



Statement of Accounts 2010/11

Kettering
Borough Council

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The unaudited accounts were issued on 30 June 2011 and the audited accounts were authorised for issue on 27 September 2011.

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A. AUDIT REPORT

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

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B. EXPLANATORY FOREWORD

1. Introduction

This document sets out the Council's statutory accounts for the financial year ended 31 March 2011. The format accords with both statutory undertakings and the requirements for publication of financial information set out in the Code of Practice on Local Authority Accounting in the United Kingdom, which sees International Financial Reporting Standards (IFRS) adopted for the first time within Local Government. This change has resulted in the introduction of the Movement in Reserves Statement (MiRS) and presentational changes to the other primary statements, namely the Balance Sheet, Cashflow Statement and the Comprehensive Income and Expenditure Statement which now incorporates the Statement of Recognised Gains and Losses (STRGL). In addition there is an increase in the number of disclosures required under IFRS.

The adoption of IFRS from UK GAAP has resulted in the restatement of various balances and transactions. The difference between the UK GAAP Balance Sheet and the IFRS Balance Sheet are shown in the Statement of Changes in Equity (Page 37 - 38). Other significant changes resulting from IFRS include the following:

- Classification of Operating Leases as Finance Leases
- Recognition of Capital Grants
- Segmental Reporting

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

2. The Statements

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

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

The Accounting Statements:

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

B. EXPLANATORY FOREWORD

2. The Statements (cont'd)

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

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

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

The Supplementary Financial Statements:

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

The Collection Fund - The Collection Fund 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).

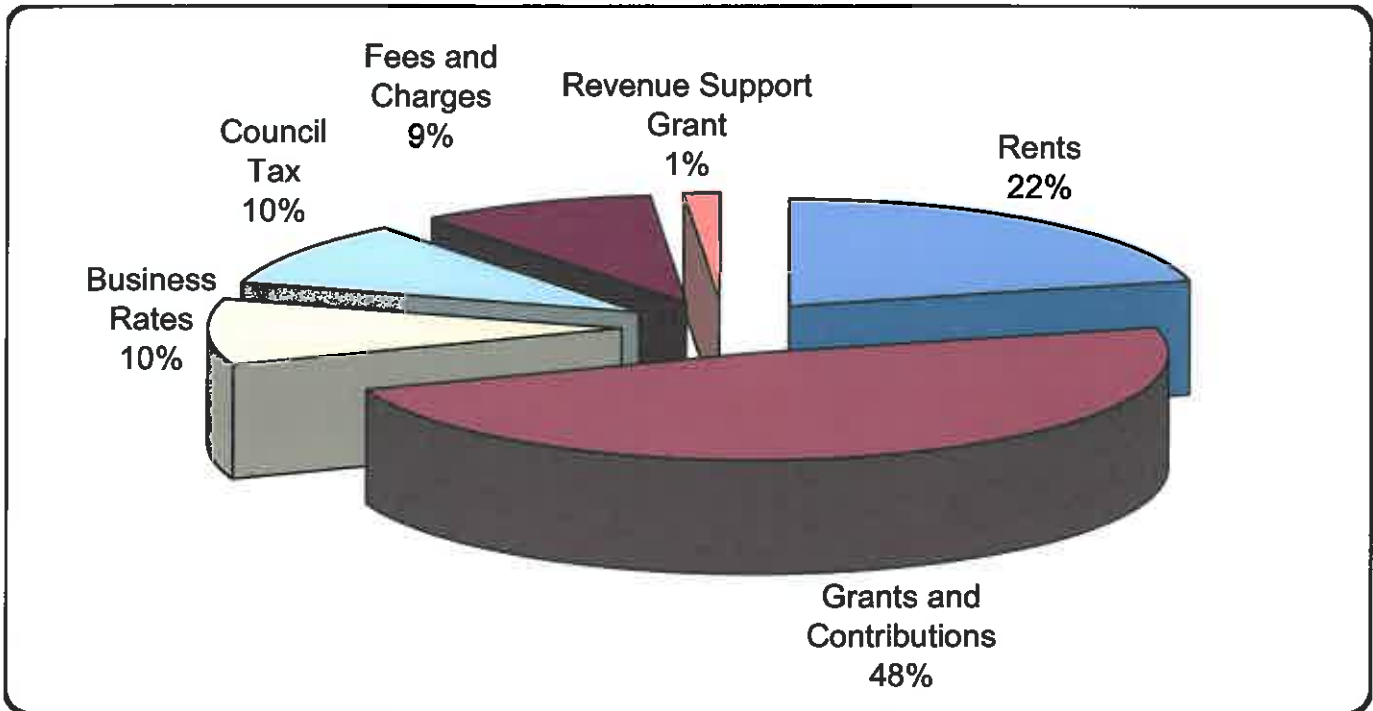
A Statement of Accounting Policies supports these statements and details the general accounting conventions used in preparing the accounts. Where accounting policies do not adhere to recommended practice, this is disclosed.

B. EXPLANATORY FOREWORD

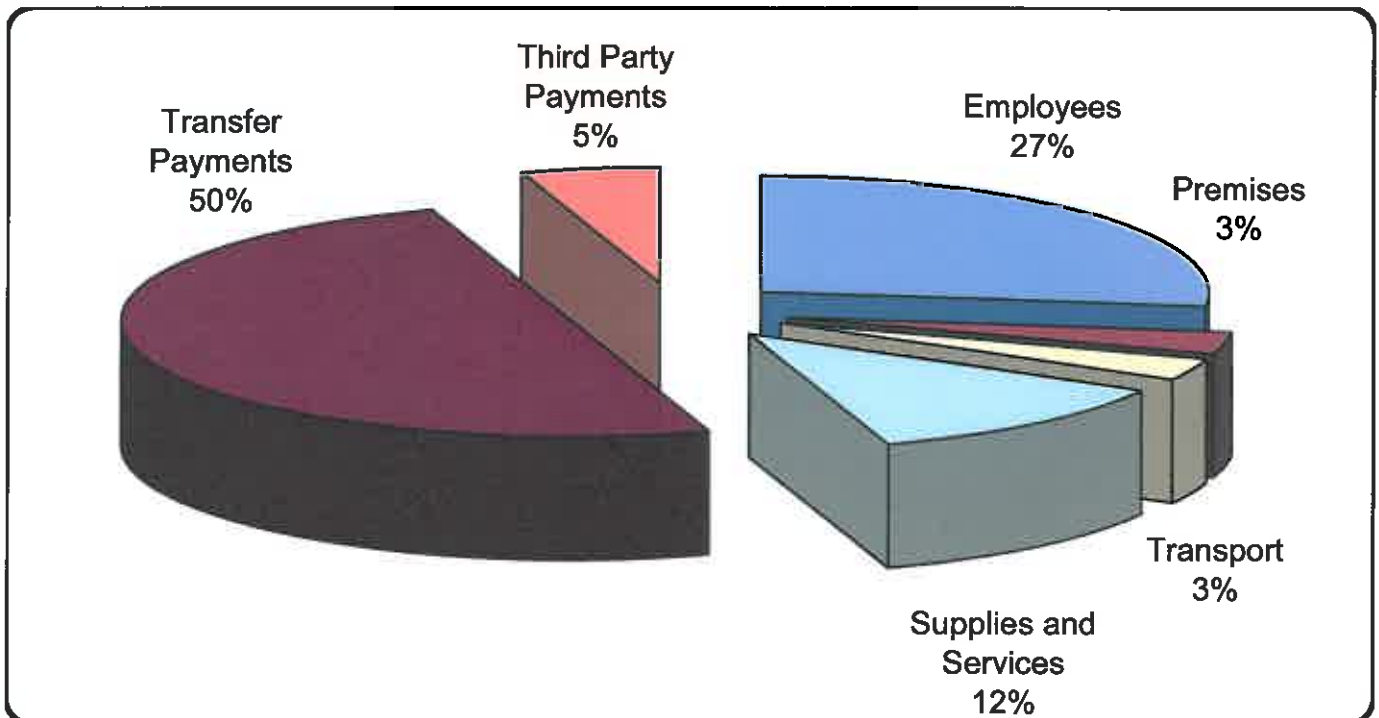
3. Revenue Expenditure

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 2010/11 (i.e both General Fund and HRA).

Where The Money Came From



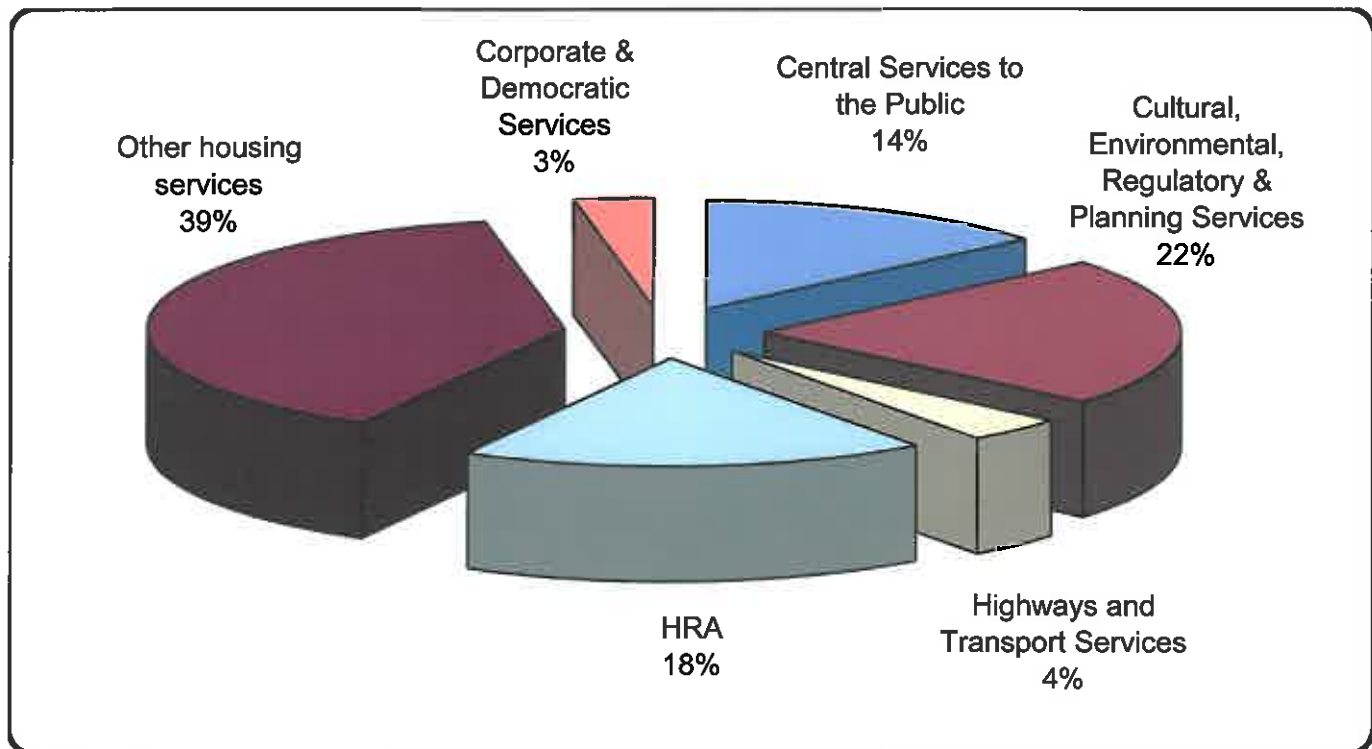
What The Money Was Spent On



B. EXPLANATORY FOREWORD

3. Revenue Expenditure (Cont'd)

What Services Have Been Provided with the Money



a) General Fund Revenue Account

The following table summarises the position for the General Fund for 2010/11.

	Revised Budget	Actual	Variance
	£000	£000	£000
Expenditure			
Net Service Expenditure	12,246	14,201	1,955
Capital Financing Adjustments	1,532	(2,060)	(3,592)
Transfer to Reserves	(78)	1,430	1,508
Total Net Expenditure	13,700	13,571	(129)
Income			
Revenue Support Grant	(923)	(923)	0
Business Rates	(6,356)	(6,356)	0
Met by local council taxpayers	(6,318)	(6,318)	0
Collection Fund Surplus	(5)	(5)	0
Total Income	(13,602)	(13,602)	0
(Surplus)/Deficit for the year	98	(31)	(129)
Balance brought forward	(1,384)	(1,384)	0
Balance carried forward	(1,286)	(1,415)	(129)

B. EXPLANATORY FOREWORD

3. Revenue Expenditure Cont'd

Budget Variations

The outturn reflects a number of one off and ongoing savings, which have been achieved as a result of the significant work undertaken in preparation for the funding cuts in 2011/12.

The total savings amount to £1,461,000, around £650,000 of these savings have been achieved as a result of the early delivery of the Budget Delivery Framework and the additional £811,000 from one off items. After taking account of contributions to reserves and balances of £1.430m the Council's General Fund balance increased by £31,000 to £1.415m. This represents an outturn position that is within 0.5% of the net revenue budget and the General Fund balance is still in line with the Council's Medium Term Financial Strategy '*guiding principles*'.

The variance of £3.592m on the Capital Financing Adjustments line primarily results from having to recognise technical accounting adjustments such as changes in values of fixed assets accounting for pension costs and amortisation of government grants. These transactions have no impact on the bottom line position. The major variances relating to the underspend in 2010/11 of £1,461,000 are summarised in the table below;

(Under)/Over spends	£000
i) Staffing and staff related savings	(253)
ii) Additional income from recovered Housing Benefit overpayments	(201)
iii) Increased fee income Parking / Crematorium / Licences & Planning	(190)
iv) Recovery of VAT after successful claims under the Flemings case law	(142)
v) Reduction in Recycling / Refuse Disposal Costs	(135)
vi) Refund of contributions for the Local Area Agreement	(113)
vii) Savings made from improved homelessness prevention measures	(97)
viii) Savings in repairs, utilities and equipment costs	(97)
ix) Street Cleansing / Grounds Maintenance savings in operating costs	(79)
x) Net other variations	(154)

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.

b) Housing Revenue Account

The outturn position for the Housing Revenue Account reflects a similar position to the General Fund. Savings of £182,000 have been achieved against the revised budget mainly through efficiencies in the property maintenance function and early delivery of Framework savings in central support costs.

A total of £258,000 has been added to the Housing Revenue Account balance which is now £563,000. This is in line with the Council's Medium Term Financial Strategy which states the account must operate in a surplus position and this is achieved by adopting the principle that an agreed minimum balance of £300,000 should be the primary strategic aim over the medium to long term.

The strengthening of the Housing Revenue Account and the HRA balance has been an aspiration leading into a period of significant change. The next year will see a fundamental change to the operation of the Housing Revenue Account under the Government self financing regime.

B. EXPLANATORY FOREWORD

3. Revenue Expenditure Cont'd

Self financing will undoubtedly provide a real challenge both in terms of set up and preparation before 1st April 2012 and also operationally with an unprecedented debt burden for the Council.

The following table details the 2010/11 outturn position for the Housing Revenue Account. The reason for the significant variances (£52m) relates to the re-valuation of the Council Housing stock. A change in discount factor caused by the current economic downturn results in a lower stock valuation. This has no cash impact as the value is 'reversed' out through the Capital Financing Adjustments. Other technical accounting changes such as accounting for pension costs and depreciation account for the remaining variance.

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	(331)	51,844	52,175
Capital Financing Adjustments	255	(52,102)	(52,357)
(Surplus)/Deficit for the year	(76)	(258)	(182)
Balance brought forward	(305)	(305)	0
Balance carried forward	(381)	(563)	(182)

Budget Variations

The main variations to the budget were as follows: -

<u>(Under)/Over spends</u>	£000
i) Repairs and Maintenance - Savings driven through improved efficiency of the voids service.	(46)
ii) General Management - Major savings driven through central support costs, which are early framework savings, contributed to the year end variance.	(71)
iii) Special Services - Savings in repairs, utilities and equipment cost	(65)

B. EXPLANATORY FOREWORD

4. Capital Expenditure

Capital expenditure relates primarily to spending on Council assets (i.e. an item with an expected life of more than one year). Overall the expenditure during the year was £7.985m compared to the revised budget of £9.242m (i.e. 86% of the approved programme was actually spent).

The overall Capital Programme variance will also be within 1% of the net budget taking account of carry forwards to 2011/12.

Of the total expenditure £7.388m was financed from external funding mainly Growth Area Funding and Major Repairs Allowance. The remainder was financed from a mix of capital receipts, notional external borrowing and revenue contributions.

	Revised Estimate	Actual	Variance
	£000	£000	£000
Expenditure			
Council Housing Schemes	2,527	2,233	(294)
Private Sector Housing Improvement	1,036	518	(518)
Investment & Repair Programme	374	205	(169)
Community Project Schemes	4,808	4,574	(234)
IT Replacement Programme	497	455	(42)
Total Capital Expenditure	9,242	7,985	(1,257)

5. Material Transactions

Pension Liability

The in year valuation in relation to the Local Government Defined Benefit Pension reflects the change from the Retail Price Index to the Consumer Price Index, this has resulted in a Past Service Gain of £8.967m, which is shown within the Comprehensive Income & Expenditure Statement, this transaction is reversed out and has no bottom line impact. Further details of this item are in Note 38 (Pages 73 - 77) to the financial statements.

The value of the pension fund deficit for 2010/11 is £23.1m this reflects a reduction of £25.1m from the 2009/10 position (£48.2m).

Revaluation of Assets

The vacant possession value of dwellings within the HRA as at 1 April 11 was £326.2m. (1 April 10 £333m) For the balance sheet, the figure has been reduced to 34% i.e. £110.9m (2009/10 reduced by 50% to £165.5m). This shows the economic cost to Government of providing Council housing at less than open market rents and reflects the change in the discount rate moving from 50% to 66%.

The downward valuation is charged to the Housing Revenue Account and is consolidated into the Local authority housing (HRA) line in the Comprehensive Income and Expenditure Statement, this charge is reversed out through the Movement in Reserves Statement, having a nil impact on the bottom line balance. In 2009/10 impairment reversals of £15m were credited to the HRA and reversed through the MiRS again having a nil impact.

B. EXPLANATORY FOREWORD

6. Reserves

The Council at 31 March has a General Fund balance of £1.415m and a Housing Revenue Account balance of £0.563m this meets the requirements set out in the Council's Medium Term Financial Strategy. In addition the Council has earmarked revenue reserves totalling £5.785m. Full details of reserves are included within Note 21 (Pages 56 - 58) to the financial statements.

7. Impact of the current economic climate

The Council's financial strategy and 2011/12 budget were approved in February 2011 at the meeting of Full Council. The key messages in relation to the General Fund budget were;

- Council Tax remains below the national average (around £3 per week).
- The Council has maintained its balanced budget making efficiency savings of £2m without cutting front line services or using one-off reserves.
- A further £1m of savings is estimated to be needed to balance the budget for 2012/13. Work on the budget delivery framework will continue to ensure this is delivered.
- The financial outlook past 2012/13 is impossible to predict with a new government grant regime likely to be introduced. The council will need to maintain its focus on big ticket items and continue with its successful lobbying strategy.

The Council's approach to budget setting and monitoring has been developed to cope with the significant cuts in Government funding both in 2010/11 and in future years through the grant settlement which has seen core grant reduce by 15.2% in 2011/12 and will reduce by a further 11.3% in 2012/13. The Council has had the advantage of starting from a 'strong financial platform' with no reliance on reserves or structural budget deficit. It developed its own budget delivery framework to ensure that the Council had a robust mechanism on which to base its financial strategy. The Council has made significant efficiency savings over recent years and will need to continue to make these through the frameworks in the future. Through effective financial management and forward planning, the Council will maintain a balanced financial position.

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

8. Further Information

Further information about these accounts is available from:

Paul Sutton
Head of Finance
Bowling Green Road
Kettering
NN15 7QX

or;

Mark Dickenson
Group Accountant
Bowling Green Road
Kettering
NN15 7QX

paulsutton@kettering.gov.uk

markdickenson@kettering.gov.uk

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

C. STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The authority is required to:

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

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

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

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

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

The Chief Financial Officer has also:

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

I certify that this Statement of Accounts gives a true and fair view of the financial position of the authority at the reporting date and of its expenditure and income for the year ended 31 March 2011.



Paul Sutton
Chief Financial Officer

Date - 27 September 2011

D. STATEMENT OF ACCOUNTING POLICIES

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. It has been prepared in accordance with the Accounts and Audit Regulations 2003 which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS). It also complies with guidance notes issued by CIPFA on the application of accounting standards (Standard Statements of Accounting Practice and Financial Reporting Standards) to local authority accounts.

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

2. Accruals of Income & Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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

D. STATEMENT OF ACCOUNTING POLICIES

3. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

4. Exceptional Items

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

5. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions of the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

D. STATEMENT OF ACCOUNTING POLICIES

6. Charges to Revenue for Non-Current Assets

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise Council Tax to cover depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual provision from revenue 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 is calculated based on asset lives which is option 3 in the guidance. Depreciation, impairment losses and amortisation are therefore reversed out within the Movement in Reserves Statement, by way of adjusting transactions with the Capital Adjustment Account for the difference between the two.

The accounting standard governing non-current assets is IAS 16 - Property Plant & Equipment, which generally requires depreciation to be calculated from the date assets are acquired or enhanced. However, to minimise extensive calculations and assist in the annual closedown process the Council has operated for a number of years, a policy of calculating depreciation based on the opening Net Book Value (NBV) of each asset. This is a deviation from the requirements of IAS 16.

D. STATEMENT OF ACCOUNTING POLICIES

7. Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to either terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income & Expenditure Statement when the Council has terminated the employment of an officer or group of officers.

When termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits. These are replaced with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

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

The liabilities of the pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method. (– i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees).

The assets of the pension fund attributable to the Council are included in the Balance sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value.

D. STATEMENT OF ACCOUNTING POLICIES

7. Employee Benefits (Cont'd)

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

- **current service cost** – the increase in liabilities as a result of years of service earned this year – allocated in the Income and Expenditure Statement to the Revenue Accounts of Services for which the employees worked.
- **past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services line in the Income and Expenditure Statement as part of Non Distributed Costs.
- **interest cost** – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income & Expenditure Statement.
- **expected return on assets** – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return, credited to the Financing & Investment Income and Expenditure line in the Income & Expenditure Statement.
- **gains/losses on settlements and curtailments** – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement as part of Non Distributed Costs.
- **actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve.
- **contributions paid to the pension fund** – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

D. STATEMENT OF ACCOUNTING POLICIES

8. Events after the Balance Sheet Date

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

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

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

9. Financial Instruments

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

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

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

Financial assets are classified into two types, loans and receivables and available-for-sale assets. Loans and receivables are measured at fair value and appear in the Balance Sheet at their amortised cost. The Council does not have any available-for-sale Finance assets.

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

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

Financial assets are initially recognised at fair value.

Financial assets are classified into the following categories: financial assets 'at fair value through profit and loss'; 'held to maturity investments'; 'available for sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

D. STATEMENT OF ACCOUNTING POLICIES

9. Financial Instruments (Cont'd)

Financial assets at fair value through profit and loss

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

Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, and there is a positive intention and ability to hold to maturity. After initial recognition, they are held at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

Available for sale financial assets

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

Loans and receivables

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

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

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

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

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

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

D. STATEMENT OF ACCOUNTING POLICIES

9. Financial Instruments (Cont'd)

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

Financial liabilities are initially recognised at fair value.

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

Financial liabilities at fair value through profit and loss

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

Other financial liabilities

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

Financial Instruments - Risks

The Council's activities expose it to a number of risks the main ones being:

Credit Risk – the possibility that other parties may fail to pay the amounts due

Liquidity Risk – the possibility that the Council cannot pay its commitments

Interest Risk – that changes in areas such as interest rates will affect the Council's revenue resources.

The Council reviews and agrees policies for managing each of these risks on a regular basis and they are summarised below:

Interest rate risk: to mitigate this risk the Council monitors the available rates, and also consults with the Treasury Advisors Sector and maintains fixed deposits when good rates are available. Fixed rate deposits are maintained to maximise interest receivable; variable rate deposits are maximised for working capital requirements.

Liquidity risk: to mitigate this risk the Council ensure that current working capital requirements are immediately available. At the period end, the longest dated deposit matures in March 2012. Short-term flexibility is achieved by overdraft facilities.

Credit risk: to mitigate this risk the parties that owe money are sent timely reminders, defaulters are given reminders, warnings and ultimately legal action is taken where necessary.

In addition the Council has adopted the CIPFA Prudential Code and reviews and monitors the level of exposure to investments which mature beyond one year and the use of specified and non-specified investments.

D. STATEMENT OF ACCOUNTING POLICIES

10. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

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

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

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

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

11. Intangible Fixed Assets

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

The Council does not have any internally generated assets which have been capitalised. Intangible assets are measured at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and, for any sale proceeds greater than £5,000 the Capital Receipts Reserve.

D. STATEMENT OF ACCOUNTING POLICIES

12. Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. Work in progress on uncompleted jobs is valued at cost including an allocation of overheads.

13. Investment Properties

Investment properties are those that are used solely to earn rental and/or for capital appreciation. The definition of an investment property is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured at fair value. Properties are not depreciated but are revalued annually according to market conditions at the start of the year. Gains and losses on revaluation are posted to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income Line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

14. Leases

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

The Authority as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset.

Lease payments are apportioned between:

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

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

D. STATEMENT OF ACCOUNTING POLICIES

14. Leases (Cont'd)

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment.

The Authority as Lessor

Finance Leases

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

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

15. Jointly Controlled Operations

Jointly controlled operations are activities undertaken by the Authority in conjunction with other ventures that involve the use of assets and resources of the venture rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

16. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2011 (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.

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

D. STATEMENT OF ACCOUNTING POLICIES

17. Property Plant & Equipment

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

a) Recognition

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

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

b) Measurement

Assets are initially measured at cost, comprising:

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

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

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

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

D. STATEMENT OF ACCOUNTING POLICIES

17. Property Plant & Equipment (Cont'd)

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

Property Plant & Equipment	
Council Dwellings	Existing Use Value - Social Housing
Other Land & Buildings	Existing Use Value
Vehicles & Plant	Existing Use Value
Infrastructure	Depreciated Historical Cost
Community Assets	Depreciated Historical Cost
Assets Under Construction	Depreciated Historical Cost

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

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

c) **Impairment**

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

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

D. STATEMENT OF ACCOUNTING POLICIES

17. Property Plant & Equipment (Cont'd)

d) Depreciation

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

Depreciation is calculated on the following bases:

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

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

e) Disposals and Non-Current Assets Held for Sale

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

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

D. STATEMENT OF ACCOUNTING POLICIES

17. Property Plant & Equipment (Cont'd)

Amounts received for a disposal in excess of £5,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment (or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

Asset under Construction

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

D. STATEMENT OF ACCOUNTING POLICIES

18. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefit or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

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

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

Contingent Liabilities

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

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

D. STATEMENT OF ACCOUNTING POLICIES

19. Reserves

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

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

20. Revenue Expenditure Funded From Capital Under Statute

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

21. VAT

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

22. Group Accounts

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

The Council has determined that it has a Joint Venture relationship with the Joint Planning Unit, however the Council's share of costs were not considered to be material and have not reflected any consolidation within the Statement of Accounts.

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

E1. MOVEMENT IN RESERVES STATEMENT

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

2010/11	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Total Revenue Reserves
	£000	£000	£000	£000	£000
Balance at 31 March 2010	(1,384)	(4,355)	(305)	0	(6,044)
<u>Movement in Reserves during 2010/11</u>					
(Surplus) or deficit on the provision of services	(8,357)	0	51,844	0	43,487
Other Comprehensive Inc & Exp	0	0	0	0	0
Total Comprehensive Inc & Exp	(8,357)	0	51,844	0	43,487
Adjustments between accounting basis and funding basis under regulations (Note 1)	6,896	0	(52,102)	0	(45,206)
Net Increase / Decrease before Transfers to Earmarked Reserves	(1,461)	0	(258)	0	(1,719)
Transfers to / from Earmarked Reserves (Note 21)	1,430	(1,430)	0	0	0
Increase / Decrease in 2010/11	(31)	(1,430)	(258)	0	(1,719)
Balance at 31 March 2011 carried forward	(1,415)	(5,785)	(563)	0	(7,763)

E1. MOVEMENT IN RESERVES STATEMENT

2010/11	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000
Balance at 31 March 2010	(11)	0	(648)	(6,703)	(150,987)	(157,690)
<u>Movement in Reserves during 2010/11</u>						
(Surplus) or deficit on the provision of services	0	0	0	43,487	0	43,487
Other Comprehensive Inc & Exp	0	0	0	0	(18,100)	(18,100)
Total Comprehensive Inc & Exp	0	0	0	43,487	(18,100)	25,387
Adjustments between accounting basis and funding basis under regulations (Note 1)	(190)	(225)	284	(45,337)	45,337	0
Net Increase / Decrease before Transfers to Earmarked Reserves	(190)	(225)	284	(1,850)	27,237	25,387
Transfers to / from Earmarked Reserves (Note 21)	0	0	0	0	0	0
Increase / Decrease in 2010/11	(190)	(225)	284	(1,850)	27,237	25,387
Balance at 31 March 2011 carried forward	(201)	(225)	(364)	(8,553)	(123,750)	(132,303)

E1. MOVEMENT IN RESERVES STATEMENT

2009/10	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Total Revenue Reserves
	£000	£000	£000	£000	£000
Balance at 31 March 2009	(1,361)	(4,156)	(105)	0	(5,622)
<u>Movement in Reserves during 2009/10</u>					
(Surplus) or deficit on the provision of services	1,543	0	(15,659)	0	(14,116)
Other Comprehensive Inc & Exp	0	0	0	0	0
Total Comprehensive Inc & Exp	1,543	0	(15,659)	0	(14,116)
Adjustments between accounting basis and funding basis under regulations (Note 1)	(1,765)	0	15,459	0	13,694
Net Increase / Decrease before Transfers to Earmarked Reserves	(222)	0	(200)	0	(422)
Transfers to / from Earmarked Reserves (Note 21)	199	(199)	0	0	0
Increase / Decrease in 2009/10	(23)	(199)	(200)	0	(422)
Balance at 31 March 2010 carried forward	(1,384)	(4,355)	(305)	0	(6,044)

E1. MOVEMENT IN RESERVES STATEMENT

2009/10	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000
Balance at 31 March 2009	0	0	(699)	(6,321)	(156,942)	(163,263)
Movement in Reserves during 2009/10						
(Surplus) or deficit on the provision of services	0	0	0	(14,116)	0	(14,116)
Other Comprehensive Inc & Exp	0	0	0	0	19,689	19,689
Total Comprehensive Inc & Exp	0	0	0	(14,116)	19,689	5,573
Adjustments between accounting basis and funding basis under regulations (Note 1)	(11)	0	51	13,734	(13,734)	0
Net Increase / Decrease before Transfers to Earmarked Reserves	(11)	0	51	(382)	5,955	5,573
Transfers to / from Earmarked Reserves (Note 21)	0	0	0	0	0	0
Increase / Decrease in 2009/10	(11)	0	51	(382)	5,955	5,573
Balance at 31 March 2010 carried forward	(11)	0	(648)	(6,703)	(150,987)	(157,690)

E2. COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

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

2009/10				2010/11		
Gross Exp.	Gross Inc.	Net Exp.		Gross Exp.	Gross Inc.	Net Exp.
£000	£000	£000		£000	£000	£000
8,156	6,341	1,815	Central services to the public	8,505	6,748	1,757
13,747	4,244	9,503	Cultural, environmental, regulatory and planning services	13,355	4,395	8,960
2,294	1,113	1,181	Highways and transport services	2,424	1,555	869
(3,298)	12,351	(15,649)	Local authority housing (HRA)	66,219	12,716	53,503
23,473	21,489	1,984	Other housing services	23,903	22,438	1,465
2,285	2	2,283	Corporate and democratic core	2,019	44	1,975
0	0	0	Non distributed costs	0	0	0
0	0	0	Exceptional Item - Past Service Pension Gain resulting from a change in indexation from RPI to CPI.	0	8,967	(8,967)
46,657	45,540	1,117	Cost of Services	116,425	56,863	59,562
801	215	586	Other Operating Exp. (Note 6)	1,630	757	873
8,254	6,780	1,474	Financing & Investment Inc. & Exp. (Note 7)	8,840	7,112	1,728
0	0	0	Surplus or Deficit on Discontinued Operations	0	0	0
0	17,293	(17,293)	Taxation & Non - Specific Grant Income (Note 8)	0	18,676	(18,676)
		(14,116)	(Surplus) or Deficit on Provision of Services			43,487
		(2,614)	Surplus or deficit on revaluation of non current assets			(796)
		0	Surplus or deficit on revaluation of available for sale financial assets			0
		22,303	Actuarial gains / losses on pension assets / liabilities			(17,304)
		19,689	Other Comprehensive Income & Expenditure			(18,100)
		5,573	Total Comprehensive Income & Expenditure			25,387

E2. COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

2009/10		2010/11
£000		£000
(1,361)	Balance on the General Fund at the end of the previous year	(1,384)
(14,116)	(Surplus) or deficit for the year on the General Fund Income & Expenditure Statement	43,487
13,694	Adjustments between accounting basis and funding basis under statute (note 1)	(45,206)
(422)	Net increase or (decrease) before transfers to or from reserves	(1,719)
399	Transfers (to) or from reserves	1,688
(23)	(Increase) or decrease in year on the General Fund	(31)
(1,384)	Balance on the General Fund at the end of the current year	(1,415)

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

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

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

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

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

The movement of £67.505m between the 2009/10 and 2010/11 Net Cost of Services on the Comprehensive Income and Expenditure Statement is primarily from a credit of £14.697m being made for impairment reversals in 2009/10 and a charge for downward revaluations of £54.993m being made in 2010/11. These amounts are reversed within the Movement in Reserves Statement, having a nil impact on the bottom line balance. This transaction recognises the reduction in the market value of Council Dwellings due to the change in the discount factor when valuing the Housing Stock.

The movement of £8.731m in the Financing Income & Expenditure line between 2009/10 and 2010/11 is primarily from changes to the valuation for the Local Government Defined Benefit Pension Scheme reflecting where valuation have changed from the Retail Price Index to the Consumer Price Index, this has resulted in a Past Service Gain of £8.967m. This transaction is reversed out through the Movement in Reserves Statement and has no bottom line impact.

E3. BALANCE SHEET

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

01-Apr-09	31-Mar-10		Note Ref	31-Mar-11
£000	£000			£000
183,094	199,711	Property, Plant & Equipment	9	149,382
6,232	6,935	Investment Property	10	5,883
1,505	1,598	Intangible Assets	11	1,500
32	22	Long Term Debtors		7
190,863	208,266	Long Term Assets		156,772
80	90	Inventories	13	85
5,609	4,885	Short Term Debtors	15	4,486
1,142	501	Cash and Cash Equivalents	17	2,804
2,588	3,614	Assets held for sale	18	2,457
9,419	9,090	Current Assets		9,832
2,682	7,085	Short Term Borrowing		6,017
7,473	2,817	Short Term Creditors	19	3,537
10,155	9,902	Current Liabilities		9,554
249	335	Long Term Creditors		376
94	24	Long Term Borrowing		7
1,386	1,217	Capital Grants Receipts in Advance		1,228
25,135	48,188	Pension liability	38	23,136
26,864	49,764	Long Term Liabilities		24,747
163,263	157,690	Net Assets		132,303
		Usable reserves		
0	11	Usable Capital Receipts Reserve		201
0	0	Major Repairs Reserve		225
1,361	1,384	General Fund Balance		1,415
105	305	Housing Revenue Account Balance		563
4,156	4,355	Earmarked Reserves	21	5,785
699	648	Capital Grants Unapplied		364
		Unusable Reserves		
3,480	5,688	Revaluation Reserve	22	6,368
(415)	(224)	Financial Instruments Adjustment Account	22	(109)
178,817	193,618	Capital Adjustment Account	22	140,475
(25,135)	(48,188)	Pension Reserve	22	(23,136)
163	71	Collection Fund Adjustment Account	22	145
32	22	Deferred Credits - Mortgages	22	7
163,263	157,690	Total Reserves		132,303

E4. CASHFLOW STATEMENT (INDIRECT METHOD)

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

2009/10		2010/11
£000		£000
14,116	Net surplus or (deficit) on the provision of services	(43,487)
(8,056)	Adjustments to net surplus or deficit on the provision of services for non cash movements (Note 23)	53,971
(3,803)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 23)	(5,976)
2,257	Net cash flows from Operating Activities	4,508
(2,205)	Investing Activities (Note 25)	(1,164)
(693)	Financing Activities (Note 26)	(1,041)
(641)	Net increase or decrease in cash and cash equivalents	2,303
1,142	Cash and cash equivalents at the beginning of the reporting period	501
501	Cash and cash equivalents at the end of the reporting period (Note 17)	2,804

E5. STATEMENT OF CHANGES IN EQUITY

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10. The following table details the differences between UK GAAP and IFRS.

	2008/09		
	UK GAAP	Effect of transition to Adopted IFRSs	Adopted IFRSs
	£000	£000	£000
Property, Plant & Equipment	181,614	1,480	183,094
Investment Property	7,327	(1,095)	6,232
Intangible Assets	1,505	0	1,505
Long Term Debtors	32	0	32
Long Term Assets	190,478	385	190,863
Short Term Investments	9	(9)	0
Inventories	80	0	80
Short Term Debtors	5,609	0	5,609
Cash and Cash Equivalents	1,133	9	1,142
Assets held for sale	2,588	0	2,588
Current Assets	9,419	0	9,419
Short Term Borrowing	2,500	182	2,682
Short Term Creditors	7,473	0	7,473
Current Liabilities	9,973	182	10,155
Long Term Creditors	249	0	249
Long Term Borrowing	0	94	94
Government Grant	14,732	(14,732)	0
Capital Receipts in Advance	0	1,386	1,386
Pension liability	25,135	0	25,135
Long Term Liabilities	40,116	(13,252)	26,864
Net Assets	149,808	13,455	163,263
Usable reserves			
Usable Capital Receipts Reserve	0	0	0
Major Repairs Reserve	0	0	0
General Fund Balance	1,361	0	1,361
Housing Revenue Account Balance	105	0	105
Earmarked Reserves	4,156	0	4,156
Capital Grant unapplied account	2,085	(1,386)	699
Unusable Reserves			
Revaluation Reserve	3,506	(26)	3,480
Financial Instruments Adjust Account	(415)	0	(415)
Capital Adjustment Account	166,035	12,782	178,817
Pension Reserve	(25,135)	0	(25,135)
Collection Fund Adjustment Account	163	0	163
Deferred Credits - Mortgages	32	0	32
Total Reserves	151,893	11,370	163,263

E5. STATEMENT OF CHANGES IN EQUITY

	2009/10		
	UK GAAP	Effect of transition to Adopted IFRSs	Adopted IFRSs
	£000	£000	£000
Property, Plant & Equipment	198,360	1,351	199,711
Investment Property	7,406	(471)	6,935
Intangible Assets	1,598	0	1,598
Long Term Debtors	22	0	22
Long Term Assets	207,386	880	208,266
Short Term Investments	5	(5)	0
Inventories	90	0	90
Short Term Debtors	4,885	0	4,885
Cash and Cash Equivalents	496	5	501
Assets held for sale	3,578	36	3,614
Current Assets	9,054	36	9,090
Short Term Borrowing	7,000	85	7,085
Short Term Creditors	2,817	0	2,817
Current Liabilities	9,817	85	9,902
Long Term Creditors	335	0	335
Long Term Borrowing	0	24	24
Government Grant	14,115	(14,115)	0
Capital Receipts in Advance	0	1,217	1,217
Pension liability	48,188	0	48,188
Long Term Liabilities	62,638	(12,874)	49,764
Net Assets	143,985	13,705	157,690
Usable reserves			
Usable capital receipts reserve	11	0	11
Major repairs reserve	0	0	0
General fund balance	1,384	0	1,384
Housing revenue account balance	305	0	305
Earmarked reserves	4,355	0	4,355
Capital Grant unapplied account	1,865	(1,217)	648
Unusable Reserves			
Revaluation Reserve	7,155	(1,467)	5,688
Financial Instruments Adjust Account	(224)	0	(224)
Capital Adjustment Account	177,229	16,389	193,618
Pension reserve	(48,188)	0	(48,188)
Collection Fund Adjustment Account	71	0	71
Deferred credits - mortgages	22	0	22
Total Reserves	143,985	13,705	157,690

F. NOTES TO THE CORE FINANCIAL STATEMENTS

1. Adjustments between Accounting Basis and Funding Basis under regulations

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

2010/11	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Useable Reserves	Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000
Adjustment primarily involving the Capital Adjustment Account							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement							
Charges for depreciation and impairment of non-current assets	(1,106)					(1,106)	1,106
The excess of depreciation charged to HRA services over the Major Repairs Allowance element of housing subsidy		907		(907)		0	
Revaluation losses on Property Plant & Equipment	(159)	(54,993)				(55,152)	55,152
Impairment losses on Assets Held for Sale	(1,110)					(1,110)	1,110
Movement in the market value of investment properties	(1,051)					(1,051)	1,051
Amortisation of intangible assets	(463)					(463)	463
Capital grants and contributions	4,886					4,886	(4,886)
Revenue expenditure funded from capital under statute	(664)					(664)	664
Amounts of non current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	108	424				532	334
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement							
Statutory provision for the financing of capital investment	192					192	(192)
Capital expenditure charged against the General Fund and HRA Balances	50					50	(50)

F. NOTES TO THE CORE FINANCIAL STATEMENTS

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

2010/11	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Useable Reserves	Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Grants Unapplied Account							
Application of grants to capital financing transferred to the Capital Adjustment Account					284	284	(284)
Adjustments primarily involving the Capital Receipts Reserve							
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Account	225		(1,103)			(878)	
Use of the Capital Receipts Reserve to finance new capital expenditure			527			527	(527)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current assets disposals			12			12	
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(389)		389			0	
Transfer from Deferred Capital Receipts Reserve upon receipt of cash			(15)			(15)	15
Adjustments primarily involving the Major Repairs Reserve							
Reversal of Major Repairs Allowance credited to the HRA				(1,537)		(1,537)	1,537
Use of the Major Repairs Reserve to finance new capital expenditure				2,219		2,219	(2,219)

F. NOTES TO THE CORE FINANCIAL STATEMENTS

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

2010/11	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Useable Reserves	Unusable Reserves
Adjustments primarily involving the Financial Instruments Adjustment Account Amounts by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory	£000	£000	£000	£000	£000	£000	£000
		115				115	(115)
Adjustments primarily involving the Pensions Reserve Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	4,310	1,067				5,377	
Employers pensions contributions and direct payments to pensioners payable in the year	1,993	378				2,371	(7,748)
Adjustments primarily involving the Collection Fund Adjustment Account Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory	74					74	(74)
Total Adjustments	6,896	(52,102)	(190)	(225)	284	(45,337)	45,337

F. NOTES TO THE CORE FINANCIAL STATEMENTS

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

2009/10	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Useable Reserves	Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000
Adjustment primarily involving the Capital Adjustment Account							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement							
Charges for depreciation and impairment of non-current assets	(2,663)	14,697				12,034	(9,818)
The excess of depreciation charged to HRA services over the Major Repairs Allowance element of housing subsidy		193		(193)			
Movement in the market value of investment properties	237					237	(237)
Capital grants and contributions applied	2,633					2,633	(2,633)
Revenue expenditure funded from capital under statute	(994)					(994)	994
Amounts of non current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	(318)	150				(168)	726
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement							
Statutory provision for the financing of capital investment	195					195	(195)
Capital expenditure charged against the General Fund and HRA Balances	55					55	(55)

F. NOTES TO THE CORE FINANCIAL STATEMENTS

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

2009/10	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Useable Reserves	Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Grants Unapplied Account Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	589				(589)		
Application of grants to capital financing transferred to the Capital Adjustment Account					640	640	(640)
Adjustments primarily involving the Capital Receipts Reserve Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Account	23		(594)			(571)	
Use of the Capital Receipts Reserve to finance new capital expenditure			129			129	(129)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current assets disposals			13			13	
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(452)		452				
Transfer from Deferred Capital Receipts Reserve upon receipt of cash			(11)			(11)	11
Adjustments primarily involving the Major Repairs Reserve Reversal of Major Repairs Allowance credited to the HRA				(2,216)		(2,216)	
Use of the Major Repairs Reserve to finance new capital expenditure				2,409		2,409	(2,409)

F. NOTES TO THE CORE FINANCIAL STATEMENTS

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

2009/10	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Useable Reserves	Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Financial Instruments Adjustment Account Amounts by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	39	152				191	(191)
Adjustments primarily involving the Pensions Reserve Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(3,020)	(88)				(3,108)	3,108
Employers pensions contributions and direct payments to pensioners payable in the year	2,003	355				2,358	(2,358)
Adjustments primarily involving the Collection Fund Adjustment Account Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(92)					(92)	92
Total Adjustments	(1,765)	15,459	(11)	0	51	13,734	(13,734)

F. NOTES TO THE CORE FINANCIAL STATEMENTS

2. Critical Judgements in Applying Accounting Policies

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

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

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

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

The items in the Authority's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Impairment of Property, Plant and Equipment due to changes in market conditions.	Due to impairment being an estimate and dependant on future market conditions it is not possible to quantify the impact of impairments. Any charges to the Comprehensive Income & Expenditure Statement are reversed out and do not result in a cost to either the taxpayer or rentpayer, but does result in a change to the Net Worth of the authority, which is reflected in the Balance Sheet.
Pensions Liability	Estimations of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. This information is provided to the authority by the actuaries.	The effects on the net pensions liability of changes in individual assumptions can be measured, these changes are detailed within Note 38 (Pages 73 - 77)

4. Material Items of Income and Expense

Material transactions are outlined in the Explanatory Foreword Note 5 (Page 9).

5. Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Head of Finance on 30 June 2011. Events taking place after this date are not reflected in the financial statements or notes. There were also no events taking place before this date that provided information about material conditions existing at 31 March 2011, that would have required the financial statements and notes to be adjusted.

F. NOTES TO THE CORE FINANCIAL STATEMENTS

6. Other Operating Expenditure

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

2009/10		2010/11
£000		£000
31	Parish Council Precepts	43
452	Payments to the Government Housing Capital Receipts Pool	389
168	(Gains) / losses on the disposal of non current assets	(532)
0	Changes in fair value of assets held for sale	1,110
(24)	Unattached capital receipts	(225)
(41)	Contribution to / (from) Bad Debts Provision	88
586	Total	873

7. Financing and Investment Income & Expenditure

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

2009/10		2010/11
£000		£000
4	Interest payable and similar charges	18
10	Interest element of finance leases (lessee)	2
1,872	Pensions interest cost and expected return on pension assets	1,403
(18)	Investment income interest	(87)
(838)	Rentals received on investment properties	(856)
692	Expenses incurred on investment properties (Note 10)	246
1,023	Changes in fair value of investment properties	0
(1,260)	Revaluation of Investment Properties	1,051
(11)	(Surplus) / Deficit on trading activities (not applicable to a service)	(49)
1,474	Total	1,728

F. NOTES TO THE CORE FINANCIAL STATEMENTS

8. Taxation and Non Specific Grant Income

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

2009/10		2010/11
£000		£000
(6,136)	Council Tax Income	(6,442)
(5,810)	Non domestic rates	(6,356)
(1,341)	Revenue Support Grant	(923)
(3,222)	Capital Grants (Note 32)	(4,886)
	Non Specific Revenue Grants:	
(706)	Housing Planning Delivery Grant (HPDG)	0
(55)	Local Area Business Incentive Grant (LABGI)	0
0	Climate Change	(25)
(23)	Area Based Grant (ABG)	(44)
(17,293)	Total	(18,676)

F. NOTES TO THE CORE FINANCIAL STATEMENTS

9. Property Plant and Equipment

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

	Council dwellings	Other land & buildings	Vehicles, plant etc.	Infra-structure	Community Assets
	£000	£000	£000	£000	£000
Cost					
Balance at 01/04/09	192,382	22,725	7,828	284	2,323
Additions	2,172	209	141	249	1,673
Disposals	(410)	0	0	0	0
Revaluations	153	905	0	0	0
Impairment	(26,072)	(368)	0	0	0
Transfer	0	(55)	0	(2)	0
Balance at 31/03/10	168,225	23,416	7,969	531	3,996
Additions	2,233	119	70	46	177
Disposals	(271)	0	0	0	0
Revaluations	(57,310)	147	(3)	0	0
Impairment	0	0	0	0	0
Transfer	0	0	0	0	0
Balance at 31/03/11	112,877	23,682	8,036	577	4,173

	Assets under construction	Total PPE
	£000	£000
Cost		
Balance at 01/04/09	5,733	231,275
Additions	727	5,171
Disposals	0	(410)
Revaluations	0	1,058
Impairment	(219)	(26,659)
Transfers	0	(57)
Balance at 31/03/10	6,241	210,378
Additions	4,219	6,864
Disposals	0	(271)
Revaluations	0	(57,166)
Transfers	0	0
Balance at 31/03/11	10,460	159,805

F. NOTES TO THE CORE FINANCIAL STATEMENTS

9. Property Plant and Equipment (Cont'd)

	Council dwellings	Other land & buildings	Vehicles, plant etc.	Infra-structure	Community Assets
	£000	£000	£000	£000	£000
Dep'n & Impairment Balance at 01/04/09	40,770	2,121	4,978	12	75
Depreciation	2,206	502	824	15	0
Impairment Reversals	(26,072)	(368)	0	0	0
Transfers	0	(13)	0	0	0
Impairment Losses	(14,698)	291	0	0	19
Disposals	(5)	0	0	0	0
Balance at 31/03/10	2,201	2,533	5,802	27	94
Depreciation	1,468	510	578	16	0
Impairment Reversals	(57,310)	(766)	(4)	0	0
Transfers	0	0	0	0	0
Impairment Losses	55,109	159	0	0	0
Disposals	(4)	0	0	0	0
Balance at 31/03/11	1,464	2,436	6,376	43	94

	Assets under construction	Total PPE
	£000	£000
Dep'n & Impairment Balance at 01/04/09	229	48,185
Depreciation	0	3,547
Impairment Reversals	(219)	(26,659)
Transfers	0	(13)
Impairment Losses	0	(14,388)
Disposals	0	(5)
Balance at 31/03/10	10	10,667
Depreciation	0	2,572
Impairment Reversals	0	(58,080)
Transfers	0	0
Impairment Losses	0	55,268
Disposals	0	(4)
Balance at 31/03/11	10	10,423

F. NOTES TO THE CORE FINANCIAL STATEMENTS

9. Property Plant and Equipment (Cont'd)

	2009/10		
	Net Book Value	Nature of Asset Holding	
		Lease	Owned
	£'000	£'000	£'000
Council Dwellings	166,024	0	166,024
Other Land & Buildings	20,883	0	20,883
Vehicles & Plant	2,167	158	2,009
Infrastructure	504	0	504
Community Assets	3,902	0	3,902
Assets Under Construction	6,231	0	6,231
Total	199,711	158	199,553

	2010/11		
	Net Book Value	Nature of Asset Holding	
		Lease	Owned
	£'000	£'000	£'000
Council Dwellings	111,413	0	111,413
Other Land & Buildings	21,246	0	21,246
Vehicles & Plant	1,660	28	1,632
Infrastructure	534	0	534
Community Assets	4,079	0	4,079
Assets Under Construction	10,450	0	10,450
Total	149,382	28	149,354

Depreciation

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

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

A comprehensive valuation of all Council dwelling assets has been undertaken by Andrew Garratt BA MRICS FCIHof Countrywide Surveyors in 2010/11 to comply with the policy for a full review every 5 years. In addition 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 2010/11. An impairment review for Council Dwellings and Other Land & Buildings was undertaken as at 31st March 2011.

F. NOTES TO THE CORE FINANCIAL STATEMENTS

10. Investment Properties

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

2009/10		2010/11
£000		£000
(838)	Rental income from investment property	(856)
692	Direct operating expenses arising from investment property	246
(146)	Net (gain) / loss	(610)

The movement in the direct operating expenses between 2009/10 and 2010/11 primarily relates to an impairment charge in 2009/10.

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

The following table summarises the movement in the fair value of investment properties during 2010/11 and 2009/10

2009/10		2010/11
£000		£000
6,233	Balance at start of the year	6,935
575	Additions	0
147	Net gains/losses from fair value adjustments	(1,052)
(20)	Other changes	0
6,935	Balance at end of the year	5,883

All of the Council's Investment Properties are treated as operating leases.

11. Intangible Assets

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

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £531,774 charged to revenue in 2010/11 (£627,014 2009/10) was charged to the IT cost centre and then absorbed as an overhead across all service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on Intangible Asset balances during 2010/11 and 2009/10 is as follows:

Movements on Intangible Fixed Assets

2009/10		2010/11
£000		£000
4,133	Balance at start of the year	4,852
719	Other acquisitions Externally Developed	433
4,852	Balance at end of the year	5,285
	Dep'n & Impairment	
2,627	Balance at start of the year	3,254
627	Amortisation for the Year	531
3,254	Balance at end of the year	3,785
1,598	Net Book Value	1,500

F. NOTES TO THE CORE FINANCIAL STATEMENTS

12. Financial Instruments

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

From Balance Sheet	Current 31-Mar-10	Total 31-Mar-10	Current 31-Mar-11	Total 31-Mar-11
	£000	£000	£000	£000
Financial Liabilities	7,000	7,000	6,000	6,000
Total Borrowings	7,000	7,000	6,000	6,000
Loans and Receivables	5	5	1,235	1,235
Total Investments	5	5	1,235	1,235

The financial liabilities was all short term borrowing

Investments reflect short-term deposits.

Servicing of Debt

In 2010/11 the average interest rate incurred on borrowing by the Council was 0.43% (2009/10 0.35%). The interest rate charged to the Housing Revenue Account was 0.81% (2009/10 0.86%).

Gains/Losses of Financial Instruments

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

Fair value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried on the Balance Sheet at amortised cost (where relevant). Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments.

However, where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount. This was the case for KBC. On the grounds of materiality no fair value adjustments were undertaken on debtors that are due in more than 12 months.

F. NOTES TO THE CORE FINANCIAL STATEMENTS

13. Inventories

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

2009/10		2010/11
£000		£000
63	Raw Materials and Consumables	64
27	Finished Goods	21
90	Total	85

14. Construction Contracts

At 31 March 2011 the Authority had two construction contracts in progress, the construction of the new Market Place buildings and the Public Realm. The Authority had the following significant commitments relating to these contracts.

Contract	Contractor	Commitment
		£000
Public Realm	Balfour Beatty	1,122
Market Place Buildings	Sisk	592
Public Realm	Pell Frischmann	29

15. Short -Term Debtors

2009/10		2010/11
£000		£000
2,277	Sundry debtors	2,093
2,596	Government departments	2,300
166	Other local authorities	372
263	Council taxpayers	259
463	Housing tenants	452
501	Prepayments	412
98	Loans to employees	69
6,364		5,957
(1,479)	Less Provision for Bad Debts	(1,471)
4,885		4,486

F. NOTES TO THE CORE FINANCIAL STATEMENTS

16. 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-10	Written Off / (On)	Contribution (to)/ from Bad Debts	Balance at 31-Mar-11
	£000	£000	£000	£000
Provisions for Bad Debts				
Council taxpayers	(152)	37	(35)	(150)
Housing tenants (GF)	(116)	18	10	(88)
Housing tenants (HRA)	(302)	72	(69)	(299)
Housing benefits	(534)	82	(158)	(610)
Other	(375)	183	(132)	(324)
Total Provision for Bad Debts	(1,479)	392	(384)	(1,471)

17. Cash and Cash Equivalent

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

2009/10		2010/11
£000		£000
496	Cash and Bank Balances	1,569
5	Cash Investments - regarded as cash equivalents	1,235
501	Total Cash and Cash Equivalents	2,804

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

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

F. NOTES TO THE CORE FINANCIAL STATEMENTS

18. Assets Held for Sale

2009/10		2010/11
£000		£000
70	Property, Plant & Equipment	0
3,544	Investment Properties	2,457
3,614		2,457

19. Short - Term Creditors

2009/10		2010/11
£000		£000
874	Sundry creditors	1,355
765	Government departments	523
578	Other local authorities	1,000
95	Council taxpayers	101
88	Council Tenants	115
417	Receipts in Advance	443
2,817		3,537

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

20. Provisions

The Council has no provisions other than the bad debts provision which is disclosed in Note 16 (Page 54).

F. NOTES TO THE CORE FINANCIAL STATEMENTS

21. Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement. The tables below provide detailed movements in both 2010/11 and 2009/10.

	Opening Balance 01/04/2009	Trans to Reserves	Transfers fm Reserves	Closing Balance 31/03/2010
	£000	£000	£000	£000
Investment Reserves				
Economic Develop. & Regeneration	3,186	55	0	3,241
Community Projects / Street Scene	30	0	0	30
Mercury Abatement	212	90	0	302
Burton Wold Wind Farm Reserve	45	13	0	58
Smoothing Reserves				
Organisational Development	225	193	0	418
Planning	35	0	0	35
Ward Initiatives	13	3	0	16
Elections Reserve	0	50	0	50
Trading Reserves				
Kettering Borough Trainers	235	0	100	135
Healthy Living Centre	17	0	0	17
Licensing	22	0	0	22
Housing Act Advances	11	0	0	11
DWP Reserve	20	0	0	20
Choice Based Lettings	105	0	105	0
Total	4,156	404	205	4,355

F. NOTES TO THE CORE FINANCIAL STATEMENTS

21. Usable Reserves (Cont'd)

	Opening Balance 01/04/2010	Trans to Reserves	Transfers fm Reserves	Closing Balance 31/03/2011
	£000	£000	£000	£000
Investment Reserves				
Economic Develop. & Regeneration	3,241	0	0	3,241
Community Projects / Street Scene	30	0	0	30
Mercury Abatement	302	145	0	447
Burton Wold Wind Farm Reserve	58	5	0	63
Smoothing Reserves				
Organisational Development	418	457	0	875
Planning	35	0	0	35
Ward Initiatives	16	0	16	0
Elections Reserve	50	150	0	200
Invest to Save	0	430	0	430
Interest & VAT de-minimis	0	143	0	143
Welfare Reform	0	201	0	201
Trading Reserves				
Kettering Borough Trainers	135	0	85	50
Healthy Living Centre	17	0	0	17
Licensing	22	0	0	22
Housing Act Advances	11	0	0	11
DWP Reserve	20	0	0	20
Total	4,355	1,531	101	5,785

Description of Reserves

Investment Reserves

Economic Development and Regeneration Reserve

Used to provide short term resources for the Council's planning service, assist with the Council's economic development strategy, provide funding for other one-off projects and to assist with the operation of the Council's asset management plan. To date, it has been funded from the national Local Area Business Growth Incentive scheme.

Community Projects & Street Scene Reserve

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

Mercury Abatement

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

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.

F. NOTES TO THE CORE FINANCIAL STATEMENTS

21. Usable Reserves (Cont'd)

Smoothing Reserves

Organisational Development

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

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).

Ward Initiative Reserve

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

Elections Reserve

Reserve to provide resources to fund future local elections.

Invest to Save

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

Interest and VAT de-minimis

This reserve has been set up from the savings achieved through Flemings claims and will be used to offset revenue implications of an increase in interest rates or should the Council breach its VAT de-minimis level.

Welfare Reform

This reserve has been set up from the savings made in Housing Benefits and will be used to offset any revenue costs associated with the new welfare reform regulations to be introduced from 2013/14.

Trading Reserves

Kettering Borough Trainers

Holds revenue balances to support future projects.

Healthy Living Centre

Holds revenue balances to support future projects.

Licensing Reserve

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

Housing Act Advances Reserve

Holds fund relating to Council mortgages.

DWP Reserve

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

F. NOTES TO THE CORE FINANCIAL STATEMENTS

22. Unusable Reserves

31-Mar-10		31-Mar-11
£000		£000
(5,688)	Revaluation Reserve	(6,368)
224	Financial Instruments Adjustment Account	109
(193,618)	Capital Adjustment Account	(140,475)
48,188	Pension reserve	23,136
(71)	Collection Fund Adjustment Account	(145)
(22)	Deferred credits - mortgages	(7)
(150,987)		(123,750)

Unusable Reserves - Revaluation Reserve

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

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

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

	GF	HRA	Total
	£000	£000	£000
Balance at 01/04/09	(3,387)	(93)	(3,480)
Revaluation adjustments	(2,459)	(154)	(2,613)
Historical cost adjustment	91	13	104
Realised Revaluations	257	44	301
Balance at 31/03/10	(5,498)	(190)	(5,688)
Revaluation adjustments	(912)	116	(796)
Historical cost adjustment	116	0	116
Balance at 31/03/11	(6,294)	(74)	(6,368)

F. NOTES TO THE CORE FINANCIAL STATEMENTS

Unusable Reserves - Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Movement in Reserves Statement (HRA). The balance on the Account at 31 March 2011 will be charged in full to the Housing Revenue Account over the next two years.

2009/10		2010/11
£000		£000
(415)	Balance at 1 April	(224)
39	Premiums incurred in the year charged to the Comprehensive Income and Expenditure Statement	0
152	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	115
(224)	Balance at 31 March	(109)

F. NOTES TO THE CORE FINANCIAL STATEMENTS

Unusable Reserve - Capital Adjustment Account

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

Analysis of Capital Adjustment Account movements between General Fund and HRA

	GF	HRA	Total
	£000	£000	£000
Balance at 01/04/09	(29,243)	(149,574)	(178,817)
Impairments	2,539	(14,697)	(12,158)
Depreciation	1,963	2,216	4,179
Historical Cost Adjustment	(84)	(13)	(97)
MRP	(195)	0	(195)
Refcus	994	0	994
Financing of the capital programme	(3,445)	(2,419)	(5,864)
Disposal of Fixed Assets	318	406	724
Revaluation Adjustments	(2,083)	0	(2,083)
Realised Revaluations	(257)	(44)	(301)
Balance at 31/03/10	(29,493)	(164,125)	(193,618)
Depreciation	1,568	1,537	3,105
Historical Cost Adjustment	(116)	0	(116)
MRP	(191)	0	(191)
Refcus	664	0	664
Financing of the capital programme	(5,733)	(2,233)	(7,966)
Disposal of Fixed Assets	67	267	334
Revaluation Adjustments	2,320	54,993	57,313
Balance at 31/03/11	(30,914)	(109,561)	(140,475)

F. NOTES TO THE CORE FINANCIAL STATEMENTS

Unusable Reserve - Pensions Reserve

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

2009/10		2010/11
£000		£000
25,135	Balance at 1 April	48,188
22,303	Actuarial gains or losses on pensions assets and liabilities	(17,304)
750	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(7,748)
48,188	Balance at 31 March	23,136

Unusable Reserve - Collection Fund Adjustment Account

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

2009/10		2010/11
£000		£000
(163)	Balance at 1 April	(71)
92	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(74)
(71)	Balance at 31 March	(145)

F. NOTES TO THE CORE FINANCIAL STATEMENTS

Unusable Reserve - Deferred Credits - Mortgages

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

2009/10		2010/11
£000		£000
(32)	Balance at 1 April	(22)
10	Transfer to the Capital Receipts Reserve upon receipt of cash payable in the year	15
(22)	Balance at 31 March	(7)

23. Cash Flow Statement - Net Cash Flows from Operating Activities

2009/10		2010/11
£000		£000
14,116	Net Surplus or (Deficit) on the Provision of Services	(43,487)
	<u>Adjust net surplus or deficit on the provision of services for non cash movements</u>	
(10,534)	Depreciation	2,643
1,023	Impairment and downward valuations	56,262
627	Amortisation	463
(50)	Adjustments for effective interest rates	0
(565)	Increase / Decrease in Creditors	(127)
1,147	Increase / Decrease in Debtors	1,088
(10)	Increase / Decrease in Inventories	5
750	Pension Liability	(7,748)
726	Carrying amount of non-current assets sold (Property Plant and Equipment, Investment Property and Intangible Assets)	334
(1,170)	Movement in Investment Property Values	1,051
(8,056)	Adjustment net surplus or deficit on the provision of services for non cash movements	53,971
	<u>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</u>	
(3,222)	Capital Grants credited to surplus or deficit on the provision of services	(4,886)
(581)	Proceeds from the sale of Property Plant & Equipment, Investment Property and Intangible Assets	(1,090)
(3,803)	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	(5,976)
2,257	Net Cash Flows from Operating Activities	4,508

F. NOTES TO THE CORE FINANCIAL STATEMENTS

24. Cash Flow Statement - Operating Activities (Interest)

The cash flows for operating activities include the following items

2009/10		2010/11
£000		£000
17	Interest received	87
(39)	Soft Loans - Interest adjustment credited to the I & E Account	0
(14)	Interest paid	(17)
(36)	Total	70

25. Cash Flow Statement - Cash Flows from Investing Activities

2009/10		2010/11
£000		£000
(6,746)	Purchase of property, plant and equipment, investment property and intangible assets	(6,950)
591	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	664
3,950	Other receipts from investing activities	5,122
(2,205)	Total Cash Flows from Investing Activities	(1,164)

26. Cash Flow Statement - Cash Flows from Financing Activities

2009/10		2010/11
£000		£000
7,085	Cash receipts of short and long term borrowing	6,017
(5,026)	Other receipts from financing activities	27
(2,682)	Repayment of short and long term borrowing	(7,085)
(70)	Cash payments for the reduction of the outstanding liabilities relating to finance leases	0
(693)	Total Cash Flows from Financing Activities	(1,041)

F. NOTES TO THE CORE FINANCIAL STATEMENTS

27. Trading Operations

The Council operates the following trading undertakings:

2009/10 Net		2010/11		
		Expenditure	Income	Net
£000		£000	£000	£000
39	Markets	37	8	29
12	Property maintenance	322	322	0
0	Grounds maintenance	1,500	1,500	0
(62)	Trade Waste	249	327	(78)
(11)	Net (Surplus) / Deficit	2,108	2,157	(49)

Markets - The Council rents out market pitches to market traders. This function is managed by a third party on behalf of the Council. The Council receives a share of the income generated from the market pitches.

Property / Grounds maintenance - These services relate to internal trading functions.

Trade Waste - The Council provides a trade waste service to commercial organisations, for which it receives a fee for collecting and disposing of waste.

28. Agency Services

The Council provides amenity maintenance to Northamptonshire County Council for highways grass cutting, highway tree and hedge care and weed control. The fees received from the County Council and the costs incurred by the Council in providing this service are detailed in the table below:

2009/10		2010/11
£000		£000
123	Expenditure incurred in providing amenity maintenance	135
(123)	Management fee payable by Northamptonshire County Council	(135)
0	Net (Surplus)/Deficit arising on the agency agreement	0

29. Members Allowances

The total amount of members allowances paid in the year ending 2010/11 was £263,786 (2009/10 £268,851). Detailed allowances for 2010/11 and 2009/10 are listed below:

2009/10		2010/11
£000		£000
	Expenditure	
171	Basic Allowance	170
8	Mayor/Deputy Mayor Allowance	8
74	Special Responsibility Allowance	74
15	Other Expenses	12
268	Total Expenditure	264

F. NOTES TO THE CORE FINANCIAL STATEMENTS

30. Officers' Emoluments

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

2010/11

Post Title	Salary (including fees and allowances)	Expenses Allowances / Bonuses	Benefits in Kind (e.g. Car Allowance)	Total Remuneration excluding Pension Contributions	Employers Pension Contributions	Total Remuneration including Pension Contributions
	£000	£000	£000	£000	£000	£000
Chief Executive (D Cook)	148	0	1	149	36	185
Deputy Chief Executive	91	0	1	92	22	114
Deputy Chief Executive	89	0	1	90	22	112
Deputy Chief Executive	86	0	1	87	20	107
Head of Finance	66	0	1	67	16	83

2009/10

Post Title	Salary (including fees and allowances)	Expenses Allowances / Bonuses	Benefits in Kind (e.g. Car Allowance)	Total Remuneration excluding Pension Contributions	Employers Pension Contributions	Total Remuneration including Pension Contributions
	£000	£000	£000	£000	£000	£000
Chief Executive (D Cook)	151	0	1	152	34	186
Deputy Chief Executive	90	0	1	91	21	112
Deputy Chief Executive	90	0	1	91	20	111
Deputy Chief Executive	85	0	1	86	20	106
Head of Finance	63	0	1	64	15	79

F. NOTES TO THE CORE FINANCIAL STATEMENTS

30. Officers' Emoluments (Cont'd)

The Authority's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts;

2009/10 No of Employees	Remuneration Band	2010/11 No of Employees
3	£50,000 - £54,999	1
4	£55,000 - £59,999	4
3	£60,000 - £64,999	3
1	£65,000 - £69,999	1

31. External Audit Costs

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

2009/10 £000		2010/11 £000
114	Fees payable to KPMG LLP with regard to external audit services carried out by the appointed auditor for the year	124
8	Fees payable to the Audit Commission in respect of statutory inspection	0
47	Fees payable to KPMG LLP for the certification of grant claims and returns for the year	40
1	Fees payable in respect of other services provided by KPMG LLP during the year.	1
170	Total	165

F. NOTES TO THE CORE FINANCIAL STATEMENTS

32. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11 and 2009/10.

2009/10		2010/11
£000		£000
	Credited to Taxation and Non Specific Grant Income	
2,024	DCLG - Growth Funding	3,597
0	HCA - Town Centre	560
454	DCLG - Regional Housing Monies	350
193	DCLG - Disabled Facilities Grant	219
66	DCLG - Pastures Caravan Site	17
242	Various - S106 Developer Contributions	13
120	Sustrans - Links to Schools	0
73	Various - Play Area Improvements	0
50	Various - Other Contributions	130
3,222	Total	4,886

2009/10		2010/11
£000		£000
	Credited to Services	
664	Housing / Council Tax Benefit Administration	666
232	Concessionary Travel	605
574	Learning Skills Council	583
252	Supporting People Government Grant	196
116	NDR Collection Costs	112
125	Trailblazers (Housing)	100
85	Leisure Swim Grant	41
118	Grant for Youth Projects	38
81	Homelessness	20
92	Playrangers Contribution	19
167	Lottery Funding Keep Healthy	17
90	Trailblazers (Customer Services)	0
241	Other grants	401
2,837	Total	2,798

F. NOTES TO THE CORE FINANCIAL STATEMENTS

32. Grant Income (Cont'd)

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned if the conditions are not met. The balances at the year-end are as follows:

2009/10		2010/11
£000		£000
	Capital Grants Receipts in Advance	
615	DCLG - Pastures Caravan Site	597
602	Various - S106 Developer Contributions	631
1,217	Total	1,228

33. 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. council tax bills, housing benefits). Details of transactions with government departments are set out in Note 32 (Page 68).

Members of the Council have direct control over the Council's financial and operating policies. During 2010/11 works and services to the value of £481,986 (£485,021 2009/10) 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 £117,610 in 2010/11 (£115,540 in 2009/10).

Pension Fund - in 2010/11 the contributions paid to Northamptonshire County Council in respect of employer's contributions, added years contributions and lump sum payments was £2.371m (2009/10 £2.358m)

F. NOTES TO THE CORE FINANCIAL STATEMENTS

34. Capital Expenditure and Capital Financing

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

2009/10		2010/11
£000		£000
11,130	Opening Capital Financing Requirement	12,562
	Capital Investment	
5,171	Property, Plant and Equipment	6,864
575	Investment Properties	0
719	Intangible Assets	433
32	Assets Held for Sale	25
994	Revenue Expenditure Funded from Capital under Statute	664
	Sources of Finance	
(129)	Capital receipts	(527)
(5,680)	Government grants and other contributions	(7,388)
(55)	Sums set aside from Revenue	(50)
(195)	MRP	(192)
12,562	Closing Capital Financing Requirement	12,391
	Explanation of movements in year	
1,403	Increase in underlying need to borrow (unsupported by government financial assistance)	(171)
29	Assets acquired under finance leases	0
1,432	Increase / (decrease) in Capital Financing Requirement	(171)

35. Revenue Expenditure Funded from Capital under Statute

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

2009/10		2010/11
£000		£000
567	Improvement grants	399
278	Housing Association grants	120
149	Other	145
994	Total	664

F. NOTES TO THE CORE FINANCIAL STATEMENTS

36. Lease obligations

Authority as Lessee

Finance Leases

The Council has acquired a number of its vehicle fleet by entering into finance leases.

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

2009/10	Net Book Value of Assets	2010/11
£000		£000
158	Vehicles	28
158	Total	28

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

2009/10	Minimum lease payments	2010/11
£000		£000
	Amounts payable under finance leases:	
252	Within one year	43
57	Between one and five years	14
(197)	Less future maintenance charges	(31)
(3)	Less future finance charges	(1)
109	Present value of minimum lease payments	25
	Included in:	
85	Current borrowings	17
24	Non-current borrowings	8
109	Total	25

F. NOTES TO THE CORE FINANCIAL STATEMENTS

36. Lease obligations (Cont'd)

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

2009/10	Present value of minimum lease payments	2010/11
£000		£000
	Amounts payable under finance leases:	
85	Within one year	16
24	Between one and five years	8
109	Present value of minimum lease payments	24
	Included in:	
85	Current borrowings	17
24	Non-current borrowings	8
109	Total	25

Operating Leases

The Council currently has a number of it's vehicle fleet on short term leases which have been classified as operational leases

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

2009/10	Present value of minimum lease payments	2010/11
£000		£000
	Amounts payable under operating leases:	
236	Within one year	513
253	Between one and five years	177
489	Total	690

The expenditure charged to the Cultural, Environmental, Regulatory and Planning Services line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases in 2010/11 was £513k (2009/10 £236k).

Authority as Lessor

Finance Leases

The Council had no finance leases where it is the lessor

Operating Leases

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

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

The future minimum lease payments receivable are as follows:

2009/10	Minimum lease payments receivable	2010/11
£000		£000
448	Not later than one year	429
1,467	Later than one year and not later than five years	1,195
688	Later than five years	470

F. NOTES TO THE CORE FINANCIAL STATEMENTS

37. Impairment Losses / Downward Revaluations

The impairment losses, impairment reversals and downward revaluations charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure for 2010/11 and 2009/10 are detailed in the table below.

2009/10	Impairments / Downward Revaluations	2010/11
£000		£000
(14,697)	Council Dwellings	54,993
701	Other Land & Buildings	159
237	Investment Properties	1,051
(13,759)	Total	56,203

38. Pensions Statement

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

The Council participates in one post employment scheme:

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

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

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

2009/10 Exp Rate of Return		2010/11 Exp Rate of Return
	Financial Assumptions	
3.8%	Pension Increase Rate	2.8%
5.3%	Salary Increase Rate	5.1%
7.2%	Expected Return on Assets	6.8%
5.5%	Discount Rate	5.5%
	Breakdown of the expected return on assets by category	
7.8%	Equities	7.5%
5.0%	Bonds	4.9%
5.8%	Property	5.5%
4.8%	Cash	4.6%
	Mortality Assumptions	
Years	Longevity at 65 for current pensioners	Years
20.8	Men	21.4
24.1	Women	23.3
	Longevity at 65 for future pensioners	
22.3	Men	23.4
25.7	Women	25.5

F. NOTES TO THE CORE FINANCIAL STATEMENTS

38. Pensions Statement (Cont'd)

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

2009/10			2010/11	
Fair Value of Scheme Assets	Exp Rate of Return		Exp Rate of Return	Fair Value of Scheme Assets
£000	% p.a		% p.a	£000
38,200	76.0	Equities	72.0	37,894
8,042	16.0	Bonds	20.0	10,526
3,016	6.0	Property	6.0	3,158
1,006	2.0	Cash	2.0	1,052
50,264	100.0	Total	100.0	52,630

Transactions relating to retirement benefits.

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

2009/10	Local Government Pension Scheme	2010/11
£000		£000
	Comprehensive Income and Expenditure Statement	
	Cost of Services	
1,236	Current Service Cost	2,187
0	Past Service Gain	(8,967)
	Financing and Investment Income and Expenditure	
4,203	Interest Cost	5,036
(2,331)	Expected Return on Scheme Assets	(3,633)
3,108	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	(5,377)
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
22,514	Actuarial Gains and Losses	(17,134)
22,514	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(17,134)
	Movement in Reserves Statement	
3,108	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(5,377)
	Actual amount charged against the General Fund for Pensions in the year	
(2,358)	Employers contributions payable to scheme	(2,371)

The actual return on scheme assets in the year was £3.452m (2009/10 -£13.352m).

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is a gain of £15.487m.

F. NOTES TO THE CORE FINANCIAL STATEMENTS

38. Pensions Statement (Cont'd)

2009/10	Local Government Pension Scheme	2010/11
£000		£000
	Reconciliation of defined benefit obligation	
61,114	1 April	98,452
1,236	Current Service Costs	2,187
4,203	Interest Cost	5,036
692	Contributions by scheme participants	688
33,535	Actuarial (Gains) and Losses	(18,868)
(2,210)	Benefits Paid	(2,639)
(118)	Estimated Unfunded Benefits Paid	(123)
0	Past Service Costs/(Gains)	(8,967)
98,452	31 March	75,766

2009/10	Local Government Pension Scheme	2010/11
£000		£000
	Reconciliation of fair value of Employer Assets	
35,979	1 April	50,264
2,332	Expected Rate of Return	3,633
11,020	Actuarial (Gains) and Losses	(1,734)
2,451	Employer Contributions	2,418
692	Contributions by Scheme Participants	688
(2,210)	Benefits Paid	(2,639)
(118)	Unfunded Benefits Paid	(123)
118	Contributions in Respect of Unfunded Benefits	123
50,264	31 March	52,630

F. NOTES TO THE CORE FINANCIAL STATEMENTS

38. Pensions Statement (Cont'd)

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

Scheme History	2006/07	2007/08	2008/09	2009/10	2010/11
	£000	£000	£000	£000	£000
Present Value of Liabilities in the Local Government Pension Scheme	(65,609)	(71,834)	(61,114)	(98,452)	(75,766)
Fair Value of Assets in the Local Government Pension Scheme	48,572	45,008	35,979	50,264	52,630
Surplus/(Deficit) in the Scheme	(17,037)	(26,826)	(25,135)	(48,188)	(23,136)
Experience Gains / (Losses) on Assets	(557)	(6,344)	(13,210)	11,020	(1,734)
Experience Gains / (Losses) on Liabilities	0	101	(242)	5	13,177
Actuarial Gains / (Losses) on Employer Assets	(557)	(6,344)	(13,210)	11,020	(1,734)
Actuarial Gains / (Losses) on Obligation	3,244	(2,988)	15,828	(33,534)	18,868
Actuarial Gains / (Losses) on recognised in the I & E	2,687	(9,332)	2,618	(22,514)	17,134

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £23.136m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the Local Government Pension Scheme will be made good by increased contributions over the remaining working life of employees (ie before payments fall due), as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2012 is £2.313m.

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 2010.

F. NOTES TO THE CORE FINANCIAL STATEMENTS

38. Pensions Statement (Cont'd)

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pension Reserve can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011.

Scheme History	2006/07	2007/08	2008/09	2009/10	2010/11
	%	%	%	%	%
Difference between the expected and actual return and actual return on assets	(1.1)	(13.0)	44.0	(66.7)	37.5
Experience Gains and Losses on Liabilities	0.0	(0.5)	(21.6)	11.2	2.3

Sensitivity Analysis

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

Change in assumptions at year ended 31 March 2011	Approximate % increase to Employer Liability	Approximate monetary amount
0.5% decrease in Real Discount Rate	9%	£000 6,806
1 year increase in member life expectancy	3%	2,273
0.5% increase in the Salary Increase Rate	2%	1,676
0.5% increase in the Pensions Increase Rate	7%	5,441

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.

39. Contingent liabilities

At the 31st March 2011 the Council had one contingent liability requiring disclosure:

At the 31st March 2011 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 monies in it's Organisational Development Reserve to protect the Council's position.

40. Contingent assets

The Council has submitted a claim to HMRC in accordance with Revenue and Custom's Brief 07/08 in relation to the three year time limit for VAT claims following the House of Lords decision in the cases of *Michael Fleming (t/a/Bodycraft) v HMRC* and *Conde Nast Publications Ltd v HMRC*. The total claim is for £1,400,378 but is subject to further case law, EU review and HMRC negotiations. Claims totalling £142,591 have been settled as at 31st March 2011.

F. NOTES TO THE CORE FINANCIAL STATEMENTS

41. Nature and Extent of Risk arising from Financial Instruments

Key Risks

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

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

Overall Procedures for Managing Risk

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

F. NOTES TO THE CORE FINANCIAL STATEMENTS

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

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.

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

	Principal Amount 31-Mar-11	Historical experience of default	Adjustment for Market conditions 31-Mar-11	Estimated maximum exposure to default
	£000	%	%	£000
Deposits with Banks & financial institutions	1,235	0.00	0.00	0
Sundry Debtors	5,246	6.16	0.00	323
Total	6,481			323

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 it's 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.

F. NOTES TO THE CORE FINANCIAL STATEMENTS

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

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.

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.

Insert Note

42. Amounts Reported for Resource Allocation Decisions

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

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

F. NOTES TO THE CORE FINANCIAL STATEMENTS

Service Information For the year ended 31 March 2011

	Community Services	Enviro. Care	Enviro. Health	Development Services	Human Resources	Finance	Corporate Development
	£000	£000	£000	£000	£000	£000	£000
Income							
Fees, charges & other service income	(1,329)	(1,472)	(2,489)	(734)	(539)	(66)	(30)
Government grants	0	0	0	0	0	0	0
Total Income	(1,329)	(1,472)	(2,489)	(734)	(539)	(66)	(30)
Operating Expenses							
Employee expenses	827	3,469	994	1,622	607	1,281	520
Other operating expenses	2,817	2,576	644	365	226	541	455
Support Service Recharges	0	0	0	0	0	0	0
Total operating expenses	3,644	6,045	1,638	1,987	833	1,822	975
Net Cost of Services	2,315	4,573	(851)	1,253	294	1,756	945

	Legal Services	Housing	Income & Debt	Customer Services	Housing Revenue Account	Total
	£000	£000	£000	£000	£000	£000
Income						
Fees, charges & other service income	(945)	(734)	(28,471)	(14)	(12,639)	(49,462)
Government grants	0	0	0	0	(202)	(202)
Total Income	(945)	(734)	(28,471)	(14)	(12,841)	(49,664)
Operating Expenses						
Employee expenses	953	439	1,334	1,213	2,841	16,100
Other operating expenses	734	491	27,511	537	6,666	43,563
Support Service Recharges	0	0	0	0	0	0
Total operating expenses	1,687	930	28,845	1,750	9,507	59,663
Net Cost of Services	742	196	374	1,736	(3,334)	9,999

F. NOTES TO THE CORE FINANCIAL STATEMENTS

Reconciliation to Subjective Analysis 2010/11	Service Analysis	Services not in Analysis	Not reported to Mgmt	Not included in I & E	Allocation of Recharges	Net Cost of Services	Corporate Amounts
	£000	£000	£000	£000	£000	£000	£000
Income							
Fees, charges & other service income	(49,462)	0	0	3,347	0	(46,115)	(3,347)
Surplus or deficit on associates and joint ventures	0	0	0	0	0	0	0
Interest and investment income	0	0	0	0	0	0	(86)
Income from council tax	0	0	0	0	0	0	(6,442)
Government grants and contributions	(202)	0	0	0	0	(202)	(12,235)
Total Income	(49,664)	0	0	3,347	0	(46,317)	(22,110)
Operating Expenses							
Employee expenses	16,100	0	128	0	0	16,228	(7,564)
Other service expenses	43,563	0	(254)	(2,688)	0	40,621	2,776
Support Service recharges	0	0	0	0	0	0	0
Depreciation, amortisation and impairment	0	0	58,015	0	0	58,015	2,161
Interest Payments	0	0	0	0	0	0	2
Precepts & Levies	0	0	0	0	0	0	43
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	389
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	0	(757)
Total Operating Expenses	59,663	0	57,889	(2,688)	0	114,864	(2,950)
Surplus or deficit on the provision of services	9,999	0	57,889	659	0	68,547	(25,060)

Summary	68,547
Net Cost of Services in the Comprehensive I & E	(25,060)
Corporate Amounts	43,487
(Surplus) or Deficit on Provision of Services	43,487

F. NOTES TO THE CORE FINANCIAL STATEMENTS

Service Information For the year ended 31 March 2010

	Community Services	Enviro. Care	Enviro. Health	Development Services	Human Resources	Finance	Corporate Development
	£000	£000	£000	£000	£000	£000	£000
Income							
Fees, charges & other service income	(1,007)	(1,393)	(2,277)	(579)	(676)	(30)	(25)
Government grants	0	0	0	0	0	0	0
Total Income	(1,007)	(1,393)	(2,277)	(579)	(676)	(30)	(25)
Operating Expenses							
Employee expenses	864	3,514	977	1,725	737	1,306	561
Other operating expenses	2,968	2,590	645	414	345	480	490
Support Service Recharges	0	0	0	0	0	0	0
Total operating expenses	3,832	6,104	1,622	2,139	1,082	1,786	1,051
Net Cost of Services	2,825	4,711	(655)	1,560	406	1,756	1,026

	Legal Services	Housing	Income & Debt	Customer Services	Housing Revenue Account	Total
	£000	£000	£000	£000	£000	£000
Income						
Fees, charges & other service income	(1,008)	(933)	(26,864)	(98)	(12,252)	(47,142)
Government grants	0	0	0	0	(202)	(202)
Total Income	(1,008)	(933)	(26,864)	(98)	(12,454)	(47,344)
Operating Expenses						
Employee expenses	1,014	479	1,423	1,290	2,880	16,770
Other operating expenses	707	886	25,898	608	5,565	41,596
Support Service Recharges	0	0	0	0	0	0
Total operating expenses	1,721	1,365	27,321	1,898	8,445	58,366
Net Cost of Services	713	432	457	1,800	(4,009)	11,022

F. NOTES TO THE CORE FINANCIAL STATEMENTS

Reconciliation to Subjective Analysis 2009/10	Service Analysis	Services not in Analysis	Not reported to Mgmt	Not included in I & E	Allocation of Recharges	Net Cost of Services	Corporate Amounts
	£000	£000	£000	£000	£000	£000	£000
Income							
Fees, charges & other service income	(47,142)	0	0	3,121	0	(44,021)	(3,121)
Surplus or deficit on associates and joint ventures	(202)	0	0	0	0	(202)	0
Interest and investment income	0	0	0	0	0	0	(17)
Income from council tax	0	0	0	0	0	0	(6,135)
Government grants and contributions	0	0	0	0	0	0	(11,158)
Total Income	(47,344)	0	0	3,121	0	(44,223)	(20,431)
Operating Expenses							
Employee expenses	16,770	0	133	0	0	16,903	1,872
Other service expenses	41,596	0	(1,177)	(2,964)	0	37,455	2,922
Support Service recharges	0	0	0	0	0	0	0
Depreciation, amortisation and impairment	0	0	(9,018)	0	0	(9,018)	(237)
Interest Payments	0	0	0	0	0	0	14
Precepts & Levies	0	0	0	0	0	0	31
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	452
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	0	144
Total Operating Expenses	58,366	0	(10,062)	(2,964)	0	45,340	5,198
Surplus or deficit on the provision of services	11,022	0	(10,062)	157	0	1,117	(15,233)

Summary	Net Cost of Services in the Comprehensive I & E
Corporate Amounts	1,117
(Surplus) or Deficit on Provision of Services	(15,233)
	(14,116)

G. THE COLLECTION FUND

Income and Expenditure Account

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).

2009/10		Note Ref.	2010/11
£000			£000
	INCOME		
37,353	Council Tax (net of benefits, discounts and transitional relief)	4	38,973
	Transfers from General Fund		
5,344	- Council Tax benefits		5,754
32,791	Income collectable from business ratepayers	1	30,477
75,488			75,204
	EXPENDITURE		
	Precepts and demands:		
30,559	- Northamptonshire County Council	3	31,629
5,742	- Northamptonshire Police Authority	3	5,944
6,105	- Kettering Borough Council	3	6,319
31	- Parish / Town Precepts		43
	Business Rate		
32,415	- Payments to National Pool	1	30,285
116	- Cost of Collection	1	112
245	Write offs		392
284	Movement in Provision for Bad and doubtful debts		(73)
	Contributions		
633	- From previous years Collection Fund surplus	5	39
76,130			74,690
642	(Surplus)/Deficit in the year		(514)
(1,131)	Fund Balance b/f		(489)
(489)	Fund Balance c/f	6	(1,003)

G. 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 2011 was £75,256,015 (RV in 10/11) the equivalent figure for 31 March 2010 was £74,433,285.

The National Domestic Rate multiplier for 2010/11 was 41.4p, the equivalent figure for 2009/10 was 48.5p. In addition, a small business rate multiplier was introduced in 2006/07 the rate for 2010/11 was 40.7p, the equivalent figure for 2009/10 was 48.1p.

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 2010/11 and 2009/10 is calculated as follows:

2009/10 Band D Equivalents	Band	Estimated number of taxable properties after effect of discounts	Ratio	2010/11 Band D Equivalents
6	A(-)	13	5/9	7
7,161	A	10,745	6/9	7,163
7,833	B	10,074	7/9	7,835
6,193	C	6,984	8/9	6,208
4,310	D	4,292	9/9	4,292
3,096	E	2,547	11/9	3,113
1,670	F	1,151	13/9	1,663
983	G	579	15/9	965
76	H	41	18/9	82
31,328				31,328
564	Non-Collection Provision (1.8%)			564
30,764	Council Tax Base			30,764

G. 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 2010/11 and 2009/10 were as follows:

2009/10	Precepts and Demands	2010/11
£000		£000
6,105	Kettering Borough Council	6,319
30,559	Northamptonshire County Council	31,629
5,742	Northamptonshire Police Authority	5,944
42,406	Total Precepts and Demands	43,892

4 Council Tax Income

2009/10	Council Tax Income	2010/11
£000		£000
42,734	Collectable Debit	44,463
	Less:	
(3,777)	Tax Discounts	(4,023)
(1,554)	Tax Exemptions	(1,423)
(50)	Tax Disabled Relief	(44)
37,353	Total Income	38,973

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:

2009/10	Collection Fund Surpluses	2010/11
£000		£000
	Payment of surplus:	
457	Northamptonshire County Council	28
85	Northamptonshire Police Authority	5
91	Kettering Borough Council	6
633	Total Surplus	39

G. NOTES TO THE COLLECTION FUND

6 Collection Fund Balance

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

The surplus at 31 March 2011 was estimated at £172,651 and was notified to the major preceptors by 15 January which is an annual requirement and is redistributed in the following financial year (2011/12) based on the precepts levied in 2010/11.

In addition the residual value of £830k has been reallocated based on the level of precepts levied for 2011/12, however this value will be dependant on the transactions that occur during 2011/12.

Collection Fund Balance	2010/11	2011/12	Total
	£000	£000	£000
Surplus Balances:			
Northamptonshire County Council	124	598	722
Northamptonshire Police Authority	24	112	136
Kettering Borough Council	25	120	145
Total Surplus	173	830	1,003

From 1st April 2009 billing authorities are required to separately disclose their share of Council Tax debtors (net of impairment allowance for bad debts) and creditors.

The element relating to the major preceptors (NCC and 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 2010/11 attributable to NCC is £722k and £136k to NPA.

In compliance with the Code 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 £810k 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	145	858	1,003
Council Tax Arrears	(259)	(1,532)	(1,791)
Council Tax Bad Debts Provision	150	889	1,039
Council Tax Advances	100	595	695
Total	136	810	946

H. HOUSING REVENUE INCOME & EXPENDITURE STATEMENT

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

Net Expenditure 2009/10		Note Ref	Net Expenditure 2010/11
£000			£000
	<u>Expenditure</u>		
5,767	Management & Maintenance		5,973
18	Rent, rates, taxes and other charges		16
3,334	Negative HRA subsidy payable	6	3,700
(12,481)	Depreciation and impairment of Non Current Assets	4	56,530
64	Movement in the allowance for bad debts		69
(3,298)	Total Expenditure		66,288
	<u>Income</u>		
11,910	Dwelling rents		12,266
441	Charges for services and facilities		450
12,351	Total Income		12,716
(15,649)	Net Cost of HRA Services as included in the CIES		53,572
95	HRA Share of Corporate and Democratic Core		93
(15,554)	Net Cost of HRA Services		53,665
	HRA share of operating income and expenditure included in the CIES		
(150)	(Gain) or loss on sale of HRA non current assets		(424)
50	Interest payable and similar charges		39
(5)	Interest and investment income		(6)
0	Exceptional Item - Past Service Pension Gain resulting from a change in indexation from RPI to CPI.		(1,430)
(15,659)	Surplus or (deficit) for the year on HRA services		51,844

H. STATEMENT OF MOVEMENT ON THE HRA BALANCE

Net Expenditure 2009/10		Net Expenditure 2010/11
£000		£000
(105)	Balance on the HRA at the end of the previous year	(305)
(15,659)	Surplus or (deficit) for the year on the HRA Income & Expenditure Account	51,844
15,459	Adjustments between accounting basis and funding basis under statute	(52,102)
(200)	Net increase or (decrease) before transfers to or from reserves	(258)
0	Transfers (to) or from reserves	0
(200)	Increase or (decrease) in year on the HRA	(258)
(305)	Balance on the HRA at the end of the current year	(563)

H. HOUSING REVENUE ACCOUNT NOTES

1. Housing Stock

- a) At 31 March 2011, the Council was responsible for managing 3,803 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	485	1,223	32	1,757
Bungalows	193	280	2	0	475
Total	1,156	1,354	1,261	32	3,803

- b) The movement in Housing stock in 2010/11 can be summarised as follows:

	Stock at 01/04/10	Stock movements			Stock at 31/03/11
		Sales	Transfers	Adjusted	
Flats	1,570	0	0	0	1,570
Houses	1,767	(9)	0	0	1,758
Bungalows	475	0	0	0	475
Total	3,812	(9)	0	0	3,803

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

2009/10	Balance Sheet Value	2010/11
£000		£000
166,024	Operational assets	111,413
185	- dwellings	184
5	- other land and buildings	5
166,214	- infrastructure	
	Total Operational assets	111,602
18	Non operational assets	18
266	Intangible assets	197
166,498	Total	111,817

H. HOUSING REVENUE ACCOUNT NOTES

2. Rent Arrears

During 2010/11 rent arrears as a proportion of gross rent income was 3.66%. This represents a slight decrease of 0.19% since 2009/10 when the proportion was 3.85%. The figures for rent arrears / advances as at 31 March are detailed below:

2009/10	Rent Arrears	2010/11
£000		£000
463	Gross Rent Arrears	452
(88)	Prepayments of Rent	(115)
375	Net Rent Arrears	337
302	Provision for bad debts	299

3. Capital Expenditure, Financing and Receipts

a) A summary of Housing Revenue Account capital expenditure and how it was financed in 2010/11 and 2009/10 is shown below:

2009/10	HRA Capital expenditure and financing	2010/11
£000	Expenditure	£000
2,172	Dwellings	2,129
257	Other Expenditure	104
2,429	Total Expenditure	2,233
	Financing	
2,409	Major Repairs Reserve	2,219
11	Grant	14
9	External Borrowing	0
2,429	Total Financing	2,233

b) Housing capital receipts in 2010/11 and 2009/10 were as follows:

2009/10	Housing capital receipts	2010/11
£000		£000
571	Dwelling sales	512
0	Land sales	0
571	Total	512

H. HOUSING REVENUE ACCOUNT NOTES

4. Depreciation and Impairment of Fixed Assets

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

2009/10	Depreciation	2010/11
£000		£000
2,206	Operational assets	1,468
5	- dwellings	0
	- other buildings	
2,211	Total Operational assets	1,468
5	Intangible Fixed Assets	69
2,216	Total	1,537

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

2009/10	Impairments / downward revaluations	2010/11
£000		£000
(14,697)	Operational assets	
	- Council dwellings	55,109
(14,697)	Total Operational assets	55,109

The movement of £69.806m between 2010/11 and 2009/10 results from a credit of £14.697m being made for impairment reversals in 2009/10 and a charge for downward revaluations of £55.109m was made in 2010/11 of which £54.993m was charged to the HRA Income and Expenditure Statement (the balance of £116k being charged to the Revaluation Reserve to reverse previous gains). This transaction recognises the reduction in the market value of Council Dwellings due to the change in the discount factor when valuing the Housing Stock. This has no impact on the HRA balance but reduces the Net Worth of the Authority.

H. HOUSING REVENUE ACCOUNT NOTES

5. Major Repairs Reserve

Authorities are required to maintain a Major Repairs Reserve (MRR). The MRR has two functions, the first is to act as a credit entry for the cost of depreciation on Council dwellings. The second is to hold unused balances of Major Repairs Allowance (MRA), which can be used in future years. The MRA 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 2010/11 and 2009/10 are detailed below:

2009/10	Major Repairs Reserve	2010/11
£000		£000
0	Balance at 1 April	0
2,216	Depreciation - council dwellings	1,537
193	Depreciation adjustment to agree to MRA	907
(2,409)	Amount used to finance capital expenditure	(2,219)
0	Balance at 31 March	225

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 2010/11 and 2009/10 are shown below:

2009/10	Housing subsidy	2010/11
£000		£000
(51)	Prior Year Adjustment	2
5,677	Management and Maintenance Allowance	5,735
2,409	Major Repairs Allowance	2,444
246	Charges for Capital	206
8,281		8,387
(11,613)	Notional Rent	(12,087)
(2)	Interest on Receipts	0
3,334	Total (Amount Due) / Payable to the Government	3,700

H. HOUSING REVENUE ACCOUNT NOTES

6. Housing Subsidy (Cont'd)

The authority has made payments totalling £16.938m 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	2010/11
	£000	£000	£000	£000	£000	£000
Payments to National Pool	2,081	2,288	2,555	2,980	3,334	3,700

7. Pension Costs

The difference between current service costs and actual payments in respect of IAS 19 (employee benefits) results in a credit to the Housing Revenue Account for 2010/11 of £15k (2009/10 £267k).

8. Vacant Possession Value

The vacant possession value of dwellings within the HRA as at 1 April 10 was £326.2m. (1 April 09 £333m) For the balance sheet, the figure has been reduced to 34% i.e. £110.9m (2009/10 reduced by 50% to £165.5m). This shows the economic cost to Government of providing Council housing at less than open market rents and reflects the change in the discount rate moving from 50% to 66%.

KETTERING BOROUGH COUNCIL

ANNUAL GOVERNANCE STATEMENT (2010/11)

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 and 2011

Scope of Responsibility

Kettering Borough Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk. The Council's Annual Governance Statement has been prepared 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.

The Council operates an assurance framework which is consistent with the principles of the CIPFA/SOLACE Framework, *Delivering Good Governance in Local Government* and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (amendment) Regulations 2006 and 2011 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 via appropriate, cost effective services.

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

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

This governance framework has been in place for the year ended 31 March 2011.

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

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

The Council 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 set out in the Councils Corporate Plan, which are then turned into detailed actions with appropriate resource allocations in operational Service Plans (http://www.kettering.gov.uk/site/scripts/documents_info.php?categoryID=3340&documentID=989) and reflected accordingly in the Councils Budget. (http://www.kettering.gov.uk/site/scripts/download_info.php?fileID=4658).

The Council undertakes extensive consultation as part of its budget process including specific events in the community and scrutiny through Committees and its geographical forums. The Council has a clear set of 'guiding principles' that govern its medium term financial strategy (http://www.kettering.gov.uk/downloads/9_Medium_Term_Financial_Strategy1_4.doc) and these are discussed at the beginning of each budget round. The Council has also adopted a supplementary set of 'modelling for recovery' principles specifically aimed at encouraging investment in the borough through these difficult economic times (http://www.kettering.gov.uk/downloads/11_Budget_and_Medium_Term_Financial_Policy.doc) – these are specifically aimed at ensuring services for local communities continue to reflect their current needs. The Council's decision making process ensures that when Members take decisions, they are fully aware of the community impacts of decisions through the consideration of professional officer advice.

Furthermore, pre-empting the 2011 Comprehensive Service Review the Council introduced both a "budget containment strategy" and a "maintaining a durable budget" framework that sees reports taken to each Executive Committee on how the Council is achieving it's budget reduction obligations. (http://www.kettering.gov.uk/downloads/10_Maintaining_a_Durable_Budget.doc)

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 to all staff and all Members and is discussed at every meeting of the Monitoring and Audit Committee (http://www.kettering.gov.uk/downloads/A4_KPI_Booklet_1_.pdf). 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 monitoring arrangements.

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

Following the implementation of the Local Government Act 2000, the Council introduced a model Constitution. 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 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 and 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), providing professional advice and managing the day to day operations of the organisation to ensure service delivery priorities are achieved.

3. *The Council will promote the values of good governance and demonstrate 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 the Code of Conduct and will investigate complaints of misconduct, taking reports and advice from the Authority's Monitoring Officer.

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

The Council has two scrutiny committees – one is effectively 'forward looking' (Research & Development Committee – changed as a result of the 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. The Councils Service Plans now have more information about risk management.

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

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

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

At Member level, induction training / regular Member information sessions / training for committee chairs takes place and in addition the Council was re-accredited with the Member Development Charter for its Member training and development arrangements in March 2011.

At officer level, the Council continues to achieve the Investors in People award and has a comprehensive system of performance and development reviews, training programmes and support for professional staff. This ensures continuing professional development for staff at KBC.

The Council's ambitious programme of 'suite 16' projects together with the 'modelling for recovery' principles, "maintaining a durable budget" and "budget containment strategy" will require a continued commitment from the Council in terms of Member and Officer capability and capacity.

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

The Council uses a number of communication channels with residents, which include individual consultation meetings, residents' panel, tenants' forum, leaflets, displays and screens at customer service centres and a shop unit within Kettering Town Centre. This should encourage feedback from residents with regard to environmental and budgetary issues.

As outlined in Annex 1, the Council appoints Members to 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 newsletter (Voice) is available electronically and highlights the issues the Authority is wishing to promote, introduce and consult.

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 'SUFFICIENT' level of assurance based on the work undertaken during 2010/11.

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, Housing Improvement Plan, Community Plan, planning policies and the crime and disorder reduction strategy.

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

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

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>
<p>Management Team:</p> <p>Senior 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>

Corporate Management Team	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. Responsible for the updating and ongoing monitoring of Service Plans together with the links to Corporate Priorities.
Statutory Officers:	
Head of Paid Service	The Council's Chief Executive is the Authority's Statutory Head of Paid Service.
Monitoring Officer	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.
Responsible Finance Officer	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.
Committee / Member Arrangements:	
Full Council	Has overall responsibility for the approval of policy and strategy changes (new and existing) together with the Council budgets, Statement of Accounts and Corporate Plan.
Executive Committee	Receives policy and strategy information (incl. budget) together with any issues that need to be referred to it as per the Council's Constitution (incl. Financial Regulations).
Monitoring & Audit Committee	Receives monitoring information on the work of internal audit (and any significant issues), Key performance information (incl. financial), the Annual Audit & Inspection Letter, and the Audit Plan.
Standards Committee	Responsible for things such as the Council's 'whistle blowing policy', Member and Officer protocols and Conduct.
Research & Development Committee	Performs an overview and scrutiny role in relation to the Council's annual budget, medium term financial strategy, best value performance plan, planning policies, community plan, housing improvement plan and crime and disorder reduction strategy.

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

Governance Issues

In the Council's Internal Audit report for 2010/11 an overall 'SUFFICIENT' level of assurance has been given for the system of internal control based upon the work completed during the year. This means that *'all key controls are in place and are working effectively, but there are some reservations in connection with the operational effectiveness of some key controls'*. There is predominately a low exposure to business risk, although some weaknesses do exist. The Council continues to address control weaknesses identified during audits.

The exceptions and reservations highlighted overleaf 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 sufficient level of assurance.

Area Highlighted	Issues	Actions
Official Ordering Arrangements	<p>Reduce significantly the amount of invoices received with no order numbers and produce a list of goods and services where exemptions from official orders would be allowed.</p> <p>Retrospective orders need to be reduced significantly.</p>	<p>A list will be produced and a protocol for dealing with non-compliance established.</p> <p>A system will be put in place to monitor retrospective orders, together with the production of regular reports detailing breaches of financial regulations.</p> <p>Responsible Officer: Head of Finance Timescale: June 2011</p>
Anti-Fraud and Corruption	<p>Although there are Anti-Fraud and Corruption policies in place many are out of date or ineffective and do not address current issues.</p>	<p>A commitment to review all outstanding documents will be undertaken.</p> <p>A documented review system will be put in place with a plan for future timely reviews.</p> <p>Responsible Officer: Head of Finance Timescale: March 2012</p>
Partnership Arrangements	<p>There is a lack of formal guidelines assisting the understanding, obligations and establishment of partnerships that minimises potential risks to acceptable levels.</p>	<p>A detailed review of the definitions, policies, various partnering arrangements and the level of control and influence associated with each arrangement will be drafted and communicated to all relevant officers.</p> <p>All current and future partnerships should demonstrate compliance with Financial Regulations and receive the formal approval from the Responsible Finance Officer</p> <p>A partnership register detailing all current arrangements should be produced and annually reviewed.</p> <p>Responsible Officer: Head of Finance Timescale: Sept 2011</p>
Right to Buy - Leaseholders	<p>There are inconsistencies with the calculation of service charges.</p>	<p>A procedure for calculating service charges, Section 125 Notices and balances that remain on Advance Payment Funds will be introduced, communicated and regularly reviewed so as to ensure compliance with current legislation is maintained.</p>


		<p>Responsible Officer: Head of Finance Timescale: Sept 2011</p>
Overtime and Call-Out Payments - Depot	<p>The out of hours duty service contract should be reviewed so as to demonstrate compliance with existing KBC policy.</p> <p>A review of multi-tasking arrangements needs to be agreed.</p> <p>A review of priority one call outs is needed so that guidance on immediate response is known in advance and adhered to.</p> <p>Greater use of management information via PDA's is needed.</p>	<p>A systematic root and branch analysis of working practices associated with this activity will be undertaken, monitored and reported. The most efficient, economic and effective processes will be sought and introduced.</p> <p>Responsible Officer: Head of Environmental Services Timescale: March 2012</p>
Business Continuity	<p>The desk top exercise carried out in January 2010 identified improvements needed in the process. These actions should be implemented within agreed timescales, resilience tested and then Member approval sought.</p>	<p>The Business Continuity Policy, Strategy and Business Impact Analysis were approved by Monitoring and Audit Committee in November 2010.</p> <p>Further work on the Incident Plan and Threat Plans relating to staff, property and ICT are still being developed and will be presented to Members for review and approval at a later date.</p> <p>Responsible Officer: Head of Environmental Services Timescale: December 2011</p>
2009/10 AGS Actions	<p>Disabled Facility Grants</p> <p>Fixed Assets</p>	<p>Recommendations have been implemented.</p> <p>The decision has been taken to terminate the Supporting People contract with Papworth Trust as from September 2011.</p> <p>Alternative arrangements for supporting vulnerable applicants for Disabled Facilities Grants are being put in place.</p> <p>A new Private Sector Housing Manager has been recruited.</p> <p>It was agreed that periodic checks in the form of inventories would be undertaken twice yearly. This has not been established as yet and it will be undertaken from September 2011.</p>

	Sundry Debtors	Improved communication with collection agencies and clear payment instructions for customers continues to be an ongoing commitment from the Head of Income and Debt.
	Use of Agency Staff	Guidance regarding the use of agency staff for periods greater than 12 months or where costs are deemed to exceed £50k in one year still needs to be confirmed. Implementation date is October 2011 as new legislation is planned for this time.
	Procurement	Requests to implement an improved recording of Gas Servicing inspections with anniversary dates and non-access incidents have been fully introduced.
	Homelessness	New processes have been set up with regard to the Rent Assisted Scheme (RAS) to monitor spending commitments. Furthermore the RAS bad debts provision has been funded in full as part of the year-end closedown for 2010/11.

The majority of audits completed in 2010/11 gave assurance levels of 'acceptable'. The only core financial system with a 'limited' level of assurance was Creditors. Recommendations to improve the high risk areas identified in this audit have been accepted and will be implemented during 2011/12.

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 sufficient 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		September 2011
D Cook	Chief Executive		September 2011
Cllr D Bishop	Chair of Monitoring and Audit		September 2011

ANNUAL CORPORATE GOVERNANCE STATEMENT 2010/11 – ANNEX 1

1. Focussing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area.			
Good Practice Requirements	Evidence Base and assessment	Other Information / Action	
a) Develop and promote the Authority's purpose and vision	Corporate and Service Planning Process Corporate Improvement Plan Individual Service Unit Plans Community Strategy	The Strategic vision of the authority will continue to be consistently reported via the various plans produced and coordinated 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: March 2012	
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	Given the variety of information available in other formats and the associated cost the Council does not feel that a separate Annual Report is necessary at this time.	
e) Decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly available.	Performance Indicators Data Quality Checks Customer Satisfaction Surveys Residents Panel Tenants Forum Corporate Improvement Plan & Service Plans	The Council previously achieved a score of '3' out of '4' for its data quality assessment. This is not undertaken anymore but the Council still maintains the same level of data quality processes to	

		when it was previously assessed. Responsible Officer: Head of Corporate Development Timescale: Ongoing
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 continues to explore its benchmarking activities. 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.		
Good Practice Requirements		
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.	Evidence Base and assessment Council Constitution (incl. Members Code of Conduct, Scheme of Delegation) Records of decisions	Other Information / Action 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

<p>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.</p>	<p>Regular Meetings Regular Cabinet / SMT Meetings</p>	<p>Responsible Officer : Head of Democratic & Legal Timescale: Ongoing</p>
<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;</p>	<p>Protocols for each partnership Work on indemnities and liabilities (through monitoring and Audit Committee)</p>	<p>This is still being developed and is planned to be completed by the end of the 2011/12 financial year.</p>

<p>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>Responsible Officer: Head of Corporate Development Timescale: March 2012</p>
<p>3. Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.</p>	
<p>Good Practice Requirements</p>	
<p>Ensure that the Authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect</p> <p>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.</p>	<p>Evidence Base and assessment</p> <p>Council Constitution Member Code of Conduct Regular Staff Sessions</p> <p>Code of conduct Performance appraisals Complaints procedure Anti fraud and corruption policy Member / Officer protocols Staff briefings</p> <p>Other Information / Action</p> <p>Responsible Officers: Senior Management Team Timescale: Ongoing</p>
<p>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.</p>	<p>Responsible Officer : Head of Democratic & Legal Timescale: Ongoing</p> <p>Through various Member training, management away days and several Officer groups, codes of conduct and rules that must be followed are regularly communicated.</p> <p>Responsible Officers: Head of Finance & Democratic & Legal Timescale: Ongoing</p>
<p>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.</p>	<p>Codes of conduct</p> <p>Responsible Officers: Head of HR & Democratic & Legal Timescale: Ongoing</p>

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
Develop and maintain an effective standards committee.	Council Constitution Terms of reference Regular reports to Council	Responsible Officers: Head of HR & Democratic & Legal The standards committee is set up and working.
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	This is still being developed.
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.		
Good Practice Requirements		
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.	Evidence Base and assessment Council Constitution Two scrutiny Committee (agendas, reports, minutes) Review of Council Constitution	Other Information / Action It is important that sufficient detail, dialogue and information are made available to ensure the appropriate robust review of service delivery is being achieved.
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	Responsible Officers: Head of Finance & Democratic & Legal Timescale: Ongoing
		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

<p>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.</p>	<p>Council Constitution Members and Officers code of conduct</p>	<p>Timescale: Ongoing Adequate Member/Officer training is put in place to identify their responsibilities and duties.</p>
<p>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.</p>	<p>Terms of reference of Monitoring & Audit Membership Member training Agendas, reports and minutes</p>	<p>Responsible Officers: Head of Finance & Democratic & Legal Timescale: Ongoing Responsible Officers: Head of HR & Democratic & Legal The Monitoring and Audit Committee is set up and working well.</p>
<p>Ensure that effective, transparent and accessible arrangements are in place for dealing with complaints.</p>	<p>Complaints procedure</p>	<p>Responsible Officer: Head of Customer Services & IT Timescale: Ongoing</p>
<p>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.</p>	<p>Members induction programme Training for committee chairs Briefings and reports Internet / intranet Professional advice</p>	<p>The partnership arrangements are still being developed. Responsible Officers: Head of HR & Democratic & Legal Timescale: Ongoing</p>
<p>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.</p>	<p>Statutory Officers involvement in report process Committee Reports SMT / CMT discussions Record of decisions</p>	<p>Responsible Officers: Head of Finance & Democratic & Legal Timescale: Ongoing</p>
<p>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.</p>	<p>Performance Management Framework Key Performance Booklet (and committee reporting) Risk Management Strategy and Policy Financial regulations / standards Members and Officer induction training Whistle-blowing policy</p>	<p>Responsible Officers: Head of Finance Timescale: Ongoing</p>
<p>Ensure that arrangements are in place for whistle-blowing to which staff and all those contracting with the Authority have access.</p>	<p>Council Constitution Monitoring Officer provisions</p>	<p>Responsible Officers: Head of Human Resources Timescale: Ongoing</p>
<p>Actively recognise the limits of lawful activity placed on them by, for example, the ultra vires doctrine but also strive to utilise powers to</p>	<p>Responsible Officers: Head of</p>	<p>Responsible Officers: Head of</p>

the full benefit of their communities.	Statutory provisions Professional Advice	Finance & Democratic & Legal Timescale: Ongoing
Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on local authorities by public law.	Council Constitution Monitoring Officer provisions Statutory provisions Professional Advice	Responsible 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.		
Good Practice Requirements		
Provide induction programmes tailored to individual needs and opportunities for Members and Officers to update their knowledge on a regular basis	Evidence Base and assessment Induction programme Update courses / information Training and development plan Members Information Evenings Members Information Bulletin Member Development Charter (Award)	Other Information / Action The Council is one of a few local authorities that have been awarded commendation for its Member Development Programme through the award of the Member Development Charter National award. This was re-assessed in 2010 with the Council again maintaining its standard.
Ensure that the Statutory Officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the 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.

	<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>Responsible Officers: Head of Human Resources Timescale: Annually</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: Senior Management Team 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>Responsible Officers: Head of Democratic & Legal Timescale: Ongoing</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 &</p>		

6. Engaging with local people and other stakeholders to ensure robust public accountability		Corporate Management Teams Timescale: Ongoing
Good Practice Requirements	Evidence Base and assessment	Other Information / Action
<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>Produce an annual report on the activity of the scrutiny function</p>	<p>Corporate and Service Planning Process Information leaflets (Council Tax Leaflet etc...) Members Financial Handbook Community strategy LSP / LAA structures Work Programmes and Constant Review</p>	<p>Responsible Officers: Head of Democratic & Legal Timescale: Ongoing</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>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>Council Constitution Membership criteria for bodies Meeting minutes and agendas Community Strategy and Corporate Plan Consultation Arrangements Communication strategy Corporate and Service Plan Process Use of display and up to date feedback via customer service centre displays</p>	<p>Responsible Officers: Head of Democratic & Legal Timescale: Ongoing</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</p>

		Timescale: Ongoing
<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.

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.

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.

I. GLOSSARY OF TERMS

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 o

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.

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.

I. GLOSSARY OF TERMS

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

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.

Inventories

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

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

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.

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.

I. GLOSSARY OF TERMS

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.

Transfer Payments

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