



Statement of Accounts

2009/10

Kettering
Borough Council

CONTENTS

	Page
A. Auditor's Report	1
B. Explanatory Foreword	3
C. Statement of Accounting Policies	11
D. The Core Financial Statements	
D1 Income and Expenditure Account	19
D2 Statement of Movement on the General Fund Balance	20
D3 Statement of Total Recognised Gains & Losses (STRGL)	22
D4 Balance Sheet	23
D5 Cash Flow Statement	24
E. Notes to the Core Financial Statements	25
F. Supplementary Financial Statements & Notes	
F1 Housing Revenue Account	46
F2 The Collection Fund	52
G. Statement of Responsibilities for the Statement of Accounts	56
H. Annual Governance Statement	57
I. Glossary	78

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. EXPLANATORY FOREWORD

1. Introduction

The Council has a statutory duty to approve and publish a Statement of Accounts document for the period 1st April 2009 to 31st March 2010.

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

To comply with the Accounts and Audit Regulation 2003 (subsequently updated by the Accounts and Audit Regulations 2006), the Council is required to have received and approved the Statement of Accounts by the end of June 2010.

This foreword outlines the key individual accounts that comprise the Statement of Accounts in addition to highlighting the main activities/variations that took place during 2009/10 in each of the main activity areas.

The detailed accounts and related information are shown on pages 19 to 77 and consist of the following: -

a) The Accounting Statements

Income & Expenditure Account (page 19)

This statement is fundamental to the understanding of a local authority's activities, in that it reports the net costs for the year of all the functions for which the Authority is responsible, and demonstrates how costs have been financed from general government grants and income from local taxpayers. It brings together expenditure and income relating to all of the local authority's functions, in three distinct sections, each divided by a sub-total.

Statement of Movement on the General Fund Balance (pages 20 to 21)

This statement lists the "other" elements, in addition to the movement on the Income and Expenditure Account that contributes to the year on year changes to the General Fund Balance.

Statement of Total Recognised Gains & Losses (page 22)

This statement brings together all the gains and losses of the council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

Balance Sheet (page 23)

The Balance Sheet is fundamental to the understanding of an authority's financial position at the year end. It shows its balances and reserves and its long -term indebtedness, and the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held.

Cash Flow Statement (page 24)

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

B. EXPLANATORY FOREWORD

b) The Supplementary Financial Accounting Statements

Housing Revenue Account (HRA) Income & Expenditure Account (page 46)

This statement shows in more detail the income and expenditure on HRA services included in the whole Authority income and expenditure account.

Statement of Movement on the HRA and HRA Notes (page 47 to 51)

This statement shows how the HRA Income and Expenditure Account surplus or deficit for the year reconciles to the movement on the Housing Revenue Account Balance for the year.

Collection Fund (pages 52 to 55)

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to non-domestic rates and the council tax, and illustrates the way in which these have been distributed to preceptors and the General Fund.

Statement of Responsibilities for the Statement of Accounts (page 56)

Outlines the Authority's and the Responsible Finance Officer's responsibilities when preparing the accounts.

Annual Governance Statement (pages 57 to 77)

This statement details KBC's corporate governance framework with reference to the scope of responsibility, the principles that underpin the Council's governance framework as well our review of effectiveness and any significant governance issues arising.

Glossary (pages 78 to 81)

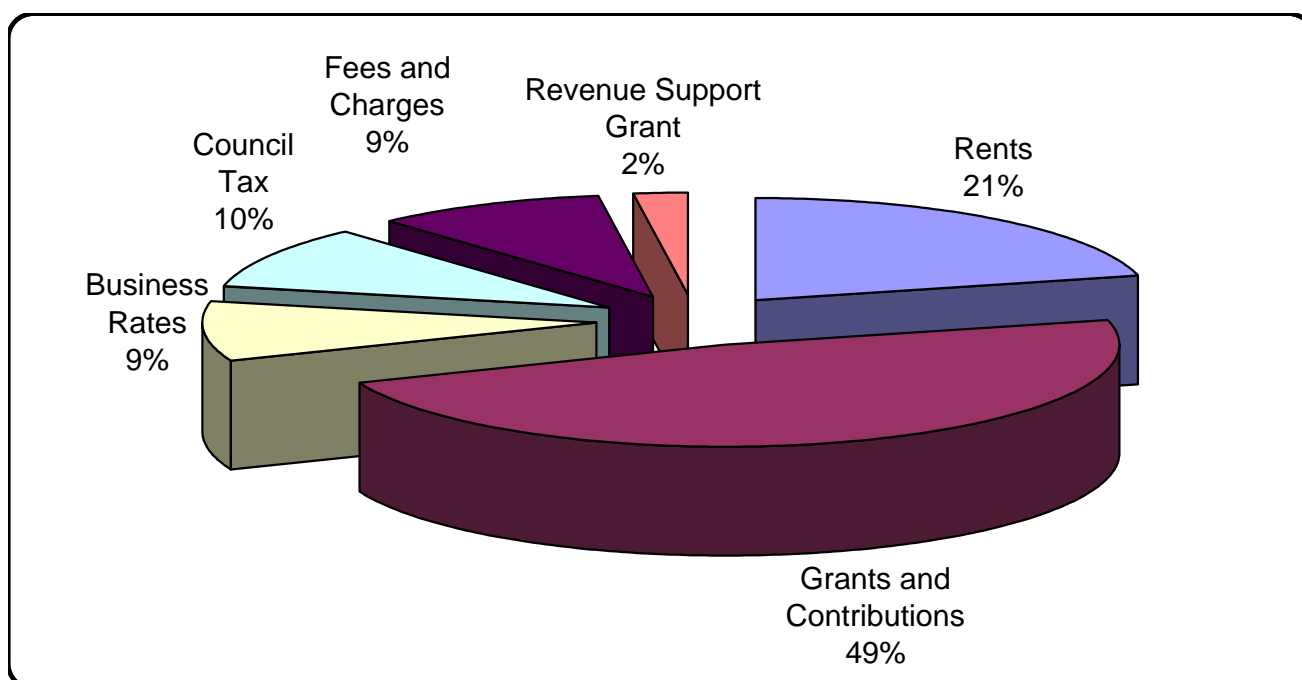
The glossary provides additional information relating to terms used within the statements.

2. Financial Summary 2009/10

a) Revenue Spending and Sources of Income

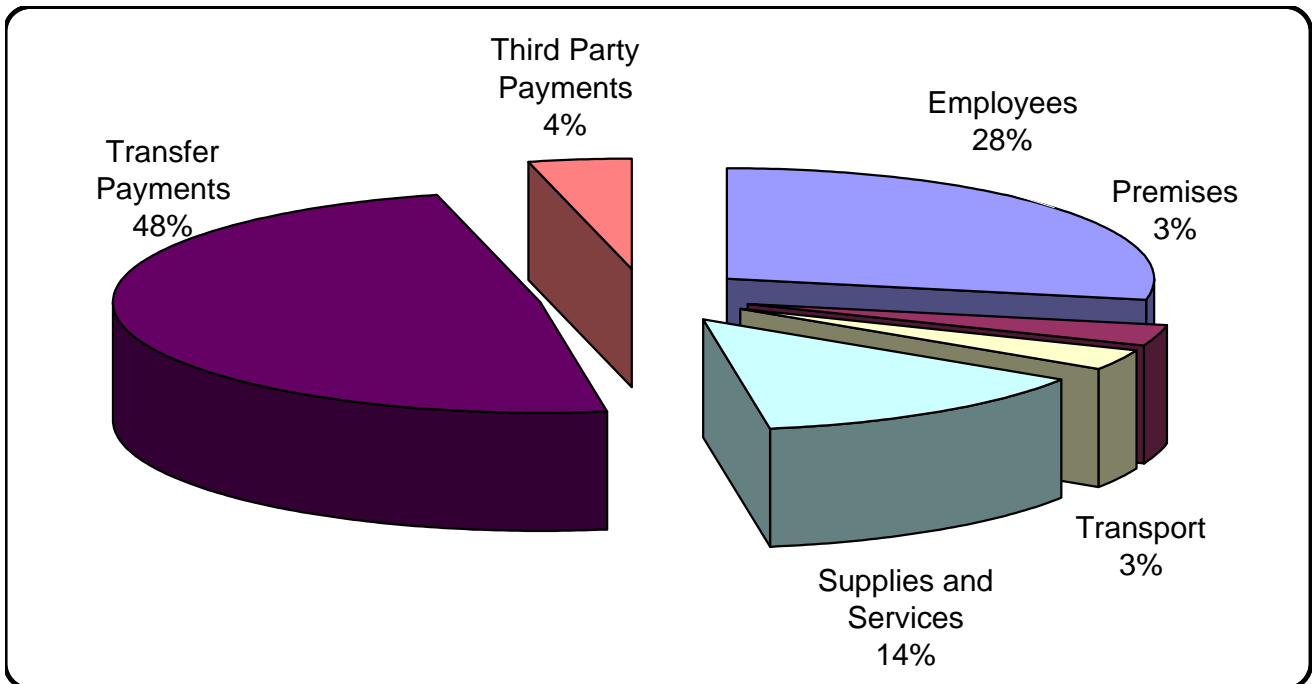
The following charts outline where the Council's revenue money came from, how it was spent and on which services. The charts show the overall position of the Council's revenue budgets for 2009/10 (i.e. both General Fund and HRA).

Where The Money Came From

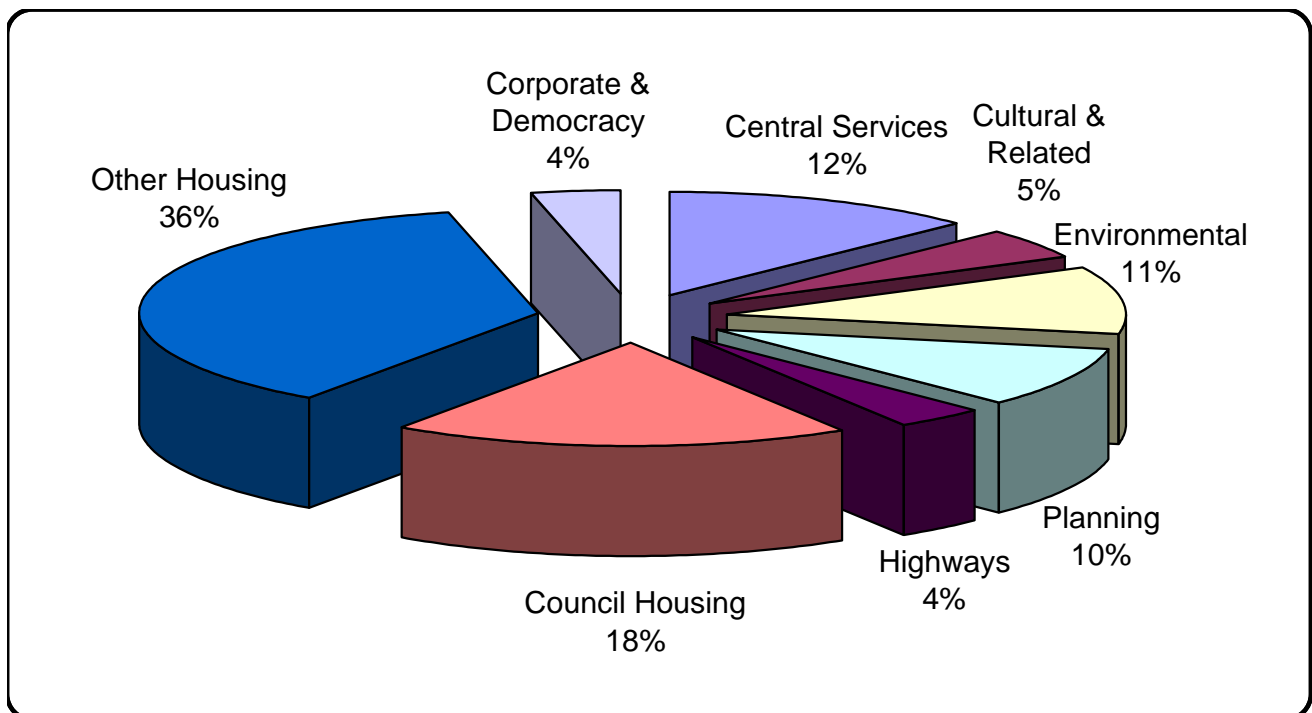


B. EXPLANATORY FOREWORD

What The Money Was Spent On



What Services Have Been Provided with the Money



B. EXPLANATORY FOREWORD

b) General Fund Account

The following table summarises the position for the General Fund for 2009/10. Notes are included following the table to explain the main variations to the budget for the year.

	Revised Budget	Actual	Variance
	£000	£000	£000
Expenditure			
Net Service Expenditure	14,730	15,756	1,026
Capital Financing Adjustments	(1,315)	(2,401)	(1,086)
Total Net Expenditure	13,415	13,355	(60)
Income			
Revenue Support Grant	(1,341)	(1,341)	0
Business Rates	(5,810)	(5,810)	0
Met by local council taxpayers	(6,136)	(6,136)	0
Collection Fund Surplus	(100)	(91)	9
Total Income	(13,387)	(13,378)	9
(Surplus)/Deficit for the year	28	(23)	(51)
Balance brought forward	(1,361)	(1,361)	0
Balance carried forward	(1,333)	(1,384)	51

Budget Variations

After taking account of contributions to reserves and balances, the Council's General Fund working balance was £51k more than budgeted. Given the adverse national economic conditions (in particular the pressure on income sources) an out-turn position that is within 0.5% of net revenue budget is a good achievement.

The variance of £1.026m for Net Service Expenditure, primarily results from having to recognise technical accounting adjustments such as impairment of fixed assets accounting for pension costs and amortisation of government grants. These transactions are reversed out in full within the Capital Financing Adjustments line having no impact on the bottom line position.

i) Local Area Business Growth Incentive Funding (LABGI)

When setting its budget, members agreed that LABGI funding should remain 'outside' of the Council's base budget due to its uncertain and unsustainable nature. To comply with recommended practice, the £55k awarded to the Council during the year is initially shown as income in the General Fund Revenue Account before being transferred to earmarked reserves.

B. EXPLANATORY FOREWORD

Other areas of budget variance include:

ii) (Under)/Over spends	£000
i) Reduction in Recycling / Refuse Disposal Costs	(64)
ii) Higher caseload has resulted in an increase in subsidy	(197)
iii) Highways expenditure lower than budgeted	(54)
iv) Additional expenditure associated with East of Kettering planning application	142
v) Reduced external grant to fund Kettering Borough Training	49
vi) Crematorium / Cemeteries expenditure higher than budgeted	49
vii) Net other variations	75

It should 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.

c) Housing Revenue Account

The following table outlines the outturn position for the Housing Revenue Account for 2009/10. Some notes are included following the table to explain the main variations to the budget for the year.

	Revised Budget	Actual	Variance
	£000	£000	£000
Expenditure			
Net Service Expenditure	(723)	(288)	435
Capital Financing Adjustments	528	88	(440)
(Surplus)/Deficit for the year	(195)	(200)	(5)
Balance brought forward	(105)	(105)	0
Balance carried forward	(300)	(305)	(5)

The out-turn position has resulted in the HRA working balance increasing slightly above the revised estimated level of £300k. The new working balance of £305k is now in line with our financial strategy for the HRA in that balances should be maintained at a minimum level of £300k.

The main reason for the £435k variance on net service expenditure is the additional £580k charge for impairments against HRA assets for the year. This has been reduced by statutory accounting pension adjustments.

The impairment charge together with the pension adjustments are simply reversed out within the Capital Financing Adjustments line (i.e. they have no real cash impact).

B. EXPLANATORY FOREWORD

Budget Variations

The main variations to the budget were as follows: -

<u>(Under)/Over spends</u>	£000
i) Repairs and Maintenance - An underspend of 3% for the year despite some increased expenditure on voids cleansing works with Sheltered Accommodation.	(112)
ii) General Management - Delivered within 0.6% of budget overall. Some small over/underspends took place that generally cancelled each other out.	12
iii) Special Services - Additional expenditure was required during the year regarding void cleansing work that exceeded budgetary provision. This was offset by savings associated with both repairs and maintenance and supplies and services expenditure across the Sheltered Schemes.	48
iv) Depreciation - Transfer required so that the HRA depreciation figure equals the total annual Major Repairs Allowance taken through to the Capital Financing Adjustment line.	149
v) Transfer to the Major Repairs Reserve. This is a contra to the depreciation charges (above) and therefore has no real impact on the bottom line.	(149)
vi) Bad Debts Provision - Increased provision necessary due to age analysis review of arrears. To bring the provision in line with good practice tolerance levels.	35
vii) Rental Income - Slight increase due to lower RTB sales.	(7)
viii) Service Charge Income - Slight decrease in monies received for Supporting People Grant.	15
ix) Net Interest - Continued low interest rate levels were experienced during the year resulting in a slight reduction in estimated investment income.	11
x) Subsidy - Small variance in overall payments made to Government.	(7)

d) Capital Expenditure

Capital expenditure relates primarily to spending on Council assets (i.e. an item with an expected life of more than one year). In 2009/10 the Council spent £7.461m on capital projects, compared with a budget of £7.997m.

	Revised Estimate	Actual	Variance
	£000	£000	£000
Expenditure			
Council Housing Schemes	2,511	2,429	(82)
Private Sector Housing Improvement	951	845	(106)
Investment & Repair Programme	723	548	(175)
Community Project Schemes	3,196	3,177	(19)
E-government investment programme	586	462	(124)
Other General Fund Schemes	30	0	(30)
Total Capital Expenditure	7,997	7,461	(536)

The main reason for the variance is the budget carry-over. This is in relation to a number of schemes which will complete in 2010/11. The carry-over value is £526k which leaves a real underspend of £10k. The Capital Programme spend was 93% of the budget.

B. EXPLANATORY FOREWORD

3. Major Changes in 2009/10

Accounting Policies

The accounting policies adopted by the Council are shown in detail in the Statement of Accounting Policies pages 11 to 18.

4. Conclusion

The Council's General Fund working balance is £1.384m at the end of March 2010. As previously stated, this is £51k more than budgeted. The Council continues to comply with the guiding principles that underpin the medium term financial strategy whereby revenue balances should not fall below £1m and overall revenue reserves should not fall below 10% of net revenue expenditure. This will need to be monitored closely during 2010/11 to ensure that the Council, in the medium term, is able to continue to meet this guideline.

The Council's Housing Revenue Account working balance is £305k at the end of March 2010. This is in line with the financial strategy adopted for the HRA in which balances should be maintained at a minimal level of at least £300k.

The Capital Programme for the year was £535k less than the budget for the year as previously mentioned. The spend represents 93% of the budget.

5. Impact of the current economic climate

The current economic climate has had a major impact on the Council's budget. Like every other business, the Council is experiencing a squeeze on its main sources of income whilst also experiencing increased cost pressures on other budgets.

In December 2009 Members continued the practice of setting a "counter cyclical" budget through re-approving its "modelling for recovery principles". When setting the revenue budget for 2010/11, efficiency savings of £550,000 were identified and included in the budget figures. Delivery of this is currently on track. This has and will continue to be a challenging process that will require careful monitoring during 2010/11.

The Council's Executive continues to acknowledge the Council's wider role within the local economy. It is one of the largest employers and many local businesses are supported by the goods and services the Council procures. The Council wants to use its relatively strong financial position to positively influence the local economy directly and also to assist and support other key partners, businesses and agencies to do likewise.

B. EXPLANATORY FOREWORD

6. Further Information

Further information about these accounts is available from:

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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 ACCOUNTING POLICIES

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2009/10 year and its financial position at the 31 March 2010. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009 - A Statement of Recommended Practice (the SORP). The SORP specifies the principles and practices of accounting required to prepare a Statement of Accounts which "present fairly" the financial position and transactions of the local authority.

The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

2. Provisions and Reserves

a) Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain.

The Authority considers making a provision if the following circumstances occur: -

- A present legal or constructive obligation results from a past event;
- A probable transfer of economic benefit is required to settle an obligation;
- A reliable estimate can be made of the amount of the obligation.

Provisions are charged to the appropriate service revenue account in the year that the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision. Estimated settlements are reviewed at the end of each financial year - where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

b) Reserves

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

In accordance with the Council's medium-term financial strategy, General Fund Revenue balances should not fall below £1m and overall revenue reserves should not fall below 10% of net revenue expenditure.

Certain reserves are not cash backed and are kept to manage the accounting transactions for tangible fixed assets, financial instruments and retirement benefits and as such do not represent usable resources for the Council. These reserves are:

- Revaluation Reserve
- Capital Adjustment Account
- Financial Instruments Adjustment Account
- Pensions Reserve

C. STATEMENT OF ACCOUNTING POLICIES

3. Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrating purposes on a continuing basis.

a) Recognition

Expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefit to the Council and the services that it provides is estimated to occur over more than one financial year.

Furthermore, expenditure needs to be in excess of the Council's de-minimis level of £5,000 per item, before it can be recognised as capital spend.

b) Measurement

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases.

Intangible Assets	Existing Use Value
Operational Assets;	
Council Housing	Existing Use Value - Social Housing
Other Land and Buildings	Existing Use Value
Vehicles, Plant & Equipment	Existing Use Value
Infrastructure and Community Assets	Historical values applied where possible, however, most assets are valued at zero as we are unable to determine an accurate historical value.
Non-Operational Assets	Open Market Value

Assets included in the Balance Sheet at current value are revalued where there has been material changes in the value, but as a minimum every five years. A full revaluation for Council dwellings was completed in 2005/06 in accordance with this policy. During interim years a local house price index is used. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007, this being the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Fixed Assets are valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institute of Chartered Surveyors (RICS).

c) Impairment

The values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reduction in value. Where impairment is identified as part of this review or as a result of a valuation exercise:

- the impairment is charged to the relevant service revenue account where it has materialised due to the clear consumption of economic benefits; or
- it is written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess thereafter being charged to the relevant service revenue account.

C. STATEMENT OF ACCOUNTING POLICIES

d) Disposals

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal i.e. netted off against the carrying value of the asset at the time of disposal. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

e) Receipts

Capital receipts from the disposal of fixed assets are accounted for on an accruals basis. Receipts from the sale of Right To Buy (RTB) Council houses have to be split into:-

- A reserved part; and
- A usable part for financing capital expenditure.

Reserved receipts are subject to pooling and are paid over to the Government, whilst the unspent usable element of the receipt is shown within the Balance Sheet line usable capital receipts reserve and can only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

The written off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.

The statutorily determined "reserved" elements of capital receipts for 2009/10 were:-

RTB sales of Council houses	75%	(ultimately paid to the National Housing Pool)
Sales of other housing assets	50%	
Sales of non-housing assets	0%	

Receipts from the disposal of other fixed assets are 100% usable and are shown in the balance sheet within the line usable capital receipts reserve.

The Council has paid over £2.313m into the National Pool in the last three financial years as detailed below:

- 2007/08 - £1,542,000
- 2008/09 - £ 319,000
- 2009/10 - £ 452,000

C. STATEMENT OF ACCOUNTING POLICIES

f) Charges to Revenue for Fixed 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.
- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off.
- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement, this is referred to as Minimum Revenue Provision (MRP). New Guidance was issued by the Secretary of State under section 21 (1A) of the Local Government Act 2003 for the calculation of this provision. As a result the Council will continue to charge 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 will be calculated based on asset lives which is option 3 in the guidance. Depreciation, impairment losses and amortisations are therefore reversed out within the Statement of Movement on the General Fund Balance, by way of adjusting transactions with the Capital Adjustment Account for the difference between the two.

The accounting standard governing fixed assets is - FRS 15 - Tangible Fixed Assets, 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 FRS 15.

4. Intangible Assets

The Authority 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.

5. Deferred Charges

Deferred Charges represent expenditure that may be capitalised under statutory provisions but do not result in the creation of assets subsequently owned by the authority. They include private sector renewal grants and advances to other third parties to finance capital investment.

Deferred charges incurred during the year have been written off, in full, as expenditure to the relevant service revenue account. Where the Council has determined to meet the cost of the deferred charges from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account is undertaken to reverse out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of Council Tax.

Where deferred charges are financed by a government grant, the grant is amortised in full in the year the expenditure is incurred.

C. STATEMENT OF ACCOUNTING POLICIES

6. Government Grants

Revenue Government grants are accounted for in the year in which they arise. They are credited to the service revenue account where the expenditure to which they relate is charged.

Where the acquisition of a fixed asset is financed by a Government grant, the amount of grant is credited to the Government grants deferred account. This is then written off to the service revenue account over the useful life of the asset to match depreciation of the asset to which it relates.

7. Interest

The figure in the Income and Expenditure Account is the total external interest receivable from third parties, principally due to the investment of capital receipts and revenue balances, as well as where applicable the internal interest earned from applying the effective interest rate associated with financial instruments following the fair value adjustment the effective interest rate amounts are reversed out in the Statement of Movement on General Fund Balance (SMGFB) so that there is no impact on the bottom line.

Interest on revenue balances is credited to the General Fund and the Housing Revenue Account based on the level of their balances, and using average interest rates.

8. Leases

Where assets are acquired under operating leases, the leasing rentals payable are charged to the relevant service revenue account on a straight line basis over the term of the lease. The capital value of the assets and the related liability for future rentals are not shown on the balance sheet.

9. Current Assets and Liabilities (Debtors and Creditors)

The revenue accounts of the Council are maintained on an accruals basis in accordance with the SORP and FRS 18. Sums due or from the Council during the year are included whether or not the cash has actually been received or paid in the year. An exception to this principle relates to electricity and similar quarterly payments which are charged at the date of meter reading rather than being apportioned between financial years. This policy is consistently applied each year and therefore does not have a material effect on the accounts.

10. Stocks and Work in Progress

Stocks are valued at the lower of actual cost or net realisable value, in line with the SORP and SSAP 9.

Work in progress on uncompleted jobs is valued at cost including an allocation of overheads.

C. STATEMENT OF ACCOUNTING POLICIES

11. Cost of 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 Best Value Accounting Code of Practice 2009 (BVACOP). 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 other costs not attributable to individual services.

12. Pensions

In accordance with statute, the Council uses the Local Government Pension Scheme (LGPS) administered by Northamptonshire County Council (NCC). The scheme operates on a defined benefits basis relating to pay and service.

Financial Reporting Standard 17 (FRS 17) Retirement Benefits, was introduced to ensure the financial statements reflected at fair value the assets and liabilities from an employer's retirement benefit obligations and any related funding. It does this by requiring employers to recognise an asset or liability based on the balance of actuarial assets and liabilities in the fund. Pension scheme assets are measured at market value and scheme liabilities are discounted at the current rate.

The operating costs of providing retirement benefits to employees are recognised in the accounting period(s) in which the benefits are earned by the employees. This is achieved by replacing the contributions paid to the pension fund, used under the previous standard, with a Current Service Cost an actuarial calculation based upon the increase in present value of the schemes liabilities expected to arise from an employees service in the current period.

13. Investments

Investments are shown in the Balance Sheet at cost.

14. VAT

All income and expenditure on the attached statements exclude amounts relating to VAT as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from it.

C. STATEMENT OF ACCOUNTING POLICIES

15. 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. Typical financial instruments are:

<u>Liabilities</u>	<u>Assets</u>
- trade and other payables	- bank deposits
- borrowings	- trade receivables
- financial guarantees	- loans receivable
	- other receivables and advances
	- investments

A financial asset or a financial liability is only recognised on the Balance Sheet when, and only when, the holder becomes a party to the contractual provisions of the instrument.

16. Group Accounts

For the 2009/10 financial year, 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. Kettering Borough Council has reviewed its activities and concluded that group accounts do not apply.

17. Changes in Accounting Policies

From the year commencing 1 April 2009, accounting regulations have changed so that the Council must act as an "agent" for the precepting Authorities and Central Government. This means that the NNDR and Council Tax income included in the Income and Expenditure Account for the year shall only be the Council's share of the accrued income for the year (and the amount received for the cost of billing).

Council Tax - The accounting treatment for local taxes requires the billing authority to show only their share of both debtors (this also includes Bad Debts) and creditors within the Balance Sheet. The element owed to or by the major preceptors is calculated by taking their share of both debtors (net of bad debts) and creditors and adjusting for their share of the Collection Fund surplus or deficit to calculate either a debtor or creditor.

NNDR - The practice has been to carry National Non-domestic Rate debtors on billing authorities Balance Sheets. The 2009 SORP requires that billing authorities shall not recognise NNDR debtors in their Balance Sheets but instead recognise a creditor or debtor for cash collected from NNDR debtors as an agent of the Government but not paid to the Government, or over paid at the Balance Sheet date.

18. Prior Period Adjustment

The changes in Accounting Policies for Council Tax and NNDR (note 17) is a material change in accounting policy and the SORP requires that the change to agency accounting implement prior period adjustments. The effects of the adjustments are on the Income and Expenditure Statement, the Balance Sheet, the Statement of Total Recognised Losses and the Cash Flow Statement. The prior period adjustments are detailed overleaf.

C. STATEMENT OF ACCOUNTING POLICIES

Debtors - Council Tax	2008/09	Prior Period Adjustment	Restated 2008/09
	£000	£000	£000
Arrears	1,735	(1,484)	251
Bad Debt Provision	918	(785)	133
Total	817	(699)	118

Creditors - Council Tax	2008/09	Prior Period Adjustment	Restated 2008/09
	£000	£000	£000
Overpayments and Prepayments	674	(577)	97
Collection Fund - Other Local Authorities	968	(122)	846
Total	1,642	(699)	943

Debtors - NNDR	2008/09	Prior Period Adjustment	Restated 2008/09
	£000	£000	£000
Arrears	471	(471)	0
Bad Debt Provision	202	(202)	0
Total	269	(269)	0

Creditors - NNDR	2008/09	Prior Period Adjustment	Restated 2008/09
	£000	£000	£000
Overpayments and prepayments	817	(817)	0
Central Government Creditor	2,648	548	3,196
Total	3,465	(269)	3,196

At 31 March 2009, the council originally disclosed in the Cashflow Statement that it had received £36.537m of Council Tax receipts in the year. £31.408m of this amount has been estimated to have related to Northamptonshire County Council and Northamptonshire Police Authority, this has been deleted to reflect the prior period adjustment. The precept paid figure previously disclosed only related to the major preceptors. This figure now discloses KBC's element.

At 31 March 2009, the council originally disclosed in the Cashflow Statement that it had received £33.016m by way of NNDR receipts and £29.036m as payments to the pool. These have now both been removed to effect the prior period adjustment. This is now disclosed within Net Movements within Other Liquid Resources.

The transfer of the Collection Fund surplus was previously disclosed on the face of the Income & Expenditure Account for 2008/09 this amounted to £157k. Legislative changes now require that the Council Tax Income credited to the Income & Expenditure Account shall be the accrued amount for 2008/09 this was a surplus of £18k. In addition the Statement of Movement on the General Fund Balance has been restated with the change in the Income & Expenditure surplus for the year being exactly matched by the inclusion of an additional reconciling item in respect of the transfer from the Collection Fund Adjustment Account, this resulted in the SMGFB being credited with £139k. As a result of the change in accounting treatment this removes the amount of £139k that was previously disclosed under any other (gains) / losses in the STRGL, being the movement on the Collection Fund Account as disclosed in the Balance Sheet.

D1. INCOME & EXPENDITURE ACCOUNT 2009/10

The movement between 2008/09 and 2009/10 deficit results from an impairment charge (asset revaluation) made against Net Cost of Services (*indicates impairment charge) which reflects a reduction in asset values resulting from the current economic climate. This has no impact on the bottom line as these transactions are reversed out in full in the Statement of Movement in General Fund Balance (page 20). The actual movement on General Fund for 2009/10 was a surplus of £23k which compares to a deficit of £125k for the previous year.

2008/09 Net Expenditure		2009/10			Note
		Gross Expenditure	Gross Income	Net Expenditure	
£000	EXPENDITURE ON SERVICES	£000	£000	£000	
1,991	Central services to the public	8,155	6,341	1,814	
	Cultural, environmental and planning				
4,919	Cultural and related services*	3,001	531	2,470	
4,602	Environmental services	6,732	3,098	3,634	
3,443	Planning and development services*	6,163	2,965	3,198	
1,500	Highways, roads and transport*	2,294	1,113	1,181	
	Housing				
37,634	Housing Revenue Account*	11,895	12,351	(456)	
1,531	General Fund Housing	23,473	22,024	1,449	
1,906	Corporate and democratic core	2,285	2	2,283	
259	Non Distributed Costs	0	0	0	
57,785	Net Cost of Services	63,998	48,425	15,573	
0	Gain on the disposal of Fixed Assets			168	
27	Parish precepts			31	
(557)	(Surplus)/deficit on trading undertakings			(95)	1
5	Interest payable and similar charges			4	
319	Contributions to housing pooled capital receipts			452	
172	Contributions to Bad Debts Provision			32	
(27)	Other income (Unattached capital receipts)			(24)	
(235)	Interest and investment income			(17)	
0	Premia on early settlement of borrowing			0	
1,161	Pension interest & expected return on assets			1,872	26
58,650	Net Operating Expenditure			17,996	
(855)	Revenue Support Grant			(1,341)	
(6,145)	Non-domestic rates redistribution			(5,810)	
(5,800)	Demand on the collection fund			(6,136)	
(18)	Transfer surplus from collection fund			1	
45,832	Deficit / (Surplus) for the Year			4,710	

This account summarises the resources that have been generated and consumed in providing services and managing the Council during the year. It includes all day to day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

D2. STATEMENT OF MOVEMENT ON GENERAL FUND BALANCE

2008/09 £000		2009/10 £000
45,832	Deficit / (Surplus) for the year on the Income and Expenditure Account	4,710
(45,707)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(4,733)
125	Decrease / (Increase) in General Fund Balance for the year	(23)
(1,486)	General Fund Balance brought forward	(1,361)
(1,361)	General Fund Balance carried forward	(1,384)

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Authority is required to 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 Income and Expenditure Account and the General Fund Balance.

Note 4, page 26 explains the purpose of the Statement of Movement on the General Fund Balance.

The movement of £41.112m between the 2008/09 and 2009/10 deficit for the year on the Income and Expenditure Account is primarily from impairments reducing from £42.428m in 2008/09 to £3.119m in 2009/10. This amount is then reversed within depreciation and impairment of Fixed Assets in the Statement of Movement on General Fund Balance, having a nil impact on the bottom line balance. This transaction recognises the reduction in the market value of Council Dwellings and Other Land and Buildings and is reflective of the current economic position.

D2. STATEMENT OF MOVEMENT ON GENERAL FUND BALANCE

2008/09 £000		2009/10 £000
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining Movement on General Fund Balance	
(449)	Amortisation of intangible fixed assets	(622)
(44,076)	Depreciation and impairment of fixed assets	(4,320)
1,817	Government Grants Deferred amortisation	1,805
(1,692)	Write downs of deferred charges to be financed from capital resources	(994)
0	Net (loss) / gain on sale of fixed assets	(168)
27	Other income (Unattached capital receipts)	24
203	Differences between amounts debited/credited to the Income and Expenditure Account and amounts payable / receivable to be recognised under statutory provisions relating to soft loans and premiums and discounts on the early repayment of debt.	191
(3,407)	Net charges made for retirement benefits in accordance with FRS 17	(3,108)
(139)	Council Tax adjustment included in the I & E Account is different from the amount taken to the General Fund in accordance with regulation	(92)
(47,716)		(7,284)
	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining Movement on General Fund Balance	
157	Minimum revenue provision for capital financing	(1)
0	Capital expenditure charged in-year to the General Fund Balance	55
(319)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(452)
2,295	Employer's contributions payable to the Pension Fund and benefits payable direct to pensioners	2,358
2,133		1,960
	Transfers to or from General Fund Balance required to be taken into account when determining the Movement on General Fund Balance	
(194)	Housing Revenue Account Balance	200
70	Net transfer to or from earmarked reserves	391
(124)		591
(45,707)	Net amount required to be credited to General Fund Balance	(4,733)

D3. STATEMENT OF TOTAL RECOGNISED GAINS & LOSSES

2008/09 £000		2009/10 £000
45,832	(Surplus) / Deficit for the year on the Income and Expenditure Account	4,710
1,806	(Surplus) / Deficit arising on the revaluation of fixed assets	(19,324)
0	(Surplus) / Deficit arising on the revaluation of available for sale financial assets	0
(2,618)	Actuarial (gain) / losses on pension fund asset and liabilities	22,302
0	Any other (gains) / losses required to be included in the STRGL	0
45,020	Total recognised gains for the year	7,688
	Total Net Worth	
194,828	As at 1 April	149,808
149,808	As at 31 March	142,120
(45,020)	Change in Net Worth	(7,688)

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income & Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and available for sale financial assets and re-measurement of the net liability to cover the cost of retirement benefits.

D4. BALANCE SHEET

2008/09		2009/10		Note
£000	Fixed Assets	£000	£000	
1,505	Intangible Fixed Assets		1,598	
	Tangible Fixed Assets			
	Operational Assets			
151,613	Council dwellings	166,024		
25,901	Other land and buildings	26,043		
2,613	Vehicles, plant, furniture & equipment	2,140		
178	Infrastructure	327		
1,309	Community Assets	3,063		
9,915	Non-operational assets	11,747		
191,529			209,344	
193,034			210,942	7
32	Long-term debtors		22	
193,066	Total Long-term assets		210,964	
	Current Assets			
80	Stock and work in progress	90		
5,609	Debtors	4,840		18
9	Investments	5		
1,133	Cash at bank	496		
6,831		5,431		
	Current Liabilities			
2,500	Borrowing repayable within 12 months	7,000		16
7,473	Creditors	2,772		20
0	Bank overdraft	0		
9,973		9,772		
(3,142)	Net Current Assets		(4,341)	
189,924	Total Assets less Current Liabilities		206,623	
249	Long-term Creditor	335		
12,647	Government Grants Deferred	14,115		
2,085	Grants & contributions - unapplied	1,865		
0	Deferred premiums	0		
25,135	Pension Liability	48,188		26
40,116			64,503	
149,808	Total Assets less Liabilities		142,120	
	Financed by			
3,506	Revaluation Reserve	22,159		22
(415)	Financial Instruments Adjust Account	(224)		22
166,035	Capital Adjustment Account	162,225		22
0	Usable capital receipts reserve	11		22
0	Available for Sale Financial Instruments	0		22
(25,135)	Pension reserve	(48,188)		22
0	Major repairs reserve	0		22
1,361	General fund balance	1,384		22
163	Collection Fund Adjustment Account	71		22
105	Housing revenue account balance	305		22
4,156	Earmarked reserves	4,355		22/23
32	Deferred credits - mortgages	22		22
149,808	Total Equity		142,120	

The Balance Sheet summarises the financial position of the Council. It shows the value of the Council's assets and liabilities at 31 March.

D5. CASH FLOW STATEMENT

2008/09		2009/10		Note
£000	Revenue Activities	£000	£000	
	Cash Outflows			
17,158	Cash paid to and on behalf of employees	18,176		
24,838	Other operating cash payments	25,026		
9,807	Housing Benefit (rent allowances) paid out	12,433		
5,800	Precepts paid	6,136		
468	Housing Capital Receipts - Pooling Element	208		
58,071			61,979	
	Cash Inflows			
(4,718)	Rents (after rebates)	(4,339)		
(5,129)	Council tax receipts	(5,383)		
(6,145)	Non domestic rate receipts from the Pool	(5,810)		
(855)	Revenue Support Grant	(1,341)		
(8,073)	DWP grant for benefits	(13,122)		
(3,575)	Other government grants	(3,391)		30
(5,933)	Cash received for goods and services	(5,891)		
(28,255)	Other operating cash receipts	(28,178)		
(62,683)			(67,455)	
(4,612)	Revenue Activities Net Cash Flow		(5,476)	27
	Return on Investments & Servicing of Finance			
	Cash Outflows			
5	Interest paid	4		
	Cash Inflows			
(235)	Interest received	(17)		
(4,842)			(5,489)	
	Capital Activities			
	Cash Outflows			
9,376	Purchase of fixed assets	7,755		
1,692	Other capital cash payments	994		
11,068		8,749		
	Cash Inflows			
(1,345)	Sale of fixed assets	(592)		
(8,663)	Capital Grants received	(4,012)		
(10,008)		(4,604)	4,145	
(3,782)	Net Cash (Inflow)/Outflow before financing		(1,344)	
	Management of Liquid Resources			
3	Movement in short-term investment/loans	(4)		
477	Movement in other liquid resources	6,485		
	Financing			
	Cash Outflows			
5,500	Repayments of amounts borrowed	0		
	Cash Inflows			
(2,500)	New loans raised	(4,500)		
3,480	Financing Net Cash Flow		1,981	
(302)	Net (Increase)/Decrease in cash		637	

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

E. NOTES TO THE CORE FINANCIAL STATEMENTS

1. Trading Operations

The Council operates the following trading undertakings:

2008/09 Net		2009/10		
		Expenditure	Income	Net
£000		£000	£000	£000
(592)	Industrial estates	692	838	(146)
37	Markets	53	14	39
(2)	Property maintenance	160	148	12
0	Grounds maintenance	1,604	1,604	0
(557)	Net (Surplus)/Deficit	2,509	2,604	(95)

2. Members Allowances

The total amount of members allowances paid in the year ending 2009/10 was £268,851 (2008/09 £251,855). Detailed allowances for 2008/09 and 2009/10 are listed below:

2008/09 Exp.		2009/10 Exp.
£000		£000
	Expenditure	
160	Basic Allowance	171
8	Mayor/Deputy Mayor Allowance	8
70	Special Responsibility Allowance	74
14	Travelling Expenses	15
252	Total Expenditure	268

E. NOTES TO THE CORE FINANCIAL STATEMENTS

3. Officer's Emoluments

The number of employees whose remuneration (excluding pension contributions) was £50,000 or more in bands of £10,000 for 2008/09 and 2009/10 are detailed below:

2008/09 No of Employees	Remuneration Band	2009/10 No of Employees
7	£50,000 - £59,999	7
2	£60,000 - £69,999	1
0	£70,000 - £79,999	1
3	£80,000 - £89,999	2
0	£90,000 - £99,999	0
0	£100,000 - £109,999	0
0	£110,000 - £119,999	0
0	£120,000 - £129,999	0
0	£130,000 - £139,999	1
1	£140,000 - £149,999	0

The above disclosure meets the requirements of LAAP Bulletin 85 in relation to the financial year 2009/10. Future years accounts will have a different level of disclosure with appropriate prior year comparaters.

4. Explanation of Statement of Movement on General Fund Balance

The Income and Expenditure Account brings together all of the functions of the Authority and summarises all of the resources that the Authority has generated, consumed or set aside in providing services during the year. However, this accounting basis is currently out of line with the statutory provisions that specify the net expenditure that authorities need to take into account when setting local taxes. In order to give full presentation of the financial performance of the Council during the year and the actual spending power carried forward to future years, the outturn on the Income and Expenditure Account to be reconciled to the balance established by the relevant statutory provisions.

The Statement of Movement on the General Fund Balance provides the necessary reconciliation. The statement is presented as a primary statement following the Income and Expenditure Account.

The note detailing the individual elements of the Statement of Movement on the General Fund Balance immediately follows the statement for ease of reference.

E. NOTES TO THE CORE FINANCIAL STATEMENTS

5. 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.

Central Government has effective control over the general operations of the Council, it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Details of transactions with government departments are set out in note 30.

Members of the Council have direct control over the Council's financial and operating policies. During 2009/10 works and services to the value of £485,021 (£499,966 2008/09) 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.

Other Public Bodies - grants to Parish and Town Councils amounted to £115,540 in 2009/10 (£117,990 in 2008/09).

Pension Fund - in 2009/10 the contributions paid to Northamptonshire County Council in respect of employer's contributions, added years contributions and lump sum payments was £2.569m (2008/09 £2.480m)

6. External Audit Fees

Fees payable for external audit services in 2008/09 and 2009/10 are detailed below. In order to comply with the SORP the note is based upon fees charged in the year and not what was actually paid in the year.

2008/09		2009/10
£000		£000
111	Fees payable to KPMG LLP with regard to external audit services carried out by the appointed auditor	109
6	Fees payable to the Audit Commission in respect of statutory inspection	8
33	Fees payable to KPMG LLP for the certification of grant claims and returns	35
0	Fees payable in respect of other services provided by the appointed auditor.	0
150	Total	152

E. NOTES TO THE CORE FINANCIAL STATEMENTS

7. Capital Expenditure and Fixed Asset Disposals

Movements on Fixed Assets

	Council dwellings	Other land & buildings	Vehicles, plant etc.	Infra-structure
	£000	£000	£000	£000
Net book value of assets 31 March 2009	151,613	25,901	2,613	178
Movement in 2009/10				
Additions	2,172	201	112	157
Disposals	(404)			
Revaluations	15,430	964		
Depreciation	(2,207)	(611)	(585)	(7)
Impairments	(580)	(370)		
Assets identified for disposal		(42)		(1)
Net book value of assets 31 March 2010	166,024	26,043	2,140	327

	Community Assets	Non Operational	Intangible	Total Fixed Assets
	£000	£000	£000	£000
Net book value of assets 31 March 2009	1,309	9,915	1,505	193,034
Movement in 2009/10				
Additions	1,772	1,337	720	6,471
Disposals		(320)		(724)
Revaluations		2,945		19,339
Depreciation		(2)	(627)	(4,039)
Impairments	(18)	(2,171)		(3,139)
Assets identified for disposal		43		0
Net book value of assets 31 March 2010	3,063	11,747	1,598	210,942

Non Operational assets consists of commercial properties and land awaiting development.

E. NOTES TO THE CORE FINANCIAL STATEMENTS

8. Capital Expenditure and Financing

2008/09		2009/10
£000		£000
8,119	Opening Capital Financing Requirement	10,848
	Capital Investment	
5,724	Operational assets	5,133
3,440	Non-operational assets	1,337
1,692	Deferred Charges	994
10,856		7,464
	Sources of Finance	
(760)	Capital receipts	(129)
(7,210)	Government grants	(5,680)
0	Sums set aside from Revenue	(55)
(7,970)		(5,864)
2,886	Unallocated Financing	1,600
(157)	MRP	1
10,848	Closing Capital Financing Requirement	12,449

9. Movement on Deferred Charges

	Balance at 01-Apr-09	Expen- diture	Written off	Balance at 31-Mar-10
	£000	£000	£000	£000
Improvement grants	0	567	(567)	0
Housing Association grants	0	278	(278)	0
Other deferred charges	0	149	(149)	0
Total	0	994	(994)	0

10. Long Term Contracts

Capital

There was 2 significant capital contracts committed at 31 March 2010, these are detailed below:

Contract	Contractor	£000
Market Place Buildings	Sisk	2,479
Public Realm Phase 2 & 3	Pell Frischmann	68

Revenue

In 2009/10 the authority committed to making payments to Parkwood Leisure for the management of the Councils leisure facilities for a 10 year period totalling £1.054m, the authority has made payments totalling £315k.

E. NOTES TO THE CORE FINANCIAL STATEMENTS

11. Information on Assets Held

Detailed in the table below, is a split of the assets, that make up the fixed asset balances in the balance sheet.

31/3/2009		31/3/2010
No.	Operational Assets	No.
3,824	Council / Residential Dwellings	3,815
	Other Land and Buildings	
3	Leisure centres and pools	3
8	Public Halls/Community Centres	8
1	Museum	1
1	Art Gallery	1
1	Tourist Information Centre	1
1	Market	1
9	Public Conveniences	9
7	Surface Car Parks	7
1	Depot	1
1	Workshop	1
1	Municipal Offices	1
2	District Offices	2
1,051	Council garages	981
177	Infrastructure	174
162	Vehicles, Plant, Furniture and Equipment	133
	Community Assets	
101ha	Parks and Recreation Grounds	101ha
29 ha	Allotments	29 ha
155	Paintings	155
8	Cemeteries	8
1	Crematorium	1
	Non-operational Assets	
71	Industrial units for let	71
6	Retail units for let	6
27	Intangible Assets	38

E. NOTES TO THE CORE FINANCIAL STATEMENTS

12. Leases - disclosure by lessees

The Council uses vehicles financed under the terms of an operating lease. The committed operating lease payments are detailed in the table below and are analysed between the time periods in which these leases expire.

	Other Land & Buildings	Vehicles Plant & Equipment
	£'000	£'000
Leases expiring in 2010/11	0	368
Leases expiring between 2011/12 and 2015/16	0	75
Leases expiring after 2015/16	0	0

The Council made lease payments totalling £575k in 2009/10 (£705k 2008/09).

The Council has no finance leases.

13. Leases - disclosure by lessors

The Council leases land and buildings to third parties and during 2009/10 received £463,455 under those arrangements (£498,497 in 2008/09).

14. Valuation Information

A comprehensive valuation of all Council dwelling assets was undertaken by Jonathan Denton Bsc MRICS of Countrywide Surveyors in 2005/06 to comply with the policy for a full review every 5 years, in addition a desktop revaluation is undertaken annually by Countrywide Surveyors. To comply with Council policy 20% of the Council's general fund assets have been valued by Iain Dewar FRICS IRRV MCI Arb, Roger Messenger BSc FRICS IRRV MCI Arb, Simon Layfield FRICS IRRV and Andrew Williams Dip BSc (Hon) MRICS IRRV of Wilks Head & Eve in 2009/10. The following table sets out the basis and date of valuations, depreciation method and useful lives for each asset category. In addition an impairment review for Council Dwellings and Other Land & Buildings was undertaken as at 31st March 2010.

Operational Assets

	Council dwellings	Other land & buildings	Vehicles, plant etc.
Valued date	2009/10	2009/10*	2009/10
Valuation Basis	EUV-SH	EUV	EUV
Useful Life (Years)	30 - 60	0-999	0 - 44
Depreciation method	S/L	S/L	S/L

	Infra-structure	Community assets
Valued date	n/a	n/a
Valuation Basis	HC	HC
Useful Life (Years)	n/a	n/a
Depreciation method	n/a	n/a

* A proportion of the assets within this group have been revalued in 2009/10.

E. NOTES TO THE CORE FINANCIAL STATEMENTS

Non-Operational / Intangible Assets

	Non-Operational*	Intangible Assets
Valued date	2009/10*	2009/10
Valuation Basis	MV	EUV
Useful Life (Years)	0-999	n/a
Depreciation method	S/L	n/a

15. Analysis of Net Assets Employed

2008/09		2009/10
£000		£000
33,302	General Fund	36,373
151,988	Housing Revenue Account	166,389
7,744	Trading Operations	8,180
193,034		210,942

16. Borrowing

The Council had temporary borrowing of £7m as at 31 March 2010 (£2.5m 31 March 2009), the borrowing was predominantly as a result of the timing difference in the Council incurring expenditure before it received external funding.

17. Insurance Provision

The Council does not have an Insurance Provision.

18. Analysis of Debtors

2008/09		2009/10
£000		£000
2,124	Sundry debtors	2,232
2,606	Government departments	2,596
579	Other local authorities	166
251	Council taxpayers	263
455	Housing tenants	463
812	Prepayments	501
62	Loans to employees	98
6,889		6,319
(1,280)	Less Provision for Bad Debts	(1,479)
5,609		4,840

E. NOTES TO THE CORE FINANCIAL STATEMENTS

19. Details of movement in the year for each class of provision

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

	Balance at 01-Apr-09	Written Off / (On)	Contribution (to)/ from Bad Debts	Balance at 31-Mar-10
	£000	£000	£000	£000
Provisions for Bad Debts				
Council taxpayers	(133)	138	(157)	(152)
Housing tenants (GF)	0	2	(118)	(116)
Housing tenants (HRA)	(290)	53	(65)	(302)
Housing benefits	(479)	45	(100)	(534)
Other	(378)	6	(3)	(375)
Total Provision for Bad Debts	(1,280)	244	(443)	(1,479)

20. Analysis of Creditors

2008/09		2009/10
£000		£000
1,263	Sundry creditors	829
4,891	Government departments	818
846	Other local authorities	525
97	Council taxpayers	95
75	Council Tenants	88
301	Receipts in Advance	417
7,473		2,772

21. Details of movements in reserves

Analysis of Revaluation Reserve movements between General Fund and HRA

	GF	HRA	Total
	£000	£000	£000
Balance at 01/04/09	(3,413)	(94)	(3,507)
Revaluation adjustments	(3,893)	(15,430)	(19,323)
Historical cost adjustment	84	286	370
Impairments	0	0	0
Realised Revaluations	257	44	301
Balance at 31/03/10	(6,965)	(15,194)	(22,159)

E. NOTES TO THE CORE FINANCIAL STATEMENTS

Analysis of Capital Adjustment Account movements between General Fund and HRA

	GF	HRA	Total
	£000	£000	£000
Balance at 01/04/09	(16,435)	(149,600)	(166,035)
Impairments	2,539	580	3,119
Depreciation	1,823	2,216	4,039
Historical Cost Adjustment	(84)	(286)	(370)
MRP	1	0	1
Write down of deferred charges	994	0	994
Financing of the capital programme	(184)	(2,408)	(2,592)
Disposal of Fixed Assets	318	406	724
Amortisation of Grants Deferred	(1,793)	(11)	(1,804)
Realised Revaluations	(257)	(44)	(301)
Balance at 31/03/10	(13,078)	(149,147)	(162,225)

Analysis of Reserves

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice and others have been set up voluntarily to earmark resources for future spending plans.

Reserve	Balance 01-Apr-09 £000	Net in Year Movement £000	Balance 31-Mar-10 £000	Purpose of Reserve
Revaluation Reserve	3,506	18,653	22,159	Revaluation gains on fixed assets not yet realised through sales.
Financial Instruments Adjustment Account	(415)	191	(224)	Account is required to facilitate the accounting entries needed with regard to Financial Instruments eg soft loans.
Capital Adjustment Account	166,035	(3,810)	162,225	Store of capital resources set aside to meet past expenditure.
Usable Capital Receipts	0	11	11	Proceeds of fixed asset sales available to meet future capital investment.
Pensions Reserve	(25,135)	(23,053)	(48,188)	Balancing account to allow inclusion of Pensions liability in the Balance Sheet
Major Repairs Reserve	0	0	0	Resources available to meet capital investment in Council Housing.
General Fund	1,361	23	1,384	Resources available to meet future running costs for non-housing services.

E. NOTES TO THE CORE FINANCIAL STATEMENTS

Reserve	Balance 01-Apr-09 £000	Net in Year Movement £000	Balance 31-Mar-10 £000	Purpose of Reserve
Collection Fund Adjustment Account	163	(92)	71	Balance represents those resources available to KBC from its Council Tax Payers.
Housing Revenue Account	105	200	305	Resources available to meet future running costs for Council Houses.
Earmarked Reserves	4,156	199	4,355	These represent resources set aside for specific activities for future financial periods. Individual reserves and balances are detailed in Note 26.
Deferred Credits	32	(10)	22	This represents the balance of outstanding mortgage principal.
Total	149,808	(7,688)	142,120	

22. Analysis of Earmarked Reserves

	Opening Balance £000	Trans to Reserves £000	Transfers fm Reserves £000	Closing Balance £000
Planning	35	0	0	35
Economic Develop. & Regeneration	3,186	55	0	3,241
Organisational Development	225	193	0	418
Kettering Borough Trainers	235	0	100	135
Healthy Living Centre	17	0	0	17
Licensing	22	0	0	22
Community Projects / Street Scene	30	0	0	30
Housing Act Advances	11	0	0	11
Mercury Abatement	212	90	0	302
Ward Initiatives	13	3	0	16
DWP Reserve	20	0	0	20
Burton Wold Wind Farm Reserve	45	13	0	58
Choice Based Lettings	105	0	105	0
Elections Reserve	0	50	0	50
Total	4,156	404	205	4,355

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 (eg appeals).

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. To date, it has been funded from the national Local Area Business Growth Incentive scheme.

E. NOTES TO THE CORE FINANCIAL STATEMENTS

Organisational Development

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

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.

Community Projects & Street Scene Reserve

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

Housing Act Advances Reserve

Holds fund relating to Council mortgages.

Mercury Abatement

The Mercury Abatement reserve is to be used to fund future capital investment.

Ward Initiative Reserve

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

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.

Choice Based Lettings Reserve

This reflects grant income that will be used in future years to fund Choice Based Lettings.

Elections Reserve

Reserve to provide resources to fund future local elections.

23. Contingent Liability / Assets

The following contingent liability has been disclosed.

At the 31st March 2010 the Council has not undertaken a Single Status review. Irrespective of this the Council has assessed that it has a low risk exposure to potential claims but has previously set aside money in its Organisational Development Reserve to protect the Council's position.

Additionally, in accordance with *FRS 12 Provisions, Contingent Liabilities and Contingent Assets* the Council does believe that a further disclosure is required regarding a contingent asset.

The Authority 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 simple interest claim is for c.£440,000 but is subject to further case law, EU review and HMRC negotiations. No claims have been paid as at 31st March 2010, however one area relating to Leisure Services has been rejected by HMRC, however an appeal against this decision has been made and as such the £440,000 original claim remains unchanged.

24. Date Statement of Accounts were issued

The Statement of Accounts were issued for approval to Council on 30 June 2010.

25. Details of material events

There are no material events post balance events which require separate disclosure.

E. NOTES TO THE CORE FINANCIAL STATEMENTS

26. Pensions Statement

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

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

Transactions relating to retirement benefits.

We recognise the cost of retirement benefits in the 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 in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

	Local Government Pension Scheme	
Income & Expenditure Account	2009/10 £'000	2008/09 £'000
Net Cost of Services:		
Current Service Cost	1,236	1,987
Past Service Costs	0	170
Net Operating Expenditure:		
Interest Cost	4,203	4,403
Expected Return on Scheme Assets	(2,331)	(3,242)
Losses/(Gains) on Curtailments and Settlements	0	89
Net Charge to the Income & Expenditure Account	3,108	3,407

	Local Government Pension Scheme	
Statement of Movement on the General Fund Balance	2009/10 £'000	2008/09 £'000
Reversal of net charges made for retirement benefits in accordance with FRS 17	3,108	3,407
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>		
Employers' contribution payable to the scheme and benefits payable to pensioners.	(2,358)	(2,295)

E. NOTES TO THE CORE FINANCIAL STATEMENTS

In addition to the recognised gains and losses included in the Income & Expenditure Account, actuarial losses of £22,302k were included in the Statement of Total Recognised Gains and Losses.

	Local Government Pension Scheme	
	2009/10	2008/09
	£'000	£'000
Assets and Liabilities in Relation to Retirement Benefits		
Reconciliation of present value of the scheme liabilities		
1 April	61,114	71,834
Current Service Costs	1,236	1,987
Interest Cost	4,203	4,403
Contributions by scheme participants	692	708
Actuarial (Gains) and Losses	33,535	(15,828)
Losses/(Gains) on Curtailments	0	89
Benefits Paid	(2,210)	(2,128)
Estimated Unfunded Benefits Paid	(118)	(121)
Past Service Costs/(Gains)	0	170
31 March	98,452	61,114

	Local Government Pension Scheme	
	2009/10	2008/09
	£'000	£'000
Reconciliation of fair value of the scheme assets		
1 April	35,979	45,008
Expected Rate of Return	2,332	3,242
Actuarial (Gains) and Losses	11,020	(13,210)
Employer Contributions	2,451	2,359
Contributions by Scheme Participants	692	708
Benefits Paid	(2,210)	(2,128)
Unfunded Benefits Paid	(118)	(121)
Contributions in Respect of Unfunded Benefits	118	121
31 March	50,264	35,979

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 return experienced in the respective markets.

The actual return on scheme assets in the year was £13,352k (2008/09 -£10,006k).

Scheme History	2005/06	2006/07	2007/08	2008/09	2009/10
	£'000	£'000	£'000	£'000	£'000
Present Value of Liabilities in the Local Government Pension Scheme	(65,046)	(65,609)	(71,834)	(61,114)	(98,452)
Fair Value of Assets in the Local Government Pension Scheme	45,728	48,572	45,008	35,979	50,264
Surplus/(Deficit) in the Scheme	(19,318)	(17,037)	(26,826)	(25,135)	(48,188)

The assessed scheme deficit has increased to £48.188m in 2009/10 (£25.135m in 2008/09)

E. NOTES TO THE CORE FINANCIAL STATEMENTS

as a result of the need to recognise the deficit on the pension fund in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary, in future scheme reviews.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2011 is £2.280m.

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 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 2007.

The principal assumptions used by the actuary have been:

	2009/10 Exp Rate of Return	2008/09 Exp Rate of Return
Long-Term expected Rate of Return on Assets in the Scheme	% p.a	% p.a
Equities	7.8	7.0
Bonds	5.0	5.4
Property	5.8	4.9
Cash	4.8	4.0
The inflation assumption	3.8	3.1
The rate of increase in salaries	5.3	4.6
The rate of increase for pensions	3.8	3.1
The rate used to discount scheme liabilities	5.5	6.9
Mortality Assumptions		
Longevity at 65 for current pensioners	Years	Years
Men	20.8	21.1
Women	24.1	24.0
Longevity at 65 for future pensioners		
Men	22.3	22.2
Women	25.7	25.0

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

	2009/10 Exp Rate of Return	2008/09 Exp Rate of Return
	% p.a	% p.a
Equities	76.0	70.0
Bonds	16.0	19.0
Property	6.0	7.0
Cash	2.0	4.0
Total	100.0	100.0

E. NOTES TO THE CORE FINANCIAL STATEMENTS

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pension Reserve in 2009/10 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2010.

Scheme History	2005/06 %	2006/07 %	2007/08 %	2008/09 %	2009/10 %
Difference between the expected and actual return and actual return on assets	14.1	(1.1)	(13.0)	44.0	(66.7)
Experience Gains and Losses on Liabilities	(1.9)	0.0	(0.5)	(21.6)	11.2

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.

27. Reconciliation Revenue Activities Net Cash Flow to the Surplus / Deficit on the Income & Expenditure Accounts

2008/09		2009/10	
£000		£000	£000
	(Surplus)/deficit for the year		
45,693	Income & Expenditure Account	4,710	
38,275	Housing Revenue Account	(241)	
139	Collection Fund	92	
84,107			4,561
	Non-Cash Transactions		
(3,407)	Net Charges from Retirement Benefits	(3,108)	
2,295	Appropriation (to)/from Pension Asset/Liability Acct.	2,358	
0	Net (loss) / gain on sale of Fixed Assets	(168)	
(319)	Pooling of Capital Receipts	(452)	
(449)	Amortisation of Intangible Fixed Assets	(622)	
(44,076)	Depreciation & Impairment of Fixed Assets	(4,320)	
(37,951)	Impairment of Fixed Assets in HRA	(580)	
(1,692)	Write down of Deferred Charges	(994)	
(2,526)	Depreciation in HRA equivalent to MRR received	(2,216)	
1,817	Amortisation of Government Grants	1,805	
0	Amortisation of Government Grants - HRA	11	
0	Soft Loan reversal	39	
27	Unattached Capital Receipts	24	
(86,281)			(8,223)
	Items Classified elsewhere in the Cash Flow Statement		
(968)	Council Tax/NNDR Agent activities other liquid resources	(6,485)	
235	Add: Interest received	17	
(5)	Less: Interest paid	(4)	
(738)			(6,472)
	Items Accrued		
442	Increase/(decrease) of stock & provisions	(189)	
(2,633)	Increase/(decrease) in debtors & creditors	4,847	
(2,191)			4,658
(5,103)	Revenue Activities Net Cash Flow		(5,476)

E. NOTES TO THE CORE FINANCIAL STATEMENTS

28. Analysis of Change in Net Funds

From Balance Sheet	Balance 31-Mar-09	Cash Flows	Balance 31-Mar-10
	£000	£000	£000
Cash at Bank	1,133	(637)	496
Short Term Borrowing	(2,500)	(4,500)	(7,000)
Short Term Investments	9	(4)	5
	(1,358)	(5,141)	(6,499)

29. Reconciliation of Net Cash Flow movements to movement in Net Funds

	£000	£000
Increase/(decrease) in cash for period	(637)	
Cash inflow/(outflow) from Short Term Borrowing	(4)	
Cash inflow/(outflow) from Long Term Borrowing	0	
Cash inflow/(outflow) from Short Term Investments	0	
Cash inflow/(outflow) from Short Term Investments	(4,500)	
Change in Net Funds		(5,141)
As at 31 March 2009		(1,358)
As at 31 March 2010		(6,499)

30. Analysis of government grants shown in the Cash Flow Statement

2008/09		2009/10
£000		£000
(587)	Housing/Council Tax benefit administration	(664)
(39)	Food Standards Agency	0
(232)	Concessionary Travel	(232)
(569)	Housing Planning Delivery Grant	(706)
(115)	NDR Collection costs	(116)
(105)	Choice Based Lettings	0
(360)	Local Authority Business Growth Incentives	(55)
(720)	Learning Skills Council	(574)
(70)	Grant for Youth Projects	(89)
(48)	Homelessness - ODPM	(81)
(268)	Lottery Funding	(167)
(95)	Trailblazers	(225)
(234)	Supporting People	(50)
0	Playrangers Contribution	(92)
0	Leisure Swim Grant	(85)
0	Activity Referral Grant	(24)
0	Nsport Contribution	(27)
0	Police Funding Projects	(40)
0	Carious Projects	(33)
0	Recession Support Grant	(29)
0	Area Based Grants	(23)
(133)	Other Revenue Grants	(79)
(3,575)	Net Cash (In)/outflow	(3,391)

E. NOTES TO THE CORE FINANCIAL STATEMENTS

31. Liquid Resources

The Council's policy with regard to what it defines as liquid resources as opposed to cash is that liquid resources mainly covers those financial instruments that are defined as cash equivalents. These are defined as short term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk or change in value.

In addition the Authority's agency transactions associated with Council Tax precepts / receipts and NNDR payments / receipts to the National Pool are now shown in this section as per new guidance.

32. Financial Instruments Disclosures

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

From Balance Sheet	Current 31-Mar-09	Total 31-Mar-09	Current 31-Mar-10	Total 31-Mar-10
	£000	£000	£000	£000
Financial Liabilities	2,500	2,500	7,000	7,000
Total Borrowings	2,500	2,500	7,000	7,000
Loans and Receivables	9	9	5	5
Total Investments	9	9	5	5

All borrowings were short-term temporary borrowing taken out at the year-end.

Investments reflect short-term deposits.

Servicing of Debt

In 2009/10 the average interest rate incurred on borrowing by the Authority was 0.71% (2008/09 was 2.53%). The interest rate charged to the Housing Revenue Account was 0.86% (2008/09 5.36%).

Gains/Losses of Financial Instruments

There were no gains/losses recognised in the Income and Expenditure Account and Statement of Total Recognised Gains and Losses 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 KBC. On the grounds of materiality no fair value adjustments were undertaken on debtors that are due in more than 12 months.

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.

E. NOTES TO THE CORE FINANCIAL STATEMENTS

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. The procedures for risk management are set out in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

1. By formally adopting the requirements of the Code of Practice;
2. By approving annually in advance prudential indicators for the following three years limiting:
 - The Council's overall borrowing
 - It's maximum and minimum exposures to fixed and variable rates;
 - It's maximum and minimum exposures for the maturity structure of its debt;
 - It's maximum annual exposure to investments maturing beyond a year.
3. By approving an investment strategy for the forthcoming year settling out it's criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

These are required to be reported and approved at or before the Council's annual Council Tax setting budget meeting. These items are reported with the annual treasury management strategy, which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported annually to Members.

Credit Risk

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

This states that the Council's overall investment priorities are security of capital and liquidity of its investments.

	Minimum 'High' Credit Criteria – Based on Sector Creditworthiness policy
Term Deposits - UK Government	-
Term Deposits - Other LA's	-
Term Deposits - Banks and Building Societies	Purple 2 years Blue 1 year Orange 1 year Red 6 months Green 3 months
Money Market Funds	AAA

The Council uses Sector's Creditworthiness Service to derive its counterparty criteria. This service uses a modelling approach with credit ratings from all three major rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element.

E. NOTES TO THE CORE FINANCIAL STATEMENTS

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.

	Principal Amount 31-Mar-10	Historical experience of default	Adjustment for Market conditions 31-Mar-10	Estimated maximum exposure to default
	£000	%	%	£000
Deposits with Banks & financial institutions	5	0.0000	0.0000	0
Sundry Debtors	5,300	0.0547	0.0000	290
Total	5,305			290

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 relations to deposits.

Liquidity Risk

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.

The Council manages its liquidity position through risk management procedures as well as through cash flow management procedures required by the Code of Practice.

Refinancing and Maturity Risk

The Council does not maintain a significant 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 approved prudential indicator limits dictate the levels at which the Council may borrow.

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 Income and Expenditure Account 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 Income and Expenditure Account will rise;
- Investments at fixed rates - the fair value of the assets will fall.

Due to the short term 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 Income and Expenditure Account or Statement of Total Recognised Gains and Losses. Changes in interest payable and receivable on variable rate borrowing and investments will be posted to the 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 Statement of Total Recognised Gains and Losses, unless they have been designated as fair value through the 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 CORE FINANCIAL STATEMENTS

Price Risk

The Council, excluding the pension fund, does not generally invest in equity shares or manage an equity portfolio.

Foreign Exchange Risk

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

F1. HOUSING REVENUE INCOME & EXPENDITURE ACCOUNT

Net Expenditure 2008/09		Net Expenditure 2009/10	Note Ref
£000		£000	
	<u>INCOME</u>		
11,503	Dwelling rents	11,910	
461	Charges for services and facilities	441	
0	Reduction in Provision for Bad Debts	0	
11,964	Total Income	12,351	
	<u>EXPENDITURE</u>		
3,287	Repairs and maintenance	3,078	
2,831	Supervision and management	2,669	
23	Rent, rates, taxes and other charges	18	
2,980	Negative HRA subsidy payable	3,334	6
40,477	Depreciation & Impairment of fixed assets	2,796	5
152	Increased provision for bad/doubtful debts	73	
49,750	Total Expenditure	11,968	
37,786	Net Cost of HRA Services	(383)	
95	HRA Share of Corporate and Democratic Core	95	
0	HRA Share of other whole authority costs	0	
37,881	Net Cost of HRA Services	(288)	
0	(Gain) or loss on sale of HRA Fixed Assets	(150)	
248	Interest Payable	50	
203	Amortised premiums and discounts	152	
(57)	HRA Interest and investment income	(5)	
394	Total Appropriations	47	
38,275	Deficit / (Surplus) for the Year	(241)	

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

The significant deficit on the 2008/09 HRA Income and Expenditure Account primarily relates to impairments (asset devaluations) of £37.951m being recognised in 2008/09. This amount is reversed out within Impairment of Fixed Assets in the Note to the Statement of Movement on the HRA Balance in the Note to the Statement of Movement on the HRA Balance, having a nil impact on the bottom line balance. This transaction recognises the reduction in the market value of Council Dwellings and is reflective of the current economic position.

F1. HOUSING REVENUE INCOME & EXPENDITURE ACCOUNT STATEMENT OF MOVEMENT ON THE HRA BALANCE

Net Expenditure 2008/09		Net Expenditure 2009/10	Note Ref
£000 38,275	(Surplus) or Deficit for year on HRA I&E	£000 (241)	
(38,081)	Net additional amount debited or (credited) to the HRA Balance for the year	41	
194	(Increase) or decrease in HRA Balance	(200)	
(299)	Balance on HRA brought forward	(105)	
(105)	Balance on HRA carried forward	(305)	

NOTE TO STATEMENT OF MOVEMENT ON THE HRA BALANCE

Net Expenditure 2008/09		Net Expenditure 2009/10	Note Ref
£000		£000	
	Items included in HRA I&E account but excluded from movement on the HRA balance		
0	(Gain) or loss on sale of HRA Fixed Assets	150	
0	Government Grants Deferred Amortisation	11	
(37,951)	Impairment of Fixed Assets	(580)	
(274)	Net Charges made for retirement benefits in accordance with FRS 17	(88)	8
(38,225)	(Increase) or decrease in HRA Balance	(507)	
	Items not included in the HRA I & E account but included in the movement on HRA balance		
(152)	Transfer to/(From) Major Repairs Reserve	193	3
321	Employer's contributions payable to the Pension Fund	355	8
(25)	Appropriation to/ from Public Utility Reserve	0	
144		548	
(38,081)	Net amount to be credited to the HRA Balance	41	

F1. HOUSING REVENUE ACCOUNT NOTES

1. Housing Stock

- a) At 31 March 2010, the Council was responsible for managing 3,812 units of accommodation these are summarised in the table below:

Type of Property	Number of Bedrooms				Total
	One	Two	Three	Four +	
Flats-Low Rise	726	473	4	0	1,203
Flats-Medium Rise	220	116	32	0	368
Flats-High Rise	0	0	0	0	0
Houses	17	491	1,225	33	1,766
Bungalows	193	280	2	0	475
Total	1,156	1,360	1,263	33	3,812

- b) The movement in Housing stock in 2009/10 can be summarised as follows:

	Stock at 01/04/09	Stock movements			Stock at 31/03/10
		Sales	Transfers	Adjusted	
Flats	1,573	(2)	0	0	1,571
Houses	1,773	(7)	0	0	1,766
Bungalows	475	0	0	0	475
Total	3,821	(9)	0	0	3,812

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

2008/09	Balance Sheet Value	2009/10
£000		£000
151,613	Operational assets	166,024
336	- dwellings	331
7	- other land and buildings	7
	- infrastructure	
151,956	Total Operational assets	166,362
18	Non operational assets	18
14	Intangible assets	9
151,988	Total	166,389

2. Vacant Possession Value

The vacant possession value of dwellings within the HRA as at 1 April 10 was £333m. For the balance sheet, the figure has been reduced to 50% i.e. £166.5m. This shows the economic cost to Government of providing Council housing at less than open market rents.

F1. HOUSING REVENUE ACCOUNT NOTES

3. Major Repairs Reserve

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

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 2009/10 and 2008/09 are detailed below:

2008/09	Major Repairs Reserve	2009/10
£000		£000
0	Balance at 1 April	0
2,526	Depreciation - council dwellings	2,216
(152)	Depreciation adjustment to agree to MRA	193
(2,374)	Amount used to finance capital expenditure	(2,409)
0	Balance at 31 March	0

4. Capital Expenditure, Financing and Receipts

- a) A summary of Housing Revenue Account capital expenditure and how it was financed in 2009/10 and 2008/09 is shown below:

2008/09	HRA Capital expenditure and financing	2009/10
£000	Expenditure	£000
3,034	Dwellings	2,172
93	Other Expenditure	257
3,127	Total Expenditure	2,429
	Financing	
2,374	Major Repairs Reserve	2,409
0	Grant	11
753	External Borrowing	9
3,127	Total Financing	2,429

- b) Housing capital receipts in 2009/10 and 2008/09 were as follows:

2008/09	Housing capital receipts	2009/10
£000		£000
363	Dwelling sales	129
0	Land sales	0
363	Total	129

F1. HOUSING REVENUE ACCOUNT NOTES

5. Depreciation and Impairment of Fixed Assets

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

2008/09	Depreciation	2009/10
£000		£000
2,516	Operational assets	2,206
5	- dwellings	5
	- other buildings	
2,521	Total Operational assets	2,211
5	Intangible Fixed Assets	5
2,526	Total	2,216

- b) The Council's Valuers (Countrywide Surveyors), have advised of the following impairments:

2008/09	Impairments	2009/10
£000		£000
37,951	Operational assets	580
0	- dwellings	0
	- other buildings	
37,951	Total Operational assets	580

6. Housing Subsidy

The Government operates a "subsidy system" in relation to the Housing Revenue Account. It is based upon a notional account representing the Government's assessment of what the Council should be collecting and spending. Details of the subsidy calculation for 2009/10 and 2008/09 are shown below:

2008/09	Housing subsidy	2009/10
£000		£000
167	Prior Year Adjustment	(51)
5,493	Management and Maintenance Allowance	5,677
2,374	Major Repairs Allowance	2,409
576	Charges for Capital	246
8,610		8,281
(11,587)	Notional Rent	(11,613)
(3)	Interest on Receipts	(2)
2,980	Total (Amount Due) / Payable to the Government	3,334

The authority has made payments totalling £13.238m since 2005/06, when as a result of the removal of rent rebates from the HRA the authority was first required to make payments to the government for housing subsidy.

	2005/06	2006/07	2007/08	2008/09	2009/10
	£000	£000	£000	£000	£000
Payments to National Pool	2,081	2,288	2,555	2,980	3,334

F1. HOUSING REVENUE ACCOUNT NOTES

7. Rent Arrears

During 2009/10 rent arrears as a proportion of gross rent income was 3.85%. This represents a slight increase of 0.01% since 2008/09 when the proportion was 3.84%. The figures for rent arrears/advances are detailed below:

2008/09	Rent Arrears	2009/10
£000		£000
455	Gross Rent Arrears at 31 March	463
(75)	Prepayments of Rent	(88)
380	Net Rent Arrears at 31 March	375
290	Provision for bad debts at 31 March	302

8. Pension Costs

The Housing Revenue Account share of the Authority's cost in respect of FRS 17 for 2009/10 amounted to £267k (2008/09 £47k). This represents the difference between current service costs and actual payments.

F2. THE COLLECTION FUND

Income and Expenditure Account

2008/09		2009/10	Note Ref.
£000		£000	
	INCOME		
36,206	Council Tax (net of benefits, discounts and transitional relief)	37,353	4
	Transfers from General Fund		
4,542	- Council Tax benefits	5,344	
31,335	Income collectable from business ratepayers	32,791	1
72,083		75,488	
	EXPENDITURE		
	Precepts and demands:		
29,136	- Northamptonshire County Council	30,559	3
5,443	- Northamptonshire Police Authority	5,742	3
5,773	- Kettering Borough Council	6,105	3
27	- Parish / Town Precepts	31	
	Business Rate		
31,140	- Payments to National Pool	32,415	1
115	- Cost of Collection	116	1
136	Write offs	245	
194	Movement in Provision for Bad and doubtful debts	284	
	Contributions		
1,097	- From previous years Collection Fund surplus	633	5
73,061		76,130	
978	(Surplus)/Deficit in the year	642	
(2,109)	Fund Balance b/f	(1,131)	
(1,131)	Fund Balance c/f	(489)	6

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

F2. 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. The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR pool) managed by Central Government, which in turn pays back to Councils a standard amount per head of the local adult population.

The total non-domestic rateable value as at 31 March 2010 was £74,433,285 (RV in 09/10) the equivalent figure for 31 March 2009 was £71,993,220.

The National Domestic Rate multiplier for 2009/10 was 48.5p, the equivalent figure for 2008/09 was 46.2p. In addition, a small business rate multiplier was introduced in 2006/07 the rate for 2009/10 was 48.1p, the equivalent figure for 2008/09 was 45.8p.

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 2009/10 and 2008/09 is calculated as follows:

2008/09 Band D Equivalents	Band	Estimated number of taxable properties after effect of discounts	Ratio	2009/10 Band D Equivalents
6	A(-)	11	5/9	6
7,121	A	10,742	6/9	7,161
7,774	B	10,071	7/9	7,833
6,111	C	6,967	8/9	6,193
4,233	D	4,310	9/9	4,310
3,096	E	2,533	11/9	3,096
1,647	F	1,156	13/9	1,670
967	G	590	15/9	983
78	H	38	18/9	76
31,033				31,328
558	Non-Collection Provision (1.8%)			564
30,475	Council Tax Base			30,764

F2. NOTES TO THE COLLECTION FUND

3. Precepts and Demands

Northamptonshire County Council and the Police Authority 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 2009/10 and 2008/09 were as follows:

2008/09	Precepts and Demands	2009/10
£000		£000
5,773	Kettering Borough Council	6,105
29,136	Northamptonshire County Council	30,559
5,443	Northamptonshire Police Authority	5,742
40,352	Total Precepts and Demands	42,406

4. Council Tax Income

2008/09	Council Tax Income	2009/10
£000		£000
41,208	Collectable Debit	42,734
	Less:	
(3,493)	Tax Discounts	(3,777)
(1,463)	Tax Exemptions	(1,554)
(46)	Tax Disabled Relief	(50)
36,206	Total Income	37,353

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, Northamptonshire Police Authority and Kettering Borough Council in proportion to the value of the respective precepts and demands made by the three authorities on the Collection Fund. The estimated surpluses were distributed as follows:

2008/09	Collection Fund Surpluses	2009/10
£000		£000
	Payment of surplus:	
793	Northamptonshire County Council	457
147	Northamptonshire Police Authority	85
157	Kettering Borough Council	91
1,097	Total Surplus	633

F2. NOTES TO THE COLLECTION FUND

6 Collection Fund Balance

As a result of the 2006 SORP 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 Northamptonshire Police Authority as creditors where there is a surplus. Previously there was no requirement to disaggregate the Collection Fund Balance.

The surplus at 31 March 2010 was estimated at £39k and was notified to the major preceptors by 15 January which is an annual requirement and is redistributed in the following financial year (2010/11) based on the precepts levied in 2009/10.

In addition the residual value of £450k has been reallocated based on the level of precepts levied for 2010/11, however this value will be dependant on the transactions that occur during 2010/11.

Collection Fund Balance	2009/10	2010/11	Total
	£000	£000	£000
Surplus Balances:			
Northamptonshire County Council	28	324	352
Northamptonshire Police Authority	5	61	66
Kettering Borough Council	6	65	71
Total Surplus	39	450	489

From 1st April 2009 the SORP requires billing authorities 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 NPA) is to be 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 2009/10 attributable to NCC is £352k and £66k to NPA.

In compliance with the SORP the major preceptors share both arrears (net of impairment of bad debts) and advances needs including in the actual sums payable to or from both NCC and NPA. The table below illustrates a total of £325k is due to both NCC and NPA after taking all the adjustments into account.

Collection Fund Balance	KBC	NCC & NPA	Total
	£000	£000	£000
Share of Collection Fund Surplus	71	418	489
Council Tax Arrears	(263)	(1,551)	(1,814)
Council Tax Bad Debts Provision	152	897	1,049
Council Tax Advances	95	561	656
Total	55	325	380

G. 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 Responsible Finance Officer's Responsibilities (Statutory S151 Officer)

The Responsible Finance 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 of Practice').

In preparing this Statement of Accounts, the Responsible Finance Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.

The Responsible Finance 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 presents fairly the position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2010.



Paul Sutton
Responsible Finance Officer

Date - 22 June 2010

Councillor Shirley Lynch
Mayor of Kettering Borough Council

Date - 30 June 2010

H. ANNUAL GOVERNANCE STATEMENT

KETTERING BOROUGH COUNCIL

ANNUAL GOVERNANCE STATEMENT (2009/10)

Statutory Requirements

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

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, and used economically, efficiently and effectively. Kettering Borough 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, Kettering Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of Kettering Borough Council's functions, which includes arrangements for the management of risk. The Council's Annual Governance Statement (AGS) has been prepared by the Responsible Finance Officer and reviewed by the Council's Corporate Governance Group and Consortium Audit before being approved by the Monitoring and Audit Committee.

Kettering Borough 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 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 Authority to monitor the achievement of its strategic objectives of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Kettering Borough Council's policies aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The governance framework has been in place at Kettering Borough Council for the year ended 31 March 2010 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. *Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area.*

The Council has a clear set of objectives that are grouped into four themes - (http://www.kettering.gov.uk/site/scripts/documents_info.php?categoryID=3340&documentID=368). These are clearly shown in the Council's Corporate Plan; and then feed through into detailed actions / resource allocations in Service Plans; (http://www.kettering.gov.uk/site/scripts/documents_info.php?categoryID=3340&documentID=989) and the Budget Book (http://www.kettering.gov.uk/site/scripts/download_info.php?fileID=3789).

Each year the Council undertakes extensive consultation as part of its budget process. This includes specific consultation events out in the community in addition to an extended period of formal consultation through the committee and scrutiny process. The Council has a clear set of 'guiding principles' that govern its medium term financial strategy (http://www.kettering.gov.uk/downloads/Medium_Term_Financial_Strategy.doc) and these are discussed at the beginning of each budget round. The Council also has adopted a supplementary set of 'modelling for recovery' principles specifically aimed at encouraging investment in the borough through the current more difficult economic times (http://www.kettering.gov.uk/downloads/11_Budget_and_Medium_Term_Financial_Policy.doc) – these are specifically aimed at ensuring that local communities and services provided to them reflect their needs at the current time. The Council's decision making process ensures that when members take decisions, they are fully aware of the community impacts of decisions through the consideration of professional officer advice.

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). For example, the Corporate Plan was discussed by the Residents Panel, all three Geographical Forums, both Scrutiny Committees, the Executive and Full Council prior to being approved. The Council's statutory Officers have an input into all reports that are considered by the Scrutiny, Executive or Full Council to ensure that any issues of Governance are considered and either addressed or highlighted.

To minimise the impact of service failure the Council has a comprehensive performance management system in place. Each month all service units have a performance clinic with Senior Management Team that concentrates on four elements – performance indicators, financial monitoring, key projects and managing sickness. Each quarter a comprehensive key performance booklet is produced that summarises all the performance clinic data and that from key corporate projects – this is available for all staff and all Members and is discussed at every meeting of the Monitoring and Audit Committee (http://www.kettering.gov.uk/site/scripts/meetings_info.php?meetingID=778). Members of the Executive also discuss performance data with the Senior Management Team on a monthly basis. The Executive Committee also now receive a monthly report on the Council's budget position and the key budget 'drivers', effectively enhancing the Councils monitoring arrangements.

H. ANNUAL GOVERNANCE STATEMENT

The Council has a well established and robust system of dealing with complaints- (http://www.kettering.gov.uk/site/scripts/documents_info.php?categoryID=459&documentID=193). The Council has close contact with many of its customers through its customer service centres in Kettering and the three major A6 towns.

2. *Members and Officers working together to achieve a common purpose with clearly defined functions and roles.*

Following the implementation of the Local Government Act 2000, the Council introduced a model Constitution. This has since been the subject of ongoing review through Member task and finish groups. The Constitution was last formally reviewed during 2007/08 and it clearly includes all the necessary elements to promote good corporate governance, and good working arrangements between Officers and Members.

The local Government and Public Involvement in Health Act 2007 introduced changes to the statutory models of governance within local authorities. The Council must grant an appropriate resolution in relation to this by the end of 2010 and to this end a consultation process has recently commenced.

The Constitution clearly 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 (http://www.kettering.gov.uk/site/scripts/documents_info.php?categoryID=3088&documentID=270).

This includes the Officer / Member Protocol, Staff Code of Conduct – both of which clearly outlines acceptable behaviour and lays down guidance for dealing with non-compliance. Outside of this system the Council operates a confidential ‘Whistle-Blowing’ policy. It also includes specific references to the terms of reference for specific committees, and delegated Authority that is granted either to committees or individual Officers so that business decisions can be made effectively.

Members’ role in monitoring service delivery can be illustrated by the use of the key performance booklet, the allocation of portfolio’s around Executive members and the consideration of external audit reports by Monitoring and Audit Committee.

The Constitution clearly provides for Members taking decisions in the political arena (based on impartial officer advice) and officers providing professional advice and managing the day to day operations of the organisation to ensure service delivery priorities are achieved.

3. *Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.*

The Council Constitution clearly sets out a Member code of conduct and the terms of reference for the Standards Committee

(http://www.kettering.gov.uk/site/scripts/documents_info.php?categoryID=3088&documentID=270).

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 Employee Code of Conduct. Standards are promoted in the induction training for both officers and members. The Standards Committee monitors members compliance with

H. ANNUAL GOVERNANCE STATEMENT

the Code of Conduct and will investigate complaints of misconduct, taking reports and advice from the Authority's Monitoring Officer.

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

The Council has two scrutiny committees – one is effectively 'forward looking' (Research & Development Committee – changed as a result of the recent constitutional review), and one looks 'backward' at performance and audit based issues (Monitoring and Audit). Their terms of reference are contained in the Constitution and can be found at (http://www.kettering.gov.uk/site/scripts/documents_info.php?categoryID=3088&documentID=270)

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 and inspection letter).

The Council has embedded risk management into its everyday management activity through its performance management arrangements and this also includes its ongoing Member and officer training programmes. During 2009/10 the Council has reviewed its risk management and business continuity arrangements with assistance from the Council's insurers. The Council's Service Plans now have more information about risk management in specific service areas and the Council's Executive receive monthly reports on two areas that have higher risk exposure – these being the delivery of the 'suite 16' projects and 'maintaining a durable budget position'.

Member decision making takes place after the proper consideration of officer reports and advice including professional advice being given at Committee meetings and Council. Where appropriate, things being considered at Scrutiny or Standards Committee.

5. *Developing the capacity and capability of Members and Officers to be effective.*

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

At Member level, induction training / regular Member information sessions / training for committee chairs takes place and in addition the Council has been awarded the Member Development Charter for its Member training and development arrangements (this will be the subject of re-accreditation later in 2010).

At officer level, the Council continues to benefit from achieving the Investors in People award and has a comprehensive system of performance and development reviews, training programmes and support for professional staff to maintain their continuing professional development requirements.

The Council's ambitious programme of 'suite 16' projects together with the 'modelling for recovery' principles will require a continued commitment from the Council in terms of member and officer capability and capacity.

H. ANNUAL GOVERNANCE STATEMENT

6. Engaging with local people and other stakeholders to ensure robust public accountability.

As previously outlined in section 1, the Council uses a number of different mechanisms for consultations and clear communication with residents, which include individual consultation meetings, residents' panel, tenants' forum, geographical forums, Customer Service Centres in each of the A6 towns, leaflets, use of displays and screens within the Council buildings and manning a shop unit within the Town Centre promoting and encouraging feedback from residents with regard to environmentally and budgetary issues. There continues to also be a mystery shopper undertaken periodically.

The scrutiny arrangements through the use of rolling work programmes and task and finish groups provide for additional scrutiny and stakeholder involvement. The Council is also part of the PSB board, the MKSM board and Kettering also has its own LSP.

As outlined in Annex 1, the Council appoints Members onto outside bodies and partnerships through an annual decision process at full Council. This is reviewed annually and advised upon by the Council's Monitoring Officer.

Furthermore, the Council's now established newsletter (Voice) is sent to every household within the borough on a quarterly basis – this ensures consistent and accurate information is provided to residents and highlights the issues the Authority is wishing to promote, introduce and consult upon.

A more detailed analysis of how the Council meets each of the above principles is contained in Annex 1.

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 Authority who have responsibility for the development and maintenance of the governance environment, and also by comments made by the external auditors. Consortium Audit, the Council's internal audit provider, has assessed the Council's system of internal control as providing a 'SUBSTANTIAL' level of assurance based on the work undertaken during 2009/10.

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 two Scrutiny Committees perform the overview and scrutiny role in relation to all matters relating to the governance of the Council, including review of the Constitution, its political arrangements and rules of procedure. The Monitoring and Audit Committee approve the annual audit plans, and receive external and internal audit reports including the annual audit letter and the review of the effectiveness of internal audit. The Research and Development Committee performs an overview of the Council's annual budget, medium term financial strategy, BVPP, HIP, Community Plan, planning policies and the crime and disorder reduction strategy.

H. ANNUAL GOVERNANCE STATEMENT

Consortium Audit – a consortium arrangement between Kettering and Wellingborough Councils provides a full internal audit service for Kettering Borough Council, reporting to management on the adequacy of system controls and where necessary making recommendations for improvement. An audit report is produced following each completed audit and is 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 accountable 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.

The Council's Corporate Governance arrangements include clearly defined roles and responsibilities within the Constitution for 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 Officer and Responsible Finance Officer meet monthly as part of the Council's Corporate Governance Group, which is the operational mechanism for monitoring Governance related issues.

The Council's Constitution includes Standing Orders and Financial Regulations. All proposals of a significant nature are assessed for legality and financial impact prior to a decision being made. Mechanisms are in place to ensure that the Council implements new legislation through the preparation of action plans.

The overall assurance framework (as detailed previously in this statement) clearly includes – Members / Senior and Corporate Management / Internal and External Audit.

The following table outlines the key elements / roles;

KEY ROLES & RESPONSIBILITIES	
Body:	Comments:
Internal Audit (via the Consortium Audit arrangements)	<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 and inspection based upon the agreed audit plan for the year (to meet statutory requirements).</p> <p>The resultant Annual Audit & Inspection Letter identifies any areas of internal control that require action together with identifying any continuing trends from the previous year.</p> <p>Provides an audit opinion on the Council's Accounts. Provides a report on the certification of grants and returns. Provides a Financial Statement Audit Plan.</p>

H. ANNUAL GOVERNANCE STATEMENT

<p>Management Team:</p> <p>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:</p> <p>Head of Paid Service</p> <p>Monitoring Officer</p> <p>Responsible Finance Officer</p>	<p>The Council's Chief Executive is the Authority'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>
<p>Committee / Member Arrangements:</p> <p>Full Council</p> <p>Executive Committee</p> <p>Monitoring & Audit Committee</p> <p>Standards Committee</p> <p>Research & Development Committee</p>	<p>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.</p> <p>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).</p> <p>Receives monitoring information on the work of internal audit (and any significant issues), Key performance information (incl. financial), the Annual Audit & Inspection Letter, and the Audit Plan.</p> <p>Responsible for things such as the Council's 'whistle blowing policy', Member and Officer protocols and Conduct.</p> <p>Performs an overview and scrutiny role in relation to the Council's annual budget, medium term financial strategy, BVPP, planning policies, community plan, HIP and crime and disorder reduction strategy.</p>

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

H. ANNUAL GOVERNANCE STATEMENT

Significant Governance Issues

In the Council's Internal Audit report for 2009/10 an overall 'SUBSTANTIAL' 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 consequently a low exposure to business risk. The Council continues to address control weaknesses identified during audits and good progress is being made in the implementation of recommendations.

The exceptions and reservations highlighted below have been, or will be, addressed through the actions detailed. However, the areas highlighted are not considered to have such an effect as to affect the substantial level of assurance.

Area Highlighted	Issues	Actions
Payroll IT Application Controls	Prior to an upgrade of the existing Pyramid system, testing of all functionality should be satisfactory to limit the risk of staff being paid incorrectly.	Problems have been experienced with a number of upgrades making officers reluctant to implement newer versions of software. Work continues to resolve this. Responsible Officer: Head of Finance
Disabled Facilities Grants (DFG)	Papworth Trust Care and Repair (PTCR) must ask for 3 quotes when procuring work for KBC in line with Contract Procedure rules. PTCR must improve procedures for selecting contractors. Re-approval of grant amounts must be agreed by authorised KBC staff. DFG expenditure guidelines must be adhered to. Where additional work is needed, 3 quotes are required and must be authorised by KBC staff. Reconciliations between the Agresso & FLARE systems must be completed monthly Monthly management information relating to DFG's does not allow for accurate monitoring.	A letter will be written to PTCR outlining the necessity for 3 quotes to be obtained at all times. To be included in above letter. Authorised staff list with approval limits to be updated. This will similarly be introduced in the new guidelines. Evidence will be required to support the request for additional work. Agreed. The implementation of regular reconciliations will be introduced. Management information needs to be improved new reports prepared, which enable timely and accurate monitoring.

H. ANNUAL GOVERNANCE STATEMENT

	<p>Partnering agencies including NCC and Corby Care and Repair are unaware of current risks.</p> <p>Potential fraudulent behaviour by contractors has been identified and the authority should consider involving the Police.</p>	<p>Contractors need to be made aware of our new, robust procedures. Meetings, site visits and improved co-operation and communication is planned. This will ensure everyone associated with this activity is fully converse with the new procedures to be introduced</p> <p>Correspondence with PTCR, the Police and NCC Internal Audit is being considered.</p> <p>Responsible Officer: Head of Housing Timescale: March 2011.</p>
Museum & Art Gallery	<p>Update and review values for all art work once re-valuations have taken place. This ensures for insurance purposes all records match.</p> <p>Control of keys with access to the gallery is improved to ensure insurance conditions are being met.</p> <p>Establish which paintings are owned by KBC compared with those on long term loan, which should be documented, appropriately valued and communicated to Finance.</p> <p>Insurance reviews updated annually.</p>	<p>The All Risks section of Insurance details will be updated, together with full stock takes.</p> <p>A key register will be established, regularly reviewed and maintained.</p> <p>This process ensures KBC assets are accurately maintained. Accession details will be completed in accordance with the Museum Accreditation Action Plan.</p> <p>Discussions with Head of Finance will take place to strengthen annual reviews and ensure compliance with the Council's financial regulations as they relate to assets.</p> <p>Responsible Officer: Head of Community Services Timescale: September 2010.</p>
IT Change Control (0809)	<p>The IT Disaster Recovery Procedure should be formally approved.</p>	<p>The IT Disaster Recovery plan will be presented to SMT for approval.</p> <p>Responsibility Officer: I Strachan Timescale: September 2010.</p>

H. ANNUAL GOVERNANCE STATEMENT

Construction Industry Scheme (0809)	Improvements in ensuring staff that are likely to procure CIS type works are aware of their responsibilities.	E Increased knowledge has been communicated to the Property Managers Group highlighting the CIS requirements. However, regular updates are needed to ensure compliance is adhered to by those procuring the work. Responsible Officer: Head of Finance Timescale: October 2010.
Creditors (0809)	Payment of goods and services where no official order has been raised.	Operationally, some practices have been allowed to continue which limits budgetary control. This is gradually being improved as the service areas where no orders have been present are nonetheless known. There are some instances where no orders are required and it is intended to update the guidance to KBC staff. Responsible Officer: Head of Finance Timescale: June 2010.
Fixed Assets (0809)	Periodic checks in the form of inventories for all assets should be undertaken.	It is agreed that this should be carried out twice yearly. Responsible Officer: Property Services Manager Timescale: September 2010
Payroll (0809)	Consideration should be given to utilizing the permanent change report.	Pyramid has now been set up with this report. Responsible Officer: Head of Finance Timescale: Complete
Sundry Debtors (0809)	Better arrears monitoring is needed. Improved communication with collection agencies and clear payment instructions for customers.	Improved policies will be discussed with service areas. Responsible Officer: Head of Income and Debt Timescale: Ongoing
Anti Fraud & Corruption Follow Up Report	Improved definition of fraud to be included within the Anti Fraud and Corruption Strategy, together with a programme of publicity to increase awareness of fraud prevention works.	Both these recommendations will be included in the Council's draft policy and strategy document that will be submitted to Monitoring and Audit Committee in September 2010. Responsible Officer: Head of Finance Timescale: September 2010.



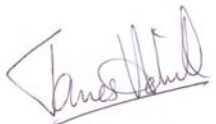
H. ANNUAL GOVERNANCE STATEMENT

Use of Agency Follow Up Report	Given the reliance some service areas have with regard to long-term Agency and Consultancy staff a business case should be considered for each and reviewed every 6 months.	Guidance notes to be produced to assist with the process. Responsible Officer: Head of Human Resources Action: September 2010.
Procurement Follow Up Report	Improved recording of Gas Servicing inspections are needed, together with the issue and awarding of Boiler Maintenance Certificates.	Servicing to be completed within anniversary dates, engaging external contractors to assist in the process as well as recording non-access incidents. Responsible Officer: B Coleman Action: Report findings of new process adopted by August 2010.
Homelessness Follow Up Report	Improved recovery and arrears management for all Rent Assisted Schemes (RAS)	Implementation of improvements has been challenging and a new set of account monitoring processes is being implemented. Responsible Officer: Sue Hottinger Action: July 2010.

The majority of audits completed in 2009/10 gave assurance levels of 'acceptable' or 'substantial.' The only core financial system with a 'limited' level of assurance was IT Application Controls. This has been included as a core financial system for audit purposes in 2009/10 following risk work undertaken for the audit planning process.

Actions will be taken as described above to address the matters raised and further enhance the system of internal control and overall governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

It is our view that as far as possible the Council has established a substantial level of internal control, risk management and Corporate Governance framework on which it will develop and improve. This underpins the way in which Kettering Borough Council delivers its services and relates to its community.

Name	Position	Signature	Date
P Sutton	Responsible Finance Officer		June 2010
D Cook	Chief Executive		June 2010
Cllr J Hakewill	Leader of the Council		June 2010

H. ANNUAL GOVERNANCE STATEMENT

ANNUAL CORPORATE GOVERNANCE STATEMENT 2009/10 – ANNEX 1

1. Focusing on the purpose of the Authority 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 Authority's purpose and vision	Corporate and Service Planning Process Corporate Improvement Plan Individual Service Unit Plans Community Strategy LAA / LSP Arrangements	The Strategic vision of the authority 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 Timescale: Ongoing
b) Review on a regular basis the Authority's vision for the local area and its impact on the Authority's governance arrangements	Local Governance Code Council Constitution	Responsible Officers: Head of Finance & 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	Partnership Protocols Local Governance Code	Further work required on partnership protocol/agreement. Responsible Officer : Head of Democratic & Legal Timescale: September 2010
d) Publish an annual report on a timely basis to communicate the Authority'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	The Council will publish an Annual Report. Responsible Officer: Head of Finance Timescale: September 2010
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 Residents Panel Tenants Forum Corporate Improvement Plan & Service Plans	The Council has achieved a score of '3' out of '4' for data quality assessment. Responsible Officer: Head of Corporate Development Timescale: Ongoing

H. ANNUAL GOVERNANCE STATEMENT

f) Put in place effective arrangements to identify and deal with service failure	Monthly performance clinics SMT / SMT Weekly Meetings Key Performance Booklet Reporting Customer Surveys Complaints procedure Monthly Committee report on higher risk areas	SMT, via the Performance Clinic process, facilitate improvement when it is deemed necessary.
g) Decide how value for money is to be measured and make sure that the Authority 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 now undertakes benchmarking analysis more comprehensively than previously. Responsible Officer: Head of Corporate Development Timescale: Ongoing
2. Members and Officers working together to achieve a common purpose with clearly defined functions and roles.		
<i>Good Practice Requirements</i>	<i>Evidence Base and assessment</i>	<i>Other Information / Action</i>
Set out a clear statement of the respective roles and responsibilities of the executive and of the executive's Members individually and the Authority'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	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 Authority, 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 Authority for all aspects of operational management	Council Constitution (incl. scheme of delegation) Statutory provisions Conditions of employment Job description	Responsible Officer: Head of Human Resources 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 : Head of Democratic & Legal Timescale: Ongoing

H. ANNUAL GOVERNANCE STATEMENT

<p>Make a senior officer (the s151 officer) responsible to the Authority 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.</p>	<p>Council Constitution S151 responsibilities Statutory provisions Statutory reports Budget documentation Job description</p>	<p>Responsible Officer: Head of Human Resources Timescale: Ongoing</p>
<p>Make a senior officer (usually the monitoring officer) responsible to the Authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.</p>	<p>Council Constitution Monitoring Officer provisions Statutory provisions JD/PS</p>	<p>Responsible Officer: Head of Human Resources Timescale: Ongoing</p>
<p>Develop protocols to ensure effective communication between Members and Officers in their respective roles</p>	<p>Council Constitution (Member / officer protocol) Member Code of Conduct Member Training Sessions Media Protocol</p>	<p>Responsible Officer : Head of Democratic & Legal Timescale: Ongoing</p>
<p>Set out terms and conditions for remuneration of Members and Officers and an effective structure for managing the process.</p>	<p>Pay and conditions policies and practices</p>	<p>Responsible Officer: Head of Human Resources Timescale: Ongoing</p>
<p>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.</p>	<p>Key Performance Booklet Weekly Performance Clinics Corporate Planning Process Budget Process Residents Panel Customer Surveys Tenants Forum</p>	<p>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.</p>
<p>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 Authority. 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 Authority to bind their organisation to partner decisions.</p>	<p>Protocols for each partnership Work on indemnities and liabilities (through monitoring and Audit Committee)</p>	<p>Responsible Officer: Head of Corporate Development Timescale: March 2011</p>

H. ANNUAL GOVERNANCE STATEMENT

3. Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.		
<i>Good Practice Requirements</i>	<i>Evidence Base and assessment</i>	<i>Other Information / Action</i>
Ensure that the Authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect	Council Constitution Member Code of Conduct Regular Staff Sessions	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 Authority, 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	Responsible Officer : Head of Democratic & Legal Timescale: Ongoing
Put in place arrangements to ensure that Members and employees of the Authority 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.	Standing orders Codes of conduct Financial regulations 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 Finance & Democratic & Legal Timescale: Ongoing
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.	Codes of conduct	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 HR & Democratic & Legal Timescale: Ongoing
Put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice.	Codes of conduct	Responsible Officers: Head of HR & Democratic & Legal Timescale: Ongoing

H. ANNUAL GOVERNANCE STATEMENT

Develop and maintain an effective standards committee.	Council Constitution Terms of reference Regular reports to Council	Responsible Officers: Head of HR & Democratic & Legal Timescale: May 2010
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 Authority.	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	Responsible Officers: Senior Management Team Timescale: Ongoing
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.		
<i>Good Practice Requirements</i>	<i>Evidence Base and assessment</i>	<i>Other Information / Action</i>
Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the Authority's performance overall and that of any organisation for which it is responsible.	Council Constitution Two scrutiny Committee (agendas, reports, minutes) Review of Council Constitution	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: Head of Finance & 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 Finance & Democratic & Legal Timescale: Ongoing

H. ANNUAL GOVERNANCE STATEMENT

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 Finance & Democratic & Legal Timescale: Ongoing
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 Officers: Head of HR & Democratic & Legal Timescale: May 2010
Ensure that effective, transparent and accessible arrangements are in place for dealing with complaints.	Complaints procedure	Responsible Officer: Head of Customer Services & IT Timescale: Ongoing
Ensure that those making decisions whether for the Authority 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	Responsible Officers: Head of HR & Democratic & Legal Timescale: May 2010
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: Head of Finance & Democratic & Legal Timescale: Ongoing
Ensure that risk management is embedded into the culture of the Authority; with Members and managers at all levels recognising that risk management is part of their jobs.	Performance Management Framework Key Performance Booklet (and committee reporting) Risk Management Strategy and Policy Financial regulations / standards Members and Officer induction training	Responsible Officers: Head of Finance Timescale: Ongoing
Ensure that arrangements are in place for whistle-blowing to which staff and all those contracting with the Authority have access.	Whistle-blowing policy	Responsible Officers: Head of Human Resources Timescale: Ongoing
Actively recognise the limits of lawful activity placed on them by, for example, the ultra vires doctrine but also strive to utilise powers to the full benefit of their communities.	Council Constitution Monitoring officer provisions Statutory provisions Professional Advice	Responsible Officers: Head of Finance & Democratic & Legal Timescale: Ongoing

H. ANNUAL GOVERNANCE STATEMENT

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 Officers: 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 Officers: Head of Democratic & Legal Timescale: Ongoing..
5. Developing the capacity and capability of Members and Officers to be effective.		
<i>Good Practice Requirements</i>	<i>Evidence Base and assessment</i>	<i>Other Information / Action</i>
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 is being re-assessed later in 2010.
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 Authority.	Council Constitution Robust Recruitment Arrangements Continuing Professional Development Involvement in national interest bodies and groups Performance Appraisal System Membership of top management team	Responsible Officers: Head of Human Resources Timescale: Ongoing.
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	This is effectively undertaken by the Council's annual appraisal system and training development programme. Responsible Officers: Head of Human Resources Timescale: Annually

H. ANNUAL GOVERNANCE STATEMENT

<p>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.</p>	<p>Training and development plan Ongoing Member Training Programme Continuing Professional Development Commitment to being a 'learning organisation' Investors in People Award</p>	<p>The changing demands placed on Kettering Borough Council ensure constant review of the skills, experience and qualifications of both its Members and staff.</p> <p>Responsible Officers: Senior Management Team Timescale: Ongoing</p>
<p>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.</p>	<p>Performance management system Key Performance Booklet Corporate Improvement Plan Appraisals Member Development Charter (award)</p>	<p>Responsible Officers: Head of Democratic & Legal Timescale: Ongoing</p>
<p>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 Authority.</p>	<p>Strategic partnership framework Geographical Forums (stakeholder based) Consultation events and promotions Residents panel Tenants Forum</p>	<p>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.</p>
<p>Ensure that career structures are in place for Members and Officers to encourage participation and development.</p>	<p>Member Development Charter Annual appraisal system Next Steps Review and new structures implemented</p>	<p>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.</p> <p>Responsible Officers: Senior & Corporate Management Teams Timescale: Ongoing</p>

H. ANNUAL GOVERNANCE STATEMENT

6.Engaging with local people and other stakeholders to ensure robust public accountability		
<i>Good Practice Requirements</i>	<i>Evidence Base and assessment</i>	<i>Other Information / Action</i>
<p>Make clear to themselves, all staff and the community to whom they are accountable and for what.</p> <p>Consider those institutional stakeholders to whom the Authority 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 / LAA structures</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.</p> <p>Responsible Officers: Head of Democratic & Legal 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.</p> <p>Hold meetings in public unless there are good reasons for confidentiality.</p> <p>Ensure that arrangements are in place to enable the Authority 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</p>	<p>Responsible Officers: Head of Democratic & Legal Timescale: Ongoing</p>
<p>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.</p>	<p>Consultation Arrangements Communication strategy Corporate and Service Plan Process Use of display and up to date feedback via customer service centre displays</p>	<p>Customer satisfaction surveys and complaints forms provide invaluable information to construct and improve communication with Kettering Borough Council stakeholders.</p> <p>Responsible Officer: Head of Customer Services & IT Timescale: Ongoing</p>

H. ANNUAL GOVERNANCE STATEMENT

<p>On an annual basis, publish a performance plan giving information on the Authority'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.</p>	<p>Corporate Improvement Plan / Annual Report Annual financial statements Service Plans</p>	<p>Responsible Officer: Head of Corporate Development Timescale: Ongoing</p>
<p>Ensure that the Authority 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.</p>	<p>Council Constitution Customer Service Centre Arrangements Customer Charter</p>	<p>Responsible Officers: Head of Democratic & Legal Timescale: Ongoing</p>
<p>Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making.</p>	<p>Council Constitution Employment Policies and Practices</p>	<p>Responsible Officers: Head of HR & Democratic & Legal Timescale: Ongoing</p>

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.

Annual Governance Statement (AGS)

This is a document the Council must prepare each year that details the arrangements that have been put in place to demonstrate the proper practices adopted by the authority to enhance our governance practices and minimise risk.

Asset

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

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 **fixed 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.

Capital Expenditure

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

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.

I. GLOSSARY OF TERMS

Capital Adjustment Account

This account contains the amount that was required to be set aside from the capital receipts and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and the statutory minimum amount that must be set aside from revenue for the repayment of external debt.

Capital Grants Unapplied

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

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 fixed 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.

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.

Deferred Charges

Capital expenditure for which no capital asset is created, but which may properly be financed over a period of years. They include private sector renewal grants and advances to other parties to finance capital investment.

I. GLOSSARY OF TERMS

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.

Finance Lease

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

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.

Government Grants Deferred Account

Where a fixed asset has been financed by a grant the grant is written off to the Asset Management Revenue Account over the expected useful life of the asset, the balance on the Government Grants Deferred Account represents the amount to be written off to the Asset Management Revenue Account.

Gross Book Value

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

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.

Liability

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

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 and police authorities on the basis of population.

Non Operational Asset

Fixed assets held by the Council but are not directly occupied used or consumed in the delivery of services.

Operating Lease

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

Operational Asset

Fixed assets held and occupied, used or consumed by the Council in the direct delivery of services.

I. GLOSSARY OF TERMS

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.

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 are 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.

Revaluation Reserve

This reserve records unrealised revaluation gains / losses from holding fixed 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.

SORP (Statement of Recommended Practice)

The SORP is a code of practice that has been developed by the CIPFA/LASAAC Joint Committee in accordance with the Accounting Standards Board (ASB) code of practice for the development of Statements of Recommended Practice in accounting (SORPs).

Stocks

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

Transfer Payments

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