



# Statement of Accounts

2011/12

**Kettering**  
*Borough Council*



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## **A. AUDIT REPORT**

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

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## B. EXPLANATORY FOREWORD

### 1. Introduction

This document sets out the Council's statutory accounts for the financial year ended 31 March 2012. The format accords with both statutory undertakings and the requirements for publication of financial information set out in the Code of Practice on Local Authority Accounting in the United Kingdom and complies with International Financial Reporting Standards (IFRS).

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

### 2. The Statements

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

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

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

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

**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'.

## B. EXPLANATORY FOREWORD

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

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

A Statement of Accounting Policies 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.

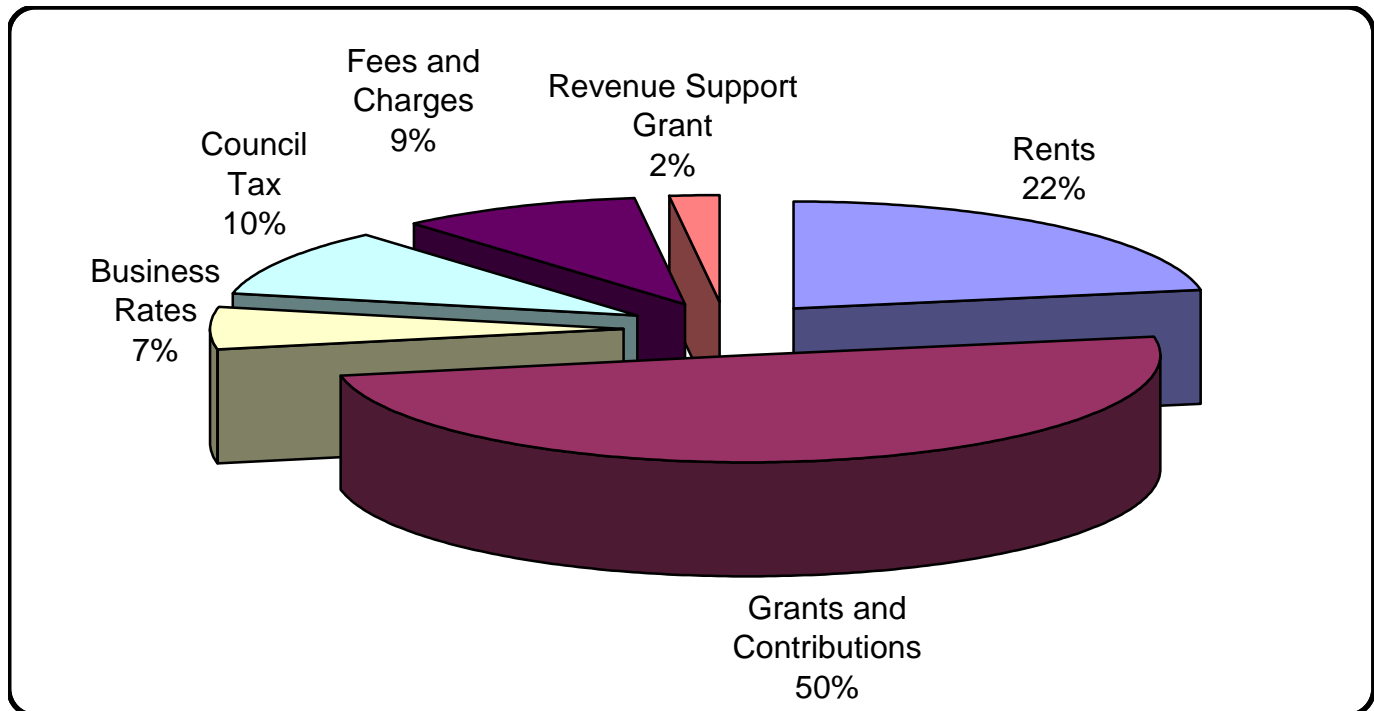


## B. EXPLANATORY FOREWORD

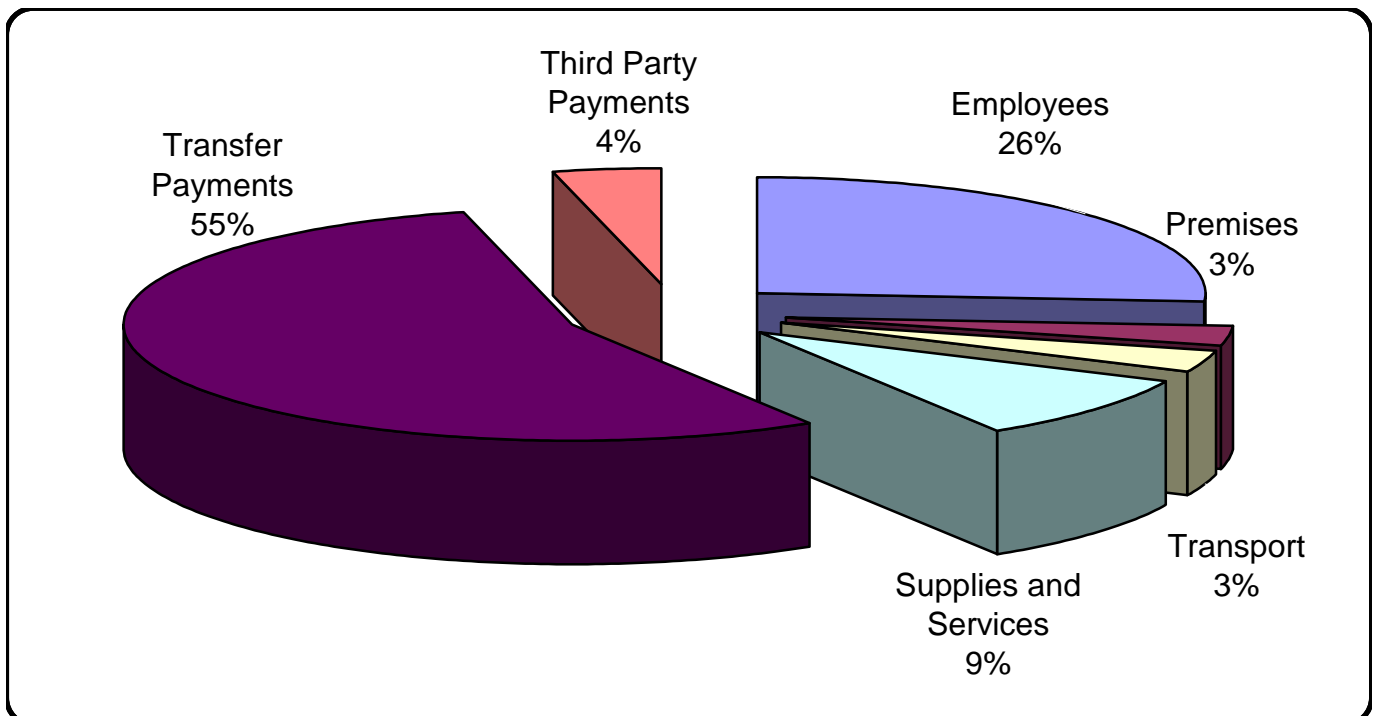
### 3. Revenue Expenditure

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 2011/12 (i.e. both General Fund and HRA).

#### Where The Money Came From



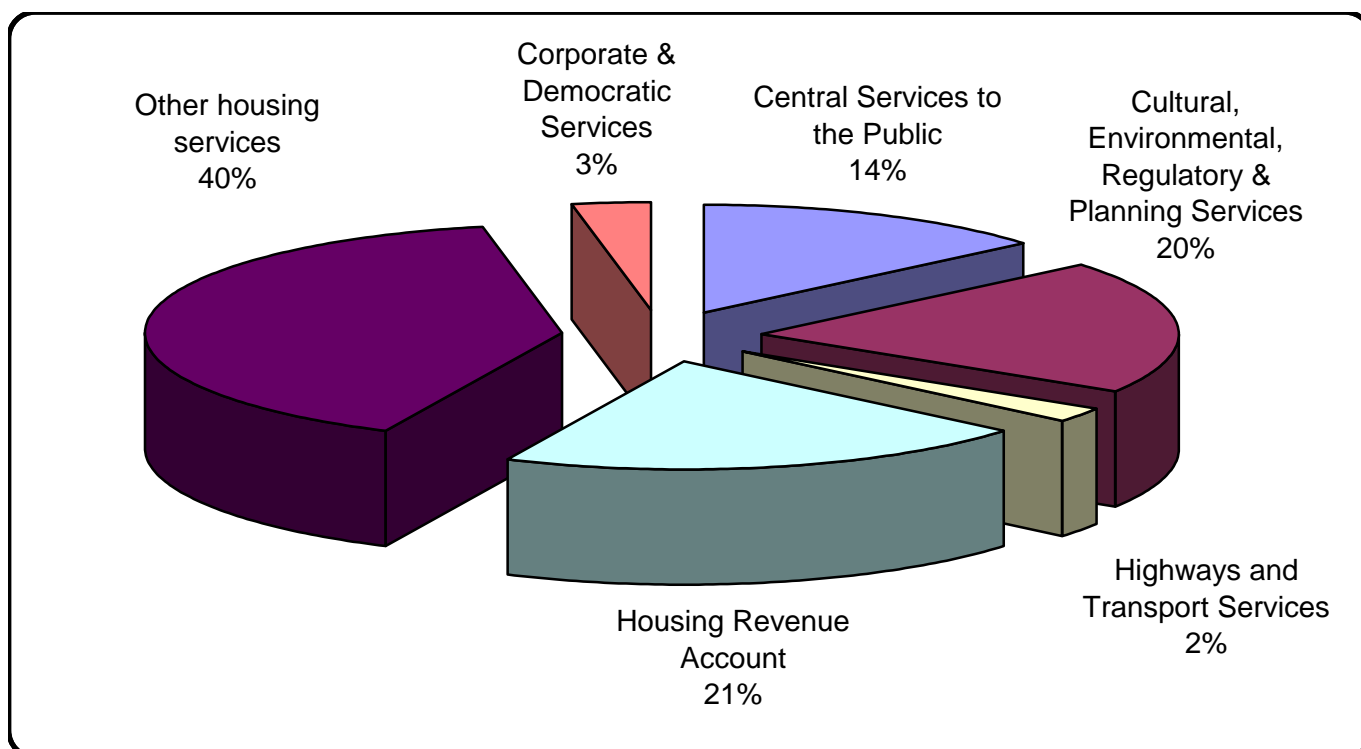
#### What The Money Was Spent On



## 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 2011/12.

	Revised Budget	Actual	Variance
	£000	£000	£000
<b>Expenditure</b>			
Net Service Expenditure	12,979	12,183	(796)
Capital Financing Adjustments	(2,028)	(2,069)	(41)
Transfer to Reserves	913	1,763	850
<b>Total Net Expenditure</b>	<b>11,864</b>	<b>11,877</b>	<b>13</b>
<b>Income</b>			
Revenue Support Grant	(1,290)	(1,290)	0
Business Rates	(4,174)	(4,174)	0
Met by local council taxpayers	(6,388)	(6,388)	0
Collection Fund Surplus	(25)	(25)	0
<b>Total Income</b>	<b>(11,877)</b>	<b>(11,877)</b>	<b>0</b>
<b>(Surplus)/Deficit for the year</b>	<b>(13)</b>	<b>0</b>	<b>13</b>
<b>Balance brought forward</b>	<b>(1,415)</b>	<b>(1,415)</b>	<b>0</b>
<b>Balance carried forward</b>	<b>(1,428)</b>	<b>(1,415)</b>	<b>13</b>

## B. EXPLANATORY FOREWORD

### 3. Revenue Expenditure Cont'd

#### Budget Variations

The outturn reflects a number of one off and ongoing savings. These have been achieved as a result of the significant work undertaken when preparing the 2012/13 budget and the savings required for 2012/13 being delivered ahead of schedule.

The total savings amount to £850,000. The Council's Executive Committee have approved that any 'underspend' will be used to increase earmarked reserves to help provide additional flexibility and protection against business risks / threats the Council faces, particularly with regard to the significant financial changes in April 2013 resulting from Business Rates Reform and the Localisation of Council Tax Support. Further funding pressures are also likely from April 2015 as part of the comprehensive spending review. The Council's General Fund working balance remains unchanged at £1.415m and this remains in line with the Council's Medium Term Financial Strategy '*guiding principles*'.

The major variances relating to the underspend in 2011/12 of £850,000 are summarised in the table below;

(Under)/Over spends	£000
i) Staffing and staff related savings	(351)
iii) Recovery of VAT after successful claims under the Flemings case law	(207)
ii) Additional income from recovered Housing Benefit overpayments	(185)
iv) Reduction in Fleet costs due to short term leases	(89)
v) Reduction in Recycling / Refuse Disposal Costs	(74)
vi) Savings made from improved homelessness prevention measures	(43)
vii) Increased provision for Bad Debts	199
viii) Termination Cost of Public Toilets (early repayment)	151
x) Net other variations	(251)

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 Housing Revenue Account outturn was £3,000 higher than the revised budget. A total of £97,000 has been added to the Housing Revenue Account balance which is now £660,000. This is in line with the Council's Medium Term Financial Strategy which states the account must operate in a surplus position and this is achieved by adopting the principle that an agreed minimum balance of £300,000 should be the primary strategic aim over the medium to long term.

## B. EXPLANATORY FOREWORD

### 3. Revenue Expenditure Cont'd

The following table details the 2011/12 outturn position for the Housing Revenue Account. The reason for the significant variances (£73m) relates to the Self Financing transaction, this is a new system for housing finance that came into effect on 28 March 2012. In order for the subsidy system to be replaced those authorities that made payments to central government (for which Kettering made payments in 2011/12 of £4.3m) were required to take on debt whilst those that received subsidy received a payment from central government to compensate for the subsidy payments they will no longer receive. The Council took loans out totalling £72.9m in order to finance this transaction, this transaction is shown within the Net Service Expenditure but reversed out in the Capital Financing Adjustments line as the principal sums borrowed will be repaid in subsequent years. The Balance Sheet reflects the level of borrowing undertaken.

	Revised Budget	Actual	Variance
	£000	£000	£000
<b>Expenditure</b>			
Net Service Expenditure	(1,078)	72,514	73,592
Capital Financing Adjustments	978	(72,611)	(73,589)
<b>(Surplus)/Deficit for the year</b>	(100)	(97)	3
<b>Balance brought forward</b>	(563)	(563)	0
<b>Balance carried forward</b>	(663)	(660)	3

### 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 £7.249m compared to the revised budget of £8.312m (i.e. 87% of the approved programme was actually spent).

The overall Capital Programme variance will also be within 2% of the net budget taking account of carry forwards to 2012/13.

Of the total expenditure £3.139m was financed from external grants and contributions including the Major Repairs Allowance. The remainder was financed from a mix of capital receipts and notional external borrowing.

	Revised Estimate	Actual	Variance
	£000	£000	£000
<b>Expenditure</b>			
Council Housing Schemes	2,508	2,486	(22)
Private Sector Housing Improvement	654	624	(30)
Investment & Repair Programme	1,682	666	(1,016)
Community Project Schemes	3,145	3,127	(18)
IT Replacement Programme	323	346	23
<b>Total Capital Expenditure</b>	8,312	7,249	(1,063)

## **B. EXPLANATORY FOREWORD**

### **5. Material Transactions**

The following material transactions relate to 2011/12:

#### **a) HRA Self Financing Transaction**

The Council were required to make a payment to CLG of £72.9m during 2011/12 as a result of the implementation of HRA Self Financing. Further details relating to this transaction are detailed within Section 3 of the Explanatory Foreword (page 8).

#### **b) Pensions**

The value of the pension fund deficit for 2011/12 is £29.0m this reflects an increase of £5.9m from the 2010/11 deficit position of £23.1m.

The following material transactions relate to 2010/11:

#### **a) 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.

#### **b) Pension Liability**

The 2010/11 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 70 - 74) to the financial statements.

### **6. Reserves**

The Council at 31 March 2012 has a General Fund balance of £1.415m and a Housing Revenue Account balance of £0.660m. Both are generally in line with the Council's Medium Term Financial Strategy. In addition, the Council has earmarked revenue reserves totalling £7.548m (details are included within Note 21 (Pages 53 - 55)).

## B. EXPLANATORY FOREWORD

### 7. Impact of the current economic climate

The Council's financial strategy and 2012/13 budget were approved in February 2012 at the meeting of Full Council. The key messages in relation to the General Fund budget were;

- Savings of £1.3m were required to set a balanced budget for 2012/13, these have all been identified and the Council is confident that these will be successfully delivered during 2012/13.
- The national landscape is going to change significantly from 1 April 2013 with the introduction of the Business Rates Reform and Localisation of Council Tax Benefit. This brings considerable uncertainty and risk to future projections.
- Assumptions have been made for future levels of government grant (and other funding changes) with annual decreases of 6% applied. This will need to be reviewed when more information becomes available.
- Based upon the assumptions applied, the Council will require the following savings to achieve a balanced budget prior to the consideration of Council Tax.

2013/14	£777,000
2014/15	£707,000
2015/16	£989,000
2016/17	£577,000

The Council's approach to budget setting and monitoring has been developed to help deal with the significant cuts in Government funding in 2011/12 and 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 delivered significant efficiency savings in 2011/12 (£1.9m) and expects to deliver a further £1.3m in 2012/13. Year on year savings of these magnitudes have and will continue to take capacity out of the organisation as the priority is to protect front line services.

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:

Mark Dickenson  
Acting Head of Finance  
Bowling Green Road  
Kettering  
NN15 7QX

or;

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

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

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

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

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

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

The authority is required to:

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

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

The Chief Financial Officer is responsible for the preparation of the authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC

Code of Practice on Local Authority Accounting in the United Kingdom ("the Code").

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

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

The Chief Financial Officer has also:

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

I certify that this Statement of Accounts gives a true and fair view of the financial position of the authority at the reporting date and of its expenditure and income for the year ended 31 March 2012.



Graham Soulsby  
Chief Financial Officer

Date - 25 September 2012

## **D. STATEMENT OF ACCOUNTING POLICIES**

### **1. General Principles**

The Statement of Accounts summarises the Authority's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which are required to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS).

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

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

### **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.

For 2011/12 the Council is required to change its accounting policy for Heritage Assets and recognise them at valuation. Previously Heritage Assets were recognised as Community Assets (at cost) in the Property Plant and Equipment line of the Balance Sheet. In applying the new accounting policy, the Council has identified that assets within Property Plant and Equipment at £278,900 should now be recognised as Heritage Assets and measured at £4,588,603 with a corresponding increase in the revaluation reserve. The 1 April 2010 and 31 March 2011 Balance Sheets have been restated in the 2011/12 Statement of Accounts to apply the new policy.

## **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.

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

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

## **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 accounting year, being the period in which the employee takes the benefit. Where an accrual is made this is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

#### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to either terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These are charged on an accruals basis to the 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.

#### **Pension Scheme Benefits**

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

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

The assets of the pension fund attributable to the Council are included in the Balance Sheet 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 – charged to the Pensions Reserve.
- **contributions paid to the pension fund** – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

#### **Discretionary Benefits**

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

## **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 comprehensive income and expenditure 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 comprehensive income and expenditure statement on de-recognition.

#### **Loans and receivables**

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

Fair value is determined by reference to quoted market prices where possible, otherwise by discounted 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 comprehensive income and expenditure statement and the carrying amount of the asset is reduced directly, or through a provision for impairment of receivables.

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

## 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**

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

#### **Other financial liabilities**

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

#### **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 ensures that current working capital requirements are immediately available. At the period end all the Councils deposits were in call accounts and this is how short-term flexibility is achieved.

**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. Heritage Assets**

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

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

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

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



## **D. STATEMENT OF ACCOUNTING POLICIES**

### **11. Heritage Assets Cont'd**

#### **Art Collection**

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

#### **Heritage Assets – General**

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, eg where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment – see note 18 (page 25).

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

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

### **12. Intangible Fixed Assets**

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

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

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.

### **13. 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.

## **D. STATEMENT OF ACCOUNTING POLICIES**

### **14. Investment Properties**

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

Investment properties are measured 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.

### **15. Leases**

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

#### **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**

### **15. Leases (Cont'd)**

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

### **16. 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.

### **17. Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2011/12 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core - costs relating to the Council's status as a multi functional, democratic organisation.
- Non Distributed Costs - This includes the cost of discretionary benefits awarded to employees and impairment losses chargeable on Assets Held for Sale and other costs not attributable to individual services.

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

## D. STATEMENT OF ACCOUNTING POLICIES

### 18. Property Plant & Equipment

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

#### a) **Recognition**

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

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

#### b) **Measurement**

Assets are initially measured at cost, comprising:

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

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

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

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

## D. STATEMENT OF ACCOUNTING POLICIES

### 18. Property Plant & Equipment (Cont'd)

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

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

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

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

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

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

#### c) **Impairment**

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

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

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

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

## D. STATEMENT OF ACCOUNTING POLICIES

### 18. 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 losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

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

## **D. STATEMENT OF ACCOUNTING POLICIES**

### **18. 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.

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

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

## **D. STATEMENT OF ACCOUNTING POLICIES**

### **19. 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**

### **20. Reserves**

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

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

### **21. 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.

### **22. 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.

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

2011/12	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Total Revenue Reserves
	£000	£000	£000	£000	£000
<b>Balance at 31 March 2011</b>	<b>(1,415)</b>	<b>(5,785)</b>	<b>(563)</b>	<b>0</b>	<b>(7,763)</b>
<u>Movement in Reserves during 2011/12</u>					
(Surplus) or deficit on the provision of services	2,416	0	72,515	0	74,931
Other Comprehensive Inc & Exp	0	0	0	0	0
<b>Total Comprehensive Inc &amp; Exp</b>	<b>2,416</b>	<b>0</b>	<b>72,515</b>	<b>0</b>	<b>74,931</b>
Adjustments between accounting basis and funding basis under regulations (Note 1)	(4,179)	0	(72,612)	0	(76,791)
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	<b>(1,763)</b>	<b>0</b>	<b>(97)</b>	<b>0</b>	<b>(1,860)</b>
Transfers to / from Earmarked Reserves (Note 21)	1,763	(1,763)	0	0	0
<b>Increase / Decrease in 2011/12</b>	<b>0</b>	<b>(1,763)</b>	<b>(97)</b>	<b>0</b>	<b>(1,860)</b>
<b>Balance at 31 March 2012 carried forward</b>	<b>(1,415)</b>	<b>(7,548)</b>	<b>(660)</b>	<b>0</b>	<b>(9,623)</b>

## E1. MOVEMENT IN RESERVES STATEMENT

2011/12	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2011</b>	<b>(201)</b>	<b>(225)</b>	<b>(364)</b>	<b>(8,553)</b>	<b>(128,066)</b>	<b>(136,619)</b>
<u>Movement in Reserves during 2011/12</u>						
(Surplus) or deficit on the provision of services	0	0	0	74,931	0	74,931
Other Comprehensive Inc & Exp	0	0	0	0	5,298	5,298
<b>Total Comprehensive Inc &amp; Exp</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>74,931</b>	<b>5,298</b>	<b>80,229</b>
Adjustments between accounting basis and funding basis under regulations (Note 1)	2	12	312	(76,465)	76,465	0
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	<b>2</b>	<b>12</b>	<b>312</b>	<b>(1,534)</b>	<b>81,763</b>	<b>80,229</b>
Transfers to / from Earmarked Reserves (Note 21)	0	0	0	0	0	0
<b>Increase / Decrease in 2011/12</b>	<b>2</b>	<b>12</b>	<b>312</b>	<b>(1,534)</b>	<b>81,763</b>	<b>80,229</b>
<b>Balance at 31 March 2012 carried forward</b>	<b>(199)</b>	<b>(213)</b>	<b>(52)</b>	<b>(10,087)</b>	<b>(46,303)</b>	<b>(56,390)</b>

## E1. MOVEMENT IN RESERVES STATEMENT

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

## 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
<b>Balance at 31 March 2010</b>	<b>(11)</b>	<b>0</b>	<b>(648)</b>	<b>(6,703)</b>	<b>(155,303)</b>	<b>(162,006)</b>
<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)
<b>Total Comprehensive Inc &amp; Exp</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>43,487</b>	<b>(18,100)</b>	<b>25,387</b>
Adjustments between accounting basis and funding basis under regulations (Note 1)	(190)	(225)	284	(45,337)	45,337	0
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	<b>(190)</b>	<b>(225)</b>	<b>284</b>	<b>(1,850)</b>	<b>27,237</b>	<b>25,387</b>
Transfers to / from Earmarked Reserves (Note 21)	0	0	0	0	0	0
<b>Increase / Decrease in 2010/11</b>	<b>(190)</b>	<b>(225)</b>	<b>284</b>	<b>(1,850)</b>	<b>27,237</b>	<b>25,387</b>
<b>Balance at 31 March 2011 carried forward</b>	<b>(201)</b>	<b>(225)</b>	<b>(364)</b>	<b>(8,553)</b>	<b>(128,066)</b>	<b>(136,619)</b>

## 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.

2010/11				2011/12		
Gross Exp.	Gross Inc.	Net Exp.		Gross Exp.	Gross Inc.	Net Exp.
£000	£000	£000		£000	£000	£000
8,505	6,748	1,757	Central services to the public	8,767	7,045	1,722
3,042	414	2,628	Cultural and Related Services	2,668	262	2,406
6,578	2,649	3,929	Environmental and Regulatory Services	6,314	2,976	3,338
3,735	1,332	2,403	Planning Services	3,484	1,311	2,173
2,424	1,555	869	Highways and transport services	993	912	81
66,219	12,716	53,503	Local authority housing (HRA)	12,877	13,458	(581)
0	0	0	HRA Self Financing Transaction	72,903	0	72,903
23,903	22,438	1,465	Other housing services	25,304	23,846	1,458
2,019	44	1,975	Corporate and democratic core	1,883	0	1,883
0	0	0	Non distributed costs	0	0	0
0	8,967	(8,967)	Exceptional Item - Past Service Pension Gain resulting from a change in indexation from RPI to CPI.	0	0	0
<b>116,425</b>	<b>56,863</b>	<b>59,562</b>	<b>Cost of Services</b>	<b>135,193</b>	<b>49,810</b>	<b>85,383</b>
1,630	757	873	Other Operating Exp. (Note 6)	462	101	361
8,840	7,112	1,728	Financing & Investment Inc. & Exp. (Note 7)	9,326	7,153	2,173
0	18,676	(18,676)	Taxation & Non - Specific Grant Income (Note 8)	0	12,986	(12,986)
		<b>43,487</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>74,931</b>
		(796)	Surplus or deficit on revaluation of non current assets			(708)
		0	Surplus or deficit on revaluation of available for sale financial assets			0
		(17,304)	Actuarial gains / losses on pension assets / liabilities			6,006
		<b>(18,100)</b>	<b>Other Comprehensive Income &amp; Expenditure</b>			<b>5,298</b>
		<b>25,387</b>	<b>Total Comprehensive Income &amp; Expenditure</b>			<b>80,229</b>

## E2. COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

2010/11		2011/12
£000		£000
(1,384)	Balance on the General Fund at the end of the previous year	(1,415)
43,487	(Surplus) or deficit for the year on the General Fund Income & Expenditure Statement	74,931
(45,206)	Adjustments between accounting basis and funding basis under statute (note 1)	(76,791)
(1,719)	Net increase or (decrease) before transfers to or from reserves	(1,860)
1,688	Transfers (to) or from reserves	1,860
(31)	(Increase) or decrease in year on the General Fund	0
<b>(1,415)</b>	<b>Balance on the General Fund at the end of the current year</b>	<b>(1,415)</b>

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

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

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

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

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

The movement of £25.821m on Net Cost of Services on the Comprehensive Income and Expenditure Statement between the 2010/11 and 2011/12 primarily results from the following three transactions:

**i)** Downward Revaluations of £54.993m were charged to the HRA in 2010/11 to recognise the reduction in the market value of Council Dwellings due to the change in the discount factor when valuing the Housing Stock.

**ii)** Income of £8.967m in 2010/11 is shown as an Exceptional Item within Net Cost of Services. This reflects changes to the valuation for the Local Government Defined Benefit Pension Scheme where valuations have changed from the Retail Price Index to the Consumer Price Index, this has resulted in a Past Service Gain.

**iii)** A charge of £72.903m was made in 2011/12 for the HRA Self Financing Transaction. The level of borrowing for this transaction is shown on the face of the Balance Sheet.

All three amounts detailed above are reversed within the Movement in Reserves Statement, having a nil impact on the bottom line balance.

### 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-10 Restated	31-Mar-11 Restated		Note Ref	31-Mar-12
£000	£000			£000
199,432	149,103	Property, Plant & Equipment	9	149,686
6,935	5,883	Investment Property	10	6,791
4,589	4,589	Heritage Assets	9	4,589
1,598	1,500	Intangible Assets	11	935
28	13	Long Term Debtors		7
<b>212,582</b>	<b>161,088</b>	<b>Long Term Assets</b>		<b>162,008</b>
90	85	Inventories	13	99
4,885	4,486	Short Term Debtors	15	2,965
501	2,804	Cash and Cash Equivalents	17	3,410
3,614	2,457	Assets held for sale	18	2,480
<b>9,090</b>	<b>9,832</b>	<b>Current Assets</b>		<b>8,954</b>
7,085	6,017	Short Term Borrowing		8,035
2,817	3,537	Short Term Creditors	19	3,945
<b>9,902</b>	<b>9,554</b>	<b>Current Liabilities</b>		<b>11,980</b>
335	376	Long Term Creditors		441
24	7	Long Term Borrowing		71,933
1,217	1,228	Capital Grants Receipts in Advance		1,188
48,188	23,136	Pension liability	38	29,030
<b>49,764</b>	<b>24,747</b>	<b>Long Term Liabilities</b>		<b>102,592</b>
<b>162,006</b>	<b>136,619</b>	<b>Net Assets</b>		<b>56,390</b>
		<b>Usable reserves</b>		
11	201	Usable Capital Receipts Reserve		199
0	225	Major Repairs Reserve		213
1,384	1,415	General Fund Balance		1,415
305	563	Housing Revenue Account Balance		660
4,355	5,785	Earmarked Reserves	21	7,548
648	364	Capital Grants Unapplied		52
		<b>Unusable Reserves</b>		
9,998	10,678	Revaluation Reserve	22	11,100
(224)	(109)	Financial Instruments Adjustment Account	22	(45)
193,618	140,475	Capital Adjustment Account	22	64,093
(48,188)	(23,136)	Pension Reserve	22	(29,030)
71	145	Collection Fund Adjustment Account	22	178
28	13	Deferred Credits - Mortgages	22	7
<b>162,006</b>	<b>136,619</b>	<b>Total Reserves</b>		<b>56,390</b>



## 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 (i.e. borrowing) to the authority.

<b>2010/11</b>		<b>2011/12</b>
£000		£000
(43,487)	Net surplus or (deficit) on the provision of services	(74,931)
53,971	Adjustments to net surplus or deficit on the provision of services for non cash movements (Note 23)	5,836
(5,976)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 23)	(479)
4,508	Net cash flows from Operating Activities	(69,574)
(1,164)	Investing Activities (Note 25)	(6,181)
(1,041)	Financing Activities (Note 26)	76,361
2,303	Net increase or decrease in cash and cash equivalents	606
501	Cash and cash equivalents at the beginning of the reporting period	2,804
<b>2,804</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 17)</b>	<b>3,410</b>

## 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.

2011/12	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Useable Reserves	Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000
<b>Adjustment primarily involving the Capital Adjustment Account</b>							
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>							
Charges for depreciation and impairment of non-current assets	(904)					(904)	904
The excess of depreciation charged to HRA services over the Major Repairs Allowance element of housing subsidy		942		(942)		0	
Revaluation losses on Property, Plant & Equipment	(14)	(931)				(945)	945
Impairment losses on Assets Held for Sale	23					23	(23)
Movement in the market value of investment properties	(2,338)					(2,338)	2,338
Amortisation of intangible assets	(571)					(571)	571
Recognition of swapped asset as grant income	150					150	(150)
Revenue expenditure funded from capital under statute	(764)					(764)	764
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	(150)	68				(82)	211
HRA Self Financing Payment		(72,903)				(72,903)	72,903
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>							
Statutory provision for the financing of capital investment	149					149	(149)

## F. NOTES TO THE CORE FINANCIAL STATEMENTS

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

2011/12	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Useable Reserves	Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b> Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	340				(341)	(1)	
Application of grants to capital financing transferred to the Capital Adjustment Account					653	653	(653)
<b>Adjustments primarily involving the Capital Receipts Reserve</b> Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	10		(139)			(129)	
Use of the Capital Receipts Reserve to finance new capital expenditure			39			39	(39)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current assets disposals	(107)		1			(106)	
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool			107			107	
Transfer from Deferred Capital Receipts Reserve upon receipt of cash			(6)			(6)	6
<b>Adjustments primarily involving the Major Repairs Reserve</b> Reversal of Major Repairs Allowance credited to the HRA				(1,532)		(1,532)	1,532
Use of the Major Repairs Reserve to finance new capital expenditure				2,486		2,486	(2,486)

## F. NOTES TO THE CORE FINANCIAL STATEMENTS

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

2011/12	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Useable Reserves	Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Financial Instruments Adjustment Account</b> 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		64				64	(64)
<b>Adjustments primarily involving the Pensions Reserve</b> Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(2,049)	(228)				(2,277)	(112)
Employers pensions contributions and direct payments to pensioners payable in the year	2,013	376				2,389	
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b> Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	33					33	(33)
<b>Total Adjustments</b>	<b>(4,179)</b>	<b>(72,612)</b>	<b>2</b>	<b>12</b>	<b>312</b>	<b>(76,465)</b>	<b>76,465</b>

## 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
<b>Adjustment primarily involving the Capital Adjustment Account</b>							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement							
Charges for depreciation and impairment of non-current assets	(1,106)					(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 applied	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 Comprehensive Income and Expenditure Statement	108	424				532	334
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>							
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
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b> Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement							
Application of grants to capital financing transferred to the Capital Adjustment Account					284	284	(284)
<b>Adjustments primarily involving the Capital Receipts Reserve</b> Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	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
<b>Adjustments primarily involving the Major Repairs Reserve</b> 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
	£000	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Financial Instruments Adjustment Account</b> 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		115				115	(115)
<b>Adjustments primarily involving the Pensions Reserve</b> Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	4,310	1,067				5,377	
Employers pensions contributions and direct payments to pensioners payable in the year	1,993	378				2,371	(7,748)
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b> Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	74					74	(74)
<b>Total Adjustments</b>	<b>6,896</b>	<b>(52,102)</b>	<b>(190)</b>	<b>(225)</b>	<b>284</b>	<b>(45,337)</b>	<b>45,337</b>

## 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 2012 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 70 - 74)

### 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 draft Statement of Accounts was authorised for issue by the Councils appointed statutory Finance Officer on 26 June 2012. 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 2012, 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:

2010/11		2011/12
£000		£000
43	Parish Council Precepts	81
389	Payments to the Government Housing Capital Receipts Pool	107
(532)	(Gains) / losses on the disposal of non current assets	(68)
1,110	Changes in fair value of assets held for sale	(23)
(225)	Unattached capital receipts	(10)
0	Asset Replacement	150
88	Contribution to / (from) Bad Debts Provision	124
<b>873</b>	<b>Total</b>	<b>361</b>

### 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:

2010/11		2011/12
£000		£000
18	Interest payable and similar charges	57
2	Interest element of finance leases (lessee)	6
1,403	Pensions interest cost and expected return on pension assets	569
(87)	Investment income interest	(148)
(856)	Rentals received on investment properties (Note 10)	(901)
246	Expenses incurred on investment properties (Note 10)	270
1,051	Changes in fair value of investment properties	2,338
(49)	(Surplus) / Deficit on trading activities (not applicable to a service)	(18)
<b>1,728</b>	<b>Total</b>	<b>2,173</b>

### 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:

2010/11		2011/12
£000		£000
(6,442)	Council Tax Income	(6,527)
(6,356)	Non domestic rates	(4,174)
(923)	Revenue Support Grant	(1,290)
(4,886)	Capital Grants (Note 32)	(492)
	<b>Non Specific Revenue Grants:</b>	
0	New Homes Bonus	(343)
0	Council Tax Incentive Freeze Grant	(160)
(25)	Climate Change	0
(44)	Area Based Grant (ABG)	0
<b>(18,676)</b>	<b>Total</b>	<b>(12,986)</b>

## 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:

	<b>Council dwellings</b>	<b>Other land &amp; buildings</b>	<b>Vehicles, plant etc.</b>	<b>Infra-structure</b>	<b>Community Assets</b>
	£000	£000	£000	£000	£000
<b>Cost</b>					
<b>Balance at 01/04/10</b>	<b>168,225</b>	<b>23,416</b>	<b>7,969</b>	<b>531</b>	<b>3,717</b>
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
<b>Balance at 31/03/11</b>	<b>112,877</b>	<b>23,682</b>	<b>8,036</b>	<b>577</b>	<b>3,894</b>
Additions	2,485	724	519	21	2,145
Disposals	(59)	(2)	0	0	0
Revaluations	(2,395)	92	(21)	0	0
Impairment	0	0	0	0	0
Transfer	0	465	0	0	1,747
<b>Balance at 31/03/12</b>	<b>112,908</b>	<b>24,961</b>	<b>8,534</b>	<b>598</b>	<b>7,786</b>

	<b>Assets under construction</b>	<b>Total PPE</b>
	£000	£000
<b>Cost</b>		
<b>Balance at 01/04/10</b>	<b>6,241</b>	<b>210,099</b>
Additions	4,219	6,864
Disposals	0	(271)
Revaluations	0	(57,166)
Impairment	0	0
Transfers	0	0
<b>Balance at 31/03/11</b>	<b>10,460</b>	<b>159,526</b>
Additions	0	5,894
Disposals	0	(61)
Revaluations	0	(2,324)
Impairment	0	0
Transfers	(4,708)	(2,496)
<b>Balance at 31/03/12</b>	<b>5,752</b>	<b>160,539</b>

## 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
<b>Dep'n &amp; Impairment Balance at 01/04/10</b>	<b>2,201</b>	<b>2,533</b>	<b>5,802</b>	<b>27</b>	<b>94</b>
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
<b>Balance at 31/03/11</b>	<b>1,464</b>	<b>2,436</b>	<b>6,376</b>	<b>43</b>	<b>94</b>
Depreciation	1,462	528	357	21	0
Impairment Reversals	(2,395)	(482)	(21)	0	0
Transfers	0	0	0	0	0
Impairment Losses	931	30	0	0	0
Disposals	(1)	0	0	0	0
<b>Balance at 31/03/12</b>	<b>1,461</b>	<b>2,512</b>	<b>6,712</b>	<b>64</b>	<b>94</b>

	Assets under construction	Total PPE
	£000	£000
<b>Dep'n &amp; Impairment Balance at 01/04/10</b>	<b>10</b>	<b>10,667</b>
Depreciation	0	2,572
Impairment Reversals	0	(58,080)
Transfers	0	0
Impairment Losses	0	55,268
Disposals	0	(4)
<b>Balance at 31/03/11</b>	<b>10</b>	<b>10,423</b>
Depreciation	0	2,368
Impairment Reversals	0	(2,898)
Transfers	0	0
Impairment Losses	0	961
Disposals	0	(1)
<b>Balance at 31/03/12</b>	<b>10</b>	<b>10,853</b>

## F. NOTES TO THE CORE FINANCIAL STATEMENTS

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

	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	3,800	0	3,800
Assets Under Construction	10,450	0	10,450
<b>Total</b>	<b>149,103</b>	<b>28</b>	<b>149,075</b>

	2011/12		
	Net Book Value	Nature of Asset Holding	
		Lease	Owned
	£'000	£'000	£'000
Council Dwellings	111,447	0	111,447
Other Land & Buildings	22,449	0	22,449
Vehicles & Plant	1,822	65	1,757
Infrastructure	534	0	534
Community Assets	7,692	0	7,692
Assets Under Construction	5,742	0	5,742
<b>Total</b>	<b>149,686</b>	<b>65</b>	<b>149,621</b>

#### 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 desktop valuation of all Council dwelling assets has been undertaken by Paul Britland BSc FRICS and Andrew Garratt BA MRICS CIHCM of Countrywide Surveyors in 2011/12 to comply with the policy for a full review every 5 years followed by a desktop review in the interim. In addition to comply with Council policy, 20% of the Council's general fund assets have been valued by Iain Dewar FRICS IRRV MCIArB, Roger Messenger BSc FRICS IRRV MCIArb, Simon Layfield FRICS IRRV (Hons) REV and Andrew Williams Dip BSc (Hon) MRICS IRRV of Wilks Head & Eve in 2011/12. An impairment review for Council Dwellings and Other Land & Buildings was undertaken as at 31st March 2012.

#### Heritage Assets

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

2010/11		2011/12
£000		£000
3,886	Art Collection	3,886
703	Other Collections	703
<b>4,589</b>	<b>Total</b>	<b>4,589</b>

## 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.

2010/11		2011/12
£000		£000
(856)	Rental income from investment property	(901)
246	Direct operating expenses arising from investment property	270
<b>(610)</b>	<b>Net (gain) / loss</b>	<b>(631)</b>

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

The following table summarises the movement in the fair value of investment properties during 2011/12 and 2010/11.

2010/11		2011/12
£000		£000
<b>6,935</b>	<b>Balance at start of the year</b>	<b>5,883</b>
0	Additions	750
(1,052)	Net gains/losses from fair value adjustments	(2,338)
0	Reclassification	(465)
0	Transfers from Assets Under Construction	2,961
<b>5,883</b>	<b>Balance at end of the year</b>	<b>6,791</b>

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 £640,269 charged to revenue in 2011/12 (2010/11 £531,774) 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 2011/12 and 2010/11 is as follows:

#### Movements on Intangible Assets

2010/11		2011/12
£000		£000
<b>4,852</b>	<b>Balance at start of the year</b>	<b>5,285</b>
433	Other acquisitions Externally Developed	76
<b>5,285</b>	<b>Balance at end of the year</b>	<b>5,361</b>
<b>3,254</b>	<b>Dep'n &amp; Impairment</b>	<b>3,785</b>
531	Balance at start of the year Amortisation for the Year	641
<b>3,785</b>	<b>Balance at end of the year</b>	<b>4,426</b>
<b>1,500</b>	<b>Net Book Value</b>	<b>935</b>

## 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:

<b>From Balance Sheet</b>	<b>Current 31-Mar-11</b>	<b>Total 31-Mar-11</b>	<b>Current 31-Mar-12</b>	<b>Total 31-Mar-12</b>
	£000	£000	£000	£000
PWLB	0	0	72,903	72,903
Other Temporary Borrowing	6,000	6,000	7,065	7,065
<b>Total Borrowing</b>	<b>6,000</b>	<b>6,000</b>	<b>79,968</b>	<b>79,968</b>
Creditors	3,913	3,913	4,386	4,386
<b>Total Financial Liabilities</b>	<b>9,913</b>	<b>9,913</b>	<b>84,354</b>	<b>84,354</b>
Cash and Cash Equivalents	2,804	2,804	3,410	3,410
Short Term Debtors	4,486	4,486	2,965	2,965
Short Term	7,290	7,290	6,375	6,375
Long Term Debtors	13	13	7	7
<b>Total Financial Assets</b>	<b>7,303</b>	<b>7,303</b>	<b>6,382</b>	<b>6,382</b>

The financial liabilities reflect short and long term borrowing. The significant increase between 2010/11 and 2011/12 reflects the level of borrowing (£72.903m) the Council was required to undertake to finance the HRA Self Financing transaction.

Investments reflect short-term deposits.

#### Servicing of Debt

In 2011/12 the average interest rate incurred on borrowing by the Council was 0.85% (2010/11 0.43%). The interest rate charged to the Housing Revenue Account was 1.25% (2010/11 0.81%).

#### Gains/Losses of Financial Instruments

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

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

Financial liabilities and financial assets represented by loans and receivables are carried on the Balance Sheet at amortised cost (where relevant). Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments. However, where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount. This was the case for the Council. On the grounds of materiality no fair value adjustments were undertaken on debtors that are due in more than 12 months. The fair value of the borrowing greater than one year as at the 31 March 2012 was £75.812m.

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

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

Most loan debts and investments will have transaction costs which should be applied to adjust the financial instruments initial carrying amount with the result that they are amortised to the Income and Expenditure Account over the life of the financial instrument. This requires an EIR calculation to be made. However, if such transaction costs are judged not to be material, they may be charged directly to the income and expenditure account. This would apply, for example, to the administration fee of 35p per £1,000 advanced by the PWLB on fixed interest rate loans.

## F. NOTES TO THE CORE FINANCIAL STATEMENTS

### 13. Inventories

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

2010/11		2011/12
£000		£000
64	Raw Materials and Consumables	77
21	Finished Goods	22
<b>85</b>	<b>Total</b>	<b>99</b>

### 14. Construction Contracts

At 31 March 2012 the Authority had no significant construction contracts in progress.

### 15. Short -Term Debtors

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

2010/11		2011/12
£000		£000
2,093	Sundry debtors	2,356
2,300	Government departments	1,221
372	Other local authorities	98
259	Council taxpayers	260
452	Housing tenants	457
412	Prepayments	289
69	Loans to employees	77
5,957		4,758
(1,471)	Less Provision for Bad Debts	(1,793)
<b>4,486</b>	<b>Total</b>	<b>2,965</b>

### 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-11	Written Off / (On)	Contribution (to)/ from Bad Debts	Balance at 31-Mar-12
	£000	£000	£000	£000
<b>Provisions for Bad Debts</b>				
Council taxpayers	(150)	31	(39)	(158)
Housing tenants (GF)	(88)	1	(33)	(120)
Housing tenants (HRA)	(299)	42	(73)	(330)
Housing benefits	(610)	70	(161)	(701)
Other	(324)	7	(167)	(484)
<b>Total Provision for Bad Debts</b>	<b>(1,471)</b>	<b>151</b>	<b>(473)</b>	<b>(1,793)</b>

## F. NOTES TO THE CORE FINANCIAL STATEMENTS

### 17. Cash and Cash Equivalent

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

2010/11		2011/12
£000		£000
1,569	Cash and Bank Balances	(665)
1,235	Cash Investments - regarded as cash equivalents	4,075
<b>2,804</b>	<b>Total Cash and Cash Equivalents</b>	<b>3,410</b>

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

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

### 18. Assets Held for Sale

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

2010/11		2011/12
£000		£000
2,457	Investment Properties	2,480
<b>2,457</b>	<b>Total</b>	<b>2,480</b>

### 19. Short - Term Creditors

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

2010/11		2011/12
£000		£000
1,355	Sundry creditors	1,017
523	Government departments	1,046
1,000	Other local authorities	1,239
101	Council taxpayers	99
115	Council Tenants	117
443	Receipts in Advance	427
<b>3,537</b>	<b>Total</b>	<b>3,945</b>

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

### 20. Provisions

The Council has no provisions other than the bad debts provision which is disclosed in Note 16 (Page 51).



## 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 2011/12 and 2010/11.

<b>Earmarked Reserves</b>	<b>Opening Balance 01/04/2010</b>	<b>Transfers to Reserves</b>	<b>Transfers from Reserves</b>	<b>Closing Balance 31/03/2011</b>
	£000	£000	£000	£000
<b>Investment Reserves</b>				
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
<b>Smoothing Reserves</b>				
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
<b>Trading Reserves</b>				
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
<b>Total</b>	<b>4,355</b>	<b>1,531</b>	<b>101</b>	<b>5,785</b>

\* These reserves were combined in 2011/12 to form the Welfare Reform and Taxation Reserve.

## F. NOTES TO THE CORE FINANCIAL STATEMENTS

### 21. Usable Reserves (Cont'd)

Earmarked Reserves	Opening Balance 01/04/2011	Transfers to Reserves	Transfers from Reserves	Closing Balance 31/03/2012
	£000	£000	£000	£000
<b>Investment Reserves</b>				
Economic Develop. & Regeneration	3,241	400	0	3,641
Community Projects / Street Scene	30	0	0	30
Mercury Abatement	447	169	0	616
Burton Wold Wind Farm Reserve	63	3	0	66
<b>Smoothing Reserves</b>				
Organisational Development	875	400	40	1,235
Planning	35	0	0	35
Ward Initiatives	0	18	0	18
Elections Reserve	200	25	0	225
Invest to Save	430	400	0	830
Welfare Reform & Taxation Reserve	344	388	0	732
<b>Trading Reserves</b>				
Kettering Borough Trainers	50	0	0	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
<b>Total</b>	<b>5,785</b>	<b>1,803</b>	<b>40</b>	<b>7,548</b>

#### Description of Reserves

##### *Investment Reserves*

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

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

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

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

##### **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.

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

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

#### *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

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

31-Mar-11 Restated		31-Mar-12
£000		£000
(10,678)	Revaluation Reserve	(11,100)
109	Financial Instruments Adjustment Account	45
(140,475)	Capital Adjustment Account	(64,093)
23,136	Pension reserve	29,030
(145)	Collection Fund Adjustment Account	(178)
(13)	Deferred credits - mortgages	(7)
<b>(128,066)</b>	<b>Total</b>	<b>(46,303)</b>

### Unusable Reserves - Revaluation Reserve

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

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

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

	GF	HRA	Total
	£000	£000	£000
<b>Balance at 01/04/10</b>	<b>(9,808)</b>	<b>(190)</b>	<b>(9,998)</b>
Revaluation adjustments	(912)	116	(796)
Historical cost adjustment	116	0	116
Realised Revaluations	0	0	0
<b>Balance at 31/03/11</b>	<b>(10,604)</b>	<b>(74)</b>	<b>(10,678)</b>
Revaluation adjustments	(559)	0	(559)
Historical cost adjustment	130	7	137
<b>Balance at 31/03/12</b>	<b>(11,033)</b>	<b>(67)</b>	<b>(11,100)</b>

## 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 2012 will be charged in full to the Housing Revenue Account in 2012/13.

2010/11		2011/12
£000		£000
(224)	<b>Balance at 1 April</b>	(109)
115	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	64
(109)	<b>Balance at 31 March</b>	(45)

## 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

	<b>GF</b>	<b>HRA</b>	<b>Total</b>
	£000	£000	£000
<b>Balance at 01/04/10</b>	<b>(29,493)</b>	<b>(164,125)</b>	<b>(193,618)</b>
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
<b>Balance at 31/03/11</b>	<b>(30,914)</b>	<b>(109,561)</b>	<b>(140,475)</b>
Depreciation	1,475	1,532	3,007
Historical Cost Adjustment	(130)	(6)	(136)
MRP	(149)	0	(149)
REFCUS	764	0	764
Financing of the capital programme	(843)	(2,486)	(3,329)
Housing Finance Reform Payment	0	72,903	72,903
Disposal of Fixed Assets	2	59	61
Revaluation Adjustments	2,329	932	3,261
<b>Balance at 31/03/12</b>	<b>(27,466)</b>	<b>(36,627)</b>	<b>(64,093)</b>

## 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.

2010/11		2011/12
£000		£000
<b>48,188</b>	<b>Balance at 1 April</b>	<b>23,136</b>
(17,304)	Actuarial gains or losses on pensions assets and liabilities	6,006
(7,748)	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	(112)
<b>23,136</b>	<b>Balance at 31 March</b>	<b>29,030</b>

### 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.

2010/11		2011/12
£000		£000
<b>(71)</b>	<b>Balance at 1 April</b>	<b>(145)</b>
(74)	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	(33)
<b>(145)</b>	<b>Balance at 31 March</b>	<b>(178)</b>

## 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.

2010/11 Restated		2011/12
£000		£000
(28)	<b>Balance at 1 April</b>	(13)
15	Transfer to the Capital Receipts Reserve upon receipt of cash payable in the year	6
(13)	<b>Balance at 31 March</b>	(7)

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

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

2010/11		2011/12
£000		£000
(43,487)	<b>Net Surplus or (Deficit) on the Provision of Services</b>	(74,931)
	<b><u>Adjust net surplus or deficit on the provision of services for non cash movements</u></b>	
2,643	Depreciation	2,367
56,262	Impairment and downward valuations	717
463	Amortisation	640
(127)	Increase / (Decrease) in Creditors	103
1,088	(Increase) / Decrease in Debtors	(469)
5	(Increase) / Decrease in Inventories	(14)
(7,748)	(Increase) / Decrease in Pension Liability	(112)
334	Carrying amount of non-current assets sold (Property, Plant and Equipment, Investment Property and Intangible Assets)	60
1,051	Movement in Investment Property Values	2,544
<b>53,971</b>	<b>Adjustment net surplus or deficit on the provision of services for non cash movements</b>	<b>5,836</b>
	<b><u>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</u></b>	
(4,886)	Capital Grants credited to surplus or deficit on the provision of services	(341)
(1,090)	Proceeds from the sale of Property, Plant & Equipment, Investment Property and Intangible Assets	(138)
<b>(5,976)</b>	<b>Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities</b>	<b>(479)</b>
<b>4,508</b>	<b>Net Cash Flows from Operating Activities</b>	<b>(69,574)</b>



## F. NOTES TO THE CORE FINANCIAL STATEMENTS

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

The cash flows for operating activities include the following items;

2010/11		2011/12
£000		£000
87	Interest received	148
(17)	Interest paid	(37)
<b>70</b>	<b>Total</b>	<b>111</b>

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

The cash flows for investing activities include the following items;

2010/11		2011/12
£000		£000
(6,950)	Purchase of property, plant and equipment, investment property and intangible assets	(6,849)
664	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	351
5,122	Other receipts from investing activities	317
<b>(1,164)</b>	<b>Total</b>	<b>(6,181)</b>

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

The cash flows for financing activities include the following items;

2010/11		2011/12
£000		£000
6,017	Cash receipts of short and long term borrowing	79,938
27	Other receipts from financing activities	2,475
(7,085)	Repayment of short and long term borrowing	(6,017)
0	Cash payments for the reduction of the outstanding liabilities relating to finance leases	(35)
<b>(1,041)</b>	<b>Total</b>	<b>76,361</b>

## F. NOTES TO THE CORE FINANCIAL STATEMENTS

### 27. Officers' Emoluments

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

2011/12

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	148	0	1	149	19	168
Deputy Chief Executive	89	0	1	90	12	102
Deputy Chief Executive	90	0	1	91	11	102
Deputy Chief Executive	85	0	1	86	11	97
Head of Finance	69	8	1	78	8	86

2010/11 - Restated

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	148	0	1	149	19	168
Deputy Chief Executive	91	0	1	92	12	104
Deputy Chief Executive	89	0	1	90	12	102
Deputy Chief Executive	86	0	1	87	11	98
Head of Finance	66	0	1	67	9	76

From 2010/11 the pension provider has changed the method for calculating the employers pension contribution. It is now calculated based on a fixed monetary amount and a percentage relating to individual employees. Previously it was calculated using a percentage. The monetary amount is paid to the pension provider regardless of the number of staff employed by the authority. The 2010/11 figures have been restated to reflect this change.

## F. NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

2010/11 No of Employees	Remuneration Band	2011/12 No of Employees
1	£50,000 - £54,999	4
4	£55,000 - £59,999	3
3	£60,000 - £64,999	2
1	£65,000 - £69,999	2

### 28. Trading Operations

The Council operates the following trading undertakings:

2010/11 Net		2011/12		
		Expenditure	Income	Net
£000		£000	£000	£000
29	Markets	56	24	32
0	Property maintenance	321	321	0
0	Grounds maintenance	1,454	1,454	0
(78)	Trade Waste	261	311	(50)
<b>(49)</b>	<b>Net (Surplus) / Deficit</b>	<b>2,092</b>	<b>2,110</b>	<b>(18)</b>

**Markets** - The Council rents out market pitches to market traders. This function was managed by a third party on behalf of the Council until August 2011 when the service was brought back in house.

**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.

### 29. 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:

2010/11		2011/12
£000		£000
135	Expenditure incurred in providing amenity maintenance	78
(135)	Management fee payable by Northamptonshire County Council	(78)
<b>0</b>	<b>Net (Surplus)/Deficit arising on the agency agreement</b>	<b>0</b>

## F. NOTES TO THE CORE FINANCIAL STATEMENTS

### 30. Members Allowances

The total amount of members allowances paid in the year ending 31 March 2012 was £269,279 (31 March 2011 £263,786) . Detailed allowances for 2011/12 and 2010/11 are listed below:

2010/11		2011/12
£000		£000
	<b>Expenditure</b>	
170	Basic Allowance	174
8	Mayor/Deputy Mayor Allowance	8
74	Special Responsibility Allowance	75
12	Other Expenses	11
<b>264</b>	<b>Total Expenditure</b>	<b>268</b>

### 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.

2010/11		2011/12
£000		£000
111	Fees payable to KPMG LLP with regard to external audit services carried out by the appointed auditor for the year	128
0	Fees payable to the Audit Commission in respect of statutory inspection	0
51	Fees payable to KPMG LLP for the certification of grant claims and returns for the year	45
9	Fees payable in respect of other services provided by KPMG LLP during the year.	18
<b>171</b>	<b>Total</b>	<b>191</b>

## 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 2011/12 and 2010/11.

2010/11		2011/12
£000		£000
	<b>Credited to Taxation and Non Specific Grant Income</b>	
3,597	DCLG - Growth Funding	0
560	HCA - Town Centre	0
350	DCLG - Regional Housing Monies	0
219	DCLG - Disabled Facilities Grant	251
0	NCC - Asset Replacement	150
17	DCLG - Pastures Caravan Site	0
13	Various - S106 Developer Contributions	51
130	Various - Other Contributions	40
<b>4,886</b>	<b>Total</b>	<b>492</b>

2010/11		2011/12
£000		£000
	<b>Credited to Services</b>	
666	Housing / Council Tax Benefit Administration	646
583	Learning Skills Council	577
196	Supporting People Government Grant	199
20	Homelessness	136
112	NDR Collection Costs	112
38	Grant for Youth Projects	70
100	Trailblazers (Housing)	27
605	Concessionary Travel	0
41	Leisure Swim Grant	0
19	Playrangers Contribution	0
17	Lottery Funding Keep Healthy	0
401	Other grants	183
<b>2,798</b>	<b>Total</b>	<b>1,950</b>

## 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:

2010/11		2011/12
£000		£000
	<b>Capital Grants Receipts in Advance</b>	
597	DCLG - Pastures Caravan Site	589
631	Various - S106 Developer Contributions	599
<b>1,228</b>	<b>Total</b>	<b>1,188</b>

### 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 65).

Members of the Council have direct control over the Council's financial and operating policies. During 2011/12 works and services to the value of £445,540 (2010/11 £481,986) 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 £99,760 in 2011/12 (2010/11 £117,610).

Pension Fund - in 2011/12 the contributions paid to Northamptonshire County Council in respect of employer's contributions, added years contributions and lump sum payments was £2.389m (2010/11 £2.371m).

## 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.

2010/11		2011/12
£000		£000
<b>12,562</b>	<b>Opening Capital Financing Requirement</b>	<b>12,391</b>
	<b>Capital Investment</b>	
6,864	Property, Plant and Equipment	6,642
433	Intangible Assets	76
25	Assets Held for Sale	0
664	Revenue Expenditure Funded from Capital under Statute	764
	<b>Sources of Finance</b>	
(527)	Capital receipts	(39)
(7,388)	Government grants and other contributions	(3,289)
(50)	Sums set aside from Revenue	0
(192)	MRP	(149)
<b>12,391</b>	<b>Closing Capital Financing Requirement</b>	<b>16,396</b>
	<b>Explanation of movements in year</b>	
(171)	Increase in underlying need to borrow (unsupported by government financial assistance)	3,922
0	Assets acquired under finance leases	83
<b>(171)</b>	<b>Increase / (decrease) in Capital Financing Requirement</b>	<b>4,005</b>

### 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:

2010/11		2011/12
£000		£000
399	Improvement grants	440
120	Housing Association grants	183
145	Other	141
<b>664</b>	<b>Total</b>	<b>764</b>

## 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 and multifunctional devices through finance leases.

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

2010/11	Net Book Value of Assets	2011/12
£000		£000
28	Vehicles	9
0	Equipment	56
<b>28</b>	<b>Total</b>	<b>65</b>

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

2010/11	Minimum lease payments	2011/12
£000		£000
	<b>Amounts payable under finance leases:</b>	
43	Within one year	46
14	Between one and five years	32
(31)	Less future maintenance charges	(6)
(1)	Less future finance charges	(6)
<b>25</b>	<b>Present value of minimum lease payments</b>	<b>66</b>
	<b>Included in:</b>	
17	Current borrowings	36
8	Non-current borrowings	30
<b>25</b>	<b>Total</b>	<b>66</b>



## F. NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

2010/11	Present value of minimum lease payments	2011/12
£000		£000
	<b>Amounts payable under finance leases:</b>	
17	Within one year	36
8	Between one and five years	30
<b>25</b>	<b>Present value of minimum lease payments</b>	<b>66</b>
	<b>Included in:</b>	
17	Current borrowings	36
8	Non-current borrowings	30
<b>25</b>	<b>Total</b>	<b>66</b>

#### Operating Leases

The Council currently has a number of its vehicle fleet on short term leases which have been classified as operational leases.

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

2010/11	Present value of minimum lease payments	2011/12
£000		£000
	<b>Amounts payable under operating leases:</b>	
513	Within one year	743
177	Between one and five years	54
<b>690</b>	<b>Total</b>	<b>797</b>

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 2011/12 was £743k (2010/11 £513k).

#### Authority as Lessor

##### Finance Leases

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

##### Operating Leases

The Council holds a number of 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:

2010/11	Minimum lease payments receivable	2011/12
£000		£000
429	Not later than one year	496
1,195	Later than one year and not later than five years	1,151
470	Later than five years	558

## 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 2011/12 and 2010/11 are detailed in the table below.

2010/11	Impairments / Downward Revaluations	2011/12
£000		£000
54,993	Council Dwellings	1,235
159	Other Land & Buildings	30
1,051	Investment Properties	2,430
<b>56,203</b>	<b>Total</b>	<b>3,695</b>

### 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:

2010/11 Exp Rate of Return		2011/12 Exp Rate of Return
	<b>Financial Assumptions</b>	
2.8%	Pension Increase Rate	2.5%
5.1%	Salary Increase Rate	4.8%
6.8%	Expected Return on Assets	5.5%
5.5%	Discount Rate	4.8%
	<b>Breakdown of the expected return on assets by category</b>	
7.5%	Equities	6.2%
4.9%	Bonds	3.5%
5.5%	Property	4.4%
4.6%	Cash	3.5%
	<b>Mortality Assumptions</b>	
Years	Longevity at 65 for current pensioners	Years
21.4	Men	21.4
23.3	Women	23.3
	Longevity at 65 for future pensioners	
23.4	Men	23.4
25.5	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.

2010/11			2011/12	
Fair Value of Scheme Assets	Asset Split		Asset Split	Fair Value of Scheme Assets
£000	% p.a		% p.a	£000
37,894	72.0	Equities	71.0	37,992
10,526	20.0	Bonds	21.0	11,237
3,158	6.0	Property	6.0	3,211
1,052	2.0	Cash	2.0	1,070
<b>52,630</b>	<b>100.0</b>	<b>Total</b>	<b>100.0</b>	<b>53,510</b>

#### Transactions relating to retirement benefits.

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

2010/11	Local Government Pension Scheme	2011/12
£000		£000
	<b>Comprehensive Income and Expenditure Statement</b>	
	<b>Cost of Services</b>	
2,187	Current Service Cost	1,708
(8,967)	Past Service Gain	0
	<b>Financing and Investment Income and Expenditure</b>	
5,036	Interest Cost	4,145
(3,633)	Expected Return on Scheme Assets	(3,576)
<b>(5,377)</b>	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>2,277</b>
	<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	
17,134	Actuarial Gains and Losses	(6,083)
<b>17,134</b>	<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(6,083)</b>
	<b>Movement in Reserves Statement</b>	
(5,377)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	2,277
	<b>Actual amount charged against the General Fund for Pensions in the year</b>	
<b>(2,371)</b>	Employers contributions payable to scheme	<b>(2,389)</b>

The actual return on scheme assets in the year was £0.967m (2010/11 £3.452m).

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is a gain of £21.570m.

## F. NOTES TO THE CORE FINANCIAL STATEMENTS

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

2010/11	Local Government Pension Scheme	2011/12
£000		£000
	<b>Reconciliation of defined benefit obligation</b>	
<b>98,452</b>	<b>1 April</b>	<b>75,766</b>
2,187	Current Service Costs	1,708
5,036	Interest Cost	4,145
688	Contributions by scheme participants	626
(18,868)	Actuarial (Gains) and Losses	3,462
(2,639)	Benefits Paid	(3,044)
(123)	Estimated Unfunded Benefits Paid	(123)
(8,967)	Past Service Costs/(Gains)	0
<b>75,766</b>	<b>31 March</b>	<b>82,540</b>

2010/11	Local Government Pension Scheme	2011/12
£000		£000
	<b>Reconciliation of fair value of Employer Assets</b>	
<b>50,264</b>	<b>1 April</b>	<b>52,630</b>
3,633	Expected Rate of Return	3,576
(1,734)	Actuarial (Gains) and Losses	(2,621)
2,418	Employer Contributions	2,343
688	Contributions by Scheme Participants	626
(2,639)	Benefits Paid	(3,044)
(123)	Unfunded Benefits Paid	(123)
123	Contributions in Respect of Unfunded Benefits	123
<b>52,630</b>	<b>31 March</b>	<b>53,510</b>

## 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 returns experienced in the respective markets.

<b>Scheme History</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>
	£000	£000	£000	£000	£000
Present Value of Liabilities in the Local Government Pension Scheme	(71,834)	(61,114)	(98,452)	(75,766)	(82,540)
Fair Value of Assets in the Local Government Pension Scheme	45,008	35,979	50,264	52,630	53,510
Surplus/(Deficit) in the Scheme	(26,826)	(25,135)	(48,188)	(23,136)	(29,030)
Experience Gains / (Losses) on Assets	(6,344)	(13,210)	11,020	(1,734)	(2,621)
Experience Gains / (Losses) on Liabilities	101	(242)	5	13,177	(1,063)
Actuarial Gains / (Losses) on Employer Assets	(6,344)	(13,210)	11,020	(1,734)	(2,621)
Actuarial Gains / (Losses) on Obligation	(2,988)	15,828	(33,534)	18,868	(3,462)
Actuarial Gains / (Losses) recognised in the I & E	(9,332)	2,618	(22,514)	17,134	(6,083)

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £29.030m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the Local Government Pension Scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2013 is £2.364m.

#### **Basis for Estimating Assets & Liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years are dependent on assumptions about mortality rates, salary levels etc. The County Council Fund liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 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 for each of the following years.

Scheme History	2007/08	2008/09	2009/10	2010/11	2011/12
	%	%	%	%	%
Difference between the expected and actual return and actual return on assets	(13.0)	44.0	(66.7)	37.5	(6.5)
Experience Gains and Losses on Liabilities	(0.5)	(21.6)	11.2	2.3	3.2

#### 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 2012	Approximate % increase to Employer Liability	Approximate monetary amount
		£000
0.5% decrease in Real Discount Rate	10%	8,141
1 year increase in member life expectancy	3%	2,476
0.5% increase in the Salary Increase Rate	3%	2,173
0.5% increase in the Pensions Increase Rate	7%	5,915

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 31st March 2012 the Council had no contingent liabilities requiring disclosure.

### 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 £1,569,408 but is subject to further case law, EU review and HMRC negotiations. Of this, claims totalling £345,092 have been settled as at 31st March 2012.

## 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 its customer collection levels, adjusted to reflect current market conditions.

	Principal Amount 31-Mar-12	Historical experience of default	Adjustment for Market conditions 31-Mar-12	Estimated maximum exposure to default
	£000	%	%	£000
Deposits with Banks & financial institutions	4,075	0.00	0.00	0
Sundry Debtors	4,041	11.95	0.00	483
<b>Total</b>	<b>8,116</b>			<b>483</b>

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

#### Liquidity Risk

The Council 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 General Fund debt and investment portfolio. However, it is recognised that the Council may need to borrow soon to provide resources for the investment strategy planned. The Council have undertaken borrowing of £72.9m from the PWLB to finance the HRA Self Financing transaction.

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 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.

### 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

## Service Information For the year ended 31 March 2012

	Community Services	Enviro. Care	Enviro. Health	Development Services	Human Resources	Finance	Corporate Development
	£000	£000	£000	£000	£000	£000	£000
<b>Income</b>							
Fees, charges & other service income	(455)	(1,648)	(2,638)	(688)	(620)	(91)	(34)
Government grants	0	0	0	0	0	0	0
<b>Total Income</b>	<b>(455)</b>	<b>(1,648)</b>	<b>(2,638)</b>	<b>(688)</b>	<b>(620)</b>	<b>(91)</b>	<b>(34)</b>
<b>Operating Expenses</b>							
Employee expenses	721	3,396	1,017	1,493	609	1,245	485
Other operating expenses	1,358	2,839	665	360	243	494	442
Support Service Recharges	0	0	0	0	0	0	0
<b>Total operating expenses</b>	<b>2,079</b>	<b>6,235</b>	<b>1,682</b>	<b>1,853</b>	<b>852</b>	<b>1,739</b>	<b>927</b>
<b>Net Cost of Services</b>	<b>1,624</b>	<b>4,587</b>	<b>(956)</b>	<b>1,165</b>	<b>232</b>	<b>1,648</b>	<b>893</b>

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	Legal Services	Housing	Income & Debt	Customer Services	Housing Revenue Account	Total
	£000	£000	£000	£000	£000	£000
<b>Income</b>						
Fees, charges & other service income	(928)	(504)	(30,276)	(35)	(13,321)	(51,238)
Government grants	0	(140)	0	0	(199)	(339)
<b>Total Income</b>	<b>(928)</b>	<b>(644)</b>	<b>(30,276)</b>	<b>(35)</b>	<b>(13,520)</b>	<b>(51,577)</b>
<b>Operating Expenses</b>						
Employee expenses	908	403	1,281	1,154	2,950	15,662
Other operating expenses	708	330	29,127	527	7,289	44,382
Support Service Recharges	0	0	0	0	0	0
<b>Total operating expenses</b>	<b>1,616</b>	<b>733</b>	<b>30,408</b>	<b>1,681</b>	<b>10,239</b>	<b>60,044</b>
<b>Net Cost of Services</b>	<b>688</b>	<b>89</b>	<b>132</b>	<b>1,646</b>	<b>(3,281)</b>	<b>8,467</b>

Reconciliation to Subjective Analysis 2011/12	Service Analysis	Services not in Analysis	Excluded from Budget Framework	Not included in I & E	Allocation of Recharges	Net Cost of Services	Corporate Amounts
	£000	£000	£000	£000	£000	£000	£000
<b>Income</b>							
Fees, charges & other service income	(51,238)	0	0	3,364	0	(47,874)	(3,364)
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	(147)
Income from council tax	0	0	0	0	0	0	(6,527)
Government grants and contributions	(339)	0	0	0	0	(339)	(6,309)
<b>Total Income</b>	<b>(51,577)</b>	<b>0</b>	<b>0</b>	<b>3,364</b>	<b>0</b>	<b>(48,213)</b>	<b>(16,347)</b>
<b>Operating Expenses</b>							
Employee expenses	15,662	0	127	0	0	15,789	565
Other service expenses	44,382	0	72,368	(2,715)	0	114,035	2,839
Support Service recharges	0	0	0	0	0	0	0
Depreciation, amortisation and impairment	0	0	3,749	0	0	3,749	2,338
Interest Payments	0	0	26	0	0	26	63
Precepts & Levies	0	0	0	0	0	0	71
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	107
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	0	(91)
<b>Total Operating Expenses</b>	<b>60,044</b>	<b>0</b>	<b>76,270</b>	<b>(2,715)</b>	<b>0</b>	<b>133,599</b>	<b>5,892</b>
<b>Surplus or deficit on the provision of services</b>	<b>8,467</b>	<b>0</b>	<b>76,270</b>	<b>649</b>	<b>0</b>	<b>85,386</b>	<b>(10,455)</b>

**Summary**

Net Cost of Services in the Comprehensive I & E	85,386
Corporate Amounts	(10,455)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>74,931</b>

## Service Information For the year ended 31 March 2011

	Community Services	Enviro. Care	Enviro. Health	Development Services	Human Resources	Finance	Corporate Development
<b>Income</b>	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(1,329)	(1,472)	(2,489)	(734)	(539)	(66)	(30)
Government grants	0	0	0	0	0	0	0
<b>Total Income</b>	<b>(1,329)</b>	<b>(1,472)</b>	<b>(2,489)</b>	<b>(734)</b>	<b>(539)</b>	<b>(66)</b>	<b>(30)</b>
<b>Operating Expenses</b>							
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
<b>Total operating expenses</b>	<b>3,644</b>	<b>6,045</b>	<b>1,638</b>	<b>1,987</b>	<b>833</b>	<b>1,822</b>	<b>975</b>
<b>Net Cost of Services</b>	<b>2,315</b>	<b>4,573</b>	<b>(851)</b>	<b>1,253</b>	<b>294</b>	<b>1,756</b>	<b>945</b>

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	Legal Services	Housing	Income & Debt	Customer Services	Housing Revenue Account	Total
<b>Income</b>	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(945)	(734)	(28,471)	(14)	(12,639)	(49,462)
Government grants	0	0	0	0	(202)	(202)
<b>Total Income</b>	<b>(945)</b>	<b>(734)</b>	<b>(28,471)</b>	<b>(14)</b>	<b>(12,841)</b>	<b>(49,664)</b>
<b>Operating Expenses</b>						
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
<b>Total operating expenses</b>	<b>1,687</b>	<b>930</b>	<b>28,845</b>	<b>1,750</b>	<b>9,507</b>	<b>59,663</b>
<b>Net Cost of Services</b>	<b>742</b>	<b>196</b>	<b>374</b>	<b>1,736</b>	<b>(3,334)</b>	<b>9,999</b>

Reconciliation to Subjective Analysis 2010/11	Service Analysis	Services not in Analysis	Excluded from Budget Framework	Not included in I & E	Allocation of Recharges	Net Cost of Services	Corporate Amounts
	£000	£000	£000	£000	£000	£000	£000
<b>Income</b>							
Fees, charges & other service income	(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)
<b>Total Income</b>	<b>(49,664)</b>	<b>0</b>	<b>0</b>	<b>3,347</b>	<b>0</b>	<b>(46,317)</b>	<b>(22,110)</b>
<b>Operating Expenses</b>							
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)
<b>Total Operating Expenses</b>	<b>59,663</b>	<b>0</b>	<b>57,889</b>	<b>(2,688)</b>	<b>0</b>	<b>114,864</b>	<b>(2,950)</b>
<b>Surplus or deficit on the provision of services</b>	<b>9,999</b>	<b>0</b>	<b>57,889</b>	<b>659</b>	<b>0</b>	<b>68,547</b>	<b>(25,060)</b>

**Summary**

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

## 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).

2010/11		Note Ref.	2011/12
£000			£000
	<b>INCOME</b>		
38,973	Council Tax (net of benefits, discounts and transitional relief)	4	39,229
	Transfers from General Fund		
5,754	Council Tax benefits		5,883
30,477	Income collectable from business ratepayers	1	28,287
<b>75,204</b>			<b>73,399</b>
	<b>EXPENDITURE</b>		
	Precepts and demands:		
31,629	Northamptonshire County Council	3	31,979
5,944	Northamptonshire Police Authority	3	6,009
6,362	Kettering Borough Council - Including Parish Precepts	3	6,470
	Business Rate		
30,285	Payments to National Pool	1	27,871
112	Cost of Collection	1	112
392	Write offs		432
(73)	Movement in Provision for Bad and doubtful debts		133
	Contributions		
39	From previous years Collection Fund surplus	5	173
<b>74,690</b>			<b>73,179</b>
<b>(514)</b>	(Surplus)/Deficit in the year		<b>(220)</b>
(489)	Fund Balance b/f		(1,003)
<b>(1,003)</b>	<b>Fund Balance c/f</b>	6	<b>(1,223)</b>

## 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 2012 was £75,181,840 the equivalent figure for 31 March 2011 was £75,256,015.

The National Domestic Rate multiplier for 2011/12 was 43.3p, the equivalent figure for 2010/11 was 41.4p. In addition the small business rate multiplier rate for 2011/12 was 42.6p the equivalent figure for 2010/11 was 40.7p.

### 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 2011/12 and 2010/11 is calculated as follows:

2010/11 Band D Equivalents	Band	Estimated number of taxable properties after effect of discounts	Ratio	2011/12 Band D Equivalents
6	A(-)	11	5/9	6
7,161	A	10,880	6/9	7,253
7,833	B	10,190	7/9	7,926
6,193	C	7,100	8/9	6,311
4,310	D	4,311	9/9	4,311
3,096	E	2,597	11/9	3,174
1,670	F	1,171	13/9	1,691
983	G	591	15/9	985
76	H	42	18/9	84
<b>31,328</b>				<b>31,741</b>
564	Non-Collection Provision was 2% for 2011/12 (2010/11 1.80%)			636
<b>30,764</b>	<b>Council Tax Base</b>			<b>31,105</b>

## 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 2011/12 and 2010/11 were as follows:

2010/11	Precepts and Demands	2011/12
£000		£000
6,362	Kettering Borough Council	6,470
31,629	Northamptonshire County Council	31,979
5,944	Northamptonshire Police Authority	6,009
<b>43,935</b>	<b>Total Precepts and Demands</b>	<b>44,458</b>

### 4 Council Tax Income

2010/11	Council Tax Income	2011/12
£000		£000
44,463	Collectable Debit	44,811
	Less:	
(4,023)	Tax Discounts	(4,083)
(1,423)	Tax Exemptions	(1,455)
(44)	Tax Disabled Relief	(44)
<b>38,973</b>	<b>Total Income</b>	<b>39,229</b>

### 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:

2010/11	Collection Fund Surpluses	2011/12
£000		£000
	<b>Payment of surplus:</b>	
28	Northamptonshire County Council	124
5	Northamptonshire Police Authority	24
6	Kettering Borough Council	25
<b>39</b>	<b>Total Surplus</b>	<b>173</b>



## 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 2012 was estimated at £171,813 and was notified to the major preceptors by 15 January which is an annual requirement and is redistributed in the following financial year (2012/13) based on the precepts levied in 2011/12.

In addition the residual value of £1,051k has been reallocated based on the level of precepts levied for 2012/13, however this value will be dependant on the transactions that occur during 2012/13.

Collection Fund Balance	2011/12	2012/13	Total
	£000	£000	£000
<b>Surplus Balances:</b>			
Northamptonshire County Council	124	756	880
Northamptonshire Police Authority	23	142	165
Kettering Borough Council	25	153	178
<b>Total Surplus</b>	<b>172</b>	<b>1,051</b>	<b>1,223</b>

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

The Collection Fund surplus for 2011/12 attributable to NCC is £880k and £165k to NPA. In compliance with the Code the major preceptors share both arrears (net of impairment of bad debts) and advances these are included in the actual sums payable to or from both NCC and NPA. The table below illustrates a total of £1,027k 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	178	1,045	1,223
Council Tax Arrears	(260)	(1,525)	(1,785)
Council Tax Bad Debts Provision	158	927	1,085
Council Tax Advances	99	580	679
<b>Total</b>	<b>175</b>	<b>1,027</b>	<b>1,202</b>

## 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 2010/11		Note Ref	Net Expenditure 2011/12
£000			£000
	<b><u>Expenditure</u></b>		
5,973	Management & Maintenance		6,035
16	Rent, rates, taxes and other charges		13
3,700	Negative HRA subsidy payable	6	4,367
0	Debt Management Costs - HRA Self Financing Transaction	9	72,903
56,530	Depreciation and impairment of Non Current Assets	4	2,462
69	Movement in the allowance for bad debts		73
<b>66,288</b>	<b>Total Expenditure</b>		<b>85,853</b>
	<b><u>Income</u></b>		
12,266	Dwelling rents		13,047
450	Charges for services and facilities		411
<b>12,716</b>	<b>Total Income</b>		<b>13,458</b>
<b>53,572</b>	<b>Net Cost of HRA Services as included in the CIES</b>		<b>72,395</b>
93	HRA Share of Corporate and Democratic Core		107
<b>53,665</b>	<b>Net Cost of HRA Services</b>		<b>72,502</b>
	<b>HRA share of operating income and expenditure included in the CIES</b>		
(424)	(Gain) or loss on sale of HRA non current assets		(68)
39	Interest payable and similar charges		86
(6)	Interest and investment income		(5)
(1,430)	Past Service Pension Gain resulting from a change in indexation from RPI to CPI.		0
<b>51,844</b>	<b>(Surplus) or deficit for the year on HRA services</b>		<b>72,515</b>

## H. STATEMENT OF MOVEMENT ON THE HRA BALANCE

Net Expenditure 2010/11		Net Expenditure 2011/12
£000 (305)	Balance on the HRA at the end of the previous year	£000 (563)
51,844	(Surplus) or deficit for the year on the HRA Income & Expenditure Account	72,515
(52,102)	Adjustments between accounting basis and funding basis under statute (Note 1 page 38)	(72,612)
(258)	Net (increase) or decrease before transfers to or from reserves	(97)
0	Transfers (to) or from reserves	0
(258)	(Increase) or decrease in year on the HRA	(97)
<b>(563)</b>	<b>Balance on the HRA at the end of the current year</b>	<b>(660)</b>

## H. HOUSING REVENUE ACCOUNT NOTES

### 1. Housing Stock

- a) At 31 March 2012, 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	729	473	3	0	1,205
Flats-Medium Rise	218	112	32	0	362
Flats-High Rise	0	0	0	0	0
Houses	19	507	1,202	33	1,761
Bungalows	193	280	2	0	475
<b>Total</b>	<b>1,159</b>	<b>1,372</b>	<b>1,239</b>	<b>33</b>	<b>3,803</b>

- b) The movement in Housing stock in 2011/12 can be summarised as follows:

	Stock at 01/04/11	Stock movements			Stock at 31/03/12
		Sales	Transfers	Adjusted	
Flats	1,565	0	0	2	1,567
Houses	1,763	(2)	0	0	1,761
Bungalows	475	0	0	0	475
<b>Total</b>	<b>3,803</b>	<b>(2)</b>	<b>0</b>	<b>2</b>	<b>3,803</b>

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

2010/11	Balance Sheet Value	2011/12
£000		£000
111,413	Operational assets	111,447
184	- dwellings	184
5	- other land and buildings	5
	- infrastructure	
111,602	Total Operational assets	111,636
18	Non operational assets	18
197	Intangible assets	128
<b>111,817</b>	<b>Total</b>	<b>111,782</b>

## H. HOUSING REVENUE ACCOUNT NOTES

### 2. Rent Arrears

During 2011/12 rent arrears as a proportion of gross rent income was 3.46%. This represents a slight decrease of 0.2% since 2010/11 when the proportion was 3.66%. The figures for rent arrears / advances as at 31 March are detailed below:

2010/11	Rent Arrears	2011/12
£000		£000
452	Gross Rent Arrears	457
(115)	Prepayments of Rent	(117)
337	Net Rent Arrears	340
<b>299</b>	<b>Provision for bad debts</b>	<b>330</b>

### 3. Capital Expenditure, Financing and Receipts

- a) A summary of Housing Revenue Account capital expenditure and how it was financed in 2011/12 and 2010/11 is shown below:

2010/11	HRA Capital expenditure and financing	2011/12
£000	<b>Expenditure</b>	£000
2,129	Dwellings	2,486
104	Other Expenditure	0
<b>2,233</b>	<b>Total Expenditure</b>	<b>2,486</b>
	<b>Financing</b>	
2,219	Major Repairs Reserve	2,486
14	Grant	0
<b>2,233</b>	<b>Total Financing</b>	<b>2,486</b>

- b) Housing capital receipts in 2011/12 and 2010/11 were as follows:

2010/11	Housing capital receipts	2011/12
£000		£000
512	Dwelling sales	137
<b>512</b>	<b>Total</b>	<b>137</b>

## 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 by asset type:

2010/11	Depreciation	2011/12
£000		£000
1,468	Operational assets	
	Council dwellings	1,462
<b>1,468</b>	<b>Total Operational assets</b>	<b>1,462</b>
69	Intangible Fixed Assets	69
<b>1,537</b>	<b>Total</b>	<b>1,531</b>

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

2010/11	Impairments / downward revaluations	2011/12
£000		£000
55,109	<b>Operational assets</b>	
	Council dwellings	931
<b>55,109</b>	<b>Total Operational assets</b>	<b>931</b>

In 2011/12 £931,000 was charged to the HRA Income and Expenditure Statement to reflect a downward valuation for Council dwellings. The significant downward revaluations of £55.109m which were made in 2010/11 relate to £54.993m being charged to the HRA Income and Expenditure Statement (the balance of £116k being charged to the Revaluation Reserve to reverse previous gains). This transaction recognised 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 2011/12 and 2010/11 are detailed below:

2010/11	Major Repairs Reserve	2011/12
£000		£000
0	<b>Balance at 1 April</b>	<b>225</b>
1,537	Depreciation - Council dwellings	1,531
907	Depreciation adjustment to agree to MRA	943
(2,219)	Amount used to finance capital expenditure	(2,486)
<b>225</b>	<b>Balance at 31 March</b>	<b>213</b>

### 6. Housing Subsidy

The Government operated a "subsidy system" in relation to the Housing Revenue Account upto 28 March 2012 when the new Self Financing System took effect. The "subsidy system" was 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 2011/12 and 2010/11 are shown below:

2010/11	Housing subsidy	2011/12
£000		£000
2	Prior Year Adjustment	15
5,735	Management and Maintenance Allowance	5,826
2,444	Major Repairs Allowance	2,474
206	Charges for Capital	185
0	Other Allowances	26
8,387		8,526
(12,087)	Notional Rent	(12,893)
<b>3,700</b>	<b>Total (Amount Due) / Payable to the Government</b>	<b>4,367</b>

## H. HOUSING REVENUE ACCOUNT NOTES

### 6. Housing Subsidy (Cont'd)

The authority has made payments totalling £21.305m 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 £000	2006/07 £000	2007/08 £000	2008/09 £000
<b>Payments to National Pool</b>	2,081	2,288	2,555	2,980
	2009/10 £000	2010/11 £000	2011/12 £000	Total £000
<b>Payments to National Pool</b>	3,334	3,700	4,367	<b>21,305</b>

### 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 2011/12 of £148k (2010/11 £15k).

### 8. Vacant Possession Value

The vacant possession value of dwellings within the HRA as at 1 April 11 was £324.9m (1 April 10 £326.2m). For the balance sheet, the figure has been reduced to 34% i.e. £110.4m (2010/11 £110.9m). This shows the economic cost to Government of providing Council housing at less than open market rents.

### 9 HRA Self Financing Transaction

The current system of housing finance was replaced with a new 'self financing' system from April 2012. In effect, this meant that rather than the Council making a payment to the national housing pool each year (which was £4.367m in 2011/12) the Council will have to take on a proportion of the national housing debt. The final self-financing determination was announced on 1st February 2012 and the Council was required to take on debt of £72.9m under the self financing regime.

In order to finance the self financing payment the Council borrowed £72.9m from the PWLB through the use of 'maturity loans'. The maturity loans are serviced annually (throughout the duration of the loan) by paying interest to the Public Works Loan Board (PWLB). No principal repayment of the loan takes place throughout the duration of the loan. The Council will however each year make a provision for principal repayment and can then decide at the maturity of each loan whether it wishes to fully repay the outstanding principle or re-finance the loan.



# **I. ANNUAL GOVERNANCE STATEMENT**

## **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 statutory Finance Officers before being submitted to 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 2012.

# I. ANNUAL GOVERNANCE STATEMENT

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

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

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

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

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

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

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

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

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

[http://www.kettering.gov.uk/info/200009/performance/989/service\\_plans\\_201213](http://www.kettering.gov.uk/info/200009/performance/989/service_plans_201213)

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

[http://www.kettering.gov.uk/meetings/meeting/957/monitoring\\_and\\_audit\\_committee](http://www.kettering.gov.uk/meetings/meeting/957/monitoring_and_audit_committee)

The Council undertakes a consultation as part of its budget process which starts mid January each year for around six weeks, during which specific events are held in the community and scrutiny through Committees and geographical forums.

[http://www.kettering.gov.uk/site/scripts/google\\_results.php?q=budget+consultation+2011%2F12](http://www.kettering.gov.uk/site/scripts/google_results.php?q=budget+consultation+2011%2F12)

These meetings are well attended and provides opportunity for residents of the Borough to ask questions.

# I. ANNUAL GOVERNANCE STATEMENT

The Council's Medium Term Strategy is approved annually by Full Council in February. The foundations of the Medium Term Financial strategy are the 'guiding principles', 'modelling for recovery' principles and 'budget containment strategy'.

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

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

During the budget cycle for 2011/12 the Council approved a further set of principles for managing the impact of changes made externally and outside the control of the Council these were termed the 'budget containment' strategy.

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

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, a current consultation taking place is the Site Specific Proposals Local Development Document (LDD). This document explores the allocation of land for housing, employment, retail leisure and community facilities and deals with issues such as affordable housing, protection of the countryside and protection of environmental assets.

The consultees include external stakeholders, residents and businesses in the Borough, consultation events were held in Kettering and at all the Geographical Forums.

The Kettering Town Area Action Plan is another example. This document forms part of the Statutory Development Plan and establishes a set of proposals and policies for the development of a specific area in this case Kettering Town Centre. The plan aims to deliver strategic objectives such as a vibrant town centre, step change in retail offer, new residential community, increased office employment and a safe and greener town centre. The plan has been produced in accordance with the appropriate regulations and has included three rounds of formal consultation. It was submitted to the Secretary of State who appointed an independent Inspector for the public examination. The appointed Inspector concluded that the plan was sound and legally compliant. The report was presented to the Planning Policy Committee and approved at Full Council.

The Executive Committee receives a monthly report on the Council's budget position 'The Durable Budget Report'. The report considers the main issues that are likely to impact on the Council's financial position in the medium term. The report also highlights

# I. ANNUAL GOVERNANCE STATEMENT

emerging issues facing the Public Sector such as changes to funding regimes for local authorities, such as Business Rates Reform and Welfare Reform.

As a result of the budget pressures partnership working has become more important. Excellent arrangements have been made with a wide range of partners, both within the Council and externally, to help make sure that residents can access a comprehensive and seamless services. Our partners include the County Council, Northamptonshire Police and Fire Services, Kettering General Hospital NHS Trust and a range of voluntary sector organisations. Recent developments within the Customer Services area to improve customer access include provision of an online webchat service, the relocation of the Registrars Office and the introduction of an NHS Phlebotomy Clinic into the customer service centre.

The Council has a well established and robust system of dealing with complaints [http://www.kettering.gov.uk/site/scripts/documents\\_info.php?documentID=193&pageNumber=7](http://www.kettering.gov.uk/site/scripts/documents_info.php?documentID=193&pageNumber=7)

The Council has also achieved the Government Customer Service Excellence Standard for the last 4 years. There is a long history of delivering effective, customer focussed services through a wide range of access channels which include customer service centres in Kettering, the three major A6 towns, website, telephone response centre and email.

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

Following the implementation of the Local Government Act 2000, the Council introduced a model Constitution. 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 updated in 2011. It includes all the necessary elements to promote good corporate governance, and good working arrangements between Officers and Members.

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

[http://www.kettering.gov.uk/downloads/file/1178/constitution\\_article\\_1](http://www.kettering.gov.uk/downloads/file/1178/constitution_article_1)

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

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

At Council meetings Councillors decide the Council's overall policies and set the budget each year. These meetings are normally open to the public, and provide local people with an open forum to challenge the Council.

The Executive is the committee of the Council that is responsible for making key policy decisions, within the framework and budget set by the full Council. The Executive publishes a forward plan of the decisions it will be taking so that other Councillors and

# I. ANNUAL GOVERNANCE STATEMENT

local people know what will be decided and when. The Executive has to ask full Council to approve decisions if they are outside the budget or policy framework.

There are two scrutiny committees who are charged with challenging and assisting with policy formulation.

In addition there are regulatory committees such as planning and licensing and the Standards Committee which promotes and maintains high standards of conduct by Councillors.

Task and finish groups have also been put in place to support the decision making process and to deliver corporate objectives and projects. Examples include the budget task and finish group and the voluntary sector transitional funding group, both groups include members and officers.

The Senior Management Team supports all Councillors and provides advice to members on policy options and implications. The Council uses a report format which ensures that the national and local policy context as well as the legal and resource implications are included.

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

The Corporate Management Team and the Senior Management Team meet regularly to develop policies that are in line with the Council's aims and priorities. CMT and SMT monitor the progress of key council projects and also consider internal control issues such as performance management, risk management and efficiency.

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

The Council Constitution sets out a Member code of conduct and the terms of reference for the Standards Committee ([http://www.kettering.gov.uk/site/scripts/documents\\_info.php?categoryID=3088&documentID=270](http://www.kettering.gov.uk/site/scripts/documents_info.php?categoryID=3088&documentID=270)).

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

High standards of conduct are expected from Members and Officers throughout the Council. These standards are articulated in the Member Code of Conduct and the 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.

The Standards Committee produces an annual report setting out achievements for the year and planned work for the coming year. These reports are presented to Council by the Chairman of the Standards Committee.

## I. ANNUAL GOVERNANCE STATEMENT

The Council operates a confidential 'Whistle-Blowing' policy. The Council is committed to act with integrity and any wrongdoing by Councillors or staff is treated very seriously. The Constitution sets out the procedures for 'Whistle Blowing' and it is available to all members and staff on the intranet. There is also guidance available on notice boards to raise awareness.

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

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

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

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

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

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

The Council has two scrutiny committees – one is effectively 'forward looking' (Research & Development Committee, and one 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](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 also recognises the importance of annually reviewing both policy and strategy statements to ensure the Council's approach to risk is robust and up to date. The risk management policy statement was updated in November 2011. Risk Management is an inherent element of the Council's Key Performance Information booklet that is presented to the Monitoring and Audit Committee on a quarterly basis.

# I. ANNUAL GOVERNANCE STATEMENT

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

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

Each year the Head of Internal Audit produces a report summarising the work they have carried out in the year and provides an overall opinion on the level of internal control.

## ***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.

The Council held elections in May 2011, and the member development programme focussed heavily on induction and the setting up and operation of the new Council. 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.

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

At officer level, the Council continues to achieve the Investors in People (IiP) award. The IiP award is a nationally recognised process for assessing the effectiveness of leadership, performance and staff engagement in an organisation. The organisation is re-inspected every three years, and the last review took place in October 2011. Over the last 12 years, the standard for IiP has steadily increased and the test has become more challenging. The inspection generally focuses on the Council's staffing, internal communication policies and procedures and the extent to which they can be evidenced in practice. The independent inspector spent several days on site. The Inspector conducted interviews with staff and managers and tested the level of staff engagement, using a national framework.

The report addresses the Council's policy and practices in respect of how it develops strategies to improve performance; takes action to improve performance; evaluates the impact of the performance on the organisation and also the way it engages and motivates its staff.

It concluded that within Kettering BC, there is a:-

*“Strong and effective leadership from the Chief Executive and Strategic Management Team (SMT) with an open management style that has generated an inspirational leadership culture within KBC.*

Other comments from this process are summarised as follows:-

# I. ANNUAL GOVERNANCE STATEMENT

- *Organisational planning and reviewing performance strategies / processes that are embedded and keeps all the involved parties up to date and totally focused.*
- *An excellent level of focus and commitment by everyone within the organisation to work together in 'A ONE TEAM' approach in providing a high standard of 'Customer Service' as well as 'Value for Money' for all the people who live within the Borough of Kettering.*
- *A staff base that is totally engaged with and enthused by the SMT in identifying and then implementing new ways of working. This has resulted in either improved and or maintained customer service delivery levels more cost effectively.*
- *A working environment of 'Total Trust' within every Service Area of KBC.*
- *Communication strategies that are informative and ensure everyone within the organisation is up to date and totally aware of both the external and internal key factors that impact on the way KBC operates.*
- *An effective learning and development culture that is available to everyone employed within KBC".*

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

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

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

The Council annually produces a Council Tax Leaflet which is sent out to all taxpayers in the Borough with their Council Tax Bill the leaflet contains details of the Council's income and expenditure for the coming year and changes to the budget from the previous year.

The Council uses a number of communication channels with residents, which include: individual consultation meetings, on line consultations on the Council website, press releases, residents' panel, tenants' forum, leaflets, displays and screens at customer service centres, presence at community events such as the Carnival and network events such as the LSP. They encourage feedback from residents on current and planned council activity, demonstrating transparency and accountability.

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



# I. ANNUAL GOVERNANCE STATEMENT

## Review of Effectiveness

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

Consortium Audit, the Council's internal audit provider, has assessed the Council's system of internal control and has provided an opinion on the overall adequacy and effectiveness of the Council's internal control environment during 2011/12 as being good in respect of the core financial systems.

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).

**Consortium Audit** – A consortium arrangement between Kettering and Wellingborough Councils provides an internal audit service to the Council. The Consortium gives assurance to management on the adequacy of system controls and where necessary making recommendations for improvement. In February 2011, the board of Consortium Audit approved the market testing of the internal audit service with the aim of having a more realistic and sustainable service with a greater breadth of skills.

The market testing process was completed in January 2012 following a tendering exercise. Coventry and Warwickshire Audit Services (CWAS) were awarded the contract.

CWAS will be responsible for delivering the internal audit service from April 2012 for an initial period of 3 years.

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.

Due to the staffing issues within the audit team it was not possible to deliver all the planned work for 2011/12. It was agreed that the core financial systems would be delivered as it is the area with the highest amount of risk.

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

# I. ANNUAL GOVERNANCE STATEMENT

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

KEY ROLES & RESPONSIBILITIES	
<b>Body:</b>	<b>Comments:</b>
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 &amp; 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: Senior Management Team</p>       <p>Corporate Management Team</p>	<p>Reviews and advises the Council on issues of strategy and policy and also receives weekly reports (on a rolling basis) of performance information (including financial information) from each Service Unit in the form of a 'performance clinic'.</p> <p>Receives high-level key budgetary control statements every month prior to being submitted to Committee. Preparation and presentation of committee reports to Members. Collectively reviews budgetary and performance information on a weekly basis in addition to dealing with individual audit reports for their area. Preparation and presentation of committee reports to Members.</p> <p>Responsible for the updating and ongoing monitoring of Service Plans together with the links to Corporate Priorities.</p>
<p>Statutory Officers: Head of Paid Service</p>    <p>Monitoring Officer</p>    <p>Responsible Finance Officer</p>	<p>The Council's Chief Executive is the Authority's Statutory Head of Paid Service.</p> <p>The Council has a qualified solicitor who acts as the Council's Monitoring Officer. The key role of this post is to ensure that the Council always acts within the law and takes reasonable measures to properly protect itself from possible litigation issues.</p> <p>In accordance with s151 of the Local Government Act 1972 the Council has a suitably qualified Officer in place that is responsible for the overall financial affairs of the Council.</p>

# I. ANNUAL GOVERNANCE STATEMENT

KEY ROLES & RESPONSIBILITIES	
Body:	Comments:
Committee / Member Arrangements:	
Full Council	Has overall responsibility for the approval of policy and strategy changes (new and existing) together with the Council budgets, Statement of Accounts and Corporate Plan.
Executive Committee	Receives policy and strategy information (incl. budget) together with any issues that need to be referred to it as per the Council's Constitution (incl. Financial Regulations).
Monitoring & Audit Committee	Receives monitoring information on the work of internal audit (and any significant issues), Key performance information (incl. financial), the Annual Audit & 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



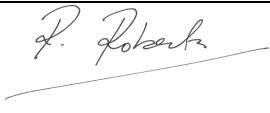
In the Council's Internal Audit report for 2011/12 an overall 'SUFFICIENT' level of assurance has been given for the system of internal control based upon the work completed during the year. This means that *'all key controls are in place and are working effectively, but there are some reservations in 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.

# I. ANNUAL GOVERNANCE STATEMENT

Area Highlighted	Issues	Actions
Partnerships	Work remains to be done to ensure financial and governance arrangements in respect of all partnerships are sufficient.	<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>A further review of Partnerships is being undertaken by Internal Audit in 2012/13</p> <p>Responsible Officer: Head of Corporate Development Timescale: December 2012</p>
Creditors	Work remains to be done in the processes of incurring expenditure without the raising of official orders.	<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: December 2012</p>
Payroll	The current payroll IT System does not have sufficient functionality to provide the level of control considered appropriate.	<p>The Council will look at software payroll packages during 2012/13.</p> <p>Responsible Officer: Head of Finance Timescale: March 2013</p>
Procurement	A planned and managed approach to procurement within the Council following the demise of the Northamptonshire Procurement Partnership. Management is required.	<p>A review of corporate procurement is to be undertaken during 2012/13</p> <p>Responsible Officer: Head of Corporate Development Timescale: March 2013</p>

## I. ANNUAL GOVERNANCE STATEMENT

Name	Position	Signature	Date
<b>G Soulsby</b>	<b>Responsible Finance Officer</b>		<b>September 2012</b>
<b>D Cook</b>	<b>Chief Executive</b>		<b>September 2012</b>
<b>Cllr R Roberts</b>	<b>Leader of the Council</b>		<b>September 2012</b>

Overall the internal audit opinion is that there is a 'sufficient' level of assurance provided. Specific issues that have been identified during audit work have agreed actions that are being implemented and will be reviewed as part of programmed follow-up work.

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.

## ANNUAL CORPORATE GOVERNANCE STATEMENT 2011/12 – ANNEX 1

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

<b>Good Practice Requirements</b>	<b>Evidence Base and assessment</b>	<b>Other Information / Action</b>
e) Decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly available.	Performance Indicators Data Quality Checks Customer Satisfaction Surveys Tenants Forum Corporate Improvement Plan & Service Plans	The Council still maintains the same level of data quality processes to when it was previously assessed and carries out spot checks on performance data to check accuracy levels.  Responsible Officer: Head of Corporate Development Timescale: Ongoing
f) Put in place effective arrangements to identify and deal with service failure	Monthly performance clinics SMT Weekly Meetings Key Performance Information Booklet Reporting Customer Surveys Complaints procedure Monthly Committee report on higher risk areas	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.**

<b>Good Practice Requirements</b>	<b>Evidence Base and assessment</b>	<b>Other Information / Action</b>
Set out a clear statement of the respective roles and responsibilities of the Executive and of the Executive's Members individually and the Authority's approach towards putting this into practice. Set out a clear statement of the respective roles and responsibilities of other Members and Senior Management.	Council Constitution (incl. Members Code of Conduct, Scheme of Delegation) Records of decisions Job Descriptions	Responsible Officer : Head of Democratic & Legal Timescale: Ongoing
Determine a scheme of delegation and reserve powers within the Constitution, including a formal schedule of those matters specifically reserved for collective decision of the Authority, taking account of relevant legislation, and ensure that it is monitored and updated when required.	Council Constitution	Responsible Officer : Head of Democratic & Legal Timescale: Ongoing
Make a Chief Executive or equivalent responsible and accountable to the Authority for all aspects of operational management	Council Constitution (incl. scheme of delegation) Statutory provisions Conditions of employment Job description	Responsible Officer: Head of Human Resources Timescale: Ongoing
Develop protocols to ensure that the Leader and Chief Executive negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained.	Regular Meetings Regular Cabinet / SMT Meetings	Responsible Officer : Head of Democratic & Legal Timescale: Ongoing
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.	Council Constitution S151 responsibilities Statutory provisions Statutory reports Budget documentation Job description	Responsible Officer: Head of Human Resources Timescale: Ongoing
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.	Council Constitution Monitoring Officer provisions Statutory provisions Job description	Responsible Officer: Head of Human Resources Timescale: Ongoing



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

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

<b>Good Practice Requirements</b>	<b>Evidence Base and assessment</b>	<b>Other Information / Action</b>
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 & Head of 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 & Head of 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	A new internal audit of partnerships has been commissioned with a view to helping the Council improve its approach.  Responsible Officers: Head of Corporate Development and Senior Management Team. Timescale: Ongoing

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

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

<b>Good Practice Requirements</b>	<b>Evidence Base and assessment</b>	<b>Other Information / Action</b>
Ensure that effective, transparent and accessible arrangements are in place for dealing with complaints.	Complaints procedure	Responsible Officer: Acting Head of Customer Services Timescale: Ongoing
Ensure that those making decisions whether for the Authority or the partnership are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and other implications.	Members induction programme Training for committee chairs Briefings and reports Internet / intranet Professional advice	The partnership arrangements are still being developed.  Responsible Officers: Head of HR & and Head of Democratic & Legal Timescale: Ongoing
Ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately.	Statutory Officers involvement in report process Committee Reports SMT / CMT discussions Record of decisions	Responsible Officers: Head of Finance & Head of Democratic & Legal Timescale: Ongoing
Ensure that risk management is embedded into the culture of the Authority; with Members and managers at all levels recognising that risk management is part of their jobs.	Performance Management Framework Key Performance Information Booklet (and committee reporting) Risk Management Strategy and Policy Financial regulations / standards Members and Officer induction training	Responsible Officers: Head of Finance Timescale: Ongoing
Ensure that arrangements are in place for whistle-blowing to which staff and all those contracting with the Authority have access.	Whistle-blowing policy	Responsible Officer: Head of Human Resources Timescale: Ongoing
Actively recognise the limits of lawful activity placed on them by, for example, the ultra vires doctrine but also strive to utilise powers to the full benefit of their communities.	Council Constitution Monitoring Officer provisions Statutory provisions Professional Advice	Responsible Officer: Head of 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 Officer: Head of Democratic & Legal Timescale: Ongoing
Observe all specific requirements placed upon them, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law – rationally, legality and natural justice – into their procedures and decision making processes.	Council Constitution Monitoring Officer provisions Statutory provisions	Responsible Officer: Head of Democratic & Legal Timescale: Ongoing

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

<b>Good Practice Requirements</b>	<b>Evidence Base and assessment</b>	<b>Other Information / Action</b>
Provide induction programmes tailored to individual needs and opportunities for Members and Officers to update their knowledge on a regular basis	Induction programme Update courses / information Training and development plan Members Information Evenings Members Information Bulletin Member Development Charter (Award)	The Council is one of a few local authorities that have been awarded commendation for its Member Development Programme through the award of the Member Development Charter National award. This was re-assessed in 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 Officer: Head of Human Resources Timescale: Ongoing.
Assess the skills required by Members and Officers and make a commitment to develop those skills to enable roles to be carried out effectively.	Training and development plan Annual Appraisals and training Council Awards	This is effectively undertaken by the Council's annual appraisal system and training development programme.  Responsible Officer: Head of Human Resources Timescale: Annually

<b>Good Practice Requirements</b>	<b>Evidence Base and assessment</b>	<b>Other Information / Action</b>
Develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.	Training and development plan Ongoing Member Training Programme Continuing Professional Development Commitment to being a 'learning organisation' Investors in People Award	The changing demands placed on Kettering Borough Council ensure constant review of the skills, experience and qualifications of both its Members and staff.  Responsible Officer: Senior Management Team Timescale: Ongoing
Ensure that effective arrangements are in place for reviewing the performance of the Executive as a whole and of individual Members and agreeing an action plan which might, for example, aim to address any training or development needs.	Performance management system Key Performance Information Booklet Corporate Improvement Plan Appraisals Member Development Charter (award)	Responsible Officer: Head of Democratic & Legal Timescale: Ongoing
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.	Strategic partnership framework Geographical Forums (stakeholder based) Consultation events and promotions Tenants Forum	Heads of Service in their daily contact with stakeholders of Kettering Borough Council encourage active engagement. Responsibility is shared between Corporate and Senior Management Teams and is constantly being undertaken.
Ensure that career structures are in place for Members and Officers to encourage participation and development.	Member Development Charter Annual appraisal system Next Steps Review and new structures implemented	This is embedded within the roles of the Heads of Service and is undertaken annually with staff via their appraisals and when Next Steps is implemented.  Responsible Officers: Senior & Corporate Management Teams Timescale: Ongoing

<b>6.Engaging with local people and other stakeholders to ensure robust public accountability</b>		
<b>Good Practice Requirements</b>	<b>Evidence Base and assessment</b>	<b>Other Information / Action</b>
<p>Make clear to themselves, all staff and the community to whom they are accountable and for what.</p> <p>Consider those institutional stakeholders to whom the Authority is accountable and assess the effectiveness of the relationships of any changes required.</p>	<p>Corporate and Service Planning Process</p> <p>Information leaflets (Council Tax Leaflet etc...)</p> <p>Members Financial Handbook</p> <p>Community strategy</p> <p>LSP structure</p>	<p>Responsible Officer: Head of Democratic &amp; Legal</p> <p>Timescale: Ongoing</p>
<p>Produce an annual report on the activity of the scrutiny function</p>	<p>Work Programmes and Constant Review</p>	<p>Each scrutiny committee has a rolling work programme that is considered / reviewed at each meeting.</p> <p>Responsible Officer: Head of Democratic &amp; Legal</p> <p>Timescale: Ongoing</p>
<p>Ensure that clear channels of communication are in place with all sections of the community and other stakeholders, and put in place monitoring arrangements to ensure that they operate effectively.</p> <p>Hold meetings in public unless there are good reasons for confidentiality.</p> <p>Ensure that arrangements are in place to enable the Authority to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands.</p>	<p>Council Constitution</p> <p>Membership criteria for bodies</p> <p>Meeting minutes and agendas</p> <p>Community Strategy and Corporate Plan</p> <p>Council Website</p>	<p>Responsible Officer: Head of Democratic &amp; Legal</p> <p>Timescale: Ongoing</p>
<p>Establish a clear policy on the types of issues they will meaningfully consult on or engage with the public and service users about including a feedback mechanism for those consultees to demonstrate what has changed as a result.</p>	<p>Consultation Arrangements</p> <p>Communication strategy</p> <p>Corporate and Service Plan Process</p> <p>Use of display and up to date feedback via customer service centre displays</p>	<p>Customer satisfaction surveys and complaints forms provide invaluable information to construct and improve communication with Kettering Borough Council stakeholders.</p> <p>Responsible Officer: Acting Head of Customer Services</p> <p>Timescale: Ongoing</p>



<b><i>Good Practice Requirements</i></b>	<b><i>Evidence Base and assessment</i></b>	<b><i>Other Information / Action</i></b>
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.	Corporate Improvement Plan Annual financial statements Service Plans	Responsible Officer: Head of Corporate Development Timescale: Ongoing
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.	Council Constitution Customer Service Centre Arrangements Customer Charter	Responsible Officer: Head of Democratic & Legal Timescale: Ongoing
Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making.	Council Constitution Employment Policies and Practices	Responsible Officers: Head of HR & Head of Democratic & Legal Timescale: Ongoing

## **J. 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 non current.

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

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

### **Balance Sheet**

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

### **Billing Council**

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

### **Capital Expenditure**

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

### **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.

## **J. 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 non-current assets to finance new capital investments, the proceeds cannot be used to finance revenue expenditure.

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

Professional accountancy body specialising in the public sector.

### **Collection Fund**

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

### **Contingent Liabilities / Assets**

A contingent liability / asset is either:

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

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

### **Corporate / Democratic Core**

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

### **Creditor**

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

### **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.

## **J. GLOSSARY OF TERMS**

### **Capital Grants Unapplied Account**

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

### **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 authorities.

### **Operating Lease**

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

### **Precept**

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

### **Provision**

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

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

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

### **Realised Valuations**

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

## **J. GLOSSARY OF TERMS**

### **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 non-current assets.

### **Revenue Expenditure**

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

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

Grant from Central Government towards the cost of service provision.

### **Transfer Payments**

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