



# Statement of Accounts 2015/16

**Kettering**  
*Borough Council*



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## **A. AUDIT REPORT**

The report from KPMG our external auditors will be inserted here at the conclusion of their audit later in the year prior to the formal publication of the document.

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## B. NARRATIVE REPORT

### 1. Introduction

This document sets out the Council's statutory accounts for the financial year ended 31 March 2016. The format accords with both statutory undertakings and the requirements for publication of financial information set out in the Code of Practice on Local Authority Accounting in the United Kingdom and complies with International Financial Reporting Standards (IFRS).

The explanatory foreword gives readers a brief overview of the most significant matters reported in the accounts and an explanation in overall terms of the Council's financial position.

### 2. The Statements

Detailed below is an explanation of the Statements within these accounts and the relationship between them.

**The Statement of Responsibilities for the Statement of Accounts** - identifies the officer who is responsible for the proper administration of the Council's financial affairs.

#### **The Accounting Statements:**

**Movement in Reserves Statement** - 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 other 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 and the Housing Revenue Account for council tax setting and the setting of rents for council dwellings. The Net Increase/ Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves are undertaken by the Council.

**Comprehensive Income and Expenditure Statement** - This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

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

## B. NARRATIVE REPORT

### 2. The Statements (cont'd)

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

#### **The Supplementary Financial Statements:**

**The Housing Revenue Income and Expenditure Statement (HRA)** - The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement

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

A Statement of Accounting Policies (Note 1 to the Financial Statements) supports these statements and details the general accounting conventions used in preparing the accounts. Where accounting policies do not adhere to recommended practice, this is disclosed.

### 3. The Council

The Council delivers a wide range of services to the community. However, in order to help the Council focus on what needs to be delivered first in the local area and what needs the most resources, it has set a number of corporate priorities. This has been based on:

- the future needs for the borough from public surveys,
- feedback from the Local Strategic Partnership on issues such as tackling crime and anti - social behaviour,
- feedback from committees and councillors on key issues such as recycling, growth and housing

The corporate priorities are currently split into four main areas within which there are a number of strategic aims; These are detailed below.

#### **(i) Sustainable Communities**

- stronger town centres
- the local economy and skills
- design standards for buildings
- managing growth

## B. NARRATIVE REPORT

### 3. The Council (Cont'd)

#### (ii) Customer Services

- access to services
- efficient and effective service delivery
- reputation and public perception
- enhanced local government

#### (iii) The Environment

- greener environment
- cleaner environment

#### (iv) Community and Rural Issues

- tackling anti-social behaviour and crime
- active citizens

The Council seeks to achieve some of these aims in partnership with a number of other statutory and voluntary organisations.

The responsibility for the activities of the Council rests with democratically elected members. There are 36 councillors who are elected for a period of 4 years. The current composition of the Council is:

- 27 Conservatives
- 8 Labour
- 1 Independent

Operational matters are largely delegated to the Council's officers. The Chief Executive and Deputy/Assistant Chief Executives comprise the Strategic Management Team, below which the Heads of Service comprise the Corporate Management Team. The operations of the Council are split into the following service areas:

- Commercial Development
- Corporate and Cultural
- Customer Services
- Democratic and Legal
- Development Services
- Environmental Health
- Housing
- Public Services
- Resources

### 4. Key Issues and Risks

The Council's financial strategy and 2016/17 budget were approved on 1st March 2016 at the meeting of Full Council. The key messages in relation to the General Fund budget were;

- Savings of £1,522,000 were required to set a balanced budget for 2016/17 prior to the consideration of any council tax increase.
- The projected levels of government grant for the period 2017/18 to 2020/21 are:

2017/18	£2,901,000
2018/19	£2,596,000
2019/20	£2,253,000
2020/21	£2,000,000

## B. NARRATIVE REPORT

### 4. Key Issues and Risks (Cont'd)

- Based upon the assumptions applied, the Council will require the following savings to achieve a balanced budget prior to the consideration of Council Tax.

2017/18	£1,195,000
2018/19	£1,274,000
2019/20	£1,311,000
2020/21	£1,096,000

The Council's approach to budget setting and monitoring has been developed to help deal with the significant cuts in Government funding since 2010/11. The Council has had the advantage of starting from a 'strong financial platform' with no reliance on reserves or structural budget deficit. It developed its own budget delivery framework to ensure that the Council had a robust mechanism on which to base its financial strategy. The Council has delivered significant efficiency savings over the past few years and has identified the savings required for 2016/17 as shown below:

2010/11	£1,261,000
2011/12	£1,906,000
2012/13	£1,371,000
2013/14	£ 949,000
2014/15	£1,329,000
2015/16	£1,579,000
2016/17	£1,522,000

The opportunities for commercial investment were considered by the Executive at the March meeting and Members endorsed the adaption of our current financial strategy to embrace a systematic and measured approach towards developing a balanced portfolio of revenue generating assets. This approach is going to become increasingly important if the Council is to continue to deliver a balanced budget.

The Council has assessed the affordability of its current and future borrowing requirements under the Prudential Code, which indicates the costs of financing to the Council, is affordable at present. The risks associated with borrowing are constantly monitored and reviewed.

The Annual Governance Statement which is included within the Statement of Accounts provides further information on the wider risks faced by the Council together with the mitigating factors that have been put in place to deal with them.

In November 2015 the Autumn Statement set out the strategic direction for public expenditure. This outlined a number of significant changes to local government funding which will have an impact on the Council's finances over time. The most significant of these is the move towards 100% business rate retention by local government and the reduction in New Homes Bonus Funding. The Council's Medium Term Financial Strategy has been updated to reflect the provisional four year Funding Settlement.

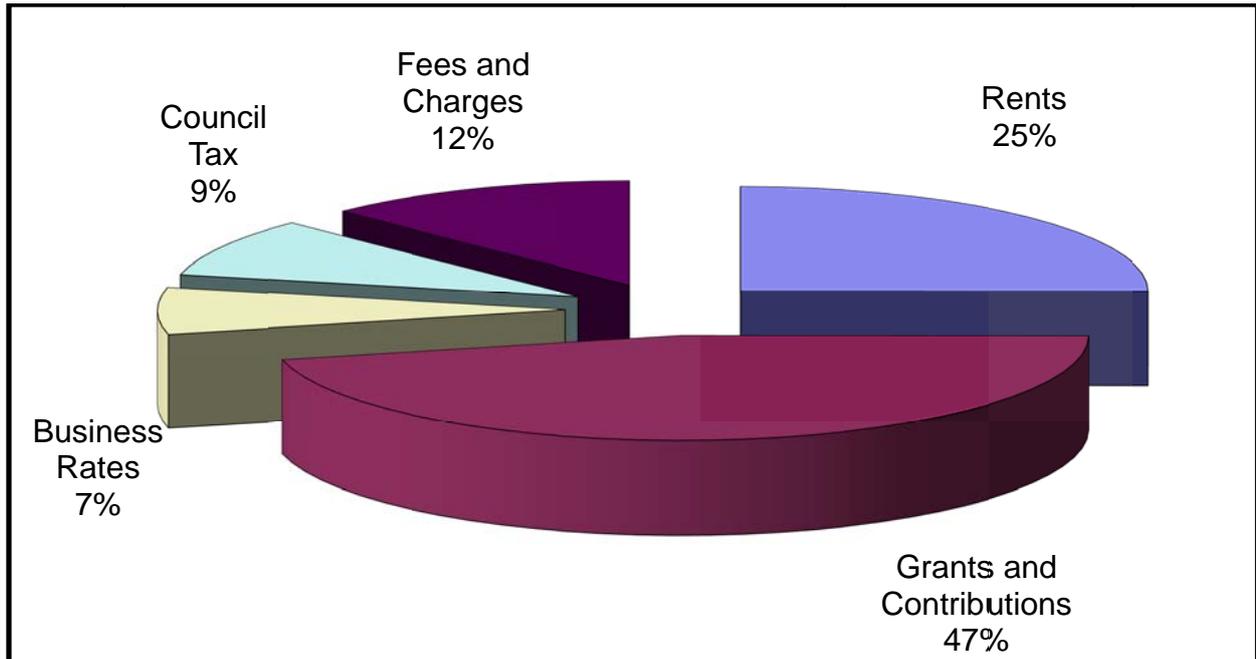
## B. NARRATIVE REPORT

### 5. Revenue Expenditure

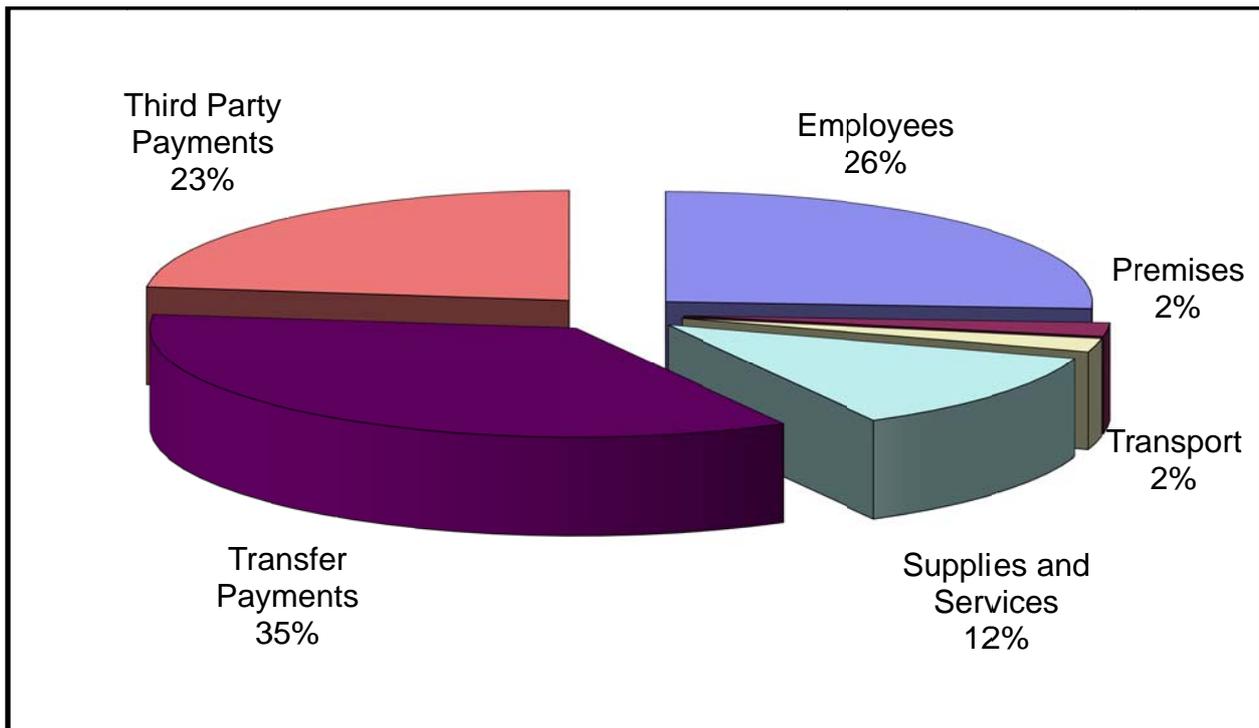
The Council's 2015/16 revenue budget was set by Council on 25th February 2015 against a backdrop of the continuing need to make significant reductions in expenditure while still progressing the Council's corporate priorities. The Council's strong and controlled budgetary position is a direct result of the adherence to the financial strategy guiding principles over the past few years.

The following charts outline where the Council's revenue money came from, how it was spent and on which services. The charts show the overall position of the Council's revenue budgets for 2015/16 (i.e. both General Fund and HRA).

#### Where The Money Came From



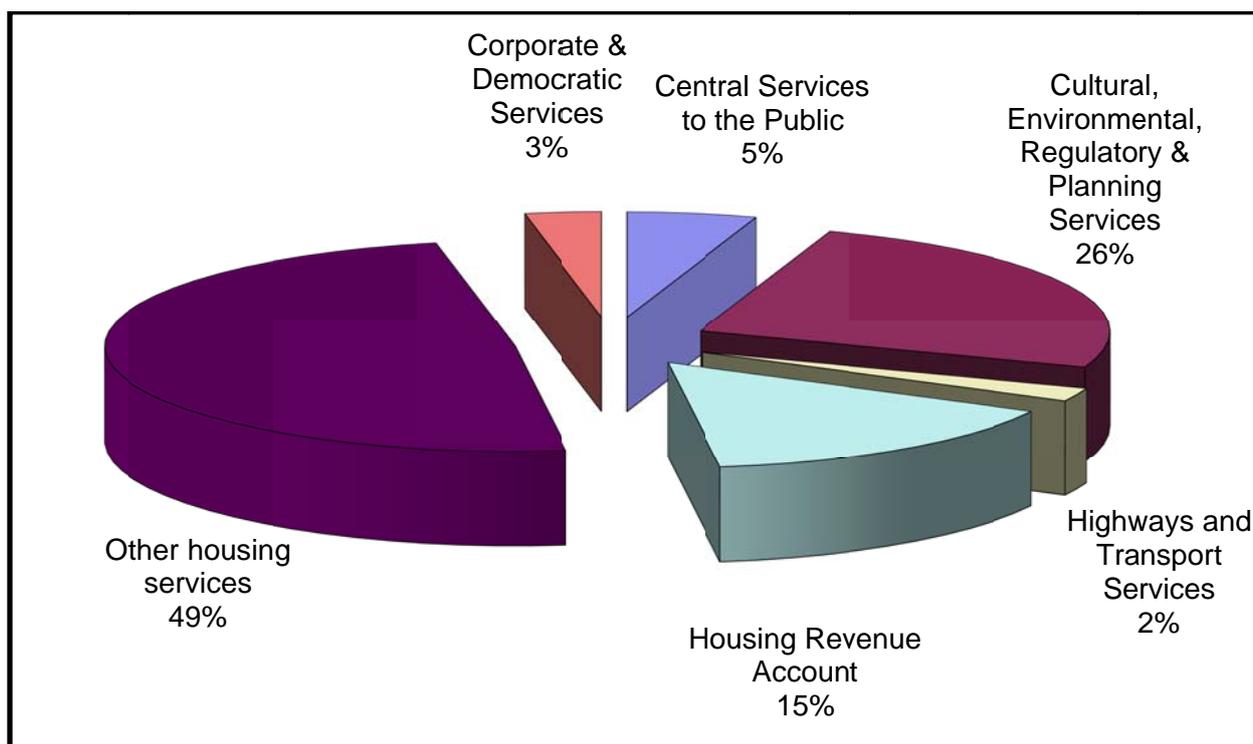
#### What The Money Was Spent On



## B. NARRATIVE REPORT

### 5. Revenue Expenditure (Cont'd)

#### What Services Have Been Provided with the Money?



#### a) General Fund Revenue Account

The following table summarises the position for the General Fund for 2015/16.

	Revised Budget	Actual	Variance
	£000	£000	£000
<b>Expenditure</b>			
Net Service Expenditure	11,237	12,058	821
Capital Financing Adjustments	(2,035)	(4,306)	(2,271)
Transfer to Reserves	914	3,235	2,321
<b>Total Net Expenditure</b>	<b>10,116</b>	<b>10,987</b>	<b>871</b>
<b>Income</b>			
Revenue Support Grant	(1,736)	(1,867)	(131)
Business Rates	(2,244)	(2,984)	(740)
Met by local council taxpayers	(6,036)	(6,036)	0
Collection Fund Surplus	(100)	(100)	0
<b>Total Income</b>	<b>(10,116)</b>	<b>(10,987)</b>	<b>(871)</b>
<b>(Surplus)/Deficit for the year</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Balance brought forward</b>	<b>(1,415)</b>	<b>(1,415)</b>	<b>0</b>
<b>Balance carried forward</b>	<b>(1,415)</b>	<b>(1,415)</b>	<b>0</b>

## B. NARRATIVE REPORT

### 5. Revenue Expenditure (Cont'd)

#### Budget Variations

The outturn reflects a number of one off and ongoing savings. These have been achieved as a result of the significant work undertaken when preparing the 2016/17 budget and the savings required for 2016/17 being delivered ahead of schedule.

The Council's Executive Committee have approved that any variance in excess of the original savings target will be used to increase earmarked reserves to help provide additional flexibility and protection against business risks / threats the Council faces, particularly with regard to the significant financial changes from national policy changes. Further funding pressures are also likely to continue into the medium term. The Council's General Fund working balance is £1.415m and this remains in line with the Council's Medium Term Financial Strategy '*guiding principles*'.

The main variances are outlined in the table below:

(Under)/Over spends	£000
Lower Borrowing Costs	(456)
Additional income	(357)
Staffing and staff related savings	(312)
Additional income from recovered Housing Benefit overpayments	(165)
Fleet	(73)
Bad Debts Provision	147
Revenue Contribution to Capital	298
Net other variations	(216)

A further favourable variance of £1.187m resulting from timing variances from the Business Rates Retention Scheme occurred during 2015/16. Due to the technical nature and the accounting arrangements for Business Rates being spread over three years a cost of £500,000 will be accounted for over the next two years.

The Council takes a prudent view and resilience tests savings before they are incorporated into the budget as such any growth from the Business Rates Retention Scheme would only be reflected in the budget when the growth has actually been delivered. This approach resulted in the growth that was delivered in 2013/14 being reflected in the 2015/16 budget, this ensures that only growth that has been delivered is budgeted and secondly will act as a smoothing strategy should there be an adverse impact when the scheme is reset in 2020.

It should also be noted that due to the nature of the Council's budget, there are hundreds of individual budgets, many of which had some degree of variation. The items detailed above identify the significant areas only.

#### Housing Revenue Account

The Housing Revenue Account outturn was £100,000 lower than the revised budget. A total of £100,000 has been added to the Housing Revenue Account balance which is now £850,000. This is in line with the Council's Medium Term Financial Strategy which states the account must operate in a surplus position and this is achieved by adopting the principle that an agreed minimum balance of £300,000 should be the primary strategic aim over the medium to long term.

## B. NARRATIVE REPORT

### 5. Revenue Expenditure (Cont'd)

The following table details the 2015/16 outturn position for the Housing Revenue Account. The main reason for the £9.454m surplus on Net Service Expenditure is the £9.258m impairment uplift against HRA assets for the year. The impairment charge is simply reversed out within the Capital Financing Adjustments line (i.e. it has no real cash impact).

	Revised Budget	Actual	Variance
	£000	£000	£000
<b>Expenditure</b>			
Net Service Expenditure	(6,950)	(16,404)	(9,454)
Capital Financing Adjustments	6,850	16,304	9,454
<b>(Surplus) / Deficit for the year</b>	<b>(100)</b>	<b>(100)</b>	<b>0</b>
<b>Balance brought forward</b>	<b>(750)</b>	<b>(750)</b>	<b>0</b>
<b>Balance carried forward</b>	<b>(850)</b>	<b>(850)</b>	<b>0</b>

### 6. Capital Expenditure

Capital expenditure relates primarily to spending on Council assets (i.e. an item with an expected life of more than one year). Overall the expenditure during the year was £6.242m compared to the revised budget of £8.107m (i.e.77% of the approved programme was actually spent).

The overall Capital Programme after taking account of amounts carried forward to 2016/17 will result in 98% of the budget being spent.

Of the total expenditure £1.682m was financed from external grants and contributions. The remainder was financed from a mix of capital receipts and revenue contributions.

	Revised Estimate	Actual	Variance
	£000	£000	£000
<b>Expenditure</b>			
Council Housing Schemes	5,312	4,263	(1,049)
Private Sector Housing Improvement	519	354	(165)
Investment & Repair Programme	647	552	(95)
Community Project Schemes	203	191	(12)
E Government Investment Programme	225	200	(25)
Invest to Save Projects	1,201	682	(519)
<b>Total Capital Expenditure</b>	<b>8,107</b>	<b>6,242</b>	<b>(1,865)</b>

## B. NARRATIVE REPORT

### 7. Material Transactions

The following material transactions relate to 2015/16:

a) Pensions

The value of the pension fund deficit for 2015/16 is £38.9m, this reflected a decrease of £10m from the 2014/15 deficit position of £48.9m.

b) Impairments / Revaluations

Upward revaluations of £9m for Council Dwellings were credited to the Housing Revenue Account as part of the annual review in asset valuations.

Upward Revaluations of £7m were applied to Property, Plant and Equipment as part of the annual review in asset valuations.

The following material transactions relate to 2014/15:

a) Pensions

The value of the pension fund deficit for 2014/15 is £48.9m, this reflects an increase of £11.2m from the 2013/14 deficit position of £37.7m.

b) Impairments / Revaluations

Upward revaluations of £4.4m for Council Dwellings were credited to the Housing Revenue Account as part of the annual review in asset valuations.

The Council's share of the Northamptonshire Pension Fund has to be revalued every three years to set the future contribution rates. The last full revaluation was at 31st March 2013. Additional contributions to the Pension Fund are intended to reduce the deficit.

### 8. Reserves

The Council at 31 March 2016 has a General Fund balance of £1.415m and a Housing Revenue Account balance of £0.850m. Both are generally in line with the Council's Medium Term Financial Strategy. In addition, the Council has earmarked revenue reserves totalling £19.573m (details are included within Note 22 (Pages 57 - 59)).

### 9. Further Information

Further information about these accounts is available from:

Mark Dickenson  
Head of Resources  
Bowling Green Road                      or;  
Kettering  
NN15 7QX

Graham Soulsby  
Deputy Chief Executive  
Bowling Green Road  
Kettering  
NN15 7QX

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[grahamsoulsby@kettering.gov.uk](mailto:grahamsoulsby@kettering.gov.uk)

In addition, interested members of the public have a statutory right to inspect the accounts before the audit is completed and the availability of the accounts is advertised in the local press.

## **C. STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

### **The Authority's Responsibilities**

The Authority is required to:

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

### **The Chief Financial Officer's Responsibilities (Statutory S151 Officer)**

The Chief Financial Officer is responsible for the preparation of the Authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

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

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the local Authority code.

The Chief Financial Officer has also:

- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that this Statement of Accounts gives a true and fair view of the financial position of the Authority at the reporting date and of its expenditure and income for the year ended 31 March 2016.



Graham Soulsby  
Chief Financial Officer

Date 31/05/2016

Cllr L Adams  
Deputy Chair of Monitoring and Audit Committee

Date

## D1. MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and the setting of rents for council dwellings. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves are undertaken by the council.

2015/16	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Total Revenue Reserves
	£000	£000	£000	£000	£000
<b>Balance at 31 March 2015</b>	<b>(1,415)</b>	<b>(13,696)</b>	<b>(750)</b>	<b>(3,112)</b>	<b>(18,973)</b>
<u>Movement in Reserves during 2015/16</u>					
(Surplus) or deficit on the provision of services	(1,104)	0	(14,498)	0	(15,602)
Other Comprehensive Inc & Exp	0	0	0	0	0
<b>Total Comprehensive Inc &amp; Exp</b>	<b>(1,104)</b>	<b>0</b>	<b>(14,498)</b>	<b>0</b>	<b>(15,602)</b>
Adjustments between accounting basis and funding basis under regulations (Note 2)	(2,133)	0	14,870	0	12,737
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	<b>(3,237)</b>	<b>0</b>	<b>372</b>	<b>0</b>	<b>(2,865)</b>
Transfers to / from Earmarked Reserves (Note 22)	3,237	(3,237)	(472)	472	0
<b>Increase / Decrease in 2015/16</b>	<b>0</b>	<b>(3,237)</b>	<b>(100)</b>	<b>472</b>	<b>(2,865)</b>
<b>Balance at 31 March 2016 carried forward</b>	<b>(1,415)</b>	<b>(16,933)</b>	<b>(850)</b>	<b>(2,640)</b>	<b>(21,838)</b>

## D1. MOVEMENT IN RESERVES STATEMENT

2015/16	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2015</b>	<b>(2,663)</b>	<b>0</b>	<b>(30)</b>	<b>(21,666)</b>	<b>(41,968)</b>	<b>(63,634)</b>
<u>Movement in Reserves during 2015/16</u>						
(Surplus) or deficit on the provision of services	0	0	0	(15,602)	(18,712)	(34,314)
Other Comprehensive Inc & Exp	0	0	0			0
<b>Total Comprehensive Inc &amp; Exp</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(15,602)</b>	<b>(18,712)</b>	<b>(34,314)</b>
Adjustments between accounting basis and funding basis under regulations (Note 2)	(442)	0	(65)	12,230	(12,230)	(507)
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	<b>(442)</b>	<b>0</b>	<b>(65)</b>	<b>(3,372)</b>	<b>(30,942)</b>	<b>(34,314)</b>
Transfers to / from Earmarked Reserves (Note 22)	0	0	0	0	0	0
<b>Increase / Decrease in 2015/16</b>	<b>(442)</b>	<b>0</b>	<b>(65)</b>	<b>(3,372)</b>	<b>(30,942)</b>	<b>(34,314)</b>
<b>Balance at 31 March 2016 carried forward</b>	<b>(3,105)</b>	<b>0</b>	<b>(95)</b>	<b>(25,038)</b>	<b>(72,910)</b>	<b>(97,948)</b>

## D1. MOVEMENT IN RESERVES STATEMENT

2014/15	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Total Revenue Reserves
	£000	£000	£000	£000	£000
<b>Balance at 31 March 2014</b>	<b>(1,415)</b>	<b>(10,503)</b>	<b>(587)</b>	<b>(2,915)</b>	<b>(15,419)</b>
<u>Movement in Reserves during 2014/15</u>					
(Surplus) or deficit on the provision of services	(2,224)	0	(10,400)	0	(12,624)
Other Comprehensive Inc & Exp					
<b>Total Comprehensive Inc &amp; Exp</b>	<b>(2,224)</b>	<b>0</b>	<b>(10,400)</b>	<b>0</b>	<b>(12,624)</b>
Adjustments between accounting basis and funding basis under regulations (Note 2)	(969)	0	10,040	0	9,071
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	<b>(3,193)</b>	<b>0</b>	<b>(360)</b>	<b>0</b>	<b>(3,553)</b>
Transfers to / from Earmarked Reserves (Note 22)	3,193	(3,193)	197	(197)	0
<b>Increase / Decrease in 2014/15</b>	<b>0</b>	<b>(3,193)</b>	<b>(163)</b>	<b>(197)</b>	<b>(3,553)</b>
<b>Balance at 31 March 2015 carried forward</b>	<b>(1,415)</b>	<b>(13,696)</b>	<b>(750)</b>	<b>(3,112)</b>	<b>(18,972)</b>

## D1. MOVEMENT IN RESERVES STATEMENT

2014/15	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2014</b>	<b>(1,983)</b>	<b>0</b>	<b>(30)</b>	<b>(17,433)</b>	<b>(41,458)</b>	<b>(58,891)</b>
<u>Movement in Reserves during 2014/15</u>						
(Surplus) or deficit on the provision of services	0	0	0	(12,624)	0	(12,624)
Other Comprehensive Inc & Exp	0	0	0	0	7,881	7,881
<b>Total Comprehensive Inc &amp; Exp</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(12,624)</b>	<b>7,881</b>	<b>(4,743)</b>
Adjustments between accounting basis and funding basis under regulations (Note 2)	(680)	0	0	8,391	(8,391)	0
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	<b>(680)</b>	<b>0</b>	<b>0</b>	<b>(4,233)</b>	<b>(510)</b>	<b>(4,743)</b>
Transfers to / from Earmarked Reserves (Note 22)	0	0	0	0	0	0
<b>Increase / Decrease in 2014/15</b>	<b>(680)</b>	<b>0</b>	<b>0</b>	<b>(4,233)</b>	<b>(510)</b>	<b>(4,743)</b>
<b>Balance at 31 March 2015 carried forward</b>	<b>(2,663)</b>	<b>0</b>	<b>(30)</b>	<b>(21,666)</b>	<b>(41,968)</b>	<b>(63,634)</b>

## D2. COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2014/15				2015/16		
Gross Exp.	Gross Inc.	Net Exp.		Gross Exp.	Gross Inc.	Net Exp.
£000	£000	£000		£000	£000	£000
2,728	1,347	1,381	Central services to the public	2,874	1,087	1,787
3,058	171	2,887	Cultural and Related Services	3,603	179	3,424
5,862	3,558	2,304	Environmental and Regulatory Services	5,887	3,606	2,281
3,746	1,908	1,838	Planning Services	4,502	3,131	1,371
987	876	111	Highways and transport services	1,252	896	356
3,496	15,643	(12,147)	Local Authority housing (HRA)	(359)	16,015	(16,374)
27,068	26,140	928	Other housing services	26,383	25,370	1,013
2,244	10	2,234	Corporate and democratic core	1,664	1	1,663
<b>49,189</b>	<b>49,653</b>	<b>(464)</b>	<b>Cost of Services</b>	<b>45,806</b>	<b>50,285</b>	<b>(4,479)</b>
703	322	381	Other Operating Exp. (Note 7)	862	614	248
9,698	7,824	1,874	Financing & Investment Inc. & Exp. (Note 8)	9,100	5,725	3,375
0	14,415	(14,415)	Taxation & Non - Specific Grant Income and Expenditure (Note 9)	0	14,746	(14,746)
		<b>(12,624)</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>(15,602)</b>
		(3,441)	(Surplus) or deficit on revaluation of non-current assets			(7,439)
		11,322	Actuarial (gains) / losses on pension assets / liabilities			(11,273)
		<b>7,881</b>	<b>Other Comprehensive Income &amp; Expenditure</b>			<b>(18,712)</b>
		<b>(4,743)</b>	<b>Total Comprehensive Income &amp; Expenditure</b>			<b>(34,314)</b>

## D2. COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

2014/15		2015/16
£000		£000
(1,415)	Balance on the General Fund at the end of the previous year	(1,415)
(12,624)	(Surplus) or deficit for the year on the General Fund Income & Expenditure Statement	(15,602)
9,071	Adjustments between accounting basis and funding basis under statute (Note 2)	12,737
(3,553)	Net increase or (decrease) before transfers to or from reserves	(2,865)
3,553	Transfers to or (from) reserves	2,865
0	(Increase) or decrease in year on the General Fund	0
<b>(1,415)</b>	<b>Balance on the General Fund at the end of the current year</b>	<b>(1,415)</b>

The Comprehensive Income and Expenditure Statement shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Authority is required to raise Council Tax on a different accounting basis, the main difference being:

Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.

Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance shows whether the Council has over or under-spent against the Council Tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Comprehensive Income and Expenditure Statement and the General Fund Balance.

### D3. BALANCE SHEET

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

31-Mar-15		Note Ref	31-Mar-16
£000			£000
162,638	Property, Plant & Equipment	10	184,506
7,307	Investment Property	11	2,840
5,947	Heritage Assets	10	5,947
375	Intangible Assets	12	326
0	Long Term Debtors		0
<b>176,267</b>	<b>Long Term Assets</b>		<b>193,619</b>
126	Inventories	14	84
5,405	Short Term Debtors	16	4,503
9,630	Cash and Cash Equivalents	18	16,360
1,948	Assets held for sale	19	1,597
<b>17,109</b>	<b>Current Assets</b>		<b>22,544</b>
4,099	Short Term Borrowing	13	4,115
8,467	Short Term Creditors	20	9,857
<b>12,566</b>	<b>Current Liabilities</b>		<b>13,972</b>
863	Long Term Creditors	20	1,998
65,490	Long Term Borrowing	13	61,375
1,964	Capital Grants Receipts in Advance		1,949
48,859	Pension liability	37	38,921
<b>117,176</b>	<b>Long Term Liabilities</b>		<b>104,243</b>
<b>63,634</b>	<b>Net Assets</b>		<b>97,948</b>
	<b>Usable reserves</b>		
2,663	Usable Capital Receipts Reserve		3,105
0	Major Repairs Reserve		0
1,415	General Fund Balance		1,415
750	Housing Revenue Account Balance		850
16,808	Earmarked Reserves	22	19,573
30	Capital Grants Unapplied		95
	<b>Unusable Reserves</b>		
18,200	Revaluation Reserve	23	24,835
72,503	Capital Adjustment Account	23	87,226
(48,859)	Pension Reserve	23	(38,921)
124	Collection Fund Adjustment Account	23	(230)
0	Deferred Credits - Mortgages		0
<b>63,634</b>	<b>Total Reserves</b>		<b>97,948</b>

## D4. CASHFLOW STATEMENT

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

<b>2014/15</b>		<b>2015/16</b>
£000		£000
12,624	Net surplus or (deficit) on the provision of services	15,602
(1,507)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 24)	854
(1,823)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 24)	(2,283)
9,294	Net cash flows from Operating Activities	14,173
(3,286)	Investing Activities (Note 26)	(3,119)
(1,797)	Financing Activities (Note 27)	(4,324)
4,211	Net increase or decrease in cash and cash equivalents	6,730
5,419	Cash and cash equivalents at the beginning of the reporting period	9,630
<b>9,630</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 18)</b>	<b>16,360</b>

## **E. NOTES TO THE FINANCIAL STATEMENTS**

### **1. Statement of Accounting Policies**

#### **1.1 General Principles**

The Statement of Accounts summarises the Authority's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which are required 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 2015/16 and the Service Reporting Code of Practice 2015/16, supported by International Financial Reporting Standards (IFRS).

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 Accruals of Income & Expenditure**

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- 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 payable on borrowings and receivable on investments is accounted for 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 it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

An exception is made in respect of expenditure on electricity, gas and telephones where expenditure on four quarterly accounts has been taken as a proxy for actual expenditure in the year.

## **E. NOTES TO THE FINANCIAL STATEMENTS**

### **1.3 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. Cash equivalents are highly liquid investments that mature in 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 Exceptional Items**

When 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 the understanding of the Council's financial performance.

### **1.5 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 of the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

The 2015/16 Code of Practice on Local Authority Accounting requires the adoption for these financial statements of the following accounting standards:

- IFRS 13 Fair Value Measurement
- Annual Improvements to the IFRS 2011-13 Cycle
- IFRIC 21 Levies

The issues included in the Annual Improvements to IFRS 2011-13 Cycle are:

- IFRS 1 The Meaning of IFRS
- IFRS 3 Scope Exceptions for Joint Ventures
- IFRS 13 Scope of Paragraph 52 (Portfolio Exception)
- IAS 40 Clarifying the Interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property

It is not considered that any of these accounting standards had a material effect on the 2014/15 comparator figures in the 2015/16 Statement and there is therefore no need for a third balance sheet to be shown.

## E. NOTES TO THE FINANCIAL STATEMENTS

### 1.6 Charges to Revenue for Non-Current Assets

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding fixed 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 written off; and
- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise Council Tax to cover depreciation, revaluation and impairment losses or amortisation. Depreciation, impairment losses and amortisation are therefore reversed out within the Movement in Reserves Statement, by way of adjusting transactions with the Capital Adjustment Account for the difference between the two. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, this is referred to as Minimum Revenue Provision (MRP). Changes in legislation in 2008/09 have resulted in the Council charging at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement, excluding amounts attributable to HRA activity on its historic debt (pre 2008/09). Future MRP is calculated based on asset lives which is option 3 in the guidance.

The accounting standard governing non-current assets is IAS 16 - Property Plant & Equipment, which generally requires depreciation to be calculated from the date assets are acquired or enhanced. However, to minimise extensive calculations and assist in the annual closedown process the Council has operated for a number of years, a policy of calculating depreciation based on the opening Net Book Value (NBV) of each asset. This is a deviation from the requirements of IAS 16 but does not have a material impact on the financial statements.

## E. NOTES TO THE FINANCIAL STATEMENTS

### 1.7 Employee Benefits

The impact of the amendments to IAS 19 'Employee Benefits' is to replace interest cost and the expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability.

#### **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, salaries, paid annual leave and paid sick leave bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council. Where material 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 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. Where an accrual is made this is charged to the 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.

#### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to either terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

When 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. These are replaced with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

#### **Pension Scheme Benefits**

The Local Government Pension Scheme is administered by Northamptonshire County Council and is accounted for as a defined benefits scheme.

The liabilities of the pension scheme 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, etc, and projections of projected earnings for current employees).

Liabilities are discounted to their value at current prices, using a discount rate determined by the actuary. The discount rate is based on the indicative rate of return on high quality bonds (iBoxx Sterling Corporates AA index)

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.

## E. NOTES TO THE FINANCIAL STATEMENTS

### 1.7 Employee Benefits (Cont'd)

The change in the net pensions liability is analysed into the following components:

#### Service Cost, comprising;

- **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 Revenue Accounts of Services for which the employees worked.
- **past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs.
- **net interest on the net defined benefit liability** - this is the change during the period in the net defined benefit liability that arises from the passage of time. The net interest on the net defined benefit liability comprises the interest income on the plan assets and interest cost on the defined benefit obligation. It is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments. This is recognised in the Financing and Investment Income section within the Comprehensive Income and Expenditure Statement.
- **remeasurements, comprising the return on plan assets** - excluding amounts included in the net interest on the net defined liability charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- **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 – charged to the Pensions Reserve.
- **contributions paid to the pension fund** – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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 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 any amounts payable to the fund 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.

#### Discretionary Benefits

The Council is able to make discretionary awards of retirement benefits in the event of early retirement. Where applicable these are accounted for in the year that the decision is made and are accounted for using the same policies as are applied to the Local Government Pension Scheme.

## E. NOTES TO THE FINANCIAL STATEMENTS

### 1.8 Events after the Balance Sheet Date

Events after the Balance Sheet date are those, both favourable and unfavourable, that occur between the end of the reporting period and the date the Statement of Accounts is authorised for issue. Two types of event 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 is 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.

### 1.9 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

The Council recognises an asset or liability on the Balance Sheet when the Council becomes party to the contractual provisions of the instrument. The Council has identified that its Financial Instruments of a material nature comprise trade receivables, trade payables, cash and investments.

Investments shown in the Balance Sheet relate to cash deposits. The value of cash deposits is the principal amount invested.

#### **Financial assets**

Financial assets are recognised on the balance sheet when the Council becomes party to the financial instrument contract or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred.

Financial assets are initially recognised at fair value.

Financial assets are classified into two types, loans and receivables and available-for-sale assets. Loans and receivables are measured at fair value and appear in the Balance Sheet at their amortised cost. The Council does not have any available-for-sale finance assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

## E. NOTES TO THE FINANCIAL STATEMENTS

### 1.9 Financial Instruments (Cont'd)

#### **Available for sale financial assets**

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or that do not fall within any of the other three financial asset classifications. They are measured at fair value with changes in value taken to the available for sale reserve, with the exception of impairment losses.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Accumulated gains or losses are recycled to the Comprehensive Income and Expenditure Statement on de-recognition.

#### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. After initial recognition, they are measured at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

Fair value is determined by reference to quoted market prices where possible, otherwise by discounted cash flows or other valuation techniques.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the net carrying amount of the financial asset.

At the balance sheet date, the Council assesses whether any financial assets, other than those held at 'fair value through profit and loss' are impaired. Financial assets are impaired and impairment losses recognised if there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in the comprehensive income and expenditure statement and the carrying amount of the asset is reduced directly, or through a provision for impairment of receivables.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the comprehensive income and expenditure statement to the extent that the carrying amount of the receivable at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

## E. NOTES TO THE FINANCIAL STATEMENTS

### 1.9 Financial Instruments (Cont'd)

#### **Financial liabilities**

Financial liabilities are recognised on the balance sheet when the Council becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been discharged, that is, the liability has been paid or has expired.

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

Financial liabilities are classified as either financial liabilities 'at fair value through profit and loss' or other financial liabilities.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable. Interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

#### **Financial liabilities at fair value through profit and loss**

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial liabilities at fair value through profit and loss. They are held at fair value, with any resultant gain or loss recognised in the comprehensive income and expenditure statement. The net gain or loss incorporates any interest earned on the financial asset.

#### **Other financial liabilities**

After initial recognition, all other financial liabilities are measured at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the life of the asset, to the net carrying amount of the financial liability. Interest is recognised using the effective interest method.

## **E. NOTES TO THE FINANCIAL STATEMENTS**

### **1.10 Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council 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.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as long term liabilities (Capital Receipts in Advance). When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement in the Taxation and Non Specific Grant Income, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. When it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

### **1.11 Heritage Assets**

The Council's Heritage Assets are held in the Council's Museum and Art Gallery. The collections of heritage assets are held in support of the primary objective of increasing knowledge, understanding and appreciation of the Council's history and local area.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with FRS30. However, some of the measurement rules are relaxed in relation to heritage assets, the major change relates to the valuation of heritage assets, whereby these assets are valued using insurance valuations.

The collection is relatively static and acquisitions and donations are rare. Where they do occur acquisitions are initially recognised at cost and donations are recognised based on the insurance valuation used by the Council's insurers.

Where information on cost or value is not available, and the cost of obtaining the information outweighs the benefits to the users of the financial statements a valuation will not be undertaken and the asset is not recognised on the Balance Sheet.

## **E. NOTES TO THE FINANCIAL STATEMENTS**

### **1.11 Heritage Assets Cont'd**

#### **Art Collection**

The art collection is reported in the Balance Sheet at market value. The assets within the art collection are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

#### **Heritage Assets – General**

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, for example where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment (1.17c)

Where heritage assets that have a doubtful provenance or are unsuitable for public display are disposed of, the proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment.

Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

### **1.12 Intangible Fixed Assets**

The Council capitalises purchased intangible assets (e.g. software licences) at cost, where economic benefits are greater than 12 months. Once capitalised, the assets will be amortised on a systematic basis over their useful lives. The amortisation charge will be made to General Fund service revenue accounts and to the Housing Revenue Account for the use of the assets acquired.

The Council does not have any internally generated assets which have been capitalised.

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 that are 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.

Intangible assets are measured 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.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains 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 £5,000 the Capital Receipts Reserve.

### **1.13 Inventories and Long Term Contracts**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The Cost of Inventories is assigned using the weighted average costing formula. Work in progress on uncompleted jobs is valued at cost including an allocation of overheads. Long Term Contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works or services received under the contract during the financial year.

## **E. NOTES TO THE FINANCIAL STATEMENTS**

### **1.14 Investment Properties**

Investment properties are those that are used solely to earn rental and/or for capital appreciation. The definition of an investment property 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 price that would be received to sell an asset in an orderly transaction between market participants at the measurement date under current market conditions. Properties are not depreciated but are revalued annually according to market conditions at the start of the year. Gains and losses on revaluation are posted to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. This is a deviation from the Code where it states revaluations are to take place at the end of the financial year. The Council has for a number of years calculated gains and losses on revaluations at the start of the year with a market review undertaken at the year end. This does not have a material impact on the financial statements.

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 the Capital Receipts Reserve.

### **1.15 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 of the use of specific assets.

#### **The Authority as Lessee**

##### **Finance Leases**

Property, plant and equipment held under finance leases is 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 Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied in 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, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income & Expenditure Statement).

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. if there is a rent free period at the commencement of the lease).

## **E. NOTES TO THE FINANCIAL STATEMENTS**

### **1.15 Leases (Cont'd)**

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 Authority at the end of the lease period).

Local Authorities are 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 and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, 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.

#### **The Authority as Lessor**

##### **Finance Leases**

The Authority does not have any finance leases where it acts as the lessor.

##### **Operating Leases**

Where the Authority 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. if 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.

### **1.16 Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015/16 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

Corporate and Democratic Core - costs relating to the Council's status as a multi-functional, democratic organisation.

Non Distributed Costs - This includes the cost of discretionary benefits awarded to employees and impairment losses chargeable on Assets Held for Sale and other costs not attributable to individual services.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

## E. NOTES TO THE FINANCIAL STATEMENTS

### 1.17 Property Plant & 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.

#### a) Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment 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. Expenditure that maintains but does not add to an assets potential to deliver future economic benefits or service potential is charged as an expense when it is incurred. Furthermore, expenditure needs to be in excess of the Councils de-minimis level of £5,000 before it can be recognised as capital spend. Items below this limit are charged to revenue.

The Code requires components to be accounted for as separate items where they are material; the Council has undertaken a review of its assets relating to Property, Plant and Equipment and componentising these assets has no material impact. The Council has however componentised its assets into two elements; land and buildings.

#### b) 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 does not capitalise 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.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

In accordance with the requirements of the 2015/16 Code of Practice on Local Authority Accounting, the requirements of IFRS 13 Fair Value Measurement have been adopted.

## E. NOTES TO THE FINANCIAL STATEMENTS

### 1.17 Property Plant & Equipment (Cont'd)

Assets are then carried in the Balance Sheet using the following measurement bases:

<b>Property Plant &amp; Equipment</b>	
Council Dwellings	Existing Use Value - Social Housing
Other Land & Buildings	Existing Use Value
Vehicles & Plant	Existing Use Value
Infrastructure	Depreciated Historical Cost
Community Assets	Depreciated Historical Cost
Assets Under Construction	Historical Cost
Assets Held for Sale	Fair Value (Highest and Best Use)

Assets included in the Balance Sheet at fair 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.

#### **c) 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 and adjusted for depreciation that would have been charged if the loss had not been recognised.

## E. NOTES TO THE FINANCIAL STATEMENTS

### 1.17 Property Plant & Equipment (Cont'd)

#### d) Depreciation

Depreciation is provided for on all Property, Plant and Equipment by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

Property Plant & Equipment	
Council Dwellings	Straight line - over the useful life of the asset
Other Land & Buildings	Straight line - over the useful life of the asset
Vehicles & Plant	Straight line - over the useful life of the asset
Infrastructure	Straight line - over the useful life of the asset
Community Assets	No charge is made for depreciation
Assets Under Construction	No charge is made for depreciation

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.

#### e) 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 losses previously 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 are not reclassified as Assets Held for Sale.

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.

## E. NOTES TO THE FINANCIAL STATEMENTS

### 1.17 Property Plant & Equipment (Cont'd)

Amounts received for a disposal in excess of £5,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government (capped to a maximum amount from April 2012, following Reinvigorating Right to Buy and One for One Replacement). The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority'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 non-current 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.

#### **f) Assets under Construction**

Assets under Construction are recognised only when it is probable that the future economic benefits will flow to the Council and the cost can be measured reliably. Assets under Construction are capitalised at cost which includes labour and overhead costs arising directly from the construction of the asset. Assets under Construction are not depreciated until they are brought into use under the relevant sections of property plant and equipment.

## **E. NOTES TO THE FINANCIAL STATEMENTS**

### **1.18 Provisions, Contingent Liabilities and Contingent Assets**

#### **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 benefit or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged 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 Authority settles the obligation.

#### **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.

#### **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.

## **E. NOTES TO THE FINANCIAL STATEMENTS**

### **1.19 Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year against the Surplus or Deficit on the Provision 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.

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

### **1.20 Revenue Expenditure Funded From Capital Under Statute**

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

### **1.21 VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

### **1.22 Group Accounts**

Local authorities are required to comply with the requirement that, where they have a controlling interest in subsidiaries, or a significant influence within associated companies or joint ventures, they must prepare the Revenue Account and Balance Sheet on a consolidated basis bringing together the financial results for the whole group.

The Council has determined that it does not have any Joint Venture relationships.

The Council has adopted the accounting treatment as though the Joint Planning Unit was a jointly controlled operation, which its activities undertaken by the Council in conjunction with other ventures that involve the use of the assets and resources of the ventures rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

## **E. NOTES TO THE FINANCIAL STATEMENTS**

### **1.23 Accounting Standards issued but not yet adopted**

The Code of Practice on Local Council Accounting in the United Kingdom 2016/17 has introduced some changes to the accounting policies which will be required from 1 April 2016 and will be adopted by the Council from this date.

The changes are detailed below:

Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)

Annual Improvements to IFRSs 2010 - 2012 Cycle - these relate to IFRS 3 Business Combinations, IFRS 8 Operating Segments, IFRS 13 Fair Value Measurement, and IAS 24 Related Party Disclosures and IAS 38 Intangible Assets

Amendments to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint operations)

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)

Annual Improvements to IFRSs 2012 - 2014 Cycle - the only amendment relating to local authorities is to IFRS 7 Financial Instrument Disclosure in relation to servicing contracts, and this is unlikely to be a frequent occurrence

Amendments to IAS 1 Presentation of Financial Statements (Disclosure Initiative)

The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis

The changes to the format of the Pension Fund Net Assets Statement.

The Code does not anticipate that the above amendments will have a material impact on the information provided in the Council's Statement of Accounts. However, in 2016/17 the comparator 2015/16 Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement must reflect the new formats.

## E. NOTES TO THE FINANCIAL STATEMENTS

### 2. Adjustments between Accounting Basis and Funding Basis under regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement detailed in the Movement in Reserves Statement (MiRS) recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2015/16	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Useable Reserves	Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000
<b>Adjustment primarily involving the Capital Adjustment Account</b>							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement							
Charges for depreciation and impairment of non-current assets	(1,666)					(1,666)	1,666
Revaluation changes on Property, Plant & Equipment	(425)	9,258				8,833	(8,833)
Movement in the fair value of investment properties	(55)					(55)	55
Amortisation of intangible assets	(134)					(134)	134
Capital grants and contributions applied		144				144	0
Revenue expenditure funded from capital under statute	(692)	(207)				(899)	899
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	249	302				551	1,005
HRA Self Financing Payment		3,500				3,500	(3,500)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>							
Statutory provision for the financing of capital investment	855					855	(855)
Capital expenditure charged against the General Fund and HRA Balances	1,282	1,840				3,122	(3,122)

## E. NOTES TO THE FINANCIAL STATEMENTS

### 2. Adjustments between Accounting Basis and Funding Basis under regulations (cont'd)

2015/16	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Useable Reserves	Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	521				(665)	(144)	0
Application of grants to capital financing transferred to the Capital Adjustment Account					600	600	(600)
<b>Adjustments primarily involving the Capital Receipts Reserve</b>							
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	65		(1,619)			(1,554)	0
Use of the Capital Receipts Reserve to finance new capital expenditure			766			766	(768)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(411)		411			0	0
<b>Adjustments primarily involving the Major Repairs Reserve</b>							
Reversal of Major Repairs Allowance credited to the HRA				(1,755)		(1,755)	1,755
Use of the Major Repairs Reserve to finance new capital expenditure				1,755		1,755	(1,755)

## E. NOTES TO THE FINANCIAL STATEMENTS

### 2. Adjustments between Accounting Basis and Funding Basis under regulations (cont'd)

2015/16	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Useable Reserves	Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Pensions Reserve</b> Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(4,047)	(533)				(4,580)	1,335
Employers pensions contributions and direct payments to pensioners payable in the year	2,679	566				3,245	
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b> Amount by which council tax and non-domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from council tax and NNDR income calculated for the year in accordance with statutory requirements	(354)					(354)	354
<b>Total Adjustments</b>	<b>(2,133)</b>	<b>14,870</b>	<b>(442)</b>	<b>0</b>	<b>(65)</b>	<b>12,230</b>	<b>(12,230)</b>

## E. NOTES TO THE FINANCIAL STATEMENTS

### 2. Adjustments between Accounting Basis and Funding Basis under regulations (cont'd)

2014/15	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Useable Reserves	Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000
<b>Adjustment primarily involving the Capital Adjustment Account</b>							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement							
Charges for depreciation and impairment of non-current assets	(1,445)					(1,445)	1,445
Revaluation changes on Property, Plant & Equipment	(139)	4,435				4,296	(4,296)
Impairment losses on Assets Held for Sale	(532)					(532)	532
Movement in the fair value of investment properties	(172)					(172)	172
Amortisation of intangible assets	(193)					(193)	193
Capital grants and contributions applied	343	243				586	(586)
Revenue expenditure funded from capital under statute	(526)					(526)	526
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	(79)	393				314	821
HRA Self Financing Payment		3,000				3,000	(3,000)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>							
Statutory provision for the financing of capital investment	834					834	(834)
Capital expenditure charged against the General Fund and HRA balances	1,193	1,792				2,985	(2,985)

## E. NOTES TO THE FINANCIAL STATEMENTS

### 2. Adjustments between Accounting Basis and Funding Basis under regulations (cont'd)

2014/15	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Useable Reserves	Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Receipts Reserve</b>							
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	8		(1,143)			(1,135)	0
Use of the Capital Receipts Reserve to finance new capital expenditure			146			146	(146)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(318)		318			0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash			(1)			(1)	1
<b>Adjustments primarily involving the Major Repairs Reserve</b>							
Reversal of Major Repairs Allowance credited to the HRA						0	1,632
Use of the Major Repairs Reserve to finance new capital expenditure						0	(1,632)

## E. NOTES TO THE FINANCIAL STATEMENTS

### 2. Adjustments between Accounting Basis and Funding Basis under regulations (cont'd)

2014/15	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Useable Reserves	Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Pensions Reserve</b> Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(2,498)	(336)				(2,834)	2,834
Employers pensions contributions and direct payments to pensioners payable in the year	2,512	513				3,025	(3,025)
<b>Adjustments primarily 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	43					43	(43)
<b>Total Adjustments</b>	<b>(969)</b>	<b>10,040</b>	<b>(680)</b>	<b>0</b>	<b>0</b>	<b>8,391</b>	<b>(8,391)</b>

## E. NOTES TO THE FINANCIAL STATEMENTS

### 3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgement made in the Statement of Accounts is:

There is much uncertainty about future levels of funding for local government. However the Authority has determined that this uncertainty is not sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

### 4. Assumptions made about the future and other major sources of estimation uncertainty

The Statements of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors.

The items in the Authority's Balance Sheet at 31 March 2016 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	Impairment of Property, Plant and Equipment due to changes in market conditions.	Due to impairment being an estimate and dependant on future market conditions it is not possible to quantify the impact of impairments. Any charges to the Comprehensive Income & Expenditure Statement are reversed out and do not result in a cost to either the taxpayer or rent payer, but does result in a change to the Net Worth of the Authority, which is reflected in the Balance Sheet.
Pensions Liability	Estimations 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. This information is provided to the Authority by the actuaries.	The effects on the net pensions liability of changes in individual assumptions can be measured, these changes are detailed within Note 37 (Pages 72-76)

### 5. Material Items of Income and Expense

Material transactions are outlined in the Narrative Statement Note 7 (Page 12).

### 6. Events after the Balance Sheet date

The draft Statement of Accounts was authorised for issue by the Councils appointed statutory Finance Officer on 31 May 2016. Events taking place after this date are not reflected in the financial statements or notes. There were also no events taking place before this date that provided information about material conditions existing at 31 March 2016 that would have required the financial statements and notes to be adjusted.

## E. NOTES TO THE FINANCIAL STATEMENTS

### 7. Other Operating Expenditure

The composition of the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement is detailed below:

2014/15		2015/16
£000		£000
203	Parish Council Precepts	261
318	Payments to the Government Housing Capital Receipts Pool	411
(314)	(Gains) / losses on the disposal of non-current assets	(551)
(8)	Unattached capital receipts	(63)
182	Contribution to / (from) Bad Debts Provision	190
<b>381</b>	<b>Total</b>	<b>248</b>

### 8. Financing and Investment Income & Expenditure

The composition of the Financing and Investment Income & Expenditure line in the Comprehensive Income and Expenditure Statement is detailed below:

2014/15		2015/16
£000		£000
1,819	Interest payable and similar charges	1,797
276	Interest element of finance leases (lessee)	232
556	Pensions interest cost and expected return on pension assets	1,560
0	Pensions Change in Benefits	3
(56)	Investment income interest	(83)
(1,132)	Rentals received on investment properties (Note 11)	(276)
213	Expenses incurred on investment properties (Note 11)	24
172	Changes in fair value of investment properties	55
26	(Surplus) / Deficit on trading activities (not applicable to a service)	63
<b>1,874</b>	<b>Total</b>	<b>3,375</b>

### 9. Taxation and Non Specific Grant Income

The composition of the Taxation and Non Specific Grant Income line in the Comprehensive Income and Expenditure Statement is detailed below:

2014/15		2015/16
£000		£000
(6,258)	Council Tax Income	(6,494)
(12,198)	Non domestic rates - Share of NNDR 1 Growth	(12,602)
8,820	Non domestic rates - Tariff	8,989
383	Non domestic rates - Levy	160
61	Non domestic rates - Share of NNDR 3 Growth	470
(77)	Non domestic rates - Renewable Energy	(231)
(2,368)	Revenue Support Grant	(1,802)
(849)	Capital Grants (Note 31)	(948)
	<b>Non Specific Revenue Grants:</b>	
(1,608)	New Homes Bonus	(2,131)
(289)	Council Tax Incentive Freeze Grant	(131)
(32)	New Burdens	(26)
<b>(14,415)</b>	<b>Total</b>	<b>(14,746)</b>

## E. NOTES TO THE FINANCIAL STATEMENTS

### 10. Property, Plant and Equipment

The composition of Property, Plant and Equipment in the Balance Sheet is detailed below:

	£000	£000	£000	£000	£000	£000	£000	£000	£000	Total PPE
<b>Cost</b>										
<b>Balance at 31/03/14</b>	<b>109,573</b>	<b>30,972</b>	<b>11,334</b>	<b>627</b>	<b>7,936</b>	<b>5,919</b>				<b>166,361</b>
Additions	3,669	323	1,027	3	6	0				5,028
Disposals	(727)	(104)	(8)	0	0	0				(839)
Revaluations	4,433	1,995	0	0	0	0				6,428
Impairment	(1,413)	(172)	0	0	0	0				(1,585)
Transfer	142	0	0	0	0	(142)				0
<b>Balance at 31/03/15</b>	<b>115,677</b>	<b>33,014</b>	<b>12,353</b>	<b>630</b>	<b>7,942</b>	<b>5,777</b>				<b>175,393</b>
Additions	4,056	770	345	73	14	0				5,258
Disposals	(460)	(200)	0	0	0	0				(660)
Revaluations	9,263	7,010	0	0	0	0				16,273
Impairment	(1,509)	(1,029)	0	0	0	0				(2,538)
Transfer	0	4,552	0	0	0	(140)				4,412
<b>Balance at 31/03/16</b>	<b>127,027</b>	<b>44,117</b>	<b>12,698</b>	<b>703</b>	<b>7,956</b>	<b>5,637</b>				<b>198,138</b>

## E. NOTES TO THE FINANCIAL STATEMENTS

### 10. Property, Plant and Equipment (Cont'd)

	Council dwellings	Other land & buildings	Vehicles, plant etc	Infra-structure	Community Assets	Assets under construction	Total PPE
	£000	£000	£000	£000	£000	£000	£000
<b>Dep'n &amp; Impairment</b>							
<b>Balance at 31/03/14</b>	<b>1,413</b>	<b>4,473</b>	<b>5,128</b>	<b>111</b>	<b>94</b>	<b>10</b>	<b>11,229</b>
Depreciation	1,519	652	880	26	0	0	3,077
Depreciation and impairment Reversals	(1,413)	(172)	0	0	0	0	(1,585)
Transfers	0	0	0	0	0	0	0
Impairment Losses	0	52	0	0	0	0	52
Disposal	(10)	0	(8)	0	0	0	(18)
<b>Balance at 31/03/15</b>	<b>1,509</b>	<b>5,005</b>	<b>6,000</b>	<b>137</b>	<b>94</b>	<b>10</b>	<b>12,755</b>
Depreciation	1,638	736	1,022	26	0	0	3,422
Depreciation and impairment Reversals	(1,509)	(1,029)	0	0	0	0	(2,538)
Transfers	0	0	0	0	0	0	0
Impairment Losses	0	0	0	0	0	0	0
Disposal	(7)	0	0	0	0	0	(7)
<b>Balance at 31/03/16</b>	<b>1,631</b>	<b>4,712</b>	<b>7,022</b>	<b>163</b>	<b>94</b>	<b>10</b>	<b>13,632</b>

## E. NOTES TO THE FINANCIAL STATEMENTS

### 10. Property, Plant and Equipment (Cont'd)

	2014/15		
	Net Book Value	Nature of Asset Holding	
		Lease	Owned
	£'000	£'000	£'000
Council Dwellings	114,168		114,168
Other Land & Buildings	28,009		28,009
Vehicles & Plant	6,353	3,715	2,638
Infrastructure	493		493
Community Assets	7,848		7,848
Assets Under Construction	5,767		5,767
<b>Total</b>	<b>162,638</b>	<b>3,715</b>	<b>158,923</b>

	2015/16		
	Net Book Value	Nature of Asset Holding	
		Lease	Owned
	£'000	£'000	£'000
Council Dwellings	125,396		125,396
Other Land & Buildings	39,405		39,405
Vehicles & Plant	5,676	3,090	2,586
Infrastructure	540		540
Community Assets	7,862		7,862
Assets Under Construction	5,627		5,627
<b>Total</b>	<b>184,506</b>	<b>3,090</b>	<b>181,416</b>

#### Valuations of Property, Plant and Equipment

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years.

	Council Dwellings	Other Land & Buildings	Vehicles & Plant	Infrastructure	Community Assets	Assets Under Construction
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Historical Cost</b>		11	5,676	540	7,862	5,627
<b>Fair Value</b>						
2015/16	125,396	27,707				
2014/15		951				
2013/14		6,413				
2012/13		3,232				
2011/12		1,091				
<b>Total</b>	<b>125,396</b>	<b>39,405</b>	<b>5,676</b>	<b>540</b>	<b>7,862</b>	<b>5,627</b>

#### Valuations of Other Assets

	Heritage Assets	Investment Properties	Intangible Assets	Assets Held for Sale
	£'000	£'000	£'000	£'000
Valued at Historical Cost	5,947		326	1,597
Valued at Fair Value as at 2015/16		2,840		
<b>Total</b>	<b>5,947</b>	<b>2,840</b>	<b>326</b>	<b>1,597</b>

## E. NOTES TO THE FINANCIAL STATEMENTS

### 10. Property, Plant and Equipment (Cont'd)

#### Depreciation

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

- Council Dwellings 30 - 60 years
- Other Land and Buildings 0 - 999 years
- Vehicles, Plant, Furniture & Equipment 0 - 44 years

A comprehensive valuation of all Council dwelling assets has been undertaken in 2015/16 to comply with the policy for a full review every 5 years followed by a desktop review in the interim. In addition to comply with Council policy, 20% of the Council's general fund assets have been valued. All valuations were undertaken by IRJ Dewar FRICS IRRV MCI Arb, RG Messenger BSc FRICS IRRV MCI Arb REV, AM Williams Dip BSc (Hon) MRICS IRRV REV and GSC Harbord MA MRICS IRRV of Wilks Head & Eve in 2015/16. A Market Review for Council Dwellings and Other Land & Buildings was undertaken as at 31st March 2016.

#### Heritage Assets

The Council's art collection and other Heritage Assets are reported in the Balance Sheet using insurance valuations which are based on market values.

2014/15		2015/16
£000		£000
5,244	Art Collection	5,244
703	Other Collections	703
<b>5,947</b>	<b>Total</b>	<b>5,947</b>

### 11. Investment Properties

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

2014/15		2015/16
£000		£000
(1,132)	Rental income from investment property	(276)
213	Direct operating expenses arising from investment property	24
<b>(919)</b>	<b>Net (gain) / loss</b>	<b>(252)</b>

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property. In 2015/16 IFRS 13 fair value has been introduced. IFRS13 Fair Value seeks to increase consistency and comparability within the valuation process which has been achieved through a 'fair value hierarchy'. The hierarchy categorises the inputs used in to three levels and the fair value category is applied based on whether the valuer has used more observable or unobservable inputs within the valuation. All of the authorities' investment properties have been valued at Level 2 where the assets have been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the Local Authority area.

The following table summarises the movement in the fair value of investment properties during 2015/16 and 2014/15.

2014/15		2015/16
£000		£000
<b>7,374</b>	<b>Balance at start of the year</b>	<b>7,307</b>
104	Additions	0
(171)	Net gains/losses from fair value adjustments	(55)
0	Reclassification	(4,412)
<b>7,307</b>	<b>Balance at end of the year</b>	<b>2,840</b>

The reclassification relates to assets not being used solely to earn rentals or held for capital appreciation being moved to Property, Plant and Equipment. All of the Council's Investment Properties are treated as operating leases.

## E. NOTES TO THE FINANCIAL STATEMENTS

### 12. Intangible Assets

The Council accounts for its software as intangible assets. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council.

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £134,363 charged to revenue in 2015/16 (2014/15 £192,644) was charged to the IT cost centre and then absorbed as an overhead across all service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on Intangible Asset balances during 2015/16 and 2014/15 is as follows:

#### Movements on Intangible Assets

2014/15		2015/16
£000		£000
5,620	<b>Balance at start of the year</b>	5,823
203	Externally Developed Acquisitions	85
5,823	<b>Balance at end of the year</b>	5,908
5,255	<b>Depreciation &amp; Impairment</b>	5,448
193	<b>Balance at start of the year</b>	134
	Amortisation for the Year	
5,448	<b>Balance at end of the year</b>	5,582
375	<b>Net Book Value</b>	326

### 13. Financial Instruments

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

From Balance Sheet	Long-term		Current	
	31-Mar-16	31-Mar-15	31-Mar-16	31-Mar-15
	£000	£000	£000	£000
<b>Borrowings</b>				
PWLB (principal amount)	58,903	62,403	3,500	3,500
<b>Total included in borrowings</b>	<b>58,903</b>	<b>62,403</b>	<b>3,500</b>	<b>3,500</b>
<b>Other Long term Liabilities</b>				
Finance lease liabilities	2,472	3,087	615	599
<b>Total other long term liabilities</b>	<b>2,472</b>	<b>3,087</b>	<b>615</b>	<b>599</b>
<b>Creditors</b>				
Financial liabilities at amortised cost	1,998	863	2,718	2,232
<b>Total Creditors</b>	<b>1,998</b>	<b>863</b>	<b>2,718</b>	<b>2,232</b>
<b>Investments</b>				
Cash and cash equivalents	0	0	16,360	9,630
<b>Total investments</b>	<b>0</b>	<b>0</b>	<b>16,360</b>	<b>9,630</b>
<b>Debtors</b>				
Loans and receivables	0	0	2,181	3,979
<b>Total debtors</b>	<b>0</b>	<b>0</b>	<b>2,181</b>	<b>3,979</b>

Cash and cash equivalents reflect short-term deposits.

#### Servicing of Debt

In 2015/16 the average interest rate incurred on external borrowing by the Council was 2.73% (2014/15 2.64%). The interest rate charged to the Housing Revenue Account was 3.95% (2014/15 3.95%).

## E. NOTES TO THE FINANCIAL STATEMENTS

### 13. Financial Instruments (Cont'd)

#### Gains/Losses of Financial Instruments

There were no gains/ losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments.

#### Fair value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried on the Balance Sheet at amortised cost (where relevant). Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments. However, where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount. This was the case for the Council. On the grounds of materiality no fair value adjustments were undertaken on debtors that are due in more than 12 months. The fair value of the liabilities as at 31st March 2016 and 31st March 2015 was calculated as follows:

	31 March 2016		31 March 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
PWLB debt - long-term	58,903	63,074	62,403	65,414
- short-term	3,500	3,504	3,500	3,496
Short term creditors	2,718	2,699	2,232	2,232
Short term finance lease liability	615	615	599	599
Long term creditors	1,998	1,998	863	863
Long term finance lease liability	2,472	2,472	3,087	3,087
<b>Total Liabilities</b>	<b>70,206</b>	<b>72,137</b>	<b>72,684</b>	<b>75,691</b>

The fair value of the PWLB loans is an estimate obtained from Capita Asset Services Ltd who provide Treasury Management Services to both the public and private sectors. The estimate is calculated using the new borrowing rates to reflect the preferential rates applied to the loans.

The fair value of the liabilities is higher than the carrying amount because the Authority's portfolio of loans include a number of fixed rate loans where the interest payable is more than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2016) arising from a commitment to pay interest to lenders above current market rates.

	31 March 2016		31 March 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Cash and cash equivalents*	13,946	13,946	8,875	8,875
Short term debtors	2,181	2,181	3,979	3,979
Long term debtors	0	0	0	0
<b>Total Assets</b>	<b>16,127</b>	<b>16,127</b>	<b>12,854</b>	<b>12,854</b>

\*Cash and cash equivalents represent cash investments only

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

The Council's loans are at fixed rates of interest. It has not been necessary to carry out a formal calculation of the Effective Interest Rate (EIR) as this would simply confirm the interest rate in the contract as the effective rate.

Consideration will continue to be given in future years as to whether total income or expense should be calculated for financial assets and liabilities using the effective interest rate.

## E. NOTES TO THE FINANCIAL STATEMENTS

### 14. Inventories

The Council's inventories holdings at 31 March is detailed in the table below:

2014/15		2015/16
£000		£000
95	Raw Materials and Consumables	56
31	Finished Goods	28
<b>126</b>	<b>Total</b>	<b>84</b>

### 15. Construction Contracts

At 31 March 2016 the Council had no significant construction contracts.

### 16. Short -Term Debtors

The Council's short term debtors as at 31 March are detailed in the table below:

2014/15 Short Term Debtors		2015/16 Gross Debtors	2015/16 Impairment Allowance	2015/16 Short Term Debtors
£000		£000	£000	£000
3,612	Sundry debtors	3,550	(1,800)	1,750
1,257	Government departments	1,743	0	1,743
298	Other local authorities	502	0	502
293	Council taxpayers	319	(195)	124
616	Housing tenants	695	(564)	131
1,473	Prepayments	218	0	218
44	Loans to employees	35	0	35
7,593				
(2,188)	Less Impairment allowance			
<b>5,405</b>	<b>Total</b>	<b>7,062</b>	<b>(2,559)</b>	<b>4,503</b>

### 17. Details of movement in the year for each class of provision

The Council maintains a number of provisions for Impairment Allowances, the movement on these provisions are detailed in the table below:

	Balance at 01-Apr-15	Written Off / (On)	Contribution (to)/ from Provision	Balance at 31-Mar-16
	£000	£000	£000	£000
<b>Impairment allowance</b>				
Council taxpayers	(179)	195	(211)	(195)
NNDR	(41)	74	(86)	(53)
Housing tenants (GF)	(103)	2	(14)	(115)
Housing tenants (HRA)	(407)	49	(91)	(449)
Housing benefits	(919)	38	(196)	(1,077)
Other	(539)	0	(131)	(670)
<b>Total Impairment allowance</b>	<b>(2,188)</b>	<b>358</b>	<b>(729)</b>	<b>(2,559)</b>

## E. NOTES TO THE FINANCIAL STATEMENTS

### 18. Cash and Cash Equivalent

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

2014/15		2015/16
£000		£000
755	Cash and Bank Balances	2,414
8,875	Cash Investments - regarded as cash equivalents	13,946
<b>9,630</b>	<b>Total Cash and Cash Equivalents</b>	<b>16,360</b>

Cash and cash equivalents include cash at bank, short-term bank deposits and money market funds.

The maximum exposure to credit risk for cash and cash equivalents is equal to the carrying value.

### 19. Assets Held for Sale

All of the authorities investment properties have been valued at Level 2 on the 'fair value hierarchy', this is where the asset values have been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the Local Authority area.

The composition of Assets Held for Sale in the Balance Sheet is detailed below:

2014/15		2015/16
£000		£000
1,948	Investment Properties	1,597
<b>1,948</b>	<b>Total</b>	<b>1,597</b>

### 20. Creditors

The Council's short term creditors as at 31 March are detailed in the table below:

2014/15		2015/16
£000		£000
1,608	Sundry creditors	1,790
3,502	Government departments	3,724
2,754	Other local authorities	3,410
112	Council taxpayers	103
97	Council Tenants	117
394	Receipts in Advance	713
<b>8,467</b>	<b>Total</b>	<b>9,857</b>

There is no material difference between the carrying value and fair value of trade and other payables presented.

Long Term Creditors of £1,998m 2014/15 (£863m) relates to Section 106 monies held on behalf of Northamptonshire County Council.

### 21. Provisions

The Council has a bad debts provision which is disclosed in Note 17 (Page 55).

The Business Rates Retention Scheme requires Local Authorities to make provisions for appeals made by businesses to the Valuation Office on their rateable value. The Council has analysed previous appeals and calculated a provision for NNDR Appeals based on settlement history. The total provision provided at 31st March 2016 is £3.051m (2014/15 £1.872m) of which 40% or £1.220m (2014/15 £0.749m) is attributable to this Council, which accords to the proportionate shares of the Business Rates Retention Scheme.

## E. NOTES TO THE FINANCIAL STATEMENTS

### 22. Earmarked Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement. The tables below provide detailed movements in both 2015/16 and 2014/15.

<b>Earmarked Reserves</b>	<b>Opening Balance 31/03/2014</b>	<b>Transfers to Reserves</b>	<b>Transfers from Reserves</b>	<b>Closing Balance 31/03/2015</b>
	£000	£000	£000	£000
<b>Investment Reserves</b>				
Economic Develop. & Regeneration	3,863			3,863
Community Projects / Street Scene	30			30
Commercial Investments	0	500		500
Burton Wold Wind Farm Reserve	67			67
<b>Smoothing Reserves</b>				
Organisational Development	1,696			1,696
Planning	324	150		474
Ward Initiatives	32		32	0
Elections Reserve	275	25		300
Invest to Save	980	170		1,150
Welfare Reform & Taxation Reserve	1,107	24		1,131
Capital (Investment - GF)	427	573		1,000
Capital (Investment - HRA)	635	198		833
Interest Exposure	625	200		825
Business Rates Retention Reserve	950	1,332		2,282
Recycling Commodities Reserve	0	250		250
HRA Self Financing	2,279			2,279
<b>Trading Reserves</b>				
Kettering Borough Trainers	50			50
Healthy Living Centre	17			17
Licensing	22			22
Housing Act Advances	11			11
DWP Reserve	28			28
<b>Total</b>	<b>13,418</b>	<b>3,422</b>	<b>32</b>	<b>16,808</b>

## E. NOTES TO THE FINANCIAL STATEMENTS

### 22. Earmarked Reserves (Cont'd)

Earmarked Reserves	Opening Balance 31/03/2015	Transfers to Reserves	Transfers from Reserves	Closing Balance 31/03/2016
	£000	£000	£000	£000
<b>Investment Reserves</b>				
Economic Develop. & Regeneration	3,863			3,863
Community Projects / Street Scene	30			30
Commercial Investments	500	890		1,390
Burton Wold Wind Farm Reserve	67			67
<b>Smoothing Reserves</b>				
Organisational Development	1,696			1,696
Planning	474			474
Ward Initiatives	0			0
Elections Reserve	300	25		325
Invest to Save	1,150			1,150
Welfare Reform & Taxation Reserve	1,131			1,131
Capital (Investment - GF)	1,000	882		1,882
Capital (Investment - HRA)	833		(28)	861
Interest Exposure	825			825
Business Rates Retention Reserve	2,282	1,190		3,472
Recycling Commodities Reserve	250	250		500
HRA Self Financing	2,279		500	1,779
<b>Trading Reserves</b>				
Kettering Borough Trainers	50			50
Healthy Living Centre	17			17
Licensing	22			22
Housing Act Advances	11			11
DWP Reserve	28			28
<b>Total</b>	<b>16,808</b>	<b>3,237</b>	<b>472</b>	<b>19,573</b>

#### Description of Reserves

##### **Investment Reserves**

##### **Economic Development and Regeneration Reserve**

Used to provide short term resources for the Council's planning service, assist with the Council's economic development strategy, provide funding for other one-off projects and to assist with the operation of the Council's asset management plan.

##### **Community Projects & Street Scene Reserve**

Used to provide resources to fund projects and schemes in the local community.

##### **Commercial Investments**

Used to provide resources to fund commercial investments, in line with the Council's Financial Strategy.

##### **Burton Wold Wind Farm Reserve**

The reserve has been created from contributions from the developers of the Burton Wold Wind Farm Project. The Council uses this contribution to award grants for energy efficiency and education works.

##### **Smoothing Reserves**

##### **Organisational Development**

Provision to help the Council deal with any organisational development issues e.g. next steps, claims, decoupling, process improvements and trailblazer type activity.

## E. NOTES TO THE FINANCIAL STATEMENTS

### 22. Earmarked Reserves (Cont'd)

#### **Planning Reserve**

Used to provide resources for revenue costs of the planning service to meet items such as legal costs, specialist advisors or consultants and other one off service costs required to meet statutory guideline or regulation (e.g. appeals).

#### **Ward Initiative Reserve**

Reserve to provide resources to fund expenditure on wards throughout the Borough.

#### **Elections Reserve**

Reserve to provide resources to fund future local elections.

#### **Invest to Save**

Used to support initiatives that have an ongoing revenue benefit and assist with achieving framework savings.

#### **Welfare Reform & Taxation Reserve**

This reserve has been set up to offset any revenue costs associated with the new welfare reform regulations introduced in 2013/14 and to offset revenue implications of an increase in interest rates or should the Council breach its VAT de-minimis level.

#### **Capital Investment - GF**

Reserve to provide resources for the repair, replacement and acquisition of General Fund property.

#### **Capital Investment - HRA**

Reserve to provide resources for the repair, replacement and acquisition of Housing Revenue Account property.

#### **Interest Exposure Reserve**

This reserve is to provide some protection in relation to market uncertainty for interest on both borrowing and investments.

#### **Recycling Commodities Reserve**

This reserve is to provide some protection in relation to fluctuations in market prices for recycling commodities.

#### **Business Rates Retention Reserve**

This reserve is to provide for future year Revenue Funding and to meet the cost of successful Business Rate Appeals.

#### **HRA Self Financing Reserve**

Reserve to provide resources for the future repayment of borrowing costs for the HRA self financing transaction.

#### **Trading Reserves**

##### **Kettering Borough Trainers**

Holds revenue balances to support future projects.

##### **Healthy Living Centre**

Holds revenue balances to support future projects.

##### **Licensing Reserve**

The licensing reserve provides resources to fund future expenditure associated with the Joint Licensing Unit.

##### **Housing Act Advances Reserve**

Holds fund relating to Council mortgages.

##### **DWP Reserve**

External funding was received from the DWP to help meet the costs associated with the modernisation of data collection, the balance held represents the amount of grant still to be utilised.

## E. NOTES TO THE FINANCIAL STATEMENTS

### 23. Unusable Reserves

The Council's unusable reserves as at 31 March is detailed in the table below:

31-Mar-15		31-Mar-16
£000		£000
(18,200)	Revaluation Reserve	(24,835)
(72,503)	Capital Adjustment Account	(87,226)
48,859	Pension reserve	38,921
(124)	Collection Fund Adjustment Account	230
<b>(41,968)</b>	<b>Total</b>	<b>(72,910)</b>

#### Unusable Reserves - Revaluation Reserve

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

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

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

	GF	HRA	Total
	£000	£000	£000
<b>Balance at 31/03/14</b>	<b>(14,997)</b>	<b>(53)</b>	<b>(15,050)</b>
Revaluation adjustments	(3,418)	(22)	(3,440)
Historical cost adjustment	289	0	289
Transfers	0	0	0
Realised Revaluations	1	0	1
<b>Balance at 31/03/15</b>	<b>(18,125)</b>	<b>(75)</b>	<b>(18,200)</b>
Revaluation adjustments	(7,403)	(36)	(7,439)
Historical cost adjustment	371	0	371
Transfers	0	0	0
Realised Revaluations	433	0	433
<b>Balance at 31/03/16</b>	<b>(24,724)</b>	<b>(111)</b>	<b>(24,835)</b>

## E. NOTES TO THE FINANCIAL STATEMENTS

### Unusable Reserve - Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties 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.

#### Analysis of Capital Adjustment Account movements between General Fund and HRA

	<b>GF</b>	<b>HRA</b>	<b>Total</b>
	£000	£000	£000
<b>Balance at 31/03/14</b>	<b>(26,591)</b>	<b>(37,463)</b>	<b>(64,054)</b>
Depreciation	1,638	1,633	3,271
Historical Cost Adjustment	(289)	0	(289)
MRP	(834)	0	(834)
REFCUS	526	0	526
Financing of the capital programme	(1,682)	(3,669)	(5,351)
Housing Finance Reform Payment	0	(3,000)	(3,000)
Disposal of Fixed Assets	103	718	821
Revaluation Adjustments	842	(4,435)	(3,593)
<b>Balance at 31/03/15</b>	<b>(26,287)</b>	<b>(46,216)</b>	<b>(72,503)</b>
Depreciation	1,800	1,755	3,555
Historical Cost Adjustment	(371)	0	(371)
MRP	(855)	0	(855)
REFCUS	692	207	899
Financing of the capital programme	(1,979)	(4,263)	(6,242)
Housing Finance Reform Payment	0	(3,500)	(3,500)
Disposal of Fixed Assets	118	454	572
Revaluation Adjustments	480	(9,261)	(8,781)
<b>Balance at 31/03/16</b>	<b>(26,402)</b>	<b>(60,824)</b>	<b>(87,226)</b>

## E. NOTES TO THE FINANCIAL STATEMENTS

### Unusable Reserve - Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The 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 debit 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.

2014/15		2015/16
£000		£000
<b>37,728</b>	<b>Balance at 1 April</b>	<b>48,859</b>
11,322	Actuarial gains or losses on pensions assets and liabilities	(11,273)
(191)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	1,335
<b>48,859</b>	<b>Balance at 31 March</b>	<b>38,921</b>

### Unusable Reserve - Collection Fund Adjustment Account

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

2014/15		2015/16
£000		£000
<b>(81)</b>	<b>Balance at 1 April</b>	<b>(124)</b>
(127)	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	(96)
84	Amount by which national non domestic rates income debited to the Comprehensive Income and Expenditure Statement is different from national non domestic rate income calculated for the year in accordance with statutory requirements	450
<b>(124)</b>	<b>Balance at 31 March</b>	<b>230</b>

## E. NOTES TO THE FINANCIAL STATEMENTS

### Unusable Reserve - Deferred Credits - Mortgages

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

2014/15		2015/16
£000		£000
(1)	<b>Balance at 1 April</b>	<b>0</b>
1	Transfer to the Capital Receipts Reserve upon receipt of cash payable in the year	0
<b>0</b>	<b>Balance at 31 March</b>	<b>0</b>

### 24. Cash Flow Statement - Net Cash Flows from Operating Activities

The composition of Net Cash Flows from Operating Activities in the Cashflow Statement is detailed below:

2014/15		2015/16
£000		£000
<b>12,624</b>	<b>Net Surplus or (Deficit) on the Provision of Services</b>	<b>15,602</b>
	<b><u>Adjust net surplus or deficit on the provision of services for non cash movements</u></b>	
3,076	Depreciation	3,421
(3,530)	Impairment and downward valuations	(8,307)
193	Amortisation	134
(14)	Increase / (Decrease) in Interest Creditors	(44)
(274)	Increase / (Decrease) in Creditors	2,257
(1,505)	(Increase) / Decrease in Debtors	1,538
(24)	(Increase) / Decrease in Inventories	42
(191)	(Increase) / Decrease in Pension Liability	1,336
821	Carrying amount of non-current assets sold (Property, Plant and Equipment, Investment Property and Intangible Assets)	1,004
(59)	Movement in Investment Property Values	(527)
<b>(1,507)</b>	<b>Adjustment net surplus or deficit on the provision of services for non cash movements</b>	<b>854</b>
	<b><u>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</u></b>	
(681)	Capital Grants credited to surplus or deficit on the provision of services	(665)
(1,142)	Proceeds from the sale of Property, Plant & Equipment, Investment Property and Intangible Assets	(1,618)
<b>(1,823)</b>	<b>Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities</b>	<b>(2,283)</b>
<b>9,294</b>	<b>Net Cash Flows from Operating Activities</b>	<b>14,173</b>

## E. NOTES TO THE FINANCIAL STATEMENTS

### 25. Cash Flow Statement - Operating Activities (Interest)

The cash flows for operating activities include the following items;

2014/15		2015/16
£000		£000
56	Interest received	83
(2,109)	Interest paid	(2,073)
<b>(2,053)</b>	<b>Total</b>	<b>(1,990)</b>

### 26. Cash Flow Statement - Cash Flows from Investing Activities

The cash flows for investing activities include the following items;

2014/15		2015/16
£000		£000
(5,521)	Purchase of property, plant and equipment, investment property and intangible assets	(5,510)
1,166	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,626
1,069	Other receipts from investing activities	765
<b>(3,286)</b>	<b>Total</b>	<b>(3,119)</b>

### 27. Cash Flow Statement - Cash Flows from Financing Activities

The cash flows for financing activities include the following items;

2014/15		2015/16
£000		£000
510	Cash receipts of short and long term borrowing	0
1,191	Other receipts / (Payments) from financing activities	(241)
(3,588)	Repayment of short and long term borrowing	(4,099)
90	Cash payments for the reduction of the outstanding liabilities relating to finance leases	16
<b>(1,797)</b>	<b>Total</b>	<b>(4,324)</b>

## E. NOTES TO THE FINANCIAL STATEMENTS

### 28. Officers' Emoluments

The remuneration paid to the Authority's senior employees is as follows:

#### 2015/16

Post Title	Salary (including fees and allowances)	Expenses Allowances / Bonuses	Benefits in Kind (e.g. Car Allowance)	Total Remuneration excluding Pension Contributions	Employers Pension Contributions	Total Remuneration including Pension Contributions
	£000	£000	£000	£000	£000	£000
Chief Executive	98	0	1	99	12	111
Deputy Chief Executive	93	6	1	100	12	112
Deputy Chief Executive	92	6	1	99	11	110

#### 2014/15

Post Title	Salary (including fees and allowances)	Expenses Allowances / Bonuses	Benefits in Kind (e.g. Car Allowance)	Total Remuneration excluding Pension Contributions	Employers Pension Contributions	Total Remuneration including Pension Contributions
	£000	£000	£000	£000	£000	£000
Chief Executive	98	0	1	99	12	111
Deputy Chief Executive	91	6	1	98	12	110
Deputy Chief Executive	91	6	1	98	12	110

## E. NOTES TO THE FINANCIAL STATEMENTS

### 28. Officers' Emoluments (Cont'd)

The other employees in the Authority receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) are detailed in the table below:

2014/15 No of Employees	Remuneration Band	2015/16 No of Employees
3	£50,000 - £54,999	2
1	£55,000 - £59,999	1
4	£60,000 - £64,999	2
2	£65,000 - £69,999	4
2	£70,000 - £74,999	3

### 29. Members Allowances

The total amount of members allowances paid in the year ending 31 March 2016 was £295,959 (31 March 2015 £304,568) . Detailed allowances for 2015/16 and 2014/15 are listed below:

2014/15		2015/16
£000		£000
	<b>Expenditure</b>	
189	Basic Allowance	188
9	Mayor/Deputy Mayor Allowance	9
87	Special Responsibility Allowance	85
20	Other Expenses	14
<b>305</b>	<b>Total Expenditure</b>	<b>296</b>

### 30. External Audit Costs

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

2014/15		2015/16
£000		£000
71	Fees payable to KPMG LLP with regard to external audit services carried out by the appointed auditor for the year	54
15	Fees payable to KPMG LLP for the certification of grant claims and returns for the year	11
3	Fees payable in respect of other services provided by KPMG LLP during the year.	5
<b>89</b>	<b>Total</b>	<b>70</b>

## E. NOTES TO THE FINANCIAL STATEMENTS

### 31. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/15 and 2015/16.

2014/15		2015/16
£000		£000
	<b>Credited to Taxation and Non Specific Grant Income</b>	
112	HCA - Grant	0
0	NCC - 141 Grant	144
0	NCC - Disabled Facilities Grant	80
26	HIA Grant	0
488	Section 31 Grant - Business Rate Relief	564
134	Greendead - Energy Efficiency Grant	0
75	Various - S106 Developer Contributions	0
14	Various - Other Contributions	160
<b>849</b>	<b>Total</b>	<b>948</b>

2014/15		2015/16
£000		£000
	<b>Credited to Services</b>	
269	Capacity Funding	395
549	Housing / Council Tax Support Administration	446
706	Northampton County Council	509
228	DCLG - Disabled Facilities Grant	282
111	NDR Collection Costs	113
77	Localising Council Tax Support Grant	23
182	Other grants	192
<b>2,122</b>	<b>Total</b>	<b>1,960</b>

## E. NOTES TO THE FINANCIAL STATEMENTS

### 31. Grant Income (Cont'd)

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 will require the monies or property to be returned if the conditions are not met. The balances at the year-end are as follows:

2014/15		2015/16
£000	<b>Capital Grants Receipts in Advance</b>	£000
195	Other Contributions	195
1,769	Various - S106 Developer Contributions	1,754
<b>1,964</b>	<b>Total</b>	<b>1,949</b>

### 32. Related Party Transactions

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.

The UK Government has effective control over the general operations of the Council, it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Details of transactions with government departments are set out in Note 31 (Page 67).

Members of the Council have direct control over the Council's financial and operating policies. During 2015/16 works and services to the value of £301,709 (2014/15 £317,759) were made to parties where Members had an interest. Contracts were entered into in full compliance with the Council's Standing Orders. All transactions are recorded in the Register of Members' Interests, open to public inspection at Council Offices, Bowling Green Road, Kettering, Northants NN15 7QX.

*Officers of the Council* - no material disclosures.

## E. NOTES TO THE FINANCIAL STATEMENTS

### 33. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), 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.

2014/15		2015/16
£000		£000
<b>90,945</b>	<b>Opening Capital Financing Requirement</b>	<b>87,512</b>
	<b>Capital Investment</b>	
5,019	Property, Plant and Equipment	5,258
203	Intangible Assets	85
105	Investment Properties	0
526	Revenue Expenditure Funded from Capital under Statute	899
	<b>Sources of Finance</b>	
(146)	Capital receipts	(765)
(588)	Government grants and other contributions	(600)
(7,721)	Sums set aside from Revenue	(8,376)
(831)	MRP	(850)
<b>87,512</b>	<b>Closing Capital Financing Requirement</b>	<b>83,163</b>
	<b>Explanation of movements in year</b>	
(3,935)	Increase/ (Decrease) in underlying need to borrow (unsupported by government financial assistance)	(4,349)
502	Assets acquired under finance leases	0
<b>(3,433)</b>	<b>Increase / (decrease) in Capital Financing Requirement</b>	<b>(4,349)</b>

### 34. Revenue Expenditure Funded from Capital under Statute

The amount of capital expenditure for which no asset is created, but which may properly be financed over a period of years is analysed in the table below:

2014/15		2015/16
£000		£000
421	Improvement grants	309
4	Housing Association grants	45
101	Other	545
<b>526</b>	<b>Total</b>	<b>899</b>

## E. NOTES TO THE FINANCIAL STATEMENTS

### 35. Lease obligations

#### Authority as Lessee

#### Finance Leases

The Council has acquired a number of its vehicle fleet through finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

2014/15	Net Book Value of Assets	2015/16
£000		£000
3,715	Vehicles	3,090
<b>3,715</b>	<b>Total</b>	<b>3,090</b>

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

2014/15	Minimum lease payments	2015/16
£000		£000
	<b>Amounts payable under finance leases:</b>	
1,160	Within one year	1,160
4,518	Between one and five years	4,283
926	After five years	0
(2,227)	Less future maintenance charges	(1,897)
(692)	Less future finance charges	(461)
<b>3,685</b>	Present value of minimum lease payments	<b>3,085</b>
	<b>Included in:</b>	
599	Current borrowings	615
3,086	Non-current borrowings	2,470
<b>3,685</b>	<b>Total</b>	<b>3,085</b>

## E. NOTES TO THE FINANCIAL STATEMENTS

### 35. Lease obligations (Cont'd)

The minimum lease payments will be payable over the following periods:

2014/15	Present value of minimum lease payments	2015/16
£000		£000
	<b>Amounts payable under finance leases:</b>	
599	Within one year	615
2,518	Between one and five years	2,470
568	After five years	0
<b>3,685</b>	<b>Present value of minimum lease payments</b>	<b>3,085</b>
	<b>Included in:</b>	
599	Current borrowings	615
3,086	Non-current borrowings	2,470
<b>3,685</b>	<b>Total</b>	<b>3,085</b>

#### Operating Leases

There no material operating leases and therefore the present value of operating leases is nil. The expenditure charged to the Cultural, Environmental, Regulatory and Planning Services line in the Comprehensive Income and Expenditure Statement during the year in relation to operating leases in 2015/16 was £12k (2014/15 £21k).

#### Authority as Lessor

#### Finance Leases

The Council has a finance lease with Northamptonshire County Council where it is the lessor. This is on a peppercorn rent and therefore the finance lease has a nominal value.

#### Operating Leases

The Council holds a number of properties which it leases out under operating leases for the following purposes:

- for economic development purposes to provide suitable affordable premises for local businesses

The future minimum lease payments receivable are as follows:

2014/15	Minimum lease payments receivable	2015/16
£000		£000
598	Within one year	642
1,882	Between one and five years	1,728
2,134	Later than five years	2,059

## E. NOTES TO THE FINANCIAL STATEMENTS

### 36. Impairment Losses / Downward Revaluations

The impairment losses, impairment reversals and downward revaluations charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure for 2015/16 and 2014/15 are detailed in the table below.

2014/15	Impairments / Downward Revaluations	2015/16
£000		£000
213	Council Dwellings	548
431	Other Land & Buildings	951
172	Investment Properties	54
532	Assets Held for Sale	0
<b>1,348</b>	<b>Total</b>	<b>1,553</b>

### 37. Pensions Statement

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 be payable until employees retire, the Council has the commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in one post employment scheme:

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

Arrangements for the award of discretionary post retirement benefits upon early retirement, is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they fall due.

The principal assumptions used by the actuary are detailed in the table below:

2014/15		2015/16
Exp Rate of Return		Exp Rate of Return
	<b>Financial Assumptions</b>	
2.4%	Pension Increase Rate	2.2%
4.3%	Salary Increase Rate	4.2%
3.2%	Expected Return on Assets	3.5%
3.2%	Discount Rate	3.5%
	<b>Breakdown of the expected return on assets by category</b>	
3.2%	Equities	3.5%
3.2%	Bonds	3.5%
3.2%	Property	3.5%
3.2%	Cash	3.5%
	<b>Mortality Assumptions</b>	
Years	Longevity at 65 for current pensioners	
22.3	Men	22.3
24.3	Women	24.3
	Longevity at 65 for future pensioners	
24.0	Men	24.0
26.6	Women	26.6

## E. NOTES TO THE FINANCIAL STATEMENTS

### 37. Pensions Statement (Cont'd)

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

2014/15			2015/16	
Fair Value of Scheme Assets	Asset Split		Asset Split	Fair Value of Scheme Assets
£000	% p.a		% p.a	£000
53,570	72.0	Equities	71.0	53,647
13,392	18.0	Bonds	18.0	13,654
5,952	8.0	Property	9.0	6,778
1,488	2.0	Cash	2.0	1,416
<b>74,402</b>	<b>100.0</b>	<b>Total</b>	<b>100.0</b>	<b>75,495</b>

#### Transactions relating to retirement benefits.

The cost of retirement benefits is reported in net cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out via the Movement in Reserves Statement. The following transactions have been made to the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement during the year.

2014/15		2015/16
£000		£000
	<b>Comprehensive Income and Expenditure Statement</b>	
	<b>Cost of Services</b>	
2,264	Current Service Cost	3,002
14	Past Service Cost	18
	<b>Financing and Investment Income and Expenditure</b>	
4,441	Interest Cost	3,949
(3,885)	Expected Return on Scheme Assets	(2,389)
<b>2,834</b>	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>4,580</b>
	<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	
(11,322)	Actuarial Gains and Losses	11,273
<b>(11,322)</b>	<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>11,273</b>
	<b>Movement in Reserves Statement</b>	
2,834	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	4,580
	<b>Actual amount charged against the General Fund for Pensions in the year</b>	
(3,025)	Employers contributions payable to scheme	(3,245)

The actual return on scheme assets in the year was £0.578m (2014/15 £8.306m).

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2016 is £29.523m

## E. NOTES TO THE FINANCIAL STATEMENTS

### 37. Pensions Statement (Cont'd)

2014/15	Local Government Pension Scheme	2015/16
£000		£000
	<b>Reconciliation of defined benefit obligation</b>	
<b>103,629</b>	<b>1 April</b>	<b>123,261</b>
2,264	Current Service Costs	3,002
4,441	Interest Cost	3,949
644	Contributions by scheme participants	684
15,743	Actuarial (Gains) and Losses	(13,086)
(3,356)	Benefits Paid	(3,298)
(118)	Estimated Unfunded Benefits Paid	(114)
14	Past Service Costs/(Gains)	18
<b>123,261</b>	<b>31 March</b>	<b>114,416</b>

2014/15	Local Government Pension Scheme	2015/16
£000		£000
	<b>Reconciliation of fair value of Employer Assets</b>	
<b>65,901</b>	<b>1 April</b>	<b>74,402</b>
3,885	Expected Rate of Return	2,389
4,421	Actuarial Gains and (Losses)	(1,811)
2,907	Employer Contributions	3,129
644	Contributions by Scheme Participants	684
(3,356)	Benefits Paid	(3,298)
(118)	Unfunded Benefits Paid	(114)
118	Contributions in Respect of Unfunded Benefits	114
<b>74,402</b>	<b>31 March</b>	<b>75,495</b>

## E. NOTES TO THE FINANCIAL STATEMENTS

### 37. Pensions Statement (Cont'd)

The expected return on the scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of returns experienced in the respective markets.

Scheme History	2011/12	2012/13	2013/14	2014/15	2015/16
	£000	£000	£000	£000	£000
Present Value of Liabilities in the Local Government Pension Scheme	(82,540)	(94,587)	(103,629)	(123,261)	(114,416)
Fair Value of Assets in the Local Government Pension Scheme	53,510	61,186	65,901	74,402	75,495
Surplus/(Deficit) in the Scheme	(29,030)	(33,401)	(37,728)	(48,859)	(38,921)
Experience Gains / (Losses) on Assets	(2,621)	4,788	1,516	4,421	(1,811)
Experience Gains / (Losses) on Liabilities	(1,063)	128	965	889	1,500
Actuarial Gains / (Losses) on Employer Assets	(2,621)	4,788	1,516	4,421	(1,811)
Actuarial Gains / (Losses) on Obligation	(3,462)	(8,838)	(5,370)	(15,743)	13,086
Actuarial Gains / (Losses) recognised in the I & E	(6,083)	(4,050)	(3,854)	(11,322)	11,275

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £38.921m 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 Pension 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.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2017 is £3.319m.

#### Basis for Estimating Assets & Liabilities

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 are dependent on assumptions about mortality rates, salary levels etc. The County Council Fund liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2014.

## E. NOTES TO THE FINANCIAL STATEMENTS

### 37. Pensions Statement (Cont'd)

#### History of Experience Gains and Losses

The actuarial gains identified as movements on the Pension Reserve can be analysed into the following categories, measured as a percentage of assets or liabilities for each of the following years.

Scheme History	2011/12	2012/13	2013/14	2014/15	2015/16
	%	%	%	%	%
Difference between the expected and actual return on assets	(6.5)	(14.4)	(10.0)	(21.2)	17.3
Experience Gains and Losses on Liabilities	3.2	(5.1)	(1.5)	(4.4)	1.6

#### Sensitivity Analysis

The sensitivities regarding the principal assumptions used to measure the schemes liabilities are set out in the table below

Change in assumptions at year ended 31 March 2016	Approximate % increase to Employer Liability	Approximate monetary amount
0.5% decrease in Real Discount Rate	11%	£000 12,357
1 year increase in member life expectancy	3%	3,432
0.5% increase in the Salary Increase Rate	3%	3,827
0.5% increase in the Pensions Increase Rate	7%	8,317

The information included for all of the pension disclosures is provided by Hymans Robertson, the Actuary for the Pension Fund. Further information can be found in the County Council's Pension Fund's Annual Report which is available on request from the Pensions Section Resources Directorate, PO Box 136, County Hall, Guildhall Road, Northampton NN1 1AT.

### 38. Contingent liabilities

A group of Property Search Companies are seeking to claim refunds of fees paid to the Council to access land charges data. The claims are in the process of being settled and New Burdens funding will be paid in relation to these claims. Part of the claims have been settled and part remain outstanding for when new burdens funding will be received in due course.

### 39. Contingent assets

The Council has submitted a claim to HMRC in accordance with Revenue and Custom's Brief 07/08 in relation to the three year time limit for VAT claims following the House of Lords decision in the cases of Michael Fleming (t/a/Bodycraft) v HMRC and Conde Nast Publications Ltd v HMRC. The total claim is for £1,331,102 but is subject to further case law, EU review and HMRC negotiations. Of this, claims totalling £735,543 have been settled as at 31 March 2016.

## E. NOTES TO THE FINANCIAL STATEMENTS

### 40. Nature and Extent of Risk arising from Financial Instruments

#### Key Risks

The Council's activities expose it to a number of financial risks. The key risks are:

- **Credit Risk**, being the possibility that other parties might fail to pay amounts due to the Council;
- **Liquidity Risk**, being the possibility that the Council might not have funds available to meet its commitments to make payments;
- **Re-financing Risk**, being the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rate terms;
- **Market Risk**, being the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rate movements.

#### Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks.

Risk management is carried out by the treasury team, under policies approved by the Council in the annual treasury management strategy. The Council maintains 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. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

## E. NOTES TO THE FINANCIAL STATEMENTS

### 40. Nature and Extent of Risk arising from Financial Instruments (Cont'd)

#### 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 banks and financial institutions unless they meet the minimum requirements of the investment criteria determined within the Council's Treasury Strategy.

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

The Council uses Capita's Creditworthiness Service to derive its counterparty criteria. This service uses a sophisticated modelling approach with credit ratings from all three major rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not solely rely on the current credit ratings of counterparties but also uses the following as overlays:

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

The full Investment Strategy for 2015/16 was approved by Full Council on 25 February 2015 and is available on the Council's website.

The following analysis summarises the Council's potential maximum exposure to credit risk using the Council's experience of its customer collection levels, adjusted to reflect current market conditions.

	<b>Principal Amount</b>	<b>Historical experience of default</b>	<b>Adjustment for Market conditions</b>	<b>Estimated maximum exposure to default</b>
	<b>31-Mar-16</b>		<b>31-Mar-16</b>	
	£000	%	%	£000
Deposits with Banks & financial institutions	13,946	0.00	0.00	0
Sundry Debtors	6,048	7.51	0.00	454
<b>Total</b>	<b>19,994</b>			<b>454</b>

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

#### Liquidity Risk

The Council manages its liquidity position through risk management procedures as well as through cash flow management procedures required by the 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. 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 the Council will be unable to raise finance to meet its commitments under financial instruments.

All sums owing are due to be paid in less than one year.

## E. NOTES TO THE FINANCIAL STATEMENTS

### 40. Nature and Extent of Risk arising from Financial Instruments (Cont'd)

#### Refinancing and Maturity Risk

The Council does not maintain a significant General Fund debt and investment portfolio. However, it is recognised that the Council may need to borrow soon to provide resources for the investment strategy planned. The Council undertook borrowing of £72.9m from the PWLB to finance the HRA Self Financing transaction in March 2012. At 31 March 2016, £10.5m had been repaid. The amount of borrowing to be repaid is £62.4m.

The approved prudential indicator limits dictate the levels at which the Council may borrow.

The maturity analysis of financial liabilities is as follows, with maximum and minimum limits for fixed interest rates maturing in each period (approved by the Council in the Treasury Management Strategy):

	Approved minimum limits (%)	Approved maximum limits (%)	Actual 31 March 2016 £000	Actual 31 March 2015 £000
Less than 1 year	0	100	3,500	3,500
Between 1 and 2 years	0	100	3,000	3,500
Between 2 and 5 years	0	100	10,000	9,500
Between 5 and 10 years	0	100	15,903	16,403
More than 10 years	0	100	30,000	33,000
<b>Total</b>			<b>62,403</b>	<b>65,903</b>

#### Market Risk

##### Interest Rate Risk

The Council is exposed to interest rate movements on its borrowings and investments. Movements impact on the Council in a variety of ways as follows:

- Borrowings at variable rates - the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates - the fair value of the borrowing liability will fall;
- Investments at variable rates - the interest income credited to the Comprehensive Income and Expenditure Statement will rise;
- Investments at fixed rates - the fair value of the assets will fall.

Due to the nature of our borrowing to date they have been carried at fair value on the Balance Sheet but no gains or losses have impacted on the Comprehensive Income and Expenditure Account or Movement in Reserves Statement. Changes in interest payable and receivable on variable rate borrowing and investments will be posted to the Comprehensive Income and Expenditure Account and effect the General Fund balance. If the Council decides to take out any fixed rate investments then any movement in the fair value of these will be reflected in the Movement in Reserves Statement, unless they have been designated as fair value through the Comprehensive Income and Expenditure Account.

The Council's Treasury Management Strategy draws up a number of strategies to mitigate against interest rate risk by setting out its expectations of interest rate movements.

## E. NOTES TO THE FINANCIAL STATEMENTS

### 40. Nature and Extent of Risk arising from Financial Instruments (Cont'd)

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£000
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Comprehensive Income and Expenditure Account)	7,646

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Note - Fair Value of Assets and Liabilities carried at Amortised Cost.

#### Price Risk

The Council, excluding the pension fund, does not generally invest in equity shares or manage an equity portfolio. However, the Council does hold an equity stake in the newly formed Municipal Bonds Agency (Local Capital Finance Company). This investment is a policy investment, rather than a treasury management investment and is not material.

#### Foreign Exchange Risk

The Council does not hold any financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to losses arising from movements in exchange rates.

### 41. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice (SeRCOP). However, decisions about resource allocation are taken by the Councils Executive Committee on the basis of budget reports analysed across service areas. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the revaluation reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement).
- the cost of retirement benefits is based on cashflows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in year.
- expenditure on support services is budgeted centrally and not charged to service areas.

## E. NOTES TO THE FINANCIAL STATEMENTS

### Service Information For the year ended 31 March 2016

	Community Services	Enviro. Care	Enviro. Health	Development Services	Human Resources	Finance	Corporate Development
	£000	£000	£000	£000	£000	£000	£000
<b>Income</b>							
Fees, charges & other service income	(317)	(1,825)	(3,328)	(1,730)	(511)	(62)	(4)
Government grants	0	0	0	(65)	0	(1)	0
<b>Total Income</b>	<b>(317)</b>	<b>(1,825)</b>	<b>(3,328)</b>	<b>(1,795)</b>	<b>(511)</b>	<b>(63)</b>	<b>(4)</b>
<b>Operating Expenses</b>							
Employee expenses	744	3,858	1,104	1,703	583	1,153	484
Other operating expenses	1,132	2,978	548	554	336	432	462
Support Service Recharges	0	0	0	0	0	0	0
<b>Total operating expenses</b>	<b>1,876</b>	<b>6,836</b>	<b>1,652</b>	<b>2,257</b>	<b>919</b>	<b>1,585</b>	<b>946</b>
<b>Net Cost of Services</b>	<b>1,559</b>	<b>5,011</b>	<b>(1,676)</b>	<b>462</b>	<b>408</b>	<b>1,522</b>	<b>942</b>

	Legal Services	Housing	Income & Debt	Customer Services	Housing Revenue Account	Total
	£000	£000	£000	£000	£000	£000
<b>Income</b>						
Fees, charges & other service income	(1,438)	(589)	(25,462)	(36)	(16,182)	(51,484)
Government grants	0	(3)	(23)	0	(5)	(97)
<b>Total Income</b>	<b>(1,438)</b>	<b>(592)</b>	<b>(25,485)</b>	<b>(36)</b>	<b>(16,187)</b>	<b>(51,581)</b>
<b>Operating Expenses</b>						
Employee expenses	1,090	482	1,360	1,332	3,545	17,438
Other operating expenses	660	416	24,355	519	5,524	37,916
Support Service Recharges	0	0	0	0	0	0
<b>Total operating expenses</b>	<b>1,750</b>	<b>898</b>	<b>25,715</b>	<b>1,851</b>	<b>9,069</b>	<b>55,354</b>
<b>Net Cost of Services</b>	<b>312</b>	<b>306</b>	<b>230</b>	<b>1,815</b>	<b>(7,118)</b>	<b>3,773</b>

## E. NOTES TO THE FINANCIAL STATEMENTS

Reconciliation to Subjective Analysis 2015/16	Service Analysis	Services not in Analysis	Excluded from Budget Framework	Not included in I & E	Allocation of Recharges	Net Cost of Services	Corporate Amounts
	£000	£000	£000	£000	£000	£000	£000
<b>Income</b>							
Fees, charges & other service income	(51,484)	0	0	4,138	0	(47,346)	(4,134)
Surplus or deficit on associates and joint ventures	0	0	0	0	0	0	0
Interest and investment income	0	0	0	0	0	0	(82)
Income from council tax	0	0	0	0	0	0	(6,494)
Government grants and contributions	(97)	0	(282)	0	0	(379)	(8,253)
<b>Total Income</b>	<b>(51,581)</b>	<b>0</b>	<b>(282)</b>	<b>4,138</b>	<b>0</b>	<b>(47,725)</b>	<b>(18,963)</b>
<b>Operating Expenses</b>							
Employee expenses	17,438	0	(119)	0	0	17,319	1,560
Other service expenses	37,916	0	(3,544)	(3,296)	0	31,076	3,423
Support Service recharges	0	0	0	0	0	0	0
Depreciation, amortisation and impairment	0	0	(4,703)	0	0	(4,703)	55
Interest Payments	0	0	0	0	0	0	2,235
Precepts & Levies	0	0	0	0	0	0	261
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	411
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	0	(551)
<b>Total Operating Expenses</b>	<b>55,354</b>	<b>0</b>	<b>(8,366)</b>	<b>(3,296)</b>	<b>0</b>	<b>43,692</b>	<b>7,394</b>
<b>Surplus or deficit on the provision of services</b>	<b>3,773</b>	<b>0</b>	<b>(8,648)</b>	<b>842</b>	<b>0</b>	<b>(4,033)</b>	<b>(11,569)</b>

<b>Summary</b>	
Net Cost of Services in the Comprehensive I & E	(4,033)
Corporate Amounts	(11,569)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>(15,602)</b>

## E. NOTES TO THE FINANCIAL STATEMENTS

### Service Information For the year ended 31 March 2015

	Community Services	Enviro. Care	Enviro. Health	Development Services	Human Resources	Finance	Corporate Development
	£000	£000	£000	£000	£000	£000	£000
<b>Income</b>							
Fees, charges & other service income	(345)	(1,905)	(3,124)	(1,032)	(610)	(92)	(4)
Government grants	0	0	0	(269)	0	0	0
<b>Total Income</b>	<b>(345)</b>	<b>(1,905)</b>	<b>(3,124)</b>	<b>(1,301)</b>	<b>(610)</b>	<b>(92)</b>	<b>(4)</b>
<b>Operating Expenses</b>							
Employee expenses	691	3,712	1,092	1,739	604	1,146	437
Other operating expenses	1,188	2,784	581	349	359	350	441
Support Service Recharges	0	0	0	0	0	0	0
<b>Total operating expenses</b>	<b>1,879</b>	<b>6,496</b>	<b>1,673</b>	<b>2,088</b>	<b>963</b>	<b>1,496</b>	<b>878</b>
<b>Net Cost of Services</b>	<b>1,534</b>	<b>4,591</b>	<b>(1,451)</b>	<b>787</b>	<b>353</b>	<b>1,404</b>	<b>874</b>

	Legal Services	Housing	Income & Debt	Customer Services	Housing Revenue Account	Total
	£000	£000	£000	£000	£000	£000
<b>Income</b>						
Fees, charges & other service income	(1,471)	(546)	(26,598)	(49)	(15,782)	(51,558)
Government grants	0	0	0	0	0	(269)
<b>Total Income</b>	<b>(1,471)</b>	<b>(546)</b>	<b>(26,598)</b>	<b>(49)</b>	<b>(15,782)</b>	<b>(51,827)</b>
<b>Operating Expenses</b>						
Employee expenses	1,001	431	1,352	1,241	3,381	16,827
Other operating expenses	708	427	25,056	553	4,901	37,697
Support Service Recharges	0	0	0	0	0	0
<b>Total operating expenses</b>	<b>1,709</b>	<b>858</b>	<b>26,408</b>	<b>1,794</b>	<b>8,282</b>	<b>54,524</b>
<b>Net Cost of Services</b>	<b>238</b>	<b>312</b>	<b>(190)</b>	<b>1,745</b>	<b>(7,500)</b>	<b>2,697</b>

## E. NOTES TO THE FINANCIAL STATEMENTS

Reconciliation to Subjective Analysis 2014/15	Service Analysis	Services not in Analysis	Excluded from Budget Framework	Not included in I & E	Allocation of Recharges	Net Cost of Services	Corporate Amounts
	£000	£000	£000	£000	£000	£000	£000
<b>Income</b>							
Fees, charges & other service income	(51,558)	0	0	3,876	0	(47,682)	(3,876)
Surplus or deficit on associates and joint ventures	0	0	0	0	0	0	0
Interest and investment income	0	0	0	0	0	0	(56)
Income from council tax	0	0	0	0	0	0	(6,258)
Government grants and contributions	(269)	0	(228)	0	0	(497)	(8,157)
<b>Total Income</b>	<b>(51,827)</b>	<b>0</b>	<b>(228)</b>	<b>3,876</b>	<b>0</b>	<b>(48,179)</b>	<b>(18,347)</b>
<b>Operating Expenses</b>							
Employee expenses	16,827	0	(621)	0	0	16,206	556
Other service expenses	37,697	0	(3,127)	(2,983)	0	31,587	3,157
Support Service recharges	0	0	0	0	0	0	0
Depreciation, amortisation and impairment	0	0	(78)	0	0	(78)	172
Interest Payments	0	0	0	0	0	0	2,095
Precepts & Levies	0	0	0	0	0	0	203
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	318
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	0	(314)
<b>Total Operating Expenses</b>	<b>54,524</b>	<b>0</b>	<b>(3,826)</b>	<b>(2,983)</b>	<b>0</b>	<b>47,715</b>	<b>6,187</b>
<b>Surplus or deficit on the provision of services</b>	<b>2,697</b>	<b>0</b>	<b>(4,054)</b>	<b>893</b>	<b>0</b>	<b>(464)</b>	<b>(12,160)</b>
<b>Summary</b>							
Net Cost of Services in the Comprehensive I & E				(464)			
Corporate Amounts				(12,160)			
<b>(Surplus) or Deficit on Provision of Services</b>				<b>(12,624)</b>			

## F. THE COLLECTION FUND – INCOME AND EXPENDITURE ACCOUNT

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

2014/15				Note Ref	2015/16		
Council Tax £000	NNDR £000	Total £000			Council Tax £000	NNDR £000	Total £000
43,194	0	43,194	<b>INCOME</b>	4	45,179	0	45,179
0	31,492	31,492	Council Tax (net of benefits, discounts and transitional relief)		0	32,038	32,038
			National Non Domestic Rates				
<b>43,194</b>	<b>31,492</b>	<b>74,686</b>	<b>Total Income for the Year</b>		<b>45,179</b>	<b>32,038</b>	<b>77,217</b>
			<b>EXPENDITURE</b>				
			<b>Apportionment of Previous Year's Surplus / (Deficit)</b>				
0	234	234	Central Government		0	276	276
247	47	294	Northamptonshire County Council		493	55	548
47	0	47	Police & Crime Commissioner for Northamptonshire		93	0	93
50	187	237	Kettering Borough Council		100	221	321
<b>344</b>	<b>468</b>	<b>812</b>	<b>Total Apportionment of Previous Year's Surplus / (Deficit)</b>	5	<b>686</b>	<b>552</b>	<b>1,238</b>
			<b>Precepts and demands:</b>				
0	15,247	15,247	Central Government (Central Share)	3	0	15,753	15,753
30,014	3,049	33,063	Northamptonshire County Council	3	31,420	3,150	34,570
5,640	0	5,640	Police & Crime Commissioner for Northamptonshire	3	5,906	0	5,906
6,082	12,198	18,280	Kettering Borough Council - Including Parish Precepts	3	6,298	12,602	18,900
<b>41,736</b>	<b>30,494</b>	<b>72,230</b>	<b>Total Precepts and demands:</b>		<b>43,624</b>	<b>31,505</b>	<b>75,129</b>
			<b>Charges to the Collection Fund</b>				
169	210	379	Uncollectable amounts written off		114	55	169
104	(110)	(6)	Movement in Bad Debts Provision		97	31	128
0	724	724	Movement in Provision for NNDR Appeals		0	1,179	1,179
0	77	77	Disregarded Amounts-Renewable Energy		0	231	231
0	111	111	Cost of Collection Allowance		0	112	112
0	139	139	Transitional Relief		0	98	98
<b>273</b>	<b>1,151</b>	<b>1,424</b>	<b>Total Charges to the Collection Fund</b>		<b>211</b>	<b>1,706</b>	<b>1,917</b>
<b>42,353</b>	<b>32,113</b>	<b>74,466</b>	<b>Total Expenditure for the Year</b>		<b>44,521</b>	<b>33,763</b>	<b>78,284</b>
<b>(841)</b>	<b>621</b>	<b>(220)</b>	<b>(Surplus) / Deficit in the year</b>		<b>(658)</b>	<b>1,725</b>	<b>1,067</b>
<b>(1,880)</b>	<b>(403)</b>	<b>(2,283)</b>	<b>(Surplus) / Deficit brought forward 1st April</b>		<b>(2,721)</b>	<b>218</b>	<b>(2,503)</b>
<b>(2,721)</b>	<b>218</b>	<b>(2,503)</b>	<b>(Surplus) / Deficit carried forward 31st March</b>		<b>(3,379)</b>	<b>1,943</b>	<b>(1,436)</b>

## F. NOTES TO THE COLLECTION FUND

### 1. National Non Domestic Rates (NNDR)

The Council collects non-domestic rates for its area which are based on local rateable values multiplied by a uniform rate in the pound; these are both set by central government.

The total non-domestic rateable value as at 31 March 2016 was £77,966,488. The equivalent figure for 31 March 2015 was £77,344,713.

The National Domestic Rate multiplier for 2015/16 was 49.3p. The equivalent figure for 2014/15 was 48.2p. In addition the small business rate multiplier rate for 2015/16 was 48.0p. The equivalent figure for 2014/15 was 47.1p.

The Local Government Finance Act 2012 made a number of changes to the operation of the Business Rates System which took effect from 1 April 2013.

Prior to the 1 April 2013 all Business Rates were pooled and distributed nationally there was no risk or reward for Local authorities collecting more or less in Business Rates

From 1 April 2013 the Business Rates Retention Scheme has been in place for sharing any growth or decline in Business Rates.

In general terms, the Government estimates how much it thinks will be collected nationally from business rates. It then keeps 50% of this for itself (called the 'central share') and allocates the remaining 50% (called the 'local share') to local authorities, pro-rata to the level of business rates that they have collected in the past. In doing this, each Authority is allocated a notional 'business rates baseline'. It is from this business rates baseline that any growth or decline is measured.

As part of the Business Rates Retention Scheme the Government introduced a system of levies and safety nets. Growth is limited by a levy, the proceeds of which pay for a safety net for authorities who experience a decline in their business rate base by more than 7.5%.

The local share is split 80 / 20 between Shire Districts and the County Council, the Shire District element is then subject to a levy. The levy rate is currently capped at 50%, meaning that the Shire District only receives 20% of any growth, the proportions are as illustrated below:

	<b>Central Share</b>	<b>Local Share</b>	<b>Total</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Central Government	50	20	70
Shire District	0	20	20
County Council	0	10	10

The levy rate can be reduced by being part of a Business Rates Pool. Kettering Borough Council is the lead authority for the Northamptonshire Business Rates Pool which consists of five other Shire Districts and the County Council and has resulted in a nil levy rate (opposed to 50%) enabling the Council to retain more of the proceeds from growth than it otherwise would.

## F. NOTES TO THE COLLECTION FUND

### 2. Council Tax

The Council's tax base i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings for 2015/16 and 2014/15 is calculated as follows:

2014/15 Band D Equivalents	Band	Estimated number of taxable properties after effect of discounts	Ratio	2015/16 Band D Equivalents
0	A(-)	13	5/9	7
5,789	A	9,043	6/9	6,028
7,102	B	9,421	7/9	7,327
6,057	C	6,958	8/9	6,185
4,289	D	4,371	9/9	4,371
3,278	E	2,754	11/9	3,366
1,744	F	1,222	13/9	1,765
1,012	G	609	15/9	1,015
86	H	40	18/9	80
<b>29,357</b>				<b>30,144</b>
733	Non-Collection Provision 2.5%			753
<b>28,624</b>	<b>Council Tax Base</b>			<b>29,391</b>

## F. NOTES TO THE COLLECTION FUND

### 3. Council Tax Precepts and Demands and National Non Domestic Rates Shares

Northamptonshire County Council and the Police and Crime Commissioner for Northamptonshire issue precepts to the Council that must be collected as part of the overall Council Tax. The Council itself also "demands" an amount to be collected. The amounts paid in 2015/16 and 2014/15 were as follows:

2014/15	Council Tax Precepts and Demands	2015/16
£000		£000
6,082	Kettering Borough Council (including Parish Precepts)	6,298
30,014	Northamptonshire County Council	31,420
5,640	Police & Crime Commissioner for Northamptonshire	5,906
<b>41,736</b>	<b>Total Precepts and Demands</b>	<b>43,624</b>

The Council collects national non domestic rates within the borough and then distributes these on the basis of statutorily defined shares.

2014/15	National Non Domestic Rates Shares	2015/16
£000		£000
12,198	Kettering Borough Council	12,602
3,049	Northamptonshire County Council	3,150
15,247	Central Government	15,753
<b>30,494</b>	<b>Total Precepts and Demands</b>	<b>31,505</b>

## F. NOTES TO THE COLLECTION FUND

### 4. Council Tax and National Non Domestic Rates Income

2014/15	Council Tax Income	2015/16
£000		£000
53,683	Collectable Debit	55,215
	Less:	
(4,241)	Tax Discounts	(4,323)
(1,231)	Tax Exemptions	(1,241)
(50)	Tax Disabled Relief	(52)
(4,967)	Council Tax Support Scheme	(4,420)
<b>43,194</b>	<b>Total Income</b>	<b>45,179</b>

2014/15	National Non Domestic Rates Income	2015/16
£000		£000
35,804	Collectable Debit	36,449
	Less:	
(46)	Discretionary Relief	(45)
(3,121)	Mandatory Relief	(3,206)
0	Section 44a Relief	0
(998)	Small business Rate Relief	(850)
(286)	Discretionary Relief funded through S31 Grants	(409)
139	Transitional Relief	99
<b>31,492</b>	<b>Total Income</b>	<b>32,038</b>

## F. NOTES TO THE COLLECTION FUND

### 5. Collection Fund Surpluses

The precepts detailed at Note 3 are shown net of the previous years surpluses. The Council estimates the year end Collection Fund balance in January each year. The estimated balance is distributed in the following financial year between Northamptonshire County Council, the Police and Crime Commissioner for Northamptonshire and Kettering Borough Council in proportion to the value of the respective precepts and demands made by the three authorities on the Collection Fund. In addition, surpluses or deficits will arise from the operation of the local business rates retention scheme and these will be apportioned between Northamptonshire County Council, Kettering borough Council and Central Government on the basis of statutorily defined shares. The distribution of the surpluses for both Council Tax and Business Rates is set out below:

2014/15	Council Tax Collection Fund Surpluses	2015/16
£000		£000
	<b>Payment of surplus:</b>	
	<b>Council Tax</b>	
247	Northamptonshire County Council	493
47	Police & Crime Commissioner for Northamptonshire	93
50	Kettering Borough Council	100
<b>344</b>		<b>686</b>

2014/15	NNDR Collection Fund Surpluses	2015/16
£000		£000
	<b>Payment of surplus:</b>	
	<b>NNDR</b>	
234	Central Government	276
47	Northamptonshire County Council	55
187	Kettering Borough Council	221
<b>468</b>		<b>552</b>

## F. NOTES TO THE COLLECTION FUND

### 6. Collection Fund Balance

It is a requirement for the billing Authority to show only the Collection Fund balance which is attributable to the billing Authority in the balance sheet and for the amounts to be distributed back to both Northamptonshire County Council and the Police and Crime Commissioner for Northamptonshire as council tax creditors where there is a surplus or a debtor where there is a deficit.

Similarly, amounts to be distributed back to Central Government and Northamptonshire County Council are shown as NNDR creditors where there is a surplus or debtors where there is a deficit.

The council tax surplus at 31 March 2016 was estimated at £1,731,366 and was notified to the major preceptors by 15 January which is an annual requirement and is redistributed in the following financial year (2016/17) based on the precepts levied in 2015/16.

In addition the council tax residual value of £1,648m has been reallocated based on the level of precepts levied for 2016/17, however this value will be dependant on the transactions that occur during 2016/17.

The NNDR deficit of £1,943,368 will be distributed in 2016/17.

Collection Fund Balance	2015/16	2016/17	Total
	£000	£000	£000
<b>Surplus/(Deficit) Balances:</b>			
<b>Council Tax</b>			
Northamptonshire County Council	1,247	1,188	2,435
Police & Crime Commissioner for Northamptonshire	234	220	454
Kettering Borough Council	250	240	490
<b>Total Council Tax Surplus/(Deficit)</b>	<b>1,731</b>	<b>1,648</b>	<b>3,379</b>
<b>National Non Domestic Rates</b>			
Northamptonshire County Council	(130)	(64)	(194)
Kettering Borough Council	(518)	(259)	(777)
Central Government	(648)	(324)	(972)
<b>Total NNDR Surplus/(Deficit)</b>	<b>(1,296)</b>	<b>(647)</b>	<b>(1,943)</b>
<b>Total Collection Fund Surplus/(Deficit)</b>	<b>435</b>	<b>1,001</b>	<b>1,436</b>

Billing authorities are required to separately disclose their share of Council Tax debtors (net of impairment allowance for bad debts) and creditors. The element relating to the major preceptors (NCC and PCCN) is shown in the Balance Sheet as either a debtor or creditor depending on whether money is owed by or owed to KBC.

The Collection Fund surplus for 2015/16 attributable to NCC is £2.435m and £0.454m to PCCN. In compliance with the Code the major preceptors share both arrears (net of impairment of bad debts) and advances, these are included in the actual sums payable to or from both NCC and PCCN. The following table illustrates a total of £2.889m is due to both NCC and PCCN after taking all the adjustments into account.

## F. NOTES TO THE COLLECTION FUND

### 6. Collection Fund Balance (Cont'd)

<b>Collection Fund Balance - Council Tax</b>	<b>KBC</b>	<b>NCC &amp; NPA</b>	<b>Total</b>
	£000	£000	£000
Share of Collection Fund Surplus/(Deficit)	490	2,889	3,379
Council Tax Arrears	(319)	(1,871)	(2,190)
Council Tax Bad Debts Provision	195	1,143	1,338
Council Tax Advances	103	606	709
<b>Total</b>	<b>469</b>	<b>2,767</b>	<b>3,236</b>

As a result of the introduction of the national non domestic rates retention scheme, billing authorities must also show their share of the national non domestic rates creditors and debtors, together with any amounts owing to or owed by Northamptonshire County Council and Central Government. This amounts to £657,000 as detailed in the table below.

<b>Collection Fund Balance - National Non Domestic Rates</b>	<b>KBC</b>	<b>NCC &amp; CLG</b>	<b>Total</b>
	£000	£000	£000
Share of Collection Fund Surplus/(Deficit)	(777)	(1,166)	(1,943)
Business Rates Arrears	(140)	(211)	(351)
Business Rates Bad Debts Provision	54	80	134
Business Rates Backdated Appeals Provision	1,220	1,831	3,051
Business Rates Advances	82	123	205
Disregarded Amounts - Renewable Energy	231	0	231
Transitional Protection Payments	98	0	98
<b>Total</b>	<b>768</b>	<b>657</b>	<b>1,425</b>

## G. HOUSING REVENUE ACCOUNT INCOME & EXPENDITURE STATEMENT

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

Net Expenditure 2014/15		Note Ref	Net Expenditure 2015/16
£000			£000
	<b><u>Expenditure</u></b>		
6,296	Management & Maintenance		6,948
114	Rent, rates, taxes and other charges		107
(2,914)	Depreciation and impairment of Non Current Assets	4	(7,621)
0	Revenue Expenditure Funded from Capital Under Statute		207
125	Movement in the allowance for bad debts		91
<b>3,621</b>	<b>Total Expenditure</b>		<b>(268)</b>
	<b><u>Income</u></b>		
15,196	Dwelling rents		15,589
447	Charges for services and facilities		426
<b>15,643</b>	<b>Total Income</b>		<b>16,015</b>
<b>(12,022)</b>	<b>Net Cost of HRA Services as included in the CIES</b>		<b>(16,283)</b>
93	HRA Share of Corporate and Democratic Core		92
<b>(11,929)</b>	<b>Net Cost of HRA Services</b>		<b>(16,191)</b>
	<b>HRA share of operating income and expenditure included in the CIES</b>		
(393)	(Gain) or loss on sale of HRA non current assets		(302)
2,009	Interest payable and similar charges		1,987
166	Interest payable and similar charges - leases		155
(7)	Interest and investment income		(6)
(246)	Capital grants and contributions receivable		(144)
0	Actuarial gains and losses on pension assets and liabilities		3
<b>(10,400)</b>	<b>(Surplus) or deficit for the year on HRA services</b>		<b>(14,498)</b>

## G. STATEMENT OF MOVEMENT ON THE HRA BALANCE

Net Expenditure 2014/15		Net Expenditure 2015/16
£000 (587)	Balance on the HRA at the end of the previous year	£000 (750)
(10,400)	(Surplus) or deficit for the year on the HRA Income & Expenditure Account	(14,498)
10,040	Adjustments between accounting basis and funding basis under statute (Note 2 page 40-45)	14,870
(360)	Net (increase) or decrease before transfers to or from reserves	372
197	Transfers to or (from) reserves	(472)
(163)	(Increase) or decrease in year on the HRA	(100)
<b>(750)</b>	<b>Balance on the HRA at the end of the current year</b>	<b>(850)</b>

## G. HOUSING REVENUE ACCOUNT NOTES

### 1. Housing Stock

- a) At 31 March 2016, the Council was responsible for managing 3,721 units of accommodation these are summarised in the table below:

Type of Property	Number of Bedrooms				Total
	One	Two	Three	Four +	
Flats-Low Rise	728	464	3	0	1,195
Flats-Medium Rise	211	115	33	0	359
Houses	19	506	1,136	31	1,692
Bungalows	193	280	2	0	475
<b>Total</b>	<b>1,151</b>	<b>1,365</b>	<b>1,174</b>	<b>31</b>	<b>3,721</b>

- b) The movement in Housing stock in 2015/16 can be summarised as follows:

	Stock at 01/04/2015	Stock movements			Stock at 31/03/16
		Sales	Transfers	Acquired	
Flats	1,555	(5)		4	1,554
Houses	1,700	(9)		1	1,692
Bungalows	475				475
<b>Total</b>	<b>3,730</b>	<b>(14)</b>	<b>0</b>	<b>5</b>	<b>3,721</b>

- c) The net book value of housing assets at 31 March was as follows:

2014/15	Balance Sheet Value	2015/16
£000		£000
	<b>Operational assets</b>	
114,168	Dwellings	125,546
72	Other land and buildings	136
5	Infrastructure	5
114,245	Total Operational assets	125,687
18	<b>Non operational assets</b>	0
0	<b>Intangible assets</b>	0
<b>114,263</b>	<b>Total</b>	<b>125,687</b>

## G. HOUSING REVENUE ACCOUNT NOTES

### 2. Rent Arrears

During 205/16 rent arrears as a proportion of gross rent income was 0.41%. This represents an increase of 4.38% since 2014/15 when the proportion was 3.97%. The figures for rent arrears / advances as at 31 March are detailed below:

2014/15	Rent Arrears	2015/16
£000		£000
616	Gross Rent Arrears	695
(97)	Prepayments of Rent	(117)
519	Net Rent Arrears	578
<b>407</b>	<b>Provision for bad debts</b>	<b>449</b>

### 3. Capital Expenditure, Financing and Receipts

a) A summary of Housing Revenue Account capital expenditure and how it was financed in 2015/16 and 2014/15 is shown below:

2014/15	HRA Capital expenditure and financing	2015/16
£000	<b>Expenditure</b>	£000
3,669	Dwellings	4,263
<b>3,669</b>	<b>Total Expenditure</b>	<b>4,263</b>
	<b>Financing</b>	
3,424	Revenue Contribution to Capital	3,595
245	Grants and Contributions	144
0	Capital Receipts	524
<b>3,669</b>	<b>Total Financing</b>	<b>4,263</b>

b) Housing capital receipts in 2015/16 and 2014/15 were as follows:

2014/15	Housing capital receipts	2015/16
£000		£000
1,113	Dwelling sales	759
<b>1,113</b>	<b>Total</b>	<b>759</b>

## G. HOUSING REVENUE ACCOUNT NOTES

### 4. Depreciation and Impairment of Fixed Assets

a) The total charge for depreciation of HRA fixed assets is shown below split by asset type:

2014/15	Depreciation	2015/16
£000		£000
1,519	Operational assets Council dwellings	1,638
<b>1,519</b>	<b>Total Operational assets</b>	<b>1,638</b>

b) The Council's Valuers (Wilks Head & Eve), have advised of the following revaluations

2014/15	Impairments / downward / (upward) revaluations	2015/16
£000		£000
(4,433)	<b>Operational assets</b> Council dwellings	(9,259)
<b>(4,433)</b>	<b>Total Operational assets</b>	<b>(9,259)</b>

In 2015/16 £9,052 was charged to the HRA Income and Expenditure Statement to reflect upward valuations for Council dwellings. This has no impact on the HRA balance but increases the Net Worth of the Authority.

## G. HOUSING REVENUE ACCOUNT NOTES

### 5. Major Repairs Reserve

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

Following the implementation of Self Financing MRR will be calculated using depreciation as a proxy. Authorities have been granted transitional arrangements for a five year period to allow time to move to depreciation being a real charge to the Housing Revenue Account. However the transitional arrangements are only applicable where depreciation is greater than current levels of MRA, therefore requiring greater levels of capital investment in the Council's housing stock to that previously invested.

Council dwelling depreciation is lower than MRA, therefore an adjustment is required to ensure there is no bottom line impact on the HRA. The transactions on the MRR for 2015/16 and 2014/15 are detailed below:

2014/15	Major Repairs Reserve	2015/16
£000		£000
<b>0</b>	<b>Balance at 1 April</b>	<b>0</b>
1,519	Depreciation - Council dwellings	1,638
(3,424)	Amount used to finance capital expenditure	(3,595)
1,905	Transfer to Reserves	1,957
<b>0</b>	<b>Balance at 31 March</b>	<b>0</b>

### 6. Pension Costs

The difference between current service costs and actual payments in respect of IAS 19 (employee benefits) results in a credit to the Housing Revenue Account for 2015/16 of £34,000 and £179,000 in 2014/15.

### 7. Vacant Possession Value

The vacant possession value of dwellings within the HRA as at 1 April 15 was £345m (1 April 14 £331.2m). For the balance sheet, the figure has been reduced to 34% i.e. £117.4m (2014/15 £112.6m). This shows the economic cost to Government of providing Council housing at less than open market rents.

## **G. HOUSING REVENUE ACCOUNT NOTES**

### **8. HRA Self Financing Transaction**

In 2011/12 the Council took on a share of the National Housing debt to the amount of £72.9m under the new 'self financing' regime. This was financed by borrowing £72.9m from the Public Works Loan Board (PWLB) through the use of 'maturity loans'. The maturity loans are serviced annually (throughout the duration of the loan) by paying interest to the PWLB. No principal repayment of the loan takes place throughout the duration of the loan. The Council will each year make a provision for principal repayment and then decide at the maturity of each loan whether it wishes to fully repay the outstanding principle or re-finance the loan.

During 2015/16, the Council paid interest of £1.8m to the PWLB. The balance on the loan at 31 March 2016 is £62.4m (2014/15 £65.9m) as disclosed in the Balance Sheet.

## H. ANNUAL GOVERNANCE STATEMENT

### Statutory Requirements

This statement has been produced in accordance with the requirements of regulation 4(2) and 4(3) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (amendment) (England) Regulations 2006, 2011 and 2015.

### Scope of Responsibility

Kettering Borough 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, 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 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 Annual Governance Statement has been prepared on behalf of the Responsible Finance Officer and reviewed by the Corporate Governance Group before being submitted to the Monitoring and Audit Committee. This formed our review of the effectiveness of the Governance Framework in place at the Council.**

The Council operates an assurance framework which is consistent with the principles of the CIPFA/SOLACE Framework, *Delivering Good Governance in Local Government* and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (amendment) Regulations 2006, 2011 and 2015 in relation to the publication of a statement on internal control.

### The Council's Corporate Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads with the community. It enables the Council to monitor the achievement of its strategic objectives via appropriate, cost effective services.

The system of internal control is a critical part of that framework and is designed to manage risks to a reasonable level. It does not eliminate all risks of failure to achieve policy objectives but it does try to provide assurance of effectiveness to a reasonable level.

The system of internal control is based on an ongoing process designed to identify and prioritise risks, to evaluate their likelihood and their potential impact. The process also identifies ways of mitigating individual risks.

This governance framework has been in place for the year ended 31 March 2016 and up to the date of approval of the Statement of Accounts.

## H. ANNUAL GOVERNANCE STATEMENT

There are six key principles that underpin the Council's corporate governance arrangements;

**1. *The Council will focus on its agreed purpose and on outcomes for the community to create and implement a vision for the local area.***

The Council's Sustainable Place Making Strategy has four key themes which set out the vision and corporate objectives the Council is delivering against for the local area. Initially adopted in 2008 and updated in 2013 the themes include:

- Sustainable Communities
- Customer Service
- Environment
- Community and Rural Issues

Each service area within their operational Service Plan clearly identifies what they have delivered and sets out their aims and objectives for the coming year and how they link to the delivery of the key themes.

The Service Plans also detail how this will be achieved including:

- the financial resources required to efficiently deliver these objectives
- how customers have been consulted on changes to services or new initiatives
- service standards that will be maintained whilst delivering the service
- assessment of potential operational risks and mitigation of these
- performance delivery and sickness information

Service Plans are used to record and set out how the Corporate Objectives will be delivered; these are reviewed annually.

To ensure delivery of the Service Plans each service area reports to the Senior Management Team on a monthly basis. A summary performance clinic document is produced for each service area and this provides the opportunity to review and challenge performance, budget, sickness, project delivery and risk management for the service.

In addition to individual service area monitoring, a Key Performance Information Booklet is produced and presented to Monitoring and Audit Committee on a quarterly basis. This provides Members with the opportunity to assess performance and scrutinise delivery against the council priorities:

[www.kettering.gov.uk/meetings/committee/10/monitoring\\_and\\_audit\\_committee](http://www.kettering.gov.uk/meetings/committee/10/monitoring_and_audit_committee)

The Council undertakes a consultation as part of its budget process which starts at the Executive Committee mid January each year for around six weeks, during which specific events are held in the community and scrutiny is received through the Committees and geographical forums. It concludes at Full Council when the Council Tax is set:

[www.kettering.gov.uk/meetings/committee/31/budget\\_council\\_tax\\_consultation](http://www.kettering.gov.uk/meetings/committee/31/budget_council_tax_consultation)

## H. ANNUAL GOVERNANCE STATEMENT

These meetings provide opportunity for residents of the Borough to ask questions.

The Council's Medium Term Strategy is approved annually by Full Council at the same time Council Tax levels are set. The foundations of the Medium Term Financial strategy are the 'guiding principles', 'modelling for recovery' principles and 'budget containment strategy', and the 'Prioritisation Golden Rules'.

The 'guiding principles' have been instrumental in helping the Council deliver a balanced budget over the past six years. The principles discourage the use of one-off reserves to balance the budget in favour of more sustainable methods, like proactive budget management, ongoing efficiency savings and attracting external funding.

The Council has recognised that as a major economic engine in the Borough it has an important role as a stimulus for the economy and as support to other local businesses. The Council endorsed a set of counter cyclical 'modelling for recovery' principles. The principles were designed to help the Council continue to invest in both infrastructure and services and to help achieve its major objectives of higher grade higher density jobs, better town centres and better education offer.

A further set of principles for managing the impact of changes made externally and outside the control of the Council were introduced. This was termed the 'budget containment' strategy.

More recently the Council adopted a fourth set of principles termed 'Prioritisation Golden Rules' which focus towards commercial and strategic investments.

These strategies are specifically aimed at ensuring services for local communities continue to reflect their current needs. The Council's decision making process ensures that when Members make decisions, they are aware of the community impacts of decisions through the consideration of professional officer advice.

This involves working in partnership with local businesses, some of the initiatives include offering Job Fairs for employers, training providers and job seekers.

Kettering Borough Trainers also offers work experience placements and volunteering opportunities, to provide real life work projects.

The Council is committed to supporting the development of local businesses and young people in the community by providing the highest quality training, support and guidance. This is provided through our in-house training specialists, Kettering Borough Training. It aims to support apprenticeships and foundation learning programmes as a valid alternative to full-time education and to develop the skills of young people and encourage them to achieve their full potential to meet local employment opportunities.

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The Council's planning process is clearly linked to corporate objectives and takes into account the views of residents and stakeholders through a number of different mechanisms (including individual consultation meetings, residents' panel, tenants' forum, geographical forums and budget consultations). Examples include consultations with local businesses on proposals for the improvement of the public realm and traffic access in the town centre, residents parking schemes, the East Kettering development and associated junction improvements plus a whole range of activities.

The Executive Committee receives a monthly report on the Council's budget position; 'The Durable Budget Report'. The report considers the main issues that are likely to impact on the Council's financial position in the medium term. The report also highlights emerging issues facing the Public Sector such as changes to funding regimes for local authorities, and the impact of changes in legislation which may exert additional future financial pressures on the Council and its services.

As a result of the budget pressures, partnership working has become more important. Excellent arrangements have been made with a wide range of partners, both within the Council and externally, to help make sure that residents can access a comprehensive and seamless services. Our partners include Northamptonshire County Council, the Police and Crime Commissioner for Northamptonshire and Fire Services, Kettering General Hospital NHS Foundation Trust, HM Revenue and Customs and a range of voluntary sector organisations.

The Council has a well established and robust system of dealing with complaints:

[www.kettering.gov.uk/site/scripts/documents\\_info.php?categoryID=353&documentID=193](http://www.kettering.gov.uk/site/scripts/documents_info.php?categoryID=353&documentID=193)

The Council has also achieved the Government Customer Service Excellence Standard for its Customer Services operation for the last 6 years. There is a long history of delivering effective, customer focussed services through a wide range of access channels which include customer service centres in Kettering, the three major A6 towns, website, telephone response centre and email.

### ***2. Members and Officers will work together to achieve the agreed purpose with clearly defined functions and roles.***

Following the implementation of the Local Government Act 2000, the Council introduced a model Constitution. The Constitution was last formally reviewed during 2007/08 and has been updated in response to changes in legislation. The Constitution was subject to a further review in 2013/14 to take into account the changes introduced by the Localism Act 2011. It includes all the necessary elements to promote good corporate governance, and good working arrangements between Officers and Members.

The Constitution sets out roles and responsibilities of committees, Members and Officers (including the statutory responsibilities and the Head of Paid Service, Monitoring Officer, and Statutory Finance Officer) together with codes of conduct and responsibilities:

[www.kettering.gov.uk/site/scripts/documents\\_info.php?documentID=270](http://www.kettering.gov.uk/site/scripts/documents_info.php?documentID=270)

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The Council's policies are easily accessible to employees and members via the intranet.

The Council's Statutory Officers have an input into all reports that are considered by Full Council, Executive and Scrutiny committees to ensure that any issues of governance are considered and either addressed or highlighted.

At the meetings Councillors decide the Council's overall policies and set the budget each year. These meetings are normally open to the public, and provide local people with an opportunity to address the Council on matters under discussion.

The Executive is the committee of the Council that is responsible for making key policy decisions, within the framework and budget set by the Full Council. The Executive publishes a monthly work programme of the decisions it will be taking so that other Councillors and local people know what will be decided and when. The Executive has to ask Full Council to approve decisions if they are outside the budget or policy framework.

There are two scrutiny committees that are charged with challenging and assisting with policy formulation. The Scrutiny Committees may also appoint Task and finish groups to support the scrutiny function. Examples include the voluntary sector Task and Finish group which consider the allocation of grant funding to voluntary organisations. In addition there are regulatory committees including Planning and Licensing which take decisions on applications for planning permission and taxi and liquor licences respectively and the Standards Advisory Committee which considers complaints made against Councillors under the Code of Conduct and promotes and maintains high standards of conduct by Councillors.

The Senior Management Team supports all Councillors and provides advice to members on policy options and implications. The Council uses a report format which ensures that all relevant issues are considered including the legal and resource implications.

The Members' role in monitoring service delivery can be illustrated by the use of the key performance information booklet, the allocation of portfolios to Executive Members based on the Council's functions and the consideration of external audit and internal audit reports by the Monitoring and Audit Committee.

The Corporate Management Team (CMT) and the Senior Management Team (SMT) meet regularly to develop policies that are in line with the Council's aims and priorities.

CMT and SMT monitor the progress of key council projects and also consider internal control issues such as performance management, risk management and efficiency.

### ***3. The Council will promote the values of good governance and demonstrate high standards of conduct and behaviour.***

The Council Constitution sets out a Member Code of Conduct and the terms of reference for the Standards Advisory Committee:

[www.kettering.gov.uk/downloads/download/488/constitution\\_5p](http://www.kettering.gov.uk/downloads/download/488/constitution_5p)

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The Constitution also includes the Officer/ Member Protocol and Staff Code of Conduct, both of which clearly outlines acceptable behaviour and lays down guidance for dealing with non-compliance.

High standards of conduct are expected from Members and Officers throughout the Council. These standards are articulated in the Member Code of Conduct and the Staff Code of Conduct. Standards are promoted in the induction training for both Officers and Members.

The Standards Advisory Committee monitors Members' compliance with the Code of Conduct and will investigate complaints of misconduct, taking reports and advice from the Statutory Officers Group established under the arrangements made under the Localism Act 2011 to deal with complaints against Councillors.

Officers are expected to observe the staff code of conduct as detailed in the Council's constitution. Training sessions are provided for staff and members as part of their induction.

The Council operates a confidential 'Whistle-Blowing' policy. The Council is committed to act with integrity and any wrongdoing by Councillors or staff is treated very seriously. The Constitution sets out the procedures for 'Whistle Blowing' and it is available to all members and staff on the intranet. There is also guidance available on notice boards to raise awareness. The Whistle Blowing Policy is in the process of being updated to take into account the recent changes in legislation.

To ensure compliance with the Financial Regulations set out in the Constitution the Council has designated the Deputy Chief Executive as the Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972. The role is supported through a robust system of financial management.

The Council's financial management arrangements conform with the governance requirements of CIPFA's '*Statement on the Role of the Chief Financial Officer in Local Government (2010)*' as set out in the application note to '*Delivering Good Governance in Local Government*'.

The Council's Internal Audit service is provided by Coventry and Warwickshire Audit Services (CWAS). Internal audit looks at how the council manages its risks. It provides the Strategic Management Team and Members with information about whether risks have been identified, and how well they are being managed. Much of Internal Audit's work is focused on Reputational, Operational and Strategic Risks. It also gives an independent opinion on whether internal controls (such as policies and procedures that are in place to manage these risks) are actually working as intended.

### ***4. The Council will make informed and transparent decisions, which are risk assessed and effectively scrutinised.***

The Council's Constitution sets out the rules and regulations for the conduct of its business to ensure efficiency, transparency and accountability to the residents of the Borough.

The Council has two scrutiny committees – one is effectively 'forward looking' (Research & Development Committee), and one 'backward looking' which looks at performance and audit based issues (Monitoring and Audit).

Monitoring and Audit perform the function of an Audit Committee and regularly receive reports from both internal and external audit (including audit plans, review of internal audit, annual audit letter).

The Council also recognises the importance of annually reviewing both policy and strategy statements to ensure the Council's approach to risk is robust and up to date. The risk management

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policy statement was updated in November 2015. Risk Management is an inherent element of the Council's Key Performance Information booklet that is presented to the Monitoring and Audit Committee on a quarterly basis.

The management of strategic risk is a critical factor in the successful delivery of services, use of resources and decision making. It underpins good corporate governance and assists management in fulfilling their corporate responsibilities.

Member decision making takes place after the proper consideration of Officer reports and advice including professional advice being given at Committee meetings and Council.

Each year the Internal Audit Service produces a report summarising the work they have carried out in the year and provides an overall opinion on the level of internal control based on the work they have undertaken (see section 6).

### ***5. The Council is committed to developing the capacity and capability of its Members and Officers.***

The Council has very strong and robust arrangements in place at both Member and Officer level.

At Member level, the Member Development Group comprising of five Councillors representing all political parties assesses and guides the training requirements of Members. Induction training, regular Member information sessions, training for committee chairs, and external training is provided. In addition the Council was re-accredited with the Member Development Charter in November 2014 for its Member training and development arrangements. The Council will seek further re-accreditation in early 2018.

Training needs of all staff relating to service specific or professional development requirements are identified through the Personal Review and Development Scheme and through Service Plans. Training is provided using the corporate training budget.

At Officer level the Council has devised a learning and development plan, this is to ensure that our resources for learning and development are focused and relevant, offering value for money and effectiveness. Training courses continue to be made available to all staff in the 'Art of Being Brilliant'. This course focuses on the society we work in today and how to adjust to the changes. The workshop uses cutting edge research. The aim of the course is to help understand how to be yourself, brilliantly, to be able to apply these principles in work, to get better results from people around you, to achieve more and to find ways of inspiring others.

The learning and development plan has been developed to provide the following:

**Relevance:** learning and development provision will meet new opportunities and challenges for the Council and the Council's services.

**Alignment:** learning and development is aligned to the Council's culture, priorities and key strategies.

**Measurement:** evaluating the cost and impact of learning and development and the extent to which expectations have been met.

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The Council's strategy for learning and development is as follows:

- To identify and maximise potential within the organisation, offering opportunities for learning and development through temporary assignments, projects and secondments.
- To provide support for performance improvement and management.
- Develop skills and experience in the local community through our work opportunities for apprenticeships, internships volunteering and work experience.

The Council's culture encourages a one team approach, an open and engaged workforce, spotting and developing talent, proactively celebrating success (staff awards ceremony), innovation, enterprise and vision and horizon-scanning.

### ***6. The Council will actively engage with local people and other stakeholders to ensure robust public accountability.***

Council and Committee meetings are open to the public with agendas and minutes being publicly available on the Council's website. The public are also given the opportunity to speak and the Council operates a right to speak policy.

The Council is also required to publish data on the Council website in relation to spend on goods and services over £500; this demonstrates increased transparency and accountability in local government.

The Council annually produces a Council Tax Leaflet which is available on the Council's website.

[http://www.kettering.gov.uk/downloads/file/7067/the\\_councils\\_budget\\_201617](http://www.kettering.gov.uk/downloads/file/7067/the_councils_budget_201617)

The leaflet contains details of the Council's income and expenditure for the coming year and changes to the budget from the previous year.

The Council uses a number of communication channels with residents, which include:

- individual consultation meetings,
- on line consultations on the Council website,
- press releases,
- residents' panel,
- tenants' forum,
- leaflets, displays and screens at customer service centres,
- a presence at community events such as the Carnival and network events such as the Local Strategic Partnership (LSP).
- feedback from residents on current and planned council activity, demonstrating transparency and accountability.
- Individual Councillor surgeries

Furthermore, the Council produces 'Connect' which is a quarterly newsletter for Council tenants and leaseholders. The Council's website is also regularly updated highlighting the issues the Council is wishing to promote, introduce and consult on.

## H. ANNUAL GOVERNANCE STATEMENT

### Review of Effectiveness

Kettering Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of the effectiveness is informed by the work of the internal auditors and the management team within the Council who have responsibility for the development and maintenance of the governance environment, and also comments made by the external auditors.

**The Council is responsible for ensuring that financial management** is adequate and effective and that there is a sound system of internal control that is regularly reviewed. As such, it agrees the Corporate Objectives and the Financial Strategy - these form an integral part of the Council's Corporate and Service Planning Process (and effectively the backbone for the Council's performance management arrangements).

**The arrangements continue to be regarded as fit for purpose in accordance with the governance framework.**

**CWAS** – Coventry and Warwickshire Audit Services provides an internal audit service to the Council and gives assurance to management on the adequacy of system controls and where necessary recommendations for improvement.

CWAS has assessed the Council's system of internal control and has provided an opinion on the overall adequacy and effectiveness of the Council's internal control environment during 2015/16 as being 'significant' in respect of the core financial systems.

CWAS have been responsible for delivering the internal audit service from April 2012 for an initial period of 3 years. This was extended for a further 2 years. The internal audit contract from April 2017 will be subject to a procurement process.

An audit report is produced following each completed audit and discussed with the appropriate level of Management within the Council. Every report contains a Management Implementation Plan that details the recommendation made for each audit finding, the priority, manager responsible and agreed implementation date. Internal audit also assess the effectiveness of the controls that are in place for key systems and report these to Monitoring and Audit Committee via the key information booklet.

The Internal Audit plan for 2015/16 was delivered in full.

The Council's Constitution clearly defines the roles and responsibilities of the Chief Executive (as Head of Paid Service), the Head of Legal and Democratic Services (Monitoring Officer) and the statutory Responsible Finance Officer.

The Monitoring and Audit Committee review the effectiveness of the governance arrangements, and for 2015/16 arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

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The following table outlines the key elements and roles within the overall assurance framework;

<b>KEY ROLES &amp; RESPONSIBILITIES</b>	
<b>Body:</b>	<b>Comments:</b>
Internal Audit (via CWAS)	<p>Has a strategic three year plan that is broken down into an annual audit plan that has been constructed using a 'risk based' approach to help the Council's statutory finance Officer discharge their duties.</p> <p>Audit reports contain an action plan agreed by management, split between priority type together with an assessment of the internal control environment pre and post the implementation of the agreed recommendations. Audit reports are then followed up to ensure agreed action has been taken.</p>
External Audit	<p>Undertakes an annual review based upon the agreed audit plan for the year (to meet statutory requirements).</p> <p>The resultant Annual Audit Letter identifies any areas of internal control that require action together with identifying any continuing trends from the previous year.</p> <ul style="list-style-type: none"> <li>• Provides an audit opinion on the Council's Accounts.</li> <li>• Provides a report on the certification of grants and returns.</li> <li>• Provides a Financial Statement Audit Plan.</li> </ul>
<p>Management Team: Senior Management Team</p> <p>Corporate Management Team</p>	<p>Reviews and advises the Council on issues of strategy and policy and also receives weekly reports (on a rolling basis) of performance information (including financial information) from each Service Unit in the form of a 'performance clinic'.</p> <p>Receives high-level key budgetary control statements every month prior to being submitted to Committee. Preparation and presentation of committee reports to Members.</p> <p>Collectively reviews budgetary and performance information on a weekly basis in addition to dealing with individual audit reports for their area. Preparation and presentation of committee reports to Members.</p> <p>Responsible for the updating and ongoing monitoring of Service Plans together with the links to Corporate Priorities.</p>
<p>Statutory Officers: Head of Paid Service</p> <p>Monitoring Officer</p> <p>Responsible Finance Officer</p>	<p>The Council's Chief Executive is the Council's Statutory Head of Paid Service.</p> <p>The Council has a qualified solicitor who acts as the Council's Monitoring Officer. The key role of this post is to ensure that the Council always acts within the law and takes reasonable measures to properly protect itself from possible litigation issues.</p> <p>In accordance with s151 of the Local Government Act 1972 the Council has a suitably qualified Officer in place that is responsible for the overall financial affairs of the Council.</p>

## H. ANNUAL GOVERNANCE STATEMENT

KEY ROLES & RESPONSIBILITIES	
Body:	Comments:
Committee / Member Arrangements:	
Full Council	Has overall responsibility for the approval of policy and strategy changes (new and existing) together with the Council budgets, Statement of Accounts and Corporate Plan.
Executive Committee	Receives policy and strategy information (incl. budget) together with any issues that need to be referred to it as per the Council's Constitution (incl. Financial Regulations).
Monitoring & Audit Committee	Receives monitoring information on the work of internal audit (and any significant issues), Key performance information (incl. financial), the Annual Audit Letter, and the Audit Plan.
Standards Advisory Committee	Responsible for things such as the Members' Code of Conduct 'whistle blowing policy', Member and Officer protocols and Conduct.
Research & Development Committee	Performs an overview and scrutiny role in relation to the Council's annual budget, medium term financial strategy, planning policies, community plan, housing improvement plan and crime and disorder reduction strategy.

More specific detail on the above can be seen by reference to the detailed analysis in Annex 1.

### Governance Issues

In the Council's Internal Audit report for 2015/16 an overall 'Significant' level of assurance has been given for the system of internal control based upon the work completed during the year. This means that *'all key controls are in place and are working effectively, but there are some reservations in connection with the operational effectiveness of some key controls'*. There is predominately a low exposure to business risk, although some weaknesses do exist. The Council continues to address control weaknesses identified during audits.

CWAS did not highlight any issues that should be regarded as 'Significant Internal Control Issues' that would require disclosure within the Council's AGS.

## H. ANNUAL GOVERNANCE STATEMENT

Name	Position	Signature	Date
G Soulsby	Responsible Finance Officer		September 2016
D Cook	Chief Executive		September 2016
Cllr R Roberts	Leader of the Council		September 2016

## H. ANNUAL GOVERNANCE STATEMENT

### ANNUAL CORPORATE GOVERNANCE STATEMENT 2015/16 – ANNEX 1

1. Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area.		
<i>Good Practice Requirements</i>	<i>Evidence Base and assessment</i>	<i>Other Information / Action</i>
a) Develop and promote the Council's purpose and vision	Corporate and Service Planning Process Individual Service Unit Plans Sustainable Community Strategy Sustainable Place Making Priorities Local Development Framework Community Safety Plan KBC Improvement Plan	The Strategic vision of the Council will continue to be consistently reported via the various plans produced and co-ordinated by the Corporate Services Team. Responsible Officer: Head of Corporate Development and Head of Corporate and Cultural Services Timescale: Ongoing
b) Review on a regular basis the Council's vision for the local area and its impact on the Council's governance arrangements	Council Constitution Monitoring and Audit Committee Consultations	Responsible Officers: Senior Management Team, Head of Resources & Head of Democratic & Legal Timescale: Ongoing
c) Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all parties	Sustainable Community Strategy Partnership Protocols LSP Terms of Reference KBC Improvement Plan	Further work required on partnership protocol/agreement. Responsible Officer : Head of Democratic & Legal Head of Corporate and Cultural Services Timescale: Ongoing

## H. ANNUAL GOVERNANCE STATEMENT

d) Publish an annual report on a timely basis to communicate the Council's activities and achievements, its financial position and performance	Committee Reports Performance Information Booklet Annual Statement of Accounts Service Plans Medium Term Financial Strategy & Budget Model Durable Budget Reports	Given the variety of information available in other formats and the associated cost the Council does not feel that a separate Annual Report is necessary at this time.
e) Decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly available.	Performance Indicators Data Quality Checks Customer Satisfaction Surveys Tenants Forum Corporate Improvement Plan & Service Plans	The Council still maintains the same level of data quality processes to when it was previously assessed and carries out spot checks on performance data to check accuracy levels.  Responsible Officer: Head of Corporate and Cultural Services Timescale: Ongoing
f) Put in place effective arrangements to identify and deal with service failure	Monthly performance clinics SMT Weekly Meetings Key Performance Information Booklet Reporting Customer Surveys Complaints procedure Monthly Committee report on higher risk areas	Senior Management Team, via the Performance Clinic process, facilitates improvement when it is deemed necessary.
g) Decide how value for money is to be measured and make sure that the Council has the information needed to review VFM and performance effectively. Measure the environmental impact of policies, plans and decisions.	Performance Indicators Analysis of National PI Data and Comparisons Performance plans	The Council continues to explore its benchmarking activities. Responsible Officer: Head of Corporate and Cultural Services Timescale: Ongoing

## H. ANNUAL GOVERNANCE STATEMENT

<b>2. Members and Officers working together to achieve a common purpose with clearly defined functions and roles.</b>		
<b><i>Good Practice Requirements</i></b>	<b><i>Evidence Base and assessment</i></b>	<b><i>Other Information / Action</i></b>
Set out a clear statement of the respective roles and responsibilities of the Executive and of the Executive's Members individually and the Council's approach towards putting this into practice. Set out a clear statement of the respective roles and responsibilities of other Members and Senior Management.	Council Constitution (incl. Members Code of Conduct, Scheme of Delegation) Records of decisions Job Descriptions	Responsible Officer : Head of Democratic & Legal Timescale: Ongoing
Determine a scheme of delegation and reserve powers within the Constitution, including a formal schedule of those matters specifically reserved for collective decision of the Council, taking account of relevant legislation, and ensure that it is monitored and updated when required.	Council Constitution	Responsible Officer : Head of Democratic & Legal Timescale: Ongoing
Make a Chief Executive or equivalent responsible and accountable to the Council for all aspects of operational management	Council Constitution (incl. scheme of delegation) Statutory provisions Conditions of employment Job description	Responsible Officer: Head of Resources and Head of Democratic and Legal Timescale: Ongoing
Develop protocols to ensure that the Leader and Chief Executive negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained.	Regular Meetings Regular Cabinet / SMT Meetings	Responsible Officer : Senior Management Team Head of Democratic & Legal and Head of Resources Timescale: Ongoing
Make a senior Officer (the s151 Officer) responsible to the Council for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal control.	Council Constitution S151 responsibilities Statutory provisions Statutory reports Budget documentation Job description	Responsible Officer: Head of Democratic & Legal and Head of Resources Timescale: Ongoing
Make a senior Officer (usually the monitoring Officer) responsible to the Council for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.	Council Constitution Monitoring Officer provisions Statutory provisions Job description	Responsible Officer: Head of Democratic & Legal and Head of Resources Timescale: Ongoing

## H. ANNUAL GOVERNANCE STATEMENT

<b>Good Practice Requirements</b>	<b>Evidence Base and assessment</b>	<b>Other Information / Action</b>
Develop protocols to ensure effective communication between Members and Officers in their respective roles	Council Constitution (Member / Officer protocol) Member Code of Conduct Member Training Sessions Media Protocol	Responsible Officers : Head of Democratic & Legal and Head of Corporate and Cultural Services Timescale: Ongoing
Set out terms and conditions for remuneration of Members and Officers and an effective structure for managing the process.	Members Allowances are reviewed and recommended to Full Council by an independent remuneration panel in accordance with the legislation.	Responsible Officer: Head of Democratic & Legal Timescale: Ongoing
Ensure effective mechanisms exist to monitor service delivery. Ensure that the organisation's vision, strategic plans, priorities and targets are developed through robust mechanisms and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated.	Key Performance Information Booklet Weekly Performance Clinics Corporate Planning Process Budget Process Customer Surveys Tenants Forum Council Website	The communication, dialogue and partnership working that are delivered by the various panels and booklets produced ensure service delivery is aligned with and consistently strives to meet local need.
When working in partnership ensure that Members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the Council. When working in partnership: Ensure that there is clarity about the legal status of the partnership; Ensure that representatives or organisations both understand and make clear to all other partners the extent to their Council to bind their organisation to partner decisions.	Protocols for each partnership Work on indemnities and liabilities (through Monitoring and Audit Committee)	CWAS the internal auditors are assisting the Council improve its approach.  Responsible Officer: Head of Resources & Head of Corporate and Cultural Services Timescale: Ongoing

## H. ANNUAL GOVERNANCE STATEMENT

<b>3. Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour.</b>		
<b><i>Good Practice Requirements</i></b>	<b><i>Evidence Base and assessment</i></b>	<b><i>Other Information / Action</i></b>
Ensure that the Council's leadership sets a tone for the organisation by creating a climate of openness, support and respect	Council Constitution Whistleblowing Policy Member Code of Conduct Regular Staff Sessions Core Brief	Responsible Officers: Senior Management Team Timescale: Ongoing
Ensure that standards of conduct and personal behaviour expected of Members and staff, of work between Members and staff and between the Council, its partners and the community are defined and communicated through codes of conduct and protocols.	Code of conduct Performance appraisals Complaints procedure Anti fraud and corruption policy Member / Officer protocols Staff briefings Core Brief	Responsible Officers : Senior Management Team, Head of Democratic & Legal and Head of Resources Timescale: Ongoing
Put in place arrangements to ensure that Members and employees of the Council are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice.	Codes of conduct Financial regulations Contract Procurement Rules Staff & Member Training	Through various Member training, management away days and several Officer groups, codes of conduct and rules that must be followed are regularly communicated. Responsible Officers: Head of Resources & Head of Democratic & Legal Timescale: Ongoing

## H. ANNUAL GOVERNANCE STATEMENT

<b>Good Practice Requirements</b>	<b>Evidence Base and assessment</b>	<b>Other Information / Action</b>
Develop and maintain shared values including leadership values for both the organisation and staff reflecting public expectations and communicate these with Members, staff, the community and partners.	Constitution Codes of conduct Policies and Procedures Team Meetings	It is important that whoever communicates on behalf of KBC that it is undertaken in accordance with the codes of conduct currently in place. Responsible Officers: Head of Resources & Head of Democratic & Legal Timescale: Ongoing
Develop and maintain effective procedures to maintain high ethical standards.	Council Constitution Standards Advisory Committee established with a majority of Independent Members. Independent Person appointed under Localism Act as part of the Member complaints process.	Responsible Officers: Statutory Officers Group & Head of Democratic & Legal  Timescale: Ongoing
Use the organisations shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the Council.	Council Constitution Decision making practices	Responsible Officers: Senior Management Team Timescale: Ongoing
In pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively.	Protocols for partnership working	CWAS the internal auditors are assisting the Council improve its approach. Responsible Officers: Head of Corporate and Cultural Services, and Senior Management Team.  Timescale: Ongoing

## H. ANNUAL GOVERNANCE STATEMENT

### 4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

<b>Good Practice Requirements</b>	<b>Evidence Base and assessment</b>	<b>Other Information / Action</b>
Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the Council's performance overall and that of any organisation for which it is responsible.	Council Constitution Two scrutiny Committee (agendas, reports, minutes)	It is important that sufficient detail, dialogue and information are made available to ensure the appropriate robust review of service delivery is being achieved.  Responsible Officers: Senior Management Team, Head of Resources & Head of Democratic & Legal Timescale: Ongoing
Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based.	Decision making protocols Record of decisions Minutes Internet	The ability to evidence the decision making process, particularly budgets, is critical in order that progress and performance can be measured and reviewed. Responsible Officers: Head of Resources & Head of Democratic & Legal Timescale: Ongoing
Put in place arrangements to safeguard Members and employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice.	Council Constitution Members and Officers code of conduct	Adequate Member/Officer training is put in place to identify their responsibilities and duties. Responsible Officers: Head of Resources & Head of Democratic & Legal Timescale: Ongoing

## H. ANNUAL GOVERNANCE STATEMENT

<b>Good Practice Requirements</b>	<b>Evidence Base and assessment</b>	<b>Other Information / Action</b>
Develop and maintain an effective Audit Committee which is independent of the executive and scrutiny functions or make other appropriate arrangements for the discharge of the functions of such a committee.	Terms of reference of Monitoring & Audit Membership Member training Agendas, reports and minutes	Responsible Officer: Head of Resources & Head of Democratic & Legal The Monitoring and Audit Committee is set up and working well.
Ensure that effective, transparent and accessible arrangements are in place for dealing with complaints.	Corporate Complaints procedure Arrangements for dealing with Standards Allegations under the Localism Act 2011	Responsible Officers: Head of Customer Services & Head of Democratic & Legal Timescale: Ongoing
Ensure that those making decisions whether for the Council or the partnership are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and other implications.	Members induction programme Training for committee chairs Briefings and reports Internet / intranet Professional advice	The partnership arrangements continue to be developed.  Responsible Officers: Senior Management Team, Head of Resources & and Head of Democratic & Legal Timescale: Ongoing
Ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately.	Statutory Officers involvement in report process Committee Reports SMT / CMT discussions Record of decisions	Responsible Officers: S151 Officer, Head of Resources & Head of Democratic & Legal Timescale: Ongoing
Ensure that risk management is embedded into the culture of the Council; with Members and managers at all levels recognising that risk management is part of their jobs.	Performance Management Framework Key Performance Information Booklet (and committee reporting) Risk Management Strategy and Policy Financial regulations / standards Members and Officer induction training	Responsible Officers: Head of Resources Timescale: Ongoing

## H. ANNUAL GOVERNANCE STATEMENT

<b>Good Practice Requirements</b>	<b>Evidence Base and assessment</b>	<b>Other Information / Action</b>
Ensure that arrangements are in place for whistle-blowing to which staff and all those contracting with the Council have access.	Whistle-blowing policy	Responsible Officer: Head of Resources Timescale: Ongoing
Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on local authorities by public law.	Council Constitution Monitoring Officer provisions Statutory provisions Professional Advice	Responsible Officer: Head of Democratic & Legal Timescale: Ongoing
Observe all specific requirements placed upon them, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law – rationally, legality and natural justice – into their procedures and decision making processes.	Council Constitution Monitoring Officer provisions Statutory provisions	Responsible Officer: Head of Democratic & Legal Timescale: Ongoing

## H. ANNUAL GOVERNANCE STATEMENT

<b>5. Developing the capacity and capability of Members and Officers to be effective.</b>		
<b><i>Good Practice Requirements</i></b>	<b><i>Evidence Base and assessment</i></b>	<b><i>Other Information / Action</i></b>
Provide induction programmes tailored to individual needs and opportunities for Members and Officers to update their knowledge on a regular basis	Induction programme Update courses / information Training and development plan Members Information Evenings Members Information Bulletin Member Development Charter (Award)	The Council is one of a few local authorities that have been awarded commendation for its Member Development Programme through the award of the Member Development Charter National award. This was re-assessed in 2014 with the Council again maintaining its standard.
Ensure that the Statutory Officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the Council.	Council Constitution Robust Recruitment Arrangements Continuing Professional Development Involvement in national interest bodies and groups Performance Appraisal System Membership of top management team	Responsible Officer: Head of Resources Timescale: Ongoing.

## H. ANNUAL GOVERNANCE STATEMENT

<b>Good Practice Requirements</b>	<b>Evidence Base and assessment</b>	<b>Other Information / Action</b>
Assess the skills required by Members and Officers and make a commitment to develop those skills to enable roles to be carried out effectively.	Training and development plan Annual Appraisals and training Council Awards Member Development Group established to oversee member training Member Development Skills Portal –web based skills assessment tool	This is effectively undertaken by the Council’s annual appraisal system and training development programme. Member PDR process. Member skills assessment portal implemented to identify members development needs. Responsible Officer: Head of Resources & Head of Democratic & Legal Timescale: Annually
Develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.	Training and development plan Ongoing Member Training Programme Continuing Professional Development Commitment to being a ‘learning organisation’ Investors in People Award	The changing demands placed on Kettering Borough Council ensure constant review of the skills, experience and qualifications of both its Members and staff. Responsible Officer: Senior Management Team Timescale: Ongoing
Ensure that effective arrangements are in place for reviewing the performance of the Executive as a whole and of individual Members and agreeing an action plan which might, for example, aim to address any training or development needs.	Performance management system Key Performance Information Booklet Corporate Improvement Plan Appraisals Member Development Charter (award)	Responsible Officer: Senior Management Team, Head of Democratic & Legal, Head of Corporate and Cultural Services and Head of Resources Timescale: Ongoing

## H. ANNUAL GOVERNANCE STATEMENT

<b>Good Practice Requirements</b>	<b>Evidence Base and assessment</b>	<b>Other Information / Action</b>
Ensure that effective arrangements designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the Council.	Strategic partnership framework Geographical Forums (stakeholder based) Consultation events and promotions Tenants Forum	Heads of Service in their daily contact with stakeholders of Kettering Borough Council encourage active engagement. Responsibility is shared between Corporate and Senior Management Teams and is constantly being undertaken.
Ensure that career structures are in place for Members and Officers to encourage participation and development.	Member Development Charter Annual appraisal system Next Steps Review and new structures implemented	This is embedded within the roles of the Heads of Service and is undertaken annually with staff via their appraisals and when Next Steps is implemented. Responsible Officers: Senior & Corporate Management Teams  Timescale: Ongoing

## H. ANNUAL GOVERNANCE STATEMENT

<b>6.Engaging with local people and other stakeholders to ensure robust public accountability</b>		
<b><i>Good Practice Requirements</i></b>	<b><i>Evidence Base and assessment</i></b>	<b><i>Other Information / Action</i></b>
<p>Make clear to themselves, all staff and the community to whom they are accountable and for what. Consider those institutional stakeholders to whom the Council is accountable and assess the effectiveness of the relationships of any changes required.</p>	<p>Corporate and Service Planning Process Information leaflets (Council Tax Leaflet etc.) Members Financial Handbook Community strategy LSP structure Committee Reports</p>	<p>Responsible Officer: Senior Management Team Heads of Service</p> <p>Timescale: Ongoing</p>
<p>Produce an annual report on the activity of the scrutiny function</p>	<p>Work Programmes and Constant Review</p>	<p>Each scrutiny committee has a rolling work programme that is considered / reviewed at each meeting. Responsible Officer: Deputy Chief Executives</p> <p>Timescale: Ongoing</p>
<p>Ensure that clear channels of communication are in place with all sections of the community and other stakeholders, and put in place monitoring arrangements to ensure that they operate effectively. Hold meetings in public unless there are good reasons for confidentiality. Ensure that arrangements are in place to enable the Council to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands.</p>	<p>Council Constitution Membership criteria for bodies Meeting minutes and agendas Community Strategy and Corporate Plan Council Website Compliance with Access to Information Regulations</p>	<p>Responsible Officer: Head of Democratic &amp; Legal Head of Corporate and Cultural Services</p> <p>Timescale: Ongoing</p>

## H. ANNUAL GOVERNANCE STATEMENT

<b>Good Practice Requirements</b>	<b>Evidence Base and assessment</b>	<b>Other Information / Action</b>
Establish a clear policy on the types of issues they will meaningfully consult on or engage with the public and service users about including a feedback mechanism for those consultees to demonstrate what has changed as a result.	Consultation Arrangements Communication strategy Corporate and Service Plan Process Use of display and up to date feedback via customer service centre displays	Customer satisfaction surveys and complaints forms provide invaluable information to construct and improve communication with Kettering Borough Council stakeholders.  Responsible Officer: Head of Customer Services Timescale: Ongoing
On an annual basis, publish a performance plan giving information on the Council's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period.	Corporate Improvement Plan Annual financial statements Service Plans	Responsible Officer: Head of Corporate and Cultural Services Timescale: Ongoing
Ensure that the Council as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships, subject only to the need to preserve confidentiality in those circumstances where it is proper and appropriate to do so.	Council Constitution Customer Service Centre Arrangements Customer Charter	Responsible Officer: Senior Management Team, Head of Democratic & Legal, Heads of service Timescale: Ongoing
Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making.	Council Constitution Employment Policies and Practices	Responsible Officers: Head of Resources & Head of Democratic & Legal Timescale: Ongoing

## I. GLOSSARY OF TERMS

### **Accounting Period**

This is the length of time covered by the accounts. It is normally a period of twelve months commencing on 1st April. The end of the accounting period is the balance sheet date.

### **Accrual**

Income or expenditure relating to goods or services received / provided during the accounting period where payment has not been made or received at the end of the accounting period.

### **Actuarial Assumptions**

Assumptions made by the Pension Fund Actuary in valuing the funds assets and liabilities.

### **Actuarial Gains and Losses**

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

### **Actuarial Valuation**

An actuary undertakes a valuation by comparing the value of the pension schemes assets with its liabilities. The actuary then calculates how much needs to be paid into the scheme by the employer and members to ensure there will be adequate funds to pay the pensions when they become due.

### **Amortisation**

This is the charge made to service revenue accounts to reflect the reduction in value of an intangible asset used in the delivery of that service.

### **Asset**

An asset is something the Council owns. Assets can be either current or non current.

A current asset is one that will be used or cease to have a material value by the end of the next financial year.

A **non-current asset** provides a benefit to the Council for a period greater than one year.

### **Balance Sheet**

A statement summarising the Council's financial position at the end of the accounting period. The statement shows the Council's assets and liabilities.

### **Billing Council**

Kettering Borough Council is classed as a billing Council as it has the responsibility of collecting the Council tax and non-domestic rates. It collects the Council tax on behalf of the County Council and Police Authority and the non-domestic rates on behalf of central government.

### **Business Rates Retention Scheme**

This is a scheme introduced by the Local Government Finance Act 2012 under which the billing Authority and the major precepting Authority retain a percentage of the business rates collected locally (the 'Local Share') and pass the remainder on to the Government (the 'Central Share').

### **Capital Expenditure**

Expenditure on the acquisition or enhancement of a non-current asset, which adds to and not merely maintains the value of existing assets.

## **I. GLOSSARY OF TERMS**

### **Capital Financing**

Sources of money that have been used to finance the capital programme. The Council uses various methods to finance its capital expenditure, including direct revenue financing, usable capital receipts, capital grants, revenue reserves and earmarked reserves.

### **Capital Financing Requirement**

An amount calculated as long term assets less the balance on the Capital Adjustment Account, Revaluation Reserve and Grants Received in Advance Account. The Council is required to make provision each year based on this amount to meet its debt repayment obligations (see Minimum Revenue Provision).

### **Capital Grants Unapplied**

These are capital grants that the Council has received, that have not yet been used to finance capital expenditure.

### **Capital Grants Unapplied Account**

This reflects grants received with no conditions outstanding that have yet to be used to finance the Capital Programme.

### **Capital Programme**

The planned capital schemes the Council intends to carry out over a specified period of time.

### **Capital Receipt**

The Council can use the proceeds from the disposal of non-current assets to finance new capital investments, the proceeds cannot be used to finance revenue expenditure.

### **Chartered Institute of Public Finance and Accountancy (CIPFA)**

Professional accountancy body specialising in the public sector.

### **Collection Fund**

A separate fund recording the income and expenditure relating to Council Tax and Business Rates.

### **Contingent Liabilities / Assets**

A contingent liability / asset is either:

a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control, or

a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount cannot be measured with sufficient reliability.

### **Corporate / Democratic Core**

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

### **Creditor**

Amounts owed by the Council for goods or services they have received for which payment has not been made.

## **I. GLOSSARY OF TERMS**

### **Current Service Cost (Pensions)**

The increase in the present value of a defined benefit schemes liabilities.

### **Debtor**

Amounts owed to the Council for goods or services the Council has provided for which payment has not been received.

### **Depreciation**

This is a charge made to the service revenue accounts each year to reflect the reduction in the value of the asset used in the delivery of services.

### **Emoluments**

Payments received either in cash or as benefits in relation to employment.

### **Fair Value**

A fair value measurement assumes that the asset or liability is exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions.

### **Fair Value Hierarchy**

A hierarchy used to show whether the valuer has used more observable or unobservable inputs within the valuation. The hierarchy has three levels.

Level 1 - This is where unadjusted quoted prices in active markets for identical assets are used to measure fair value.

Level 2 - This is where quoted prices other than quoted prices in Level 1 that are observable for the asset are used to measure fair value. Adjustments may be required based on perhaps location and condition. Retail assets are based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the Local Authority area.

Level 3 - This is where unobservable inputs for an asset are used to measure fair value in circumstances where market data is not available as there is little, if any, market activity for the asset at the measurement date.

### **Finance Lease**

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

### **Financial Instruments**

Any contract that gives rise both to a financial asset of one entity and a financial liability or equity instrument of another entity.

### **Government Grants**

Grants made by the government towards either revenue or capital expenditure to support the cost of the provision of services. These grants may be specifically towards the cost of particular schemes or to support the revenue spend of the Council.

### **Gross Book Value**

The historical cost or the revalued amount of the asset before depreciation.

## **I. GLOSSARY OF TERMS**

### **Historical Cost Adjustment**

This is the difference between Historical Cost Depreciation and the actual depreciation charged calculated on revalued assets.

### **Impairment**

Where the value of the fixed asset reduces below its carrying amount on the balance sheet.

### **International Financial Reporting Standards**

These cover all aspects of accounting practice and set out the correct treatment. They are issued by the International Accounting Standards Board and their application to local government is mandatory.

### **Inventories**

Items bought for consumption or resale, or raw materials, currently being held.

### **Lessor and Lessee**

A lessee is an entity that rents an asset from its owner (the lessor).

### **Liability**

A liability is where the Council owes payment to an individual or an organisation.

### **Material Transactions**

An item is material if its omission, non-disclosure or mis-statement in the financial statements could be expected to lead to a distorted view of those statements.

### **Minimum Revenue Provision (MRP)**

The minimum amount which must be charged to a Council's revenue account each year.

### **Net Book Value**

This is the value of an asset that is counted in the balance sheet. It represents its historical or revalued cost less the accumulated depreciation of the asset.

### **Net Worth**

The total value of an organisation expressed as total assets less total liabilities.

### **Non-Domestic Rate (NNDR)**

A levy on businesses, based on a national rate in the pound set by the government multiplied by the rateable value of the premises they occupy. NNDR is collected by billing authorities on behalf of central government and then redistributed among all local authorities.

### **Operating Lease**

A lease where the ownership of the asset remains with the lessor.

### **Precept**

The levy made by precepting authorities on billing authorities, requiring the latter to collect income from taxpayers on their behalf.

### **Provision**

Provisions are for liabilities or losses which are likely or certain to be incurred, but the amounts or the dates on which they will arise are uncertain.

## **I. GLOSSARY OF TERMS**

### **Rateable Value (RV)**

The annual assumed rental value of a property that is used for business purposes.

### **Realised Valuations**

Any revaluations in the Revaluation Reserve relating to individual assets when they are disposed of or transferred to the Capital Adjustment Account this transfer is referred to as Realised Valuation. This ensures the Revaluation Reserves balance represents revaluations on assets that the Council still holds.

### **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.

### **Reserves**

Funds set aside for expenditure in future years. Certain reserves have constraints on how they can be spent.

### **Revenue Funded from Capital under Statute (REFCUS)**

Expenditure which may be properly incurred but does not result in the acquisition of an asset.

### **Revaluation Reserve**

This reserve records unrealised revaluation gains / losses from holding non-current assets.

### **Revenue Expenditure**

Expenditure on the day-to-day costs of providing services.

### **Revenue Support Grant (RSG)**

Grant from Central Government towards the cost of service provision.

### **Transfer Payments**

Relates to payments for which no goods or services are received by the Council e.g. Rent Allowances.