increase rate would result in an increase of approximately £166.5m in the pension fund liability.



Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Insurance Provision and Reserve	<p>The Council has made a provision of £5.0m for actual insurance claims outstanding and a reserve of £2.8m is set aside for future unknown insurance claims. The reserve amount held is validated annually via actuarial examination by independent advisors, who have specialist experience in forecasting.</p> <p>Some insurance claims, particularly those relating to injuries, may take a number of years to settle. Throughout the life of a claim the handler will make regular assessments as to the expected final cost of the claim, this is known as reserving. At any one time the claim reserve will be based on a number of assumptions made by the claim handler with the reserve being adjusted as and when new information becomes available.</p>	<p>The level of provision is reassessed annually based upon the latest information provided by the insurance actuary. If claims are rejected or settled for less, the excess would be released. If claims are settled at a higher amount than provided for, then the shortfall would be funded by the insurance reserve. If the reserve was depleted this would impact on revenue.</p>

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

## 5. Events after the Balance Sheet date

The Statement of Accounts were authorised for issue by the Section 151 Officer on 14 December 2021. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

### Local Government Reform in Northamptonshire

On 1 April 2021 all the functions and services along with its assets and liabilities of £185.4m net liabilities transferred to the newly created North Northamptonshire Council and West Northamptonshire Council, under Local Government re-organisation. As the functions of the Council are continuing in North Northamptonshire Council and West Northamptonshire Council it is appropriate for the accounts to be prepared on a going concern basis.

## 6. Prior Period Adjustments

No prior period adjustments have been included within this set of accounts

# Notes to The Core Statements

# Notes Supporting the Comprehensive Income and Expenditure Statement



## 7. Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources by local authorities in comparison with how those resources are consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how the expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement on page 23.

Expenditure and Funding Analysis 2020-21	Net Expenditure at 31 March 2021 as per the Executive report to Cabinet	Adjustment between the Executive report and chargeable to the General Fund and Earmarked Reserves	Net expenditure chargeable to the General Fund and Earmarked Reserves	Adjustments between Funding and Accounting Basis	2020-21 Net Expenditure in the CIES
	£'000	£'000	£'000	£'000	£'000
Corporate Services	25,863	6,754	32,617	5,728	38,345
Children First Northamptonshire	124,282	(10,292)	113,990	20,362	134,352
LGSS*	-	-	-	-	-
Northamptonshire Adult Social Services (NASS)	175,023	(1,162)	173,861	8,369	182,230
Place Services	89,596	(6,760)	82,836	4,153	86,989
Public Health	(24)	(16,248)	(16,272)	216	(16,056)
Corporate Costs	24,945	(40,549)	(15,604)	1,075	(14,529)
<b>Net Cost of Services</b>	<b>439,685</b>	<b>(68,257)</b>	<b>371,428</b>	<b>39,903</b>	<b>411,331</b>
Other Income and Expenditure	(443,521)	13,573	(429,948)	32,624	(397,324)
<b>(Surplus) or Deficit</b>	<b>(3,836)</b>	<b>(54,684)</b>	<b>(58,520)</b>	<b>72,527</b>	<b>14,007</b>
Opening General Fund Balances at 31 March			(82,754)		
Plus: Surplus on General Fund Balance In Year			(58,520)		
Plus: Movement to General Fund from Capital Receipts Reserve			-		
<b>Closing General Fund Balances at 31 March</b>			<b>(141,274)</b>		

\*LGSS now within Corporate Services



Expenditure and Funding Analysis 2019-20	Net Expenditure at 31 March 2021 as per the Executive report to Cabinet	Adjustment between the Executive report and chargeable to the General Fund and Earmarked Reserves	Net expenditure chargeable to the General Fund and Earmarked Reserves	Adjustments between Funding and Accounting Basis	2020-21 Net Expenditure in the CIES
	£'000	£'000	£'000	£'000	£'000
Corporate Services	11,907	229	12,136	8,519	20,655
Children First Northamptonshire	123,588	809	124,397	(10,432)	113,965
LGSS	13,661	(49)	13,612	9,240	22,852
Northamptonshire Adult Social Services (NASS)	158,717	(1,229)	157,488	4,008	161,496
Place Services	86,252	(5,825)	80,427	1,882	82,309
Public Health	(2,575)	(6,368)	(8,943)	3,307	(5,636)
Corporate Costs	25,712	(30,591)	(4,879)	(35,483)	(40,362)
<b>Net Cost of Services</b>	<b>417,262</b>	<b>(43,024)</b>	<b>374,238</b>	<b>(18,958)</b>	<b>355,279</b>
Other Income and Expenditure	(419,088)	19,909	(399,179)	54,663	(344,516)
<b>(Surplus) or Deficit</b>	<b>(1,826)</b>	<b>(23,115)</b>	<b>(24,941)</b>	<b>35,705</b>	<b>10,763</b>
Opening General Fund Balances at 31 March			(58,605)		
Opening Balance Adjustment			792		
Plus: Surplus on General Fund Balance In Year			(24,941)		
Plus: Movement to General Fund from Capital Receipts Reserve			-		
<b>Closing General Fund Balances at 31 March</b>			<b>(82,754)</b>		

## 8. Note to the Expenditure and Funding Analysis

### Adjustments between funding and accounting basis 2020-21

Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes £'000	Net Change for the Pensions Adjustments £'000	Other Adjustments £'000	Total Adjustments £'000
Corporate Services	3,223	2,605	(100)	5,728
Children First Northamptonshire	13,651	6,715	(4)	20,362
LGSS*	-	-	-	-
Northamptonshire Adult Social Services (NASS)	5,959	2,506	(96)	8,369
Place Services	3,614	561	(22)	4,153
Public Health	-	228	(12)	216
Corporate Costs	6,613	(5,301)	(237)	1,075
<b>Net Cost of Services</b>	<b>33,060</b>	<b>7,314</b>	<b>(471)</b>	<b>39,903</b>
Other Income and Expenditure	4,865	8,980	18,779	32,624
<b>Difference between General Fund (surplus)/deficit and CIES surplus/deficit on provision of services</b>	<b>37,925</b>	<b>16,294</b>	<b>18,308</b>	<b>72,527</b>

### Adjustments between funding and accounting basis 2019-2020

Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes £'000	Net Change for the Pensions Adjustments £'000	Other Adjustments £'000	Total Adjustments £'000
Chief Executive Services	3,639	4,769	111	8,519
Children First Northamptonshire	(11,563)	2,036	(905)	(10,432)
LGSS	4,795	4,289	156	9,240
Northamptonshire Adult Social Services (NASS)	3,113	658	237	4,008
Place	1,313	535	34	1,882
Wellbeing and Prevention	228	3,051	28	3,307
Corporate Costs	(42,844)	-	7,361	(35,483)
<b>Net Cost of Services</b>	<b>(41,319)</b>	<b>15,339</b>	<b>7,021</b>	<b>(18,958)</b>
Other Income and Expenditure	33,689	14,189	6,785	54,663
<b>Difference between General Fund (surplus)/deficit and CIES surplus/deficit on provision of services</b>	<b>(7,629)</b>	<b>29,528</b>	<b>13,806</b>	<b>35,705</b>

\*LGSS now within Corporate Services

### Adjustments for Capital purposes

In the service lines this column records adjustments in respect of depreciation, impairment, movements in fair value of investment properties, Revenue Expenditure Funded by Capital Under Statute (REFCUS) and revaluation gains/losses

- For *Other Operating expenditure* – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.



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

### **Net Change for Pensions Adjustments**

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

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

### **Other Adjustments**

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

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



## 9. Income and Expenditure Analysed by Nature

2019-20		2020-21
£'000	Expenditure/Income	£'000
<b>Expenditure</b>		
287,864	Employee benefits expenses	283,948
592,728	Other services expenses	688,648
25,848	Depreciation, amortisation & impairment	78,236
34,319	Interest payments	51,745
654	Levies	773
33,689	(Gain)/Loss on the disposal of assets	4,865
<b>975,103</b>	<b>Total Expenditure</b>	<b>1,108,237</b>
<b>Income</b>		
(94,063)	Fees, charges and other service income	(94,375)
(876)	Interest and investment income	(24,328)
(397,155)	Income from council tax and NNDR	(400,484)
(472,244)	Government grants and contributions	(575,043)
<b>(964,338)</b>	<b>Total Income</b>	<b>(1,094,230)</b>
<b>10,764</b>	<b>(Surplus) or Deficit on the Provision of Services</b>	<b>14,007</b>

## 10. Material Items of Income and Expense

Education and Children's Services includes a material item income of £234.5m in 2020-21 which is the Dedicated Schools Grant (2019-20: £215.7m). For further details on the DSG please refer to Note 15. Taxation and Non-Specific Grant Income is £430.4m in 2020-21 (2019-20: £412.3m).

## 11. Other Operating Expenditure

2019-20		2020-21
£'000		£'000
654	Levies	773
33,689	(Gains)/losses on the disposal of non -current assets*	4,865
<b>34,344</b>	<b>Total</b>	<b>5,638</b>

\* This represents the net book value (carrying value less accumulated depreciation) of assets that have been sold or derecognised during the year, less any proceeds from the sales

## 12. Financing and Investment Income and Expenditure

	2019-20 £'000	2020-21 £'000
20,119	Interest Payable and Similar Charges	18,979
14,200	Credit losses and Net interest on the net defined benefit liability	8,981
(876)	Interest Receivable and Similar Income	(543)
<b>33,443</b>	<b>Total</b>	<b>27,417</b>

## 13. Taxation and Non-Specific Grant Income

	2019-20 £'000	2020-21 £'000
(304,792)	Council tax income	(318,219)
(92,363)	Business rates	(82,265)
(15,148)	Non Ring-fenced government grants	(29,895)
<b>(412,303)</b>	<b>Total</b>	<b>(430,379)</b>



## 14. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Account in 2020-21:

2019-20 £'000	2020-21 £'000
<b>Credited to Taxation and Non-Specific Grant Income</b>	
(15,148) Non Ring-Fenced Grants	(29,895)
<b>(15,148) Total</b>	<b>(29,895)</b>
<b>Credited to Services</b>	
(215,705) Dedicated Schools (DSG)	(234,545)
(33,866) Public Health	(35,737)
(18,241) Improved Better Care Fund	(20,958)
(17,613) PFI Credits	(17,613)
(17,262) Covid-19 Emergency Funding	(26,466)
(7,250) Pupil Premium	(9,245)
(4,642) Adult Social Care Grant	(15,305)
(4,428) Teacher's Pay Grant	(1,372)
- Teachers Pensions Employer Contribution Grant	(5,336)
(3,606) Universal Infant Free School Meals	(3,451)
(3,287) Unaccompanied Asylum-Seeking Children	(3,109)
- UASC Leaving Care (Post 18)	(1,628)
(2,717) Adult Social Care Winter Pressures	-
(2,454) Education and Skills Funding Agency	(2,398)
(2,154) PE & Sports Grant	(1,928)
(947) Troubled Families	(1,405)
(452) Schools Sixth Form Funding (ESFA)	-
- Covid - Sales, Fees and Charges Support Grant	(2,307)
- Covid - Contain Outbreak Management	(17,648)
- Covid - Test Track & Trace Grant	(3,270)
- Covid - Adult Social Care Rapid Testing	(2,129)
- Covid - Additional Home to School & College Transport	(2,380)
- Covid - Winter Grant Scheme	(2,081)
- Covid - Infection Control	(14,917)
- Covid - Catch-up Premium	(1,243)
- Covid - Other funding	(5,546)
- Children's Trust set up	(3,236)
(7,120) Other Revenue Grants	(7,666)
(39,455) Capital Grants	(35,587)
(10,187) Capital - Section 106 Developer Contributions	-
(7,648) Capital - DFE Basic Need and Capital Maintenance	(16,204)
(1,879) Capital - Other Grants	-
(848) Capital - Culture Media & Sports- BDUK	-
(203) Capital - DFE Free school funding	-
<b>(401,963) Total credited to Services</b>	<b>(494,710)</b>
<b>(417,111) Total</b>	<b>(524,605)</b>

The Council 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 may require the monies or property to be returned to the awarding body. The balances at the year-end are as follows:

2019-20	2020-21
£'000	£'000
<b>Capital Grants Receipts in Advance</b>	
(47,502) Section 106 Developer Contributions	(56,536)
(746) Single Local Growth Fund	(158)
(956) Other Local Authorities	
(1,060) MHCLG	(1,060)
(678) DfT Maintenance	(2,204)
(3,850) Communities and Local Government Fire Capital Grant	(4,416)
(4,080) Highways England	(4,941)
(4,128) Other Grants	(4,427)
<b>(63,000) Total</b>	<b>(73,742)</b>
(20,192) Current Liabilities	(20,102)
(42,808) Long Term Liabilities	(53,640)
<b>(63,000)</b>	<b>(73,742)</b>

2019-20	2020-21
£'000	£'000
<b>Revenue Grants Receipts in Advance</b>	
(247) EU exit preparation grant	(247)
- MHCLG -Domestic Abuse grant	-
(5,685) Covid-19 S31 Business Rates	-
(331) Other grants	(2,025)
<b>(6,263) Total</b>	<b>(2,272)</b>

## 15. Dedicated Schools Grant

### Disclosure of deployment of Dedicated Schools Grant.

The Council's expenditure on schools is funded primarily by the Department for Education, through the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund academy schools in the Council's area.

DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations. The Schools Budget includes elements for a range of educational services provided on an authority wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.



**Details of the deployment of DSG receivable for 2020-21 are as follows:**

	Central Expenditure		ISB		Total	
	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21
	£000	£000	£000	£000	£000	£000
Final DSG before Academy recoupment					(603,392)	(647,482)
Academy figure recouped					387,687	412,937
<b>Total DSG after Academy recoupment</b>					<b>(215,705)</b>	<b>(234,545)</b>
Figure brought forward from the previous year as agreed with the Department for Education.					(2,770)	(2,433)
<b>Agreed initial budgeted distribution*</b>	<b>-</b>	<b>(127,464)</b>	<b>(102,547)</b>	<b>(109,514)</b>	<b>(218,475)</b>	<b>(236,978)</b>
In- year adjustments **	115,928	(27)	(15)	27	15	-
<b>Final budgeted distribution for the year</b>	<b>115,955</b>	<b>(127,480)</b>	<b>(102,520)</b>	<b>(109,498)</b>	<b>(218,475)</b>	<b>(236,978)</b>
Less: Actual central expenditure	113,522	122,376			113,522	122,376
Less: Actual ISB deployed to schools	-	-	102,520	109,498	102,520	109,498
<b>Carry-forward to 2021-22</b>	<b>(2,433)</b>	<b>(5,104)</b>	<b>-</b>	<b>-</b>	<b>(2,433)</b>	<b>(5,104)</b>

Please note that the 2019-20 figures have been restated with the correct signage.

Note
1) The actual DSG payments for 2020-21 comprised the following 2020-21 payments (as above) Adjustments for 2019-20 paid in 2020-21: Early Years (244) <b>Total</b> (234,789)
2) * The In-year adjustments are clawback of ISB for permanent exclusions, this is then a contribution to the alternative education provider.
3) ** The above table in year adjustments include: The estimated DSG Early Years grant adjustment for 2020-21. The actual DSG EY grant adjustment is expected to be announced in November 2021 and will be paid in the 2021-22 financial year

# Notes Supporting the Movement in Reserves Statement



## 16. Adjustments Between Accounting Basis and Funding Basis under Regulations

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

	2020-21	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
<b>Adjustments Involving the Capital Adjustment Account</b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>					
Charges for depreciation and impairment of non-current assets	(48,462)	-	-	48,462	
Revaluation losses on Property Plant and Equipment	(8,396)	-	-	8,396	
Movements in the fair value of Investment Properties	(71)	-	-	71	
Amortisation of intangible assets	(1,614)	-	-	1,614	
Capital grant and contributions applied	-	-	-	-	
Revenue Expenditure funded from Capital under Statute	(19,693)	-	-	19,693	
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	(15,216)	-	-	15,216	
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>					
Statutory Provision for the Repayment of debt - Minimum Revenue Provision (MRP)	8,192	-	-	(8,192)	
<b>Other Adjustments</b>					
<b>Adjustments involving the Capital Grants Unapplied Account:</b>					
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	51,790	-	(51,790)	-	
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	59,192	(59,192)	
<b>Adjustments involving the Capital Receipts Reserve:</b>					
Use of Capital Receipts Reserve to finance capital expenditure	886	-	(886)		
Flexible use of Capital Receipts	(14,805)	14,805	-	-	
Deferred Capital Receipts received	-	(1,731)	-	1,731	
Capital Financing against Loans	-	2,260	-	(2,260)	
Capital Receipts on Loan Repayments debited to the Capital Adjustment Account	-	(2,260)	-	2,260	
Capital Receipts credited to Comprehensive Income & Expenditure Statement	10,351	(10,351)	-	-	
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	237	-	-	(237)	
<b>Adjustments involving the Pensions Reserve:</b>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(47,487)	-	-	47,487	
Employer's pension contributions and direct payments to pensioners payable in the year	31,192	-	-	(31,192)	
<b>Adjustments involving the Collection Fund Adjustment Account:</b>					
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(18,779)	-	-	18,779	
<b>Adjustment involving the Accumulated Absences Account:</b>					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	234	-	-	(234)	
<b>Total Adjustments</b>	<b>(72,527)</b>	<b>3,609</b>	<b>7,402</b>	<b>61,516</b>	



2019-20	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
<b>Adjustments Involving the Capital Adjustment Account</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and impairment of non-current assets	(46,704)	-	-	46,704
Revaluation losses on Property Plant and Equipment	(3,322)	-	-	3,322
Movements in the fair value of Investment Properties	39,944	-	-	(39,944)
Amortisation of intangible assets	(2,572)	-	-	2,572
Capital grant and contributions applied	-	-	-	-
Revenue Expenditure funded from Capital under Statute	(16,470)	-	-	16,470
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	(37,025)	-	-	37,025
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory Provision for the Repayment of debt - Minimum Revenue Provision (MRP)	7,600	-	-	(7,600)
<b>Other Adjustments</b>				
<b>Adjustments involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	63,896	-	(63,896)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	61,033	(61,033)
<b>Adjustments involving the Capital Receipts Reserve:</b>				
Flexible use of Capital Receipts	(4,329)	4,329	-	-
Deferred Capital Receipts received	-	(1,689)	-	1,689
Capital Receipts on Loan Repayments debited to the Capital Adjustment Account	-	(1,316)	-	1,316
Capital Financing against Loans	-	2,610	-	(2,610)
Capital Financing against Long Term Debtors	-	11,681	-	(11,681)
Capital Receipts credited to Comprehensive Income & Expenditure Statement	3,335	(3,335)	-	-
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(7,451)	-	-	7,451
<b>Adjustments involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(60,868)	-	-	60,868
Employer's pension contributions and direct payments to pensioners payable in the year	31,340	-	-	(31,340)
<b>Adjustments involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(3,419)	-	-	3,419
<b>Adjustment involving the Accumulated Absences Account:</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	341	-	-	(341)
<b>Total Adjustments</b>	<b>(35,704)</b>	<b>12,280</b>	<b>(2,863)</b>	<b>26,287</b>



## 17. Usable Reserves

2019-20		2020-21
	£'000	£'000
(20,164)	General Fund	(26,398)
(45,636)	Earmarked Reserves	(87,040)
(16,954)	Schools Reserves	(27,837)
(4,383)	Capital Receipts Reserve	(774)
(25,754)	Capital Grants Unapplied	(18,352)
<b>(112,892)</b>	<b>Total Usable Reserves</b>	<b>(160,401)</b>

Total Usable Reserves have increased by £45.2m.

Movements in the Council's usable reserves are detailed below as well as in the Movement in Reserves Statement and Note 18.

### Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2020-21.

Earmarked Reserves	Balance 31 March 2019	Transfers to Reserve	Transfers from Reserve	Balance 31 March 2020	Transfers to Reserve	Transfers from Reserve	Balance 31 March 2021
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Insurance reserve	(3,513)	(63)	1,412	(2,163)	(667)	-	(2,830)
Budget Delivery Reserve	(9,262)	-	1,783	(7,479)	(2,874)	-	(10,353)
LGSS reserves	(672)	(796)	162	(1,306)	(284)	898	(692)
Service Carry Forwards of Partnership Funding	(23)	(1,527)	23	(1,527)	(671)	1,389	(809)
Public Health Reserve	(5,540)	(9,553)	816	(14,277)	(5,546)	3,345	(16,478)
COVID 19 Funding	-	(17,262)	-	(17,262)	(37,061)	17,262	(37,061)
Other Earmarked reserves	(847)	(1,038)	264	(1,621)	(1,570)	549	(2,642)
Business Rates	-	-	-	-	(13,802)	-	(13,802)
Council Tax	-	-	-	-	(2,372)	-	(2,372)
<b>Total earmarked reserves</b>	<b>(19,857)</b>	<b>(30,239)</b>	<b>4,460</b>	<b>(45,635)</b>	<b>(64,847)</b>	<b>23,443</b>	<b>(87,039)</b>

Earmarked Reserves were increased to £87m in-year, the majority of which are allocated for a specific purpose, such as the Public Health reserve which is ring-fenced to ensure that it is only spent on improving Public Health outcomes within Northamptonshire. The budget delivery reserve will be used, if necessary, to deal with any further legacy issues and/or to support the Council's ongoing financial sustainability. In addition, funding received late in the year from Central Government to respond to the COVID-19 pandemic has been placed in reserves ready to address the financial pressures experienced as a result of the pandemic.

School Reserves	Balance	Transfers to Reserve	Transfers from Reserve	Balance	Transfers	Transfers	Balance	
	31 March 2019				to Reserve	from Reserve		31 March 2021
		£'000	£'000		£'000	£'000		£'000
Dedicated schools grant	333	(4,173)	4,792	952	(10,263)	4,207	(5,104)	
PFI Scheme	(3,104)	(302)	-	(3,406)	(163)	-	(3,569)	
Schools balances reserves	(18,723)	(15,092)	19,094	(14,720)	(19,341)	14,720	(19,341)	
Schools loan advances	430	(211)	-	219	(112)	70	177	
<b>Total School Reserves</b>	<b>(21,064)</b>	<b>(19,778)</b>	<b>23,886</b>	<b>(16,955)</b>	<b>(29,879)</b>	<b>18,997</b>	<b>(27,837)</b>	



## 18. Unusable Reserve

	2019-20	2020-21
	£'000	£'000
(119,680)	Revaluation Reserve	(117,775)
(141,955)	Capital Adjustment Account	(128,136)
11,846	Financial Instruments Adjustment Account	11,609
434,037	Pensions Reserve	562,614
(1,331)	Collection Fund Adjustment Account	17,448
(6,058)	Deferred Capital Receipts Reserve	(4,327)
4,594	Accumulated Absences Account	4,361
<b>181,453</b>	<b>Total Unusable Reserves</b>	<b>345,794</b>

### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. 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.

	2019-20	2020-21
	£'000	£'000
<b>(132,136)</b>	Balance at 1 April	(119,680)
(8,681)	Upward revaluation of assets	(10,724)
4,092	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	1,267
<b>(4,589)</b>	Surplus or (deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on the provision of Services	<b>(9,457)</b>
6,374	Difference between fair value depreciation and historical cost depreciation	6,003
10,671	Accumulated gains on assets sold or scrapped	5,359
<b>17,045</b>	Amount written off to the Capital Adjustment Account	<b>11,362</b>
<b>(119,680)</b>	<b>Balance at 31 March</b>	<b>(117,775)</b>



## 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 these assets under statutory provision. 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 Council 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 Council. 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 19 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2019-20	2020-21
	£'000	£'000
(109,451) Balance at 1 April		(141,955)
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>		
46,704 Charges for depreciation and impairment of non-current assets		48,462
3,322 Revaluation losses on Property, Plant and Equipment		8,396
2,572 Amortisation of intangible assets		1,614
16,470 Revenue expenditure funded from capital under statute		19,692
37,025 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		15,216
<b>106,093 Total</b>		<b>93,381</b>
(17,045) Adjusting amounts written out of the Revaluation Reserve		(11,362)
<b>89,048 Net written out amount of the cost of non-current assets consumed in the year</b>		<b>82,019</b>
<b>Capital financing applied in the year:</b>		
- Use of the Capital Receipts Reserve to finance new capital expenditure		
(61,033) Application of grants to capital financing from the Capital Grants Unapplied Account		(60,078)
(14,290) Capital Financing to CFR - Loans		(2,260)
1,316 Loan repayment to Capital Receipts Reserve		2,260
(7,601) Statutory provision for the financing of capital investment charged against the General Fund balances		(8,192)
- Capital Expenditure charged to the General Fund		
<b>(81,608) Total</b>		<b>(68,270)</b>
(39,944) Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		71
<b>(141,955) Balance at 31 March</b>		<b>(128,136)</b>



## Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans.

Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on Council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed.

	2019-20	2020-21
	£'000	£'000
4,395	<b>Balance at 1 April</b>	11,846
7,451	Amount by which finance costs charged to Comprehensive Income and Expenditure Statement are different from costs chargeable in the year in accordance with statutory requirements.	(237)
<b>11,846</b>	<b>Balance at 31 March</b>	<b>11,609</b>

## Pension 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 Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to Pension Funds or eventually pays any pensions for which it is directly responsible. The credit balance on the Pensions Reserve, therefore, shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council 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.

	2019-20	2020-21
	£'000	£'000
<b>583,438</b>	<b>Balance at 1 April</b>	434,037
(178,929)	Actuarial gains or losses on pensions assets and liabilities	112,282
60,868	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	47,487
(31,340)	Employer's pensions contributions and direct payments to pensioners payable in the year	(31,192)
<b>434,037</b>	<b>Balance at 31 March</b>	<b>562,614</b>



## Collection Fund Adjustment Account

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

	2019-20	2020-21
	£'000	£'000
(4,750) <b>Balance at 1 April</b>		(1,331)
3,419 Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and Business Rates income calculated for the year in accordance with statutory arrangements		18,779
<b>(1,331) Balance at 31 March</b>		<b>17,448</b>

## Deferred Capital Receipts Reserve

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

	2019-20	2020-21
	£'000	£'000
(7,748) <b>Balance at 1 April</b>		(6,059)
1,689 Cash payments in relation to Deferred Capital Receipts		1,732
<b>(6,059) Balance at 31 March</b>		<b>(4,327)</b>

## Accumulated Absences Account

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

	2019-20	2020-21
	£'000	£'000
4,935 <b>Balance at 1 April</b>		4,594
(4,935) Settlement or cancellation of accrual made at the end of the preceding year		(4,594)
<b>4,594 Amounts accrued at the end of the current year</b>		<b>4,361</b>
(341) Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.		(233)
<b>4,594 Balance at 31 March</b>		<b>4,361</b>

## 19. Pension Schemes Accounted for as Defined Contribution Schemes

### a) Teachers

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Teachers' Pensions on behalf of the Department for Education (DfE). The scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is a multi-employer defined benefit scheme. The scheme is unfunded and the DfE uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years.

The scheme has in excess of 11,000 participating employers and consequently the Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2020-21 £12.5m was paid to the Teachers Pensions Agency for teachers' pension costs, which represents 23.68% of teachers' pensionable pay for the period. The figures for 2019-20 were £10.9m representing 20.69% of teachers' pensionable pay for the period. West Northamptonshire and North Northamptonshire Councils are expected to make contributions of approximately £12.6m in 2021-22 in respect of staff transferred to them from Northamptonshire County Council.

[Link](#) to Teachers Pension Scheme for further information.

The Council is responsible for the costs of any additional benefits awarded upon early retirement, outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis. The Council is not liable to the scheme for any other entities' obligations under the plan.

### b) Public Health

Public Health staff transferred from the NHS to Northamptonshire County Council on 1 April 2013. These staff have maintained their membership of the NHS Pension Scheme. In 2020-21 the payments made into the NHS Pension Scheme totalled £140k (2019-20: £238k), 14.38% (2019-20: 20.68%) of pensionable pay.

## 20. Defined Benefit Pension Schemes – IAS19 Disclosure

### a) Participation in Pension Schemes

The Local Government Pension Scheme is a defined benefit scheme.

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in one pension scheme that is subject to the requirements of IAS19:

- The Local Government Pension Scheme for civilian employees, administered by Northamptonshire County Council up to 31 March 2021 and now administered by West Northamptonshire Council. This is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

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

	Local Government Pension Scheme	
	March 2020	March 2021
	£'000	£'000
Opening Defined Benefit Obligation	1,712,759	1,520,028
Current Service Cost	52,200	48,470
Interest Cost	41,194	32,766
Contribution by Scheme Participants	7,496	7,738
<b>Actuarial Gains and Losses:</b>		
Arising from changes in demographic assumptions	(54,161)	22,813
Arising from changes in financial assumptions	(139,985)	373,916
Other	(44,193)	(19,617)
Curtailments, Settlements and past Service Costs	(7,570)	(59,500)
Benefits paid	(47,712)	(44,600)
<b>Closing Defined Benefit Obligation</b>	<b>1,520,028</b>	<b>1,882,014</b>

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £1.88b has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

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

**c) Pensions Assets and Liabilities Recognised in the Balance Sheet**

	Local Government Pension Scheme	
	2019-20	2020-21
	£'000	£'000
Present value of the defined benefit obligation	(1,520,028)	(1,882,014)
Fair value of plan assets	1,085,992	1,319,400
<b>Net Liability arising from defined benefit obligation</b>	<b>(434,036)</b>	<b>(562,614)</b>



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

	Local Government Pension Scheme	
	March 2020	March 2021
	£'000	£'000
Opening Fair Value of Employer Assets	1,129,322	1,085,992
Return on Plan Assets, excluding the amount included in the net interest costs	(59,410)	264,830
Interest income on Plan assets	27,005	23,785
Changes in foreign exchange rates	(2,049)	(49,537)
Contributions from Employer	31,340	31,192
Contributions by scheme participants	7,496	7,738
Benefits Paid	(47,712)	(44,600)
<b>Closing Fair Value of Employer Assets</b>	<b>1,085,992</b>	<b>1,319,400</b>

**e) Comprehensive Income and Expenditure Statement & Movement in Reserve Statement**

The Council recognises 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 required to be made against Council Tax is based on the cash payable in the year, so the real cost of post-employment and retirement benefits are reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

	Local Government Pension Scheme	
	2019-20	2020-21
	£'000	£'000
<b>Income and Expenditure Account</b>		
<b>Cost of Services</b>		
Current Service Cost	52,200	48,470
Past Service Cost (including Settlements and Curtailments)	(5,521)	(9,963)
<b>Financing and Investment Income and Expenditure</b>		
Net Interest Expense	14,189	8,981
<b>Total defined benefit cost recognised in Income and Expenditure Account</b>	<b>60,868</b>	<b>47,488</b>
Return on plan assets (excluding the amount included in the net interest expense)	59,410	(264,830)
Actuarial gains and losses arising on changes in demographic assumptions	(54,161)	22,813
Actuarial gains and losses arising on changes in financial assumptions	(139,985)	373,916
Other	(44,193)	(19,617)
<b>Total re-measurements recognised in Other Comprehensive Income (OCI)</b>	<b>(178,929)</b>	<b>112,282</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made for retirement benefits in accordance with IAS19	(28,021)	(47,488)
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>		
Employers' contribution payable to scheme (LGPS)	31,340	31,192

**f) The major categories of plan assets as a percentage of total plan assets**

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

	Local Government Pension Scheme	
	2019-20	2020-21
	%	%
Equities	66	67
Bonds	18	19
Property	14	12
Cash	2	2

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years, dependent on assumptions includes mortality rates and salary levels. The Local Government Pension Scheme liabilities has been assessed by the Hymans Robertson LLP. The financial assumptions used for the Local Government Pension Scheme were those from the beginning of the year and have not been changed during the year.

The principal assumptions used by the actuary are outlined in the tables below:

**g) The main assumptions used in their calculations have been:**

	Local Government Pension Scheme	
	March	March
	2019-20	2020-21
	%	%
Pension increase rate (CPI)	1.90	2.85
Rate of increase in salaries	2.40	3.35
Rate for discounting scheme liabilities	2.30	2.00
Take up of option to convert annual pre-April 2008 service	50.0	50.0
Take up of option to convert annual post-April 2008 service pension into retirement grant	75.0	75.0

**h) Mortality Assumptions**

For the Council the average future life expectancies at age 65 are summarised below.

	Local Government Pension Scheme	
	2019-20	2020-21
	Years	Years
65-year-old current pensioner		
Male	21.5	21.7
Female	23.7	24.1
45-year-old future pensioner at age 65		
Male	22.3	22.8
Female	25.1	25.8

**i) Local Government Pension Scheme Assets Comprised**

	2019-20 £'000	2020-21 £'000
Cash and Cash Equivalents	16,549	26,655
<b>Equity Securities</b>		
Consumer	26,957	7
Manufacturing	11,723	-
Energy and Utilities	7,343	-
Financial Institutions	10,750	-
Health and Care	7,400	-
Information Technology	8,140	-
<b>Debt Securities Bonds</b>		
Government	117,170	132,998
<b>Property</b>		
UK	81,691	69,409
Overseas	5,619	9,818
<b>Private Equity</b>		
All	23,766	48,314
<b>Investment Funds and Trust Units</b>		
Equities	623,378	828,053
Bonds	80,275	121,780
Infrastructure	65,231	82,366
<b>Total Assets</b>	<b>1,085,992</b>	<b>1,319,400</b>

**j) Impact on the Defined Benefit Obligation in the Scheme:**

Increase/Decrease in assumption	Approx % increase to Defined Benefit Obligation
Longevity (increase in 1 year)	3%-5%
Rate of increase in salaries (increase by 0.5%)	1.0%
Rate of increase in pensions (increase 0.5%)	9.0%
Rate for discounting Scheme liabilities (decrease by 0.5%)	10.0%



# Notes Supporting the Balance Sheet



## 21. Property, Plant and Equipment

2020-21	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
<b>Cost or Valuation</b>							
At 1 April 2020	431,155	43,005	906,897	685	2,339	32,562	1,416,643
Additions	1,935	7,880	24,458	33	-	10,110	44,416
Transfers	-	-	-	-	-	-	-
Donations	-	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	2,027	-	-	-	373	-	2,400
Impairment eliminated on Revaluation	-	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(12,558)	-	-	-	34	-	(12,524)
Derecognition - Disposals	(12,143)	(108)	-	-	(400)	-	(12,651)
Derecognition - Other	-	-	-	-	-	-	-
Asset reclassifications	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-
Assets reclassified (to)/from Investment	-	-	-	-	-	-	-
Assets reclassified (to)/from PPE	(23)	-	-	-	471	-	448
Assets reclassified (to)/from AUC	428	40	17,219	-	-	(17,701)	(14)
Other Movements in Cost or Valuation	(3)	(2)	(1)	-	-	-	(6)
<b>At 31 March 2021</b>	<b>410,818</b>	<b>50,815</b>	<b>948,573</b>	<b>718</b>	<b>2,817</b>	<b>24,971</b>	<b>1,438,712</b>



2020-21	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
<b>Accumulated Depreciation and Impairment</b>							
At 1 April 2020	(4,329)	(26,692)	(240,049)	(114)	(30)	-	(271,214)
Depreciation Charge/Amortisation	(19,566)	(6,401)	(22,451)	(15)	(29)	-	(48,462)
Transfers	-	-	-	-	-	-	-
Depreciation written out to the Revaluation Reserve	3,804	-	-	-	51	-	3,855
Depreciation written out to the Surplus/Deficit on the Provision of Services	4,145	-	-	-	-	-	4,145
Impairment (losses)/reversals recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-
Derecognition - Disposals	312	94	-	-	8	-	414
Derecognition - Other	-	-	-	-	-	-	-
to/(from) PPE	-	-	-	-	-	-	-
Other movements in Depreciation and Impairment	2	1	2	(2)	-	-	3
<b>At 31 March 2021</b>	<b>(15,632)</b>	<b>(32,998)</b>	<b>(262,498)</b>	<b>(131)</b>	<b>(0)</b>	<b>-</b>	<b>(311,259)</b>
<b>Net Book Value</b>							
<b>At 31 March 2021</b>	<b>395,186</b>	<b>17,817</b>	<b>686,075</b>	<b>587</b>	<b>2,817</b>	<b>24,971</b>	<b>1,127,453</b>



2019-20	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
<b>Cost or Valuation</b>							
At 1 April 2019	484,460	36,641	880,023	685	1,546	19,998	1,423,353
Additions	1,199	8,034	20,946	-	488	16,139	46,807
Transfers	-	-	-	-	-	-	-
Donations	-	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(9,273)	-	-	-	422	-	(8,851)
Impairment eliminated on Revaluation	-	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(6,116)	-	-	-	(351)	-	(6,467)
De-recognition - Disposals	(35,828)	(1,671)	-	-	(17)	-	(37,516)
De-recognition - Other	-	-	-	-	-	-	-
Asset reclassifications:	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	175	-	-	-	-	-	175
Assets reclassified (to)/from Investment	(844)	-	-	-	-	-	(844)
Assets reclassified (to)/from PPE	(6,186)	-	5,920	-	251	-	(15)
Assets reclassified (to)/from AUC	3,568	-	7	-	-	(3,575)	0
Other Movements in Cost or Valuation	-	-	-	-	-	-	-
<b>At 31 March 2020</b>	<b>431,155</b>	<b>43,005</b>	<b>906,897</b>	<b>685</b>	<b>2,339</b>	<b>32,562</b>	<b>1,416,641</b>



2019-20	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
<b>Accumulated Depreciation and Impairment</b>							
At 1 April 2019	(1,975)	(22,451)	(218,128)	(102)	-	-	<b>(242,656)</b>
Depreciation Charge/Amortisation	(19,166)	(5,603)	(21,920)	(13)	-	-	<b>(46,702)</b>
Transfers	-	-	-	-	-	-	-
Depreciation written out to the Revaluation Reserve	13,526	-	-	-	-	-	<b>13,526</b>
Depreciation written out to the Surplus/Deficit on the Provision of Services	3,207	-	-	-	-	-	<b>3,207</b>
Impairment (losses)/reversals recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-
Derecognition - Disposals	36	1,365	-	-	-	-	<b>1,401</b>
Derecognition - Other	-	-	-	-	-	-	-
to/(from) PPE	45	-	-	-	(30)	-	<b>15</b>
Other movements in Depreciation and Impairment	(2)	(3)	(1)	1	-	-	<b>(5)</b>
<b>At 31 March 2020</b>	<b>(4,329)</b>	<b>(26,692)</b>	<b>(240,049)</b>	<b>(114)</b>	<b>(30)</b>	-	<b>(271,215)</b>
<b>Net Book Value</b>							
<b>At 31 March 2020</b>	<b>426,826</b>	<b>16,312</b>	<b>666,847</b>	<b>571</b>	<b>2,309</b>	<b>32,562</b>	<b>1,145,428</b>



## Property Valuations

The following statement shows the progress of the Council's rolling programme for the revaluation of non-current assets. The basis for valuation is set out in the Statement of Accounting Policies. Assets valued for 2020-21 have all been valued at 31 March 2020. This covers Property, Plant and Equipment, Investment Properties and Assets Held for Sale and operational dates for New Constructions and Heritage Assets.

The valuations from 2016-17 onwards, including the current year were carried out by Wilkes, Head and Eve LLP.

Property Valuation	Historical	Depreciated	Valued at Current Value as at 31 March each year						Total £000
	Cost	Historical Cost	2017	2018	2019	2020	2021		
	£000	£000	£000	£000	£000	£000	£000		
Land and Buildings		1,204	4,030	-	3,201	215,047	89,906	313,388	
PFI		-	-	-	63	97,367	-	97,430	
PVEQ		50,815	-	-	-	-	-	50,815	
Infrastructure		948,572	-	-	-	-	-	948,572	
Community		719	-	-	-	-	-	719	
Surplus Assets		-	-	-	-	-	2,817	2,817	
Assets Under Construction	24,971	-	-	-	-	-	-	24,971	
<b>Total Plant, Property and Equipment</b>	<b>24,971</b>	<b>1,001,310</b>	<b>4,030</b>	<b>-</b>	<b>3,264</b>	<b>312,414</b>	<b>92,723</b>	<b>1,438,712</b>	
Intangible Assets		12,116	-	-	-	-	-	12,116	
Heritage Assets		1,566	-	-	-	-	16	3,795	5,377
Investment Properties		-	-	-	-	-	-	34,887	34,887
Assets Held for Sale		-	-	-	-	-	-	12,801	12,801
<b>Total Assets</b>	<b>24,971</b>	<b>1,014,992</b>	<b>4,030</b>	<b>-</b>	<b>3,264</b>	<b>312,430</b>	<b>144,206</b>	<b>1,503,893</b>	

## **Fair Value Hierarchy**

All the Council's investment and surplus properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes (see Note 1 - 1.4.29 Fair Value Measurement for an explanation of the fair value levels).

### **Valuation Techniques Used to Determine Level 2 Fair Values for Investment Property/Surplus Assets**

The fair value of investment property has been measured using a market approach, which takes into account quoted prices for similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the Council's Investment Asset portfolio. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised as level 2 on the fair value hierarchy. There has been no change in the valuation techniques used during the year for investment and surplus properties.

### **Highest and Best Use**

In estimating the fair value of the Council's investment and surplus properties, the highest and best use is their current use. Since the date of valuations, the Council has no information of any material change in value and therefore the valuations have not been updated.

## **Commitments under Capital Contracts**

The Council allocates and controls its available resources for capital expenditure via an ongoing capital programme. The total value of capital expenditure programmes remaining at the end of 2020-21 to be completed in 2021-22 and later years is £105m. This reflects all Cabinet approved capital commitments that have been through the required governance process.

Schemes entered into during 2020-21 or earlier, where significant main contract payments remain to be made, are identified below along with its purpose, approximate value and the period over which the investment will take place. The remaining significant contract payments below total £11m and form part of the £105m total remaining approved capital expenditure at the end of 2020-21.

Project/ Scheme Name	Main Contractor	Purpose	Expected Completion	Total Scheme Value £'000	Approximate Contract Value £'000	Remaining Contract Payments /Commitments (approx.) £'000
Northamptonshire Superfast Broadband	BT & Gigaclear	This scheme will deliver the roll out of superfast broadband to provide coverage of the 'white areas' of the county. National Government through BDUK plans to ensure the UK has the best broadband network in Europe and this scheme will provide the infrastructure for areas not already being planned under existing commercial rollouts. There is a requirement for local investment to match BDUK grants to fill the gap in financial viability for commercial delivery. The contract value relates to Gigaclear contracts currently in delivery, with the phase 1 & 2 contracts with BT either already completed in prior years or in the process of closure.	2021-22	29,789	6,500	4,587
Towcester South Primary School	Darwin Group Ltd	A Sustainable Urban Extension (SUE) is underway in Towcester and once complete there will be around 2,750 homes which are expected to generate in excess of 825 primary age children.  The school is funded from S106 receipts received to date and due from the Towcester SUE and other related developments.	2021-22	7,712	6,436	6,436

## 22. Investment Property

	2019-20 £'000	2020-21 £'000
<b>Cost or Valuation</b>		
10,110 Opening Balance		50,898
39,944 Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services		(71)
- De-recognition - Disposals		(2,980)
- Impairment eliminated on Revaluation on provision of services		0
844 Assets reclassified (to) from AUC		(12,961)
<b>50,898 Net Book Value</b>		<b>34,886</b>

	2019-20 £'000	2020-21 £'000
(415) Rental income from investment property		(363)
8 Direct operating expenses arising from investment property		45
<b>(407) Net gain/(loss)</b>		<b>(318)</b>

## 23. Intangible Assets

	2019-20 £'000	2020-21 £'000
<b>Cost or Valuation</b>		
45,988 Opening Balance		12,009
777 Additions		92
(34,756) Derecognition		
- Assets reclassified from AUC		15
<b>12,009 Balance at 31 March</b>		<b>12,116</b>
<b>Accumulated Depreciation and Impairment</b>		
(41,063) Opening Balance		(8,878)
(2,572) Depreciation Charge		(1,614)
34,757 Derecognition		
<b>(8,878) Balance at 31 March</b>		<b>(10,492)</b>
<b>3,131 Net Book Value</b>		<b>1,624</b>

## 24. Heritage Assets

2019-20		2020-21
£'000		£'000
<b>Cost or Valuation</b>		
2,055	Opening Balance	2,055
-	Revaluation increases/(decreases) recognised in the Revaluation Reserve	3,202
	Revaluation increases/(decreases) recognised in the Surplus/Deficit on the	
-	Provision of Services	120
<b>2,055</b>	<b>Net Book Value</b>	<b>5,377</b>

## 25. Assets Held For Sale

2019-20		2020-21
£'000		£'000
<b>Cost or Valuation</b>		
1,655	Opening Balance	425
(85)	Revaluation increases/(decreases) recognised in the Revaluation Reserve	-
	Revaluation increases/(decreases) recognised in the Surplus/Deficit on the	
(62)	Provision of Services	(137)
-	Impairment eliminated on Revaluation on provision of services	-
(908)	Derecognition - Disposals	-
(175)	Asset reclassifications (to) from AUC	12,513
<b>425</b>	<b>Net Book Value</b>	<b>12,801</b>

## 26. Long-Term Debtors

Long Term Debtors are debts that are not expected to be paid within the next 12 months. Any debts expected to be collected within the next 12 months are shown within the accounts as Short Term debtors.

As at the 31 March 2021, the value of long-term debtors decreased to £22.9m (from £29.7m as at the 31 March 2020).

2019-20		2020-21
£'000		£'000
16,309	University of Northampton Loan	14,950
11,995	Bodies External to Central Government	7,925
<b>28,304</b>	<b>Total Long-Term Debtors</b>	<b>22,875</b>

The Bodies External to Central Government figure as at 31 March 2021 includes £3.4m of deferred accommodation charges of which £0.3m is not secured by way of a legal charge. These relate to clients that own their own property and enter a residential care home. The Council will treat that customer as being liable for the full cost of their care charges due to the value of their assets. As the capital is tied up in the property the Council charges a contribution based on the client's accessible income, with the remainder being deferred against the property until such time as the property sells. The debt is secured by way of legal charge and therefore is recoverable in most cases.

## 27. Short-Term Debtors

The short-term debtors figure for Other Receivables is primarily comprised of precepts from Council Tax and Business Rates billing authorities, which are paid in the following financial year which totals £39.1m

2019-20 £'000	2020-21 £'000
62,807 Trade Receivables	76,736
39,584 Other Receivables	51,315
5,367 Payments in Advance	40,023
<b>107,759 Total Short-Term Debtors</b>	<b>168,074</b>

The above includes impairment of £28m which is calculated based upon the age of debts.

## 28. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

2019-20 £'000	2020-21 £'000
61,830 Cash, Bank Balances & Short-Term Deposits	40,119
(12,091) Bank Current Accounts	(3,619)
<b>49,739 Total Cash &amp; Cash Equivalents</b>	<b>36,500</b>

## 29. Short-Term Creditors

2019-20 £'000	2020-21 £'000
(48,267) Trade Payables	(63,073)
(24,931) Other Payables	(46,210)
(16,564) Receipts in Advance	(25,185)
<b>(89,762) Total Short-Term Creditors</b>	<b>(134,466)</b>

## 30. Provisions

Provisions (<1 yr)	Insurance	Business Rates	Public Health	Legal	School	Other	Total £'000
	Provision £'000	Provisions £'000					
<b>Balance at April 2019</b>	(1,083)	-	(7,228)	(390)	-	(862)	(9,564)
Additional Provisions made in 2019-20	(221)	-	-	-	(127)	(23)	(372)
Amounts used in 2019-2020	-	-	844	259	-	53	1,156
Unused amounts reversed in 2019-2020	-	-	6,384	131	-	-	6,515
<b>Balance at March 2020</b>	(1,305)	-	-	-	(127)	(833)	(2,265)
Additional Provisions made in 2020-21	-	-	-	(13)	-	(185)	(198)
Amounts used in 2020-21	440	-	-	-	-	218	658
Unused amounts reversed in 2020--21	-	-	-	-	-	-	-
<b>Balance at March 2021</b>	(865)	-	-	(13)	(127)	(800)	(1,805)
<hr/>							
Provisions (>1 yr)	Insurance	Business Rates	Public Health	Legal	School	Other	Total £'000
	Provision £'000	Provision £'000	Provision £'000	Provision £'000	Provision	Provisions £'000	
<b>Balance at April 2019</b>	(5,140)	(3,350)	-	-	-	(90)	(8,580)
Additional Provisions made in 2019-20	(259)	(9,346)	-	-	-	-	(9,605)
Amounts used in 2019-2020	-	-	-	-	-	-	-
Unused amounts reversed in 2019-2020	-	-	-	-	-	-	-
<b>Balance at March 2020</b>	(5,399)	(12,696)	-	-	-	(90)	(18,185)
Additional Provisions made in 2020-21	-	(3,820)	-	-	-	-	(3,820)
Recategorisation of provision	-	(15)	-	-	-	15	-
Amounts used in 2020-21	-	9,346	-	-	-	-	9,346
Unused amounts reversed in 2020--21	1,306	3,365	-	-	-	-	4,671
<b>Balance at March 2021</b>	(4,093)	(3,820)	-	-	-	(75)	(7,988)

### **Insurance Provision**

The Insurance Provision is held to fund the payment of known estimated future insurance liabilities (public liability, employer's liability and property) i.e. estimates against current open insurance claims.

Dependent on the type of claim claimants have up to six years to make a claim. The claim may then take a number of years to settle.

The balance held in the Insurance Provision is based on estimates of liability of known claims and therefore represents the liability that NCC will be required to pay impacting in future financial years.

### **Business Rates Provision**

Business Rate payers may appeal to the Valuation Office against their business rates bill. If their appeal is successful it could lead to a reduction in the rateable value of their property and thus a reduction in the amount of business rates income received by the Council. Business Rates billing authorities within the county (Borough and District Councils) inform the Council of the level of outstanding appeals within their area. This information is used to ensure that an appropriate level of provision is maintained within the Council's accounts in respect of business rates appeals.

### **Public Health Provision**

The Public Health Provision was transferred to an earmarked reserve following an agreement with Public Health England about how the previously unspent funds should be utilised, which means the funding does not need to be repaid.

## **31. Other Long-Term Liabilities**

2019-20 £'000		2020-21 £'000
(194,249)	Long-Term PFI Liabilities	(187,105)
(47)	Deferred liabilities	-
(15,701)	Deferred Income	(15,226)
(59,257)	Finance Lease Liabilities	(57,674)
(434,037)	Pension liabilities	(562,614)
<b>(703,291)</b>	<b>Total</b>	<b>(822,619)</b>

## **32. Contingent Liabilities and Contingent Assets**

Councils are receiving claims from individuals and in some cases their employers, where it is alleged that exposure to asbestos in Council buildings has led to health problems including terminal conditions such as mesothelioma. The Council maintains an insurance fund consisting of a provision and a reserve for costs not covered fully by insurance and these should be sufficient to cover the costs of claims. However there is a possibility that the fund might not be sufficient to cover in full the uninsured costs at some point.

Narrative needs to be added for NCT pension guarantee once wording has been agreed.

### **33. Capitalisation of Borrowing Costs**

The Council has capitalised borrowing costs of £234k during the financial period 2020-21. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation for the 2020-21 financial period, calculated using the weighted average interest rate on the Council's loan payments, was 3.44%.

# **Notes supporting the Cash Flow Statement**

## 34. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2019-20 Operating Activities		2019-20
	£'000	£'000
876	Interest received	543
(20,092)	Interest paid	(19,041)

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

2019-20 Non-Cash Movements		2019-20
	£'000	£'000
46,704	Depreciation	48,462
3,322	Impairment and downward valuations	8,395
2,572	Amortisation	1,614
9,530	(Decrease) / Increase in creditors	39,092
(18,189)	Decrease / (Increase) in debtors	(57,661)
(73)	(Increase) in inventories	49
29,528	Movement in pension liability	16,295
37,025	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	15,216
(39,188)	Other non-cash items charged to the net surplus or deficit on the provision of services	(10,584)
<b>71,231</b>	<b>Total adjustments for non-cash movements</b>	<b>60,878</b>

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

2019-20 Investing and Financing Activities		2019-20
	£'000	£'000
-	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	-
(2,860)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(10,351)
(63,896)	Any other items for which the cash effects are investing or financing cash flows	(51,791)
<b>(66,756)</b>	<b>Total adjustments for investing and financing activities</b>	<b>(62,142)</b>

## 35. Cash Flow Statement – Investing Activities

2019-20	Investing Activities	2019-20
£'000		£'000
(49,733)	Purchase of property, plant and equipment, investment property and intangible assets	(44,242)
(475)	Purchase of short-term and long-term investments	-
(1,020)	Other payments for investing activities	-
6,977	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	12,023
76,458	Other receipts from investing activities	63,636
<b>32,207</b>	<b>Net cash flows from investing activities</b>	<b>31,417</b>

## 36. Cash Flow Statement – Financing Activities

2019-20	Financing Activities	2020-21
£'000		£'000
170,485	Cash receipts of short- and long-term borrowing	10,000
(5,983)	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	(8,046)
(176,309)	Repayments of short- and long-term borrowing	(31,338)
<b>(11,807)</b>	<b>Net cash flows from financing activities</b>	<b>(29,384)</b>

# **Disclosures providing additional supporting information**

## 37. Financial Instruments

### Financial Instrument Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

Financial Assets	Non-Current		Current		Total	
	31-Mar-20 £'000	31-Mar-21 £'000	31-Mar-20 £'000	31-Mar-21 £'000	31-Mar-20 £'000	31-Mar-21 £'000
<b>Investments</b>						
Assets at Amortised Cost	-	-	-	-	-	-
Fair Value through profit or loss	-	-	-	-	-	-
Fair Value through Other Comprehensive Income - designated equity instruments	676	675	-	-	676	675
<b>Debtors</b>						
Amortised Cost	28,304	22,875	62,972	77,416	91,276	100,290
Fair Value through profit or loss	-	-	-	-	-	-
<b>Cash and Cash Equivalents</b>						
Amortised Cost	-	-	28,306	29,991	28,306	29,991
Fair Value through profit or loss	-	-	33,524	10,128	33,524	10,128
<b>Total Financial Assets</b>	<b>28,980</b>	<b>23,550</b>	<b>124,802</b>	<b>117,535</b>	<b>153,782</b>	<b>141,084</b>
Non-financial Assets	-	-	44,787	90,658	44,787	90,658
<b>Total Non-Financial Assets</b>	<b>-</b>	<b>-</b>	<b>44,787</b>	<b>90,658</b>	<b>44,787</b>	<b>90,658</b>
<b>Total</b>	<b>28,980</b>	<b>23,550</b>	<b>169,589</b>	<b>208,193</b>	<b>198,569</b>	<b>231,743</b>

Financial Liabilities	Non-Current		Current		Total	
	31-Mar-20	31-Mar-21	31-Mar-20	31-Mar-21	31-Mar-20	31-Mar-21
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Borrowings</b>						
Amortised Cost	(451,238)	(443,541)	(135,815)	(113,544)	(587,053)	(557,085)
Fair Value through profit or loss	-	-	-	-	-	-
<b>Other Long and Short Term Liabilities</b>						
Amortised Cost	(253,506)	(244,734)	(8,092)	(8,773)	(261,597)	(253,507)
Fair Value through profit or loss	-	-	-	-	-	-
<b>Creditors</b>						
Amortised Cost	-	-	(79,499)	(138,549)	(79,499)	(138,549)
Fair Value through profit or loss	-	-	-	-	-	-
<b>Total Financial Liabilities</b>	<b>(704,744)</b>	<b>(688,275)</b>	<b>(223,406)</b>	<b>(260,866)</b>	<b>(928,150)</b>	<b>(949,140)</b>
Non-financial Liabilities	(510,777)	(639,513)	(30,890)	(11,323)	(541,668)	(650,836)
<b>Total Non-Financial Liabilities</b>	<b>(510,777)</b>	<b>(639,513)</b>	<b>(30,890)</b>	<b>(11,323)</b>	<b>(541,668)</b>	<b>(650,836)</b>
<b>Total</b>	<b>(1,215,521)</b>	<b>(1,327,788)</b>	<b>(254,296)</b>	<b>(272,188)</b>	<b>(1,469,817)</b>	<b>(1,599,977)</b>

## Gains and Losses on Financial Instruments

The gains and losses recognised in the CIES and Movement in Reserves Statement in relation to financial instruments are made up as follows:

	31-Mar-20	31-Mar-21	31-Mar-20	31-Mar-21
	Financial Liabilities		Financial Assets	
	Measured at amortised cost		Fair Value through P & L	
	£'000	£'000	£'000	£'000
Interest expense	(20,119)	(18,979)	-	-
Losses on de-recognition	-	-	-	-
PFI/PPP	(20,398)	(19,865)	-	-
<b>Interest payable and similar charges</b>	<b>(40,517)</b>	<b>(38,844)</b>	-	-
Interest income	-	-	876	543
Gains on de-recognition	-	-	-	-
<b>Interest and investment income</b>	<b>-</b>	<b>-</b>	<b>876</b>	<b>543</b>
<b>Net gain/(loss) for the year</b>	<b>(40,517)</b>	<b>(38,844)</b>	<b>876</b>	<b>543</b>

The fair value of the assets is the same as the carrying amount because the Council's portfolio of held at amortised cost is a fair approximation of their value. The fair value of long-term debtors is also taken to be the carrying amount.

	31-Mar-20		31-Mar-21	
	Total Carrying amount	Fair value	Total Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Long term Borrowing	(451,238)	(537,462)	(443,541)	(573,728)
Short term borrowing	(123,724)	(168,251)	(109,925)	(165,073)
Short term creditors	(79,499)	(79,499)	(138,549)	(138,549)
Short term finance lease & PFI liability	(6,476)	(6,476)	(8,773)	(8,773)
Long term creditors	-	-	-	-
Long term finance lease & PFI liability	(194,249)	(194,249)	(187,106)	(187,106)
Leases	(60,873)	(60,873)	(57,628)	(57,628)
Bank Overdraft	(12,091)	(12,091)	(3,619)	(3,619)
<b>Financial liabilities</b>	<b>(928,151)</b>	<b>(1,058,902)</b>	<b>(949,141)</b>	<b>(1,134,475)</b>

	31-Mar-20		31-Mar-21	
	Carrying amount	Fair value	Carrying amount	Fair value
Investments held at Amortised Cost	676	676	675	675
Long term debtors	28,304	28,304	22,875	22,875
Short Term Debtors	62,972	62,972	77,416	77,416
Cash and Cash Equivalents	61,830	61,830	40,119	40,119
<b>Financial Assets</b>	<b>153,782</b>	<b>153,782</b>	<b>141,084</b>	<b>141,084</b>

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

The fair value of PWLB loans at new loan rates was £739m. This represents 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.

## **38. Nature and Extent of Risks Arising from Financial Instruments**

### **Key risks**

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 Council
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- Refinancing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates or stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services.

Risk management is carried out by a central treasury team within LGSS, under policies approved by the Council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

### **Credit risk**

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

The credit criteria in respect of financial assets held by the Council are detailed below:

This Council uses the creditworthiness service provided by Capita Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- Sovereign rating to select counterparties from only the most creditworthy countries

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

This risk is measured and managed primarily through the investment policies and strategy in the approved Budget, which requires that deposits are made in accordance with approved credit criteria and limits, including minimum credit ratings as follows:

Instrument	Minimum 'High' Credit Criteria	Maximum Amount
Debt Management Agency Deposit Facility (DMADF)	N/a	No maximum
UK Government Gilts / Treasury Bills	UK sovereign rating	
Certificate of Deposits	Per Treasury Advisors creditworthiness service	£10m per individual/group in total
Term Deposits and Notice Accounts - Banks and Building Societies	Per Treasury Advisors creditworthiness service	
Term Deposits - Local Authorities and Housing Associations	Considered on an individual basis	
Bank Call/Instant Access Accounts	Per Treasury Advisors creditworthiness service	
Collateralised Deposit / Covered Bonds	AAA	£20m per individual/group in total
Bonds issued by multilateral development banks	AAA / UK sovereign rating	
Bond issuance issued by a financial institution which is explicitly guaranteed by UK Government (e.g. National Rail)	UK sovereign rating	
Sovereign bond issues (other than the UK govt)	AAA / UK sovereign rating	
Collective Investment Schemes structured as Open-Ended Investment Companies (OEICs): -		
1. Money Market Funds (CNAV, LVNAV or VNAV)	AAA MMF rating	£20m per individual/group in total
2. Bond Funds	Considered on an individual basis	
3. Gilt Funds	Considered on an individual basis	

The Authority's maximum exposure to credit risk in relation to its investments of £10.1m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2021 that this was likely to crystallise.

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 and bonds.

## Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day-to-day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial assets, excluding sums due from customers, is as follows:

Liquidity Risk	Investments		Investments	
	31 March 2020		31 March 2021	
	£'000	£'000	£'000	£'000
Less than Three Months		43,186		10,128
Three to Six Months		-		-
Six months to One Year		-		-
More than One Year		-		-
<b>Total Financial Assets</b>		<b>43,186</b>		<b>10,128</b>

## Refinancing and Maturity risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer-term financial liabilities and longer-term financial assets.

The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The Council's policy is to ensure that not more than 70% of loans are due to mature within any financial year.

The maturity structure of financial liabilities is as follows:

Maturity Structure	31 March 2020		31 March 2021	
	£'000	£'000	£'000	£'000
Public Works Loans Board		433,549		432,268
Market / LOBO's		141,413		121,198
Temporary Borrowing		-		-
<b>Total Borrowing</b>		<b>574,962</b>		<b>553,466</b>
PPP/PFI		200,726		194,248
<b>Total</b>		<b>775,688</b>		<b>747,714</b>
Less than 1 Year		130,200		117,069
Between 1 and 2 Years		20,000		5,830
Between 2 and 5 Years		46,880		66,128
Between 5 and 20 Years		203,994		184,502
Between 20 and 40 Years		196,614		221,185
Over 40 Years		178,000		153,000
<b>Total Financial Liabilities</b>		<b>775,688</b>		<b>747,714</b>

## Market risk

**Interest rate risk** - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates – the fair value of the assets will fall

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

These risks are measured and managed in accordance with the Council's Treasury Management Strategy, including the setting and monitoring of risk limits on the level of variable rate instruments and on the amount of borrowing maturing in future years.

At 31 March 2021, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

Impact of 1% on interest rates	£'000
Increase in interest payable on variable rate borrowings	950
Increase in interest receivable on variable rate investments	(158)
[Increase in government grant receivable for financing costs]	-
Impact on Surplus or Deficit on the Provision of Services	792
Decrease in fair value of fixed rate investment assets	-
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)	(104,602)

The impact of a 1% fall in interest rates would be as above but with the movements being reversed. The above sensitivities have been prepared and based on loan debt and loan investments outstanding at 31 March 2021.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long-term returns, similarly the drawing of longer-term fixed rates borrowing would be postponed.

**Price risk** – The Council, excluding the pension fund, does not generally invest in equity shares or marketable bonds.

**Foreign exchange risk** – The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

## **39. Capital Expenditure and Capital Financing**

The Council's MRP policy is set out below:

For unsupported capital expenditure incurred from 1 April 2007 onwards, MRP will be charged from the year after the assets funded have become operational.

Estimated useful life periods will be determined under delegated powers. 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, these periods will generally be adopted by the Council.

MRP will only be charged in the financial year following the asset becoming operational. This policy will be reviewed annually.

The Council may use capital receipts in the year in which they are received to reduce the CFR and to offset the MRP charge for that year.

Any PFI or finance lease that comes onto the balance sheet via the introduction of the new International Financial Report Standards will already have taken capital financing into account as part of their revenue charges.

In the case of finance leases (or, when applicable, leases where a right-of-use asset is on balance sheet) and on balance sheet PFI /PPP contracts, the MRP requirement would be met by a charge equal to the element of the rent/charge that goes to write down the balance sheet liability.

Under statute the payment of the loan to a third party for capital purposes will be treated as capital expenditure and will increase the Council's CFR. The expenditure will 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 be 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 provide MRP

MRP will be charged on capitalised interest in line with the Council's Interest Capitalisation policy as set out in the Capital Strategy.

REFCUS will be treated in the same way as other capital expenditure for the purposes of charging MRP and will be charged based on the estimated useful life of the asset.

For property investment activities funded through unsupported borrowing, MRP will be charged in the same way as other capital expenditure, based on the following estimated useful lives:

1. Freehold property – maximum 50 years;
2. Leasehold property - over the term of the lease up to maximum of 50 years.

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PPP 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 Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

	2019-20 £'000	2020-21 £'000
<b>980,051</b>	<b>Opening Capital Financing requirement</b>	<b>961,182</b>
	<u>Capital Investment</u>	
47,584	Property, Plant and Equipment	44,507
16,470	Revenue Expenditure Funded From Capital Under Statute	19,693
	<u>Sources of Finance</u>	
(61,033)	Government grants and other contributions applied	(59,192)
-	Use of Capital receipts	(886)
(14,290)	Loan Repayments	(2,260)
	Sums set aside from revenue (includes direct revenue financing, MRP and any voluntary set aside)	(8,192)
<b>961,182</b>	<b>Closing Capital Financing Requirement</b>	<b>954,852</b>
	<u>Explanation of movements in year</u>	
(18,868)	Increase/(Decrease) in underlying need to borrow	(6,330)
-	Assets acquired under Finance Leases	-
-	Assets acquired under PFI/PPP contracts	-
<b>(18,868)</b>	<b>Increase / (decrease) in Capital Financing Requirement</b>	<b>(6,330)</b>

## 40. Leases

### Council as Lessee

#### I. Finance Leases

The Council has one finance leases for Property within the Balance Sheet at the following net amount.

2019-20 £'000	Cost of Finance Lease Assets	2020-21 £'000
62,171	Property	49,981
<b>62,171</b>		<b>49,981</b>

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest element of the leases acquired by the Authority, and finance costs that will be payable by the Authority in future years while the

liability remains outstanding. The minimum lease payments are made up of the following amounts:

2019-20	Finance lease liabilities (net present value of minimum lease payments)	2020-21
£'000		£'000
1,616	Current (payment in 20-21)	2,213
59,256	Non-Current (payment from 20-21 onwards)	57,628
8,689	Finance costs payable in future years	11,077
<b>69,561</b>	<b>Minimum lease payments</b>	<b>70,918</b>

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest element of the leases acquired by the Authority, and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

Minimum Lease Payments (with interest)	Finance Lease Liabilities (without interest)			Minimum Lease Payments (with interest)	Finance Lease Liabilities (without interest)
		2019-20	2020-21		
		£'000	£'000		
2,105	1,616	Not later than one year	2,213		1,629
		Later than one year and not later than five years			
8,421	6,594	years	8,854		6,647
59,035	52,662	Later than five years	59,851		50,981
<b>69,561</b>	<b>60,872</b>	<b>Total</b>	<b>70,918</b>		<b>59,257</b>

## II. Operating Leases

The future minimum payments due under operating leases in future years are:

2019-20	Operating Lease Future Lease payments	2020-21
£'000		£'000
536	Not later than one year (payments)	433
1,129	Later than one year and not later than five years	841
3,587	Later than five years	3,442
<b>5,252</b>	<b>Total</b>	<b>4,716</b>

The expenditure charged to various service lines in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

2019-20	Lease expenditure	2020-21
£'000		£'000
594	Minimum lease payments	525
<b>594</b>	<b>Total</b>	<b>525</b>

## Council as Lessor

## I. Finance Leases

The Authority as a Lessor does not have any leases that have been classified as Finance Leases. The Authority owns or leases a number of buildings that are leased, or sub leased for various reasons, the larger elements of these being as follows:

- A commercial unit rented out for £223k per annum.
- Two depots for highways contractors are rented to a contractor for £133k per annum.

## II. Operating Leases

The future minimum lease payments receivable under operating leases in future years are:

2019-20 £'000	<u>Operating Lease Future Lease Receipts</u>	2020-21 £'000
(584)	Not later than one year	(558)
(1,274)	Later than one year and not later than five years	(764)
(988)	Later than five years	(940)
<b>(2,846)</b>	<b>Total</b>	<b>(2,262)</b>

2019-20 £'000	Lease income	2020-21 £'000
-	-	-
(867)	Total amounts receivable in respect of leases	(584)
<b>(867)</b>	<b>Total</b>	<b>(584)</b>

## 41. Service Concession Arrangements (PFI arrangements)

The Council has entered into the following Private Finance Initiatives (PFI) or Public Private Partnerships (PPP):

- The Wooldale Centre;
- Residential Care Homes;
- The Northampton Town Learning Partnership;
- Shaw Elderly Persons Homes (EPH);
- Street Lighting.

The assets used to provide services under these PFI contracts are recognised in the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 21. Unless stated otherwise in the notes below, all assets funded utilising PFI funding arrangements: -

- Have not changed during the current financial year;
- Include no material additional rights or obligations to either party than otherwise disclosed;
- Include no provision for renewal or termination options, in addition to no material rights or assets upon completion of the contract;
- Require either party to acquire or build assets during the duration of the contract.

The Council makes an agreed annual payment which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year, but which is otherwise fixed. Payments remaining to be made under these PFI contracts at 31 March 2021 (excluding any estimation of inflation and availability/performance deductions) are shown in the following table.

	Payment for services £'000	Reimbursement of Capital Expenditure £'000	Interest £'000	Total £'000
Payable in 2021-22	28,776	7,144	19,865	55,785
Payable within two to five years	125,813	32,602	73,446	231,861
Payable within six to ten years	167,061	56,300	73,517	296,878
Payable within eleven to fifteen years	166,899	73,443	41,376	281,718
Payable within sixteen to twenty years	41,846	24,759	2,546	69,151
	530,395	194,248	210,750	935,393

The following paragraphs provide a high-level summary of the individual PFI contracts.

**Wooldale Centre** – This agreement was entered into on 28 March 2003 with Wooldale Partnerships Ltd to build and operate the ‘Wooldale Centre for Learning’, which comprises the Caroline Chisholm secondary and primary school at Wootton Fields. The contract is due to end on 31 August 2029 and the total remaining payments are £34.9m.

As Caroline Chisholm School converted to academy status on the 1 August 2011, its assets are not recognised on the Council’s Balance Sheet. However, the associated liabilities are recognised, as the contractor has met its contractual commitment and there is no recourse to the school for any future payments. The subsequent loss that this accounting treatment creates is expensed through the Comprehensive Income and Expenditure Statement and financed as Revenue Expenditure Funded as Capital Under Statute (REFCUS).

**Residential Care Homes (Specialist Care Centres)** – In January 2003 the Council entered into a PFI agreement with Shaw Healthcare to build and operate four specialist care centres. The centres are operational and will be operated until the financial year 2029/30 with payments remaining totalling £36.2m.

**Northampton Town Learning Partnership** – On 31 December 2005 the Council entered into a PFI agreement with Northampton Schools Ltd Partnership to build/refurbish and operate 5 secondary schools and 36 primary schools in Northampton town. The PFI completion date is 1 January 2038 and the remaining payments total £548.1m. Some schools in the contract are being extended under the contract to meet the basic need provision for school places in Northampton town.

**Shaw Elderly Persons Homes (EPH)** – The Shaw EPH scheme is a PPP involving the transfer of 8 elderly persons’ homes to Shaw Healthcare (De Montfort) Limited. The Council has a 30-year contract with Shaw under which the developer provides a specified number of beds at each home at a specified price to the Council. The assets used to provide services under this contract are recognised on the Council’s Balance Sheet, although the assets will be owned by the developer at the end of the contract. Payments to the end of the contract in financial year 2036/37 total £161m.

**Street Lighting PFI Scheme** – The Street Lighting PFI Contract is a partnership with Balfour Beatty running for 25 years from 1 October 2011 to 30 September 2036. The PFI element of the contract covers the maintenance of existing and new lighting units, and the replacement

of current lighting units requiring replacement on a gradual basis over the first 5 years of the contract.

Outside of the PFI element of the contract but closely related, forming part of the wider contract and affecting the assets utilised, is the energy consumption of the street lighting units. There are related performance targets to reduce energy consumption with the new units.

The value of the contract will change over the period of the contract as new housing developments are built and the related street lighting stock adopted by the Council. Although the contract requires maintenance of the entire street lighting stock and replacement of existing equipment beyond its useful life, ownership of the street lighting asset is retained by the County Council. The remaining payments total £155.5m.

<b>Private Finance Initiative and similar contracts</b>	<b>£'000</b>
Liabilities at 31 March 2020	200,726
Repayments	(6,478)
<b>Liabilities at 31 March 2021</b>	<b>194,248</b>
Liabilities at 31 March 2019	206,624
Repayments	(5,897)
<b>Liabilities at 31 March 2020</b>	<b>200,727</b>

## 42. Member's Allowances

The allowances paid to members of the Council were £0.71m (2019-20: £0.72m).

## 43. Officers' Remuneration

The numbers of employees whose remuneration, taxable expenses and severance pay (if applicable) was £50,000 or more during the year are detailed below. This includes pension strain costs – additional contributions payable when an employee retires before their normal retirement date. The table excludes the senior employees who are detailed separately on the following page.

2019-20			2020-21		
Staff in Schools	Other staff	Total	Pay Band	Staff in Schools	Other staff
49	58	<b>107</b>	£50,000 - £54,999	45	43
31	24	<b>55</b>	£55,000 - £59,999	32	37
19	18	<b>37</b>	£60,000 - £64,999	19	14
19	15	<b>34</b>	£65,000 - £69,999	20	9
8	10	<b>18</b>	£70,000 - £74,999	13	11
5	3	<b>8</b>	£75,000 - £79,999	5	5
4	3	<b>7</b>	£80,000 - £84,999	4	8
1	4	<b>5</b>	£85,000 - £89,999	1	4
3	2	<b>5</b>	£90,000 - £94,999	-	1
-	5	<b>5</b>	£95,000 - £99,999	2	3
-	1	<b>1</b>	£100,000 - £104,999	-	1
1	-	<b>1</b>	£105,000 - £109,999	-	1
-	2	<b>2</b>	£110,000 - £114,999	-	-
-	1	<b>1</b>	£135,000 - £139,999	1	1
-	1	<b>1</b>	£140,000 - £144,999	-	-
-	-	-	£150,000 - £154,999	-	1
-	-	-	£160,000 - £164,999	-	1
-	-	-	£165,000 - £169,999	-	1
<b>140</b>	<b>147</b>	<b>287</b>	<b>Totals</b>	<b>142</b>	<b>141</b>
					<b>283</b>

Disclosure of remuneration for senior employees. Senior employees are typically a Council's Chief Executive (or equivalent) and their direct reports (other than administration staff).

Post holder information	Year	Notes	Salary	Allowance & Fees (inc Honoria & SRO payments)	Expenses Allowances	Compensation for Loss of Office £'000	Total Remuneration excluding pension contribution £'000	Pension contributions £'000	Total Remuneration including pension contribution £'000
			£'000	£'000			£'000	£'000	£'000
<b>Current post holders:</b>									
Chief Executive (Head of Paid Service) - T Grant	2020-21	1	232	-	-	17	249	33	282
	2019-20	1	195	-	-	-	195	32	227
Executive Director of Finance (Section 151) - B Scarr	2020-21	2	149	15	1	-	165	26	191
	2019-20	2	69	5	-	-	74	■ 4	74
Group Counsel (Monitoring Officer)	2020-21	3	58	-	-	-	58	-	58
	2019-20		-	-	-	-	-	-	-
Director of Public Health - L Wightman	2020-21	4	109	24	-	-	133	19	152
	2019-20	4	105	12	-	-	117	■ 15	132
Former Executive Director Adults Community and Wellbeing (DASS) / Shadow Chief Exec for West - A Earnshaw	2020-21	5	163	5	-	-	168	28	196
	2019-20	5	137	1	-	-	138	22	160
Acting Executive Director Adults Community and Wellbeing	2020-21	6	49	26	-	-	75	12	87
	2019-20		-	-	-	-	-	-	-
Executive Director Children First Northamptonshire	2020-21	7	143	-	-	-	143	23	166
	2019-20	6	69	-	-	-	69	11	80
Northamptonshire Unitary Programme Director	2020-21	8	83	7	-	-	90	15	105
	2019-20	7	90	■ 8	-	-	98	■ 16	114
Executive Director Strategic Delivery and Transformation	2020-21	9	119	8	-	-	127	21	148
	2019-20		19	-	-	-	19	3	22
Managing Director (LGSS) - M Ashton	2020-21	10	127	11	-	26	164	22	186
	2019-20		125	10	-	-	135	22	157
Director of HR - M Cox	2020-21	11	125	-	-	97	222	21	243
	2019-20		115	-	-	-	115	19	134
Assistant Director to Chief Exec	2020-21	12	95	-	-	-	95	15	110
	2019-20		-	-	-	-	-	-	-
<b>Former post holders:</b>									
Group Counsel (Monitoring Officer)	2020-21	13	51	2	-	-	53	8	61
	2019-20	3	91	4	-	-	95	15	110

Notes:

1. The Chief Executive post is a two-year fixed term appointment, commencing on the 26 July 2018, extended to 31 March 2021.
2. The Executive Director Resources/ Chief finance officer started **30 September 2019**
3. The General Counsel commenced in **September 2020** on secondment from LGSS.
4. The Director of Public Health commenced acting up in post from 29 June 2017 and was formalised in post in **November 2017**. This post no longer reports to the chief executive after a restructure; however it has been put in for comparison.
5. The Executive Director Adults Community and Wellbeing (DASS) became the chief exec of the shadow West Unitary Council from the **October 2020** but still held some statutory responsibilities within adults.
6. Acting up from **September 2020**
7. The Executive Director Children, Families and Education (DCS) started in November 2019
8. The Northamptonshire Unitary Programme Director began the role on 5 August 2019.
9. The Exec Director of Strategy Delivery and Transformation Started in February 2020
10. The Managing Director (LGSS) came under a the LGSS structure until it changed to a lead service model in 20/21
11. The Director of HR came under a the LGSS structure until it changed to a lead service model in 20/21
12. The Assistant Director to Chief Exec started in Jan 2020
13. The former group counsel left on 8 October 2020

## 44. Exit Packages

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20 £000	2020-21 £000
<b>£0 – £20,000</b>	2	26	13	-	15	26	130	170
<b>£20,001 - £40,000</b>	2	3	2	1	4	4	99	124
<b>£40,001 – £60,000</b>	-	1	2	1	2	2	109	92
<b>£60,001 – £80,000</b>	2	3	1	-	3	3	199	203
<b>£80,001 – £100,000</b>	1	2	1	-	2	2	176	182
<b>£100,001 – £150,000</b>	2	-	-	-	2	-	262	-
<b>£150,001 – £200,000</b>	-	-	2	1	2	1	329	183
<b>£200,001 – £250,000</b>	-	1	-	-	-	1	-	211
<b>Total cost included in bandings</b>	<b>9</b>	<b>36</b>	<b>21</b>	<b>3</b>	<b>30</b>	<b>39</b>	<b>1,304</b>	<b>1,166</b>

## 45. Auditors Remuneration

	2019-20 £'000	2020-21 £'000
106	Fees payable to EY LLP (external auditors with regard to external audit services carried out for the year)	106
314	Fees payable to EY LLP with regards to additional costs of completing the 19-20 Audit	-
-	Fees payable to EY LLP with regards to additional costs of completing the 20-21 Audit	314
10	Grant Claims audited by other audit firms	10
<b>430</b>	<b>Total External Audit Costs</b>	<b>430</b>

The additional costs of completing the 2020-21 audit are estimated and the final fee is subject to the approval processes of PSAA Ltd.

## 46. Related Parties

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

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. Details of specific Government grants can be found in Note 14.

### a) Members

Members of the Council have direct control over the Council's financial and operating policies.

The total of members' allowances paid in 2020-21 is shown in note 42.

During 2020-21 the Council did not buy any goods and services and gave no grants (2019-20 £62k) to organisations or companies in which any member (2019-20 1 members) had an interest. The Council entered into contracts in line with standard procedures and made grants with proper consideration of declarations of interest.

### b) Officers

During 2020-21 the Council did not buy any goods and services (2019-20 Nil) from companies in which officers had an interest

### c) EMPSN Services Ltd (formally East Midlands Broadband Consortium)

EMPSN were established to provide broadband connectivity and online IT safety services to schools and academies in the East Midlands. Services are provided through a catalogue of trusted suppliers, each of which have been through a stringent OJEU compliant procurement process.

EMPSN Services Ltd is supported through a membership scheme with each member paying a subscription of £5k. The Council is a member of the board and as such can influence

decisions that impact on the running of the organisation. The company delivers broadband connectivity services predominantly to schools in the East Midlands.

**d) Northamptonshire Local Government Pension Scheme**

The Northamptonshire County Council Pension Fund is administered by Northamptonshire County Council. Consequently, there is a strong relationship between the Council and the Fund.

The Council incurred costs of £1.6m (2019-20: £2.0m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses.

The Council is also the single largest employer of members of the Pension Fund and contributed £31.2m of employer's contributions to the Fund in 2020-21 (2019-20: £31.3m). At 31 March 2021 there was £92k due to the Fund by the Council (31 March 2020: £681k was due to the Council by the Fund).

**e) Local Clinical Commissioning Groups (CCG)**

Details of the pooled budgets with local Clinical Commissioning Groups (CCGs) are shown in Note 47.

**f) LGSS Law Ltd**

LGSS Law Ltd was spun off from the existing LGSS shared service venture, operating as a private limited company to take advantage of the Alternative Business Structure status that allows non-lawyers to own legal practices. Ownership is split equally between Cambridgeshire County Council (CCC), Northamptonshire County Council (NCC) and Central Bedfordshire Council, with each Council owning 50 shares each. Further equity was invested in 2020-21 with each council again investing an equal share.

During 2020-21 the Council made payments of £5.4m (2019-20 £6.4m) to LGSS Law Ltd as payment for legal services received in the year. At March 2021 there was a net debtor balance of £1k (2019-20: £0.4m).

The Council has considered that group accounts will not be required for LGSS Law Ltd, as the net worth of LGSS Law Ltd and exposure to risk is not material. Users of the Council accounts will be able to see the complete activities of the Council and its exposure to risk without producing group accounts.

**g) Northamptonshire Trading Limited and Olympus Care Service Limited**

The Council had two subsidiaries which were dormant in 2020-21, one of which closed in the year.

**h) Opus LGSS**

Opus LGSS People solution is a joint venture owned by Opus and the LGSS Partner organisations, with Northamptonshire County Council having a 16% share. Opus LGSS recruits temporary and interim workers, allowing the Council to reduce agency costs for its temporary staffing needs as well as have greater influence over the quality and pay of agency workers.

During 2020-21 the Council made payments of £19.2m (2019-20: £15.2m) to Opus LGSS. At 31 March 2021 there was a creditor balance of £180k (2019-20: £541k) with Opus LGSS.

**i) Northamptonshire Corporate Parenting Ltd**

Northamptonshire Corporate Parenting Ltd was set up in 2017-18 to provide non -statutory support to Northamptonshire's Children in Care and Care Leavers. It is wholly owned by Northamptonshire County Council. There were no significant transactions with Northamptonshire County Council in 2020-21 and none in 2019--20.

#### **j) Northamptonshire Sport**

One of 43 Active Partnerships across England, set up by Sport England in 2003/04. On 1 October 2020 Northamptonshire Sport was transferred from a hosted arrangement within NCC into a Charitable Incorporated Organisation (CIO). No material transaction in the first 6 months to 31/03/2021 due Covid-19 pandemic.

#### **k) Northamptonshire Children's Trust Limited**

This company is a full subsidiary of the Council, and the Group Accounts consist of the consolidation of its financial statements with those of the Council's. The principal activity of the company is the management of Children's Social Care services on behalf of the Council. The Company is a private company limited by guarantee without share capital and during 2020-21 was 100% owned by the Council. The Company formally started trading on 1 November 2020.

#### **l) Debtors and Creditors balances**

Apart from the above there were no significant balances due to or from related parties at 31 March 2021.

## **47. Pooled Budgets**

Section 75 of the National Health Service Act 2006, enables joint working arrangements between NHS bodies and local authorities. Pooled funds enable health bodies and local authorities to work collaboratively to address specific local health issues.

### **Better Care Fund (BCF)**

Effective from 1 April 2015, Northamptonshire County Council hosted the Better Care Fund, a national initiative to pool health and social care funding to provide integrated health and social care services to achieve better health outcomes for the local community.

The Better Care Fund is split into four main programmes, each with individual governance arrangements. The final pooled budget outturn for these programmes is outlined below.

## Better Care Fund – Funding and Expenditure Breakdown

	2019-20	2020-21
	£'000	£'000
<b>Community Case Management</b>		
(25,668) Funding Provided by the Council		(26,167)
(1,704) Funding Provided by Other Partners		(1,704)
<b>Total Funding</b>	<b>(27,372)</b>	<b>(27,871)</b>
<b>Expenditure</b>	<b>27,372</b>	<b>27,871</b>
<b>- Net Funding / (Expenditure)</b>		-
<b>Crisis Intervention &amp; Admission Avoidance</b>		
(3,482) Funding Provided by the Council		(3,594)
(696) Funding Provided by Other Partners		(696)
<b>Total Funding</b>	<b>(4,178)</b>	<b>(4,290)</b>
<b>Expenditure</b>	<b>4,178</b>	<b>4,290</b>
<b>- Net Funding / (Expenditure)</b>		-
<b>Discharge &amp; Intermediate Care</b>		
(8,805) Funding Provided by the Council		(8,968)
(21,880) Funding Provided by Other Partners		(23,421)
<b>Total Funding</b>	<b>(30,685)</b>	<b>(32,389)</b>
<b>Expenditure</b>	<b>30,685</b>	<b>32,389</b>
<b>- Net Funding / (Expenditure)</b>		-
<b>Integrate Care Close to Home (ICCtH)/BCF Enablers</b>		
(894) Funding Provided by the Council		(941)
- Funding Provided by Other Partners		-
<b>Total Funding</b>	<b>(894)</b>	<b>(941)</b>
<b>Expenditure</b>	<b>894</b>	<b>941</b>
<b>- Net Funding / (Expenditure)</b>		-
<b>Learning Disability</b>		
- Funding Provided by the Council		-
(6,627) Funding Provided by Other Partners		(6,813)
<b>Total Funding</b>	<b>(6,627)</b>	<b>(6,813)</b>
<b>Expenditure</b>	<b>6,627</b>	<b>6,813</b>
<b>- Net Funding / (Expenditure)</b>		-
<b>- Net Funding / (Expenditure)</b>		-

In addition to the Better Care Fund, the Council contributed to three additional pooled budgets:

- **Community Equipment Services within Northamptonshire** – hosted by the Council, the equipment is allocated via an occupational therapy assessment to enable independent living.
- **Adult Mental Health Services Commissioning** – hosted by the Nene and Corby Clinical Commissioning Groups (CCGs), is used to provide high quality services to promote mental health, prevent mental distress and illness and to provide timely and holistic treatment of mental illness within the County.
- **Child Adolescent Mental Health Services Commissioning Pool** – hosted by the Nene and Corby CCGs, is used to provide high quality services to prevent mental distress and illness and to provide timely and holistic treatment of mental illness for children within the County.

	2019-20	2020-21
	£'000	£'000
<b>Community Equipment Services within Northamptonshire</b>		
(1,936) Funding Provided by the Council	(2,011)	
(2,277) Funding Provided by Other Partners	(2,365)	
(4,213) Total Funding	(4,376)	
4,089 Expenditure	4,360	
<b>(124) Net Funding / (Expenditure)</b>	<b>(16)</b>	
<b>Adult Mental Health Services Commissioning</b>		
(11,025) Funding Provided by the Council	(11,391)	
(67,326) Funding Provided by Other Partners	(70,377)	
(78,351) Total Funding	(81,768)	
77,128 Expenditure	81,766	
<b>(1,223) Net Funding / (Expenditure)</b>	<b>(2)</b>	
<b>Child Adolescent Mental Health Services Commissioning Pool (CAMHS)</b>		
(610) Funding Provided by the Council	(610)	
(6,285) Funding Provided by Other Partners	(6,462)	
(6,895) Total Funding	(7,072)	
6,895 Expenditure	7,072	
<b>- Net Funding / (Expenditure)</b>	<b>-</b>	
<b>(1,347) Net Funding / (Expenditure)</b>	<b>(18)</b>	

## Notes

Each partner's funding and expenditure position is audited as part of each partner's annual audit.

The overspend on the Adult Mental Health pool related to health expenditure and was fully funded by the CCGs.

# **Group Accounts**

# **Group Narrative Report 2020-21**

The Council's main financial statements consider the Council as a single entity. However, the Council has some subsidiary companies and where these are material, they are required to be consolidated within the Group Accounts in order to present a complete picture of the Council's economic activity and financial position.

The following companies were dormant in the 2020-21 financial year and are therefore not considered material for the purposes of the Group Accounts:

- Olympus Care Services which was dormant throughout 2020-21 and is subject to an application for dissolution.
- First for Wellbeing Community Interest Company ceased trading in 2018-19 and remained dormant until its dissolution in September 2021.
- Northamptonshire Trading Ltd which ceased trading in 2018-19 and remained dormant until its dissolution in September 2020

## **Northamptonshire Children's Trust Limited**

Following an 'inadequate' Ofsted inspection, the Secretary of State for Education issued a statutory direction for the Council to secure improvements in Children's services in October 2019. This was followed by a statutory direction in June 2020 to secure timings to establish a Children's Trust. The Northamptonshire Children's Trust Limited was subsequently established as a private company limited by guarantee and was 100% owned by the County Council during the 2020-21 financial year. Upon the demise of Northamptonshire County Council on 31 March 2021 under local government reorganisation, equal ownership of the Northampton Children's Trust Limited transferred to equal ownership by the two successor unitary authorities - West Northamptonshire Council and North Northamptonshire Council on 1 April 2021.

The service delivery contract was signed on 20 October and trading commenced on 1 November 2020. The company was incorporated on 28 January 2021. The company provides social care, early help and youth offending services for children and families across Northamptonshire. The company's financial year will run from 1 April to 31 March and so it has elected to prepare its first set of formal accounts to cover the seventeen-month period from 1 November 2020 to 31 March 2022.

The company has been identified as a subsidiary as the Council is deemed to have single control. Group accounts have been prepared because the subsidiary is assessed to be material. Management accounts for the company have been prepared for the five-month period 1 November 2020 to 31 March 2021 to enable consolidation into the County Council's Group Accounts for the 2020-21 financial year.

During this period, the Council spent £59m on services from the company and received £3.1m in income from the provision of support services to the company. This is reflected in the single entity Comprehensive Income and Expenditure Statement. There is a debtor of £10.6m and a creditor of £25.9m and these balances are included in the single entity balance sheet.

# Group Comprehensive Income and Expenditure Statement

This statement shows the resources that have been generated and consumed in providing services and managing the Council and those generated and consumed within Northamptonshire Children's Trust for the period November 2020 to March 2021.

Group Comprehensive Income and Expenditure Statement	Gross Expenditure	Gross Income	Net Expenditure
	2020-21	2020-21	
	£000	£000	
Corporate Services	72,617	(34,272)	38,345
Children First Northamptonshire	429,399	(294,556)	134,843
Northamptonshire Adult Social Services (NASS)	305,394	(123,164)	182,230
Place Services	193,624	(106,635)	86,989
Public Health	41,890	(57,946)	(16,056)
Corporate Costs	10,499	(25,028)	(14,529)
<b>Cost of Services</b>	<b>1,053,422</b>	<b>(641,600)</b>	<b>411,822</b>
Other Operating Expenditure	5,638	-	5,638
Financing and Investment Income\Expenditure	52,262	(24,329)	27,933
Taxation and Non-Specific Grant Income	-	(430,379)	(430,379)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>1,111,322</b>	<b>(1,096,308)</b>	<b>15,014</b>
(Surplus) or Deficit on Revaluation of Non-Current Assets			(9,457)
Actuarial (gains) / losses on pension assets / liabilities			112,075
<b>Other Comprehensive (Income) and Expenditure</b>			<b>102,618</b>
<b>Total Comprehensive (Income) and Expenditure</b>			<b>117,632</b>

## Group Movement in Reserves Statement

This statement shows the movement in the year on the Council's reserves and the authority 100% share of the reserves of Northamptonshire Children's Trust totalling £0.8m therefore increasing the Group Reserves to £186.2m.

Group Movement in Reserves Statement	Single Entity Usable Reserves £'000	Single Entity Unusable Reserves £'000	Total Single Entity Reserves £'000	Authority share of reserves of subsidiary £'000	Total Group Reserves £'000
<b>Balance at 31 March 2020 carried forward</b>	(112,891)	181,452	68,560	-	68,560
<b><u>Movement in reserves during 2020/21</u></b>					
<b>Total Comprehensive Expenditure and Income</b>	<b>14,007</b>	<b>102,825</b>	<b>116,832</b>	<b>800</b>	<b>117,632</b>
Adjustments between accounting basis and funding basis under regulations (Note 16)	(64,517)	64,517	0	0	0
Transfers to/from Earmarked Reserves (Note 17)	-	-	-	-	-
<b>Increase / (Decrease) in Year</b>	<b>(50,510)</b>	<b>167,343</b>	<b>116,833</b>	<b>800</b>	<b>117,633</b>
<b>Balance at 31 March 2021 carried forward</b>	<b>(163,401)</b>	<b>348,794</b>	<b>185,393</b>	<b>800</b>	<b>186,193</b>

## Group Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council and Northamptonshire Children's Trust.

Balance Sheet		31 March 2021
	Notes	£'000
Property, Plant and Equipment		1,127,453
Heritage Assets		5,376
Investment Property		34,886
Intangible Assets		1,624
Long-Term Investments		675
Long-Term Debtors		22,875
<b>Long Term Assets</b>		<b>1,192,889</b>
Short Term Investments		-
Assets held for Sale		12,801
Inventories		701
Short-Term Debtors	G2	161,088
Cash and Cash Equivalents	G7	73,672
<b>Current Assets</b>		<b>248,262</b>
Bank Overdraft		(3,619)
Short-Term Borrowing		(109,925)
Short-Term Creditors	G3	(157,773)
Receipts in Advance		(3,540)
Capital Grants Receipts in Advance (<1yr)		(20,102)
Provisions (<1yr)		(1,804)
<b>Current Liabilities</b>		<b>(296,763)</b>
Capital Grants Receipts in Advance (>1yr)		(53,640)
Provisions (>1yr)		(7,988)
Long-Term Borrowing		(443,541)
Other Long-Term Liabilities		(825,412)
<b>Long-Term Liabilities</b>		<b>(1,330,581)</b>
<b>Net Liabilities</b>		<b>(186,193)</b>
Usable Reserves	G4	(162,394)
Unusable Reserves	G5	348,587
<b>Total Reserves</b>		<b>186,193</b>

## Group Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council and Northamptonshire Children's Trust during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents. The cash flow is analysed between operating, investing and financing activities. Northamptonshire Children's Trust has only impacted the net cash flows from operating activities which is analysed further in Note G8.

Group Cash Flow Statement	2020-21	
	Note	£'000
Net Surplus/(Deficit) on the provision of services		(15,014)
Adjustment to surplus or deficit on the provision of services for non-cash movements	G8	95,437
Adjust for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities		(62,142)
<b>Net Cash flows from Operating Activities</b>		<b>18,281</b>
Net Cash flows from Investing Activities		31,417
Net Cash flows from Financing Activities		(29,384)
<b>Net Increase /(Decrease) in cash and cash equivalents</b>		<b>20,314</b>
Cash and Cash equivalents at the beginning of the reporting year		49,739
<b>Cash and Cash equivalents at the end of the reporting year</b>		<b>70,053</b>

# **Notes to the Group Accounts**

## G1. Accounting Policies

The Group Financial Statements summarise the Council's and its Group's transactions for the 2020/21 financial year. The Group Financial Statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, supported by International Financial Reporting Standards (IFRS).

Notes to the Group Financial Statements have been presented where the figures are materially different from those of the Council entity accounts. Where there are no material differences, the notes to the County entity accounts provide the required disclosures.

Accounting policies of the individual members of the Group have been aligned to the Council's accounting policies

The accounting policies applied to the Group Financial Statements are consistent with those set out in Note 1 to the Council entity accounts, with additional policies specific to the Group set out below.

### Defined Benefit Pension Scheme

Northamptonshire Children's Trust participate in the Local Government Pension Scheme (LGPS). The scheme is a funded defined benefit scheme based upon career average salary for benefits accrued since 1 April 2014 and on final pensionable salary for benefits accrued to 31 March 2014. Further information may be found within the Council's entity accounting policies and Note G6

## G2. Short-Term Debtors

The short-term debtors figure for the Group is £167.2m, a reduction of £7m on short-term debtors for the Council.

	2020-21 £'000
Trade Receivables	64,087
Other Receivables	56,503
Payments in Advance	40,499
<b>Total Group Short-Term Debtors</b>	<b>161,088</b>

## G3. Short-Term Creditors

The short-term creditors figure for the Group is £163.9m, an increase of £23.3m on short-term creditors for the Council.

	2020-21 £'000
Trade Payables	(47,062)
Other Payables	(51,160)
Receipts in Advance	(59,551)
<b>Total Short-Term Creditors</b>	<b>(157,773)</b>

## G4. Usable Reserves

The Usable Reserves figure for the Group is £162.4m, an increase of £2m on Usable Reserves for the Council.

	2020-21 £'000
General Fund	(28,391)
Earmarked Reserves	(87,040)
Schools Reserves	<b>(27,837)</b>
Capital Receipts Reserve	(774)
Capital Grants Unapplied	(18,352)
<b>Total Usable Reserves</b>	<b>(162,393)</b>

## G5. Unusable Reserves

The Unusable Reserves figure for the Group is £348.6m, an increase of £2.8m on Usable Reserves for the Council which relates solely to the Pensions Reserve.

	2020-21 £'000
Revaluation Reserve	(117,775)
Capital Adjustment Account	(128,136)
Financial Instruments Adjustment Account	11,609
Pensions Reserve	565,407
Collection Fund Adjustment Account	17,448
Deferred Capital Receipts Reserve	(4,327)
Accumulated Absences Account	4,361
<b>Total Unusable Reserves</b>	<b>348,587</b>

## G6. Group Pensions

### a) Participation in Pension Schemes

The Local Government Pension Scheme is a defined benefit scheme.

As part of the terms and conditions of employment of its officers and other employees, the Council and its subsidiary offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in one pension scheme that are subject to the requirements of IAS19:

- The Local Government Pension Scheme for civilian employees, administered by Northamptonshire County Council up to 31 March 2021 and now administered by West Northamptonshire Council. This is a funded scheme, meaning that the Council, its subsidiaries and the employees of any group organisation pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

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

	March 2021		
	NCC £'000	NCT £'000	Total £'000
Opening Defined Benefit Obligation	1,520,028	71,516	1,591,544
Current Service Cost	48,470	5,078	53,548
Interest Cost	32,766	517	33,283
Contribution by Scheme Participants	7,738	740	8,478
<b>Actuarial Gains and Losses:</b>			
Arising from changes in demographic assumptions	22,813	4,071	26,884
Arising from changes in financial assumptions	373,916	1,055	374,971
Other	(19,617)	(805)	(20,422)
Curtailments, Settlements and past Service Costs	(59,500)	-	(59,500)
Benefits paid	(44,600)	-	(44,600)
<b>Group Closing Defined Benefit Obligation</b>	<b>1,882,014</b>	<b>82,172</b>	<b>1,964,186</b>

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £1.96b has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. This includes a guarantee against the Pension liabilities of Northamptonshire Children's Trust. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

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

**c) Pensions Assets and Liabilities Recognised in the Balance Sheet**

	March 2021		
	NCC £'000	NCT £'000	Total £'000
	(1,882,014)	(82,172)	(1,964,186)
	1,319,400	55,408	1,374,808
<b>Group Closing Defined Benefit Obligation</b>	<b>(562,614)</b>	<b>(26,764)</b>	<b>(589,378)</b>

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

	March 2021		
	NCC £'000	NCT £'000	Total £'000
Opening Fair Value of Employer Assets	1,085,992	47,545	1,133,537
Return on Plan Assets, excluding the amount included in the net interest costs	264,830	341	265,171
Interest income on Plan assets	23,785	-	23,785
Changes in foreign exchange rates	(49,537)	2,254	(47,283)
Contributions from Employer	31,192	740	31,932
Contributions by scheme participants	7,738	-	7,738
Benefits Paid	(44,600)	55,408	10,808
<b>Group Closing Fair Value of Employer Assets</b>	<b>1,319,400</b>	<b>106,288</b>	<b>1,425,688</b>

**e) Comprehensive Income and Expenditure Statement & Movement in Reserve Statement**

The Council and its subsidiary 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. 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.

	2020-21		
	NCC £'000	NCT £'000	Total £'000
<b>Income and Expenditure Account</b>			
<b>Cost of Services</b>			
Current Service Cost	48,470	5,078	53,548
Past Service Cost (including Settlements and Curtailments)	(9,963)	-	(9,963)
<b>Financing and Investment Income and Expenditure</b>			
Net Interest Expense	8,981	176	9,157
<b>Total Group defined benefit cost recognised in Income and Expenditure Account</b>	<b>47,488</b>	<b>5,254</b>	<b>52,742</b>
Return on plan assets (excluding the amount included in the net interest expense)	(264,830)	(4,528)	(269,358)
Actuarial gains and losses arising on changes in demographic assumptions	22,813	4,071	26,884
Actuarial gains and losses arising on changes in financial assumptions	373,916	1,055	374,971
Other	(19,617)	(805)	(20,422)
<b>Total Group re-measurements recognised in Other Comprehensive Income (OCI)</b>	<b>112,282</b>	<b>(207)</b>	<b>112,075</b>
<b>Movement in Reserves Statement</b>			
Reversal of net charges made for retirement benefits in accordance with IAS19	(47,488)	(5,254)	(52,742)
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>			
Employers' contribution payable to scheme (LGPS)/Retirement Benefits payable to pensioners (FPS)	31,192	2,254	33,446

**f) Local Government Pension Scheme Assets Comprised**

	2020-21		
	NCC £'000	NCT £'000	Total £'000
Consumer	26,655	1,127	27,782
<b>Equity Securities</b>			
Consumer	7	0	7
Manufacturing	-	-	-
Energy and Utilities	-	-	-
Financial Institutions	-	-	-
Health and Care	-	-	-
Information Technology	-	-	-
<b>Debt Securities Bonds</b>			
Government	132,998	5,623	138,621
<b>Property</b>			
UK	69,409	2,935	72,344
Overseas	9,818	415	10,233
<b>Private Equity</b>			
All	48,314	1,651	49,965
<b>Investment Funds and Trust Units</b>			
Equities	828,053	35,009	863,062
Bonds	121,780	5,149	126,929
Infrastructure	82,366	3,499	85,865
<b>Total Group Assets</b>	<b>1,319,400</b>	<b>55,408</b>	<b>1,374,808</b>

## G7. Cash and Cash Equivalents

The Cash and Cash Equivalents figure for the Group is £70m, an increase of £33.5m on Cash and Cash Equivalents for the Council.

	2020-21 £'000
Cash, Bank Balances & Short-Term Deposits	73,672
Bank Current Accounts	(3,619)
<b>Total Cash &amp; Cash Equivalents</b>	<b>70,053</b>

## G8. Cash Flow Statement – Operating Activities

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

2019-20	Group Operating Activities	2020-21
£'000		£'000
876 Interest received		544
(20,092) Interest paid		(19,041)

Group Non-Cash Movements	2020-21
	£'000
Depreciation	48,462
Impairment and downward valuations	8,395
Amortisation	1,614
(Decrease) / Increase in creditors	63,666
Decrease / (Increase) in debtors	(50,675)
(Increase) in inventories	49
Movement in pension liability	19,295
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	15,216
Other non-cash items charged to the net surplus or deficit on the provision of services	(10,584)
<b>Total adjustments for non-cash movements</b>	<b>95,438</b>

# **Northamptonshire Local Government Pension Scheme**

# Fund Account, Net Assets Statement and Notes

## Introduction to the accounts

The following comprises the Statement of Accounts for the Northamptonshire Local Government Pension Scheme (The Fund). The accounts cover the financial year from 1 April 2020 to 31 March 2021.

These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting ('Code of Practice') in the United Kingdom 2020-21 based on International Financial Reporting Standards (IFRS) as published by the Chartered Institute of Public Finance and Accountancy. The accounts have been prepared on an accruals basis. They do not take account of liabilities to pay pensions and other benefits in the future.

The accounts are set out in the following order:

**Fund Account** which discloses the size and nature of financial additions to and withdrawals from the Fund during the accounting period and reconciles the movements in the net assets to the Fund Account.

**Net Assets Statement** which discloses the size and disposition of the net assets of the Fund at the end of the accounting period.

**Notes to the Accounts** which gives supporting accounting policies, detail and analysis concerning the contents of the accounts, together with information on the establishment of the Fund, its membership and actuarial position.

## **Independent auditor's report to the members of Northamptonshire County Council – LGPS**

Left blank to insert auditor's report.

# Fund Account

31-Mar-20	£000	Notes	31-Mar-21	£000
<b>Dealings with members, employers and others directly involved in the fund:</b>				
-112,663 Contributions		Note 7	-116,311	
-8,184 Transfers in from other pension funds		Note 8	-7,759	
<b>-120,847</b>			<b>-124,070</b>	
94,415 Benefits		Note 9	96,190	
6,765 Payments to and on account of leavers		Note 10	8,958	
<b>101,180</b>			<b>105,148</b>	
<b>-19,667 Net (additions)/withdrawals from dealing with members</b>			<b>-18,922</b>	
11,976 Management expenses		Note 11	14,008	
<b>-7,691 Net (additions)/withdrawals including fund management expenses</b>			<b>-4,914</b>	
<b>Returns on investments:</b>				
-41,123 Investment income		Note 13	-23,433	
230 Taxes on income			14	
150,600 (Profit) and losses on disposal of investments and changes in the value of investments		Notes 14a and 17b	-670,914	
<b>109,707 Net return on investments</b>			<b>-694,333</b>	
<b>102,016 Net (increase)/decrease in the net assets available for benefits during the year</b>			<b>-699,247</b>	
-2,506,259 Opening net assets of the scheme			-2,404,243	
<b>-2,404,243 Closing net assets of the scheme</b>			<b>-3,103,490</b>	

# Net Asset Statement

31-Mar-20		31-Mar-21
	£000	£000
2,393,414 Investment assets		3,091,885
-618 Investment liabilities		-390
<b>2,392,796 Total net investments</b>		<b>3,091,495</b>
		Note 14
19,121 Current assets		Note 21
-7,674 Current liabilities		-5,982
<b>11,447 Net current assets</b>		<b>11,995</b>
		Note 22
<b>2,404,243 Closing net assets of the scheme</b>		<b>3,103,490</b>
		Note 17a

Note: The Fund's financial statements do not take account of the liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at Note 20.

# Notes to the Pension Fund Accounts

## 1. DESCRIPTION OF THE FUND

The Northamptonshire County Council Pension Fund is part of the Local Government Pension Scheme (LGPS) and is administered by Northamptonshire County Council. The County Council is the reporting entity for this Pension Fund. The following description of the Fund is a summary only. For more detail, reference should be made to the Annual Report 2020-21 on pages 1 to 41 and the underlying statutory powers underpinning the scheme.

### General

The Fund is governed by the Public Services Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- the LGPS Regulations 2013 (as amended);
- the LGPS (Transitional Provisions, Savings and Amendments) Regulations 2014 (as amended);
- the LGPS (Management and Investment of Funds) Regulations 2016.

The Fund is a contributory defined benefit pension scheme administered by Northamptonshire County Council to provide pensions and other benefits for pensionable employees of Northamptonshire County Council, the district councils in Northamptonshire, and a range of other Scheduled and Admitted Bodies within the county area. Teachers, Police Officers and Firefighters are not included as they come within other national pension schemes. The Fund is overseen by the Northamptonshire Pensions Committee, which is a committee of Northamptonshire County Council.

### Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme. Organisations participating in the Northamptonshire Pension Fund include:

- Scheduled bodies - local authorities and similar bodies whose staff are automatically entitled to be members of the Fund;
- Admitted bodies - other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

- Resolution/Designated bodies – These are organisations that can admit their employees to the LGPS by passing their resolution (nominate employees for access to the LGPS) Parish/Town Council are under this category.

As at 31 March 2021 there are 314 (2020: 366) active employers within the Northamptonshire Pension Fund, including the County Council itself.

	31-Mar-20	31-Mar-21
Number of employers with active members	366	314

The Fund has over 73,000 individual members, as detailed below:

Number of employees in scheme:	31-Mar-20	31-Mar-21
County council	8,120	8,067
Other employers	13,804	15,801
<b>Total</b>	<b>21,924</b>	<b>23,868</b>

Number of pensioners:	31-Mar-20	31-Mar-21
County council	8,811	8,918
Other employers	7,892	8,128
<b>Total</b>	<b>16,703</b>	<b>17,046</b>

Deferred pensioners:	31-Mar-20	31-Mar-21
County council	14,059	14,228
Other employers	9,165	9,733
<b>Total</b>	<b>23,224</b>	<b>23,961</b>

Undecided leavers:	31-Mar-20	31-Mar-21
County council	3,456	3,570
Other employers	4,484	4,633
<b>Total</b>	<b>7,940</b>	<b>8,203</b>

Total members	69,791	73,078

# Notes to the Pension Fund Accounts (continued)

## Funding

Benefits are funded by contributions and investment earnings. Currently the level of contribution income is sufficient to fund regular benefit payments. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ended 31 March 2021. Employers' contributions are set as part of the triennial actuarial funding valuation. The last such valuation was at 31 March 2019. Employers' contributions comprise a percentage rate on active payroll between 1.8% and 35% and deficit payments of fixed cash amounts set for each employer as part of the triennial funding valuation.

## Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised below:

	Service pre 1 April 2008	Service 1 April 2008 to 31 March 2014
Pension	Each year worked is worth $1/80 \times$ final pensionable salary.	Each year worked is worth $1/60 \times$ final pensionable salary.
Lump Sum	Automatic lump sum of 3 $\times$ pension. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

## Career Average Revalued Earnings (CARE)

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based upon their pensionable pay in that year at an accrual rate of 1/49th or 1/98th for those members who have taken up the 50/50 option and pay proportionately lower contributions. Accrued pension is updated annually in line with the Consumer Price Index.

There are a range of other benefits provided under the scheme including early retirement, ill health pensions and death benefits. For more details, please refer to the Full Guide which can be found in the member section on the Pension's Fund website. [Member - Pension Details](#)

## 2. BASIS OF PREPARATION

The statement of accounts summarises the fund's transactions for the 2020-21 financial year and its financial position at 31 March 2021. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2020-21* (the Code), which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts have been prepared on a going concern basis. Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. IFRS 16, introduced on 1 January 2019, is due to be adopted by the Code for accounting periods commencing on or after 1 April 2022. This new accounting standard largely removes the distinction between operating and finance leases by introducing an accounting model that requires lessees to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. This will bring assets formerly off-Balance Sheet onto the Balance Sheet of lessees. Implementation of IFRS 16 is not expected to have a material impact on the pension fund because it does not hold any assets as a lessee.

# Notes to the Pension Fund Accounts (continued)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Fund Account – Revenue Recognition

#### Contribution Income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the actuary in the payroll period to which they relate. Employer deficit funding contributions are accounted for on the due date on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date. Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in the year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

#### Transfers to and from Other Schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations (see Notes 8 and 10). Individual transfers in/out are accounted for on a cash basis. Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see page 75) to purchase scheme benefits are accounted for on an accruals basis and are included in Transfers In (see Note 8). Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement. There have been no group transfers in during 2019-20 and 2020-21.

#### Investment Income

##### i) Interest income

Interest income is recognised in the Fund Account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

##### ii) Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Asset Statement as a current financial asset.

##### iii) Distributions from pooled funds

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the Net Asset Statement as a current financial asset.

##### iv) Movement in the net market value of investments

Changes in the net market value of investments are recognised as income or expense and comprise all realised and unrealised profits/losses during the year.

#### Stock lending

Stock lending income is recognised in the Fund Account as it accrues. Stock lending income represents the transfer of securities by the Pension Fund to an approved counterparty ("Borrower"), against a receipt of collateral (non-cash), for a fee, subject to the obligation by that same counterparty to redeliver the same or similar securities back to the Lender at a future date. Securities on loan remain assets of the Fund and are recorded in the Net Asset Statement at fair value.

# Notes to the Pension Fund Accounts (continued)

## Fund Account – Expense Items

### Benefits Payable

Pensions and lump sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the Net Asset Statement as current liabilities and paid in the following month.

### Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

### Management Expenses

The Code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the Fund discloses its pension fund management expenses in accordance with CIPFA's Accounting for Local Government Pension Scheme Management Expenses (2016).

### Administrative Expenses

All administrative expenses are accounted for on an accruals basis. All staff costs of the pension's administration team are charged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund in accordance with Council policy.

### Oversight and Governance Costs

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund in accordance with Council policy.

## Investment Management Expenses

Investment Management expenses are accounted for on an accruals basis.

Fees of external Investment Managers and the Custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

Where an Investment Manager's fee note has not been received by the year end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the Fund Account. In 2020-21, £0.1m of fees are based upon such estimates (2019-20: £ 0.4m). In addition, manager fees deducted from pooled funds of £9.3m (2019-20: £5.7m) are estimated based upon information received from fund managers.

The cost of obtaining investment advice from external consultants is charged direct to the Fund. All staff costs associated with investment activity are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged to the Fund.

# Notes to the Pension Fund Accounts (continued)

## Net Asset Statement

### Financial Assets

Financial assets are included in the Net Asset Statement on a fair value basis, except for assets held at amortised cost.

Assets held at amortised cost includes contributions owing from employers and cash deposits. These are initially recognised at fair value and subsequently measured at amortised cost. A financial asset is recognised in the Net Asset Statement on the date the Fund becomes party to the contractual acquisition of the asset.

Investment assets, other than cash held by Investment Managers on the Fund's behalf, are initially recognised at fair value and are subsequently measured at fair value with gains and losses recognised in the Fund Account. The values of investments as shown in the Net Asset Statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 16). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

### Foreign Currency Transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

### Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes (see Note 15).

## Cash and Cash Equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the Fund's external managers.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

### Financial Liabilities

The Fund initially recognises financial liabilities at fair value and subsequently measures them at amortised cost. A financial liability is recognised in the Net Asset Statement on the date the Fund becomes party to the liability.

### Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is assessed on a annual basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Asset Statement (see Note 20).

# Notes to the Pension Fund Accounts (continued)

## Additional Voluntary Contributions

The Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund. The Fund's AVC providers are Prudential and Standard Life as its AVC providers. AVCs are deducted from the individual member's pay and paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts, in accordance with section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, but are disclosed as a note only (see Note 23).

## Contingent Assets and Liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the Net Asset Statement but are disclosed by way of a narrative in the notes.

## 4. CRITICAL JUDGEMENT IN APPLYING ACCOUNTING POLICIES

### Pension Fund Liability

The net Pension Fund liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

The estimated liability is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note 19.

Actuarial revaluations are used to set future contribution rates and underpin the Fund's most significant Investment Management policies, for example in terms of the balance struck between longer term investment growth and short-term investment yield/return.

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the Balance Sheet date and the amounts reported for the revenues and expenses during the year.

Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the Financial Statements as 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- **Actuarial Present Value of Promised Retirement Benefits Uncertainties:** Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rates at which salaries and pensions are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. An independent firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied. The actuary has included the McCloud judgement within their calculation shown in note 20.
- **Effect if Actual Results Differ from Assumptions:** The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £478m. A 0.5% increase in assumed earnings inflation would increase the value of liabilities by approximately £33m, and a 1 year increase in assumed life expectancy would increase the liability by approximately 3-5%.

# Notes to the Pension Fund Accounts (continued)

- Private Equity

**Uncertainties:** Private equity investments are valued at fair value in accordance with British Venture Capital Association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.

**Effect if Actual Results Differ from Assumptions:** The total private equity investments in the financial statements are £309.8m. There is a risk that this investment may be under or overstated in the accounts.

## 6. EVENTS AFTER THE BALANCE SHEET DATE

On 1<sup>st</sup> April 2021 the Administering Authority of the Pension Fund changed from Northamptonshire County Council to West Northamptonshire Council. There were no substantial impacts on the administration of the Fund. The services, operations and investments activities of the Fund continue to operate as business as usual.

## 7. CONTRIBUTIONS RECEIVABLE

### By category:

	31-Mar-20	31-Mar-21
	£000	£000
22,121 Employees' contributions	<u>22,121</u>	<u>23,431</u>
Employers' contributions:		
65,520 Normal contributions	65,520	71,463
25,022 Deficit recovery contributions	<u>25,022</u>	<u>21,417</u>
90,542 Total employers' contributions	<u>90,542</u>	<u>92,880</u>
	<u>112,663</u>	<u>116,311</u>

### By authority:

	31-Mar-20	31-Mar-21
	£000	£000
33,411 Administering authority	33,411	32,642
72,349 Scheduled bodies	72,349	80,402
6,903 Admitted bodies	<u>6,903</u>	<u>3,267</u>
	<u>112,663</u>	<u>116,311</u>

## 8. TRANSFERS IN FROM OTHER PENSION FUNDS

	31-Mar-20	31-Mar-21
	£000	£000
8,184 Individual transfers	<u>8,184</u>	<u>7,759</u>
	<u>8,184</u>	<u>7,759</u>

# Notes to the Pension Fund Accounts (continued)

## 9. BENEFITS PAYABLE

### By category:

31-Mar-20	31-Mar-21
£000	£000
77,701 Pensions	80,572
13,203 Commutation and lump sum retirement benefits	12,452
3,511 Lump sum death benefits	3,166
<b>94,415</b>	<b>96,190</b>

## 10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

31-Mar-20	31-Mar-21
£000	£000
186 Refunds to members leaving service	1,120
6,579 Individual transfers	7,838
<b>6,765</b>	<b>8,958</b>

### By authority:

31-Mar-20	31-Mar-21
£000	£000
41,281 Administering authority	41,593
47,160 Scheduled bodies	47,872
5,974 Admitted bodies	6,725
<b>94,415</b>	<b>96,190</b>

## 11. MANAGEMENT EXPENSES

31-Mar-20	31-Mar-21
£000	£000
1,967 Administrative costs	2,372
9,014 Investment management expenses	10,928
995 Oversight and governance costs	708
<b>11,976</b>	<b>14,008</b>

# Notes to the Pension Fund Accounts (continued)

## 12. INVESTMENT MANAGEMENT EXPENSES

2020/21	Management Fees £000	Performance Related Fees £000	Transaction Costs £000	Other Costs £000	Total £000
Equities	356	0	320	0	676
Pooled investments	5,254	0	14	312	5,580
Pooled property investments	258	0	239	15	512
Private equity/infrastructure	1,802	1,539	0	819	4,160
<b>Total</b>	<b>7,670</b>	<b>1,539</b>	<b>573</b>	<b>1,146</b>	<b>10,928</b>

## 13. INVESTMENT INCOME

31-Mar-20 £000	31-Mar-21 £000
20,540 Income from equities	3,060
7,880 Pooled investments – unit trusts and other managed funds	8,448
10,439 Pooled property investments	7,430
1,949 Private equity/infrastructure income	4,462
207 Interest on cash deposits	9
108 Other – securities lending income	24
<b>41,123</b>	<b>23,433</b>

2019/20	Management Fees £000	Performance Related Fees £000	Transaction Costs £000	Other Costs £000	Total £000
Equities	1,663	0	716	0	2,379
Pooled investments	3,007	542	0	220	3,769
Pooled property investments	131	0	616	329	1,076
Private equity/infrastructure	618	789	0	352	1,759
Custody	0	0	0	31	31
<b>Total</b>	<b>5,418</b>	<b>1,331</b>	<b>1,333</b>	<b>932</b>	<b>9,014</b>

# Notes to the Pension Fund Accounts (continued)

31-Mar-20		31-Mar-21
	£000	
<b>Investment assets</b>		
160,255 Equities		17
1,821,314 Pooled investments		2,544,031
192,662 Pooled property investments		185,516
192,596 Private equity/infrastructure		309,824
Derivative contracts:		
24 • Forward currency contracts		0
23,975 Cash deposits		51,483
1,284 Investment income due		484
1,303 Amounts receivable for sales		530
1 Amounts receivable for pending spot FX		0
<b>2,393,414 Total investment assets</b>		<b>3,091,885</b>
<b>Investment liabilities</b>		
-618 Amounts payable for purchases		-390
<b>-618 Total investment liabilities</b>		<b>-390</b>
<b>2,392,796 Net investment assets</b>		<b>3,091,495</b>

# Notes to the Pension Fund Accounts (continued)

## 14(a). RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

	Market value 01-Apr-20	Purchases during the year and derivative payments <sup>1</sup>	Sales during the year and derivative receipts <sup>1</sup>	Change in market value during the year	Market value 31-Mar-21
	£000	£000	£000	£000	£000
Equities	160,255	67,660	-270,351	42,453	17
Pooled investments	1,821,314	602,413	-473,600	593,904	2,544,031
Pooled property investments	192,662	9,432	-11,878	-4,700	185,516
Private equity/infrastructure	192,596	94,908	-17,066	39,386	309,824
	<b>2,366,827</b>	<b>774,413</b>	<b>-772,895</b>	<b>671,043</b>	<b>3,039,388</b>
Derivative contracts:					
• Forward currency contracts	24	26	-58	8	0
	<b>2,366,851</b>	<b>774,439</b>	<b>-772,953</b>	<b>671,051</b>	<b>3,039,388</b>
Other investment balances:					
• Cash deposits	23,975				51,483
• Amount receivable for sales	1,303				530
• Investment income due	1,284				484
• Spot FX contracts	1				0
• Amounts payable for purchases of investments	-618				-390
<b>Net investment assets</b>	<b>2,392,796</b>				<b>3,091,495</b>

<sup>1</sup>Equity sales and Pooled Investments purchases include an in-specie transfer of £209.6m into the ACCESS pool.

# Notes to the Pension Fund Accounts (continued)

## 14(a). RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES (CONTINUED)

	Market value 01-Apr-19	Purchases during the year and derivative payments <sup>1</sup>	Sales during the year and derivative receipts <sup>1</sup>	Change in market value during the year	Market value 31-Mar-20
	£000	£000	£000	£000	£000
Equities	901,836	356,422	-1,008,905	-89,098	160,255
Pooled investments	1,281,981	661,489	-67,321	-54,835	1,821,314
Pooled property investments	197,117	20,583	-10,090	-14,948	192,662
Private equity/infrastructure	62,296	136,070	-13,744	7,974	192,596
	<b>2,443,230</b>	<b>1,174,564</b>	<b>-1,100,060</b>	<b>-150,907</b>	<b>2,366,827</b>
Derivative contracts:					
• Forward currency contracts	-5	312	-368	85	24
	<b>2,443,225</b>	<b>1,174,876</b>	<b>-1,100,428</b>	<b>-150,822</b>	<b>2,366,851</b>
Other investment balances:*					
• Cash deposits	41,726			51	23,975
• Amount receivable for sales	1,429			-9	1,303
• Investment income due	4,539			0	1,284
• Spot FX contracts	0			169	1
• Amounts payable for purchases of investments	-1,925			11	-618
<b>Net investment assets*</b>	<b>2,488,994</b>			<b>-150,600</b>	<b>2,392,796</b>

\* Other investment balances and Net investment assets do not add across as purchases, sales and other movements are not disclosed here (£19.8m), in accordance with CIPFA guidance.

<sup>1</sup>Equity sales and Pooled Investments purchases include an in-specie transfer of £404.8m into the ACCESS pool.

# Notes to the Pension Fund Accounts (continued)

## 14(b). INVESTMENTS ANALYSED BY FUND MANAGER

Market value 31-Mar-20		Market value 31-Mar-21	
£000	% of net investment assets	£000	% of net investment assets
<b>Investments managed under Pooled Governance:</b>			
896,916	38 Link Fund Solutions	1,287,000	42
733,306	31 UBS Global Asset Management	970,953	31
<b>1,630,222</b>	<b>68 Total Investments managed under pool governance</b>	<b>2,257,953</b>	<b>73</b>
<b>Investments managed outside Pooled Governance:</b>			
19,523	1 Adams Street Partners	43,979	1
17,136	1 Allianz Global Investors	20,105	1
35,162	2 AMP Capital	38,077	1
0	0 BlueBay Asset Management	143,083	5
330	0 Catapult	511	0
193,621	8 CBRE Global Investment Partners	195,098	6
8,517	0 CBRE Debt	9,416	0
29,380	1 HarbourVest Partners (UK)	68,860	2
46,719	2 IFM Infrastructure	48,136	2
0	0 JP Morgan	45,644	1
44,347	2 M&G Investments	186,853	6
179,320	8 Majedie Asset Management	0	0
253	0 UBS Asset Management	17	0
177,901	7 Wellington Management	0	0
10,365	0 Cash with custodian	33,763	1
<b>762,574</b>	<b>32 Total investments managed outside pool governance</b>	<b>833,542</b>	<b>27</b>
<b>2,392,796</b>	<b>100 Net investment assets</b>	<b>3,091,495</b>	<b>100</b>

- All the above companies are registered in the United Kingdom.

# Notes to the Pension Fund Accounts (continued)

The following investments represent more than 5% of the Net Asset Statement of the scheme as at 31<sup>st</sup> March 2021.

Security	31-Mar-20	% of total fund	31-Mar-21	% of total fund
	£000	%	£000	%
LF ACCESS UK Equity - Majedie	0	0	278,300	9
LF ACCESS Baillie Gifford Diversified Growth Fund	260,167	9	214,354	7
UBS Asset Management Life Over 5 Year Index Linked Gilts	129,127	4	311,751	10
UBS Asset Management Life Over 15 Year Index Linked Gilts	130,543	4	0	0
LF ACCESS Global Equity - Newton Investment Management	207,943	7	284,105	9
LF ACCESS Baillie Gifford Long Term Global Growth Fund	244,764	8	259,523	8
LF ACCESS Longview Global Equity	184,042	6	250,718	8
	<b>1,156,586</b>		<b>1,598,751</b>	

## 14(d). STOCK LENDING

The Fund's Investment Strategy sets the parameters for the Fund's stock-lending programme. At 31 March 2021, the value of quoted equities on loan was nil (31 March 2020: £35.1m). The Fund held fewer assets available for lending at 31 March 2021, as the Fund has transitioned its segregated holdings into pooled funds in the ACCESS pool.

# Notes to the Pension Fund Accounts (continued)

## 15. ANALYSIS OF DERIVATIVES

### Objectives and Policies for Holding Derivatives

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the Fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the Investment Management agreement agreed between the Fund and the various Investment Managers.

#### • Futures

There were no outstanding exchange traded future contracts at 31 March 2021 or 31 March 2020.

#### • Options

There were no outstanding option contracts at 31 March 2021 or 31 March 2020.

#### • Forward foreign currency

To maintain appropriate diversification and to take advantage of overseas investment returns, a significant proportion of the Fund's quoted equity portfolio is in overseas stock markets. To reduce the volatility associated with fluctuating currency rates, the Fund has a passive currency programme in place managed by the Fund managers.

There is no specified requirement to use currency hedging within the Fund's Investment Management Agreements. Instead, the Fund managers use their discretion as to whether or not any currency hedging should be used to mitigate any potential risk.

Settlement	Currency bought	Local Value	Currency sold	Local Value	Asset Value	Liability Value
					Currency £000	Currency £000
One to six months	GBP	50	EUR	-59	0	0
					0	0
<b>Total</b>					<b>0</b>	<b>0</b>
<b>Net forward currency contracts at 31 March 2021</b>						<b>0</b>
<b>Prior year comparative</b>						
Open forward currency contracts at 31 March 2020						<b>24</b>
Net forward currency contracts at 31 March 2020						<b>24</b>

# Notes to the Pension Fund Accounts (continued)

## 16. FAIR VALUE

### Valuation of Financial Instruments Carried at Fair Value

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur. The Fund has adopted the classification guidelines recommended in the Practical Guidelines on Investment Disclosures (PRAG/Investment Association, 2016).

- Level 1** Assets and liabilities at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index-linked securities and unit trusts.
- Level 2** Assets and liabilities at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value. The price used is based upon inputs from observable market data.
- Level 3** Assets and liabilities at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which the Northamptonshire Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines 2015, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

### 16(a). FAIR VALUE HIERARCHY

The following tables provides an analysis of the financial assets at fair value through profit and loss of the Pension Fund grouped into levels 1 to 3, based on the level at which the fair value is observable:

Values at March 2021	Level 1 £000	Level 2 £000	Level 3 £000	Total £000	Values at March 2020	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit and loss					Financial assets at fair value through profit and loss				
Equities	17	0	0	17	Equities	160,255	0	0	160,255
Pooled investments	657	2,543,374	0	2,544,031	Pooled investments	233,951	1,587,363	0	1,821,314
Pooled property investments	0	58,366	127,150	185,516	Pooled property investments	22,187	67,797	102,678	192,662
Private equity/infrastructure	0	0	309,824	309,824	Private equity/infrastructure	0	0	192,596	192,596
Net investment assets	674	2,601,740	436,974	3,039,388	Derivatives	24	0	0	24
					Net investment assets	416,417	1,655,160	295,274	2,366,851

# Notes to the Pension Fund Accounts (continued)

All assets have been valued using fair value techniques which represent the highest and best price at the reporting date. The fair valuation of each class of investment asset is set out below.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
<b>Market quoted investments</b>	Level 1	Published bid market price ruling on the final day of the account period	Not required	Not required
<b>Quoted bonds</b>	Level 1	Fixed interest securities valued at a market value based on current yields	Not required	Not required
<b>Exchange traded pooled investments</b>	Level 1	Closing bid value on published exchanges	Not required	Not required
<b>Pooled investments – not exchange traded open ended funds</b>	Level 2	Closing bid and offer prices are published. Closing single price where a single price is published	NAV based pricing set on a forward pricing basis.	Not required
<b>Pooled investments – not exchange traded closed ended funds</b>	Level 3	Closing bid and offer prices are published. Closing single price where a single price is published	NAV based pricing set on a forward pricing basis.	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date and lack of liquidity.
<b>Private equity and infrastructure- equity</b>	Level 3	Comparable valuation of similar companies	Price/Earnings or EBITDA multiple	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date.
<b>Private equity and infrastructure - other</b>	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)	Share of net assets	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date, and by any differences between audited and unaudited accounts.

# Notes to the Pension Fund Accounts (continued)

## Sensitivity of assets valued at Level 3

Having analysed historical data and current market trends, and consulted with Independent Investment Advisors, the Fund has determined that the valuation methods described above are likely to be accurate within the following ranges and has set out below the consequent potential impact on the closing value of investments held at 31 March 2021.

Asset Type	Market Value as at 31-Mar-21	Assessed valuation range (+/-)	Value on	
			£000	£000
Venture capital	309,824	21.2%	375,507	244,141
Property funds	127,150	14.2%	145,205	109,095
<b>Total Assets</b>	<b>436,974</b>		<b>520,712</b>	<b>353,236</b>

## 16(b). RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

Period 2020-21	Purchases during		Sales during the		Market value	
	Market value 01- Apr-20	Transfers in/out of Level 3	the year and derivative payments	year and derivative receipts	Unrealised gains/(losses)	Realised gains/(losses)
	£000	£000	£000	£000	£000	£000
Venture capital	192,596	0	94,908	-17,066	36,654	2,732
Property funds	102,678	34,495	4,365	-11,879	-2,456	-53
<b>Total</b>	<b>295,274</b>	<b>34,495</b>	<b>99,273</b>	<b>-28,945</b>	<b>34,198</b>	<b>2,679</b>
						<b>436,974</b>

Reclassification of Pooled property investments from Level 2 to Level 3 in agreement with the fair value techniques for property.

# Notes to the Pension Fund Accounts (continued)

## 17. FINANCIAL INSTRUMENTS

### 17(a). CLASSIFICATION OF FINANCIAL INSTRUMENTS

The following table analyses the carrying amounts of financial assets and liabilities by category and Net Asset Statement heading.  
No financial assets were reclassified during the year.

31-Mar-20			31-Mar-21		
Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost
£000	£000	£000	£000	£000	£000
<b>Financial assets</b>					
160,225	0	0	Equities	17	0
1,821,314	0	0	Pooled investments	2,544,031	0
192,662	0	0	Pooled property investments	185,516	0
192,596	0	0	Private equity/Infrastructure	309,824	0
24	0	0	Derivative contracts	0	0
0	32,475	0	Cash	0	60,645
0	2,588	0	Other investment balances	0	1,014
0	10,621	0	Debtors	0	8,815
<b>2,366,821</b>	<b>45,684</b>	<b>0</b>		<b>3,039,388</b>	<b>70,474</b>
<b>Financial liabilities</b>					
0	0	0	Derivative contracts	0	0
0	0	-618	Other investment balances	0	0
0	0	-7,674	Creditors	0	0
<b>0</b>	<b>0</b>	<b>-8,292</b>		<b>0</b>	<b>-6,372</b>
<b>2,366,821</b>	<b>45,684</b>	<b>-8,292</b>		<b>3,039,388</b>	<b>70,474</b>
<b>2,404,213 Total</b>					<b>3,103,490</b>

# Notes to the Pension Fund Accounts (continued)

## 17(b). NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

31-Mar-20	31-Mar-21
£000	£000
<b>Financial assets:</b>	
-150,907 Fair value through profit and loss	671,043
180 Loans and receivables	2
<b>Financial liabilities:</b>	
85 Fair Value through profit and loss	8
Amortised cost – realised losses on de-recognition of assets	-140
<b>-150,600 Total gains/(losses)</b>	<b>670,913</b>

Responsibility for the Fund's Risk Management Strategy rests with the Pensions Committee. Risk management policies are established to identify and analyse the risks faced by the Council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

### a) Market Risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's Risk Management Strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Council and its investment Advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks in two ways:

- the exposure of the Fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels
- specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Equity futures contracts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. It is possible for over-the-counter equity derivative contracts to be used in exceptional circumstances to manage specific aspects of market risk.

## 18. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

### Risk and Risk Management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e., promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Fund manages these investment risks as part of its overall Pension Fund Risk Management Programme.

[Risk Strategy Statement](#)

# Notes to the Pension Fund Accounts (continued)

## Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Fund's Investment Managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Council to ensure it is within limits specified in the Fund Investment Strategy.

## Other Price Risk – Sensitivity Analysis

Following analysis of historical data and expected investment return movement during the financial year in consultation with the Fund's investment Advisors, the Council has determined that the following movements in market price risk would have reasonably been possible for the 2020-21 reporting period. The potential price changes disclosed above are broadly consistent with one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment Advisors most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Asset Type	Potential Market Movement +/- (%p.a.)
UK equities	17%
Global pooled equities	17%
Index linked bonds	8%
Multi asset credit	6%
Diversified growth	12%
Property	14%
Alternatives	21%
Cash and other investment balances	0%

# Notes to the Pension Fund Accounts (continued)

Had the market price of the fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits would have been as follows:

Asset Type	31-Mar-21	Value as at 31-Mar-21 £000	% (rounded) Change	Value on Increase £000	Value on Decrease £000
UK equities	302,821	16.7	353,392	252,250	
Global pooled equities	1,429,038	17.4	1,677,691	1,180,385	
Index linked bonds	311,751	7.5	335,132	288,370	
Multi asset credit	285,427	6.2	303,123	267,731	
Diversified growth	214,354	11.9	239,862	188,846	
Property	185,516	14.2	211,859	159,173	
Alternatives	309,824	21.2	375,507	244,141	
Cash and other investment balances	52,764	0.3	52,922	52,606	
<b>Total Assets</b>	<b>3,091,495</b>		<b>3,549,488</b>	<b>2,633,501</b>	

Asset Type	31-Mar-20	Value as at 31-Mar-20 £000	% (rounded) Change	Value on Increase £000	Value on Decrease £000
UK equities	171,603	27.5	218,794	124,412	
Overseas equities	18,779	28.0	24,037	13,521	
Global pooled equities	1,351,379	28.0	1,729,765	972,993	
Index linked bonds	259,670	5.8	274,731	244,609	
Pooled fixed interest bonds	177,901	9.8	195,335	160,467	
Property	192,662	14.2	220,020	165,304	
Alternatives	192,596	20.1	231,308	153,884	
Cash and other investment balances	28,206	0.3	28,291	28,121	
<b>Total Assets</b>	<b>2,392,796</b>		<b>2,922,281</b>	<b>1,863,311</b>	

# Notes to the Pension Fund Accounts (continued)

## Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's interest rate risk is routinely monitored by the Council and its investment consultant in accordance with the Fund's Risk Management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks. The Fund's direct exposure to interest rate movements as at 31 March 2021 and 31 March 2020 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

## Interest Rate Risk Sensitivity Analysis

The Council recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. An 80-basis point (BPS) (i.e., 0.80%) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's Risk Management strategy. The Fund's investment consultant has advised that long-term average rates are expected to move less than 80 basis points from one year to the next and experience suggests that such movements are likely. The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS (1.0%) change in interest rates:

31-Mar-20 Asset Type		31-Mar-21
	£000	£000
23,975 Cash and cash equivalents		51,483
8,500 Cash balances		9,162
259,670 Index-linked securities		311,751
177,901 Fixed interest securities		285,714
<b>470,046 Total</b>		<b>658,110</b>

Exposure to interest rate risk	Asset values at 31-Mar-21 £000	Impact of 1% decrease		Impact of 1% increase	
		£000	£000	£000	£000
Cash and cash equivalents	51,483	51,483	51,483		
Cash balances	9,162	9,162	9,162		
Index-linked securities	311,751	314,869	308,633		
Fixed interest securities	285,714	288,571	282,857		
<b>Total change in assets available</b>	<b>658,110</b>	<b>664,085</b>	<b>652,135</b>		

Exposure to interest rate risk	Asset values at 31-Mar-20 £000	Impact of 1% decrease		Impact of 1% increase	
		£000	£000	£000	£000
Cash and cash equivalents	23,975	23,975	23,975		
Cash balances	8,500	8,500	8,500		
Index-linked securities	259,670	262,267	257,073		
Fixed interest securities	177,901	179,680	176,122		
<b>Total change in assets available</b>	<b>470,046</b>	<b>474,422</b>	<b>465,670</b>		

# Notes to the Pension Fund Accounts (continued)

Exposure to interest rate risk	Interest receivable	Value on 1% increase	Value on 1% decrease
	2020-21		
	£000	£000	£000
Cash deposits, cash and cash equivalents	9	9	9
Fixed interest securities	531	536	526
<b>Total</b>	<b>540</b>	<b>545</b>	<b>535</b>

Exposure to interest rate risk	Interest receivable	Value on 1% increase	Value on 1% decrease
	2019-20		
	£000	£000	£000
Cash deposits, cash and cash equivalents	207	209	205
Fixed interest securities	2,684	2,711	2,657
<b>Total</b>	<b>2,891</b>	<b>2,920</b>	<b>2,862</b>

This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances. Changes to both the fair value of the assets and the income received from investments impact on the net assets available to pay benefits.

## Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (GBP). The Fund holds both monetary and non-monetary assets denominated in currencies other than GBP.

The Fund's currency rate risk is routinely monitored by the Investment Sub Committee and its Investment Advisors in accordance with the Fund's Risk Management Strategy, including monitoring the range of exposure to currency fluctuations.

The Fund has partially hedged the currency exposures on its equity investments by transferring into currency hedged share classes of its passive equity funds.

# Notes to the Pension Fund Accounts (continued)

## Currency Risk – Sensitivity Analysis

Following analysis of historical data with the Fund's Advisors, the Council considers the likely volatility associated with foreign exchange rate movements to be 9.8% (the 1 year expected standard deviation).

A 9.8% (31 March 2020: 10.0%) fluctuation in the currency is considered reasonable based on the Fund Advisors analysis of long-term historical movements in the month-end exchange rates over a rolling 36-month period. This analysis assumes that all other variables, in particular interest rates, remain constant. A 9.8% strengthening/weakening of the pound against the various currencies in which the fund holds investments would decrease/increase the net assets available to pay benefits as follows.

Assets exposed to currency risk	Value at 31-Mar-21 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
			£000	£000
Overseas equities - hedged	249,314	0	249,314	249,314
Overseas equities - unhedged	1,394,078	136,620	1,530,698	1,257,458
Overseas fixed income	285,427	27,972	313,399	257,455
Overseas cash fund	657	64	721	593
<b>Total</b>	<b>1,929,476</b>	<b>164,656</b>	<b>2,094,132</b>	<b>1,764,820</b>

Assets exposed to currency risk	Value at 31-Mar-20 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
			£000	£000
Overseas equities - hedged	240,460	0	240,460	240,460
Overseas equities - unhedged	1,129,698	112,970	1,242,668	1,016,728
Overseas fixed income	177,901	17,790	195,691	160,111
Overseas cash fund	2,237	224	2,461	2,013
<b>Total</b>	<b>1,550,296</b>	<b>130,984</b>	<b>1,681,280</b>	<b>1,419,312</b>

## b) Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However, the selection of high-quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment or receipts that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

# Notes to the Pension Fund Accounts (continued)

Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognized rating agency, Standard & Poor's. Deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's credit criteria. The Council has also set limits as to the maximum percentage of the deposits placed with any one class of financial institution.

The Council believes it has managed its exposure to credit risk and has had no experience of default or uncollectible deposits over the past five financial years. The Fund's cash holding under its treasury management arrangements at 31 March 2021 was £60.6m (31 March 2020: £32.5m). This was held with the following institutions:-

	Rating	31-Mar-20 £000	31-Mar-21 £000
<b>Money market funds</b>			
Northern Trust Global Investors Global Cash Fund	AAAm	23,306	37,167
UK Treasury Bills			
<b>Bank deposit account</b>			
Barclays Bank	A	8,500	9,162
<b>Bank current accounts</b>			
Northern Trust custody accounts	A-1+	669	14,316
<b>Total</b>		<b>32,475</b>	<b>60,645</b>

## c) Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments. This will particularly be the case for cash from the cash flow matching mandates from the main investment strategy to meet the pensioner payroll costs and also cash to meet investment commitments.

The Fund has immediate access to its cash holdings, with the exception of holdings that are for a fixed term when the deposit is placed. The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. As at 31 March 2021 the value of illiquid assets was £495.3m, which represented 16.0% of the total Fund assets (31 March 2020: £385.3m, which represented 16.1% of the total Fund assets).

Management prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund Investment Strategy. All financial liabilities at 31 March 2021 are due within one year.

## d) Refinancing Risk

A key risk for a Pension Fund is that it may be bound to replenish a significant proportion of its Pension Fund financial instruments at a time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its Investment Strategy.

# Notes to the Pension Fund Accounts (continued)

## 19. FUNDING ARRANGEMENTS

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019. The next valuation will take place as at 31 March 2022.

The key elements of the funding policy are:

- to ensure the long-term solvency of the Fund, i.e., that sufficient funds are available to meet all pension liabilities as they fall due for payment;
- to ensure that employer contribution rates are as stable as possible;
- to minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return;
- to reflect the different characteristics of employing bodies in determining contribution rates where the Administering Authority considers it reasonable to do so;
- to use reasonable measures to reduce the risk to other employers and ultimately to the council taxpayer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a maximum period of 20 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Solvency is achieved when the funds held, plus future expected investment returns, and future contributions are sufficient to meet expected future pension benefits payable. Where an employer's funding level is less than 100%, a deficit recovery plan is put in place requiring additional contributions from the employer to meet the shortfall.

At the 2019 actuarial valuation, the Fund was assessed as 93% funded (78% at the March 2016 valuation). This corresponded to a deficit of £176m (2016 valuation: £517m) at that time.

The Contribution Objective is achieved by setting employer contributions which are likely to be sufficient to meet both the cost of new benefits accruing and to address any funding deficit relative to the funding target over the agreed time horizon. A secondary objective is to maintain where possible relatively stable employer contribution rates.

For each employer in the Fund, to meet the Contribution Objective, a primary contribution rate has been calculated in order to fund the cost of new benefits accruing in the Fund. Additionally, if required, a secondary contribution rate has also been calculated to target a fully funded position within the employer's set time horizon.

The table below summarizes the whole fund Primary and Secondary Contribution rates at the 2019 triennial valuation. These rates are the payroll weighted average of the underlying individual employer primary and secondary rates, calculated in accordance with the Regulations and CIPFA guidance.

Primary Rate %	Secondary Rate		
1 April 2020 to 31 March 2023: 19%	2020-21: £20,339,000	2021-22: £20,463,000	2022-23: £20,696,000

The Primary rate above includes an allowance of 0.8% of pensionable pay for the Fund's expenses. The average employee contribution rate is 6.3% of pensionable pay. Full details of the contribution rates payable can be found in the 2019 actuarial valuation report and the funding strategy statement on the Fund's website.

# Notes to the Pension Fund Accounts (continued)

## Basis of Valuation

The valuation of the Fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were:

## Financial Assumptions

A summary of the main financial assumptions adopted for the valuation of members' benefits are shown below.

Assumption	31-Mar-16	31-Mar-19
Price Inflation (CPI)/ Pension increases	2.1%	2.3%
Pay increases - 2016	2.4%*	2.8%**

\*CPI plus 0.3%

\*\*2% until 31 March 2020 followed by CPI plus 0.5% thereafter

## Mortality Assumptions

Future life expectancy based on the actuary's fund-specific mortality review was:

Assumed life expectancy at age 65	Active and Deferred		Current	
	Members Male	Members Female	Pensioners Male	Pensioners Female
2016 valuation	23.9	26.1	22.1	24.2
2019 valuation	22.3	25.1	21.5	29.7

Note that the figures for active and deferred members assume that they are aged 45 at the valuation date.

Various scaling factors have been applied to the mortality tables to reflect the predicted longevity for each class of member and their dependents.

## Other Demographic Valuation Assumptions:

- a) **Retirements in ill-health** - Allowance has been made for ill-health retirements before normal pension age.
- b) **Withdrawals** - Allowance has been made for withdrawals from service.
- c) **Retirements in normal health** - We have adopted the retirement age pattern assumption as used for the purpose of the 2016 LGPS cost cap valuation.
- d) **Death in Service** - Allowance has been made for death in service.
- e) **Promotional salary increases** - Allowance has been made for promotional salary increases.
- f) **Family details** - A varying proportion of members are assumed to have a dependant at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. The dependant of a male member is assumed to be 3 years younger than him, and the dependant of a female member is assumed to be 3 years older than her.
- g) **Commutation** - 50% of future retirements elect to exchange pension for additional tax-free cash up to HMRC limits for service to 1 April 2008 (equivalent 75% for service from 1 April 2008).
- h) **50:50 option** - 1.0% of members (uniformly distributed across the age, service and salary range) will choose the 50:50 option.

# Notes to the Pension Fund Accounts (continued)

## 20. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the Pension Fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year.

In order to assess the value of the benefits on this basis, the Actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 19). The actuary has also used valued ill health and death benefits in line with IAS 19.

31-Mar-20	31-Mar-21
£m	£m
(3,436) Present value of promised retirement benefits	(4,572)
2,404 Fair value of scheme assets (bid value)	3,103
<b>(1,032) Net liability</b>	<b>(1,469)</b>

As noted above, the liabilities are calculated on an IAS 19 basis and therefore will differ from the results of the 2019 triennial funding valuation (see note 19) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

### Assumptions Used

31-Mar-20	Assumption	31-Mar-21
% p.a.		% p.a.
1.90	Inflation/pension increase rate assumption	2.85
2.40	Salary increase rate	3.35
2.30	Discount rate	2.00

# Notes to the Pension Fund Accounts (continued)

## 21. CURRENT ASSETS

31-Mar-20	31-Mar-21
£000	£000
Debtors:	
1,619 Contributions due – members	1,754
5,704 Contributions due – employers	6,033
3,298 Other debtors	1,028
<b>10,621</b>	<b>8,815</b>
8,500 Cash balances	9,162
<b>8,500</b>	<b>9,162</b>
<b>19,121</b>	<b>17,977</b>

## 24. AGENCY SERVICES

Agency Services represent activities administered by the Fund on behalf of scheme employers which are not included within the Fund Account but are provided as a service and are fully reclaimed from the employer bodies.

31-Mar-20	31-Mar-21
£000	£000
2,570 Unfunded pensions	2,208
<b>2,570</b>	<b>2,208</b>

## 22. CURRENT LIABILITIES

31-Mar-20	31-Mar-21
£000	£000
1,672 Benefits payable	967
6,002 Other creditor	5,015
<b>7,674</b>	<b>5,982</b>

## 23. ADDITIONAL VOLUNTARY CONTRIBUTIONS

31-Mar-20	31-Mar-21
£000	£000
4,880 Prudential	5,094
705 Standard Life	642
<b>5,585</b>	<b>5,736</b>

Total contributions of £51k (2019-20: £17k) were paid directly to Standard Life during the year. The prudential figure for 2021 is an estimate due to delay in statements not being received from the provider.

# Notes to the Pension Fund Accounts (continued)

## 25. RELATED PARTIES TRANSACTIONS

### **Northamptonshire County Council**

The Northamptonshire County Council Pension Fund is administered by Northamptonshire County Council. Consequently, there is a strong relationship between the Council and the Fund. The Council incurred costs of £1.6m (2019-20: £2.0m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses.

The Council is also the single largest employer of members of the Pension Fund and contributed £25.9m of employer's contributions to the Fund in 2019-20 (2019-20: £26.9m). At 31 March 2021 there was £263k due to the Fund by the Council (31 March 2020: £681k was due to the Fund by the Council).

### **Governance**

The following Pensions Committee members declared a personal interest due to either being a member of the scheme themselves or having a family member in the scheme:

Councillor Richard Micklewright

County Council members have declared their interests in their Register of Members' Interests. Other members of the Pensions Committee are required to declare their interests at each meeting.

### **25 (a). KEY MANAGEMENT PERSONNEL**

The administration of the Fund is provided by Northamptonshire County Council in partnership with Cambridgeshire County Council. The Head of Pensions reports directly to Assistant Director of Finance at Northamptonshire County Council, whose costs are reported in the Northamptonshire County Council statement of accounts. Other key personnel include the Section 151 Officer, who is Treasurer to the Fund, and the Head of HR. The Assistant Director of Finance, the Section 151 Officer and the Head of HR are remunerated for their services to the organisation as a whole and it is not possible to identify within the overhead charge from the proportion of costs relating to these services to the Fund.

## 26. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments at 31 March 2021 totalled £186.6m (31 March 2020: £196.9m).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over a period of between three and fifteen years from the date of each original commitment.

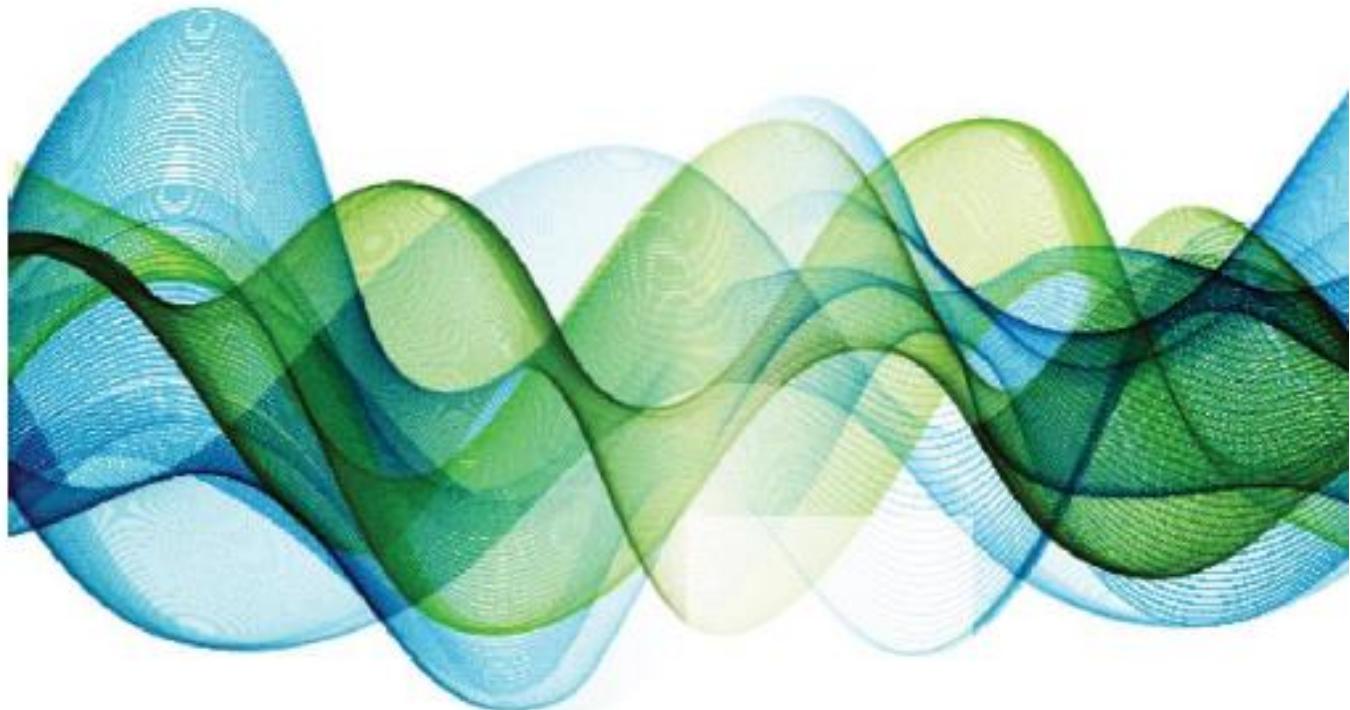
## 27. CONTINGENT ASSETS

Eight admitted body employers in the Northamptonshire Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Pension Fund and payment will only be triggered in the event of employer default.

## **Annual Governance Statement**



# **Annual Governance Statement**



**Date Issued**

December 2021

**Prepared by**

Duncan Wilkinson  
Chief Internal Auditor

## **Context**

The Annual Governance Statement has been produced in the context of the increased public scrutiny of the council following the Government Commissioned [Best Value Inspection Report](#) by Max Caller of 15<sup>th</sup> March 2018, the [s114 notice](#) of 22<sup>nd</sup> February 2018 and subsequently on the 24<sup>th</sup> July 2018, the appointment of Commissioners by the Secretary of State on 10<sup>th</sup> May 2018 and of a Children's Commissioner in October 2018 .

In appointing Commissioners the Secretary of State referred to the need to:

- rebuild the governance capacity of the Authority, addressing the historic culture of poor governance – both from the political leadership team and the senior executive group – and discouragement of challenge and scrutiny, that is acting as a hindrance to compliance with the best value duty under Part I of the 1999 Act; and
- to secure as soon as practicable that the Authority's financial management is exercised in conformity with the best value duty thereby delivering improvements in services and outcomes for the people of Northamptonshire.

The Commissioners shall exercise:

- All functions associated with the governance and scrutiny of strategic decision making by the Authority
- All functions associated with the strategic financial management and budgetary control of the Authority.

There is a strong link between effective governance and effective service commissioning and delivery. In order to deliver the Council's ambitions, put it on a more sustainable financial footing, address the issues raised within the BV inspection report and the s114 notice, Northamptonshire County Council requires improved governance arrangements to be in place.

Good governance ensures that an organisation is doing the right things, in the right way and for the right people. With the significant challenges arising from the Council's financial position, continued significant reductions in our funding, coupled with increasing demand on critical services and the Northamptonshire Local Government Reform agenda this has never been more important.

The need to recognise governance weaknesses is an essential element of responding effectively to the above issues and the 2020/21 Annual Governance Statement has provided a focus for that across the spectrum of Council services and operations.

Significant weaknesses were recognised in 2017-18 and robust action taken through 2018/2019 and into 2020/21 to honestly and publicly acknowledge those weaknesses, together with robust action to address them. This transparency demonstrates the unwavering commitment to resolve the issues but it is not a 'quick fix' and the Council is realistic that it faces continuing challenges with a determination to meet and resolve these in the best interests of its customers and all residents across the County

In light of the poor Ofsted inspection in 2018/2019, the Secretary of State for Education approved the establishment of a Children's Trust. In a subsequent focused Ofsted inspection in 2019/20 it stated that 'no child in Northamptonshire was at risk' and recognised green shoots of improvement. The Children's Trust went live on 1<sup>st</sup> November 2020.

Our overall assessment is that this Annual Governance Statement is a balanced reflection of the governance environment in operation within Northamptonshire County Council in that the assessment has concluded that, 2019-20 provided demonstrable improvement and that journey of improvement has continued through 2020-21 towards a sustainable basis for the new Northamptonshire Unitary Councils.

We are satisfied that there are appropriate plans in place to demonstrably address the weaknesses and ensure continuous improvement in the system of internal control, together with monitoring arrangements to ensure delivery and transparency.

The Leader, Chief Executive and Leadership Team were advised of the implications of the results of the review of the effectiveness of the Council's governance framework and agreed this AGS in February 2021. Only minor amendments have been made subsequently reflecting issues after that.



Jonathan Nunn  
Leader of the Council



Anna Eamshaw  
Chief Executive

## **Scope of Responsibility**

Northamptonshire County Council (the 'Council') is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Council's Code of Corporate Governance has been reviewed and its provisions still apply consistently with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government.. A copy of the Code of Corporate Governance is available on our website at:

<http://www3.northamptonshire.gov.uk/councilservices/council-and-democracy/performance-and-plans/Pages/code-of-corporate-governance.aspx>

This Annual Governance Statement explains how the Council has complied with the Code and also meets the requirements of regulation 6 (1) (B) of the Accounts and Audit Regulations 2015 which requires all relevant bodies to prepare an annual governance statement.

## **The Purpose of the Governance Framework**

The governance framework comprises the systems and processes, culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its priority outcomes and to consider whether those 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, core purpose and priority outcomes and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, core purpose and customer outcomes, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The Governance Framework was in place at the Council for the year ended 31 March 2021 and up to the date of publication of the Annual Report and Statement of Accounts.

In the light of the Best Value Report and s114 Notices and new Unitary Councils, the Code of Corporate Governance ensured the 'policy or framework' issues remained effective throughout the challenging change agenda to 2021 to be reviewed and consolidated within the new Unitary Councils.

## **The Governance Framework**

The key elements of the systems and processes that comprised the Council's governance arrangements for 2020/21 are described below:

### **Creating and Implementing a Vision**

Good governance means developing and clearly communicating the Council's purpose and vision and the outcomes it is seeking to deliver to the local area. The following describes how the Council achieved this:

- The Council regularly undertook detailed consultation with its communities to inform the production of the Council Plan which was recently refreshed.

The Council engaged with other public services in Northamptonshire through a range of bodies, including the Northamptonshire Health & Wellbeing Board, which has representatives from all public bodies in the county. Similarly, there are statutory bodies such as the Joint Safeguarding Boards, for both Children's and Adults where all appropriate bodies are represented.
- The Council had a three year Plan which was reviewed annually by Cabinet and formally approved by full Council. The Council Plan published for 2019-21 defines its overarching direction of travel and can be seen at:

<https://www3.northamptonshire.gov.uk/councilservices/council-and-democracy/performance-and-plans/Pages/the-council-plan.aspx>

The key themes outlined in the plan are:

- The future of public services in the county, which means our lifespan as an organisation is potentially limited and we need to focus on those statutory services which are important to residents
  - The financial constraints in which we operate, and the need to live within our financial means
  - The imperative to make services sustainable, so that, regardless of the shape organisations in the county take, vital services for our residents are affordable.
- 
- The Transformation Strategy approved by Full Council at the end of 2018 set out the steps to stabilise our finances, transform our services, and transition into new organisational structures.

At the heart of our desire to transform were the following considerations:

- We are focusing on enabling individuals and communities to achieve better outcomes
- Whenever possible, we co-design and co-deliver services with partners and communities
- We innovate to find better and more sustainable ways of delivering services
- We focus precious resources where they have the biggest impact, in preventing need and intervening early
- The new service models are designed to be scalable and affordable in the long term
- We use technology and digital solutions to help meet the needs of residents
- We commission and procure services and goods with partners, to get the best return for the Northamptonshire pound

- We use our properties to maximise occupancy levels, generate income and manage costs
  - Those that have a role to play, internally and externally, are engaged, have a voice and contribute to the transformation of services
  - Changes take into account equality gaps and mitigate impact, so that we reduce inequalities and disparity of opportunities.
- To ensure the Council delivered its plans, it operated a performance management framework which comprises:
  - The Council Plan
  - Personal performance and development plans for all staff
  - Statements of required practice, which govern management practice in the Council, including the management of performance against plans
  - Revenue and capital financial management and reporting
  - Clear programme gateway process and project management statement of required practice
  - The council also operates a Programme Management Office, to manage programme delivery.
- The Council operated a Value for Money strategy with the objective of delivering better public services in the best possible way in line with the priorities of local people using the resources available. Value for money is a key consideration in all of the Council's key business processes. A transformation strategy was subsequently created to achieve this as part of the Transformation agenda.
- On a monthly basis review of performance standards was undertaken at directorate and service levels. On a quarterly basis overall performance was reported to the Management Team chaired by the Chief Executive, and the Cabinet. The details are in the public domain and published on the County Council's website.
- Communication of the council's intentions was delivered through proactive coverage in the local media, through the council's website and social media channels to seek to obtain the public's view on various issues. Regular internal communication with all staff has taken place, including emails from the Chief Executive to all staff and a weekly e-bulletin.

In May 2019 the Government decided that replacing all eight councils in Northamptonshire with two brand new unitary authorities is in the best interests of local residents. One authority will provide services to residents in the west of the county, while the other will provide services in the north of the county.

The Future Northants Programme was set up to ensure the legal and safe creation of two new councils with effect from April 2021.

## **Roles and Responsibilities of Members and Officers**

Good governance means elected members and officers working together to achieve a common purpose with clearly defined functions and roles. The following describes how the Council achieved this:

- The Council was composed of 57 members elected every four years. All members met together as the Council. The Council operated a Cabinet and elected Leader model of decision making, supported by open and accountable working relationships between members and officers.
- The Council had an agreed Constitution which sets out how it operates, how decisions are made and the procedures which are to be followed to ensure that these are efficient, transparent and accountable to local people. This includes the defined responsibility for functions including the scheme of delegation, rules of procedure including financial regulations and contract procedure rules and Member and Officer Codes of conduct. The full Council appoints a Leader of the Council for a four year term who then appoints a Cabinet as the Council's Executive. Overview and Scrutiny committees hold the Cabinet to account.
- The Council's Management Team included the Chief Executive, Corporate Directors, the Executive Finance Director (S151 Officer) and General Counsel (including Monitoring Officer duties).
- The Council had in place policies and procedures to ensure that, as far as possible, its elected members and officers understand their respective responsibilities. New members and employees receive induction and continued training on key policies and procedures as these are developed within the Council.
- All Directors and Assistant Directors had responsibility for maintaining a sound system of internal control within their area of responsibility and provide an Assurance Statement either confirming the adequacy of the governance arrangements in their area or highlight those weaknesses to be addressed.

## **Standards of Conduct and Behaviour**

Good governance means promoting appropriate values for the Council and demonstrating the values of good governance by upholding high standards of conduct and behaviour. The following describes how the Council achieved this:

- A Standards Committee was in place to review any complaints regarding members and to promote high standards of conduct and observance of the Members' Code of Conduct. Allegations of breaches of the Code of Conduct by individual councillors were considered by the Council's Monitoring Officer in consultation with an independent person appointed by the Council. Where it was determined by the Monitoring Officer that there is evidence of a failure to comply with the Code of Conduct, the Standards Committee would hold a hearing into the allegation.
- The Council had a local Code of Corporate Governance. This Code demonstrates a commitment to the principles of good governance and the importance of operating in an open and accountable manner while demonstrating high standards of conduct.

- The Councillor Code of Conduct defines the standards of conduct expected of elected representatives including a requirement for members to declare any interests at the start of every meeting, which are recorded in a public register.
- The Employee Code of Conduct sets out managers' responsibilities to bring the Code to the attention of their staff (through induction, training and instruction) and their responsibility to take appropriate action if an employee fails to follow the Code. The Code includes a requirement for officers of the Council to declare any conflicts of interest and/or gifts or hospitality, which should be formally registered.
- The Council maintained Anti-Fraud and Corruption, Whistleblowing, and Money Laundering policies which are scheduled for review in 2021 by the new Councils.
- The Council's financial management was conducted in accordance with the Budget and Policy Framework Procedure Rules, Financial Procedure Rules and Contract Procedure Rules. These rules set out the framework within which the Council conducts its financial affairs and ensures proper financial arrangements are in place.
- Full Council approved a budget before the start of each financial year. This includes the Medium Term Financial Plan. During the year, financial management information is reported to Directorate Management Teams, Management Team, Cabinet and Scrutiny.
- The Chief Financial Officer role, required by Section 151 of the Local Government Act 1972 and other relevant legislation, is fulfilled by the Executive Finance Director, who is responsible for the preparation and publication of the Council's Statement of Accounts and ensures that they conform to all statutory and professional requirements, codes of practice and deadlines. The S151 Officer is a member of the Management Team and has direct access to the Chief Executive as appropriate.
- The Council implemented additional spend controls following the issuing of the s114 notice in July 2018. Whilst the 114 Notice was removed with effect from April 2019 the spend controls remained in place until the summer of 2020 to provide the level of financial scrutiny and control required by the s151 Officer.
- The S151 Officer was responsible for ensuring that there is an adequate and effective system of internal audit of the Council's accounting records and of its systems of internal control.

### **Decision Making, Scrutiny and Risk Management**

Good governance means taking informed and transparent decisions that are effectively scrutinised and managing risk. The following describes how the Council achieved this:

- The Leader and Cabinet were responsible both individually and collectively for all executive decisions. Operational matters requiring a decision are delegated to Council officers as outlined in Part Three of the Constitution – Responsibility for Functions.
- Forthcoming key decisions by the Cabinet were published in the Cabinet's Forward Plan. The Forward Plan is reviewed on a monthly basis by the Corporate Leadership Team and the Scrutiny Management Committee.
- Following a review by the Centre for Public Scrutiny, the Overview and Scrutiny Committee focuses on:

- ✓ Major savings proposals;
- ✓ Major risks to the Council;
- ✓ Making substantive recommendations to feed into the in-year and future budget proposals;
- ✓ Engagement, alignment support for the financial improvement plan
- ✓ Other statutory functions associated with the Overview and Scrutiny Committee functions, including scrutiny of health services.
- The Council maintained an Internal Audit and Risk Management Service that operates in accordance with the Public Sector Internal Audit Standard. The Chief Internal Auditor had direct access to the Chief Executive, the S151 Officer, Management Team, Members and the independent Chair of the Audit Committee.
- The independent Chair of the Audit Committee had considerable experience in finance and financial scrutiny. The Chair also attended as an observer and on occasions as a participant at meetings of the Council.
- The Internal Audit Service plans and prioritised its work using a risk based auditing approach and seeks to programme work based on risk, strength of control and materiality. Internal Audit makes recommendations for improving the internal control environment and part of its work includes monitoring agreed action plans. The remit of Internal Audit also included ensuring compliance with established policies and procedures, particularly financial and contract procedures. Reports, including an assessment of the adequacy of control and action plans to address weaknesses, were submitted to senior managers, Directors, the Council's Audit Committee and where appropriate the Chief Executive.

Within the context of the s114 Notice and the Local Government Reform timetable, the IA Audit Plan is highlighted as a flexible / dynamic document that is reviewed quarterly to reflect the changing risks across the Council and enable IA resources to be redirected to reflect those emerging higher risk areas. Work programmes were reviewed in the light of the migration to Unitary Councils in 2021.

- The Council operated a risk management process underpinned by an approved Risk Management Strategy. The Council updated its Risk management policy and the Management Team refreshed its Corporate Risks, and reviewed these quarterly before reporting to Cabinet and the Audit Committee. Risks were assessed and managed by risk owners via remotely accessible software enabling collation and oversight at any time.

#### **Developing Capacity and Capability of Members and Officers**

Good governance means developing the capacity and capability of Members and Officers to be effective. The following describes how the Council achieved this:

- The Councillor Services and Governance Working Group was a cross-party group that acts as a consultation forum for all matters affecting councillors and the services provided to councillors. Its specific responsibilities included giving guidance and advice on matters relating to councillor development and training, including those matters affecting new councillors.

- A formal performance appraisal and development programme operated within the Council through which the development needs of staff are identified and met as appropriate. There was an induction programme for new staff and a full comprehensive workforce development programme delivered at all levels in the organisation.
- Councillors' right to training and development to support them in fulfilling their roles was specified in the Council's Constitution. There was an induction process for new Councillors. In-house training and development activities are organised for all Councillors or for those in particular roles to meet identified needs. Councillors also had access to external training and development opportunities.

### **Engaging with Local People and Stakeholders**

Good governance means engaging with local people and other stakeholders to ensure robust public accountability which is achieved through continuously consulting with and engaging local people and communities in a wide range of ways on a wide range of important issues.

- The Council was fully committed to being an open, accountable and transparent local authority, which we achieve through making key documentation publicly available via the Council's website.
- The Council operated to a partnership protocol which was designed to ensure effective governance arrangements operate in partnerships in which the Council was engaged. The Council also operated a Protocol for the Appointment of Councillors and Officers to Outside Bodies.
- The Council's website included links to other local and national consultations so that local people could access as many details of consultations affecting the local area as possible from one place.
- The Council had a dedicated Freedom of Information team which ensured compliance with requests for information sought using that legislative tool.

### **Council Owned Companies**

The direction of travel towards Northamptonshire Unitary Councils (as confirmed for 2021 in May 2019) significantly changed the strategic direction of Northamptonshire County Council (NCC). Previous Annual Governance Statements have made reference to 'the Next Generation Council model' which NCC decided to move away from as it did not deliver the expected value for money or service expectations and a decision was made to dissolve the arrangements and to move to a 'host authority' model, completed in December 2020.

In May 2019 it was confirmed that NCC services would transfer to 2 Unitary Councils in April 2021 in addition to the creation of a Children's Trust as a separate legal entity in 2020.

As at the 1 April 2020, the Council owned the following companies developed under the model which form part of the Councils' group accounts.

## NORTHAMPTONSHIRE TRADING LIMITED

The Council has a controlling interest in this company, which commenced trading on 1st April 2012. The Council owned 100% of the share capital of Northamptonshire Trading Limited which in turn owns 100% of the share capital of Olympus Care Services Limited.

Northamptonshire Trading company was dissolved on 29<sup>th</sup> September 2020.

## OLYMPUS CARE SERVICE LIMITED

The Council has a controlling interest in this companies, which commenced trading on 1st April 2012. The Council owns 100% of the share capital of Northamptonshire Trading Limited which in turn owns 100% of the share capital of Olympus Care Services Limited.

The purpose of Olympus Care Services Limited was to provide a range of care and support services throughout Northamptonshire for adults with disabilities and older people.

The company is not yet dissolved but has an active proposal to strike off.

## FIRST FOR WELLBEING:

The Council had a 51% controlling interest in First for Wellbeing (FW), a Community Interest Company (CIC) which commenced trading in November 2015. The purpose of First for Wellbeing was to improve the physical, emotional and social wellbeing of the people of Northamptonshire by offering an integrated health and wellbeing service.

The company was dissolved 23<sup>rd</sup> September 2021.

## Others

In addition to the above the Council has the following interests but not as a controlling party:

The Council is part of a shared service arrangement providing professional, transactional and operational services both to its sovereign partners and a variety of clients. LGSS was established in October 2010.

As at May 2020, formal approval was obtained from all three partner Councils to dissolve the model, with some services to be repatriated back to the respective Councils and others to be provided on a Lead Authority model.

Also, NCC was party to a Joint Committee for LGSS Law Limited, a law firm specialising in services to the public sector, that is jointly owned with Cambridgeshire County Council and Central Bedfordshire Council

Opus LGSS People Solutions – which provides temporary staff to the Council and which was jointly owned by Opus People Solutions (52%) and Cambridgeshire County Council, Milton Keynes Council and Northamptonshire County Council (16% each).

## Impact of Covid 19 on governance of the Council.

From March 2020, the significant impact of the coronavirus pandemic (Covid-19) required a rapid re-consideration of how the Council's governance structures operated, to facilitate an appropriate response.

Following the national declaration of a lockdown, the Council focused on its health response to the pandemic, invoking its business continuity and crisis management arrangements. UK regulatory guidance was revised at pace and as such the evolving Covid-19 situation posed

some practical challenges in terms of governance, transaction execution and statutory compliance commitments and heightened risk of fraud.

Examples of changes to the governance arrangements included the following:

- Elections due in May 2020 were postponed until May 2021 in line with government direction.
- the Coronavirus Act 2020 enabled all local authority meetings to be held remotely so that essential decision-making can continue. Virtual meetings were convened with a reduction in the number of meetings for some committees.
- The Council moved to Gold Command and Control and Silver Incident Management arrangements and streamlined their decision-making processes in order to respond quickly and effectively to situations as they arose.

A number of policies and procedures were amended to ensure that communities, businesses and individuals were supported through the pandemic. Examples include:

- Creation of a stand - alone local support service
- Introducing greater flexibility in procurement and contracting protocols in line with guidance from Government Procurement Policy Notes
- Accelerating payment times to support suppliers and providers
- Relaxation of end stage debt collection measures
- Relaxing of sickness absence policy trigger points in relation to absence due to Covid-19 and support to individuals with care responsibilities
- Facilitation of homeworking on a larger scale than previously

A Covid-19 incident Plan and risk register were produced by the Leadership Team to manage the risks of operational response delivery.

The appropriateness of the Council's response was monitored throughout 2020/21 along with review of appropriate time to exit these arrangements, revise current policies or re-establish standard regulatory protocols. The Covid-19 pandemic continued to significantly impact the Council, its finances and our residents, requiring it to review the way it delivers services and explore opportunities for new service delivery models in order to meet the needs of its residents. Those pressures and processes continued to 31st March 2021 when the new Unitary Councils were created.

## Review of Effectiveness

The Council had responsibility for conducting at least annually a review of the effectiveness of its governance framework, including the system of internal control. This review is informed by the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report and comments by the External Auditor and other review agencies and inspectorates. NCC Leadership reviewed those arrangements and approved a draft Annual Governance Statement in February 2021.

The key evidence to support the review of effectiveness is outlined below:

### Planning

There was a clear vision of the outcomes which the Council wants to achieve for local people as a local Council, as set out in the Council Plan.

The Council operated a planning process which integrated all aspects of strategic, operational and financial planning which has the full involvement of the Cabinet and all senior managers of the Council. This sought to ensure financial plans realistically support the delivery of the Council's goals and strategy obligations in the short and medium terms.

The budget preparation process for 2020-21 was subject to robust challenge and involved extensive consultation with the people and businesses of Northamptonshire. The Council's final budget was approved in February 2020.

All major programmes of work (with the exception of asset programmes such as school building, road maintenance and street light replacement which have their own programmes) are tracked through a single system (PMPoint) and overseen by the Business Intelligence and Project Management department (BI&PM).

In 2018 The Secretary of State appointed two external commissioners to oversee finance and governance. The commissioners were in place until 31 March 2021 with their roles defined as: "The Commissioners are to act jointly or severally, and it will be for them to decide how best to exercise their functions. However, the Secretary of State envisages two complementary roles:

- a Lead Commissioner, whose responsibilities include, but are not limited to, giving direction and leadership to the work of the Commissioners and to the delivery of improvements which the Authority is required to make particularly with respect to aspects of the culture of the Authority and the way its services are organised which act as a hindrance to compliance with the best value duty; and
- a Financial Commissioner whose responsibilities will focus on securing the prudent and sustainable strategic financial management of the Authority, including proper budgetary control.

## **Performance Management**

On a quarterly basis the Council produced a corporate performance report, reflective of the range of services that the Council provides and progress against delivery of our major change programmes. These reports were also presented to Cabinet which gives both Cabinet and the public an insight into the Council's overall performance.

Additionally, there was a workforce performance management process operating at all levels of the organisation. This holistic review was supplemented by the management of staff personal performance through the Personal Performance and Development Plan process.

## **The Cabinet**

The Cabinet was responsible for key decisions. The Cabinet met on a monthly basis and made decisions that are in line with the Council's overall policies and budget. Decisions Cabinet wished to make outside of the budget or Policy Framework must be referred to full Council. The Cabinet received regular monitoring reports on key aspects of control including performance and financial management.

## **Overview and Scrutiny Committees**

The Council appointed the Overview and Scrutiny Committees (Scrutiny Committees) to discharge the functions conferred by section 21 of the Local Government Act 2000. Scrutiny

committees oversee and scrutinise the decisions made by the Cabinet and Cabinet members under delegated powers. Scrutiny committees met on a quarterly basis.

### **The Standards Committee**

The Standards Committee has not met since 2018, as there has not been any alleged breach of standards.

### **The Audit Committee**

The Council had an Audit Committee that provided independent, effective assurance on the adequacy of the Council's governance environment. All major political parties were represented on the Audit Committee and it has an independent Chair. The independent Chair changed during the 2017-18 financial year.

The Audit Committee continued to meet formally via virtual meetings, through 2020/21, considering reports, including the annual Internal Audit Report from the Chief Internal Auditor, the Council's senior finance officers and the External Auditor. Additionally, the Committee invited officers of the Council to attend the Committee on a number of occasions to assist the Committee in its work. The Minutes of the Audit Committee were presented at Council meetings which were attended by the Chair of the Audit Committee.

### **Statutory Officers**

The statutory functions i.e. the Head of Paid Service, Monitoring Officer, S151 Officer, and the directors of Adults (DASS), Children's (DCS) and Public Health (DPH) Service must be considered within the context of the s114 Notice and the appointment of Government Commissioners in respect of the Council's finance management and Children's Services.

The Council's financial management arrangements during the period covered by this Annual Governance Statement conform to the requirements of the CIPFA Statement on the Role of the Chief Financial Officer.

The Council also prioritised improvements within Children's Services under the supervision of the Director of Children's Services and Chief Executive in conjunction with the appointed Commissioner to ensure statutory compliance and service improvement.

The Chief Executive formally met with the three statutory service directors, namely the Director of Adult Social Services, the Director of Children's Services and Director of Public Health on a monthly basis where any issues specific to them fulfilling their statutory roles were discussed.

### **Management**

During 2020/21, there was a stable senior management team in place. When compared with 2019/20 where the following changes were experienced:

- ✓ New Chief Executive appointed 27/07/2018
- ✓ New Executive Director Finance appointed 01/11/2018 and was replaced by an appointment in 1/10/2019
- ✓ New Executive Director Commercial & Place appointed 29/04/2019 and was replaced by an appointment in 1/10/2019
- ✓ New Children's Services Director appointed 18/02/2019 and was replaced by an appointment in 1/10/2019

- ✓ Director Transformation appointed 15/10/2018 and transferred to Future Northants 1/4/2019

The appointments of the Chief Executive and Director of Finance were the responsibility of the MHCLG Commissioners.

The Leadership Team (NLT) met weekly as the main officer decision making body and works alongside and for the councillors. NLT was responsible amongst other things for:

- Managerial leadership and direction of the council;
- Providing the formal response to Cabinet policy direction and the development of corporate policy and initiatives for Cabinet consideration;
- Co-ordination and commissioning of council-wide activity, planning, programme management.

This team was responsible for an annual gross expenditure budget of over £1 billion and led an organisation that co-ordinated voluntary sector, represented the interests of Northamptonshire to government and international bodies.

Assurance statements were not requested from directors during 2020, in recognition of the fact that the Council was operating under emergency conditions, coupled with the focus on preparation for the transfer to the new Councils. However, the set up of Gold command framework, Silver incident management framework and the incident risk register, as part of handling the emergency ensured that managers

- fully understood their roles and responsibilities;
- were aware of the principal statutory obligations and key priorities of the Council which impact on their services;
- were required to make an assessment of the significant risks to the successful discharge of the Council's key priorities;
- acknowledged the need to develop, maintain and operate effective control systems to manage risks.

## **Internal Audit**

The Council takes assurance about the effectiveness of the governance environment from various sources including the work of Internal Audit, which provided independent and objective assurance across the whole range of the Council's activities. The Chief Internal Auditor gives an opinion, at least annually, on the adequacy and effectiveness of internal control within the Council as required by the Public Sector Internal Audit Standards that provide adherence to the Accounts and Audit Regulations 2015.

That opinion, provided within an Annual Internal Audit Report that provides the detailed basis upon which the opinion is developed, has been used to inform the Annual Governance Statement and is set out below.

In respect of the 12 month period ending 31 March 2021, the opinion of the Chief Internal Auditor on the adequacy and effectiveness of the Council's overall internal control environment, taking account of all available evidence, was Satisfactory.

The opinion reflects the following positive actions taken by Management during the year that contributed to the control environment being maintained during the year despite the disruption of the pandemic

- Robust financial management arrangements implemented in line with CIPFA Financial management code, including budget monitoring and closer working between Finance, budget managers and Directors
- For the most part risk management arrangements were maintained with regular review and update of the strategic risk registers. A covid compilation risk register was also put in place as part of the comprehensive covid 19 incident plan, to better manage risks arising from different areas of the Council arising from the pandemic.
- Real time review of procurement transactions for assurance that only essential spend was being undertaken, to better manage outgoings, cashflow and supplier.

The following key factors identified from Internal audit work and discussions with Management were deemed to have impacted the effectiveness of controls and risk management during 2020/21

- Control weaknesses highlighted from Audit reviews including issues over Spreadsheet Import payments; Journal posting authorisations; oversight on procurement card purchases
- As a category 1 responder, it is recognised that the pandemic had a notable impact on the Council Service delivery, with internal control arrangements having been disrupted, due to staff being redeployed from their normal duties; staff working remotely with limited supervision and increased demand to work at pace with Partners and Central Government to meet emergency demands from businesses and the general public.
- Challenges to the control environment from both the changes due to LGSS remodelling of delivery of key services during the year and the increasing need to focus on work to transfer to the new Authorities, while attempting to maintain business as usual.
- Operational disruptions from reduction in available staffing resource from staff needing to self – isolate, shield and work remotely.

#### **External Inspections and Reviews**

**EXTERNAL AUDIT** - As well as an examination of the Council's financial statements, the work of the Council's External Auditor includes an assessment of the degree to which the Council delivers value for money in its use of its resources.

The audit of Council's 2017-18 Financial Statements and its arrangements to secure economy, efficiency and effectiveness in its use of resources - (the value for money conclusion) was formally completed and signed off by KPMG in November 2019.

The delay in completion of the 2017-18 accounts, meant work on the audited financial statements of 2018/19, by EY the new Auditors were only signed off in February 2021.

**FINANCIAL MANAGEMENT REVIEW** – During September 2019, an independent review of financial management capability at the Council was requested by the Commissioners and

undertaken in a manner similar to that of a peer. The review recognised the progress the Council has made in improving its financial management since the intervention of the Secretary of State in 2018. A report detailing a series of recommendations for further improvement was submitted to the Audit Committee and endorsed by the Leadership Team during 2020/21.

**OFSTED & CQC INSPECTIONS** -Following an Ofsted review of Children's Services a commissioner with responsibility for children's services was also appointed. The overall effectiveness of Children Services at the Council was graded as Inadequate by Ofsted following focused visits in October 2018 and in June 2019.

However a monitoring visit undertaken on 14/15 January 2020, highlighted improvements, concluding that " although some of the priority actions raised at the focused visit with regard to the workforce have yet to be fully implemented, risks to children are being better identified at the front door and children are now being seen more promptly."

An action plan is in place and progress on implementation is monitored by the Leadership team.

A second focused visit between 20 and 22 October 2020 concluded that "despite unprecedented times due to Covid -19 pandemic, inspectors found convincing evidence that services for children and young people in Northamptonshire are starting to improve, albeit from a low base" It was noted that cogent plans are in place to address wide ranging areas of improvement.

A third monitoring visit undertaken between 24 and 25 February 2021 commented that "The stable and committed senior leadership team is steadily achieving improvements in the quality of services for children in care, including for disabled children. Children's social care services transferred to Northamptonshire Children's Trust on 1 November 2020. The trust has continued to build on the positive changes that were already taking place, supported by a permanent director of children's services and the appointment of an experienced chief executive officer."

**LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN** - The 2020/21 Local Government & Social Care Ombudsman's Annual Review letter was received on 21 July 2021. The Ombudsman upheld 15 (65% of cases investigated) of the Council's complaints referred, after detailed investigations were carried out, compared to 22 (76%) in 2019/20 and 71% average for other local authorities. It noted that the Council had not sought to provide satisfactory remedies before the cases reached the Ombudsman, compared with a national average of 8% of local authorities.

## Risk Management

The Council had an approved risk management strategy that set out a corporate risk appetite that is not risk averse but seeks to support decision making that consider threats, identifies mitigations etc. in order to ensure opportunities are seized and delivered.

In support of the delivery of effective risk management arrangements, a corporate risk management system GRACE is used to capture all relevant corporate / directorate and project related risks.

Risk reports were scheduled for Leadership Team meetings on a regular basis during the year. The approach to Risk Management was refreshed in 2019 to include quarterly audit

testing of risk information and that commenced in Q3/4 2019-20 and has continued through 2020/21 subject to Covid 19 pressures.

## Developing Capacity

The Council operated procedures during the period covered by this statement to ensure that the training needs of staff are assessed against core competencies and any key training needs are prioritised. Additionally, the Council provided appropriate training to Councillors to enable them to effectively fulfil their duties as Councillors of the Council.

The Northampton Local Government Reform integrated programme presents significant recruitment and retention challenges across NCC services. This was recognised as a key issue by the Leadership Team and Cabinet and is reflected within the 2020 revision of the strategic risk register.

## Engagement

The Council continued to make strenuous efforts to fully engage the community in the development of its plans and policies. The 2019-21 Council Plan recognised this priority including:

At the heart of the Council's desire to transform were the following considerations:

- "We are focusing on enabling individuals and communities to achieve better outcomes
- Whenever possible, we co-design and co-deliver services with partners and communities
- We innovate to find better and more sustainable ways of delivering services
- We focus precious resources where they have the biggest impact, in preventing need and intervening early
- The new service models are designed to be scalable and affordable in the long term
- We use technology and digital solutions to help meet the needs of residents
- We commission and procure services and goods with partners, to get the best return for the Northamptonshire pound
- We use our properties to maximise occupancy levels, generate income and manage costs
- Those that have a role to play, internally and externally, are engaged, have a voice and contribute to the transformation of services
- Changes take into account equality gaps and mitigate impact, so that we reduce inequalities and disparity of opportunities."

## Governance Issues and how they were managed

It is important to draw a distinction between an issue or incident that highlights governance issues and systemic governance weaknesses, for example, contract management found to be unsatisfactory in one area does not necessarily identify poor contract management across all the Council. Issues are generally considered to have significant governance implications where

- a) They will seriously prejudice/prevent achievement of a principle
- b) Have a material impact on the Financial Statements

- c) Require formal action to be taken by the S151 or Monitoring officer
- d) Affect the opinion of the Chief Internal Auditor
- e) Has a negative impact on reputation of the Council

**Progress on Governance Issues reported in the 2019-20 Annual Governance Statement –**

All of the actions raised in the 2019/20 Action Plan were carried forward to the 2020/21 Action Plan and progress updates are detailed in Annex A

**2020/21 Significant Governance Issues -**Significant Issues arising in 2020/21 that had governance implications include:

- a. Local Government Reorganisation -. The impact on controls from the shift in focus from NCC closing towards preparation for the new authorities coming live.
- b. LGSS – The change agenda for LGSS who currently deliver the key back office services for NCC, coupled with the disaggregation of the Council. Review of robustness of implementation and embedding of the new shared service models for LGSS services.
- c. Contract Management (including commissioning/procurement). Management of the COVID 19 pandemic has added pressure, to continue to pay attention on contracts, where service delivery is reduced or stopped.
- d. Risk Management – Impact of risks arising from lockdown due to the pandemic.
- e. Business Continuity – effectiveness of Critical plans initiated as a result of COVID 19 pandemic and the financial impact/fall out from the lockdown.

**Forward Looking Issues-** The purpose of this Statement is to reflect on the Governance arrangements for the 2020/21 financial year. For 2020/21 the following are known issues that impacted on the Governance arrangements at NCC:

- Brexit: no significant governance issues arise in respect of Brexit as these are documented and reviewed within individual Risk Register areas. The wider issues remain under review/observation.
- LGR Review - Outcomes from the various work streams set up in preparing for the transition to 2 unitary Authorities and a Children's Trust.
- Covid 19 Pandemic – Going concern considerations, following the lock down. Significant reduction in income and spike in outgoings under guidance from Government will have a marked impact on the Council's finances going forward into 21/22. Robustness of decision-making framework during the lockdown period.

## ANNEX A

Based on the Council's assessment, the issues set out below were determined as being significant governance issues as at 2020-21

Issue	Lead officer/Date	Action, Update
<p>The Council's Code of Corporate Governance has not been updated to reflect the 2016 CIPFA / Solace guidance in respect of delivering good governance  <u>[off from 2016-17 AGS]</u></p>	<p>General Counsel  (Monitoring Officer)</p>	<p>The Council's General Counsel completed a review and confirmed the Code is substantially current.  <u>2019 update:</u> Some minor amendments are needed which will be included within a review as part of the work programmes of Democratic Services  <u>2020 Update:</u> The review has been completed and the updated Code of Corporate Governance will be presented to Cabinet for approval in February 2021.  <u>2021 Update –</u> Presented to Cabinet February 2021 - COMPLETED</p>
<p>The County Council continues to operate in the most challenging conditions in its existence. Significant demographic growth, coupled with ever reducing funding from Central Government has led to a point where only radical transformation will ensure that the Council can continue to deliver to its residents.</p> <p>It is more important than ever that resources are prioritised appropriately, and the Authority works towards achieving its outcomes. Despite the controls, the fundamental balance of pressures vs funding mean that significant financial risk is inherent in the Council because of statutory demand led services for which we have limited control  <u>[off from 2016-17 AGS]</u></p>	<p>Executive Director  Finance</p>	<p>This challenge is on-going and has led in part to the issuing of the s114 Notice and the Best Value Report.  The Council recognised the severity of the financial situation and instigated measures, including an Improvement Board and Chief Executive Approval Panel, and well as a Best Value Implementation Plan was put in place that monitored and reported through to the Audit Committee.  <u>2019 Update:</u> the 114 notice was 'lifted' in April 2019 and a balanced budget set for 2019-20. Spend controls and financial governance arrangements put in place for the 114 Notice remain in place during 2019. Implementation Plans and financial risks will continue to be monitored and managed.  <u>2020 Update</u>  Robust financial management and monitoring continues across the Council providing robust forecasting and control.</p>

Issue	Lead officer/Date	Action, Update
<p>Inadequate judgement for the Council's Children Service by Ofsted and the removal of Secretary for Education intervention notice, NCC is in a much better position, however there is still a journey to maintain and embed good practice  [off from 2017-18 AGS]</p>	<p>Executive Director Children's Services</p>	<p>The report states: "Senior leaders are working hard to change the culture of social work in Northamptonshire and to create a positive environment for staff to continue to improve their practice."</p> <p>Given the high profile of this area it is felt that the continued monitoring through the Annual Governance Statement action process should be continued in the short term.</p> <p><b>2019 Update:</b> NCC continues to recognise the importance of continued improvement in this area and work and focus continues to achieve that including the involvement and oversight of the appointed Children's Services Commissioner.</p> <p>A focussed inspection of Children Services was carried out by Ofsted in June 2019 and its outcome concluded NCC Children services were inadequate and an action plan put in place.</p> <p><b>Update 2020</b></p> <p>A monitoring visit undertaken on 14/15 January 2020, highlighted improvements. An action plan is in place and progress on implementation is monitored by the Leadership team (reported within the Action Tracker for Audit Committee) and the Children's Trust structure is now in place.</p> <p>A focused visit between 20 and 22 October 2020 concluded that "despite unprecedented times due to Covid -19 pandemic, inspectors found convincing evidence that services for children and young people in Northamptonshire are starting to improve, albeit from a low base" It was noted that cogent plans are in place to address wide ranging areas of improvement.</p> <p><b>2021 Update –</b> The Children's Trust went live as a separate entity on 1st November 2020, with responsibility for delivering children social services across Northamptonshire. Ofsted monitoring visit on 24 &amp; 25 February 2021 commented that the Service was "steadily achieving improvements in the quality of services for children in care, including for disabled children".</p>

Issue	Lead officer/Date	Action, Update
<p>There has been an intention within the Council to move to a number of federated bodies, this model has now been abandoned by the Council.</p> <p>Whilst the above removes various governance challenges, it also creates alternative issues, for example, migration of staff under TUPE, re-assimilation of budgets etc.</p>	Chief Executive	<p>The Council migrated services in-house. This action remains open until the relevant companies are closed formally.</p> <p><u>2019 Update:</u> As at date of this report, the companies had ceased trading, with OCS Ltd due to be struck off the companies register on 31/3/2020 and FfW due to go into a Members voluntary liquidation.</p> <p><u>2020 Update:</u> OCS – there have been two objections to strike off. First has been resolved, the second (from former employee) is awaiting a response from Directors to advise us who is advising the solicitors on the case.</p> <p>FfW – is with liquidators and has been delayed due to HMRC delays impacted by Covid-19</p> <p><u>2021 update</u></p> <p>FfW has been dissolved and OCS is in the process of being struck off the Companies House Register.</p>
<p>The recommendation of the Government's Best Value Inspection is to ultimately close the County Council and move to a two unitary council structure for Northamptonshire.</p> <p>The Council will need to ensure that it works with partners to ensure that there is progress in the transition to the Government's final decision.</p> <p>At this time the governance implications of implementing the above are unknown as they involve not just NCC. The issues will be a corporate focus as they develop.</p>	Chief Executive	<p>The new Councils are now formalised for 1st April 2021.</p> <p>A project team provides a formal, regular structure to consider these issues including the s151 Officer, Monitoring Officer and the Chief Internal Auditor (or representatives) to ensure governance matters are properly addressed.</p> <p><u>2019 Update:</u> formal confirmation has now been received that the Unitary Councils model (including a Children's Trust) is to be in place by 1st April 2021. Primary Legislation to progress was received in February 2020.</p> <p><u>2020 update</u></p> <p>Futures Northants Team has been formed to develop the new models including May 2020 shadow authority creation. Two shadow authorities have been created and quarterly reports made to the shadow boards of the shadow authorities. Leaders and key officers appointed and blueprints for departmental structures and staffing are being progressed.</p> <p>COMPLETED – NCC ceased 31/03/21 and WNC and NNC formed.</p>

Issue	Lead officer/Date	Action, Update
<p>Northamptonshire County Council is one of three sovereign partners in LGSS and a range of Council functions are provided via this shared service.</p> <p>LGSS has appointed a new Interim Chief Executive who is reviewing the LGSS business model. Whilst unknown at this time any significant changes to this model could impact on the Council and its governance.</p>	Executive Director Finance	<p>The initial outcome of the review is expected in June 2018. The specific proposals will need to be discussed with the sovereign partners and agreed within NCC before being approved at the LGSS Joint Committee.</p> <p>The changes arising from this review have been agreed and services repatriated into individual Councils or lead authority shared services continue as appropriate.</p> <p><u>2020 Update</u></p> <p>LGSS review completed in August 2020 and the lead authority models are live with effect from 1st Dec. COMPLETED</p>
<p>It was identified in ISA 260 that the Council has needed to engage a number of former staff as off-payroll workers, not subjected to an IR35 test. There should be transparency in the justification for this type of arrangement.</p>	Executive Director Finance	<p>A revision has been made to its policy on the use of Consultants and Interims, which contains clear direction on the engagement of such workers.</p> <p>Where an individual previously employed by the Authority is re-engaged on an off-payroll basis, the Authority will undertake and clearly document all the relevant legal and tax considerations in advance of confirming such an appointment.</p> <p>Internal audit has completed an IR35 review, with no significant issues highlighted.</p> <p>COMPLETED</p>
<p>At this time of change and cuts at the Council, the effectiveness of the control framework (e.g. constitution, risk management, policy, finance procedures, etc.) is critical in supporting the financial constraints that the council will be operating under in 2019/20</p>	Chief Executive	<p>It is imperative at this time that all staff across the Council ensure that they take responsibility for the work that is required of them and that they are held accountable for the actions that fall under their remit. Specific examples of areas that could enhance the control framework include:</p> <p>(1) Maintain effective operational Risk Registers across services;</p> <p>(2) Maintain specific Risk Registers in relation of budget cuts / savings targets;</p>

Issue	Lead officer/Date	Action, Update
		<p>(3) Ensure LGSS finance are providing during 18/19 targeted focus on savings targets progress;</p> <p>(4) Ensure SMT has recurring agenda item to review progress to savings and intervenes where performance deviates from target;</p> <p>(5) Require the IA plan to prioritise services with challenging savings targets and/or performance reporting highlights concern.</p> <p><u>2019 Update:</u> As above, these controls and requirements remain in place at the request of the Executive Director of Finance. The Internal Audit plan for 2019-20 includes provision to undertake compliance audits for these governance controls.</p> <p><u>2020 Update:</u> The work programme for this issue continued throughout 2020/21 however it was affected by the pandemic. The outcomes (ie strong financial management) are considered on target despite the pandemic,</p>
<p>The new Financial System (ERP) was live from 1st April 2018. A range of issues were identified during the 1st half of 2018-19 and a Governance Board (re)created to provide a collective responsibility for a 'snagging list' of issues until all issues are resolved to the satisfaction of clients / users (CCC, NCC and MKC).</p> <p>Full assurance for the system and compliance with its requirements will only be possible following the full completion of at least the 1st years accounting cycle i.e. the accounts audited and signed off by External Auditors.</p>	Executive Director Finance	<p>The ERP Governance Board continues to meet to discuss outstanding issues until resolved.</p> <p>Internal Audit have undertaken multiple testing on ERP systems and processes during 2018-19 and have reported to management accordingly.</p> <p>With the exception of Debt Recovery those audits provided Satisfactory assurance albeit highlighting various issues that require improvement.</p> <p><u>2020 update</u></p> <p>Still some issues identified from Audit reviews 2018/19 External audit still to be completed. No material issues outstanding re: ERP.</p> <p><u>2021 update – 2018/19 external Audits now completed. Work on 2019/20 and 2020/21 are still ongoing.</u></p>
Organisational Capacity is recognised within the Strategic Risk Register as an ongoing issue	Chief Executive	The relevant risks are monitored via the Risk Management process through NLT and Cabinet and the area will be a focus as the Council approaches the new Unitary Councils model implementation.

Issue	Lead officer/Date	Action, Update
particularly in the light of the Unitary Councils model.		These continue to be managed during the period towards the new Councils.
2018-19 experienced a noticeable increase in requests to Internal Audit to undertake reviews including identified areas of concern.	Executive Director Finance	<p>This is considered to be indicative of an improving governance culture in respect of management:</p> <ul style="list-style-type: none"> <li>✓ identifying issues;</li> <li>✓ openness to independent analysis of those issues;</li> <li>✓ commitment to improve and be transparent.</li> </ul> <p>As such it is considered appropriate to include this as a governance matter after 31<sup>st</sup> March 2019 within the AGS.</p> <p>As a further enhancement to transparency, this was combined with the Audit Committee considering all IA reports with less than Satisfactory opinion in full public session.</p> <p>It does however create pressures on limited IA resources that must be prioritised.</p> <p>2019-20 continued this trend and also presented proactive challenges from the Pandemic. These continue to be monitored and reported into the Audit Committee.</p>
Audit / Sign-off of 2017-18 Accounts (KPMG) and the appointment of a new External Auditor (EY) for 2018-19 accounts.	Executive Director Finance	<p>The appointment of a new external auditor was a routine procurement requirement from Government. It would not normally represent a significant governance issue. However new external auditors will not commence their audit until the 'sign off' of previous years accounts.</p> <p>EY were clear that they will not be able to commence the audit of 2018-19 accounts until KPMG have completed the audit of the 2017-18 accounts.</p> <p>The key implication of this delay, other than technical accounting issues, is the resources from, primarily, Finance staff in serving those outstanding queries to enable the audit to be completed.</p>

Issue	Lead officer/Date	Action, Update
		<p>This is being closely monitored by the Executive Director Finance and the Audit Committee.</p> <p><u>2019 /20Update:</u></p> <p>The audit of the 2017-18 was signed off in November 2019. Audit of 2018/19 Statements is ongoing.</p> <p><u>2021 Update</u> – 2018/19 Statements were signed off in February 2021 and completion of the audit of the 2019/20 Statement of Accounts were delayed due to staffing issues with the External Auditor. Audit of the 2021 Accounts have been similarly delayed. These will be considered by the Audit committee of the new Council. Public notices were published on the Council's website to this effect.</p>
<b>ISSUES ARISING AFTER 31<sup>st</sup> MARCH 2020</b>		
Contract Management -various issues around lack of robust management of contracts specifically - Highways - HTST	Executive Director of Strategy, Delivery and Transformation	The contracts' novation into the new Councils and the Childrens Trust are part of a workstream for the new Unitary Councils and their contract management will be a focus within Internal Audit's 2020/21 audit plans.
Covid 19 - Impact	Assistant Director-Corporate and Community Services	The Council continues to manage Covid19 pressures including the 2 <sup>nd</sup> lockdown and the new national tier systems. The full impacts of these issues are managed within each service and corporately. They will however likely be a long term issue for the new Councils.

# Glossary

## Accrual

An accrual is a sum included in our accounts to cover income or expenditure which belongs to the period covered by our accounts, but which was unpaid at the accounting date.

## Accrued liabilities

This is a sum entered in our accounts for a liability relating to and charged for in the current accounting period but unpaid at the accounting date.

## 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.

## Actuary

An actuary is an expert on pension scheme assets and liabilities.

## Agency services

These are services we provide for other organisations, or services other organisations provide for us.

## Amortisation

Spreading the value of an asset or liability over its useful life.

## Available for Sale Financial Instruments Reserve

This reserve holds gains on revaluation of investments not yet realised through sales.

## Balance sheet

A balance sheet is a summary of an organisation's financial position. It lists the values, in the books of account on a particular date, of all the organisation's assets and liabilities.

## Capital Adjustment Account

This account accumulates the write down of the historical cost of fixed assets as they are consumed by depreciation and impairment, or written off on disposal. It also accumulates the resources that have been set aside to finance capital expenditure.

## Capital receipts

These are the proceeds from selling fixed assets such as land or vehicles.

## Capital receipts unapplied

These are proceeds from selling fixed assets which we can use for capital spending or to repay loans, but which we cannot use for revenue (day-to-day) spending.

## Carry forward

Amounts that are to be carried forward into the new financial year.

## Cash equivalents

Assets that are readily convertible into cash.

## CIPFA

Chartered Institute of Public Finance and Accountancy

## Creditor

This is someone to whom we owe money.

## **Current assets**

These are short-term assets, which constantly change in value such as stocks, debtors and bank balances.

## **Current liabilities**

These are short-term liabilities which are due to be paid in less than one year such as bank overdrafts, PAYE and money owed to suppliers.

## **Debtor**

This is someone who owes us money.

## **DCSF**

Department for Children Schools and Families

## **Delegated (budgets)**

Budgets for which schools have complete autonomy in spending decisions.

## **Depreciation**

Spreading the cost of wear and tear of an asset over its useful life.

## **Devolved (budgets)**

Budgets transferred to schools that have total responsibility for their spending within defined limits / scope / range.

## **Earmarked reserve**

An earmarked reserve is money set aside for a specific purpose.

## **Equities**

Equities are ordinary shares in companies.

## **Financial Instruments**

Financial instruments are contracts which give rise to a financial asset of one entity and a financial liability or equity instrument of another.

## **Financial Instruments Adjustment Account**

This account acts as a balancing mechanism for differences in statutory requirements and proper accounting practices for borrowings and investments.

## **Finance lease**

When we lease goods using a finance lease we have most of the rights of ownership and take any profits and suffer any losses of ownership.

## **Fixed asset**

A fixed asset is an asset which is intended to be in use for several years such as a building or a vehicle.

## **General reserves**

These are amounts set aside for use in future years, not earmarked for any specific purpose.

## **Heritage asset**

An asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

## **IFRIC**

The International Financial Reporting Interpretations Committee.

## **International Financial Reporting Standards (IFRS)**

Accounting Standards, Interpretations and the Framework adopted by the International Accounting Standards Board (IASB).

## **Impairment**

A reduction in the value of an asset from its previous value in the accounts.

## **Infrastructure**

The infrastructure is made up of fixed assets such as roads and bridges.

## **Intangible Assets**

Assets defined as identifiable non-monetary assets that cannot be seen, touched or physically measured, which are created through time and/or effort and that are identifiable as a separate asset.

## **Inventories**

This is a term used for goods bought but which have not yet been used.

## **Investment Property**

This is a separate class of property (land or a building, or part of a building, or both) that is held solely to earn rentals or for capital appreciation, or both.

## **ISB**

Individual school budget.

## **LASAAC**

Local Authority Scotland Accounts Advisory Committee.

## **LOBO**

Lender Option Borrower Option (Loans at market rates).

## **Member**

A Councillor, a member of the Council.

## **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 Operating Expenditure**

The net costs of services less net surplus on statutory direct-service organisations (organisations that have to follow special rules to provide our services), interest and investment income and transfers to and from the asset management revenue account.

## **Non-Operational Assets**

These are assets we hold but do not use to provide services. Examples are investments, and assets which are not yet in use.

## **Non-Distributable Costs**

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

## **Notional Fund**

This is where amounts that are transferred into a fund are done so for illustration only and do not actually involve incurring expenditure.

## **Officer**

Employee of the Council.

## **Operating lease**

When we lease goods using this type of lease, ownership of the goods remains with the lessor (the company leasing the goods to us) and the lessor takes the profits and suffers the risks of ownership.

## **Operational asset**

These are assets we use to run our services such as buildings and vehicles.

## **Payment in advance**

A charge taken into account 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 in Northamptonshire (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 means of securing new assets and associated services, such as a new school or care home, from the private sector.

## **Property, Plant and Equipment (PPE)**

Also known as a non-current asset or as Fixed Assets is a term used in accounting for assets and property which cannot easily be converted into cash.

## **Provision**

Money set aside in a set of accounts for liabilities, which are known to exist, but which cannot be measured accurately at the date of the accounts.

## **Public Private Partnership (PPP)**

A government service or private business venture funded and operated through a partnership of government and one or more private sector companies.

## **Public Works Loan Board (PWLB)**

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

## **PVEQ**

Plant, Vehicles and Equipment.

## **Related Party/Parties**

This is a person or an organisation which has influence over another person or organisation.

## **Reserves**

These are amounts set aside in one year's accounts, which can be spent in later years. Some types of reserve can only be spent if certain conditions are met.

## **Residual Pension Liabilities**

The outstanding cost of pension liabilities for employees that have left the Council.

## **Revaluation Reserve**

This reserve records the accumulated gains on the fixed assets held by the authority arising from increases in value.

## **Revenue**

Ongoing spending or income relating to the day-to-day activities of the organisation.

## **SeRCOP**

Service Reporting Code of Practice. Issued by CIPFA. Local authorities are required to prepare their accounts in accordance with this.

## **Service revenue account**

These are the services' individual revenue accounts.

## **SORP**

Statement of Required Practice.

## **Straight line basis**

The reduction in the value of assets by an equal amount each year applied over the assumed life of the asset.

## **Surplus**

The remainder after taking away all expenses from income.

## **Transfer value**

When a pension scheme member moves their pension to another scheme, the transfer value is the amount of money transferred to the new scheme.

## **The Code**

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) defines proper accounting practices for local authorities.

## **Unitising**

Applying to the individual units (relating to members of the Pension Fund).

## **Unrealised profit**

This is the anticipated profit that would be generated from selling the asset.