North Northamptonshire Council

Meeting: Audit and Governance Committee

Date: Monday 27 September 2021

Time: 2.00 pm

Venue: Council Chamber, Cedar Drive, Thrapston

To:

Members of the Audit and Governance Committee:

Councillors Andrew Weatherill (Chair), Kirk Harrison (Vice-Chair), Matt Binley, Ian Jelley, Richard Levell, Peter McEwan, Zoe McGhee, Mark Pengelly, Russell Roberts and Kevin Watt.

Substitutes: Councillors Jean Addison, Valerie Anslow, Annabel de Capell Brooke, John Currall, Bert Jackson, Matt Keane, Paul Marks and Lee Wilkes.

A G E N D A SUPPLEMENT

The following additional reports appendices have now been published which were not available at the time the agenda was published.

This supplementary agenda has been published by Democratic Services.
Contact: democraticservices@northnorthants.gov.uk

Item	Subject	Page no.
04.	**Audit Results Report 2020-2021 - Kettering Borough Council**	3 - 58
05.	**Outturn and draft Statement of Accounts - Kettering Borough Council and Borough Council of Wellingborough**	59 - 330

This has been published by Democratic Services.

For further information please contact:

Fiona Hubbard, Senior Democratic Services Officer
Fiona.Hubbard@northnorthants.gov.uk – 01933 231 519

Members' Declarations of Interest

Members are reminded of their duty to ensure they abide by the approved Member Code of Conduct whilst undertaking their role as a Councillor. Where a matter arises at a meeting which **relates to** a Disclosable Pecuniary Interest, you must declare the interest, not participate in any discussion or vote on the matter and must not remain in the room unless granted a dispensation.

Where a matter arises at a meeting which **relates to** other Registerable Interests, you must declare the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but must not take part in any vote on the matter unless you have been granted a dispensation.

Where a matter arises at a meeting which **relates to** your own financial interest (and is not a Disclosable Pecuniary Interest) or **relates to** a financial interest of a relative, friend or close associate, you must disclose the interest and not vote on the matter unless granted a dispensation. You may speak on the matter only if members of the public are also allowed to speak at the meeting.

Members are reminded that they should continue to adhere to the Council's approved rules and protocols during the conduct of meetings. These are contained in the Council's approved Constitution.

If Members have any queries as to whether a Declaration of Interest should be made please contact the Monitoring Officer at – monitoringofficer@northnorthants.gov.uk

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Public Enquiries

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North Northamptonshire Council

Item no: 4

NORTH NORTHAMPTONSHIRE COUNCIL

AUDIT AND GOVERNANCE COMMITTEE

Report Title	**Audit Results Report 2020-2021 Kettering Borough Council**	
Report Author	**Mark Dickenson – Assistant Director of Finance & Strategy** Mark.dickenson@northnorthants.gov.uk	
Contributors/Checkers/Approvers		
North MO		
North S151		
Other Director/SME	**N/a**	**N/a**

List of Appendices

Appendix A – ISA 260

Appendix B – Management Representation Letter

1. Purpose of Report

1.1. The purpose of this report is to present the draft ISA 260 Report in relation to the Statement of Accounts for Kettering Borough Council for 2020/21 to those charged with Governance. This has been prepared by the Council's External Auditor (EY), and to agree that the approval of the Council's draft Management Representation Letter be delegated to the Executive Director of Finance (s151) in consultation with the Chair of the Audit and Governance Committee.

2. Executive Summary

2.1. This report requires the Committee to approve the Provisional Audit Results Report (draft ISA 260) and the Council's draft Management Representation Letter.

3. Recommendations

3.1. It is recommended that the Audit & Governance Committee;

a) Receives the Provisional Audit Results Report to those charged with Governance and approve the draft Management Representation Letter.

b) Delegate any adjustments to the draft Management Representation Letter to the Councils Executive Director of Finance (s151 Officer), in consultation with the Chair of the Audit & Governance Committee.

3.2. Reason for Recommendations –

- It is a statutory requirement for the Council to approve the ISA 260. In accordance with the Council's constitution the Audit & Governance Committee are required to undertake this function.

4. Report Background

4.1. In order to comply with the statutory requirements of the Accounts & Audit Regulations 2015, the Responsible Financial Officer is usually required to issue the Statement of Accounts by 31st May each year. However due to the impact on Local Authorities of Covid19, the Accounts and Audit (Amendment) Regulations 2021 extended the deadline for all Local Authorities to 31st July for accounts relating to 2020/21. The accounts for Kettering Borough Council were duly signed on the 23rd July 2021.

4.2. The Councils governance arrangements require this Committee to receive and approve the Statement of Accounts for the former District and Borough Councils in North Northamptonshire.

4.3. The accounts for Kettering Borough Council remain in draft format as the following issues are to be concluded:

Appendix D

Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item	Actions to resolve	Responsibility
Pension - IAS19	1. EY Pensions report in relation to completeness and accuracy of model used by actuary in determining Authority obligation. 2. Revised IAS 19 report 3. Pension Fund auditor final report outstanding	EY and Management
PPE and Investment Property Valuations	EYRE to issue final report on their review of PPE and Investment Property Valuations and resolve queries with management (if any further queries arise)	EY and Management
Finalisation of Value For Money conclusion	To discuss with management any queries that may arise	EY and Management
Completion of procedures required for whole of government accounts	Submission of assurance statement to be undertaken	EY
Going Concern disclosures	Once we receive the updated Going Concern Disclosures and cash flow forecasts for North Northamptonshire Council, we will review the Going Concern disclosures, and complete any associated EY consultation procedures if this is determined to be appropriate.	EY and Management
Debtors, creditors, grants, reserves	Certain information is pending from management to complete our sample testing in these areas. Once information is provided by the management, EY will complete its documentation in the file. The work will then be reviewed by manager and engagement partner, which may raise further queries to the management.	EY and Management
Close down procedures	These include our finalisation procedures, receipt of final version of financial statements, obtaining signed representation from management, subsequent events review, final checks on financial statements and any other signing off procedures.	EY and Management
Unrecorded liabilities test	In the event of 4 councils demised into NNC, we have decided to perform unrecorded liabilities centrally for all demised councils, using the lowest materiality threshold among 4 councils. We are waiting for bank statements & invoice listing upto August 2021 to help us select our sample. Once supporting documents are provided by the management for our selected sample, we will perform our procedures and documentation in audit file.	EY and Management
Clearance of queries arising from review by Associate Partner and Manager	Ongoing review process	EY

4.4. A further requirement is for the Council to provide representations on specific matters such as the Councils financial standing and whether the transactions within the accounts are legal and unaffected by fraud. The draft Management Representation Letter detailed at Appendix B sets out that the accounts have been prepared in accordance with statutory legislation and fairly represent the transactions of the Council and no additional disclosures are required in the financial statements, over and above those already disclosed. A final Management Representation Letter will be issued once the items in 4.3 are concluded.

4.5. A representative of the Council's appointed auditor will be at the meeting to present the report and answer Member questions.

5. Issues and Choices

5.1. The Committee is being requested to approve the provisional Audit Results Report (draft ISA 260) for Kettering Borough Council and delegate authority for any non-material adjustments to the draft Statement of Accounts to the Councils Executive Director of Finance (s151 Officer), in consultation with the Chair of the Audit & Governance Committee.

5.2. It is a statutory requirement for the Council to approve the annual Statement of Accounts (Item 5 on this Agenda) and to consider the External Auditors Results Report. In accordance with the Council's constitution the Audit & Governance Committee are required to undertake this function.

6. Implications (including financial implications)

6.1. Resources and Financial

6.1.1. The financial implications are set out within the Provisional Audit Results Report (draft ISA 260).

6.2. Legal

6.2.1. The approval of the ISA 260 is required for the Council to meet its legal responsibilities under the Accounts and Audit Regulations 2015.

6.3. Risk

6.3.1. The Council's External Auditors have set out the risks in their Provisional Audit Results Report (Appendix A).

6.4. Consultation

6.4.1. None specific to this report.

6.5. Consideration by Scrutiny

6.5.1. Not specific to this report.

6.6. Climate Impact

6.6.1. None specific to this report.

6.7. Community Impact

6.7.1. None specific to this report.

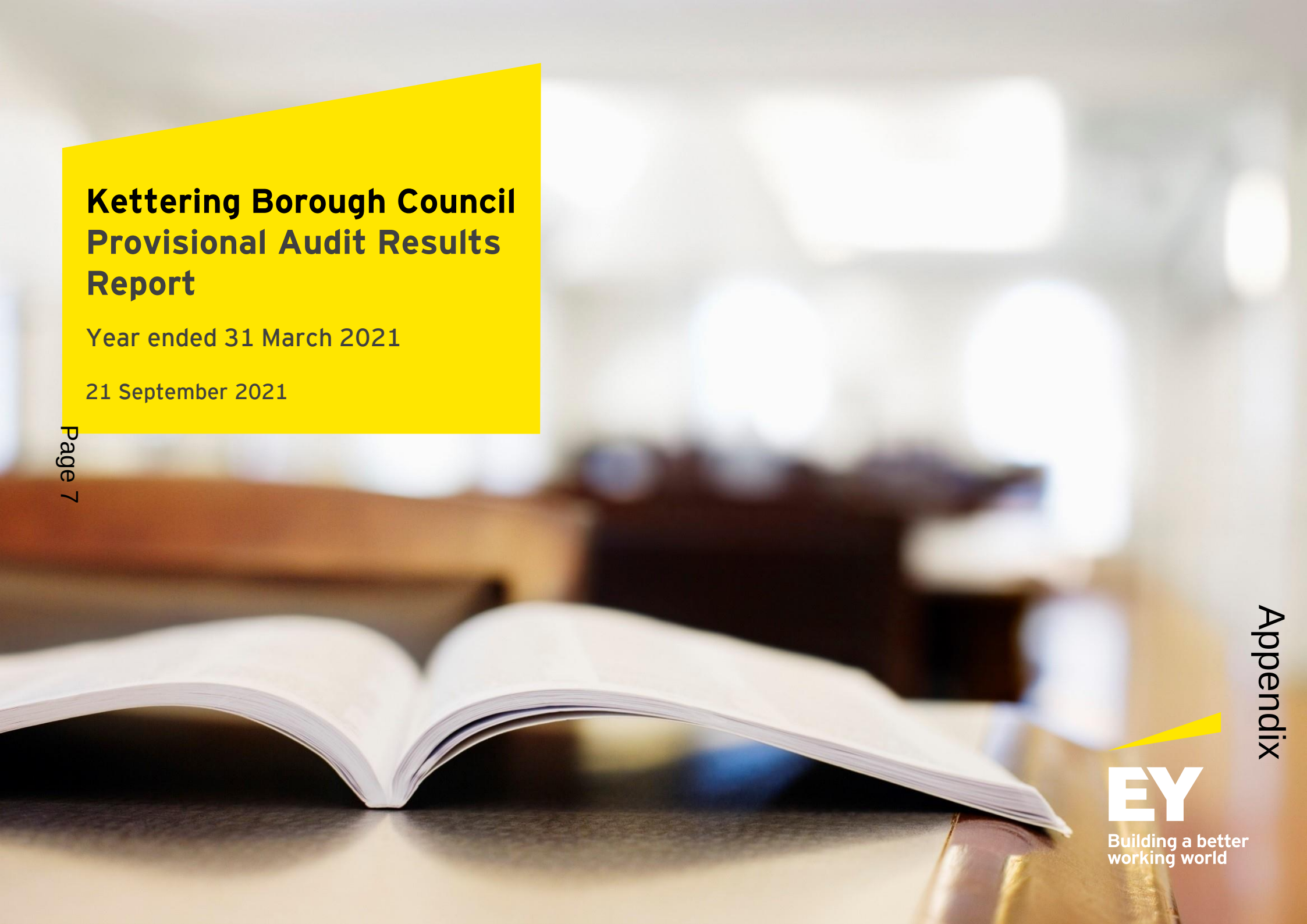
7. Background Papers

7.1. Council Constitution.

Kettering Borough Council
Provisional Audit Results Report

Year ended 31 March 2021

21 September 2021



Appendix

Building a better working world

21 September 2021

Audit and Governance Committee Members
Kettering Borough Council – North Northamptonshire Council
Municipal Offices, Bowling Green Road
Kettering, NN15 7QX

Dear Audit and Governance Committee Members

We are pleased to attach our provisional audit results report for the forthcoming meeting of the Audit and Governance Committee. This report summarises our preliminary audit conclusion in relation to the audit of Kettering Borough Council for 2020/21.

We have substantially completed our audit of Kettering Borough Council for the year ended 31 March 2021. At the date of this report, the substantive areas to complete are Pension Valuation, we are waiting for a response from the auditors of Northamptonshire Pension Fund to the programme of work we requested on the Pension Fund assets and liabilities. We have engaged with EY Real Estate to assess the values of a sample of 5 assets - 3 investment properties and 2 land & building assets. EYRE have requested further information from the council's valuers, which has been recently provided. EYRE is now working on finalizing their report to us. We will also need to review the Authority's Going Concern disclosures once that information is provided. Our VFM work is in progress however we have not identified any significant weaknesses to date. Please refer status of audit in 'Executive Summary' for further details. The work remains pending final reviews from engagement manager and partner.

The audit is designed to express an opinion on the 2021 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process

Subject to concluding the outstanding matters listed in our report, we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources. Although we are proposing no qualifications or modifications to our audit report, we do anticipate including in our audit report an emphasis of matter which draws attention to the disclosures included in the Council's financial statements in response to the Council's merger with North Northamptonshire from the 1st April 2021. On Covid-19, we will consider whether to include an emphasis of matter associated with a material uncertainty expressed by the Council's professional valuer on the valuation of the Council's certain fixed assets in response to the volatile and uncertain market conditions.

This report is intended solely for the use of the Audit and Governance Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

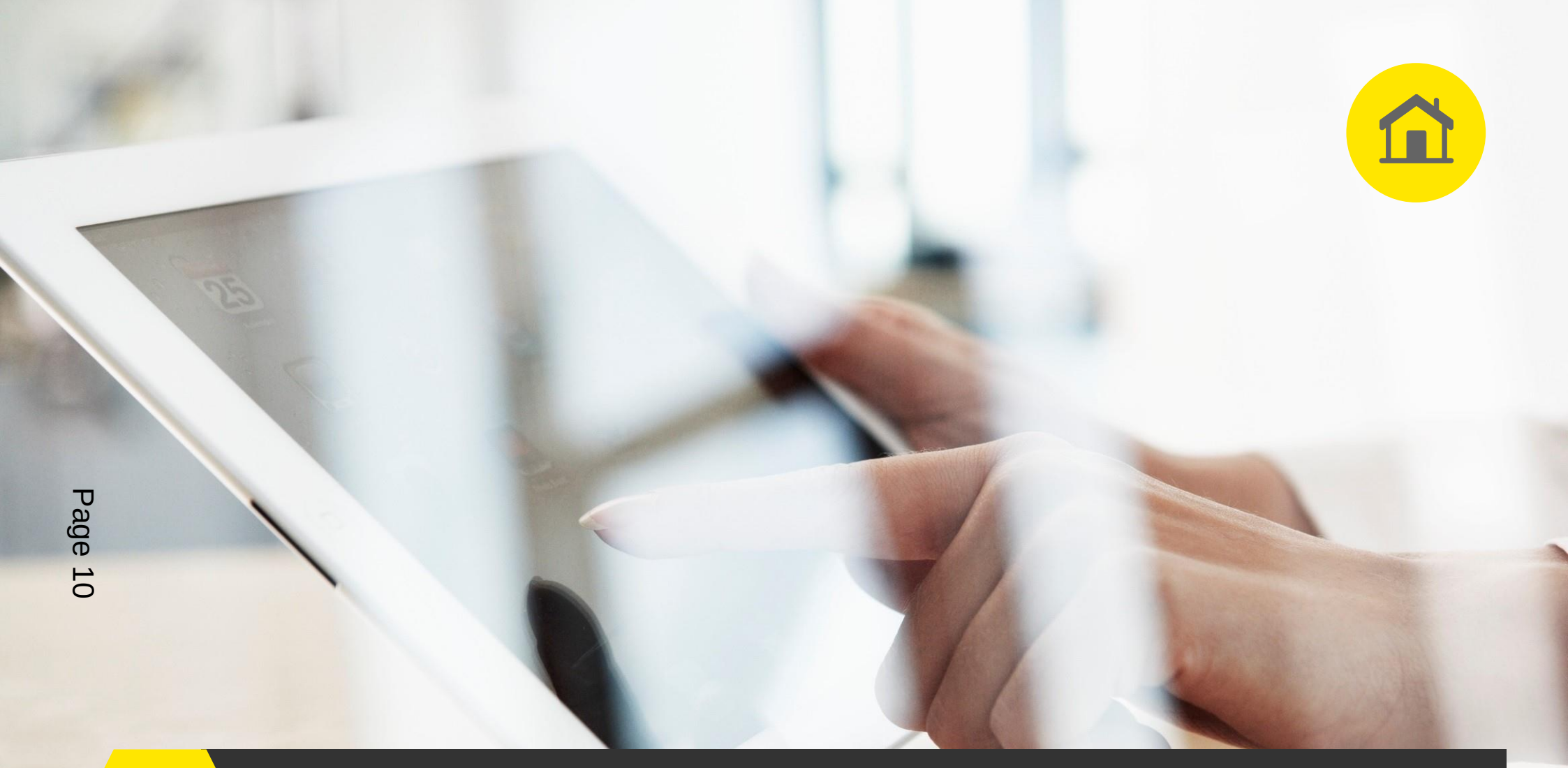
We would like to thank your staff for their help during the engagement and welcome the opportunity to discuss the contents of this report with you at the Audit and Governance Committee meeting on 27 September 2021.
Yours faithfully

Neil Harris

Associate Partner, For and on behalf of Ernst & Young LLP, Encl

Contents

Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/).The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.
The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.
This report is made solely to the Audit & Governance Committee and management of Kettering Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Committee and management of Kettering Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit & Governance Committee and the management of Kettering Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01 Executive Summary

Executive Summary

Scope update

In our audit planning report tabled in August 2021 to Audit and Governance Committee, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with no exceptions noted.

Changes in materiality:
In our Audit Planning Report, we communicated that our audit procedures would be performed using a planning materiality of £1.34 million, with performance materiality of £1.01 million, which is 75% of planning materiality, and a threshold for reporting misstatements of £67K. We calculated our planning materiality assessment using the draft accounts. We have not reassessed our materiality since then as there has been no significant changes in circumstances leading us to update our materiality.

Information Produced by the Entity (IPE): As a result of Covid-19, we identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents. We undertook the following to address this risk:

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited;
- Agree IPE to scanned documents or other system screenshots; and
- gained our own access to the accounting software to enable us re-run reports ourselves.

Audit differences

Uncorrected Differences

1. Understatement of NNDR appeals provision by £711K - judgemental differences due to appeals % applied by management and EY's expected %

Corrected Differences

The following audit differences are expected to be corrected in the updated draft financial statements (as agreed with the management);

1. PWLB Loan understated in the disclosure note to the draft financial statements by £500k
2. Certain disclosure misstatements found in the draft financial statements, e.g. casting & formatting errors, consistency & reference errors, typing errors etc

As per the below status of audit update on subsequent slides, the pending audit work and final reviews may result in further adjustments.

Executive Summary

Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of Kettering Borough Council's financial statements This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Areas of audit focus" section of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issue
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Committee.

Auditor responsibilities under the new Code of Audit Practice 2020

Under the Code of Audit Practice 2020 we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to Kettering Borough Council a commentary against specified reporting criteria (see below) on the arrangements the Kettering Borough Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability
  How the Kettering Borough Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance
  How the Kettering Borough Council ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness:
  How the Kettering Borough Council uses information about its costs and performance to improve the way it manages and delivers its services.

Value for money – progress update

In the Audit Plan, we reported that we were yet to commence with our value for money (VFM) risk assessment. We have now substantially completed this work and did not identify any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code.

As a result, we currently have no matters to report by exception in the auditor's report (see Section 03) or in the Auditor's Annual Report which will be issued to North Northamptonshire Council three months after the date of the final 2020-2021 audit opinion for the demised Councils.

Independence

Please refer to Section 09 for our update on Independence.

Executive Summary

Status of audit update

We have substantially completed our audit of Kettering Borough Council's financial statements for the year ended 31 March 2021 and have performed the procedures outlined in our Audit planning report. Subject to satisfactory completion of the outstanding items, we expect to issue an unqualified opinion on the Council' financial statements. However until work is complete, further amendments may arise. A list of outstanding items can be seen at appendix D.

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the Accounts which could influence our final audit opinion

Control observations

During the audit, and to date, we have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We have not yet been able to perform the procedures required by the NAO on the Whole of Government Accounts submission. This is because HM Treasury are continuing to review the online 2020-21 WGA Data Collection Tool (DCT) and update the guidance that is available for preparers. Based on the last available update the DCT and guidance was not expected to be available until Winter 2021. Therefore the 2020-21 WGA component data will not be available for auditors to review until after that. Group Audit Instructions and the timetable for 2020-21 will necessarily follow any changes HMT make to the DCT and process.

We will report any matters arising to the Audit and Governance Committee, and certify the completion of the audit after these procedures are completed.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work.

We will perform the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission.

We have no other matters to report.

02 Areas of Audit Focus

Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

What judgements are we focused on?

We focused our testing on accounting estimates which include pension liability, property valuation, and bad debts provision. Also performing mandatory procedures including testing of journal entries.

What did we do?

This is a risk that we recognise on all engagements. Our overall response to this for Kettering Borough Council was:

- Assessment to identify fraud risks during the planning stages.
- Inquired management about risks of fraud and the controls put in place to address those risks.
- Understood the oversight given by those charged with governance of management's processes over fraud.
- Considered the effectiveness of management's controls designed to address the risk of fraud.
- Determined an appropriate strategy to address those identified risks of fraud.
- Performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements, assessing accounting estimates for evidence of management bias and evaluating the business rationale for significant and unusual transactions.
- We have utilised our data analytics capabilities to assist with our work.

What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

We did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of business however we do have journal entry testing in progress but not expected to identify unusual items

Significant Risk

Areas of Audit Focus

Significant risk

Inappropriate capitalisation of revenue expenditure

[Fraud Risk]

What is the risk?

Linking to our risk of misstatements due to fraud and error, we have considered the capitalisation of revenue expenditure on property, plant and equipment, investment properties as a specific area of risk. The Council has a significant fixed asset base and a material commercial property investments and therefore has the potential to materially impact the revenue position through inappropriate capitalisation. Inappropriate capitalisation of revenue expenditure would decrease the net expenditure from the general fund, and increase the value of non-current assets.

What judgements are we focused on?

Whether management have appropriately classified expenditure as capital in nature

What did we do?

We have undertaken a substantive approach to respond to the specific risk, undertaking the following procedures related to the incorrect capitalisation of revenue expenditure:

- Tested a sample of capital expenditure at a lower testing threshold to verify that revenue costs have not been inappropriately capitalised;
- Our testing examined invoices, capital expenditure authorisations, leases and other data that support capital additions. We have reviewed the sample selected against the definition of capital expenditure in IAS16.
- As part of our journal testing strategy, we have reviewed unusual journal pairings related to capital expenditure posted around the year-end i.e. where the debit is to capital expenditure and the credit to income and expenditure.

What are our conclusions?

We have not identified any revenue items that have been inappropriately capitalised from our substantive testing to date.

Significant Risk

Areas of Audit Focus

Significant risk

Valuation of Property, Plant & Equipment and Investment Property

[Significant Risk]

What is the risk?

Property, plant and equipment (PPE) and Investment Property assets represents a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges.
Material judgemental inputs and estimation techniques are required to calculate the year-end asset property valuations held on the balance sheet.
ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates.
According to draft accounts, as at 31 March 2021, the value of the Council's PPE is £261.7m and Investment Properties £49.4m. Due to significant economic uncertainty caused by the Covid-19 pandemic there is an increased risk that asset valuations (based on market conditions) may be materially misstated.

What did we do?

In terms of the overall response, we have:

- evaluated the selection and application of accounting policies established to determine whether the accounting policies are being applied in an inappropriate manner;
- adjusted the nature, timing and extent of our audit procedures by, for example, increasing our sample sizes

We have undertaken a substantive approach to respond to the specific risk, undertaking the following procedures related to the valuation of property:

- Considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Engaged our valuations specialist (EY Real Estates) to review a sample of asset valuations to verify the reasonableness of the valuation methodology applied and key assumptions used, including the potential impact of Covid-19 on valuation uncertainties. Our sample included total 5 assets - 3 investment properties and 2 land & buildings;
- Sample tested for key asset information used by the valuers in performing their valuation;
- Considered the annual cycle of valuations to ensure that assets have been valued within an appropriate timescale.
- Considered any specific changes to assets that have occurred and that these have been communicated to the valuer;
- Reviewed assets not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated;
- Considered changes to useful economic lives as a result of the most recent valuation; and
- Tested accounting entries have been correctly processed in the financial statements.

What are our conclusions?

We have substantially completed our audit procedures but have not yet concluded. One of the main pending area is the EY Real Estate report for our selected sample of 5 properties. After their initial review, EYRE have requested further information from the council's valuers, which has been recently provided. EYRE is now working on finalizing their report to us. Once the work is completed, it will be subject to manager and partner's review for us to conclude on this area. This may result in further observations/adjustments.

Inherent risks and other areas of audit focus

What is the risk/area of focus?	What have we done and our conclusions?
Pension liability valuation and disclosures The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body. The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet. The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. As per the draft accounts for 31 March 2021, this amounts to £60.96m. The information disclosed is based on the IAS 19 report issued to the Council by the Actuary. Accounting for this scheme involves significant estimation and judgement and due to the nature, volume and size of the transactions, in the current uncertain economic environment, we consider this to be a higher inherent risk.	We have: ▸ Liaised with the auditors of Northamptonshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Kettering Borough Council; ▸ Assessed the work of the Pension Fund actuary including the assumptions they have used by relying on the work of PwC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; ▸ Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19; ▸ Assessed the results of the triennial valuations, including the assumptions used and the impact on the Council's pension liability; ▸ Considered any updated information in respect of the impact of national issues including Goodwin and McCloud; and ▸ Considered the nature and value of level 3 investments held by Northamptonshire Pension Fund and the proportion of the overall Fund relating to Kettering Borough Council in order to identify any additional procedures required to support the estimates of the valuation of these asset as at 31 March 2021. As of the date of this report, the assurance from the Pension Fund auditor is outstanding as the NPF audit is still on-going. This is one of the outstanding matter set out in Appendix D of this report. We expect to have received the pension fund assurances, reviewed and concluded this work by the end of September 2021. In 2020/21, We will consider the impact of Covid-19 on the valuation of complex (Level 3) investments held by NPF (for example private equity investments) and the fact that the valuations are highly subjective in nature as at 31 March 2021 and will have to be estimated. This is likely to impact on the IAS19 reports provided by the actuary and the assurances over asset values that are provided by the pension fund auditor, and consequently the assurance we are able to obtain over the net pension liability in the Council's accounts. We will also need to consider the outcome of the assurances we receive from the Pension Fund auditor and undertake additional procedures as required. (continued on next slide)

Inherent risks and other areas of audit focus

What is the risk/area of focus?	What have we done and our conclusions?
Pension liability valuation and disclosures (continued)	One issue has arisen across all local government audits that needs to be resolved prior to us being able to fully conclude our work. This is in relation to the impact of the new auditing standard on accounting estimates. We planned to take an audit approach to this estimate based on procedures to evaluate management's process. The new auditing standard requires auditors to test the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model. Neither we, nor PWC as consulting actuaries commissioned by the NAO for all local government sector audits, are able to access the detailed models of the actuaries in order to evidence these requirements. Therefore, we have been required to modify our planned approach and undertake alternate procedures to create an auditor's estimate, to provide a different method of gaining assurance. We will provide the Committee with a verbal update on progress at the 27 September 2021 meeting.

Inherent risks and other areas of audit focus

What is the risk/area of focus?	What have we done and our conclusions?
Going Concern disclosures Covid-19 has created a number of financial pressures throughout Local Government. This includes reductions in income for the Council as well as additional cost pressures. There is some financial support from MHCLG that covers financial consequences of Covid-19. North Northamptonshire Council was formed under statutory instrument The Northamptonshire (Structural Changes) Order 2020, which was made on 14 February 2020 and came into effect from 01 April 2021. CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 sets out that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis. However, International Auditing Standard 570 *Going Concern*, as applied by Practice Note 10: *Audit of financial statements of public sector bodies in the United Kingdom,* still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report. We are obliged to report on such matters within the section of our audit report 'Conclusions relating to Going Concern'. To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements. The auditor's report in respect of going concern covers a 12-month period from the date of the report, therefore the Council's assessment will also need to cover this period and their ability to continue with providing services with regards to the transition to Unitary	In light of the unprecedented nature of Covid-19, its impact on the funding of public sector entities and uncertainty over the form and extent of government support, we will be seeking a documented and detailed consideration to support management's assertion regarding the going concern basis and particularly with a view whether there are any material uncertainties for disclosure. These disclosures should also include the process that has been undertaken for revising financial plans and cashflow, liquidity forecasts, known outcomes, sensitivities, mitigating actions including but not restricted to the use of reserves, and key assumptions (e.g. assumed duration of Covid-19). With regards to the councils transition to unitary, our procedures will focus on sufficiency and appropriateness of management's assessment that they have sufficient resources to continue to deliver services at the planned levels; and disclosures of any material uncertainties in the continuity of service provision. Our audit procedures will: ▸ Assess the adequacy of disclosures required in 2020/21, and the impact on our opinion, should these be inadequate; ▸ Obtain management's going concern assessment and review for any evidence of bias and consistency with the accounts; ▸ Review the financial modelling and forecasts prepared by the Council. This will consider key assumptions, stress testing applied to those assumptions and consider the risk to cashflow up to at least 12 months after the signing date of the accounts and opinion; ▸ Ensure that an appropriate going concern disclosure has been made within the financial statements; and ▸ Consider the impact on our audit report and comply with EY consultation requirements, if this is determined to be appropriate. **Our work on going concern is yet to be concluded, this is one of the outstanding matter set out in Appendix D of this report.**

Inherent risks and other areas of audit focus

What is the risk/area of focus?	What have we done and our conclusions?
Recognition of grant income associated with Covid-19 Central Government has provided a number of new and different Covid-19 related grants to local authorities during the year. There are also funds that have been provided for the Council to distribute to other bodies. The Council needs to review each of these grants to establish how they should be accounted for. It needs to assess whether it is acting as a principal or agent, with the accounting to follow that decision. Where the decision is that the council is a principal, it must also assess whether there are any initial conditions that may also affect the recognition of the grants as revenue during 2020/21.	We have: ▸ Considered the revenue and capital grants received by the Council; ▸ Assessed the potential for manipulation of individual grant streams (including those related to business rates); and ▸ Responsive to the risk, carried out testing to ensure the accounting treatment and recognition applied to grant income is appropriate. ▸ On a sample of the grant and funding population we have: ▪ Reviewed the Council's decision for new grant or funding arrangements whether it is acting as principal or agent; ▪ Reviewed whether any initial conditions are attached to grants impacting their recognition; ▪ Assessed whether the accounting appropriately follows those judgements. We have also checked the Council has adequately disclosed grant income received in the year, under both principal and agent arrangements. **Conclusion:** Our work is substantially complete but not yet concluded. We have not identified any misstatements to report on to date

Inherent risks and other areas of audit focus

What is the risk/area of focus?	What have we done and our conclusions?
Calculation of NNDR appeals provision The Business Rates Retention Scheme requires Local Authorities to make provisions for appeals made by businesses to the Valuation Office on their rateable value. The Council has analysed previous appeals and calculated a provision for NNDR appeals based on settlement history. During 2019/20 audit, we noted a judgemental differences due to appeals % applied by management and EY's expected % consistent with the prior years. We expect appeals to be computed based on the national average rate which is 4.7%. However, managements computation is based on 2017 average rate for KBC which is 2.7%, resulting in an unadjusted audit difference of £534K. Our initial assessment procedures has identified that the potential difference for 2020/21 might have increased and become material to the financial statements.	We have: ▸ reviewed the calculation of NNDR provision and assessed the reasonableness of the approach adopted by the management. ▸ Challenged the management's assumptions supporting the calculation, particularly in relation to the % used. ▸ reviewed and assessed the accuracy and completeness of any disclosures related to NNDR provision in the accounts. For 2020/21 audit, we have noted a judgemental differences due to appeals % applied by management and EY's expected % consistent with the prior years. We expect appeals to be computed based on the national average rate which is 4.7%. However, management continued to compute the provision based on 2017 average rate for KBC which is 2.7%, resulting in an unadjusted audit difference of £711K. Whilst the abovementioned audit difference exceeds our audit difference reporting threshold, it is still below our performance materiality. However, we are currently assessing the impact of this difference in conjunction with other audit differences to finally conclude whether the cumulative amount of audit differences exceeds our materiality.

04 Audit Differences

Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as "known" or "judgemental". Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of Audit differences as at the date of this report

Further to the receipt of 1st draft accounts for 2020/21, we understand from management that they have identified two adjustments as listed below (we have received the updated draft accounts but have not yet reviewed these adjustments);

1. An investment property (Hunters Point) was undervalued by £647K; and
2. Pension liability & pension reserves to be restated as per the revised IAS 19 report. we have received the updated IAS19 but have not yet reviewed these adjustments.

At the date of this report, we have found below uncorrected and corrected audit differences.

Uncorrected Differences

1. Understatement of NNDR appeals provision by £711K

We have noted a judgemental differences due to appeals % applied by management and EY's expected % consistent with the prior years. We expect appeals to be computed based on the national average rate which is 4.7%. However, in 2021, management continued to compute the provision based on 2017 average rate for KBC which is 2.7%, resulting in an unadjusted audit difference of £711K. The management has not yet agreed to adjust this audit difference in financial statements.

Corrected Differences

1. PWLB Loan understated in the disclosure note to the draft financial statements by £500k

PWLB loan confirmation resulted in an understatement of long term loan by £500K. Management has agreed to adjust this difference in the financial statements.

2. Certain minor disclosure misstatements found in the draft financial statements, e.g. casting & formatting errors, consistency & reference errors, typing errors etc

As per the status of audit and outstanding items as detailed in Appendix D, our audit work is still pending to be concluded in certain areas (including our significant risk areas). These outstanding areas, coupled with final reviews from manager and engagement partner, may result in further adjustments.

05 Value for Money

Value for Money

The Council's responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Risk assessment

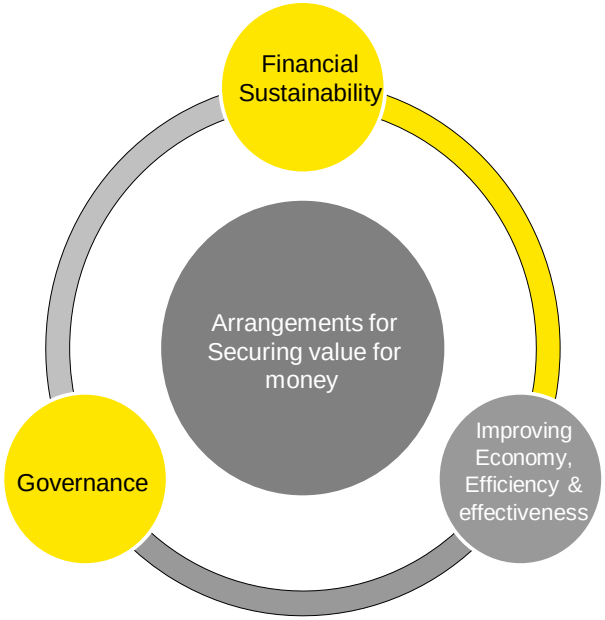
Throughout our audit we have performed a risk assessment in relation to the arrangements in place. This risk assessment looked at whether there was any risk of significant weaknesses in the VFM arrangements.

No significant risks were identified through our risk assessment.

The Council's responsibilities for value for money

We have substantially completed this work and did not identify any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code.

We currently have no matters to report by exception in the auditor's annual report. Our work remains pending final reviews as of the date of this report.



06 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement
We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts for the year ended 2020/21 with the audited financial statements. We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance. Financial information in the Statement of Accounts for the year ended 2020/21 and published with the financial statements was consistent with the audited financial statements. We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits

We have no matters to report.

07 Assessment of Control Environment

Assessment of Control Environment

Financial controls

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

08 Data Analytics

Data analytics

Analytics Driven Audit

Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2020/21, our use of these analysers in the Authority's audit included testing journal entries and employee expenses, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

Journal Entry Analysis
We obtain downloads of all financial ledger transactions posted in the year. We performed completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.

Payroll Analysis
We also use our analysers in our payroll testing. We obtain all payroll transactions posted in the year from the general ledger. We then analyse the data against a number of specifically designed procedures. These include analysis of payroll costs by month to identify any variances from established expectations, as well as more detailed transactional interrogation.

Journal Entry Testing

What is the risk?

In line with ISA 240 we are required to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

What judgements are we focused on?

Using our analysers we are able to take a risk based approach to identify journals with a higher risk of management override, as outlined in our audit planning report.

What did we do?

We obtained general ledger journal data for the period and have used our analysers to identify characteristics typically associated with inappropriate journal entries or adjustments, and journals entries that are subject to a higher risk of management override.

We then performed tests on the journals identified to determine if they were appropriate and reasonable.

What are our conclusions?

We have substantially completed our work on journal entries and have found no exceptions to report.

09 Independence

Confirmation of independence and analysis of audit fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work. We confirm we have not provided any non-audit services not covered in below table (housing benefits). The Council have decided not to appoint EY to complete the Housing Benefit Subsidy Claim certification in 2019/20 and 20/21 as we were unable to guarantee that we could sufficiently resource and complete our work by the DWP reporting timetables.

	Planned fee 2020/21	Scale fee 2020/21	Final Fee 2019/20
	£	£	£
Total Fee – Code work (Note 1)	41,337	41,337	41,337
VFM conclusion	TBC	-	2,151
Property valuations significant risk	TBC	-	3,044
Property valuations material uncertainty	TBC	-	1,025
Going concern disclosure	TBC	-	2,808
EY consultations on auditor report	TBC	-	1,949
Total Audit Fee	**TBC**	**41,337**	**52,314**

All fees exclude VAT

Notes:

1. We are currently in discussion with PSAA nationally about an increase to the scale fees for Local Authority audits which would be recurring for 2020-2021. For Kettering Borough Council, in our 2019-2020 external audit plan and reporting, we outlined our view that the scale fee should be increased from £41,337 to £77,456 to reflect the regulatory and professional standards context that is driving our work to safeguard high-quality audits. This is yet to be determined by PSAA and has not been agreed by management.
2. At the conclusion of our 2019-2020 audit, we reported in our Annual Audit Letter the scale fee variations for our response to significant audit risks and additional audit procedures arising from Covid-19. Whilst we have reported to management our scale fee variation, officers have not agreed to this and is subject to PSAA approval.

2020/21 Fees:

We are not yet able to provide a final fee for the 2020/21 audit. This is for two reasons:

- The audit is not fully complete, as noted in the list of outstanding procedures set out in the appendices of this report.
- We remain in discussion with PSAA about increasing the scale fee to reflect the additional work auditors are required to do to meet regulatory requirements.

The areas in which we have completed additional work and as such we will be proposing a fee variation to the base scale fee are:

- Revised ISAs in respect of Estimates and Going Concern as noted in the Audit Plan presented in July 2021
- Additional procedures in relation to COVID-19 and new value for money requirements
- Use of experts in relation to Pensions to satisfy revised ISA requirements.
- Use of EYRE to assist the audit team to assess the valuation assumptions of a sample of PPE assets and investment properties.

Once we have completed the audit will we assess the final fee, discuss with management and provide an update to the Audit & Governance Committee before we submit to PSAA for approval and determination of final fee.

Independence

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, senior management and its affiliates, including all services provided by us and our network to your Authority, senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2020 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Other communications

EY Transparency Report 2020

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2020:
https://assets.ey.com/content/dam/ey-sites/ey-com/en_uk/about-us/transparency-report-2020/ey-uk-2020-transparency-report.pdf

10 Appendices

Appendix A

Audit approach update

We summarise below our approach to the audit of the balance sheet and any changes to this approach from the prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- Existence: An asset, liability and equity interest exists at a given date
- Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

Balance sheet category	Audit Approach in current year	Audit Approach in prior year	Explanation for change
Trade receivables	Substantively tested all relevant assertions	Substantively tested all relevant Assertions	No change
Property, plant and equipment	Fully substantive approach. Engaged with EY Real Estate	Fully substantive approach. Engaged with EY Real Estate	No change
Trade payables	Fully substantive approach	Fully substantive approach	No change
Cash and Investments	Substantively tested all relevant assertions	Substantively tested all relevant assertions	No change
Grants	Fully substantive approach	Fully substantive approach	No change
Pensions	Substantively tested all relevant assertions. We engaged EY Pensions to assist with reviewing actuary model.	Substantively tested all relevant assertions	We engaged our pensions specialists due to the requirements of ISA540 (revised)

Appendix B

Summary of communications

Date	Nature	Summary
23 July 2021	Meeting	The manager and lead senior of the audit team, met with the finance team and s151 officer for a regular liaison meeting.
28 July 2021	Audit Committee	The partner in charge of the engagement attended the audit committee
27 August 2021	Report	The audit planning report, including confirmation of independence, was discussed with the s151 officer issued to the audit committee.
10 September 2021	Audit Committee	The partner in charge of the engagement discussed the audit planning report with the Committee members.
21 September 2021	Report	The provisional audit results report, including confirmation of independence, will be issued to the audit committee.
29 September 2021	Audit Committee	The partner in charge of the engagement will attend the audit committee
July-September	Meeting	The EY audit team met regularly to discuss the progress of the audit with North Northamptonshire Council's s151 officer and Finance team

Appendix C

Required communications with the Audit and Governance Committee

There are certain communications that we must provide to the Audit and Governance Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the Audit and Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report – August 2021
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report – August 2021
Significant findings from the audit	▸ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▸ Significant difficulties, if any, encountered during the audit ▸ Significant matters, if any, arising from the audit that were discussed with management ▸ Written representations that we are seeking ▸ Expected modifications to the audit report ▸ Other matters if any, significant to the oversight of the financial reporting process	Audit results report – September 2021

Appendix C

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▸ Whether the events or conditions constitute a material uncertainty ▸ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▸ The adequacy of related disclosures in the financial statements	Audit results report – September 2021
Misstatements	▸ Uncorrected misstatements and their effect on our audit opinion ▸ The effect of uncorrected misstatements related to prior periods ▸ A request that any uncorrected misstatement be corrected ▸ Material misstatements corrected by management	Audit results report – September 2021
Subsequent events	▸ Enquiry of the Audit and Governance Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.	Audit results report – September 2021
Fraud	▸ Enquiries of the Audit and Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▸ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▸ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▸ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▸ Any other matters related to fraud, relevant to Audit and Governance Committee responsibility.	Audit results report – September 2021

Appendix C

Required communications	What is reported?	Our Reporting to you When and where
Related parties	Significant matters arising during the audit in connection with the Authority's related parties including, when applicable: ▸ Non-disclosure by management ▸ Inappropriate authorisation and approval of transactions ▸ Disagreement over disclosures ▸ Non-compliance with laws and regulations ▸ Difficulty in identifying the party that ultimately controls the Authority	Audit results report – September 2021
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▸ The principal threats ▸ Safeguards adopted and their effectiveness ▸ An overall assessment of threats and safeguards ▸ Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.	Audit planning report – August 2021 and Audit results report – September 2021
External confirmations	▸ Management's refusal for us to request confirmations ▸ Inability to obtain relevant and reliable audit evidence from other procedures.	Audit planning report – August 2021 and Audit results report – September 2021
Significant deficiencies in internal controls identified during the audit	▸ Significant deficiencies in internal controls identified during the audit.	Audit results report – September 2021

Appendix C

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Written representations we are requesting from management and/or those charged with governance	▸ Written representations we are requesting from management and/or those charged with governance	Audit results report – September 2021
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	▸ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report – September 2021
Auditors report	▸ Any circumstances identified that affect the form and content of our auditor's report	Audit results report – September 2021
Fee Reporting	▸ Breakdown of fee information when the audit planning report is agreed ▸ Breakdown of fee information at the completion of the audit ▸ Any non-audit work	Audit planning report – August 2021 and Audit results report – September 2021
Certification work	▸ Summary of certification work	Certification Report
Value for money commentary	A commentary on the arrangements in place during 2020/21 to achieve value for money, and any recommendations we may make to improve those arrangements.	Annual auditors report – December 2021
Consideration of laws and regulations	▸ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▸ Enquiry of the Audit and Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Governance Committee may be aware of	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.

Appendix D

Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item	Actions to resolve	Responsibility
Pension - IAS19	1. EY Pensions report in relation to completeness and accuracy of model used by actuary in determining Authority obligation. 2. Revised IAS 19 report 3. Pension Fund auditor final report outstanding	EY and Management
PPE and Investment Property Valuations	EYRE to issue final report on their review of PPE and Investment Property Valuations and resolve queries with management (if any further queries arise)	EY and Management
Finalisation of Value For Money conclusion	To discuss with management any queries that may arise	EY and Management
Completion of procedures required for whole of government accounts	Submission of assurance statement to be undertaken	EY
Going Concern disclosures	Once we receive the updated Going Concern Disclosures and cash flow forecasts for North Northamptonshire Council, we will review the Going Concern disclosures, and complete any associated EY consultation procedures if this is determined to be appropriate.	EY and Management
Debtors, creditors, grants, reserves	Certain information is pending from management to complete our sample testing in these areas. Once information is provided by the management, EY will complete its documentation in the file. The work will then be reviewed by manager and engagement partner, which may raise further queries to the management.	EY and Management
Close down procedures	These include our finalisation procedures, receipt of final version of financial statements, obtaining signed representation from management, subsequent events review, final checks on financial statements and any other signing off procedures.	EY and Management
Unrecorded liabilities test	In the event of 4 councils demised into NNC, we have decided to perform unrecorded liabilities centrally for all demised councils, using the lowest materiality threshold among 4 councils. We are waiting for bank statements & invoice listing upto August 2021 to help us select our sample. Once supporting documents are provided by the management for our selected sample, we will perform our procedures and documentation in audit file.	EY and Management
Clearance of queries arising from review by Associate Partner and Manager	Ongoing review process	EY

Appendix E

DRAFT Management representation letter

Management Rep Letter

Date xxxxxxx

Ernst & Young
Ernst & Young
400 Capability Green
Luton
Bedfordshire
LU1 3LU

This letter of representations is provided in connection with your audit of the consolidated and council financial statements of Kettering Borough Council ("the Council") for the year ended 31 March 2021. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the council financial statements give a true and fair view of the financial position of Kettering Borough Council as 31 March 2021 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Council, the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

We understand that the purpose of your audit of financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records *(See Note B.)*

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of council financial statements. We believe the council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and are free of material misstatements, including omissions. We have approved the council financial statements.
3. The significant accounting policies adopted in the preparation of the Council financial statements are appropriately described in financial statements.
4. As members of management of the Council, we believe that the Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 for the Council and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 for the Council that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.

Appendix E

Management representation letter

Management Rep Letter

B. **Non-compliance with laws and regulations, including fraud**

1. We acknowledge that we are responsible to determine that the Council's business activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws or regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud, that may have affected the Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

- Involving financial improprieties
- Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements
- Related to laws or regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's business, its ability to continue in business, or to avoid material penalties
- Involving management, or employees who have significant roles in internal control, or others
- In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. **Information Provided and Completeness of Information and Transactions**

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the consolidated and council financial statements, including those related to the COVID-19 pandemic.

3. We have made available to you all minutes of the meetings of the Council and its relevant Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: xxxxxxxxxxxxx 2021.

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

Management representation letter

Management Rep Letter

5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that we have given to third parties.

E. Subsequent Events

1. Other than as described in Note xxxxx to the financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Statement of Accounts.
2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Contingent Liabilities

1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the financial statements).

2. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance

I. Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

Appendix E

Management representation letter

Management Rep Letter

J. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of Property, Plant and Equipment, the IAS19 actuarial valuations of pension fund liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialist.

K. Property valuation and Pension Liability Estimate

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

2. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete, including the effects of the COVID-19 pandemic on property and pension valuation and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

3. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events, including due to the COVID-19 pandemic.

Yours faithfully,

_____
S151 Officer

_____
Chairman of the Audit and Governance Committee of NNC

Appendix F

Accounting and regulatory update

Future accounting developments

Since the date of our last report to the Audit and Governance Committee, there have been a number of exposure drafts, discussion papers and other projects issues. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures	Impact on North Northamptonshire Council
IFRS 16	▸ The adoption of IFRS 16 by CIPFA/LASAAC as the basis for preparation of Local Authority Financial Statements has been deferred until 1 April 2022. The Council will therefore no longer be required to undertake an impact assessment, and disclosure of the impact of the standard in the financial statements does not now need to be financially quantified in 2020/21.	▸ Consider systems impact and need to gather information for comparatives ▸ Consider timetable to implementation

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ED None

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North Northamptonshire Council

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27 September 2021

Neil Harris
Associate Partner
Ernst & Young LLP
400 Capability Green
Luton
LU1 3LU

Dear Neil,

Kettering Borough Council - Audit for the year ended 31 March 2021

This letter of representations is provided in connection with your audit of the financial statements of Kettering Borough Council ("the Council") for the year ended 31 March 2021. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Kettering Borough Council as of 31 March 2021 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records (See Note B.)

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with [the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and are free of material misstatements, including omissions. We have approved the financial statements.

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3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.

5. We do not agree that the item relating to the NDR provision specified in the Schedule of Uncorrected Misstatements constitutes a difference because the rate used by EY reflects the national average. The national average was considered too high for Kettering, this would create an overprovision in the Balance Sheet. Kettering's provision takes into account local conditions.

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

    - involving financial improprieties;

    - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;

    - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's business, its ability to continue in business, or to avoid material penalties;

    - involving management, or employees who have significant roles in internal controls, or others;

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- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

   - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

   - Additional information that you have requested from us for the purpose of the audit; and

   - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and [all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic.

3. We have made available to you all minutes of the meetings of the Council and audit committees held through the year to the most recent meeting on the following date: *12th July 2021.*

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

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2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent in *Note 41* and have disclosed confirm that we have not given any guarantees to third parties.

E. Subsequent Events

1. As outlined in *Note 8* to the financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Statement of Accounts.

2. We confirm that the content contained within the other information is consistent with the financial statements.

G. Contingent Liabilities

1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the financial statements).

2. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance.

H. Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

I. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of land and building assets and investment property and the IAS19 actuarial valuations of pension liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

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J. Property valuation and Pension Liability Estimate

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

2. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete ,including the effects of the COVID-19 pandemic on property and pension valuation and made in accordance with provide a valuation for these assets in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

3. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events, including due to the COVID-19 pandemic.

Yours faithfully,

_____

Executive Director of Finance (Section 151 Officer)

_____

Chairman of the Audit & Governance Committee of NNC

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Summary of Un-adjusted Differences

Uncorrected Differences

1. Understatement of NNDR appeals provision by £711K

We have noted a judgemental differences due to appeals % applied by management and EY's expected % consistent with the prior years. We expect appeals to be computed based on the national average rate which is 4.7%. However, in 2021, management continued to compute the provision based on 2017 average rate for KBC which is 2.7%, resulting in an unadjusted audit difference of £711K. The management has not yet agreed to adjust this audit difference in financial statements.

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North Northamptonshire Council

Item no: 5

NORTH NORTHAMPTONSHIRE COUNCIL

AUDIT AND GOVERNANCE COMMITTEE

Report Title	**Outturn and Draft Statement of Accounts Kettering Borough Council Borough Council of Wellingborough**
Report Author	**Mark Dickenson – Assistant Director of Finance & Strategy Mark.dickenson@northnorthants.gov.uk**

Contributors/Checkers/Approvers		
North MO		
North S151		
Other Director/SME	**N/a**	**N/a**

List of Appendices

Appendix A – Outturn Report Kettering Borough Council and Borough Council of Wellingborough

Appendix B – Kettering Borough Council Draft Accounts 2020/21

Appendix C – Borough Council of Wellingborough Draft Accounts 2020/21

1. Purpose of Report

1.1. The Council's governance arrangements require the Audit and Governance Committee to receive and approve the Statement of Accounts for the former District and Borough Councils in North Northamptonshire.

2. Executive Summary

2.1. This report requires the Committee to approve the draft Statement of Accounts in relation to Kettering Borough Council for 2020/21 and to note the draft accounts in relation to the Borough Council of Wellingborough for 2020/21. The accounts for Wellingborough will be subject to a further report at the meeting on 8th November 2021

3. Recommendations

3.1. It is recommended that the Committee;

a) Approve the draft Statement of Accounts for the financial year 2020/21 for Kettering Borough Council subject to the conclusion of the audit and that there are no material adjustments that impact on the Council's usable reserves.

b) Any non-material adjustments required to the draft Statement of Accounts in relation to Kettering Borough Council are delegated to the Councils Executive Director of Finance (s151 Officer), in consultation with the Chair of the Audit & Governance Committee.

c) Note the draft Statement of Accounts for the financial year 2020/21 for the Borough Council of Wellingborough.

3.2. Reason for Recommendations –

- It is a statutory requirement for the Council to approve the annual Statement of Accounts and to consider the External Auditors report (Item 4 on this Agenda). In accordance with the Council's constitution the Audit & Governance Committee are required to undertake this function.

4. Report Background

4.1. The draft outturn position for both Kettering Borough Council and the Borough Council of Wellingborough was reported to the Executive Committee at its meeting on 26th August 2021. The draft outturn position remains unchanged to that reported to the Executive Committee and for ease of reference this report is detailed at **Appendix A**.

4.2. The accounts for Kettering Borough Council remain in draft format as there are a number of outstanding matters that are to be concluded, these are set out in the Provisional Audit Results Report and are set out on Page 39 – Appendix D. (Item 4 on this agenda). For ease of reference these are summarised below:

North Northamptonshire Council

Appendix D

Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item	Actions to resolve	Responsibility
Pension - IAS19	1. EY Pensions report in relation to completeness and accuracy of model used by actuary in determining Authority obligation. 2. Revised IAS 19 report 3. Pension Fund auditor final report outstanding	EY and Management
PPE and Investment Property Valuations	EYRE to issue final report on their review of PPE and Investment Property Valuations and resolve queries with management (if any further queries arise)	EY and Management
Finalisation of Value For Money conclusion	To discuss with management any queries that may arise	EY and Management
Completion of procedures required for whole of government accounts	Submission of assurance statement to be undertaken	EY
Going Concern disclosures	Once we receive the updated Going Concern Disclosures and cash flow forecasts for North Northamptonshire Council, we will review the Going Concern disclosures, and complete any associated EY consultation procedures if this is determined to be appropriate.	EY and Management
Debtors, creditors, grants, reserves	Certain information is pending from management to complete our sample testing in these areas. Once information is provided by the management, EY will complete its documentation in the file. The work will then be reviewed by manager and engagement partner, which may raise further queries to the management.	EY and Management
Close down procedures	These include our finalisation procedures, receipt of final version of financial statements, obtaining signed representation from management, subsequent events review, final checks on financial statements and any other signing off procedures.	EY and Management
Unrecorded liabilities test	In the event of 4 councils demised into NNC, we have decided to perform unrecorded liabilities centrally for all demised councils, using the lowest materiality threshold among 4 councils. We are waiting for bank statements & invoice listing upto August 2021 to help us select our sample. Once supporting documents are provided by the management for our selected sample, we will perform our procedures and documentation in audit file.	EY and Management
Clearance of queries arising from review by Associate Partner and Manager	Ongoing review process	EY

4.3. The accounts for the Borough Council of Wellingborough remain in draft format as the external audit is still on-going. Good progress has been made with this audit and to date no issues of significance have been reported by the Council's External Auditors. It is expected that the outcome of this audit will be reported to this Committee at the meeting on the 8th November 2021.

4.4. Local Government accounts for 2020/21 are required to be prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code). The Statement of Accounts for 2020/21 for Kettering Borough Council are detailed at **Appendix B** and the Statement of Accounts for the Borough Council of Wellingborough are detailed at **Appendix C.** Electronic copies of the accounts are available at:

Kettering Brough Council
Statement of Accounts (Draft) 2020-21 | North Northamptonshire Council - Kettering Area

Borough Council of Wellingborough
https://www.wellingborough.gov.uk/downloads/file/9097/statement_of_accounts_2020-21

4.5. The audit for the 2019/20 Accounts for East Northants Council commenced on 6th September 2021 and the audit of the 2019/20 Accounts for Corby Borough Council is scheduled to start on the 4th October 2021. The outcome of these audits along with the audit of the 2020/21 Statement of Accounts for both of

these authorities will be reported to a future meeting of the Audit and Governance Committee.

5. Issues and Choices

5.1. The Committee is being requested to approve the draft Statement of Accounts for Kettering Borough Council and delegate authority for any non-material adjustments to the draft Statement of Accounts to the Councils Executive Director of Finance (s151 Officer), in consultation with the Chair of the Audit & Governance Committee.

5.2. It is a statutory requirement for the Council to approve the annual Statement of Accounts and to consider the External Auditors report (Item 4 on this Agenda). In accordance with the Council's constitution the Audit & Governance Committee are required to undertake this function.

6. Implications (including financial implications)

6.1. Resources and Financial

6.1.1. The financial implications are set out within the Statement of Accounts.

6.2. Legal

6.2.1. The approval of the accounts is required for the Council to meet its legal responsibilities under the Accounts and Audit Regulations 2015.

6.3. Risk

6.3.1. The Council's External Auditors have set out the risks in their Provisional Audit Results Report (Item 4 on this Agenda).

6.4. Consultation

6.4.1. None specific to this report.

6.5. Consideration by Scrutiny

6.5.1. Not specific to this report.

6.6. Climate Impact

6.6.1. None specific to this report.

6.7. Community Impact

6.7.1. None specific to this report.

7. Background Papers

7.1. Council Constitution.

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North Northamptonshire Council

EXECUTIVE MEETING
26th August 2021

Report Title	**Draft 2020/21 Outturn Positions** **Kettering Borough Council** **Borough Council of Wellingborough**
Report Author	**Janice Gotts** **Executive Director of Finance** **Janicegotts@northnorthants.gov.uk**

List of Appendices

Appendix A – Kettering Borough Council Reserves – 31/03/21
Appendix B – Borough Council of Wellingborough Reserves – 31/03/21

1. Purpose of Report

1.1. This report sets out the draft outturn position for Kettering Borough Council and the Borough Council of Wellingborough for 2020/21 and compares this to the approved budget.

1.2. The 2020/21 outturn for both Corby Borough Council and East Northants Council will be reported to a future meeting of the Executive – as the 2019/20 accounts still being closed.

1.3. The closure of the former County Council's 2020/21 accounts is being led by West Northamptonshire Council and an update on this will also be reported to a future meeting of the Executive.

2. Executive Summary

2.1 The report provides a draft outturn position for both Kettering Borough Council and the Borough Council of Wellingborough. This is summarised in Table 1.

Table 1 – Draft Outturns	Outturn Excluding Business Rates S31 Payments	Outturn Business Rates S31 Payments	Draft Outturn
	£'000	£'000	£'000
Kettering Borough Council	(2,621)	(4,731)	(7,352)
Borough Council of Wellingborough	(598)	(4,340)	(4,938)

3. Recommendations

3.1 It is recommended that the Executive:

a) Note the forecast outturn position for 2020/21 for Kettering Borough Council and the Borough Council of Wellingborough.

3.2 *Reason for Recommendations – To inform Members of the outturn position for 2020/21 for both Kettering Borough Council and the Borough Council of Wellingborough as the outturn will form part of the Statutory Statement of Accounts.*

4. Report Background

4.1 This report considers the draft financial outturn for 2020/21 for Kettering Borough Council and the Borough Council of Wellingborough and provides a summary of both Councils financial performance against its approved 2020/21 budget and also incorporates the financial pressures resulting from COVID 19 and provides a summary of the funding received from Government as a result of the COVID 19 pandemic.

4.2 The COVID 19 pandemic has had a considerable impact on the way services are provided by the Council's and its partners, as well as presenting significant financial challenges to the Council's during 2020/21. The implementation of a nationwide lockdown in late March meant that the financial impact of the virus was materially felt in the 2020/21 financial year.

4.3 COVID 19 has also impacted on the 2021/22 budget and this was reflected in the budgets that were approved by the Shadow Authority at it's meeting on the 25th February where the 2021/22 budgets were approved. This is an area that will be kept under close review.

5. Forecast Outturn Position 2020/21

5.1 Whilst Members do not need reminding of the unprecedented nature of events that gripped the country (and indeed the world) during 2020/21 – this report provides a reminder and provides context around the challenges local government faced in delivering its services during 2020/21.

5.2 The scale of the COVID-19 Pandemic resulted in public agencies having to work together on a scale never seen before, and for a significant period work under the emergency planning protocols that were instigated in every region of the country. The challenges across Northamptonshire were exemplified owing to Local Government re-organisation.

5.3 Whilst the budgets for 2020/21 were approved by each of the Sovereign Councils in February 2020 the scale of the unprecedented events could not have been foreseen.

5.4 The Government in response to COVID-19 provided support for small businesses, and businesses in the retail, hospitality and leisure sectors. This support was initially provided through two grant funding schemes, the Small Business Grant Fund (SBGF) and the Retail, Hospitality and Leisure Grant Fund (RHLGF).

5.5 A Discretionary Fund scheme widened access for support to businesses and further funding was made available by the Government to support businesses.

5.6 Local Authorities were responsible for making payments to businesses whilst the schemes were fully funded by the Government, this required resources to be redirected to ensure funding was made to support businesses. Across North Northamptonshire around 20,000 payments were made to businesses to support them through the COVID 19 pandemic. Payments amounted to in excess of £97m.

5.7 The Government also provided support to those in receipt of Local Council Tax Support (LCTS) this again was administered by each of the local authorities.

5.8 The Government provided financial support to Local Authorities and four tranches of additional funding for local authorities were made to help them respond and to recover from the COVID-19 pressures across all the services they deliver. Table 2 summarises the funding that the authorities across North Northamptonshire received which amounts to £5.488m. In addition the County Council received funding of £43.728m.

Table 2 – COVID 19 Funding

Authority	First Tranche of Covid-19 Funding	Second Tranche of Covid-19 Funding	Third Tranche of Covid-19 Funding	Fourth Tranche of Covid-19 Funding	Total Covid-19 Funding
Corby	£37,241	£724,281	£146,375	£438,936	£1,346,833
East Northants	£42,443	£950,970	£131,788	£100,000	£1,225,201
Kettering	£44,458	£1,024,078	£171,060	£335,324	£1,574,920
Wellingborough	£42,629	£797,537	£145,686	£355,082	£1,340,934
Total	**£166,771**	**£3,496,866**	**£594,909**	**£1,229,342**	**£5,487,888**

5.9 The Government also provided financial support to local authorities via the 'income compensation scheme for lost sales, fees and charges. The funding was to compensate authorities where COVID-19 had impacted on their ability to generate revenues as a result of lockdown, government restrictions and social distancing measures, that related to the pandemic in the 2020/21 financial year.

5.10 The scheme involved a 5% deductible rate for those fees and charges impacted by COVID 19, whereby authorities had to absorb the first 5% loss – this loss was calculated based on their planned 2020/21 income for eligible sales, fees and charges income, with the Government compensating them for 75p in every pound of relevant loss thereafter.

5.11 The scheme compensated authorities for irrecoverable losses compared to budgets that had been set for the period from 1 April 2020 to 31 March 2021. The Government have also extended this scheme for the first three months of 2021/22. Table 3 provides a summary of the irrecoverable losses claimed by each of the Districts during 2020/21. In addition the County Council claimed around £2.036m.

Table 3 – Sales Fees & Charges Funding				
Authority	**First Tranche Apr to July**	**Second Tranche Aug to Nov**	**Third Tranche Dec to Mar**	**Total Sales Fees & Charges**
Corby	£573,863	£417,000	£541,500	£1,532,363
East Northants	£107,250	£37,500	£56,250	£201,000
Kettering	£201,975	£155,250	£0	£357,225
Wellingborough	£35,246	£18,638	£13,500	£67,384
Total	**£918,334**	**£628,388**	**£611,250**	**£2,157,972**

5.12 All four of the former District and Borough Council's received £166,800 from the Government department for Business, Energy and Industrial Strategy ('BEIS'). This payment was received on 12th May 2021 but related to the additional costs resulting from grant delivery for the Local Restrictions Support Grant schemes, Christmas Support Payment for wet-led pubs and the Closed Business Lockdown Payment between August 2020 and March 2021 as such this payment has been reflected in the 2020/21 accounts.

5.13 There was also a significant change to business rates in 2020/21 where as a result of COVID the Government introduced a scheme referred to as 'Extended Retail Relief' which applied 100% Business Rates relief to those businesses in the retail, hospitality and leisure sectors in response to the pandemic.

5.14 To ensure local authorities cashflows were not disadvantaged the Government paid local authorities the equivalent amount to what those businesses were due to pay in business rates. The reliefs were paid in accordance with Section 31 of the Local Government Finance Act 2003 and these totalled £21.445m for the former sovereign Council's in North Northamptonshire (this includes the County Council's share). This is summarised in the Table 4 below:

Table 4 – Retail Hospitality and Leisure (Section 31 Grants)			
Authority	**Section 31 Grants**	**NCC Section 31 Grant**	**Total Section 31 Grant**
Corby	£3,509,388	£789,601	£4,298,939
East Northants	£5,266,599	£1,175,985	£6,402,584
Kettering	£4,730,364	£1,064,393	£5,795,027
Wellingborough	£4,339,707	£976,434	£5,316,141
Total	**£17,806,878**	**£4,006,413**	**£21,812,691**

5.15 The Business Rates scheme is based on the following proportionate shares – which have been reflected in Table 4 for the Districts and the County.

- Districts 40%
- County 9%
- Fire 1%
- Central Government 50%

5.16 This resulted in a timing issue to the General Fund as the Section 31 Grants were recognised in the General Fund in 2020/21 but the resulting deficit from those businesses in the Retail Hospitality and Leisure Sector from not paying rates in 2020/21 is not reflected in the General Fund until 2021/22. There was a transfer of £21.445m from the Business Rates reserve to fund the adjustment to the Business Rates Collection Fund as part of the 2021/22 Budget – the forecast Collection Fund position as at 31st March 2021 is £21.813m. The difference of £368k would be then form part of the Collection Fund Surplus / Deficit calculation which is required by the 15th January each year and would be reflected in 2022/23.

5.17 It is important that Members are aware of the financial challenges that COVID 19 has had on the 2020/21 budget and Members are reminded that these accounts are still subject to review by external audit.

Kettering Borough Council

5.18 The net budget for Kettering Borough Council for 2020/21 was £9.414m the draft outturn excluding S31 Grants for Business Rates (£4.731m) results in an underspend of £2.621m compared to the Budget. The main variances are shown in Table 5. Included within this variance is £1.381m which relates to Business Rates Growth – this additional growth has been allocated to the Business Rates Reserve as part of Council's smoothing strategy to mitigate the potential impact of a Business Rates re-set, this follows the strategy from previous years after taking account of this the variance amounts to £1.240m.

Table 5 - Kettering Borough Council 2020/21 Draft Outturn Summary	
	Variance
	£'000
Main Variances	
Government Funding - COVID 19 (Table 2)	(1,575)
Business Rates Growth	(1,381)
Bereavement Services	(448)
Government Funding - New Burdens Grants	(369)
Government Funding - Sales, Fees & Charges (Table 3)	(357)
Homelessness	(312)
IMAN & DHP	(239)
Trade Waste	(76)
Lower Fleet Costs	(75)
Leisure - Support to Provider resulting from COVID	153
Domestic Recycling / Waste	308
Car Parking - On Street Parking - Reduced Income	327
Commercial Investments - Reduced Income	329
Car Parking - Off Street - Reduced Income	535
Council Tax Court Costs - Reduced Income	627
Other	(69)
Total	**(2,621)**

5.19 The budgeted contribution from reserves was £2.453m, the actual movement to reserves is £7.184m. This resulted in a movement of £9.637m. The main movement in reserves results from Section 31 Grants for Business Rates (£4.731m) as set out in 5.14. Business Rates Growth (£1.381m) and the Council's Economic Development and Regeneration reserve (£1.802m) which was to be used to fund the Heritage Action Zone capital scheme however this scheme has been delayed as a result of COVID. The change in reserves between Budget and Outturn are summarised in Table 6. Full details of the Councils reserves are shown at Appendix A.

Table 6 - Kettering Borough Council Movement in Reserves	Budget	Outturn	Variance
	£'000	**£'000**	**£'000**
Business Rates S31	0	4,731	4,731
Business Rates Growth	0	1,381	1,381
Economic Develop. & Regeneration	(1,933)	(131)	1,802
Burton Wold Wind Farm Reserve	0	8	8
Organisational Development	0	(43)	(43)
Planning	0	(169)	(169)
Elections	(150)	25	175
Commercial Investment Returns	0	1,164	1,164
Joint Planning Unit Reserve	0	163	163
Property Funds/ Lower Borrowing	350	350	0
Capacity Fund Reserve	0	(115)	(115)
Stock Condition Survey	(720)	(180)	540
Total	**(2,453)**	**7,184**	**9,637**

Borough Council of Wellingborough

5.20 The net budget for the Borough Council of Wellingborough for 2020/21 was £9.704m the draft outturn excluding S31 Grants for Business Rates (£4.340m) results in an underspend of £0.787m compared to the Budget. The main variances are shown in Table 7.

Table 7 - Borough Council of Wellingborough 2020/21 Draft Outturn Summary	
	Variance £'000
Main Variances	
Government Funding - COVID 19 (Table 2)	(1,340)
Collection Fund Adjustment	(699)
Business Rates - Tax Income Guarantee - Government Funding	(210)
Government Funding - New Burdens - Grants	(376)
Savings on Election due to the Elections being delayed by a Year	(129)
Council Tax - Tax Income Guarantee - Government Funding	(101)
Government Funding - Leisure	(90)
LCTS Admin Support Grant	(78)
Government Funding - Sales, Fees & Charges	(68)
Increase in Community Support Grants	107
Environmental & Health Protection - Incresaed Staffing Costs	112
Lower Investment Income owing to lower Interest Rates	146
Court Costs Reduced Income	218
Homelessness Pressures	264
Leisure - Support to Provider resulting from COVID	625
Environmental Services	633
Other Variations	199
Total	**(787)**

5.21 The budgeted contribution from reserves was £0.187m, the actual movement to reserves is £4.938m. This resulted in a movement of £5.127m. The main movement in reserves results from Section 31 Grants for Business Rates (£4.340m) as set out in 5.14 and a movement of £0.976m on the General Fund Reserve. The change in reserves between Budget and Outturn are summarised in Table 8. Full details of the Councils reserves are shown at Appendix B.

Table 8 - Borough Council of Wellingborough Movement in Reserves	**Budgeted £'000**	**Outturn £'000**	**Variance £'000**
Organisation Property	0	42	42
Homelessness	0	105	105
Property Service Charges	0	(47)	(47)
Members Allowances Cost	0	7	7
Voluntary Sector Reserve	0	30	30
Misc's Revenue Grants Reserve	0	52	52
Business Rates Reserve	0	(4,340)	(4,340)
General Fund Reserve	189	(787)	(976)
Total	**189**	**(4,938)**	**(5,127)**

6. Implications (including financial implications)

Resources and Financial

6.1 The resource and financial implications from both Kettering Borough Council and the Borough Council of Wellingborough on North Northants Council are set out in this report.

Legal

6.2 None.

Risk

6.3 The impact from the former sovereign councils outturn on the deliverability of the 2021-22 Revenue Budget is monitored by Budget Managers any variances or emerging pressures will be identified during the year then mitigating actions will be sought and management interventions undertaken.

6.4 Details of pressures, risks and mitigating actions implemented will be provided as part of the finance monitoring reports as the year progresses.

Consultation

6.5 None.

Climate Impact

6.6 None.

Community Impact

6.7 No distinct community impacts have been identified as a result of the proposals included in this report.

7. Issues and Choices

7.1 None – this is an information report.

8. Background Papers

8.1 The former sovereign councils monitoring reports and budget setting reports provide background papers;

Appendix A

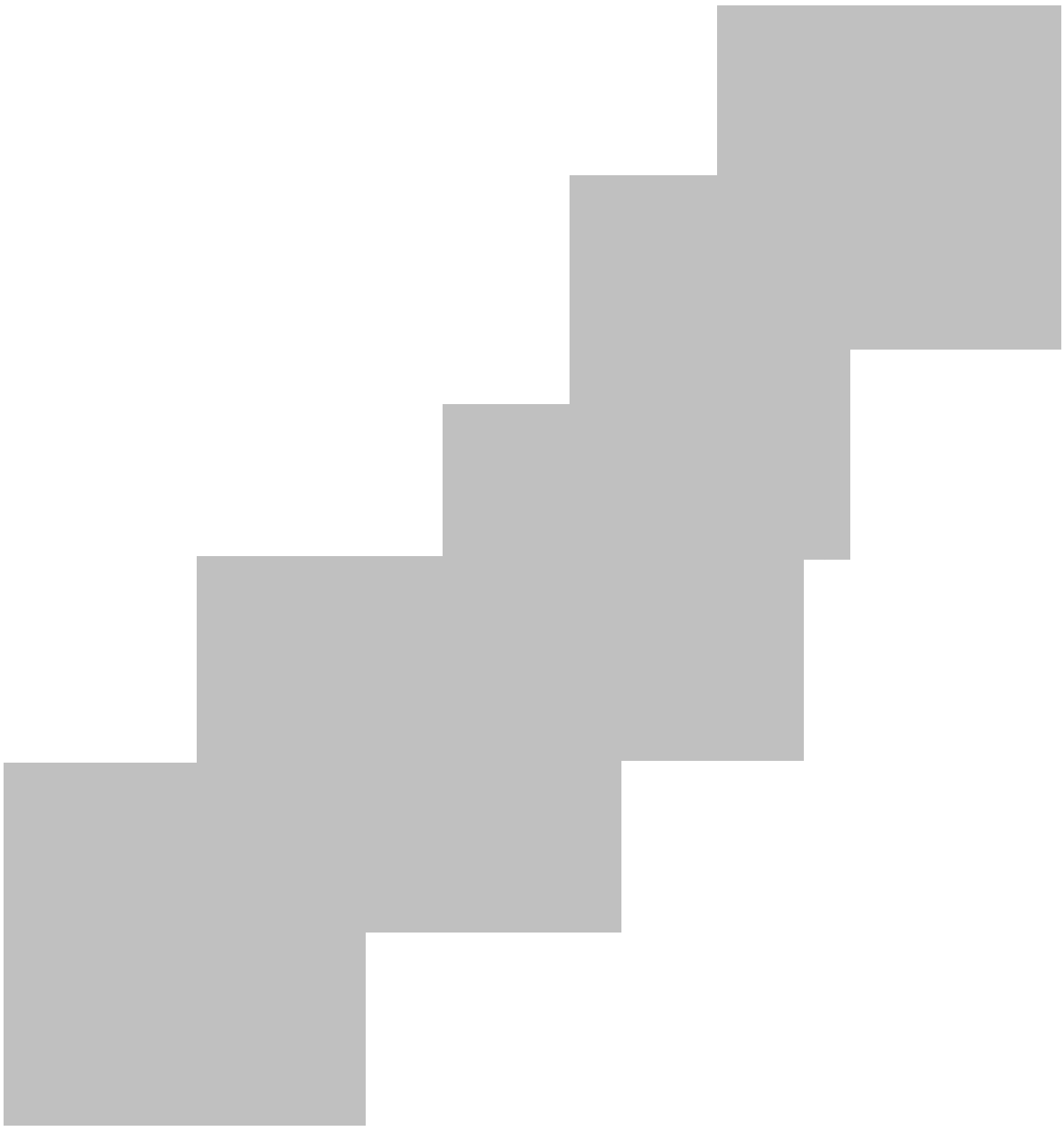
Kettering Borough Council General Fund Reserves	Opening Balance 01/04/2020	Transfers to Reserves	Transfers from Reserves	Closing Balance 31/03/2021
	£'000	£'000	£'000	£'000
Investment Reserves				
Economic Develop. & Regeneration	3,863	0	131	3,732
Commercial Investments	2,000	0	0	2,000
Burton Wold Wind Farm Reserve	111	8	0	119
Smoothing Reserves				
Organisational Development	1,943	0	43	1,900
Planning	600	0	169	431
Elections Reserve	150	25	0	175
Invest to Save	400	0	0	400
Welfare Reform & Taxation Reserve	1,498	0	0	1,498
Capital (Investment - GF)	2,223	0	180	2,043
Interest Exposure	1,000	350	0	1,350
Business Rates Retention Reserve	6,061	6,112	0	12,173
Recycling Commodities Reserve	931	0	0	931
Commercial Investment Returns	1,000	1,164	0	2,164
Joint Planning Unit Reserve	431	163	0	594
Capacity Fund Reserve	1,508	0	115	1,393
Homelessness Reserve	478	0	0	478
Recovery Reserves	500	0	0	500
New Homes Bonus Reserve	1,064	0	0	1,064
Trading Reserves				
Kettering Training Services	50	0	0	50
General Fund Balance	1,415	0	0	1,415
Total General Fund Reserves	**27,226**	**7,822**	**638**	**34,410**

Appendix B

Borough Council of Wellingborough General Fund Reserves	Opening Balance 01/04/2020	Transfers to Reserves	Transfers from Reserves	Closing Balance 31/03/2021
	£'000	£'000	£'000	£'000
Efficiency and Services Transformation	355	0	0	355
Organisational Property	250	50	92	208
Investment Property	186	0	0	186
ICT Infrastructure	3	0	0	3
Homelessness	105	0	105	0
Members IT Allowance	7	0	0	7
Business Rates Retention Reserve	654	4,340	0	4,994
Property Service Charges	210	76	29	257
Community Rights	30	0	0	30
Individual Electoral Registration	48	0	0	48
Neighbourhood Development Reserve	11	0	0	11
Custom and Self Build Reserve	51	0	0	51
Brownfield Register Reserve	20	0	0	20
New Burdens Impact Reserve	16	0	0	16
Members Allowance Costs	8	0	7	1
Voluntary Sector Reserve	30	0	30	0
The Castle	14	0	0	14
Miscellaneous Revenue Grants Reserve	177	0	52	125
General Fund Balance	3,155	787	0	3,942
Total General Fund Reserves	**5,330**	**5,253**	**315**	**10,268**

Draft Statement of Accounts 2020/21

Kettering Borough Council



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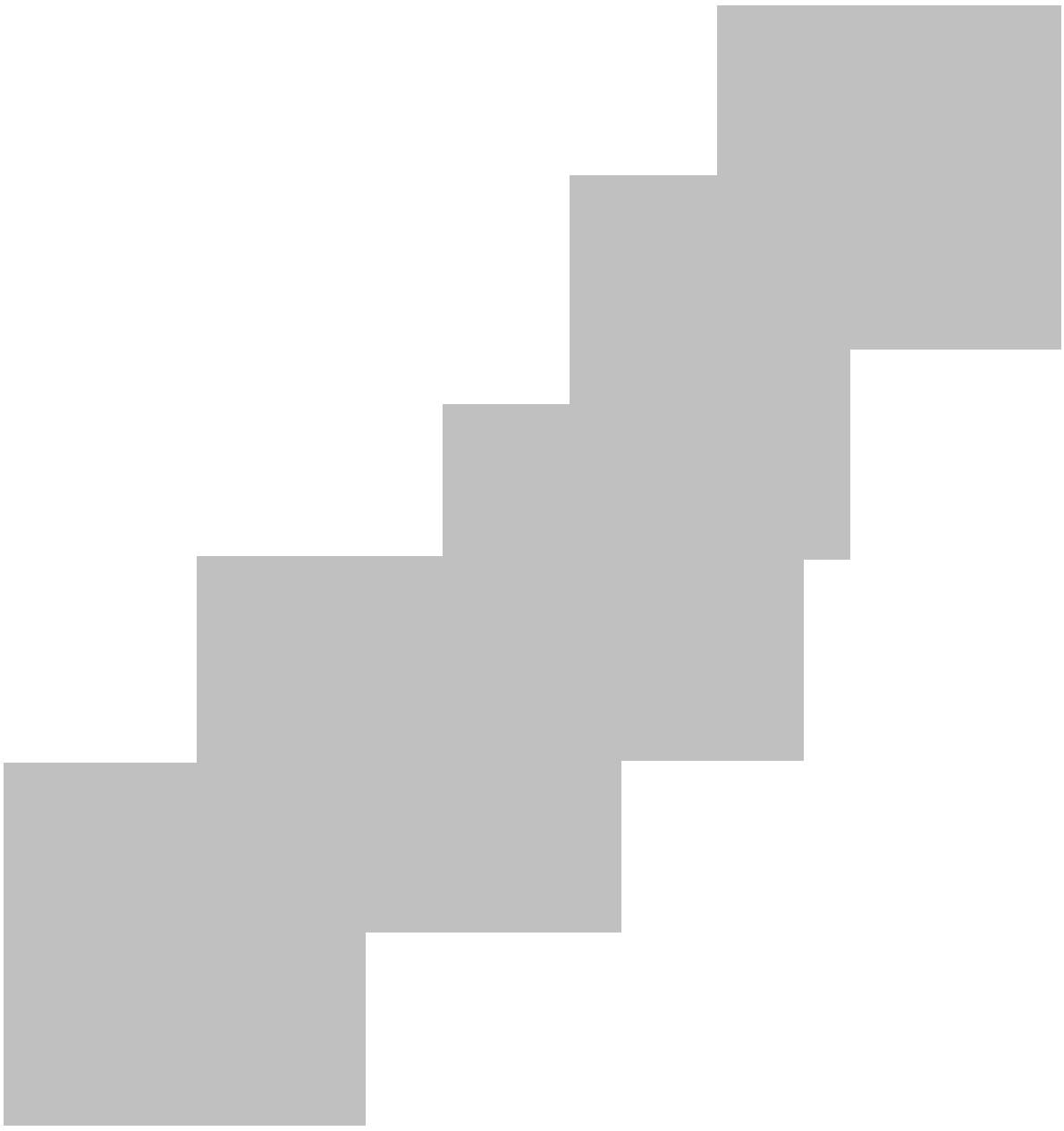

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A. AUDIT REPORT

The report from EY 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.

Under Regulation 15 of the Accounts & Audit Regulations 2015 (the Regulations), the Authority's statement of accounts, annual governance statement and narrative report should be made available for the public inspection for a single period of 30 working days. The accounts inspection period in accordance with regulation 15(1)(a) is xxx to xxx.

Regulation 15(2)(a) requires the Authority to publish its statement of accounts accompanied by a signed declaration that the statement of account is unaudited and that as published it may be subject to change, along with the annual governance statement and narrative statement. This must include publication on the Authority's website, the accounts were made available on the Council's website on 23rd July 2021.

Janice Gotts

Executive Director of Finance

S151 Officer

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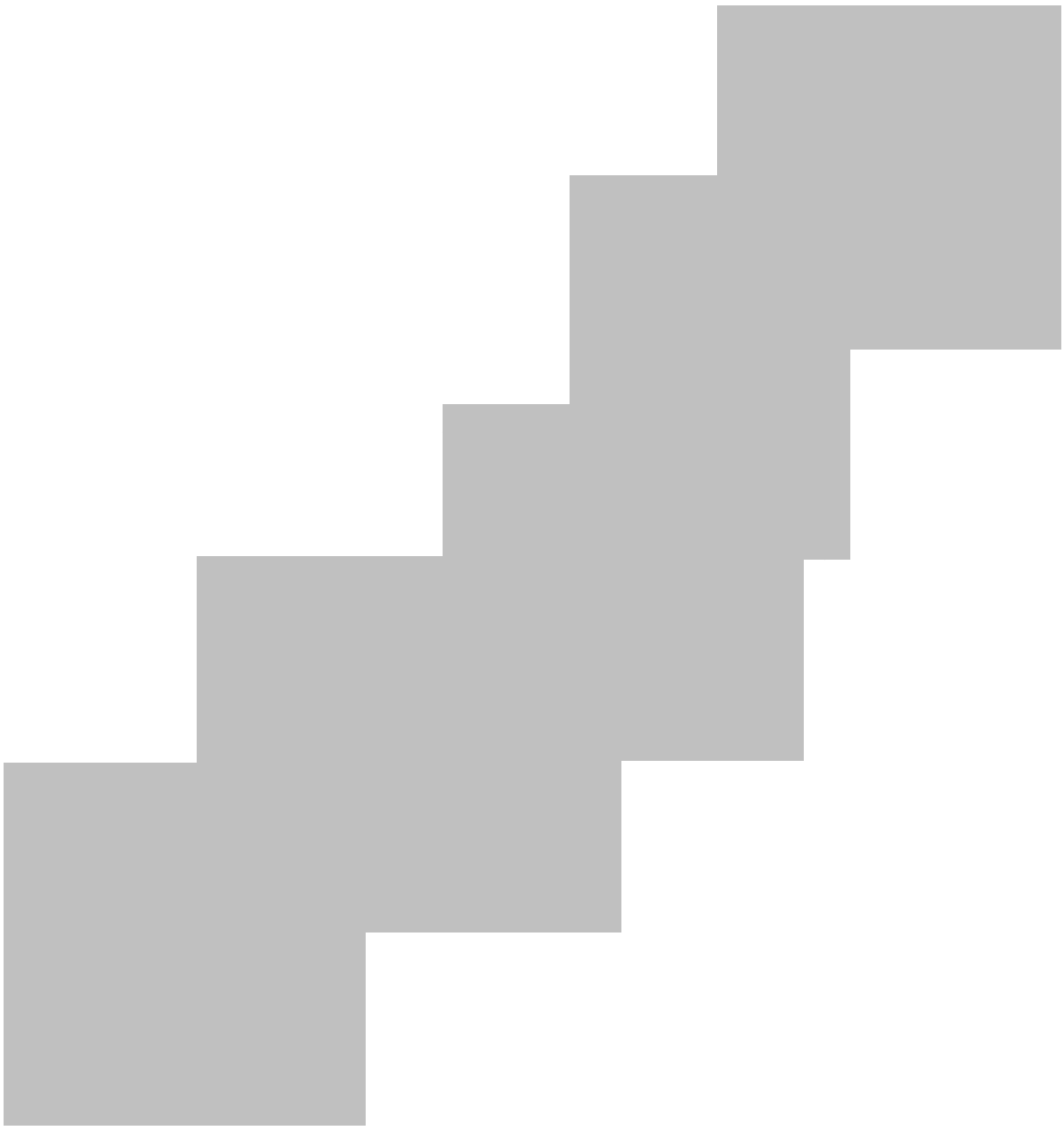

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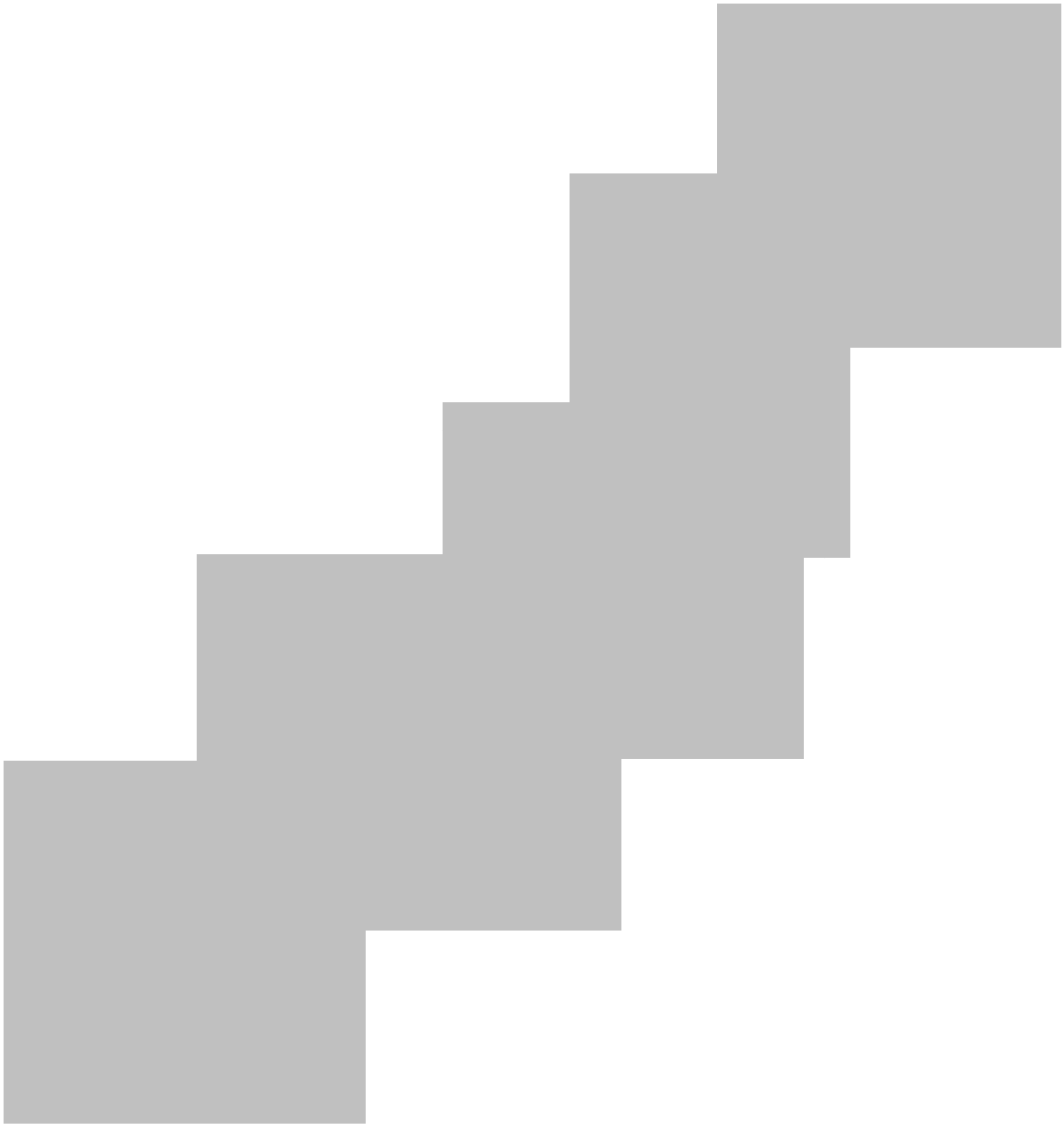

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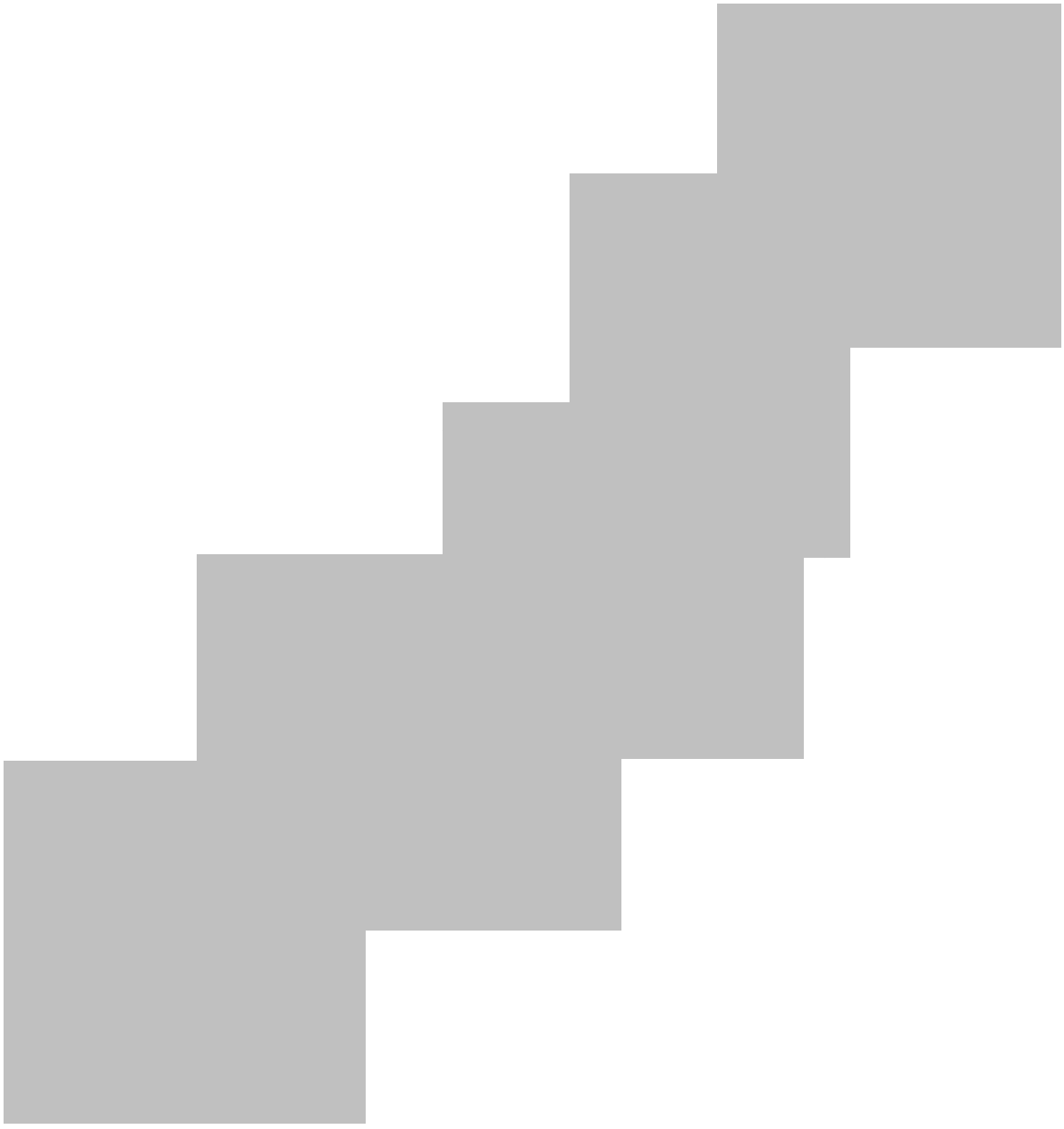


B. NARRATIVE REPORT

1. Introduction

This document sets out the Council's statutory accounts for the financial year ended 31st March 2021. The format accords with both statutory provisions 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 narrative report 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. It is based on the key principles identified in the Code of Practice on Local Authority Accounting 2020/21. The Council's financial statements are prepared on a going concern basis that is on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. Any transfer of functions under combinations of public sector bodies, such as local government reorganisation, do not negate the presumption of going concern.

The Narrative Report is both backward looking, reflecting the 2020/21 financial year, and forward looking, considering the risks and issues that North Northamptonshire Council will face in forthcoming years, together with a summarised outlook for the future. It therefore includes commentary on the impact and implications of local government reorganisation and the Covid-19 pandemic. This commentary appears in the relevant sections throughout the Narrative Report.

The impact of the pandemic on the Council's governance arrangements are also considered in the Annual Governance Statement which forms part of the statement of Accounts.

The Council was already preparing for home working prior to the lockdown announcement on 23rd March 2020 as part of its business contingency planning which enabled the Council to continue to maintain service delivery wherever possible. Social distancing rules meant that all leisure, cultural, community and recreational facilities were immediately closed, and some other services operated on a more restricted basis consistent with the safety of staff and customers. Wherever possible this meant staff working from home or remotely and 80% of the workforce were able to do so. All Council meetings were initially postponed until the Government legislated to allow meetings to be held remotely.

The Council mobilised its Critical Incident Plan and diverted resources to work alongside the NHS and other key partners in response to the pandemic. As well as continuing to provide existing services the Council also engaged in new areas of activity such as setting up community reliance hubs, finding accommodation for rough sleepers, and working alongside other councils as part of the Northants together Campaign.

The Council distributed over 4000 grants to support local businesses during the pandemic up to the 31st March 2021. The Secretary of State for Local Government specifically named the Council for their excellent performance in making these payments promptly as the Government had requested.

2. Local Government Reorganisation in Northamptonshire

Following parliamentary approval the Secretary of State for the Ministry of Housing, Communities and Local Government decided to implement a Government-led proposal to replace Northamptonshire County Council and the seven borough and district councils in the geographical area of Northamptonshire with two new unitary councils from 1 April 2021. The creation of these new authorities was a strategic response to the ongoing financial challenges faced by all local authorities, particularly Northamptonshire County Council, which was facing significant demand and cost increases in Adults and Children Social Care services. Cutting out duplication and lowering administration costs delivered by the reduction from eight local authorities to two in

B. NARRATIVE REPORT

3. Local Government Reorganisation in Northamptonshire (cont'd)

Northamptonshire was designed to improve Value for Money (VfM) for local council taxpayers and better enable the protection of quality front line services to the community and residents.

This means that 2020/21 was the final year for Kettering Borough Council and the final time that a specific Statement of Accounts will be produced. This also means that Kettering Borough Council does not have a budget for 2021/22. Instead the budget for the new unitary council of North Northamptonshire will cover the services delivered within the Kettering area and is available through the North Northamptonshire Council website.

3. 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. For Kettering Borough Council this is the Head of Resources.

The Accounting Statements:

The presentation of the financial statements has been amended to reflect minor changes in the Code of Practice on Local Authority Accounting 2020/21.

Expenditure and Funding Analysis – The objective of this statement is to demonstrate to council tax and rent payers how the funding available to the authority (ie government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

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 or rents. Authorities raise taxation and rents to cover expenditure in accordance with statutory requirements; this may be different from the accounting

3. The Statements

cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

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 unusable reserves. The Movement in Reserves Statement shows how the movements in the year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax and rents for the year. The Net Increase / Decrease line shows the statutory General Fund Balance and the Housing Revenue Account Balance movements in the year following those adjustments.

Balance Sheet – The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide

B. NARRATIVE REPORT

3. The Statements (cont'd)

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

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

The Supplementary Financial Statements:

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

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

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

4. The Council

The Council provides a wide range of services to its 100,000 residents and growing number of businesses based locally. As well as providing services, the Council has an important role in promoting the economic, social and environmental wellbeing of the area, to protect the interest of citizens and safeguard the vulnerable.

The Council's wide range of duties has to be balanced with its need for overall financial sustainability. The Council therefore identifies priorities to concentrate on, whilst at the same time, works to be as efficient and customer focused as it can be across all of the services it provides.

The Corporate Plan, agreed at Full Council in July 2018, sets out: a vision for the Council, a set of strategic objectives and priority areas of focus for the period 2018-2020.

B. NARRATIVE REPORT

4. The Council (cont'd)

Our Vision

We want to ensure that the local area is a great place to live, work and visit and that public services provide the very best value for money for local people.

To achieve our vision, we will focus on three high level strategic objectives:

- Delivering sustainable growth
- Developing stronger, safer, cleaner and healthier neighbourhoods
- Providing modern public services.

A copy of the Corporate Plan, which includes the full list of corporate priorities, can be found here:

https://www.kettering.gov.uk/meetings/meeting/1659/council

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

The responsibility for the activities of the Council rests with democratically elected members. There are 36 councillors. The composition of Kettering Borough Council for 2020/21 comprised the following:

- 25 Conservatives
- 7 Labour
- 3 Independent
- 1 Liberal Democrat

Operational matters are largely delegated to the Council's officers. The Managing Director and the two Executive Directors comprise the Strategic Management Team (SMT). The Heads of Service, along with SMT, comprise the Corporate Management Team (CMT). The operations of the Council are split into the following service areas:

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

The Council's governance arrangements are reviewed annually and are set out in the Annual Governance Statement which forms part of the Statement of Accounts.

5. Key Issues and Risks

2020/21 was the last year of Kettering Borough Council prior to becoming part of the larger North Northamptonshire unitary authority, the Council continued to adhere to its medium term financial strategy and consider the financial position over the ensuing five years. The Council's Medium Term Financial Strategy and 2020/21 budget were approved on 26th February 2020 at the meeting of Full Council.

B. NARRATIVE REPORT

5. Key Issues and Risks (Cont'd)

The key messages in relation to the General Fund budget were;

- Savings of £1,734,000 were required to set a balanced budget for 2020/21 prior to the consideration of any council tax increase.
- The projected levels of government grant for the period 2020/21 to 2023/24 are:

2021/22	£2,524,000
2022/23	£2,524,000
2023/24	£2,524,000
2024/25	£2,524,000

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

2021/22	£1,366,000
2022/23	£1,322,000
2023/24	£1,338,000
2024/25	£861,000

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

2010/11	£1,261,000
2011/12	£1,906,000
2012/13	£1,371,000
2013/14	£ 949,000
2014/15	£1,329,000
2015/16	£1,579,000
2016/17	£1,522,000
2017/18	£1,380,000
2018/19	£1,473,000
2019/20	£1,562,000
2020/21	£1,734,000

Executive approved a Property Investment Strategy at its meeting in April 2017. This endorsed the adaption of the financial strategy to embrace a systematic and measured approach towards developing a balanced portfolio of revenue generating assets. This approach is going to become increasingly important if the Council is to continue to deliver a balanced budget.

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

The Annual Governance Statement, which was endorsed by the Monitoring and Audit committee at its meeting on the 14th July 2020, is included within the Statement of Accounts and provides information on the wider risks faced by the Council together with the mitigating factors that have

B. NARRATIVE REPORT

4. Key Issues and Risks (cont'd)

been put in place to deal with them. A local Code of Corporate Governance was agreed by Council on 27th February 2019.

There are likely to be significant changes in local government funding over the next few years. In November 2015 the Council agreed a four year grant settlement covering the period to 2016/17 to 2019/20 along with 97% of other authorities, which provided much welcomed certainty on Government funding levels. The Local Government Finance Settlements for 2020/21 and 2021/22 provided for further one year extensions of these funding levels. However, there is much uncertainty beyond 2021/22 as the Government intended to review a number of areas but consideration of these has been delayed by the Coronavirus pandemic:

- Fair Funding Review – this will determine what factors should initially drive the allocation of Government core funding to each local authority, looking mainly at areas that drive 'need'. This will be the basis for determining the level of Government grant authorities receive. This review has been delayed until 2022.
- Business Rates Review – the Government intended to make further changes to the Business Rates system, increasing the local share of Business Rates retention from 50% to 75% by 2020/21. However, this has been delayed until 2022, as too has the Business Rates revaluation, scheduled for April 2021 and now put back until April 2023. The Government issued a call for evidence in July 2020 to seek stakeholders' views on key issues including reforming the rates multiplier and looking at alternative ways of taxing non-residential property. The Government's final response to this is due to be issued in Autumn 2021.
- A Parliamentary Inquiry was set up in Autumn 2020. In this new inquiry, the Housing, Communities and Local Government Committee considered what approach the Government should take to funding local government as part of the 2020 spending review. It investigated the current financial health of local authorities and their ability to deliver services, including the additional pressures caused by the Covid-19 pandemic. In light of continued delays to the multi-year spending review, the Committee also examined the impact of single year settlements on the ability of councils to plan and deliver services in the long-term. The Government is expected to respond to this in Spring 2021.

The Government changed the criteria for the payment of New Homes Bonus from 2017/18. This has reduced the amount of funding authorities receive and has adversely affected councils like Kettering that have successfully delivered housing growth. The following changes were made:

- The Government introduced a baseline whereby housing growth below 0.4% of the total stock does not receive any New Homes Bonus funding – this means the Council receives no funding on around the first 190 homes that are delivered. The Government has retained the option of making adjustments to the baseline in future years to reflect significant and unexpected housing growth.
- Funding has been reduced from 6 years' worth of payments to 5 years in 2017/18, and 4 years' worth of payments from 2018/19 onwards. New homes Bonus has been continued for a further year for 2021/22 although there will be no legacy payments relating to this year in future years. The Government issued a consultation paper on the future of New Homes Bonus during February 2021.

The Government has also provided financial support for local authorities during 2020/21 to mitigate the impact of the pandemic. It has extended this with the Local Government Covid-19 Support Package for 2021/22 to provide non-ringfenced grants to manage the immediate and long-term

B. NARRATIVE REPORT

4. Key Issues and Risks (cont'd)

impacts of the pandemic, to continue reducing council tax bills for those least able to pay, and an extension of the Sales, Fees and Charges income support scheme (SFC Scheme) to June 2021. There was also a new guarantee scheme for 75% of 2020-21 irrecoverable local tax losses.

During 2020/21 the Council received the following grants:

Grants to Support Kettering Borough Council	**Amount (£)**
Local Tax Income Guarantee	9,812
Sales Fees and Charges Scheme	357,225
Covid-19 Hardship Fund	584,294
Business Rates Relief Section 31 Grant	6.039,374
Grants to Support Local Businesses	
Local Authority Discretionary Grants Fund	747,500
Small Businesses Grant Fund	9,730,000
Retail, Hospitality and Leisure Grant Fund	6,115,000
Local Restrictions Support Grant	11,886,004

The Coronavirus pandemic and its aftermath will create issues and risks, many of them at present unknown, for several years, not least because of the inevitable recession that will follow.

The pandemic will create a recession, the severity and duration of which cannot be estimated at the present time. This will impact on the new authority over the next few years. During 2021/22 the new authority is likely to suffer reduced income from leisure and community venues because of ongoing social distancing requirements, reduced planning fees. building control fees and trade waste income from the recession, reduced car parking income in order to try and promote business in town centres, and an increase in the demand for housing benefit and homeless services as a result of rising unemployment. It is crucial that Government financial support for Council's extends until such time as the revenue streams return to the pre-pandemic levels.

5. Revenue Expenditure

Strategy and Resource Allocation

The Council's strategy for both revenue and capital expenditure centred on a well-established and robust budget process that complied with statutory and best guidance requirements. The Council developed two sets of guiding principles – the Financial Golden Rules and the Financial

Guiding Principles for both the General Fund and the Housing Revenue Account, these are detailed below.

General Fund - Financial Golden Rules

- The General Fund working balance should not fall below £1m or 10% of net revenue expenditure, whichever is greater.
- When setting the level of council tax, members should always consider the medium term outlook to ensure that a sustainable budget position is maintained.

- The Council must always ensure that adequate funding is provided to cover all of its statutory and regulatory responsibilities.

B. NARRATIVE REPORT

5. Revenue Expenditure (Cont'd)

- Should the Council decide to allocate significant additional or new funding to a specific service, it should identify where the required funding is coming from or where compensatory savings are to be made.
- When setting the Capital Programme, in addition to meeting statutory responsibilities, priority will be given to schemes that are beneficial to the Council's overall revenue budget position.
- The Council must ensure that it has an overall level of revenue reserves that are appropriate for the overall level of risks that the organisation faces, including potential national funding changes.
- In line with the Investment Strategy, the Council will look to invest in schemes that will have a positive impact over the medium term on its budget position, including taking out long term debt financing where there is an appropriate business case.

General Fund - Financial Guiding Principles

- When funding for a specific service is reduced or withdrawn by central government or other provider, the Council should not substitute itself as a provider or funder of the service unless there are exceptional circumstances.
- When considering the Capital Programme due regard is given to ensure that existing Council assets are properly maintained
- Where decisions are required about the priority of funding for services, the following is required:

  Priority 1 – Statutory Requirements
  Priority 2 – Fit to Council Objectives of:
  i. Better Town Centres
  ii. Better Jobs
  iii. Better Education Offer
- Continue to seek strategic partnerships with other public sector providers to help protect services for our residents, especially those that help promote economies of scope rather than scale.
- To maximise the resources that are available to the authority, the Council will continue to actively lobby the Government on relevant issues.

Housing Revenue Account - Financial Golden Rules

- The Housing Revenue Account Working Balance should not fall below £300,000
- When setting the level of rents, members should always consider the national policy position
- The Council must always ensure that adequate funding is provided to cover all of its statutory and regulatory responsibilities
- Should the Council decide to allocate significant additional / new funding to a specific service – it should identify where the required funding is coming from (or compensating savings are to be made)
- The council must ensure that it has an overall level of revenue reserves that are appropriate for the overall level of risks that the HRA faces – including potential national funding and policy changes.

B. NARRATIVE REPORT

5. Revenue Expenditure (cont'd)

Housing Revenue Account - Financial Guiding Principles

- When funding for a specific service is reduced / withdrawn (from national government or another provider) the council should not substitute itself as a provider or funder of the service – unless there are exceptional circumstances.

- When setting the HRA budgets and considering the HRA Capital Programme, due regard is given to ensure that expenditure protects the long term viability of the Council's housing stock by making sure the assets are properly maintained and have the ability to meet the Borough's housing needs.

- Where decisions are required about the priority of funding for services, the following is followed;

- Priority 1 - Statutory Requirements

- Priority 2 – Investment in Existing Housing Stock

- Priority 3 – Fit to Housing Strategy of;

    - Increasing housing supply across all tenures
    - Ensuring safe and healthy homes, reducing the opportunity for crime and anti-social behaviour
    - Helping people to live independently

- Continue to seek strategic partnerships with other public sector providers to help protect services for our residents – especially those that help promote economies of 'scope' rather than 'scale';

- To maximise the resources that are available to the authority, the council will continue to actively lobby the Government on relevant issues.

Revenue Budget

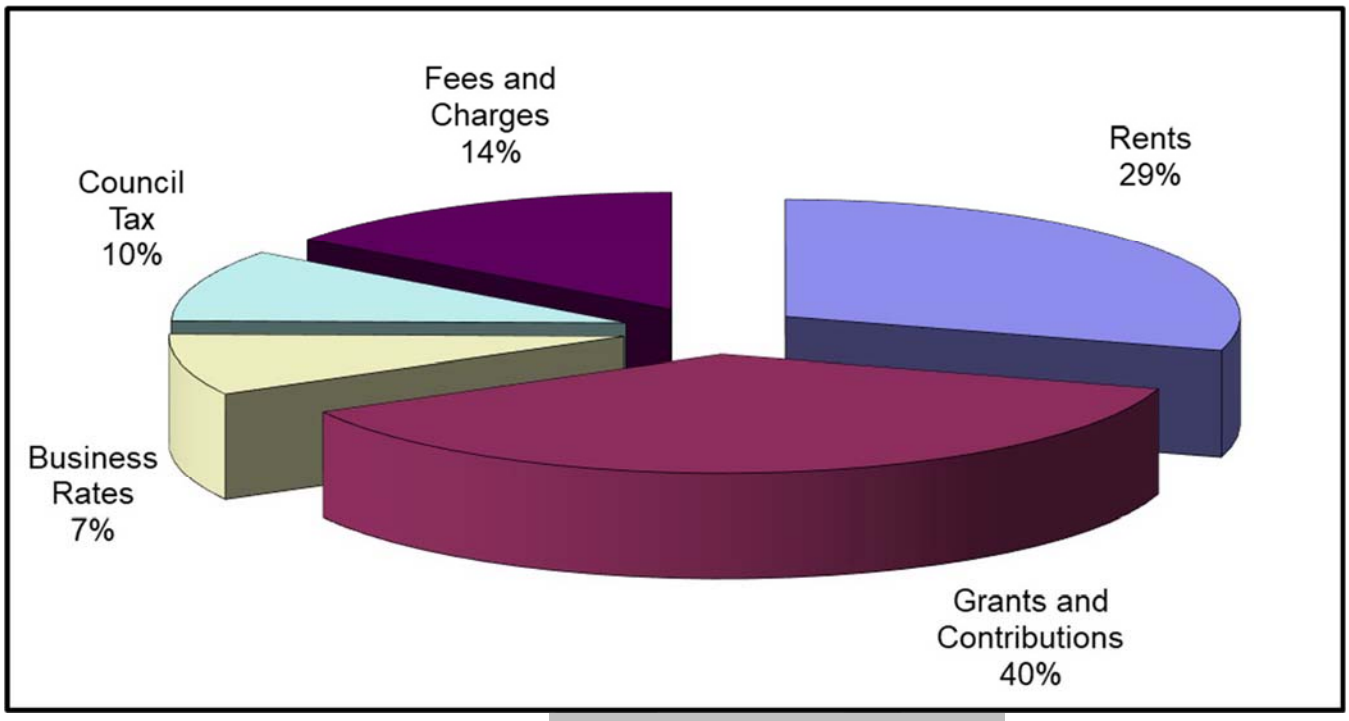
The Council's 2020/21 revenue budget was set by Council on 26th February 2020 against a backdrop of the continuing need to make significant reductions in expenditure while still progressing the Council's corporate priorities. The Council's strong and controlled budgetary position is a direct result of the adherence to the financial strategy guiding principles over the past few years.

The following charts outline where the Council's revenue money came from, how it was spent and on which services. The charts show the overall position of the Council's revenue budgets for 2020/21 (i.e. both General Fund and HRA).

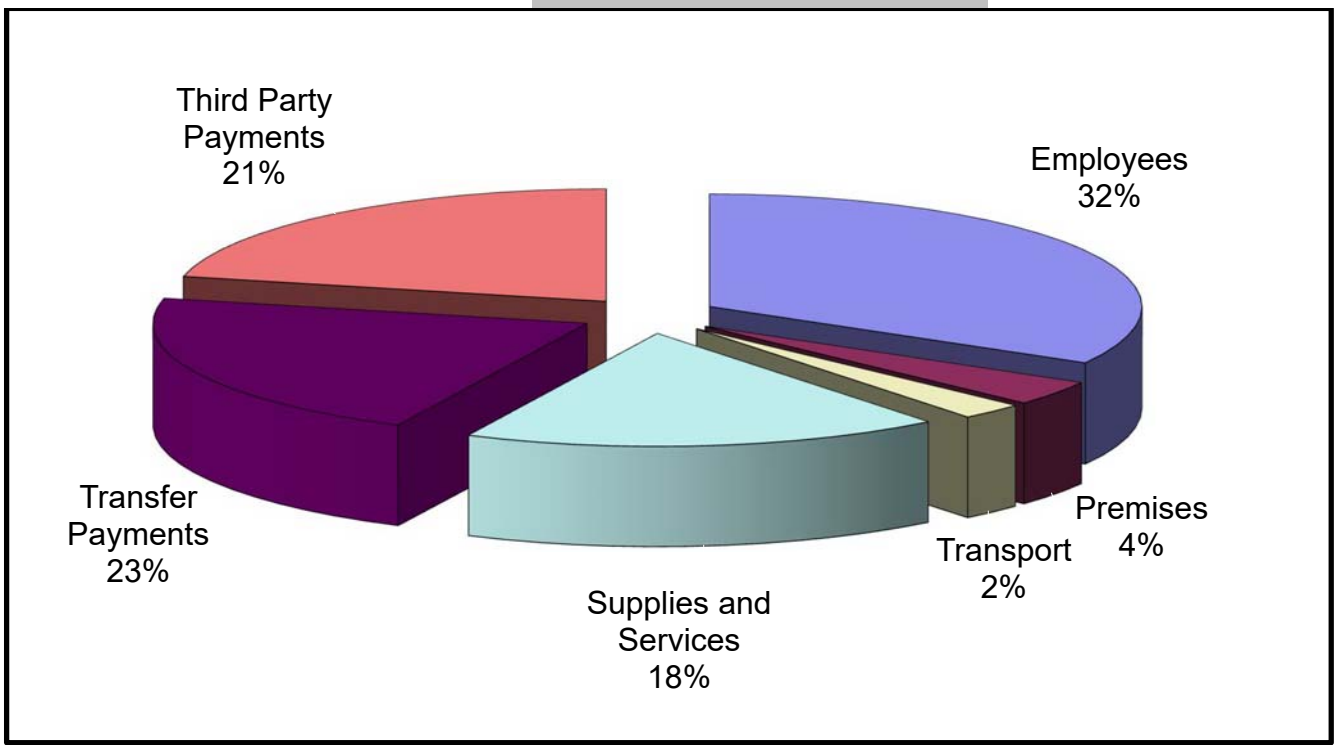
B. NARRATIVE REPORT

5. Revenue Expenditure (cont'd)

Where The Money Came From



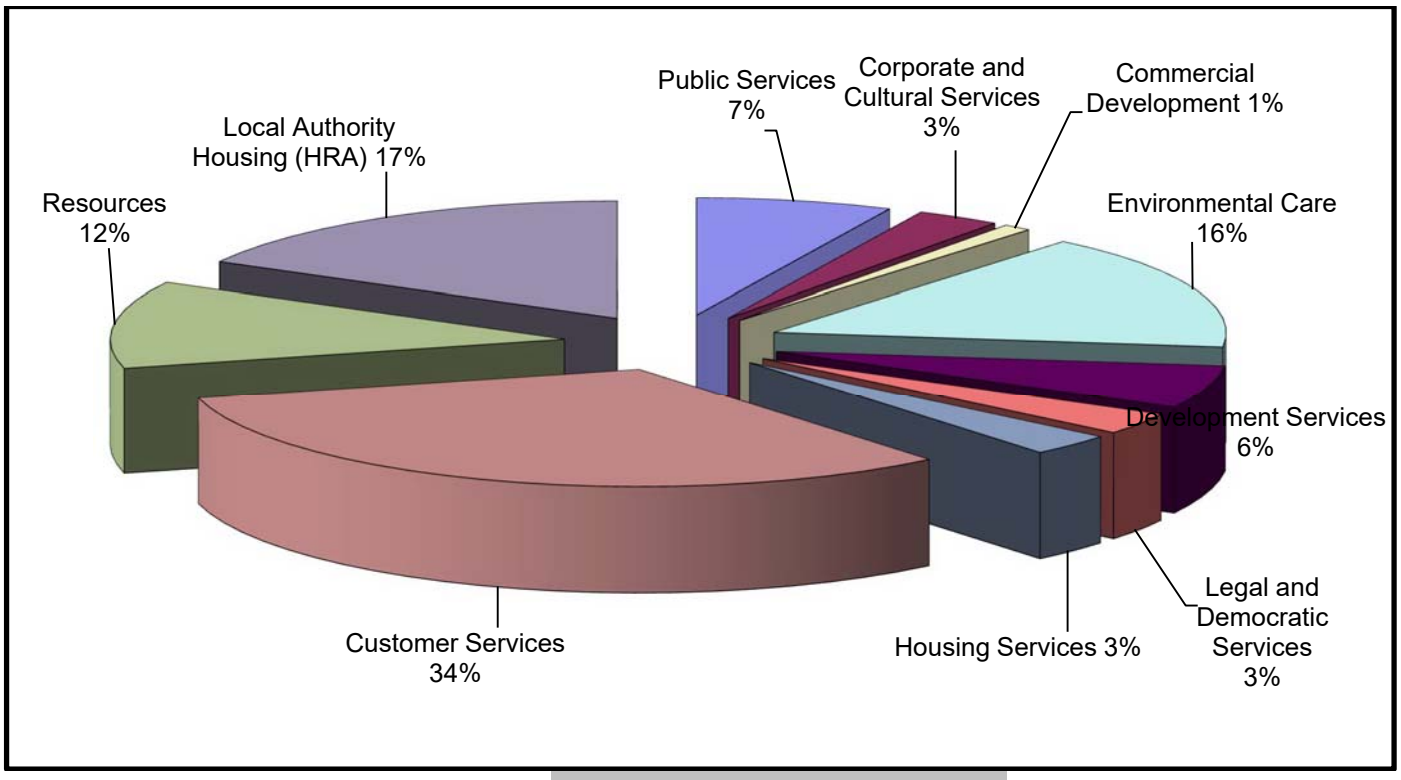
What The Money Was Spent On



B. NARRATIVE REPORT

5. Revenue Expenditure (cont'd)

What Services Have Been Provided with the Money?



a) General Fund Revenue Account

The following table summarises the position for the General Fund for 2020/21.

	Revised Budget	Actual	Variance
	£000	£000	£000
Expenditure			
Net Service Expenditure	11,866	7,769	(4,097)
Transfer to Reserves	(2,452)	7,183	9,635
Total Net Expenditure	**9,414**	**14,952**	**5,538**
Income			
Business Rates	(2,524)	(8,062)	(5,538)
Met by local council taxpayers	(6,790)	(6,790)	0
Collection Fund Surplus	(100)	(100)	0
Total Income	**(9,414)**	**(14,952)**	**(5,538)**
(Surplus)/Deficit for the year	0	0	0
Balance brought forward	(1,415)	(1,415)	0
Balance carried forward	**(1,415)**	**(1,415)**	**0**

B. NARRATIVE REPORT

5. Revenue Expenditure (cont'd)

Budget Variations

The outturn reflects a number of one off and ongoing savings. These have been achieved as a result of the significant work undertaken when preparing the 2020/21 budget and the savings required for 2021/22 being delivered ahead of schedule.

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

The main variances are outlined in the table below:

(Under)/Overspends	**£'000**
Government Funding - COVID 19	(1,575)
Government Funding - Sales, Fees & Charges	(357)
Government Funding - New Burdens	(167)
New Burdens COVID	(58)
New Burdens Admin BR	(21)
New Burdens Discretionary Grant	(130)
Government Funding - Leisure	(24)
Court Costs	627
Commercial Investments	329
Car Parking - On Street	327
Car Parking - Off Street	535
Recycling / Waste	232
Homelessness	(312)
Bereavement Services	(448)
IMAN & DHP	(239)
Leisure	177
Other	(136)
Total	**(1,240)**

The Council takes a prudent view and resilience tests savings before they are incorporated into the budget as such any growth from the Business Rates Retention Scheme would only be reflected in the budget when the growth has actually been delivered. This approach resulted in the growth that was delivered in 2018/19 being reflected in the 2020/21 budget, this ensures that only growth that has been delivered is budgeted and secondly will act as a smoothing strategy when the scheme is reset in the future.

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

Housing Revenue Account

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

B. NARRATIVE REPORT

5. Revenue Expenditure (cont'd)

The following table details the 2020/21 outturn position for the Housing Revenue Account. The main reason for the £0.152m variance relates to lower expenditure on subcontractors due to the pandemic. This has resulted in a net favourable balance on the Housing Revenue Account which has been transferred to a HRA earmarked reserve.

	Revised Budget	Actual	Variance
	£000	£000	£000
Expenditure			
Net Service Expenditure	(4,926)	(3,116)	1,810
Capital Financing Adjustments	5,426	3,464	(1,962)
(Surplus) / Deficit for the year	**500**	**348**	**(152)**
Transfer (From) / To Earmarked Reserves	(500)	(348)	152
Balance brought forward	(850)	(850)	0
Balance carried forward	(850)	(850)	**0**

6. Capital Expenditure

The Capital Investment Strategy was approved at the Executive meeting on 19/02/2020 and provides the policy framework that sets out the principles and procedures to be used to guide the allocation of capital investment across the Council's services, inform decisions on capital spending and achieve the priorities set out in the Council's Corporate Plan.

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 £7.7m compared to the revised budget of £47.3m

The variance on the General Fund is around £33.5m and the main variance relates to timing variances of £13.5m and an underspend of £20.0m relating to Commercial Property investments. The variance on the HRA is £5.9m and the main variation on the HRA relates to new build schemes carrying forward into 2021/22.

The table below summarises the 2020/21 Capital Programme.

	Working Estimate	Actual	Variance
	£000	£000	£000
Expenditure			
Council Housing Schemes	9,496	3,523	(5,973)
Private Sector Housing Improvement	883	346	(537)
Town Centre Delivery Plan	10,189	1,368	(8,821)
Community Project Schemes	380	105	(275)
Supporting Service Delivery	289	219	(70)
Commercial Properties	26,013	2,188	(23,825)
Other	0		
Total Capital Expenditure	**47,250**	**7,749**	**(39,501)**

B. NARRATIVE REPORT

6. Capital Expenditure (Cont'd)

The table below shows how the Capital Programme has been financed.

	Working Estimate £000	Actual £000	Variance £000
External Borrowing	31,121	2,206	(28,915)
Revenue Contributions	5,571	2,890	(2,681)
Capital Receipts	3,097	1,565	(1,532)
Grants and Contributions	7,461	1,088	(6,373)
Total Capital Financing	**47,250**	**7,749**	**(39,501)**

7. Material Transactions

Material transactions in terms of the Statement of Accounts have been defined by the Council's External Auditors as those in excess of £0.505m.

The following material transactions relate to 2020/21

a) Pensions

- The value of the pension fund deficit for 2020/21 is £60.9 which is an increase of £19.7m from the 2019/20 figure of £41.9m.

b) Impairments / Revaluations

- Upward revaluations of £1.2m for Council Dwellings were credited to the Housing Revenue Account as part of the annual review in asset valuations.
- Upward revaluations of £1.2m for Council Dwellings were credited to the Housing Revenue Account as part of the annual review in asset valuations.

The following material transactions relate to 2019/20:

a) Pensions

- The value of the pension fund deficit for 2019/20 is £41.9 which is an decrease of £11.7m from the 2018/19 figure of £53.6m.

8. Reserves and Balances

The Council at 31 March 2021 has a General Fund balance of £1.415m and a Housing Revenue Account balance of £0.850m. Both are in line with the Council's Medium Term Financial Strategy. In addition, the Council has earmarked revenue reserves totalling £34.412m (details are included within Note 25).

One of the Council's guiding principles for the General Fund is that revenue balances should not fall below £1m and overall revenue reserves should not fall below 10% of net revenue expenditure. The Council's Medium Term Financial Strategy projections comply with this provided that the required levels of ongoing efficiency savings are delivered each year.

The Council has an established policy whereby any budget savings, over and above those required to set a balanced budget, will be used to supplement earmarked smoothing reserves.

B. NARRATIVE REPORT

8. Reserves and Balances (Cont'd)

These reserves have been created specifically to deal with the uncertainty of the current local government environment and to provide flexibility in dealing with future challenges.

The Council considers that the level of balances and reserves, together with its rigorous budget monitoring arrangements, puts it into a strong position for meeting the challenges of increased demand for services and ever reducing levels of external financial support. CIPFA have produced a Financial Resilience Index which shows councils' financial position across a range of measures associated with financial risk. Kettering Borough Council's risk index does not show any areas for concern.

9. Accounting Policies

There have been no significant amendments to the accounting policies for 2020/21. As a result of the Covid 19 pandemic the implementation of IFRS 16 Leases has been deferred until the 2022/23 financial year (see Accounting Policies Note 1.25).

10. Non-Financial Performance Indicators

The following performance indicators are reported throughout the year to Monitoring and Audit Committee. At the meeting of the Committee on 16th September 2020 it was noted that there have been some challenges in meeting some of the Key Performance Information targets in Planning due to Covid-19.

a) Employees

At the start of April 2020 the Council employed 555 fte employees. By March 2021 this had reduced to 551 fte employees.

B. NARRATIVE REPORT

10. Non-Financial Performance Indicators (Cont'd)

b) Performance Indicators

	2019/20 Actual	2020/21 Target	2020/21 Actual
Managing Growth			
Net additional homes provided	650	634	442
Number of affordable homes delivered	125	228	56
Planning major applications processed in 13 weeks	73.33%	90%	74.07%
Planning minor applications processed in 8 weeks	92.42%	95%	75.44%
Planning other applications processed in 8 weeks	96.88%	95%	85.19%
Percentage of appeals against decision to refuse a planning application	40.0%	30%	27.30%
Efficient and Effective Service Delivery			
Percentage of calls answered by switchboard	98.73%	90%	99.39%
Percentage of calls answered by switchboard within 10 rings	86.45%	90%	89.39%
Average time to process new benefit claims (days)	21.54	26	24.79
Average time to process change of circumstances (days)	4.91	12	4.42
Enhanced Local Government			
Percentage invoices paid in time	97.2%	99%	95.60%
Percentage Council Tax collected	97.6%	97.50%	96.44%
Percentage NNDR collected	99.2%	99%	96.40%
Days staffing lost (per member of staff)	11.92	8	9.33
Proportion of rent collected	98.46%	98.50%	97.73%
Overpaid benefit recovered as % of current year overpayments	100%	70%	130.33%
Overpaid benefit recovered as % of total overpayments outstanding	26.39%	35%	19.60%

11. Outlook for the Future

There are a number of challenges and uncertainties facing local government in general and the new Council in particular over the next few years. Kettering Borough Council has a good track record of preparing well in advance for such events and adapting to any changes, and believes that it is has helped to put the new Council in a strong financial and operational position for the future. The Council was proactive in change management and maintained a good level of financial reserves to support its future sustainability.

The most significant national and local issues likely to affect the new Council in the next few years are:

a) Local Government Reorganisation.
From 1st April 2021 Kettering Borough Council will merge with Corby Borough Council, East Northamptonshire Council, Borough Council of Wellingborough and part of Northamptonshire County Council to form the new unitary authority of North Northamptonshire. Elections to the new council were held in May 2021.

B. NARRATIVE REPORT

11. Outlook for the Future (cont'd)

b) Business Rates Retention.
North Northamptonshire Council will retain 49% of the Business Rates it collects and pass 1% to the Northamptonshire Fire and Rescue Authority. The remaining 50% is passed on to Central Government.

Central Government is exploring ways of passing over a greater share of the rates to local authorities. The original intention was to move to 100% Business Rates Retention. However, the Government are now working towards a 75% Business Rates Retention Scheme. This will also include the resetting of the Business Rates baseline which is the point from which any growth in business rates is measured. It was intended that this review would coincide with the business rates revaluation which was originally scheduled to be effective from 1st April 2021. However, the Covid-19 pandemic has led to the review being postponed until 2022 and the revaluation until 2023.

c) Fair Funding Review
The current system for Central Government to allocate funds to local government has been in place for over a decade and a review was originally launched in 2019. The outcome of the review will enable Central Government to reconsider how the relative needs and resources of local authorities should be assessed in order that local authorities can have greater control over the money that they raise. This review was due to be carried out in conjunction with the work on Business Rates Retention, but again this has been postponed due to the Covid-19 pandemic. It is now intended to report on the review in 2022.

d) Parliamentary Inquiry into Local Government Finance
A Parliamentary Inquiry was set up in Autumn 2020. This new inquiry investigated the current financial health of local authorities and their ability to deliver services, including the additional pressures caused by the Covid-19 pandemic. The resultant Spending Review again only covered the 2021/22 financial year.

e) Impact of Britain Leaving the European Economic Union
In common with all other sectors of the economy the implications of Britain leaving the European Union are not yet fully understood. The Council will be kept informed of any developments through central and local government organisations. In addition any further delay in the process may have implications for the timetable for b), c) and d) above.

f) Future Savings
Since 2010 Kettering Borough Council has delivered a total of £16.1m of savings. The delivery of savings of this magnitude in future years will become increasingly more difficult to achieve.

B. NARRATIVE REPORT

11. Outlook for the Future (Cont'd)

g) Long Term Impact of the Covid-19 Pandemic

The extent of the impact will not be known for many months and will depend on whether there are any further lockdown measures together with the exit strategy that the government then applies.

North Northamptonshire's Medium Term Financial Strategy is based on assumptions about continuing growth in the local economy and therefore in the local tax base. If this contracts it will create additional pressure on the Strategy together with additional expenditure and income pressures brought about from the pandemic. The Council's Medium Term Financial Strategy will continue to be updated to reflect the latest assumptions

h) The Future of New Homes Bonus

The Government have published a consultation paper on the future of New Homes Bonus. This consultation covers a number of options for reforming the programme to provide an incentive which is more focused and targeted on ambitious housing delivery, complements the reforms outlined in the government's Planning White Paper, and dovetails with the wider financial mechanisms the government is putting in place. A response to the consultation from the Government is expected later in 2021.

Kettering Borough Council's Medium Term Financial Strategy was based on assumptions about continuing growth in the local economy and therefore in the local tax base. If this contracts it will create additional pressure on North Northamptonshire Council's Medium Term Financial Strategy together with additional expenditure and income pressures brought about from the pandemic. The Council's Medium Term Financial Strategy will continue to be updated to reflect the latest assumptions.

12. Further Information

Further information about these accounts is available from:

Mark Dickenson
Assistant Director (Finance and Strategy)
North Northamptonshire Council
Bowling Green Road
Kettering
NN15 7QX

mark.dickenson@northnorthamptonshire.gov.uk

Dean Mitchell
Group Accountant
North Northamptonshire Council
Bowling Green Road
Kettering
NN15 7QX

dean.mitchell@northnorthamptonshire.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 the Section 151 Officer.
- 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").

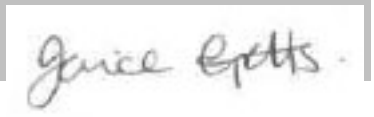
In preparing this Statement of Accounts, the Chief Financial Officer has:

- 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 2021.



Janice Gotts
Executive Director of Finance (S.151 Officer)

Date 20th September 2021

Cllr Andrew Weatherill

Date

D. EXPENDITURE AND FUNDING ANALYSIS

Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax and rent payers how the funding available to the authority (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2019/20				2020/21		
Expenditure Chargeable to GF and HRA Balances	Adj between Funding and Accounting basis	Net Expenditure in the CIES		Expenditure Chargeable to GF and HRA Balances	Adj between Funding and Accounting basis	Net Expenditure in the CIES
£'000	£'000	£'000		£'000	£'000	£'000
886	0	886	Public Services	1,714	0	1,714
2,010	0	2,010	Corporate and Cultural Services	1,820	0	1,820
786	0	786	Commercial Development	511	0	511
5,895	0	5,895	Environmental Care	6,112	0	6,112
243	0	243	Development Services	1,362	0	1,362
962	0	962	Legal and Democratic Services	1,129	0	1,129
742	(648)	94	Housing Services	474	(735)	(261)
1,023	286	1,309	Customer Services	(2,946)	5,126	2,180
3,925	2,477	6,402	Resources	4,004	1,167	5,171
(3,359)	(2,680)	(6,276)	Local Authority Housing (HRA)	(3,283)	(1,588)	(4,871)
12,876	**(565)**	**12,312**	**Net Cost of Services**	**10,897**	**3,970**	**14,867**
(15,514)	799	(14,716)	Other Income and Expenditure	(18,379)	2,587	(15,792)
(2,638)	**233**	**(2,404)**	**Surplus or Deficit**	**(7,484)**	**6,556**	**(925)**
		(2,265)	Opening General Fund and HRA Balance			(2,265)
		(2,856)	Surplus or Deficit on General Fund and HRA Balance in the year.			(925)
		(234)	Adjustments between the accounting basis and the funding basis under statute (note 2)			(5,910)
		2,638	Transfer to or (from) reserves			6,835
		(2,265)	**Closing General Fund and HRA Balance ***			**(2,265)**

** The split between General Fund and HRA is set out in the Movement In Reserves Statement (MIRS) (Section E2).*

E1. 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 both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2019/20				2020/21		
Gross Exp.	**Gross Inc.**	**Net Exp.**		**Gross Exp.**	**Gross Inc.**	**Net Exp.**
£000	£000	£000		£000	£000	£000
3,757	2,870	886	Public Services	4,217	2,504	1,713
2,098	88	2,010	Corporate and Cultural Services	1,925	105	1,820
1,131	345	786	Commercial Development	646	135	511
9,351	3,456	5,895	Environmental Care	9,584	3,472	6,112
3,411	3,167	243	Development Services	3,669	2,307	1,362
1,867	904	962	Legal and Democratic Services	2,082	953	1,129
2,155	2,061	94	Housing Services	1,901	2,161	(260)
20,369	19,061	1,309	Customer Services	19,787	17,608	2,179
8,683	2,281	6,402	Resources	7,535	2,361	5,174
9,105	15,381	(6,276)	Local authority housing (HRA)	10,363	15,234	(4,871)
61,926	**49,614**	**12,312**	**Cost of Services**	**61,709**	**46,840**	**14,869**
1,109	809	299	Other Operating Exp. (Note 9)	1,090	584	506
10,254	9,537	717	Financing & Investment Inc. & Exp. (Note 10)	13,782	11,433	2,348
		(15,731)	Taxation & Non - Specific Grant Income and Expenditure (Note 11)			(18,648)
		(2,404)	**(Surplus) or Deficit on Provision of Services**			**(925)**
		(3,323)	(Surplus) or deficit on revaluation of non-current assets			92
		(15,363)	Actuarial (gains) / losses on pension assets / liabilities			16,212
		(18,686)	**Other Comprehensive Income & Expenditure**			**16,304**
		(21,090)	**Total Comprehensive Income & Expenditure**			**16,026**

E1. COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

2019/20		2020/21
£000		£000
(1,415)	Balance on the General Fund at the end of the previous year	(1,415)
(2,404)	(Surplus) or deficit for the year on the General Fund Income & Expenditure Statement	(925)
(234)	Adjustments between accounting basis and funding basis under statute	(5,910)
(2,638)	Net increase or (decrease) before transfers to or from reserves	(6,835)
2,638	Transfers to or (from) reserves	6,835
0	(Increase) or decrease in year on the General Fund	0
(1,415)	**Balance on the General Fund at the end of the current year**	**(1,415)**

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

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

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

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

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

E2. 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.

2020/21	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Total Revenue Reserves
	£000	£000	£000	£000	£000
Balance at 31 March 2020	**(1,415)**	**(25,812)**	**(850)**	**(1,416)**	**(29,493)**
Movement in Reserves during 2020/21					
(Surplus) or deficit on the provision of services	314	0	(1,239)	0	(925)
Other Comprehensive Inc & Exp					
Total Comprehensive Inc & Exp	**314**	**0**	**(1,239)**	**0**	**(925)**
Adjustments between accounting basis and funding basis under regulations (Note 4)	(7,497)	0	1,587	0	(5,910)
Net Increase / Decrease before Transfers to Earmarked Reserves	(7,183)	0	348	0	(6,835)
Transfers to / from Earmarked Reserves (Note 25)	7,183	(7,183)	(348)	348	0
Balance at 31 March 2021 carried forward	**(1,415)**	**(32,995)**	**(850)**	**(1,068)**	**(36,328)**

E2. MOVEMENT IN RESERVES STATEMENT

2020/21	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000
Balance at 31 March 2020	**(5,798)**	**0**	**(104)**	**(35,395)**	**(145,494)**	**(180,889)**
Movement in Reserves during 2020/21						
(Surplus) or deficit on the provision of services	0	0	0	(925)	0	(925)
Other Comprehensive Inc & Exp	0	0	0	0	16,304	16,304
Total Comprehensive Inc & Exp	**0**	**0**	**0**	**(925)**	**16,304**	**15,377**
Adjustments between accounting basis and funding basis under regulations (Note 4)	(24)	0	(828)	(6,762)	6,760	(2)
Net Increase / Decrease before Transfers to Earmarked Reserves	(24)	0	(828)	(7,687)	23,064	15,377
Transfers to / from Earmarked Reserves (Note 25)	0	0	0	0	0	0
Increase / Decrease in 2020/21	(24)	0	(828)	(7,687)	23,066	15,379
Balance at 31 March 2020 carried forward	**(5,822)**	**0**	**(932)**	**(43,082)**	**(122,428)**	**(165,510)**

E2. MOVEMENT IN RESERVES STATEMENT

2019/20	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Total Revenue Reserves
	£000	£000	£000	£000	£000
Balance at 31 March 2019	**(1,415)**	**(22,813)**	**(850)**	**(1,778)**	**(26,856)**
Movement in Reserves during 2019/20					
(Surplus) or deficit on the provision of services	670	0	(3,074)	0	(2,404)
Other Comprehensive Inc & Exp					
Total Comprehensive Inc & Exp	**670**	**0**	**(3,074)**	**0**	**(2,404)**
Adjustments between accounting basis and funding basis under regulations (Note 4)	(3,670)	0	3,436	0	(233)
Net Increase / Decrease before Transfers to Earmarked Reserves	(3,000)	0	362	0	(2,638)
Transfers to / from Earmarked Reserves (Note 25)	3,000	(3,000	(362)	362	0
Balance at 31 March 2020 carried forward	**(1,415)**	**(25,813)**	**(850)**	**(1,416)**	**(29,493)**

E2. MOVEMENT IN RESERVES STATEMENT

2019/20	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000
Balance at 31 March 2019	**(4,749)**	**0**	**(35)**	**(31,640)**	**(128,161)**	**(159,801)**
Movement in Reserves during 2019/20						
(Surplus) or deficit on the provision of services	0	0	0	(2,404)	0	(2,404)
Other Comprehensive Inc & Exp	0	0	0	0	(18,686)	(18,686)
Total Comprehensive Inc & Exp	**0**	**0**	**0**	**(2,404)**	**(18,686)**	**(21,090)**
Adjustments between accounting basis and funding basis under regulations (Note 4)	(1,049)	0	(69)	(1,351)	1,353	2
Net Increase / Decrease before Transfers to Earmarked Reserves	(1,049)	0	(69)	(3,755)	(17,333)	(21,088)
Transfers to / from Earmarked Reserves (Note 25)	0	0	0	0	0	0
Increase / Decrease in 2019/20	(1,049)	0	(69)	(3,755)	(17,333)	(21,088)
Balance at 31 March 2020 carried forward	**(5,798)**	**0**	**(104)**	**(35,395)**	**(145,494)**	**(180,889)**

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

31-Mar-20		Note Ref	31-Mar-21
£000			£000
260,115	Property, Plant & Equipment	**12**	261,685
51.923	Investment Property	**14**	50,022
5,947	Heritage Assets	**13**	5,947
255	Intangible Assets	**15**	145
318,237	**Long Term Assets**		**317,799**
135	Inventories	**17**	163
5,699	Short Term Debtors	**19**	38,969
67,917	Cash and Cash Equivalents	**21**	65,144
1,145	Surplus Assets	**22**	1,123
74,896	**Current Assets**		**105,399**
4,389	Short Term Borrowing	**16**	3,713
31,335	Short Term Creditors	**23**	59,971
35,724	**Current Liabilities**		**63,684**
1,625	Long Term Creditors	**16**	1,397
129,744	Long Term Borrowing	**16**	128,533
3,234	Capital Grants Receipts in Advance	**34**	3,968
41,917	Pension liability	**40**	60,106
176,520	**Long Term Liabilities**		**194,004**
180,889	**Net Assets**		**165,510**
	Usable reserves		
5,798	Usable Capital Receipts Reserve		5,824
0	Major Repairs Reserve		0
1,415	General Fund Balance		1,415
850	Housing Revenue Account Balance		850
27,228	Earmarked Reserves	**25**	34,063
104	Capital Grants Unapplied		932
	Unusable Reserves		
37,393	Revaluation Reserve	**26**	36,760
150,095	Capital Adjustment Account		151,559
(41,917)	Pension Reserve	**26**	(60,106)
(358)	Financial Instruments Revaluation Reserve	**26**	(942)
281	Collection Fund Adjustment Account	**26**	(4,845)
180,889	**Total Reserves**		**165,510**

E4. CASHFLOW STATEMENT

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

2019/20		2020/21
£000		£000
2,404	Net surplus or (deficit) on the provision of services (Note 27)	925
32,673	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 27)	16,809
(3,712)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 27)	(3,791)
31,365	Net cash flows from Operating Activities (Note 28)	13,943
(13,519)	Investing Activities (Note 29)	(2,798)
22,093	Financing Activities (Note 30)	13,918
39,939	Net increase or decrease in cash and cash equivalents	(2,773)
27,978	Cash and cash equivalents at the beginning of the reporting Period	67,917
67,917	**Cash and cash equivalents at the end of the reporting period (Note 21)**	**65,144**

F. NOTES TO THE FINANCIAL STATEMENTS

1. Statement of Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Authority's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2016, 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 2020/21 and the Service Reporting Code of Practice 2020/21, supported by International Financial Reporting Standards (IFRS).

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

1.2 Accruals of Income & Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when or as the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

- Interest 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 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.

1.3 Cash and Cash Equivalents

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

F. NOTES TO THE FINANCIAL STATEMENTS

1.4 Exceptional Items

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

1.5 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

1.6 Charges to Revenue for Non-Current Assets

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

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

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

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

F. NOTES TO THE FINANCIAL STATEMENTS

1.7 Employee Benefits

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

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

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

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

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

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

Liabilities are discounted to their value at current prices, using a discount rate of 2.0% (based on the indicative rate of return on high quality corporate bond iBoxx Sterling Corporates AA 15 years Index, with the removal of recently re-rated bonds from the index).

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

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

1.7 Employee Benefits (cont'd)

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

Service Cost, comprising:

- **current service cost** – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the Revenue Accounts of Services for which the employees worked.

- **past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account.

- **net interest on the net defined benefit liability -** this is the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- **remeasurements, comprising the return on plan assets** - excluding amounts included in the net interest on the net defined liability charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

- **actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve.

- **contributions paid to the pension fund** – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

F. NOTES TO THE FINANCIAL STATEMENTS

1.8 Events after the Balance Sheet Date

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

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

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

1.9 Financial Instruments

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

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

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

Financial assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics.

There are three classes of financial assets measured at:

- amortised cost.
- fair value through profit or loss.
- fair value through other comprehensive income.

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

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument, and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council this means that the amount presented in the Balance Sheet is the outstanding

1.9 Financial Instruments (cont'd)

principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost either on a 12 month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Financial Assets Measured at Fair Value Through Profit or Loss

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

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

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

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

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

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

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

For most of the borrowings that the Council has this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

F. NOTES TO THE FINANCIAL STATEMENTS

1.10 Government Grants and Contributions

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

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

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

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

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

1.11 Heritage Assets

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

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

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

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

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

F. NOTES TO THE FINANCIAL STATEMENTS

1.11 Heritage Assets (cont'd)

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

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

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

1.12 Intangible Fixed Assets

The Council capitalises purchased intangible assets (e.g. software licences) at cost, where economic benefits are greater than 12 months. Once capitalised, the assets will be amortised on a systematic basis over their useful lives. The amortisation charge will be made to General Fund service revenue accounts and to the Housing Revenue Account for the use of the assets acquired. The Council does not have any internally generated assets which have been capitalised.

The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired, any losses that are recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the comprehensive Income and Expenditure Statement.

Intangible assets are measured at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost.

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

1.13 Inventories and Long Term Contracts

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

1.14 Investment Properties

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

1.14 Investment Properties (Cont'd)

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

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

1.15 Leases

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

The Council 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).

Charges are made on a straight line basis over the life of the lease even if this does not match the pattern of payments (e.g. if there is a rent free period at the commencement of the lease).

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).

F. NOTES TO THE FINANCIAL STATEMENTS

1.15 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 Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

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

The Council as Lessor

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

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

Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. if there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

1.16 Overheads and Support Services

The costs of overheads and support services are charged to Net Cost of Services, with the exception of traded services which are included in the (surplus) / deficit on trading activities.

1.17 Property Plant & Equipment

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

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

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

1.17 Property Plant & Equipment (cont'd)

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.

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

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

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

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

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

1.17 Property Plant & Equipment (cont'd)

- 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) Depreciation

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

Deprecation 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.

1.17 Property Plant & Equipment (cont'd)

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.

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

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

f) Assets under Construction

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

F. NOTES TO THE FINANCIAL STATEMENTS

1.18 Provisions, Contingent Liabilities and Contingent Assets

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

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

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

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

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

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

1.19 Reserves

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

Certain reserves are kept in order 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.

F. NOTES TO THE FINANCIAL STATEMENTS

1.19 Reserves (cont'd)

In order to appropriately present its financial performance and financial position the Council draws a distinction between usable and unusable reserves. A usable reserve represents resources that the Council might use to support service delivery, although some reserves may have restrictions on their use depending upon legislative requirements.

Unusable reserves are not available to support service delivery. Unusable reserves arise from either statutory adjustments required to balance amounts chargeable to council tax or rents for the year, or accounting for gains or losses in accordance with accounting standards.

1.20 Revenue Expenditure Funded From Capital Under Statute

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

1.21 VAT

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

1.22 Council Tax and National Non-Domestic Rates

Billing authorities are required by statute to maintain a separate fund (The Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and National Non Domestic Rates (NNDR).The fund's key features relevant to the accounting for Council Tax and NNDR in the core financial statements are:

- In its capacity as a billing authority the Council acts as an agent, collecting and distributing Council Tax on behalf of the major preceptors and as principal for itself

- While the Council Tax and NNDR income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the Council's General Fund, or paid out from the Collection Fund to the major preceptors and Central Government. The amount credited to the General Fund under statute is the Council's demand on the fund for that year, plus (less) the Council's share of any surplus (deficit) on the Collection Fund for the previous year. This amount may be more or less than the accrued income for the year in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

1.22 Council Tax and National Non-Domestic Rates (cont'd)

Comprehensive Income and Expenditure Statement
The Council Tax and NNDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of the accrued income for the year. The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement. In addition, that part of the NNDR retained as the cost of collection allowance under regulation is treated as the Council's income and appears in the Comprehensive Income and Expenditure Statement, as are any costs added to NNDR in respect of recovery action.

Balance Sheet
Since the collection of Council Tax and NNDR are in substance agency arrangements, any year end balances relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments are apportioned between the major preceptors and the Council by the creation of a debtor /creditor relationship. Similarly, the cash collected by the Council belongs proportionately to itself and the major preceptors. There will therefore be a debtor / creditor position between the Council and the major preceptors since the cash paid to the latter in the year will not be equal to their share of the total cash collected. If the net cash paid to the major preceptors in the year is more than their proportionate share of the cash collected the Council will recognise a debit adjustment for the amount overpaid. Conversely, if the cash paid to major preceptors in the year is less than their proportionate share of the amount collected then the Council will recognise a credit adjustment for the amount underpaid.

Cash Flow Statement
The Council's Cash Flow Statement includes in 'Operating Activities' cash flows from only its own share of the Council Tax and NNDR collected in the year, and the amount included for precepts paid excludes amounts paid to the major preceptors. In addition that part of NNDR retained as the cost of collection allowance under regulation appears in the Council's Cash Flow Statement. The difference between the major preceptors' share of the cash collected and that paid to them as precepts and settlement of previous year's surplus or deficit on the Collection Fund, is included as a net increase / decrease in cash and cash equivalents.

1.23 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 does not have any Joint Venture relationships.

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

F. NOTES TO THE FINANCIAL STATEMENTS

1.24 Fair Value Measurement

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

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

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

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

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

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

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

1.25 Accounting Standards issued but not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 has introduced some changes to the accounting policies which will be required from 1 April 2021 and will be adopted by North Northamptonshire Council from this date.

The changes are related to:

- Definition of a Business: Amendments to IFRS 3 Business combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 IFRS 7
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16

IFRS 3 will not impact on North Northamptonshire Council

It is unlikely that the Interest Rate Benchmark Reforms will have a material impact on the financial reporting requirements of North Northamptonshire Council.

F. NOTES TO THE FINANCIAL STATEMENTS

1.25 Accounting Standards issued but not yet adopted (cont'd)

The implementation of IFRS 16 (Leases) has been further delayed until 2022/23. This will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). Annually, Appendix C of the Code of Practice confirms the requirements of accounting standards that have been issued and not yet adopted and the 2021/22 Code of Practice will confirm these for the 2020/21 financial year. Appendix C of the 2021/22 Code of Practice only includes standards adopted in the Code and therefore for 2020/21 local authorities are not required to include IFRS 16 (Leases) in their consideration of accounting standards that have been issued but not yet adopted, although this is subject to approval of the 2021/22 Code of Practice. The Council had already assessed the implications of the adoption of IFRS 16 for 2021/22 but North Northamptonshire Council will update this for the introduction in 2022/23.

2. Expenditure and Funding Analysis

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.

Notes to the Funding Analysis 2020/21	Adjustments for Capital Purposes (Note 1) £000	Net Change for Pensions Adjustments (Note 2) £000	Other Differences (Note 3) £000	Total Adjustments £000
Public Services	0	0	0	0
Corporate and Cultural Services	0	0	0	0
Commercial Development	0	0	0	0
Environmental Care	0	0	0	0
Development Services	0	0	0	0
Legal and Democratic Services	0	0	0	0
Housing	(735)	0	0	(735)
Customer Services	0	0	5,126	5,126
Resources	416	751	0	1,167
Local Authority Housing (HRA)	(1,829)	241	0	(1,588)
Net Cost of Services	**(2,148)**	**992**	**5,126**	**3,970**
Other Operating Expenditure	(351)	0	0	(351)
Financing and Investment Income and Expenditure	2,485	985	0	3,470
Taxation and Non-specific Grant Income	(1,179)	0	0	(1,179)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**(1,193)**	**1,977**	**5,126**	**5,910**

F. NOTES TO THE FINANCIAL STATEMENTS

2. Expenditure and Funding Analysis (cont'd)

Notes to the Funding Analysis 2019/20	Adjustments for Capital Purposes (Note 1) £000	Net Change for Pensions Adjustments (Note 2) £000	Other Differences (Note 3) £000	Total Adjustments £000
Public Services	0	0	0	0
Corporate and Cultural Services	0	0	0	0
Commercial Development	0	0	0	0
Environmental Care	0	0	0	0
Development Services	0	0	0	0
Legal and Democratic Services	0	0	0	0
Housing	(648)	0	0	(648)
Customer Services	0	0	286	286
Resources	659	1,818	0	2,477
Local Authority Housing (HRA)	(3,241)	561	0	(2,680)
Net Cost of Services	**(3,230)**	**2,379**	**286**	**565**
Other Operating Expenditure	(453)	0	0	(453)
Financing and Investment Income and Expenditure	254	1,317	0	1,571
Taxation and Non-specific Grant Income	(319)	0	0	(319)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**(3,748)**	**3,696**	**286**	**234**

Note 1

Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the service line, and also for the following:

- Other Operating Expenditure - adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written of for those assets.
- Financing and Investing Income and Expenditure - the statutory changes for capital financing i.e. the Minimum Revenue Provision and other revenue contributions are deducted from

2. Expenditure and Funding Analysis (cont'd)

financing and investment income and expenditure as these are not chargeable under generally accepted accounting practice.

- Taxation and Non Specific Grant Income and Expenditure - Capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Note 2

Net Change for Pension Adjustments

This column adjusts for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income.

- For Services - This represents the removal of the employer pension contributions made by the authority as permitted by statute and the replacement with current service costs and past service costs.

- For Financing and Investment Income and Expenditure - The net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Account.

Note 3

Other Differences

Other differences between amounts debited or credited to the Comprehensive Income and Expenditure Statement and amounts payable or receivable to be recognised under statute:

- For Services - the charge is a statutory adjustment for a financial instrument relating to a decision by services to issue soft loans to community organisations. Soft loans are loans below market rates.

- For Financing and Investment Income and Expenditure - the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

- For Taxation and Non Specific Grant Income and Expenditure - this represents the difference between what is chargeable under statutory regulations for Council Tax and NNDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund.

F. NOTES TO THE FINANCIAL STATEMENTS

3. Expenditure and Income analysed by Nature

The Council's expenditure and income is analysed as follows:

Expenditure and Income	2019/20 £000	2020/21 £000
Expenditure		
Employee benefits expenditure	20,337	21,226
Other service expenditure	45,553	47,000
Depreciation, amortisation and impairment	2,620	3,706
Interest payments	4,715	4,449
Precepts and levies	476	519
Payments to the Housing	357	232
Capital Receipts Pool	0	0
Gain on disposal of assets	(769)	(583)
Total Expenditure	**73,289**	**76,579**
Income		
Fees, charges and other service income	(36,336)	(37,772)
Interest and Investment Income	(4,131)	(4,409)
Income from council tax and non domestic rates	(11,939)	(6,860)
Government grants and contributions	(23,288)	(28,463)
Total Income	**(75,693)**	**(77,504)**
Surplus or Deficit on the Provision of Services	**(2,404)**	**(925)**

F. NOTES TO THE FINANCIAL STATEMENTS

4. An Analysis of the Movement in Reserves Statement. Adjustments between the Accounting Basis and the Funding Basis

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.

General Fund Balance - The General fund is the statutory fund into which all the receipts of the council are required to be paid and of which all liabilities of the council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to cover at the end of the financial year). The balance is not available to be applied to funding HRA services.

Housing Revenue Account Balance - The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure in connection with the Council's landlord.

Major Repairs Reserve - The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing on historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

Capital Receipts Reserve - The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

Capital Grants Unapplied - The Capital Grants Unapplied Account holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied or the financial year in which this can take place.

F. NOTES TO THE FINANCIAL STATEMENTS

4. An Analysis of the Movement in Reserves Statement. Adjustments between the Accounting Basis and the Funding Basis (cont'd)

2020/21	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Useable Reserves	Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000
Adjustments to Revenue Resources							
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements							
Pensions costs (transferred to (or from) the Pensions Reserve)	(1,736)	(241)				(1,977)	1,977
Council Tax and NNDR (transferred to or from the Collection Fund	(5,125)					(5,125)	5,125
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(2,431)	1,946			(1,916)	(2,401)	2,401
Total Adjustments to Revenue Resources	**(9,292)**	**1,705**	**0**	**0**	**(1,916)**	**(9,503)**	**9,503**
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve			(1,822)			(1,822)	1,822
Administrative costs of non-current asset sale disposals (funded by a contribution from the Capital Receipts Reserve)						0	0
Payments to the Government Housing Receipts Pool (funded by a transfer from the Capital Receipts Reserve)	(232)		232			0	0
Movement in the Fair Value of Financial Instruments	(583)					(583)	583
Posting of HRA resources from revenue to the Major Repairs Reserve				(2,638)		(2,638)	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	2,358					2,358	(2,358)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	252	(118)				134	(134)
Total Adjustments between Revenue and Capital Resources	**1,795**	**(118)**	**(1,590)**	**(2,638)**	**0**	**(2,551)**	**(87)**
Use of Capital Receipts Reserve to finance capital expenditure			1,566			1,566	(1,566)
Use of Major Repairs Reserve to finance capital expenditure				2,638		2,638	0
Application of capital grants to finance capital expenditure					1,088	1,088	(1,088)
Cash payments in relation to deferred capital receipts						0	0
Total Adjustments to Capital Resources	**0**	**0**	**1,566**	**2,638**	**1,088**	**5,292**	**(2,654)**
Total Adjustments	**(7,497)**	**1,587**	**(24)**	**0**	**(828)**	**(6,762)**	**6,760**

F. NOTES TO THE FINANCIAL STATEMENTS

4. An Analysis of the Movement in Reserves Statement. Adjustments between the Accounting Basis and the Funding Basis (cont'd)

2019/20	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Useable Reserves	Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000
Adjustments to Revenue Resources							
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements							
Pensions costs (transferred to (or from) the Pensions Reserve)	(3,135)	(561)				(3,696)	3,696
Council Tax and NNDR (transferred to or from the Collection Fund	(287)					(287)	287
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(1,995)	4,014			(967)	1,052	(1,052)
Total Adjustments to Revenue Resources	**(5,417)**	**3,453**			**(967)**	**(2,931)**	**2,931**
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	36		(2,691)			(2,655)	2,655
Administrative costs of non-current asset sale disposals (funded by a contribution from the Capital Receipts Reserve)						0	0
Payments to the Government Housing Receipts Pool (funded by a transfer from the Capital Receipts Reserve)	(357)		357			0	0
Movement in the Fair Value of Financial Instruments	(342)					(342)	342
Posting of HRA resources from revenue to the Major Repairs Reserve				(2,591)		(2,591)	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	2,331					2,331	(2,331)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	80	(17)				63	(63)
Total Adjustments between Revenue and Capital Resources	**1,748**	**(17)**	**(2,334)**	**(2,591)**	**0**	**(3,194)**	**603**
Use of Capital Receipts Reserve to finance capital expenditure			1,285			1,285	(1,283)
Use of Major Repairs Reserve to finance capital expenditure				2,591		2,591	0
Application of capital grants to finance capital expenditure					898	898	(898)
Cash payments in relation to deferred capital receipts						0	0
Total Adjustments to Capital Resources	**0**	**0**	**1,285**	**2,591**	**898**	**4,774**	**(2,181)**
Total Adjustments	**(3,669)**	**3,436**	**(1,049)**	**0**	**(69)**	**(1,351)**	**(1,353)**

F. NOTES TO THE FINANCIAL STATEMENTS

5. 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.

6. 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 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Impairment of Property, Plant and Equipment due to changes in market conditions. Revaluations for 2020/21 from the valuers have been provided on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case.	Due to impairment being an estimate and dependant on future market conditions it is not possible to quantify the impact of impairments. Any charges to the Comprehensive Income & Expenditure Statement are reversed out and do not result in a cost to either the taxpayer or rent payer, but does result in a change to the Net Worth of the authority, which is reflected in the Balance Sheet.
Pensions Liability	Estimations of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. This information is provided to the authority by the actuaries.	The effects on the net pensions liability of changes in individual assumptions can be measured, these changes are detailed within Note 40.

7. Material Items of Income and Expense

Material transactions are outlined in the Narrative Statement Note 7.

8. Events after the Balance Sheet date

The draft Statement of Accounts was authorised for issue by the Councils appointed statutory Finance Officer on 23 July 2021. 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 31st March 2021 that would have required the financial statements and notes to be adjusted.

F. NOTES TO THE FINANCIAL STATEMENTS

9. Other Operating Expenditure

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

2019/20		2020/21
£000		£000
476	Parish Council Precepts	519
357	Payments to the Government Housing Capital Receipts Pool	232
(773)	(Gains) / losses on the disposal of non-current assets	(583)
(36)	Unattached capital receipts	0
275	Contribution to / (from) Bad Debts Provision	339
299	**Total**	**507**

10. 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:

2019/20		2020/21
£000		£000
3,223	Interest payable and similar charges	3,292
175	Interest element of finance leases (lessee)	172
1,317	Pensions interest cost and expected return on pension assets	985
(877)	Investment income interest	(827)
(3,254)	Rentals received on investment properties (Note 14)	(3,582)
33	Expenses incurred on investment properties (Note 14)	100
(88)	Changes in fair value of investment properties	1,901
342	Revaluation of Property Funds	584
(154)	(Surplus) / Deficit on trading activities (not applicable to a service)	(276)
717	**Total**	**2,349**

11. 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:

2019/20		2020/21
£000		£000
(7,263)	Council Tax Income	(7,336)
(12,797)	Non domestic rates - Share of NNDR 1 Growth	(12,997)
8,489	Non domestic rates - Tariff	8,624
490	Non domestic rates - Levy	502
(511)	Non domestic rates - Share of NNDR 3 Growth	4,692
(347)	Non domestic rates - Renewable Energy	(345)
0	Revenue Support Grant	0
(319)	Capital Grants (Note 34)	(1,179)
(1,246)	S31 Grants	(6,039)
(2,207)	New Homes Bonus	(2,199)
(21)	New Burdens	(2,371)
(15,731)	**Total**	**(18,648)**

F. NOTES TO THE FINANCIAL STATEMENTS

12. Property, Plant and Equipment

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

	Council dwellings	Other land & buildings	Vehicles, plant etc.	Infra-structure	Community Assets
	£000	£000	£000	£000	£000
Cost					
Balance at 31/03/19	**187,941**	**64,987**	**16,536**	**920**	**8,017**
Additions	3,818	2,768	797	62	37
Disposals	(1,913)	0	(279)	0	0
Revaluations	1,107	3,078	0	0	0
Impairment	(2,530)	(179)	0	0	0
Transfer	0	0	22	0	0
Balance at 31/03/20	**188,423**	**70,654**	**17,076**	**982**	**8,054**
Additions	3,523	2,901	3,098	14	189
Disposals	(1,256)	0	0	0	0
Revaluations	1,191	333	0	0	0
Impairment	(2,535)	(824)	0	0	0
Transfer	0	0	0	0	0
Balance at 31/03/21	**189,346**	**73,064**	**20,174**	**996**	**8,241**

	Assets under construction	Total PPE
	£000	£000
Cost		
Balance at 31/03/19	**14**	**278,415**
Additions	0	7,482
Disposals	0	(1,634)
Revaluations	0	4,185
Impairment	0	(2,709)
Transfers	0	22
Balance at 31/03/20	**14**	**285,203**
Additions	0	9,725
Disposals	0	(1,256)
Revaluations	0	1,524
Impairment	0	(3,359)
Transfers	0	0
Balance at 31/03/21	**14**	**291,837**

F. NOTES TO THE FINANCIAL STATEMENTS

12. Property, Plant and Equipment (Cont'd)

	Council dwellings	Other land & buildings	Vehicles, plant etc.	Infra-structure	Community Assets
	£000	£000	£000	£000	£000
Dep'n & Impairment					
Balance at 31/03/19	**2,531**	**9,431**	**10,079**	**290**	**94**
Depreciation	2,591	778	1,303	41	0
Depreciation and Impairment Reversals	(2,531)	739	0	0	0
Transfers	0	0	0	0	0
Impairment Losses	0	0	0	0	0
Disposals	(26)	0	(229)	0	0
Balance at 31/03/20	**2,565**	**10,948**	**11,153**	**331**	**94**
Depreciation	2,638	851	1,310	48	0
Depreciation and	(2,535)	2,764	0	0	0
Impairment Reversals	0	0	0	0	0
Transfers	0	0	0	0	0
Impairment Losses	0	0	0	0	0
Disposals	(17)	0	0	0	0
Balance at 31/03/21	**2,651**	**14,563**	**12,463**	**379**	**94**

	Assets under construction	Total PPE
	£000	£000
Dep'n & Impairment		
Balance at 31/03/19	**0**	**22,425**
Depreciation	0	4,713
Depreciation and Impairment Reversals	0	(1,793)
Transfers	0	0
Impairment Losses	0	0
Disposals	0	(255)
Balance at 31/03/20	**0**	**25,091**
Depreciation	0	4,847
Depreciation and Impairment Reversals	0	230
Transfers	0	0
Impairment Losses	0	0
Disposals	0	(17)
Balance at 31/03/21	**0**	**30,150**

F. NOTES TO THE FINANCIAL STATEMENTS

12. Property, Plant and Equipment (Cont'd)

	2019/20		
	Net Book Value	Net Book	
		Lease	Owned
	£'000	£'000	£'000
Council Dwellings	185,858	0	185,858
Other Land & Buildings	59,706	0	59,706
Vehicles & Plant	5,923	2,743	3,180
Infrastructure	651	0	651
Community Assets	7,960	0	7,960
Assets Under Construction	14	0	14
Total	**260,112**	**2,743**	**257,369**

	2020/21		
	Net Book Value	Nature of Asset Holding	
		Lease	Owned
	£'000	£'000	£'000
Council Dwellings	186,695		186,695
Other Land & Buildings	58,501		58,501
Vehicles & Plant	7,711	4,257	3,454
Infrastructure	617		617
Community Assets	8,147		8,147
Assets Under Construction	14		14
Total	**261,685**	**4,257**	**257,428**

Valuations of Property, Plant and Equipment

	Council Dwellings	Other Land & Buildings	Vehicles & Plant	Infrastructure	Community Assets	Assets Under Construction
	£'000	£'000	£'000	£'000	£'000	£'000
Historical Cost		3,474	3,454	617	8,147	14
Fair Value						
2020/21	186,695	39,666				
2019/20		8,747				
2018/19		3,262				
2017/18		2,038				
2016/17		1,314				
Total	**186,695**	**58,501**	**3,454**	**617**	**8,147**	**14**

Valuations of Other Assets as 31st March 2021

	Heritage Assets	Investment Properties	Intangible Assets	Surplus Assets
	£'000	£'000	£'000	£'000
Valued at Historical Cost	5,947		145	1,123
Valued at Fair Value as at 2020/21		49,375		
Total	**5,947**	**49,375**	**145**	**1,123**

F. NOTES TO THE FINANCIAL STATEMENTS

12. Property, Plant and Equipment (Cont'd)

Depreciation

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

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

A comprehensive valuation of all Council dwelling assets has been undertaken in 2020/21 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 and the desktop valuation has been completed on the HRA assets. All valuations were undertaken by MS Aldis BSc (Hons) MRICS IRRV, RG Messenger BSc FRICS IRRV MCIArb REV, AM Williams Dip BSc (Hon) MRICS IRRV REV and GSC Harbord MA MRICS IRRV of Wilks Head & Eve in 2020/21. A Market Review for Council Dwellings and Other Land & Buildings was undertaken as at 31st March 2021.

13. 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.

2019/20		2020/21
£000		£000
5,244	Art Collection	5,244
703	Other Collections	703
5,947	**Total**	**5,947**

14. 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.

2019/20		2020/21
£000		£000
(2,041)	Rental income from investment property	(1,718)
33	Direct operating expenses arising from investment property	100
(1,212)	Rental income from investment property held in Trust	(1,864)
0	Direct operating expenses arising from investment property held in Trust	0
(3,220)	**Net (gain) / loss**	**(3,482)**

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. All of the authority's investment properties have been valued at Level 2 where the assets have been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area.

F. NOTES TO THE FINANCIAL STATEMENTS

14. Investment Properties (Cont'd)

The following table summarises the movement in the fair value of investment properties during 2020/21 and 2019/20.

2019/20		2020/21
£000	**Investment Properties**	£000
23,077	**Balance at start of the year**	**32,954**
10,004	Additions	0
(127)	Net gains/(losses) from fair value adjustments	(1,654)
0	Reclassification	0
32,954	**Balance at end of the year**	**31,300**
	Investment Properties Held In Trust	
18,754	**Balance at start of the year**	**18,969**
0	Additions	0
215	Net gains/(losses) from fair value adjustments	(247)
0	Reclassification	0
18,969	**Balance at end of the year**	**18,722**
41,831	**Total Investment Properties at 01 April 2020**	**51,923**
51,923	**Total Investment Properties at 31 March 2021**	**50,022**

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

15. 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 £110,000 charged to revenue in 2020/21 (2019/20 £107,776) 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 2020/21 and 2019/20 is as follows:

Movements on Intangible Assets

2019/20		2020/21
£000		£000
6,254	**Balance at start of the year**	**6,348**
94	Externally Developed Acquisitions	0
6,348	**Balance at end of the year**	**6,348**
	Depreciation & Impairment	
5,985	**Balance at start of the year**	**6,093**
108	Amortisation for the Year	110
6,093	**Balance at end of the year**	**6,203**
255	**Net Book Value**	**145**

F. NOTES TO THE FINANCIAL STATEMENTS

16. Financial Instruments

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

	Long-term		Current	
From Balance Sheet	**31-Mar-21**	**31-Mar-20**	**31-Mar-21**	**31-Mar-20**
	£000	£000	£000	£000
Borrowings				
PWLB (principal amount)	121,424	124,424	3,000	3,500
Non-PWLB debt (principal amount)	3,500	3,500	0	0
Total included in borrowings	**124,924**	**127,924**	**3,000**	**3,500**
Other Long term Liabilities				
Finance lease liabilities	3,609	1,820	713	889
Total other long term liabilities	**3,609**	**1,820**	**713**	**889**
Creditors				
Financial liabilities at amortised cost	1,397	1,625	5,301	4,596
Total Creditors	**1,397**	**1,625**	**5,301**	**4,596**
Investments				
Cash and cash equivalents	0	0	65,144	67,917
Total investments	**0**	**0**	**65,144**	**67,917**
Debtors				
Loans and receivables	0	0	5,136	4,846
Total debtors	**0**	**0**	**5,136**	**4,846**

Cash and cash equivalents reflect short-term deposits.

Servicing of Debt

In 2020/21 the average interest rate incurred on external borrowing by the Council was 2.53% (2019/20 2.52%). The interest rate charged to the Housing Revenue Account was 3.95% (2019/20 3.95%).

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

Basis for recurring fair value measurements:

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

Fair Value of Financial Assets

Some of the authority's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation technique used to measure them.

F. NOTES TO THE FINANCIAL STATEMENTS

16. Financial Instruments (Cont'd)

Financial assets measured at fair value				
Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	As at 31/3/2021 £m	As at 31/3/2020 £m
Fair Value through Other Comprehensive Income				
Other financial instruments classified as Fair Value through other comprehensive income	Level 1	Unadjusted quoted prices in active markets for identical shares	15,783	16,366
Total			15,783	16,366

Fair values of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value Disclosures are required)

Except for the financial assets carried at fair value (described in the table above), all other financial assets and financial liabilities represented by loans and receivables are carried on the Balance Sheet at amortised cost (where relevant). Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments. However, where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount. This was the case for the Council. On the grounds of materiality, no fair value adjustments were undertaken on debtors that are due in more than 12 months. The fair value of the liabilities as at 31st March 2021 and 31st March 2020 was calculated as follows:

	31st March 2021		31st March 2020	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
	£000	£000	£000	£000
PWLB Debt	3,000	3,048	3,500	3,511
Short term finance lease liability	713	713	889	889
Short Term Borrowing	**3,713**	**3,761**	**4,389**	**4,400**
Short Term Creditors	**5,301**	**5,301**	**4,596**	**4,596**
PWLB Debt	121,424	135,750	124,424	128,352
Non-PWLB Debt	3,500	3,581	3,500	3,669
Long term finance lease liability	3,609	3,609	1,820	1,853
Long Term Borrowing	**128,533**	**142,940**	**129,744**	**133,874**
Long Term Creditors	**1,397**	**1,397**	**1,625**	**1,625**

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

The fair value of the liabilities is higher than the carrying amount because the Authority's portfolio of loans include a number of fixed rate loans where the interest payable is more than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31st March 2021) arising from a commitment to pay interest to lenders above current market rates.

F. NOTES TO THE FINANCIAL STATEMENTS

16. Financial Instruments (Cont'd)

	31 March 2021		31 March 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Cash and cash equivalents*	24,643	24,643	47,240	47,240
Available for sale financial assets	15,783	15,783	16,366	16,366
Short term debtors	5,136	5,136	4,846	4,846
Long term debtors	0	0	0	0
Total Assets	**45,562**	**45,562**	**68,452**	**68,452**

Cash and cash equivalents represent cash investments only

Short term debtors and creditors are carried at cost as this is a fair approximation of their value. Available for sale assets are measured at fair value using quoted prices in active markets (Level 1 in the Fair Value Hierarchy as shown in the table above).

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.

17. Inventories

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

2019/20		2020/21
£000		£000
109	Raw Materials and Consumables	149
26	Finished Goods	14
135	**Total**	**163**

18. Construction Contracts

At 31 March 2021 the Council had no significant construction contracts.

F. NOTES TO THE FINANCIAL STATEMENTS

19. Short -Term Debtors

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

2019/20 Short Term Debtors		2020/21 Gross Debtors	2020/21 Impairment Allowance	2020/21 Short Term Debtors
£000		£000	£000	£000
4,379	Sundry debtors	5,179	(2,372)	2,806
963	Government departments	31,438	0	31,438
1,516	Other local authorities	2,479	0	2,479
388	Council taxpayers	566	(260)	307
1,098	Housing tenants	1,233	(844)	389
420	Prepayments	1,531	0	1,531
29	Loans to employees	19	0	19
8,793				
(3,094)	Less Impairment allowance			
5,699	**Total**	**42,445**	**(3,476)**	**38,969**

20. 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-20	Written Off / (On)	Contribution (to)/ from Bad Debts	Balance at 31-Mar-21
	£000	£000	£000	£000
Impairment allowance				
Council taxpayers	(200)	140	(199)	(260)
NNDR	(29)	9	(108)	(128)
Housing tenants (GF)	(356)	1	(11)	(366)
Housing tenants (HRA)	(410)	18	(85)	(477)
Housing benefits	(1,191)	52	45	(1,095)
Other	(907)	0	(243)	(1,149)
Total Impairment allowance	**(3,094)**	**220**	**(602)**	**(3,476)**

F. NOTES TO THE FINANCIAL STATEMENTS

21. Cash and Cash Equivalent

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

2019/20		2020/21
£000		£000
4,311	Cash and Bank Balances	24,718
39,240	Cash Investments - regarded as cash equivalents	16,643
8,000	Short Term Investments	8,000
16,366	Available for sale financial instruments	15,783
67,917	**Total Cash and Cash Equivalents**	**65,144**

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.

22. Assets Held for Sale / Surplus Assets

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

The composition of Surplus Assets in the Balance Sheet is detailed below:

2019/20		2020/21
£000		£000
1,145	Investment Properties	1,123
1,145	**Total**	**1,123**

23. Short - Term Creditors

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

2019/20		2020/21
£000		£000
3,388	Sundry creditors	3,692
4,512	Government departments	42,041
22,171	Other local authorities	12,523
106	Council taxpayers	115
180	Council Tenants	185
978	Receipts in Advance	1,415
31,335	**Total**	**59,971**

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

24. Provisions

The Council has a bad debts provision which is disclosed in Note 20.

The Business Rates Retention Scheme requires Local Authorities to make provisions for appeals made by businesses to the Valuation Office on their rateable value. The Council has analysed previous appeals and calculated a provision for NNDR Appeals based on settlement history. The total provision provided at 31st March 2021 is £4.231 (2019/20 £3.750m) of which 40% or £1.692m (2019/20 £1.499m) is attributable to this Council, which accords to the proportionate shares of the Business Rates Retention Scheme.

F. NOTES TO THE FINANCIAL STATEMENTS

25. Earmarked Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement. The tables below provide detailed movements in both 2020/21 and 2019/20.

Earmarked Reserves	Opening Balance 01/04/2019	Transfers to Reserves	Transfers from Reserves	Closing Balance 31/03/2020
	£000	£000	£000	£000
Investment Reserves				
Economic Develop. & Regeneration	3,863	0	0	3,863
Commercial Investments	2,000	0	0	2,000
Burton Wold Wind Farm Reserve	97	14	0	111
Smoothing Reserves				
Organisational Development	1,943	250	250	1,943
Planning	824	15	239	600
Elections Reserve	350	0	200	150
Invest to Save	1,150	0	750	400
Welfare Reform & Taxation Reserve	1,498	0	0	1,498
Capital (Investment - GF)	1,882	341	0	2,223
Capital (Investment - HRA)	499	0	0	499
Interest Exposure	1,000	0	0	1,000
Business Rates Retention Reserve	4,374	1,687	0	6,061
Recycling Commodities Reserve	931	0	0	931
Commercial Investment Returns	1,000	0	0	1,000
Joint Planning Unit Reserve	393	47	9	431
Capacity Fund Reserve	957	700	149	1,508
Homelessness Reserve	500	0	22	478
HRA Self Financing	1,279	138	500	917
Recovery Reserves	0	500	0	500
New Homes Bonus Reserve	0	1,064	0	1,064
Trading Reserves				
Kettering Training Services	50	0	0	50
Total	**24,591**	**4,756**	**2,119**	**27,228**

F. NOTES TO THE FINANCIAL STATEMENTS

25. Earmarked Reserves (Cont'd)

Earmarked Reserves	Opening Balance 01/04/2020	Transfers to Reserves	Transfers from Reserves	Closing Balance 31/03/2021
	£000	£000	£000	£000
Investment Reserves				
Economic Develop. & Regeneration	3,863	0	131	3,732
Commercial Investments	2,000	0	0	2,000
Burton Wold Wind Farm Reserve	111	8	0	119
Smoothing Reserves				
Organisational Development	1,943	0	43	1,900
Planning	600	0	169	431
Elections Reserve	150	25	0	175
Invest to Save	400	0	0	400
Welfare Reform & Taxation Reserve	1,498	0	0	1498
Capital (Investment - GF)	2,223	0	180	2,043
Capital (Investment - HRA)	637	0	138	499
Interest Exposure	1,000	350	0	1,350
Business Rates Retention Reserve	6,061	6,112	0	12,173
Recycling Commodities Reserve	931	0	0	931
Commercial Investment Returns	1,000	1,164	0	2,164
Joint Planning Unit Reserve	431	163	0	594
Capacity Fund Reserve	1,508	0	115	1,393
Homelessness Reserve	478	0	0	478
HRA Self Financing	779	0	210	569
Recovery Reserves	500	0	0	500
New Homes Bonus Reserve	1,064	0	0	1,064
Trading Reserves				
Kettering Training Services	50	0	0	50
Total	**27,228**	**7,822**	**986**	**34,064**

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.

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

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

25. Earmarked Reserves (Cont'd)

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. This reserve will be used to support costs arising from Local Government Reorganisation.

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

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 changes to welfare reform and to offset revenue implications of an increase in interest rates or should the Council breach its VAT de-minimis level.

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

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

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

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

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

Commercial Investments Reserve - This reserve is to provide some protection in relation to fluctuations in income from commercial investments.

Joint Planning Unit Reserve – The reserve provides resources to fund future expenditure associated with the Joint Planning Unit.

Capacity Fund Reserve – The reserve provides resources to fund future expenditure associated with the Joint Delivery Unit.

Homelessness Reserve– This reserve is to provide some protection in relation to uncertain demand for the service following legislative changes.

Recovery Reserve - This reserve is to provide capacity to support the community.

New Homes Bonus Reserve - This reserve is to provide for future year reductions in Revenue Funding.

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

Kettering Training Services - Holds revenue balances to support future projects.

F. NOTES TO THE FINANCIAL STATEMENTS

26. Unusable Reserves

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

31-Mar-20		31-Mar-21
£000		£000
(37,393)	Revaluation Reserve	(36,760)
(150,095)	Capital Adjustment Account	(151,559)
41,917	Pension reserve	60,106
358	Financial Instruments Revaluation Reserve	942
(281)	Collection Fund Adjustment Account	4,845
(145,494)	**Total**	**(122,426)**

iv. 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 1st April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	GF	HRA	Total
	£000	£000	£000
Balance at 31/03/19	**(29,713)**	**(4,870)**	**(34,583)**
Revaluation adjustments	(1,931)	(1,392)	(3,323)
Historical cost adjustment	368	92	460
Transfers	0	0	0
Realised Revaluations	0	53	53
Balance at 31/03/20	**(31,276)**	**(6,116)**	**(37,393)**
Revaluation adjustments	2,838	(2,744)	94
Historical cost adjustment	355	161	516
Transfers	0	0	0
Realised Revaluations	0	23	23
Balance at 31/03/21	**(28,083)**	**(8,676)**	**(36,760)**

F. NOTES TO THE FINANCIAL STATEMENTS

v. 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 1st April 2007, the date that the Revaluation Reserve was created to hold such gains.

Analysis of Capital Adjustment Account movements between General Fund and HRA

	GF	HRA	Total
	£000	£000	£000
Balance at 31/03/19	**(21,364)**	**(125,246)**	**(146,610)**
Depreciation	2,112	2,708	4,820
Historical Cost Adjustment	(368)	(92)	(460)
MRP	(2,331)	0	(2,331)
REFCUS	691	0	691
Financing of the capital programme	(1,127)	(3,826)	(4,953)
Housing Finance Reform Payment	0	(3,500)	(3,500)
Disposal of Fixed Assets	(5)	1,887	1,882
Revaluation Adjustments	179	188	367
Balance at 31/03/20	**(22,214)**	**(127,881)**	**(150,095)**
Depreciation	2,202	2,756	4,958
Historical Cost Adjustment	(355)	(161)	(516)
MRP	(2,358)	0	(2,358)
REFCUS	385	0	385
Financing of the capital programme	(2,491)	(3,053)	(5,544)
Housing Finance Reform Payment	0	(3,500)	(3,500)
Disposal of Fixed Assets	0	1,239	1,239
Revaluation Adjustments	2,340	1,531	3,871
Balance at 31/03/21	**(22,491)**	**(129,069)**	**(151,560)**

F. NOTES TO THE FINANCIAL STATEMENTS

vi. 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.

2019/20		2020/21
£000		£000
53,584	**Balance at 1 April**	**41,917**
(15,363)	Actuarial gains or losses on pensions assets and liabilities	16,212
3,696	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	1,977
41,917	**Balance at 31 March**	**60,106**

vii. Unusable Reserve - Collection Fund Adjustment Account

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

2019/20		2020/21
£000		£000
(568)	**Balance at 1st April**	**(281)**
286	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	72
1	Amount by which national non domestic rates income debited to the Comprehensive Income and Expenditure Statement is different from national non domestic rate income calculated for the year in accordance with statutory requirements	5,053
(281)	**Balance at 31st March**	**4,844**

F. NOTES TO THE FINANCIAL STATEMENTS

27. 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:

2019/20		2020/21
£000		£000
2,404	**Net Surplus or (Deficit) on the Provision of Services**	**925**
	Adjust net surplus or deficit on the provision of services for non cash movements	
4,711	Depreciation	4,848
452	Impairment and downward valuations	1,992
108	Amortisation	110
20,842	Increase / (Decrease) in Creditors	26,223
1,029	(Increase) / Decrease in Debtors	(21,478)
(15)	(Increase) / Decrease in Inventories	(28)
3,696	Movement in Pension Liability	1,977
1,938	Carrying amount of non-current assets sold (Property, Plant and	1,239
(88)	Other non-cash items charged to the net surplus or deficit On the provision of services	2,573
32,673	**Adjustment net surplus or deficit on the provision of services for non cash movements**	**16,809**
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
(1,022)	Capital Grants credited to surplus or deficit on the provision of services	(1,969)
(2,690)	Proceeds from the sale of Property, Plant & Equipment, Investment Property and Intangible Assets	(1,822)
(3,712)	**Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities**	**(3,791)**
31,365	**Net Cash Flows from Operating Activities**	**13,943**

28. Cash Flow Statement - Operating Activities (Interest)

The cash flows for operating activities include the following items;

2019/20		2020/21
£000		£000
877	Interest received	827
(3,398)	Interest paid	(3,464)
(2,521)	**Total**	**(2,637)**

F. NOTES TO THE FINANCIAL STATEMENTS

29. Cash Flow Statement - Cash Flows from Investing Activities

The cash flows for investing activities include the following items;

2019/20		2020/21
£000		£000
(17,339)	Purchase of property, plant and equipment, investment property and intangible assets	(7,074)
0	Other payments for Investing Activities	0
2,684	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,573
1,136	Other receipts from investing activities	2,703
(13,519)	**Total**	**(2,798)**

30. Cash Flow Statement - Cash Flows from Financing Activities

The cash flows for financing activities include the following items;

2019/20		2020/21
£000		£000
29,222	Cash receipts of short and long term borrowing	0
(985)	Cash payments for the reduction of the outstanding liabilities relating to finance leases	(887)
(3,500)	Repayment of short and long term borrowing	(3,676)
(2,644)	Other payments from financing activities	(9,355)
22,093	**Total**	**(13,918)**

31. Officers' Emoluments

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

2020/21

Post Title	Salary (including fees and allowances)	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
Managing Director	157	1	158	22	180
Executive Director	119	1	120	18	138
Executive Director	112	1	113	18	131

2019/20

Post Title	Salary (including fees and allowances)	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
Managing Director	133	1	134	21	155
Executive Director	109	1	110	17	127
Executive Director	100	1	101	16	117

F. NOTES TO THE FINANCIAL STATEMENTS

31. 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:

2019/20 No of Employees	Remuneration Band	2020/21 No of Employees
3	£50,000 - £54,999	6
2	£55,000 - £59,999	1
0	£60,000 - £64,999	1
0	£65,000 - £69,999	0
3	£70,000 - £74,999	0
2	£75,000 - £79,999	3
1	£80,000 - £84,999	2
0	£85,000 - £89,999	1
0	£90,000 - £94,999	1
0	£95,000 - £99,999	1
1	£100,000 - £104,999	0

During 2020/21 exit packages charged to the Comprehensive Income and Expenditure Account totalled £0 (2019/20 £nil).

32. Members Allowances

The total amount of members allowances paid in the year ending 31st March 2021 was £288,970 (31st March 2020 £300,350). Detailed allowances for 2020/21 and 2019/20 are listed below:

2019/20		2020/21
£000		£000
194	Basic Allowance	191
9	Mayor/Deputy Mayor Allowance	8
86	Special Responsibility Allowance	84
12	Other Expenses	6
301	**Total Expenditure**	**289**

33. 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.

2019/20		2020/21
£000		£000
41	Fees payable to EY with regard to external audit services carried out by the appointed auditor for the year	41
14	Fees payable to EY (2019/20) for the certification of grant claims and returns for the year	11
5	Fees payable in respect of other services provided by EY (2019/20) during the year.	5
60	**Total**	**57**

F. NOTES TO THE FINANCIAL STATEMENTS

34. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/20 and 2020/21.

2019/20		2020/21
£000	**Credited to Taxation and Non Specific Grant Income**	£000
0	Glam	600
319	Various - Other Contributions	579
319	**Total**	**1,179**

2019/20		2020/21
£000	**Credited to Services**	£000
1,325	Capacity Funding	685
322	Housing / Council Tax Support Administration	335
253	Northampton County Council	224
648	DCLG - Disabled Facilities Grant	797
284	Homelessness	363
112	NNDR Collection Costs	111
282	Other grants	537
3,226	**Total**	**3,052**

The Council has received 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:

2019/20		2020/21
£000	**Capital Grants Receipts in Advance**	£000
3,234	Various - S106 Developer Contributions	3,968
3,234	**Total**	**3,968**

F. NOTES TO THE FINANCIAL STATEMENTS

35. Related Party Transactions

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

The UK Government has effective control over the general operations of the Council, it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Details of transactions with government departments, in the form of grants received are set out in Note 34.

Members of the Council have direct control over the Council's financial and operating policies. During 2020/21 works and services to the value of £281,521 (2019/20 £292,500) were made to parties where Members had an interest. Contracts were undertaken 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.

F. NOTES TO THE FINANCIAL STATEMENTS

36. 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.

2019/20		2020/21
£000		£000
124,442	**Opening Capital Financing Requirement**	**131,927**
	Capital Investment	
7,384	Property, Plant and Equipment	9,724
94	Intangible Assets	0
0	Assets Held for Sale	0
10,101	Investment Properties	0
691	Revenue Expenditure Funded from Capital under Statute	385
	Sources of Finance	
(1,284)	Capital receipts	(1,566)
(898)	Government grants and other contributions	(1,088)
(6,271)	Sums set aside from Revenue	(6,390)
(1)	Adjustment	(31)
(2,331)	MRP	(2,358)
131,927	**Closing Capital Financing Requirement**	**130,603**
	Explanation of movements in year	
7,485	Increase/ (Decrease) in underlying need to borrow (unsupported by government financial assistance)	(3,684)
0	Assets acquired under finance leases	2,360
7,485	**Increase / (decrease) in Capital Financing Requirement**	**(1,324)**

37. 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:

2019/20		2020/21
£000		£000
622	Improvement grants	346
3	Housing Association grants	0
66	Other	39
691	**Total**	**385**

F. NOTES TO THE FINANCIAL STATEMENTS

38. Lease obligations

Authority as Lessee

Finance Leases

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

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

2019/20	Net Book Value of Assets	2020/21
£000		£000
2,743	Vehicles	4,257
2,743	**Total**	**4,257**

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:

2019/20	Minimum lease payments	2020/21
£000		£000
	Amounts payable under finance leases:	
1,541	Within one year	1,274
2,209	Between one and five years	4,776
1,288	After five years	1,770
(1,855)	Less future maintenance charges	(2,692)
(422)	Less future finance charges	(787)
2,761	Present value of minimum lease payments	**4,341**
	Included in:	
887	Current borrowings	676
1,874	Non-current borrowings	3,665
2,761	**Total**	**4,341**

38. Lease obligations (Cont'd)

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

2019/20	Present value of minimum lease payments	2020/21
£000		£000
	Amounts payable under finance leases:	
887	Within one year	676
1,168	Between one and five years	2,625
706	After five years	1,040
2,761	**Present value of minimum lease payments**	**4,341**
	Included in:	
887	Current borrowings	676
1,874	Non-current borrowings	3,665
2,761	**Total**	**4,341**

Operating Leases

There were no material operating leases in 2020/21 and therefore the present value of operating leases is nil. The expenditure charged to the Operating Services lines in the Comprehensive Income and Expenditure Statement during 2020/21 in relation to operating leases was nil.

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 some properties which it leases out under operating leases.

The future minimum lease payments receivable are as follows:

2019/20	Minimum lease payments receivable	2020/21
£000		£000
4,466	Within one year	4,350
16,243	Between one and five years	15,907
22,791	Later than five years	19,112

39. 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 2020/21 and 2019/20 are detailed in the table below.

2019/20	Impairments / Downward Revaluations	2020/21
£000		£000
468	Council Dwellings	3,115
181	Other Land & Buildings	466
649	**Total**	**3,581**

F. NOTES TO THE FINANCIAL STATEMENTS

40. 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:

2019/20 Exp Rate of Return		2020/21 Exp Rate of Return
	Financial Assumptions	
1.9%	Pension Increase Rate	2.9%
2.4%	Salary Increase Rate	3.4%
2.3%	Expected Return on Assets	2.0%
2.3%	Discount Rate	2.0%
	Breakdown of the expected return on assets by category	
2.3%	Equities	2.0%
2.3%	Bonds	2.0%
2.3%	Property	2.0%
2.3%	Cash	2.0%
	Mortality Assumptions	
	Longevity at 65 for current pensioners	
21.5	Men	21.7
23.7	Women	24.1
	Longevity at 65 for future pensioners	
22.3	Men	22.8
25.1	Women	25.8

40. 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.

2019/20			2020/21	
Fair Value of Scheme Assets	Asset Split		Asset Split	Fair Value of Scheme Assets
£000	% pa		% pa	£000
92,465	94.6	Equities	66.2	83,106
554	0.6	Bonds	19.4	24,160
433	0.4	Property	6.5	7,513
4,197	4.3	Investment Funds and Unit trusts	6.3	7,811
112	0.1	Cash	1.6	2,527
97,761	**100**	**Total**	**100**	**125,117**

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.

2019/20		2020/21
£000	**Comprehensive Income and Expenditure Statement**	£000
	Cost of Services	
6,373	Current Service Cost	5,209
0	Past Service Cost	0
	Financing and Investment Income and Expenditure	
3,815	Interest Cost	3,235
(2,498)	Expected Return on Scheme Assets	(2,250)
7,690	**Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services**	**6,194**
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
15,363	Actuarial Gains and Losses	(15,786)
15,363	**Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement**	**(15,786)**
	Movement in Reserves Statement	
7,690	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	6,194
	Actual amount charged against the General Fund for Pensions in the year	
(3,994)	Employers contributions payable to scheme	(4,203)

The actual return on scheme assets in the year was (£26,537m) (2019/20 £6.354m).

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31st March 2021 is £39,421m.

F. NOTES TO THE FINANCIAL STATEMENTS

40. Pensions Statement (Cont'd)

2019/20	Local Government Pension Scheme	2020/21
£000		£000
	Reconciliation of defined benefit obligation	
157,159	**1 April**	**140,279**
0	Actuarial 2019/20 Adjustment	(122)
6,373	Current Service Costs	5,209
3,815	Interest Cost	3,235
915	Contributions by scheme participants	1,013
(24,228)	Actuarial (Gains) and Losses	40,073
(3,677)	Benefits Paid	(3,777)
(98)	Estimated Unfunded Benefits Paid	(86)
0	Past Service Costs/(Gains)	0
140,279	**31st March**	**185,824**

2019/20	Local Government Pension Scheme	2020/21
		£000
	Reconciliation of fair value of Employer Assets	
103,595	**1 April**	**98,362**
0	Actuarial 2019/20 Adjustment	(534)
2,498	Expected Rate of Return	2,250
(8,852)	Actuarial Gains and (Losses)	24,287
3,883	Employer Contributions	4,117
915	Contributions by Scheme Participants	1,013
(3,677)	Benefits Paid	(3,777)
(98)	Unfunded Benefits Paid	(86)
98	Contributions in Respect of Unfunded Benefits	86
98,362	**31st March**	**125,818**

40. Pensions Statement (Cont'd)

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

Scheme History	2016/17	2017/18	2018/19	2019/20	2020/21
	£000	£000	£000	£000	
Present Value of Liabilities in the Local Government Pension Scheme	(136,505)	(138,921)	(157,179)	(139,678)	(185,223)
Fair Value of Assets in the Local Government Pension Scheme	93,102	95,716	103,595	97,761	125,117
Surplus/(Deficit) in the Scheme	(43,403)	(43,205)	(53,584)	(41,917)	(60,106)
Experience Gains / (Losses) on Assets	14,319	(466)	4,526	(8,852)	24,287
Experience Gains / (Losses) on Liabilities	(79)	108	(7)	(5,884)	(1,572)
Actuarial Gains / (Losses) on Employer Assets	14,319	(466)	4,526	(8,852)	24,287
Actuarial Gains / (Losses) on Obligation	(18,629)	2,830	(12,055)	24,228	(40,073)
Actuarial Gains / (Losses) recognised in the I & E	(4,310)	2,364	(7,529)	15,376	(15,786)

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £60.106m 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 North Northamptonshire Council in the year to 31 March 2022 in respect of Kettering Borough Council is £4.117m.

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 2021.

40. 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	2016/17	2017/18	2018/19	2019/20	2020/21
	%	%	%	%	
Difference between the expected and actual return on assets	(20.0)	3.0	(11.6)	24.8	(32.2)
Experience Gains and Losses on Liabilities	(10.5)	0.3	(2.9)	6.3	(13.1)

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 31st March 2021	Approximate % increase to Employer Liability	Approximate monetary amount
		£000
0.1% decrease in Real Discount Rate	2%	3,725
0.1% increase in the Salary Increase Rate	0%	379
1 year increase in member life expectancy	4%	7,409
0.1% increase in the Pensions Increase Rate	2%	3,304

The information included for 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.

41. Contingent liabilities

As at 31st March 2021 the Council had no material contingent liabilities requiring disclosure.

42. Contingent assets

As at 31st March 2021 the Council had no material contingent assets requiring disclosure.

F. NOTES TO THE FINANCIAL STATEMENTS

43. Nature and Extent of Risk arising from Financial Instruments

Key Risks

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

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

Overall Procedures for Managing Risk

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

Risk management is carried out by the treasury team, under policies approved by the Council in the annual treasury management strategy. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

Credit Risk

Credit Risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria determined within the Council's Treasury Strategy.

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

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

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

The full Investment Strategy for 2020/21 was approved by Full Council on 26th February 2020 and is available on the Council's website.

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

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

	Principal Amount 31-Mar-21	Historical experience of default	Adjustment for Market conditions 31-Mar-21	Estimated maximum exposure to default
	£000	%	%	£000
Deposits with Banks & financial institutions	24,643			
Sundry Debtors	40,646	2.83	0	1,149
Total	**65,289**			**1,149**

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

Liquidity Risk

The Council manages its liquidity position through risk management procedures as well as through cash flow management procedures required by the Code of Practice. This seeks to ensure that cash is available when needed.

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

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

Refinancing and Maturity Risk

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

The Council undertook borrowing of £72.9m from the PWLB to finance the HRA Self Financing transaction in March 2012. At 31 March 2021, £27m had been repaid. The amount of borrowing to be repaid is £45.9m The Council undertook borrowing of £nil in 2020/21 (2019/20 £29.3m) to support its Asset Investment Programme.

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

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

	Approved minimum limits (%)	Approved maximum limits (%)	Actual 31st March 2021 £000	Actual 31st March 2020 £000
Less than 1 year	0	100	3,000	3,500
Between 1 and 2 years	0	100	6,500	5,000
Between 2 and 5 years	0	100	12,053	12,553
Between 5 and 10 years	0	100	8,471	12,471
More than 10 years	0	100	97,900	97,900
Total			**127,924**	**131,424**

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

Market Risk

Interest Rate Risk

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

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

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

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

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

	£000
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Comprehensive Income and Expenditure Account)	24,856

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

Price Risk

The Council, excluding the pension fund, does not generally invest in equity shares or manage an equity portfolio. However, the Council does hold an equity stake in the Municipal Bonds Agency (Local Capital Finance Company). This investment is a policy investment, rather than a treasury management investment and is not material. The Council also holds £15.78m in property funds where the price varies. However, any movements in price will not impact on the General Fund Balance as regulations are in force to ameliorate the impact of fair value movements.

Foreign Exchange Risk

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

F. NOTES TO THE FINANCIAL STATEMENTS

44. 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 used by management Decisions about resource allocation are taken by the Councils Executive Committee based on 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 cash flows (payment of employer's pension's contributions) rather than current service cost of benefits accrued in year.
- expenditure on support services is budgeted centrally and not charged to service areas.

G. NOTES TO THE COLLECTION FUND

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

2019/20				Note Ref	2020/21		
Council Tax £000	NNDR £000	Total £000			Council Tax £000	NNDR £000	Total £000
			INCOME				
58,676	0	58,676	Council Tax (net of benefits, discounts and transitional relief)	4	61,139		61,139
0	33,554	33,554	National Non Domestic Rates	4		22,069	22,069
58,676	**33,554**	**92,230**	**Total Income for the Year**		**61,139**	**22,069**	**83,208**
			EXPENDITURE				
			Apportionment of Previous Year's Surplus / (Deficit)				
0	677	677	Central Government		0	18	18
1,834	135	1,969	Northamptonshire County Council		562	464	1026
344	0	344	Police & Crime Commissioner for Northamptonshire		111	0	111
90	0	90	Northamptonshire Fire Authority		28	16	44
350	542	892	Kettering Borough Council		100	332	432
2,618	**1,354**	**3,972**	**Total Apportionment of Previous Year's Surplus / (Deficit)**	5	**801**	**830**	**1,631**
			Precepts and demands:				
0	7,998	7,998	Central Government (Central Share)	3	0	16,247	16,247
40,458	10,877	51,335	Northamptonshire County Council	3	42,496	2,924	45,420
8,020	0	8,020	Police And Crime Commissioner for Northamptonshire		8,432	0	8,432
1,989	320	2,309	Northamptonshire Fire Authority		2,049	325	2,374
7,199	12,797	19,996	Kettering Borough Council - Including Parish Precepts	3	7,309	12,997	20,306
57,666	**31,992**	**89,658**	**Total Precepts and demands:**		**60,286**	**32,493**	**92,779**
			Charges to the Collection Fund				
229	145	374	Uncollectable amounts written off		140	9	149
275	4	279	Movement in Bad Debts Provision		488	247	735
0	(546)	(546)	Movement in Provision for NNDR Appeals		0	482	482
0	347	347	Disregarded Amounts-Renewable Energy		0	345	345
0	112	112	Cost of Collection Allowance		0	111	111
0	225	225	Transitional Relief		0	109	109
504	**287**	**791**	**Total Charges to the Collection Fund**		**628**	**1,303**	**1,931**
60,788	**33,633**	**94,421**	**Total Expenditure for the Year**		**61,715**	**34,626**	**96,341**
2,111	**78**	**2,189**	**(Surplus) / Deficit in the year**		**576**	**12,557**	**13,133**
(2,488)	**(597)**	**(3,085)**	**(Surplus) / Deficit brought forward 1st April**		**(376)**	**(518)**	**(894)**
(376)	**(518)**	**(894)**	**(Surplus) / Deficit carried forward 31st March**	6	**200**	**12,039**	**12,239**

G. NOTES TO THE COLLECTION FUND

National Non Domestic Rates (NNDR)

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

The total non-domestic rateable value as at 31st March 2021 was £82,728,802. The equivalent figure for 31st March 2020 was £81,512,597.

The National Domestic Rate multiplier for 2020/21 was 51.2p. The equivalent figure for 2019/20 was 50.4p. In addition the small business rate multiplier rate for 2020/21 was 49.9p. The equivalent figure for 2019/20 was 49.1p.

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

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

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

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

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

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

	Central Share %	Local Share %	Total %
Central Government	50	20	70
Shire District	0	20	20
County Council	0	9	9
Fire Authority	0	1	1

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

The changes to the organisations resulted in a change to the titles of both the Fire Authority and the Police Authority. The Police Authority is now known as Northamptonshire Police, Fire and Crime Commissioner (PFCC) and the Fire Authority is now known as Northamptonshire Commissioner Fire and Rescue Authority (NCFR)

The split for 2020/21 is Central Government 50%, County Council 9%, Billing Authority 40% and Fire Authority 1%.

G. NOTES TO THE COLLECTION FUND

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 2020/21 and 2019/20 is calculated as follows:

2019/20 Band D Equivalents	Band	Estimated number of taxable properties after effect of discounts	Ratio	2020/21 Band D Equivalents
11	A(-)	20	5/9	11
6,759	A	10,298	6/9	6,865
8,041	B	10,523	7/9	8,185
6,600	C	7,517	8/9	6,682
4,779	D	4,822	9/9	4,822
3,761	E	3,144	11/9	3,843
2,042	F	1,435	13/9	2,073
1,072	G	651	15/9	1,084
83	H	42	18/9	84
33,148				**33,649**
828	Non-Collection Provision 2.5%			589
32,320	**Council Tax Base**			**33,060**

Council Tax Precepts and Demands and National Non Domestic Rates Shares

Northamptonshire County Council and the Police, Fire and Crime Commissioner for Northamptonshire issue precepts to the Council that must be collected as part of the overall Council Tax. The Council itself also "demands" an amount to be collected. The amounts paid in 2019/20 and 2018/19 were as follows:

2019/20	Council Tax Precepts and Demands	2020/21
£000		£000
7,199	Kettering Borough Council (including Parish Precepts)	7,309
40,458	Northamptonshire County Council	42,496
8,020	Police & Crime Commissioner for Northamptonshire	8,432
1,989	Northamptonshire Commissioner Fire & Rescue	2,049
57,666	**Total Precepts and Demands**	**60,286**

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

G. NOTES TO THE COLLECTION FUND

Council Tax Precepts and Demands and National Non Domestic Rates Shares (Cont'd)

2019/20	National Non Domestic Rates Shares	2020/21
£000		£000
12,797	Kettering Borough Council	12,997
10,877	Northamptonshire County Council	2,924
320	Northamptonshire Commissioner Fire & Rescue	325
7,998	Central Government	16,247
31,992	**Total Precepts and Demands**	**32,493**

The Local Share Split changed in 2019/20 because the Fire Authority levied a separate precept as a result of transferring from NCC to PCCN in January 2019.
The changes to the organisations resulted in changes to the titles for both the Fire Authority and the Police Authority. The Police Authority is now known as Northamptonshire Police, Fire and Crime Commissioner (PFCC) and the Fire Authority is now known as Northamptonshire Commissioner Fire and Rescue Authority (NCFR).

Council Tax and National Non Domestic Rates Income

2019/20	Council Tax Income	2020/21
£000		£000
69,606	Collectable Debit	72,524
	Less:	
(5,2630	Tax Discounts	(5,565)
(1,955)	Tax Exemptions	(1,880)
(77)	Tax Disabled Relief	(71)
(3,635)	Council Tax Support Scheme	(3,869)
58,676	**Total Income**	**61,139**

2019/20	National Non Domestic Rates Income	2020/21
£000		£000
39,724	Collectable Debit	40,019
	Less:	
(52)	Discretionary Relief	(33)
(3,691)	Mandatory Relief	(3,355)
(2,219)	Small business Rate Relief	(2,459)
(432)	Discretionary Relief funded through S31 Grants	(12,162)
224	Transitional Relief	109
0	S44A	(50)
33,554	**Total Income**	**22,069**

G. NOTES TO THE COLLECTION FUND

Collection Fund Surpluses

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

2019/20	Council Tax Collection Fund Surpluses	2020/21
£000		£000
	Payment of surplus:	
	Council Tax	
1,834	Northamptonshire County Council	562
344	Police & Crime Commissioner for Northamptonshire	111
90	Northamptonshire Commissioner Fire & Rescue	28
350	Kettering Borough Council	100
2,618		**801**

2019/20	NNDR Collection Fund Surpluses	2020/21
£000		£000
	Payment of surplus:	
	NNDR	
677	Central Government	18
135	Northamptonshire County Council	464
0	Northamptonshire Commissioner Fire & Rescue	16
542	Kettering Borough Council	332
1,354		**830**

G. NOTES TO THE COLLECTION FUND

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 Northamptonshire County Council and the Police, Crime & Fire Commissioner for Northamptonshire as council tax creditors where there is a surplus or a debtor where there is a deficit.

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

The estimated Council Tax deficit and the NNDR deficit for 31st March 2021 was estimated as a whole for North Northamptonshire, the Council Tax deficit is £2.239m. The NNDR deficit is £46.570m this is mainly due to the extension of the Retail and Hospitality Business Rates reliefs awarded this has been supplemented with a S31 grant.

Due to the COVID 19 impact on the Collection Fund the Government set out a scheme whereby Billing Authorities can spread the deficits that occurred in the 2020/21 over 3 years. The deficit was notified to the major preceptors in January 2021 which is an annual requirement and is redistributed in the following financial year (2021/22) based on the precepts levied in 2020/21.

Collection Fund Balance	2020/21	2021/22	Total
	£000	£000	£000
Surplus/(Deficit) Balances:			
Council Tax			
Northamptonshire County Council (North Northamptonshire)	(432)	291	(141)
Police & Crime Commissioner for Northamptonshire	(86)	58	(28)
Northamptonshire Commissioner Fire & Rescue	(21)	14	(7)
Kettering Borough Council	(74)	50	(24)
Total Council Tax Surplus/(Deficit)	**(613)**	**413**	**(200)**
National Non Domestic Rates			
Northamptonshire County Council (North Northamptonshire)	(106)	(1,055)	(1,161)
Kettering Borough Council	(124)	(4,692)	(4,816)
Northamptonshire Commissioner Fire & Rescue	(3)	(117)	(120)
Central Government	(78)	(5,864)	(5,942)
Total NNDR Surplus/(Deficit)	**(311**	**(11,728)**	**(12,039)**
Total Collection Fund Surplus/(Deficit)	**(924)**	**(11,315**	**(12,239)**

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, PCCN & NCFR) 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 deficit for 2020/21 attributable to NCC is £(0.141m, £(0.028)m to PCCN and £(0.007) to NCFR. 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 NCC, PCCN and NCFR. The following table illustrates a total of £1.565m is due from NCC, PCCN and NCFR after taking all the adjustments into account.

G. NOTES TO THE COLLECTION FUND

Collection Fund Balance (Cont'd)

Collection Fund Balance - Council Tax	KBC	NCC,PCCN & NCFR	Total
	£000	£000	£000
Share of Collection Fund Surplus/(Deficit)	(24)	(176)	(200)
Council Tax Arrears	(566)	(4,098)	(4,664)
Council Tax Bad Debts Provision	259	1876	2,135
Council Tax Advances	115	833	948
Total	**(216)**	**(1,565)**	**(1,781)**

As a result of the introduction of the national non domestic rates retention scheme, billing authorities must also show their share of the national non domestic rates creditors and debtors, together with any amounts owing to or owed by Northamptonshire County Council, Northamptonshire Commissioner Fire & Rescue and Central Government. This amounts to £(4,829)m as detailed in the table below.

Collection Fund Balance - National Non Domestic Rates	KBC	NCC,NCFR & CLG	Total
	£000	£000	£000
Share of Collection Fund Surplus/(Deficit)	(4,816)	(7,224)	(12,040)
Business Rates Arrears	(359)	(538)	(897)
Business Rates Bad Debts Provision	129	193	322
Business Rates Backdated Appeals Provision	1,692	2539	4,231
Business Rates Advances	134	201	335
Disregarded Amounts - Renewable Energy	(4)	0	(4)
Transitional Protection Payments	85	0	85
Total	**(3,139)**	**(4,829)**	**(7,968)**

H. HOUSING REVENUE ACCOUNT INCOME & EXPENDITURE STATEMENT

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

Net Expenditure 2019/20		Net Expenditure 2020/21
£000		£000
	Expenditure	
7,950	Management & Maintenance	7,627
104	Rent, rates, taxes and other charges	154
2,832	Depreciation and impairment of Non-Current Assets	4,192
0	Revenue Expenditure Funded from Capital Under Statute	0
82	Movement in the allowance for bad debts	85
10,968	**Total Expenditure**	**12,058**
	Income	
14,924	Dwelling rents	14,825
457	Charges for services and facilities	409
15,381	**Total Income**	**15,234**
(4,413)	**Net Cost of HRA Services as included in the CIES**	**(3,176)**
106	HRA Share of Corporate and Democratic Core	67
(4,307)	**Net Cost of HRA Services**	**(3,109)**
	HRA share of operating income and expenditure included in the CIES	
(755)	(Gain) or loss on sale of HRA non-current assets	(583)
1,863	Interest payable and similar charges	1,768
138	Interest payable and similar charges - leases	108
(12)	Interest and investment income	(6)
0	Actuarial gains and losses on pension assets and liabilities	0
(3,073)	**(Surplus) or deficit for the year on HRA services**	**(1,822)**

H. HOUSING REVENUE ACCOUNT NOTES

Net Expenditure 2019/20		Net Expenditure 2020/21
£000		£000
(850)	Balance on the HRA at the end of the previous year	(850)
(3,073)	Surplus for the year on the HRA Income & Expenditure Account	(1,822)
3,435	Adjustments between accounting basis and funding basis under statute (Note 4)	2,170
362	Net (increase) or decrease before transfers to or from reserves	348
(362)	Transfers to or (from) reserves	(348)
0	(Increase) or decrease in year on the HRA	0
(850)	**Balance on the HRA at the end of the current year**	**(850)**

H. HOUSING REVENUE ACCOUNT NOTES

Housing Stock

a) At 31st March 2021, the Council was responsible for managing 3,603 units of accommodation these are summarised in the table below:

Type of Property	Number of Bedrooms				Total
	One	Two	Three	Four +	
Flats-Low Rise	720	455	3	0	1,178
Flats-Medium Rise	235	120	10	0	365
Houses	26	492	1,033	32	1,583
Bungalows	200	275	2	0	477
Total	**1,181**	**1,342**	**1,048**	**32**	**3,603**

b) The movement in Housing stock in 2020/21 can be summarised as follows:

	Stock at	Stock movements			Stock at
	01/04/2020	Sales	Transfers Out	Transfers In	31/03/21
Flats	1,546	(3)	0	0	1,543
Houses	1,602	(19)	0	0	1,583
Bungalows	477	0	0	0	477
Total	**3,625**	**(22)**	**0**	**0**	**3,603**

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

2019/20	Balance Sheet Value	2020/21
£000		£000
	Operational assets	
185,856	Dwellings	186,693
231	Other land and buildings	231
5	Infrastructure	5
186,092	**Total Operational assets**	**186,929**
0	**Non Operational assets**	0
0	**Intangible assets**	0
186,092	**Total**	**186,929**

H. HOUSING REVENUE ACCOUNT NOTES

Rent Arrears

During 2020/21 rent arrears as a proportion of gross rent income was 5.43%. This represents a slight increase of 0.80% since 2019/20 when the proportion was 4.63%. The figures for rent arrears / advances as at 31 March are detailed below:

2019/20		2020/21
£000		£000
705	Gross Rent Arrears	825
(180)	Prepayments of Rent	(185)
525	Net Rent Arrears	640
410	**Provision for bad debts**	**477**

Capital Expenditure, Financing and Receipts

a) A summary of Housing Revenue Account capital expenditure and how it was financed in 2020/21 and 2019/20 is shown below:

2019/20	HRA Capital expenditure and financing	2020/21
£000	**Expenditure**	£000
3,818	Dwellings	3,523
3,818	**Total Expenditure**	
	Financing	
2,691	Revenue Contribution to Capital	2,638
876	Capital Receipts	415
251	Borrowing	470
3,818	**Total Financing**	**3,523**

b) Housing capital receipts in 2020/21 and 2019/20 were as follows:

2019/20	Housing capital receipts	2020/21
£000		£000
2,668	Dwelling sales	1,842
2,668	**Total**	**1,842**

H. HOUSING REVENUE ACCOUNT NOTES

Depreciation and Impairment of Fixed Assets

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

2019/20	Depreciation	2020/21
£000		£000
	Operational assets	
2,591	Council dwellings	2,638
2,591	**Total Operational assets**	**2,638**

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

2019/20	Impairments / downward / (upward) revaluations	2020/21
£000		£000
	Operational assets	
241	Council dwellings	1,554
241	**Total Operational assets**	**1,554**

In 2020/21 £1,544m (2019/20 £0.241m) was charged to the HRA Income and Expenditure Statement to reflect downward valuations for Council dwellings. This has no impact on the HRA balance but increases the Net Worth of the Authority.

H. HOUSING REVENUE ACCOUNT NOTES

Major Repairs Reserve

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

Following the implementation of Self Financing MRR is calculated using depreciation as a proxy. Authorities were granted transitional arrangements for a period of five years (2012/13 to 2016/17) to allow time to move to depreciation being a real charge to the Housing Revenue Account. However, the transitional arrangements were only applicable where depreciation was greater than current levels of MRA, therefore requiring greater levels of capital investment in the Council's housing stock to that previously invested. The Council's level of capital investment was greater than depreciation therefore the transitional arrangements had no impact to the Council. In 2020/21 the amount used to finance capital expenditure was equal to the depreciation charged on council dwellings.

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 2020/21 and 2019/20 are detailed below:

2019/20	Major Repairs Reserve	2020/21
£000		£000
0	**Balance at 1st April**	**0**
2,591	Depreciation - Council dwellings	2,638
(2,591)	Amount used to finance capital expenditure	(2,638)
0	Transfer to Reserves	0
0	**Balance at 31st March**	**0**

Pension Costs

The difference between current service costs and actual payments in respect of IAS 19 (employee benefits) results in a debit to the Housing Revenue Account for 2020/21 of £241,400 and £561,200 in 2019/20.

Vacant Possession Value

The vacant possession value of dwellings within the HRA as at 1st April 2020 was £443.9m (1st April 2019, £441.7m). For the balance sheet, the figure has been reduced to 42% i.e. £186.8m (2019/20 £185.6m). This shows the economic cost to Government of providing Council housing at less than open market rents.

H. HOUSING REVENUE ACCOUNT NOTES

HRA Self Financing Transaction

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

During 2020/21, the Council paid interest of £1.6m to the PWLB. The balance on the self-financing loan at 31st March 2021 is £45.9m (2019/20 £49.4m) as disclosed in the Balance Sheet.

I. ANNUAL GOVERNANCE STATEMENT

Introduction

Following Local Government Reorganisation (LGR), Kettering Borough Council ceased to exist on 31 March 2021 when North Northamptonshire Council was formed. As the Annual Governance Statement reflects on the governance arrangements in place during the previous year (2020/21), this statement focuses only on the arrangements that were in place for Kettering Borough Council during this period and does not take into account North Northamptonshire Council's arrangements.

Any significant issues identified as part of this Annual Governance process will be incorporated into an Action Plan for implementation by North Northamptonshire Council (unless these have already been addressed or superseded), together with any issues identified by the other legacy councils of Corby, East Northamptonshire, Wellingborough and Northamptonshire County.

Statutory Requirements

This statement has been produced in accordance with the requirements of regulation 6(1)(a) and (b) of the Accounts and Audit Regulations 2015.

Scope of Responsibility

Kettering Borough Council (the Council) was responsible for ensuring that its business was conducted in accordance with the law and proper standards, and that public money was safeguarded and properly accounted for, used economically, efficiently and effectively. The Council also had a duty under Section 3(1) of the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions were exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council was responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which included arrangements for the management of risk. The Council's Annual Governance Statement has been prepared on behalf of the Responsible Finance Officer and reviewed by the Corporate Governance Group before being submitted to the Monitoring and Audit Committee. This formed our review of the effectiveness of the Governance Framework in place at the Council.

The Council operates an assurance framework which was consistent with the principles of the CIPFA/SOLACE *Delivering Good Governance in Local Government: Framework (2016)* and met the requirements of regulation 6(1)(a) and (b) of the Accounts and Audit Regulations 2015.

The Council's Corporate Governance Framework

The governance framework comprised the systems and processes, and culture and values, by which the Council was directed and controlled and its activities through which it accounted to, engaged with and led the community. It enabled the Council to monitor the achievement of its strategic objectives via appropriate, cost effective services.

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

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

There were seven key principles that underpinned the Council's corporate governance arrangements, these are detailed in sections A to G and each of these had a number of sub-principles.

I. ANNUAL GOVERNANCE STATEMENT

The Council's Local Code of Corporate Governance identified the actions and behaviours taken by the Council in relation to each of the core principles and associated sub-principles of the Annual Governance Statement. A copy of the local Code of Corporate Governance is attached as Annexe 1

A. Behaving with integrity demonstrating strong commitment to ethical values, and respecting the rule of law.

Following the implementation of the Local Government Act 2000, the Council introduced a model Constitution. The Constitution was last formally reviewed during 2007/08 and has since been updated in response to changes in legislation. The two latest amendments were reported to Council on 25th September 2019. The Constitution was subject to a further review in 2013/14 to take into account the changes introduced by the Localism Act 2011. It included all the necessary elements to promote good corporate governance, and good working arrangements between Officers and Members.

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

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

The Council had implemented the standards and provisions of the Localism Act 2011. The Member Code of Conduct was based on the Nolan Principles which set out the need for Members to register and declare their interests. A Register of Members' Interests and a Register of Gifts and Hospitality were maintained and can be viewed on the Council's website. The website also contains information on the Code of Conduct Complaints Procedure and the Corporate Complaints Procedure.

The Council maintained a Standards Advisory Committee including independent members although there was no statutory need to do so. This Committee monitored Members' compliance with the Code of Conduct and investigated complaints of misconduct, taking reports and advice from the Statutory Officers Group established under arrangements made under the Localism Act 2011 to deal with complaints against Members.

The Council adopted a confidential 'Whistle-Blowing' policy which formed part of the Constitution. The Council was committed to act with integrity and any wrongdoing by Members or staff was treated very seriously. There was also guidance available on notice boards to raise awareness.
The Council Constitution provided extensive guidance on the procedures for meetings, the conduct of meetings and the decision making process.

The Council was required by statute to have a Monitoring Officer, this role was undertaken by the Executive Director, who had a duty to report to the Council on any proposal or decision that may have been illegal, in breach of a code of practice, or likely to result in maladministration or injustice.

To ensure compliance with the Financial Regulations the Council was required to have a Chief Finance Officer in accordance with S151 of the Local Government Act 1972, that officer was the Head of Resources. The role was supported through a robust system of financial management.
The Council's financial management arrangements conformed to the governance requirements of CIPFA's '*Statement on the Role of the Chief Financial Officer in Local Government (2012).*
The Council prepared job descriptions and specifications for every post, and for senior officers these included references to any statutory duties.

I. ANNUAL GOVERNANCE STATEMENT

B. Ensuring openness and comprehensive stakeholder engagement

The Council promoted openness and engagement in a number of ways.
The Constitution explained the powers and duties that Kettering Borough Council had and how it exercised them. It also detailed how the Council worked, how decisions were made and the procedures that were followed to make sure that its decisions were efficient, open and accountable to local people.

Committee reports were set out in a standard format containing the information and professional advice in a logical sequence leading to the decision. The agendas and minutes of the meetings are still available to the public on the Council's website. The decisions of the Executive Committee also showed the reasons behind those decisions and, where applicable, any alternative options that had been considered.

The Council complied fully with the requirements of the Freedom of Information Act and the Publication Scheme, the details of which are shown on the Council's website.

The Council also complied with the Local Government Transparency Code 2015. This code was issued to meet the Government's desire to place more power into citizens' hands to increase democratic accountability and make it easier for local people to contribute to the local decision making process and help shape public services. This included data on expenditure exceeding £500, the Council's Assets, Land and Buildings and Grants to Voluntary, Community and Social Enterprise Organisations.

The Council's goals and values were set out in a number of documents such as the Sustainable Community Strategy, the Community Safety Partnership Plan, and the Corporate Plan, all of which are available on the website.

Council and Committee meetings were open to the public with agendas and minutes being publicly available on the Council's website. The Council also operated a public right to speak policy.
The Council annually produced a Council Tax Leaflet, and the final year's leaflet is available on its website. https://issuu.com/ketteringboroughcouncil/docs/booklet_2019_issuu?e=25969030/68114990

The Council was committed to ensuring that consultation and engagement was embedded into the way in which it operated.

Engagement with residents included the following:

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

The Council launched a new website in February 2018. The website was regularly updated highlighting the issues the Council wished to promote, introduce and enter into consultation on.
As a result of the budget pressures, partnership working became more important. Excellent arrangements were made with a wide range of partners, both within the Council and externally, to help make sure residents could access comprehensive and seamless services. Our partners included Northamptonshire

County Council, Northamptonshire Police, Fire and Crime Commissioner, Kettering General Hospital NHS Foundation Trust, HM Revenue and Customs and a range of voluntary sector organisations.

The Council Constitution provided Terms of Reference for Consultation and Partnership Forums.

The Council's formal budget consultation process commenced in mid-January when the Executive received the draft budget proposals. The draft budget proposals were then presented at the Council's annual budget consultation meeting and the scrutiny role was undertaken by both the Monitoring and Audit and Research and Development committees. There was also an opportunity for the Geographic Forums and Tenants Forum to comment on the budget proposals. Comments from this were reported back to the February Executive, who then made a formal recommendation to Full Council, where the budget and the Council Tax was set. The following is a link to the Budget Consultations.
https://www.kettering.gov.uk/meetings/committee/31/budgetcouncil_tax_consultation

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

Consultation was specifically aimed at ensuring services for local communities continued to reflect their current needs. The Council's decision making process ensured that when Members made decisions, they were aware of the community impacts of decisions through the consideration of professional officer advice. This involved working in partnership with local businesses, some of the initiatives included offering Job Fairs for employers, training providers and job seekers.
The Council achieved the Government Customer Service Excellence Standard for its Customer Services operation for 10 years up to 2019/20. There was a long history of delivering effective, customer focussed services through a wide range of access channels which included customer service centres in Kettering, the three major A6 towns, website, telephone response centre and email.

The Council had a well-established and robust system of dealing with complaints, as a Council we wanted to give the users of our services a fair, consistent and structured process to secure a remedy for failures in the delivery of our services. We wanted to learn from all complaints made to us. Therefore, we used the outcome of any complaint and any remedial action as a positive method of monitoring performance and improving our services.

The Council encouraged all members of the community to express their views. This was facilitated by having a number of pages on the Council's website where the public could submit suggestions on a range of issues.
The Council was committed to supporting the development of local businesses and young people in the community by providing the highest quality training, support and guidance. This was provided through our in-house training specialists, Kettering Training Services. It aimed to support apprenticeships and foundation learning programmes as a valid alternative to full-time education and to develop the skills of young people and encourage them to achieve their full potential to meet local employment opportunities.

C. Defining outcomes in terms of sustainable economic, social and environmental benefits

The Council's Policies and Strategies sought to take into consideration outcomes in terms of sustainable, economic and environmental benefits. Committee reports required the financial and customer implications to be considered.

The Council's Corporate Plan had three high level objectives which set out the strategic objectives the Council was delivering. To achieve our vision, we focussed on the three high level objectives of:

I. ANNUAL GOVERNANCE STATEMENT

a. Delivering Sustainable Growth
b. Delivering Stronger, Safer, Cleaner and Heathier Neighbourhoods
c. Providing Modern Public Services

The Council's Medium Term Financial Strategy was approved annually by Full Council at the same time Council Tax levels were set. The Executive at the September 2017 meeting considered and approved the rationalisation of the guiding principles from four sets to two distinct groupings, one that was referred to as the Council's financial 'golden rules' and one that was known as the Council's financial 'guiding principles'.

The 'guiding principles' were instrumental in helping the Council to deliver a balanced budget over the past ten years. The principles discouraged 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 Tenants Forum received and discussed a set of 'golden rules' and 'guiding principles' focussed on the Housing Revenue Account at the meeting on the 10th May 2018. These were then approved by the Executive at the May 2018 meeting.

The Council produces a number of Key Performance Indicators which were regularly updated on the website.
Each service area within their operational Service Plan clearly identified what they had delivered and sets out their aims and objectives for the coming year and how they linked to the delivery of the key themes.
The Service Plans also detailed how the outcomes would be achieved by specifying:

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

Service Plans were used to record and set out how the Corporate Objectives would be delivered.

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

In addition to individual service area monitoring, a Key Performance Information Booklet was produced and presented to Monitoring and Audit Committee on a quarterly basis. This provided Members with the opportunity to assess performance and scrutinise delivery against the council priorities, an example from 3rd February 2021 is available at:
https://www.kettering.gov.uk/meetings/committee/10/monitoring_and_audit_committee

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

D. Determining the interventions necessary to optimise the achievement of the intended outcomes.

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

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The decision making protocol set out in the Council's Constitution included references to consulting local people and organisations.

The Strategic Management Team supported all Councillors and provided advice to members on policy options and implications. The Council used a report format which ensured that all relevant issues were considered including the legal and resource implications.

The Council had an established cycle of meetings that enabled regular consideration and review of strategic and operational issues. In line with this there was a calendar for submitting reports to enable members and any other interested parties to have adequate time to read the reports prior to the meetings.

Councillors determined the Council's overall policies and approved the budget each year. These meetings were normally open to the public and provided local people with an opportunity to address the Council on matters under discussion.

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

The Council operated two scrutiny committees – a Research and Development Committee (which was essentially 'forward' looking) and Monitoring and Audit Committee (which was 'backward' looking) These were charged with challenging and assisting with policy formulation. The Scrutiny Committees could also appoint Task and Finish groups to support the scrutiny function. An example of this was the Kettering Town Centre Task and Finish Group which provided a joint business and Council group to better enable Kettering town centre to adapt and compete in the face of changing consumer and social trends.

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

The function and procedure rules for the scrutiny committees were included in the Council Constitution.

In addition there were regulatory committees including Planning and Licensing which took decisions on applications for planning permission and taxi and liquor licences respectively and the Standards Advisory Committee which considered complaints made against Councillors under the Code of Conduct and promotes and maintained high standards of conduct by Councillors.

The Members' role in monitoring service delivery was illustrated by the use of the Key Performance Information booklet, the allocation of portfolios to Executive Members based on the Council's functions and the consideration of external audit and internal audit reports by the Monitoring and Audit Committee.

Issues of capacity were addressed during the budget process and reviewed monthly as part of the budget monitoring process. All budgets were prepared in accordance with the Medium-Term Financial Strategy which was a continually evolving framework that took account of a large number of variables.

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.

The Council fully recognised the importance of partnerships as evidenced by the large number and varied type of partnership working into which it had entered. The joint working arrangements at the council included District Law, Shared Financial Systems, Joint Planning Unit, Joint Development Unit and Street

Scene. The partnership arrangements included Citizens Advice Bureau, Northamptonshire Police, Connexions, the NHS and the Kettering Futures Partnership.

The training needs of all staff relating to service specific or professional development requirements were identified through the Personal Review and Development Scheme and through Service Plans. The PRD scheme was reviewed during 2016/17 and the new scheme became operational from April 2017. Training was provided using the corporate training budget and specific training budgets held by Service areas.

The learning and development plan was developed to provide the following:

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

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

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

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

a. To identify and maximise potential within the organisation, offering opportunities for learning and development through temporary assignments, projects and secondments.

b. To provide support for performance improvement and management.

c. Develop skills and experience in the local community through work opportunities for apprenticeships, internships volunteering and work experience.

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

There were protocols for the relationships between Members and staff contained within the Council's Constitution. In addition SMT and the Leader of the Council met on a regular basis.

At Member level, the Member Development Group comprised five Councillors representing all political parties assesses and guided the training requirements of Members. Induction training, regular Member information sessions, training for committee chairs, and external training was provided. In addition the Council was re-accredited with the Member Development Charter in November 2014 for its Member training and development arrangements.

The Member Development Group did not seek re-accreditation owing to local government reorganisation

A Member development review was undertaken on an annual basis and a skills audit undertaken to determine the member training plan. Member Information Sessions were scheduled on a regular basis to provide members with information and updates on changes in legislation and policy.

The Council had a number of stakeholder based forums that met on a regular basis, and these were organised on a geographical basis. The Tenants forum actively encouraged the participation of council tenants. Public consultations were undertaken on an ad hoc basis.

The Council achieved Investors in People re-accreditation in 2019 and ensured that human resources policies supported staff.

Health and Wellbeing was promoted within the Council with monthly health checks being offered to all staff.

F. Managing risks and performance through robust internal control and strong public financial management

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The Council recognised the importance of regularly reviewing both the Risk Management Policy and the Strategy statements to ensure the Council's approach to risk was robust and up to date. A full review of the Council's risk management procedure was undertaken every two years. The last full review was approved by Monitoring and Audit Committee in November 2018. An interim review was reported to Monitoring and Audit Committee in July 2019. This considered the specific risks inherent in local government reform. Risk Management was an inherent element of the Council's Key Performance Information booklet that was presented to the Monitoring and Audit Committee on a quarterly basis.

The Council's Risk Management Policy Statement stated that risk management was an essential part of the day to day management culture of the organisation in relation to how the business operates and makes decisions.

The stated aims of the Risk Management Policy, as set out in the Statement, is that the Council had appropriate systems in place to help identify, evaluate and make a conscious choice about how to deal with the business risks that it faces.

In the Council's Risk Management Strategy the overall responsibility for managing risk lay with the Council's Strategic Management Team (SMT). Responsibility for individual risks rested with the Heads of Service or their designated officers, with the Head of Resources co-ordinating this process.
The management of strategic risk was a critical factor in the successful delivery of services, use of resources and decision making. It underpinned good corporate governance and assisted management in fulfilling their corporate responsibilities.

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

The Corporate Management Team (CMT) and SMT met regularly to develop policies that were in line with the Council's aims and priorities including the progress of key council projects and considered internal control issues such as performance management, risk management and efficiency.

CMT and SMT met regularly to develop policies that were in line with the Council's aims and priorities. They also monitored the progress of key council projects and considered internal control issues such as performance management, risk management and efficiency. Minimising the risks of partnership working was a specific risk in the Council's Strategic Risk Register.

The principles of consistency between the specification stage and post implementation reporting were set out in the Council's Financial Regulations and in various financial guidance, such as budget information, produced from time to time as appropriate.

There was a risk matrix included within the Risk Management Strategy for assessing both strategic and operational risks. The internal audit plan was aligned to this strategy, highlighting specific areas of risk which were reported to members during the course of the year.

The Monitoring and Audit Committee fulfilled the role of monitoring risk management and internal control. This Committee reviewed and approved the Risk Management Strategy and Policy annually.
Each year the Internal Audit Service produced a report summarising the work they had carried out in the year and provided an overall opinion on the level of internal control based on the work they had undertaken.

The Medium Term Financial Strategy and the annual budget process provided the framework within which financial performance could be monitored. Operational performance was measured both by key performance indicators and by budget monitoring.

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G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

The Council communicated with the public and other stakeholders in an understandable style.

On the Council's intranet there was a Brand Guidelines section for staff. This included among other things guidance on language and communication.

The annual Statement of Accounts reported primarily on the stewardship of resources and included a narrative report which provided commentary on performance and value for money, on which the external auditors provided an opinion.

The Statement of Accounts was submitted annually to the Monitoring and Audit Committee for approval.

The Annual Governance Statement evidenced the way in which the principles of good governance had been applied.

The format complied with the requirements of the CIPFA *Code of Practice on Local Authority Accounting* and the associated guidance notes.

The Council provided a full response to issues raised by internal and external audit, and these were reported to the Monitoring and Audit Committee.

The External Audit Annual Report was presented to the Monitoring and Audit Committee and highlighted any action taken in response to issues raised.

The Council complied with CIPFA's *Statement on the Role of the Head of Internal Audit.*

The Council's Internal Audit service was provided by Coventry and Warwickshire Audit Services (CWAS). Internal audit looked at how the Council managed its risks. It provided the Strategic Management Team and members with information about whether risks had been identified, and how well they were being managed. Much of Internal Audit's work was focused on reputational, operational and strategic risks. It also gave an independent opinion on whether internal controls, such as policies and procedures that were in place to manage these risks, were working as intended.

Review of Effectiveness

Kettering Borough Council had responsibility for conducting, at least annually, a risk-based review of the effectiveness of its governance framework including the system of internal control. The review of the effectiveness was informed by the work of the internal auditors and the management team within the Council. The management team had responsibility for the development and maintenance of the governance environment, for considering comments made by the external auditors, and for implementing improvements following the annual reviews.

The Council was responsible for ensuring that financial management was adequate and effective and that there was a sound system of internal control that was regularly reviewed. As such, it agreed the Corporate Objectives and the Financial Strategy - these formed an integral part of the Council's Corporate and Service Planning Process (and effectively the backbone for the Council's performance management arrangements).CWAS provided an internal audit service to the Council and gave assurance to management on the adequacy of system controls and where necessary recommendations for improvement.

CWAS assessed the Council's system of internal control and provided an opinion on the overall adequacy and effectiveness of the Council's internal control environment. This report was presented to the May

meeting of Monitoring and Audit Committee. This is likely to be delayed for the 2019/20 Opinion. In 2018/19 The Head of Internal Audit's opinion was that significant assurance could be given and that there was generally a sound system of internal control, designed to meet the organisation's objectives and that controls were generally applied consistently. The work undertaken did not highlight any significant weaknesses in relation to control issues.

CWAS have been responsible for delivering the internal audit service since April 2012. The internal audit contract from April 2017 was subject to a procurement process, following this process CWAS were awarded the contract for a three year period and the Council exercised the option to extend for a further year.

An audit report was produced following each completed audit and discussed with the appropriate level of Management within the Council. Every report contained a Management Implementation Plan that detailed the recommendations made for each audit finding, the priority, manager responsible and agreed implementation date. Internal audit also assessed the effectiveness of the controls that were in place for key systems and reported these to the Monitoring and Audit Committee via the Key Performance Information booklet. The Internal Audit plan for 2019/20 was delivered in full.

CIPFA issued a Financial Management Code on October 2019. The Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. For the first time the Code sets out the standards of financial management for local authorities. Local authorities are required to apply the requirements of this Code with effect from 1st April 2020.

Six principles of good financial management have been developed by CIPFA. These principles are the benchmarks against which all financial management should be judged. CIPFA's view is that all financial management practices should comply with these principles.
To enable authorities to test their conformity with the CIPFA Statement of Principles of Good Financial Management, the Code translates these principles into financial management standards. These financial management standards will have different practical applications according to the different circumstances of each authority and their use should therefore reflect this. The principle of proportionality is embedded within the code and reflects a non-prescriptive approach.

The Council's Constitution clearly defined the roles and responsibilities of the Managing Director (as Head of Paid Service), the Executive Director (Monitoring Officer) and the statutory Responsible Finance Officer.

We have been advised on the implications of the result of the review of effectiveness of the governance framework by the Monitoring and Audit Committee, and that arrangements continued to be regarded as fit for purpose in accordance with the governance framework.
The following table outlines the key elements and roles within the overall assurance framework;

KEY ROLES & RESPONSIBILITIES

Body:	**Comments:**
Internal Audit (via CWAS)	Has an annual audit plan that was constructed using a 'risk based' approach to help the Council's statutory finance Officer discharge their duties. Audit reports contained 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 were then followed up to ensure agreed action has been taken.
External Audit	Undertook an annual review based upon the agreed audit plan for the year (to meet statutory requirements). The resultant Annual Audit Letter identified any areas of internal control that required action together with identifying any continuing trends from the previous year. • Provided an audit opinion on the Council's Accounts. • Provided a report on the certification of grants and returns. • Provided a Financial Statement Audit Plan. • Provided an Opinion on Value for Money

KEY ROLES & RESPONSIBILITIES

Body:	**Comments:**
Management Team:	
Strategic Management Team	Reviewed and advised the Council on issues of strategy and policy and also received weekly reports (on a rolling basis) of performance information (including financial information) from each Service Unit in the form of a 'performance clinic'. Received high-level key budgetary control statements every month prior to being submitted to Committee. Preparation and presentation of committee reports to Members. Collectively reviewed 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.
Corporate Management Team	Responsible for the updating and ongoing monitoring of Service Plans together with the links to Corporate Priorities.
Statutory Officers:	
Head of Paid Service	The Council's Managing Director was the Council's Statutory Head of Paid Service.
Monitoring Officer	The Executive Director acted as the Council's Monitoring Officer. The key role of this post was to ensure that the Council always acted within the law and took reasonable measures to properly protect itself from possible litigation issues.
Responsible Finance Officer	In accordance with s151 of the Local Government Act 1972 the Council was required

	to have a qualified accountant to be the Council's 'Responsible Financial Officer'. The Head of Resources was the Council's s151 officer who was responsible for the overall financial affairs of the Council.
Committee / Member Arrangements:	
Full Council	Had 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	Received 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	Received monitoring information on the work of internal and external audit (and any significant issues), Key performance information (incl. financial), the Annual Audit Letter, and the Audit Plan.
Standards Advisory Committee	Oversight of issues such as the Members' Code of Conduct 'whistle blowing policy', Member and Officer protocols and Conduct.
Research & Development Committee	Performed an overview and scrutiny role in relation to the Council's annual budget, medium term financial strategy, planning policies, community plan, housing improvement plan and crime and disorder reduction strategy.

The Challenges of the Coronavirus Emergency

The Annual Governance Statement assesses the governance in place during 2020/21. The conclusion as to whether the Council's governance arrangements were fit for purpose reflects the exceptional circumstances under which the Council has been operating during that year.
The impact of the pandemic on governance falls into the following five categories:
• Impact on business as usual in the delivery of services.
• New areas of activity as part of the national response to Covid-19 and any governance issues arising.
• The funding and logistical consequences of delivering the local government response.
• Assessment of the longer- term disruption and consequences arising from the Covid-19 pandemic.
• Impact on the sources of assurance.

I. ANNUAL GOVERNANCE STATEMENT

a) Delivery of Services:

The Council had made arrangements for home working prior to the announcement of lockdown on the 23rd March 2020 as part of its business contingency planning which enabled the Council to continue to maintain service delivery where possible. However, social distancing rules meant that leisure, community and recreational facilities have operated only sporadically during the year in accordance with Government Guidelines and some other services, such as cemeteries and the crematorium, have operated on a more restricted basis consistent with the safety of staff and customers. All services have been subject to a review of working practices. Wherever possible this meant staff working from home and where this was an option the Council provided guidance to ensure that there was adherence to the same level of office-based data protection procedures and principles wherever staff were working.

Where working from home was not feasible the Council ensured that all offices and other workplaces were adapted to a Covid-safe environment. That personal protective equipment was provided and that risk assessments were undertaken, and method statements prepared. Protocols for staff interactions with customers and residents were introduced to try and minimise and disruption of services to the public.

All Council meetings in the year were held remotely and the Annual Council meeting was delayed until 9th September 2020. All local by-elections and other polls were postponed until 6th May 2021. This included the elections for the new North Northamptonshire Council.

b) New Areas of Activity:

As well as continuing to provide existing services the Council also engaged in new areas of activity such as:

• Setting up a community resilience hub to get food and support to those vulnerable groups in urgent need.
• Getting all the rough sleepers in the Borough into self-contained accommodation.
• Amended business rates bills for those awarded extra discounts by the government.
• Distribution of grants to businesses that have been protected by the government due to the pandemic. The Secretary of State for Local Government specifically named Kettering Borough Council for their excellent performance in getting these payments out to local businesses promptly as Government had requested.
• Setting up an ICT solution so that people could work safely from home, transforming the way we delivered services.
• Working alongside other local councils as part of the Northants Together Campaign which helped share local information and advice about Covid-19.

- Providing communications and advice to the local community and businesses and providing signage in the town centre.
- Setting up Covid testing and vaccinations centres.

c) Funding and Logistical Consequences:

The Government provided financial support nationally for local authorities in England in the following form:

- Expenditure Pressures Grant
- Local Council Tax Support Grant
- Local Tax Income Guarantee
- Sales, Fees and Charges Scheme

The Government also deferred payment of £2.6bn of the central share of business rates for three months up to July 2020.

In order to expedite the procurement of goods and services during the emergency the Government issued Procurement Policy Note 1/20. This enabled authorities to enter contracts without competing or advertising the requirement provided they met the following conditions:

• There were genuine reasons for extreme urgency
• The events that led to the need for extreme urgency were unforeseeable
• It was impossible to comply with the usual timescales in the Public Contracts Regulations 2015

• The situation was not attributable to the contracting authority

Contracting authorities were obliged to keep a written justification that satisfied these tests. The Council amended its own procurement processes to align with the Government directions.

The Government has provided additional funding, delayed the payment of business rates and temporarily relaxed some of the procurement rules which will all helped the situation in 2020/21. The country is likely to experience a severe economic downturn, the extent and duration of which cannot be predicted. The impact on local authorities is difficult to quantify, but impacted on the Council in the following ways:
• Retained business rates were lower than forecast because of business failures. There is no guarantee that the Government will continue to support any prolongation of increased relief.
• The level of locally administered Council Tax Support increased because of rising unemployment, which has had a detrimental effect on the tax base, which has in turn impacted on the 2021/22 budget for North Northamptonshire.
• There have been additional expenditure pressures on services such as homelessness and waste.
• There has been a reduction in income streams such as Planning and Building Control as a result of a contraction in the construction industry. Car parking charges were suspended leading to a significant drop in revenue.

d) Assessment of Longer Term Consequences:
The full extent of the impact will not be known for many months and will depend on the length of time the country remains in lockdown during 2021/22 together with the exit strategy that the government then applies.

The Council's Medium Term Financial Strategy was based on assumptions about continuing growth in the local economy and therefore in the local tax base. Contraction of this has put
additional pressure on the North Northamptonshire's Medium Term Financial Strategy together with additional expenditure and income pressures brought about from the pandemic. North Northamptonshire's Medium-Term Financial Strategy will continue to be updated to reflect the latest assumptions.

e) Impact on the Sources of Assurance;
Although the operation of the sources of assurance of the effectiveness of the governance arrangements in 2020/21 (internal and external audit) has been affected by the pandemic, this has not resulted in any changes to their opinion compared with previous years.

I. ANNUAL GOVERNANCE STATEMENT

Action Plan

The 2019/20 Annual Governance Statement highlighted the following governance issues to be addressed during 2020/21:

Action	Response
Ensuring immediate and effective service delivery for residents of North Northamptonshire.	The Future Northants programme has ensured that a coherent, comprehensive and well-documented programme plan is in place. This includes a clear governance structure with effective reporting arrangements and a critical path focusing on delivery of the "safe and legal" objective. Day One requirements have been defined. At the same time there has been a desire to progress transformation and implementing this wherever possible (Day One "plus"). This will ensure we successfully meet the Structural Changes Order legal deadline.
Responsive behaviour to the Local Government Review seeking to deliver legacy projects.	Kettering Borough Council's 2020/21 capital programme was approved on the basis that projects were undertaken if they were relevant to the future requirements of the new unitary authority.
Addressing any issues highlighted by external audit	The Council's external auditors made an interim report to Monitoring and Audit Committee on 25th November 2020. In this they reported that they had not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in the financial statement. They had no matters to report about arrangements to secure economy efficiency and effectiveness in the use of resources. The auditors also considered whether circumstances arising from Covid-19 resulted in a change to the overall control environment of effectiveness of internal controls, for example due to significant staff absence or limitations as a result of working remotely. They did not identify any issues which needed to be brought to the attention of the Council. Finally, they reported that they have reviewed the latest version of the Annual Governance Statement (2019/20) and can confirm it is consistent with other information presented to them and they therefore have no matters to report.
The impact of Coronavirus on budgets and service delivery	The Council provided regular updates to the Exectue Committee and presented a report to Monitoring and Audit Committee on 3rd February 2021. The Monitoring and Audit Committee

	received details of changes to service delivery including : • Customer service centres • Parks, open spaces, play areas, • Community centres • Museum, gallery and leisure facilities • Car parks • Crematorium and burial service Details on how the Council were supporting local businesses and local people, how this support was be communicated. The presentation covered how the Council ensured it was able to continue to function properly, including: • Enabling staff to work from home • Covid- safe offices and workplaces • PPE, risk assessments and method statements • Protocols for staff interactions with customers and residents • Testing and vaccinations

Conclusion

On the evidence presented in the section on the Review of Effectiveness the Council believed that its' governance arrangements continued to be regarded as fit for purpose in accordance with the governance framework, a conclusion supported by the work of the external auditors (see above). The Council developed new ways of working to ensure that the governance arrangements were not adversely affected by the Covid-19 pandemic. This conclusion was supported by the findings of both internal and external audit

Summary of Governance Issues
The Council was aware that there were a number of challenges that it faced up to 31st March 2021 and that appropriate arrangements were in place to ensure its business was conducted according to expected standards.

The challenges for 2021/22 include:

- Ensuring that North Northamptonshire Council is fully compliant with the CIPFA Financial Management Code.
- Ensuring that North Northamptonshire Council continues to maintain the high standards of governance achieved by the constituent authorities.
- Ensuring that North Northamptonshire Council meets any enhanced governance arrangements in respect of proposed changes to the CIPFA Treasury Management Code of Practice

These will form part of an action plan for North Northamptonshire Council.

Name	Position	Signature	Date
Janice Gotts	Executive Director of Finance		July 2021

Cllr Andrew Weatherill

I. ANNUAL GOVERNANCE STATEMENT

ANNUAL CORPORATE GOVERNANCE STATEMENT 2020/21 – ANNEX 1

KETTERING BOROUGH COUNCIL
LOCAL CODE OF CORPORATE GOVERNANCE

Introduction

Kettering Borough Council is committed to demonstrating that it has the necessary corporate governance arrangements in place to perform effectively, and has developed this Local Code of Corporate Governance to reflect the latest guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) entitled "Delivering Good Governance in Local Government (2016)".

What do we mean by Governance?

Governance is about how Kettering Borough Council ensures that it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner.

It comprises of the systems and processes, and cultures and values, by which the Council operates, and by which it engages with, and is held accountable to its communities and stakeholders.

The Corporate Governance Framework consists of seven core principles, each supported by sub-principles that should underpin the governance framework of a local authority:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
- Ensuring openness and comprehensive stakeholder engagement;
- Defining outcomes in terms of sustainable economic, social, and environmental benefits;
- Determining the interventions necessary to optimise the achievement of intended outcomes;
- Developing the Council's capacity, including the capability of its leadership and individuals within it;
- Managing risks and performance through robust internal control and strong public financial management;

- Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

Benefits of a Code of Corporate Governance

The documents and arrangements set out within this code demonstrate that the Council continually seeks to ensure it remains well governed and that to deliver good governance the Council must seek to achieve its objectives whilst acting in the public interest at all times.

The Corporate Governance Group is responsible for ensuring that the Code is reviewed annually as part of the preparation for the Annual Governance Statement.

How KBC meets the principles of good corporate governance

This section sets out how KBC works to the seven principles of good corporate governance.

I. ANNUAL GOVERNANCE STATEMENT

Principle 1: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

Principle 1:	To achieve this, the Council will:	Examples of Evidence of systems, processes and documentation demonstrating compliance
• Behaving with integrity • Demonstrating strong commitment to ethical values • Respecting the Rule of Law	• Publish an Annual Governance Statement which reviews the effectiveness of the Council's governance framework • Maintain the established Corporate Governance Group (CGG) with responsibility for monitoring this framework and all governance matters • Maintain values which underpin an ethos of good governance • Comply with legislation and all relevant professional standards • Maintain formal codes of conduct defining standards of behavior expected of Officers and Members • Publicise Gifts & Hospitality guidelines • Maintain a framework which addresses the risks of fraud and corruption including an Anti-Fraud & Corruption Policy and a Whistleblowing Policy • Maintain effective systems to protect the rights of staff, including whistleblowing policies which are accessible and regularly communicated • Maintain a register of interests and seek declarations to be made at the start of Council meetings • Maintain arrangements to investigate complaints against Members and officers, including alleged misconduct	• Annual Governance Statement • Statement of Accounts • Constitution (including Financial Procedure and Contract Procedure Rules) • Members Code of Conduct • Officer Code of Conduct • Decision making process & minutes of meetings • Declaration of interest at meetings • Register of Interests regularly updated and available on line • Register of Gifts and Hospitality for Members and Officers • Whistle Blowing Policy • Anti – Fraud and Corruption Policy • Member and Officer Induction processes • Standards Advisory Committee • Member development programme • Statutory Officer appointed • Legal advice recorded in Committee reports • Staff recruitment policies • Job- descriptions • Equality Impact Assessments • Officer performance appraisal • Customer Service standards

I. ANNUAL GOVERNANCE STATEMENT

Principle 2: Ensuring openness and comprehensive stakeholder engagement.

Principle 2:	To achieve this, the Council will:	Examples of evidence:
• Openness • Engaging comprehensively with stakeholders • Engaging stakeholders effectively, including individual citizens and service users	• Seek the views of stakeholders and respond appropriately • Provide a variety of opportunities for the public to engage effectively with the Council including rights to information, participation and how to complain or comment • Ensure Council meetings are accessible to the public • Publish agendas, minutes, report packs and a calendar for a full year for Council meetings on modern.gov and a formal notice of each meeting will be displayed at the Council offices • Publish relevant information regarding Council services and projects on the Council's website to ensure it is easily accessible to the community.	• Constitution • Decision making processes • Modern.gov (committee management system) • Scrutiny Committees • Geographic Forums, East Kettering Forum, Tenants Forum, Local Strategic Partnership, Kettering Futures Partnership • Council website, regularly updated • Compliance with the Transparency Code • Consultations • Public speaking in council meetings • Partnership working • Customer Service Excellence • Complaints and feedback process • Social media

I. ANNUAL GOVERNANCE STATEMENT

Principle 3: Defining outcomes in terms of sustainable economic, social, and environmental benefits

Principle 3:	To achieve this, the Council will:	Examples of evidence:
• Defining outcomes • Sustainable economic, social & environmental benefits	• Make a clear statement of the Council's purpose and vision and use it as a basis for all corporate and service planning • Publish on the Council's website the various reports to communicate the Council's activities and achievements including its financial position and performance • Prioritise resources to deal with completing demands and consider the impact of decisions in the Medium Term Financial Strategy • Identify and manage risks to the achievement of outcomes • Ensure an up to date Local Development Plan is adopted to guide sustainable development and deliver environment, social and economic growth.	• Committee reports • Forward Plan • Strategic Plan • Medium Term Financial Plan • Capital Programme • Risk Register/Risk Management Framework • Local development plan • Service plans • Corporate plan

I. ANNUAL GOVERNANCE STATEMENT

Principle 4: Determining Interventions, planning interventions and optimising achievements of intended outcomes

Principle 4:	To achieve this, the Council will:	Examples of evidence:
• Determining Interventions • Planning interventions • Optimising achievements of intended outcomes	• Make a clear statement of the Council's purposes and aims and use this as a basis for corporate and service planning • Regularly report on key performance indicators (KPIs) which have been established for each service • Ensure budgets are prepared in accordance with organisational objectives and regularly reported upon • Provide senior managers and members with timely financial and performance information • Ensure there is a sound risk management framework to support the achievement of the Council's intended outcomes • Have robust contingency arrangements in place for business continuity and disaster recovery	• Budget consultations • Other consultations • Stakeholder engagement • Performance Management Framework • Risk Management Framework • Medium Term Financial Strategy • Corporate Governance Group • Regular financial and performance to scrutiny and Executive • Business Continuity Plans • Scrutiny challenge of Executive decisions • Corporate Priorities Document • Service Delivery Plans • Safeguarding Policy • Treating People Fairly Strategy

I. ANNUAL GOVERNANCE STATEMENT

Principle 5: Developing the Council's capacity, including the capability of its leadership and individuals within it.

Principle 5:	To achieve this, the Council will:	Examples of evidence:
• Developing the entity's capacity • Developing the capability of the Council's leadership	• Set out a clear statement of the respective roles of members and officers • Set out a protocol to address the working relationship between officers and members • Maintain an effective workforce plan to enhance the strategic allocation of resources • Maintain officer and member induction programmes • Assess the skills required by officers through the Performance Development Review (PDR) process and address any training gaps to enable roles to be carried out effectively • Develop the capabilities of members through member training • Regularly review the scheme of delegation and Constitution and update when required • Ensure arrangements are in place to encourage public participation • Ensure arrangements are in place to maintain the health and wellbeing of the workforce • Regularly brief all members • Working through effective partnerships	• Constitution • Member induction and training programme • Member Personal Review and Development Plans • Briefings and workshops delivered to all members or political groups • Member/officer protocol • Employee induction process • Employee Annual Performance, Review and Development process • Corporate Training budgets • Induction and management training • Professionally qualified staff • Corporate Management Team development days • Team meetings • Core Brief

I. ANNUAL GOVERNANCE STATEMENT

Principle 6: Managing Risks and performance through robust internal control and strong public financial management

Principle 6:	To achieve this the Council will:	Examples of evidence:
• Managing Risk • Managing performance • Robust internal control • Managing data • Strong public financial management	• Maintain an effective Monitoring & Audit Committee independent of Executive functions • Maintain an effective Scrutiny function • Ensure robust and integrated risk management arrangements are in place and responsibilities for managing individual risks are clearly allocated • Manage performance by ensuring the Performance Management Framework is adhered to • Ensure publication of agendas and minutes are published promptly • Maintain regular programme of member training • Maintain sound financial procedure rules to ensure consistency and clear financial protocols • Maintain a transparent complaints and feedback procedure • Maintain a risk based programme of internal audits which are informed by the Council's risk registers • Individual audits take account of service/ project risks with each report providing an assurance opinion on how risks are being managed	• Risk register • Risk management strategy • Monitoring • Constitution • Financial procedure rules • Financial management systems • Regular financial and performance reporting • Safeguarding Policy • Scheme of delegations • Performance Management clinics & framework • Monitoring & Audit Committee • Research & Development Committee • Standards Assessment Committee • Statutory officers • Corporate and service risk registers • Monthly Performance Clinics at SMT • Modern.gov

I. ANNUAL GOVERNANCE STATEMENT

Principle 6:	To achieve this the Council will:	Examples of evidence:
	• Ensure effective anti-fraud and corruption arrangements are in place • Ensure effective information governance arrangements are in place to support compliance with data protection legislation • Ensure financial management supports decision making and provides sufficient information to support the delivery of the Council's objectives	• Constitution (including financial rules) • Regular training • Complaints & customer feedback procedure • Internal Audit Charter • Anti-fraud and corruption strategy • Annual Governance Statement • IT security policy • Social media policy • Internal Audit plans

I. ANNUAL GOVERNANCE STATEMENT

Principle 7: Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

Principle 7:	To achieve this the Council will:	Examples of evidence:
• Implementing good practice in transparency • Implementing good practice in reporting • Assurance and effective accountability	• Maintain compliance with the local government transparency code and publish all required information in a timely manner • Maintain effective and accessible arrangements for dealing with complaints • Maintain an effective scrutiny function which encourages constructive challenge • Maintain an effective audit function • Publish all Council reports on the website (eventually through modern.gov) unless there is a statutory reason not to do so • Maintain and regularly communicate whistleblowing policies • Corporate Governance Group meets regularly and monitors compliance with the Governance Framework • Produce regular finance and budget monitoring reports for members reporting on performance, value for money and stewardship of resources • Produce regular budget manager reports to ensure senior managers own the results.	• Council meetings are open to the public except where, for legal reasons, matters are discussed in private as exempt items or are confidential meetings • Agendas, reports and minutes published on council website and Forward Plan • Publication of decisions • Annual Statement of Accounts • Annual governance statement • Website information • Scrutiny committees • Complaints and customer feedback policies • Modern.gov • Whistleblowing policy • Performance Management • Members' remuneration panel • Risk Management Strategy Policy

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.

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

Amortised Cost
The amount at which the financial asset or financial liability is measured being initial recognition minus principal repayments or charges such as depreciation or amortisation.

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

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

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

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

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

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

J. GLOSSARY OF TERMS

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

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

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

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

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

Chartered Institute of Public Finance and Accountancy (CIPFA)
Professional accountancy body specialising in the public sector.

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

Contingent Liabilities / Assets
A contingent liability / asset is either:

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

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

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

J. GLOSSARY OF TERMS

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.

Derivatives
A contract or financial instrument that's value is reliant on the price or rate of an underlying item.

Embedded Derivative
A derivative that is embedded within another contract.

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

Equity Instruments
Any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Expected Credit Loss model
The IFRS9 impairment model requires impairment allowances for all exposures from the time a loan is originated, based on the deterioration of credit risk since initial recognition.

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

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

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

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

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

J. GLOSSARY OF TERMS

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

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

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

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

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

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

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

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

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

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

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

Minimum Revenue Provision (MRP)
The minimum amount which must be charged to a Council's revenue account each year.

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

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

J. GLOSSARY OF TERMS

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.

Quoted Securities
Investment instrument (such as stock/shares, bonds) that is officially listed (quoted) on a stock exchange for public trading.

Rateable Value (RV)
The annual assumed rental value of a property that is used for business purposes.

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

Related Parties
The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council.

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

Revenue Funded from Capital under Statute (REFCUS)
Expenditure which may be properly incurred but does not result in the acquisition of an asset.

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

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

Revenue Support Grant (RSG)
Grant from Central Government towards the cost of service provision.

J. GLOSSARY OF TERMS

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

Unitised securities
A unitised fund is a type of fund structure that uses pooled funds to invest - with individually reported unit values for investors. Assets are managed as a pool and investors are provided with a unitised value for their portion of the investment.

Unquoted securities
Unquoted securities are shares or debentures which are not traded in the stock market or for which no price is regularly quoted.

Borough Council of Wellingborough

Making Wellingborough a place to be proud of

Statement of Accounts for the Borough Council of Wellingborough 2020/21

DRAFT

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A Narrative report by the section 151 officer

I am pleased to introduce you to the Borough Council of Wellingborough's 2020/21 Statement of Accounts, which demonstrates how the council has continued to manage its resources effectively in an ongoing environment of financial constraint, producing a significantly better outturn position than the budget that was set in February 2020 thus improving the council's financial sustainability for 2021/22 and beyond.

Any consideration at this time of the council's finances, its risks and opportunities, strategy and objectives, are inevitably overshadowed by two things. The first being the ongoing Covid 19 situation and how local government, public health and other partners working with central government have responded to this to support the local communities through this difficult period and working with local businesses, residents, communities and the voluntary sector on the recovery phase which is likely to take considerable time to get back to a pre-Covid position for everyone affected. The financial consequences of this are still evolving and collaboration between local and central government is key to ensure any shortfall between additional Covid expenditure and funding received is not significant. This is being constantly monitored alongside the required council support and will be reported through the council's relevant committee meetings.

The second area is the approval by the Secretary of State of the reorganisation of local government in Northamptonshire on 14 May 2019 to create two new unitary councils for North and West Northamptonshire. This means that the Borough Council of Wellingborough will cease to exist as a sovereign entity on 31 March 2021 and the new North Northamptonshire Unitary Council will take effect from 1 April 2021. The new authority will deliver all of the services currently provided to residents of Wellingborough, Corby, East Northamptonshire and Kettering as previously provided by these councils and Northamptonshire County Council.

The extended vesting day of 1 April 2021 provided a real opportunity to deliver some significant member priorities and capital investments across the town and the borough and to better support the residents and businesses of Wellingborough until March 2021.

The council is playing a key role in an exciting journey to deliver not only a safe and legal new unitary council but a more efficient one, transforming the way of delivering the key frontline services our residents expect at the quality they expect ensuring our pride objectives are engrained and putting the residents first and foremost.

This does not detract from what has been achieved in the borough during the year. Key achievements include:

- reducing homelessness numbers
- approving the Local Plan
- progressing significant developments across the borough to increase the housing capacity and provide affordable homes
- significant investment in the town centre and the borough and enhancing the public realm
- enhancing the leisure offering for residents.

The Code on which this Statement is based requires that, even when arrangements for local government reorganisations are actually in place, councils will still prepare their accounts on the basis that the organisation remains a 'going concern' (see Note 3 on page 48), reflecting the continuity within the structural changes. The rest of this Report, and the Statement of Accounts of which it forms an integral part, have been prepared on this basis.

As the Section 151 Officer I have the responsibility to ensure the accounts are provided in line with the statutory deadlines and are accurate, representing a true and fair financial position for the council. The accounts contain a large amount of financial information which we have tried to keep in a simple understandable format. The accounts aim to provide the reader with the assurance that the council is managing the large amount of public money it is entrusted with carefully and ensures it delivers value for money.

The council set a net budget for 2020/21 of £9.515m with an increase to the average Band D council tax of £5.00. It was not expected that use of reserves would be required. The government's contribution to the council's finances in the form of revenue support grant has been eliminated over the recent years and is set to reduce to zero.

In 2020/21 the revenue budget delivered an overall saving against the revised budget of £0.787m, but we still needed to use £0.189m of our reserves to meet the full cost of services. This need to draw money from balances has been removed from the current budget despite government funding reductions and the council's ongoing inflationary and other pressures. A fundamental objective for the council in setting its 2020/21 budget is to meet these financial challenges whilst continuing to maintain and enhance, where possible, the levels of services delivered to its residents, businesses and other stakeholders, using a combination of savings looking at future service delivery, including the potential to work more collaboratively with neighbouring public sector bodies in readiness for the new unitary council.

As the financial statements demonstrate, the financial standing of the council continues to be robust in the current year. We have established good financial management disciplines, processes and procedures and, recognising that we operate in an environment of continuous change, we will pursue our drive for on-going improvement and excellence evidencing the value for money the council tax payers receive from the council's delivered services.

The Statement of Accounts has been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA). It therefore aims to provide information so that members of the public, including electors and residents of Wellingborough, council members, partners, stakeholders and other interested parties can:

- understand the overarching financial position of the council and the outturn for 2020/21;
- have confidence that the public money with which the council has been entrusted has been used and accounted for in an appropriate manner; and
- be assured that the financial position of the council is sound and secure.

This Narrative Report provides information about the council and its finances; it also provides a summary of the financial position at 31 March 2021 and is structured as follows:

- A general introduction to Wellingborough
- An overview of the council's structure
- Information on Council Tax setting, spending on services and how the financial future is looking
- Long-term assets and capital spending
- Cash balances and investments
- The council's pensions liability
- The layout of the contents of the financial statements
- How to give feedback on the content of the Statement of Accounts

An introduction to Wellingborough

The Borough of Wellingborough is shown in Figure 1 below. It is situated in the eastern half of Northamptonshire, approximately 65 miles from both London and Birmingham and covers an area of 63 square miles. It is located at the most southern tip of the East Midlands Region and, together with Kettering, Corby and East Northamptonshire; it forms part of the area known as North Northamptonshire. Wellingborough has close links with Northampton, Milton Keynes and Bedford.

Figure 1 Map of the Borough of Wellingborough

Wellingborough town, with a population of around 49,000, forms the urban centre of the borough and is surrounded by 19 villages which range in size from Earls Barton (population 5,387) and Irchester (population 4,745) to Hardwick (population 70) and Strixton (population under 50). The total population of the borough at the time of the 2011 Census was 75,356, with approximately 65% living within the town of Wellingborough with the rest living in the rural area. The population grew by 4% from the 2001 Census which is at a lower rate than the national average (7.2%) and surrounding districts.

In terms of ethnicity, the borough has a relatively diverse population and the diversity is increasing. In the 2011 census, approximately 81% of residents described themselves as white british; a reduction from the 88% in the 2001 Census.

Wellingborough town forms the focal point of the local economy. A significant part of retail activity on offer is located within the town centre of Wellingborough, with industrial and commercial development primarily located on several estates at Park Farm, Denington Road, Finedon Road, Ise Valley, Irthlingborough Road and Victoria Business Park on the A45.

Between 2011 and 2020, 1,995 new homes were built in the borough to provide for residents and to create sustainable, inclusive and mixed communities. Of this figure, 1,545 new dwellings (77.4%) were built in the town whilst rural areas had 450 (22.6%). Wellingborough benefits from good road connections and has a number of key transport corridors. The A45 provides an east-west route and leads directly to junctions 15, 15A and 16 of the M1. The A509 provides a north-south route which links via the A14 to the M1, M6 and the east coast ports. Wellingborough's railway station is on the Midland Mainline linking it direct to London, Nottingham, Leicester, Derby and Sheffield. The average journey time to London (St Pancras) is 60 minutes and the station is served by at least two trains per hour.

In 2011, part of the Nene Valley was recognised as being of international importance when it was designated as a Special Protection Area and Ramsar Site for birds under the habitats directive. Sites of Specific Scientific Interest (SSSI) cover only 3.45% of the borough.

The borough has a rich built heritage and evidence of settlements stretching back 2,000 years. 529 buildings have been listed as of special architectural or historic interest and there are 11 scheduled ancient monuments. Much of the historic built environment is of high quality, adding significantly to the character and identity of the area.

Overview of the Council's structure

The Borough Council of Wellingborough had 35 councillors who were elected on 7 May 2015. Elected councillors were responsible for agreeing policies about provision of services and how the council's money was spent. Regular council and committee meetings were held to undertake the decision-making process, as set out in the council's constitution.

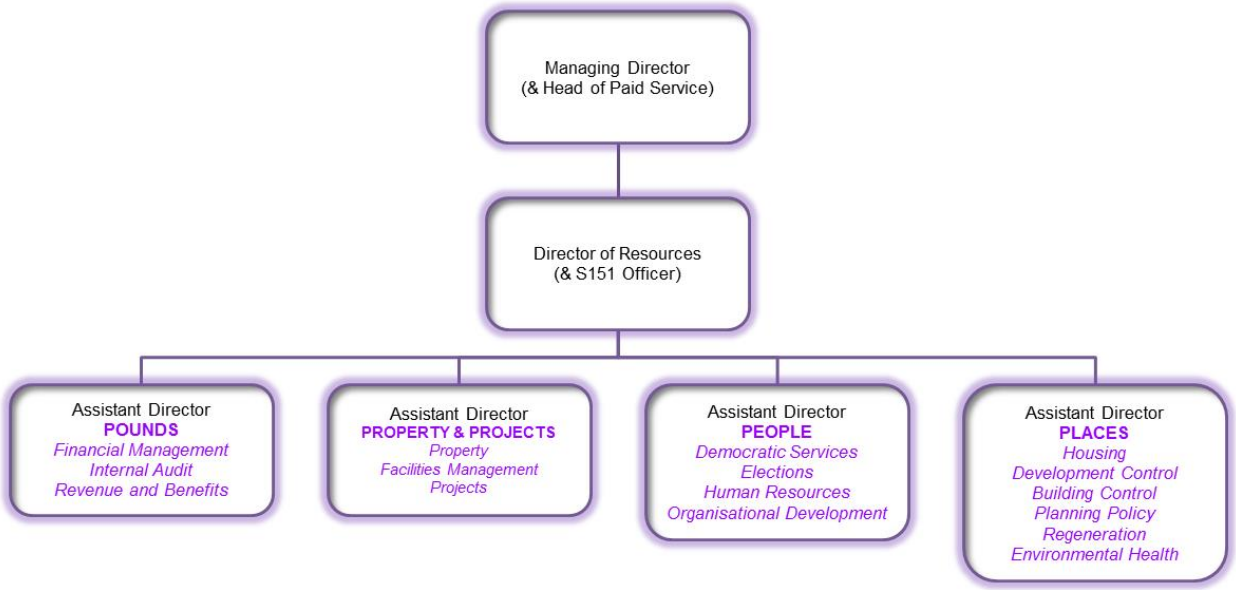
The council operated a scheme that permitted members of the public to address its committees. The public speaking rules for Planning Committee were slightly different to the policy committees. Most reports to committees are publicly available on the council's website. The public may attend committee meetings if they wish to.

Some reports to committees were withheld from publication either because they contained exempt information and/or the discussion of them at the meeting was considered likely to cause exempt information to be disclosed. The public were excluded from the part of the meeting that considered this business. Exempt information typically refers to details about individuals, financial information of third parties, enforcement action, contracts under negotiation and other legal proceedings.

Council Departments

The implementation of council policy and the delivery of services are carried out through the council's operational departments. A new management structure was approved in October 2019, with the objective of establishing leadership arrangements that were both flexible and equally effective at operational service delivery and in the strategic direction of the council.

The full management structure and the respective responsibilities of each department are shown in the following chart.



Delivering our corporate goals

The previous Corporate Plan specified a series of themes within which services would be planned and delivered. These were:

- Promoting high quality growth
- Reducing crime and anti-social behaviour
- Improving life chances for young people
- Delivering efficient and responsive services
- Enhancing the environment

These remained relevant throughout 2020/21. Practical application of these are found in the key projects being delivered by the council and in the initiatives contained in the Efficiency Plan.

Flexible use of capital receipts

As part of the settlement for 2016/17 the then DCLG (Department for Communities and Local Government) offered councils the opportunity to apply capital receipts flexibly to projects that delivered efficiency savings for spending that may typically be revenue in nature. The main tests that the council had to meet to be able to make use of this facility were that an efficiency strategy had to be in place for the year in which the flexible use was proposed and the capital receipts used have to be received within that same year. The availability of a clear efficiency strategy and a continuing success in generating capital receipts has ensured that the council has been able to access this additional flexibility, boosting the range of options available in strategic financial management and benefiting the year end general fund balance by some £434k. This also provides a useful source of funding for the inevitable transformation costs in creating the new unitary council from 2021 and will assist in removing any further pressure on revenue reserves.

Council Tax, spending on services and how the financial future is looking

The council receives income from a range of sources, including direct fees and charges, rents and interest on investments, as well as from Business Rates and Council Tax. A calculation is made every year of exactly how much will be needed from Council Tax and the need to keep any increases to affordable levels is one of the key drivers in setting the overall budget for how much will be spent in each financial year which is formally approved by council every year in February.

The Council Tax Base is the total number of properties in the council's area that are subject to Council Tax, expressed as a number of 'Band D Equivalents' (e.g. a Band A property counts as only part of a 'Band D' equivalent, while a Band H property is equivalent to two). The number of Band D equivalents grew by 356 (or 1.42%) between 2019/20 and 2020/21 and this is a valuable contribution to the council's income.

The numbers for the three most recent years are as follows.

	2018/19	2019/20	2020/21
Number of Band D Equivalent Dwellings	24,492	25,113	25,469

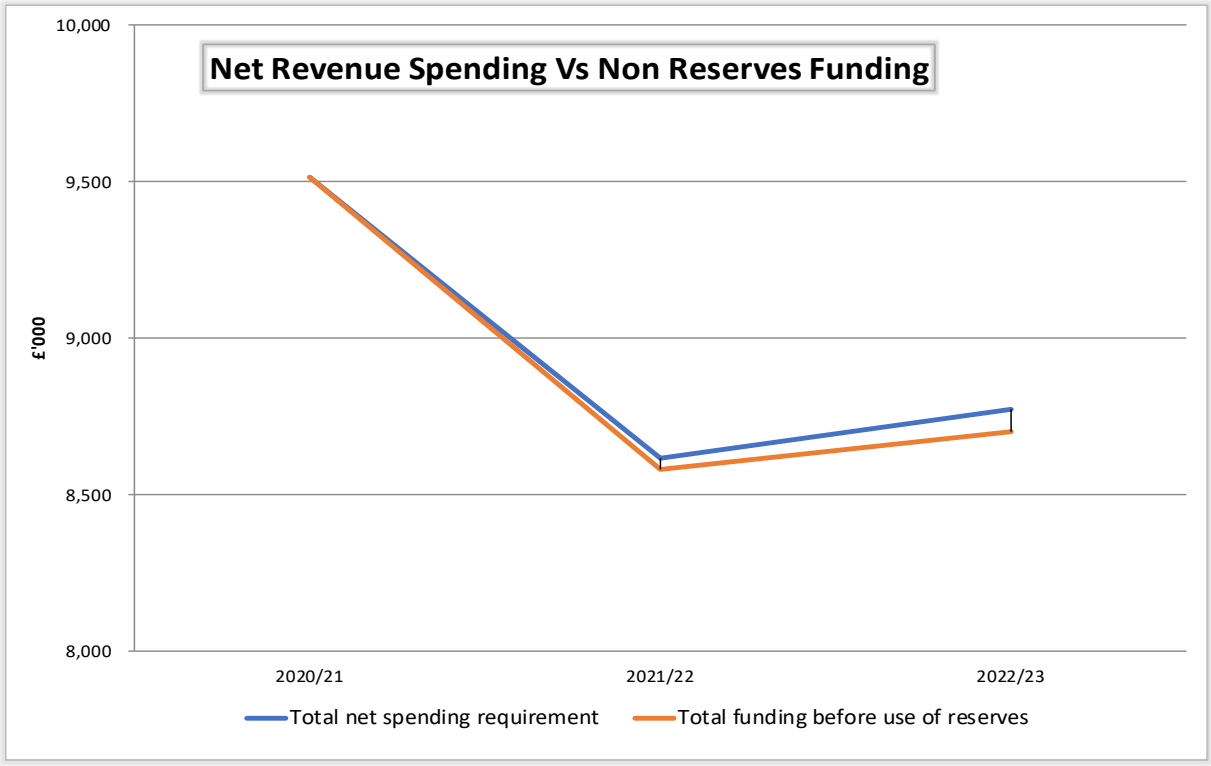
In considering whether or not to increase the basic level of Council Tax in 2020/21 the council again sought to balance the need to maintain service levels and standards with that to keep any change as affordable as possible. The outcome was to increase the average Band D Council Tax by £5, from £115.54 to £120.54 (excluding parish precepts and special expenses). Around 90% of the Council Tax which is raised in the borough does not come to this council, but is money collected to meet the demands set by the County Council and by the Police, Fire and Crime Commissioner.

	2018/19		2019/20		2020/21	
	£	%	£	%	£	%
Borough Council of Wellingborough*	168.43	10.4%	174.95	10.2%	184.02	10.3%
Northamptonshire Police and Crime Commissioner	221.04	13.6%	305.80	17.8%	317.01	17.7%
Northamptonshire County Council	1,236.35	76.0%	1,236.10	72.0%	1,285.42	72.0%
	1,625.82	100.0%	1,716.85	100.0%	1,786.45	100.0%

Taking into account other funding changes and underlying pressures on the council's budget, the overall result was no requirement for the use of reserves in order to finance the 2020/21 budget. Beyond that it's expected without further savings or income growth, there will be continuing demands on reserves over the following years. The position is shown in the table below.

	2020/21 £'000	2021/22 £'000	2022/23 £'000
Base Budget	10,617	9,515	8,619
Pressures (eg inflation, additional service demands)	586	312	156
Identified savings	-1,688	-1,208	-
	9,515	8,619	8,775
Central Government Grants	-227	-	-
Business Rates funding	-3,811	-3,532	-3,601
New Homes Bonus	-932	-270	-84
Council Tax Income	-4,545	-4,780	-5,019
	-9,515	-8,582	-8,704
Planned use of Earmarked Reserves	-	-	-
Planned use of General Fund Reserves	-	-37	-71

The ongoing need to use reserves is illustrated in the following graph.



During the year the actual use of reserves was less than budgeted due to a combination of further savings in year and a variation in the level of income received, including that from Business Rates. This means that the final outturn resulted in a return of £787k to the general fund reserves.

Budget and outturn figures are shown below.

	Original Budget 2020/21	Revised or Profiled Budget 2020/21	Actual Expenditure to 31st March 2021	Variance at Period 13
	£'000	£'000	£'000	£'000
Environmental & Health Protection	692	700	802	102
Property & Projects	453	448	457	9
Planning & Building Control	236	243	273	30
Environmental Services	3,611	3,604	4,237	633
Organisational Development	175	177	151	-26
Democratic Services	784	801	692	-109
Operational Property	638	570	606	36
Investment Property	-1,929	-1,918	-1,980	-62
Information Technology Shared Service	995	1,029	1,084	55
District Law Shared Service	164	164	157	-7
Community Support	1,270	1,372	1,538	166
Housing	425	608	872	264
Accountancy	697	700	704	4
Internal Audit	61	61	59	-2
Revenues & Benefits - Operational	405	418	206	-212
Revenues & Benefits - Benefits Subsidy	367	367	315	-52
Other Income & Expenditure	-721	-833	-653	180
Corporate Management	617	618	-341	-959
Parish Precepts	575	575	695	120
Service Income and Expenditure	**9,515**	**9,704**	**9,874**	**170**
Government Funding	-227	-227	-378	-151
Business rates	-2,441	-6,781	-7,480	-699
Section 31 Grant	-1,370	-1,370	-1,357	13
Council Tax	-4,545	-4,545	-4,665	-120
New Homes Bonus	-932	-932	-932	-
Use of General Fund Reserves	-	-	787	787
Ear Marked Reserves		4,151	4,151	-
2020/21 funding	**-9,515**	**-9,704**	**-9,874**	**-170**
Net Position	-	-	-	-

Gross expenditure on services was £52.616m, offset by service income of £42.742m, giving the net amount of £9.874m shown above. The breakdown by type of expenditure, as amounts and as a proportion of the total, is shown in the table and graph below.

	2019/20	2020/21
	£'000	£'000
Employee Costs	6,287	7,127
Premises Costs	1,038	914
Transport	78	48
Supplies & Services	9,890	29,092
Housing Benefit payments	16,832	15,435
	34,125	**52,616**
Service Income	-24,145	-42,742
Amount met from use of reserves, Business Rates, Council Tax & General Grants	**9,980**	**9,874**

The amount that is shown in the Comprehensive Income and Expenditure Account (CIES) (page 23) as the 'Cost of Services' for the year is £14.908m. The reason that this is higher than the £9.874m shown above is because the figure in the CIES includes other amounts such as depreciation and the impact of some property valuation changes.

These other items are included because the council has to follow International Financial Reporting Standards in producing its accounts and these require the CIES to be prepared on the same basis as other organisations, including those in the private sector. However, it is important that charges such as depreciation do not affect Council Tax levels, and so statutory regulations require these to be reversed back out again before determining the overall effect on the council's General Fund. The table below shows how the 'Cost of Services' figure of £14.908m reconciles to the actual use of earmarked reserves of £5.374m.

	£'000
Cost of Services (see CIES)*	14,908
Corporate Items:	
Other Operating Expenditure (see CIES & Note 11)*	492
Financing and Investment Income & Expenditure (see CIES & Note 12)*	-554
Council Tax, Business Rates and General Grant Income (see CIES & Note 13)*	-11,174
Surplus on the provision of services (see CIES)	3,672
Accounting Adjustments (see Note 9 & Movement In Reserves Statement (MIRS))	1,702
Net Movement in General Fund Reserves (see MIRS)	5,374

* Lines marked with asterisk all include items that are subject to accounting adjustments

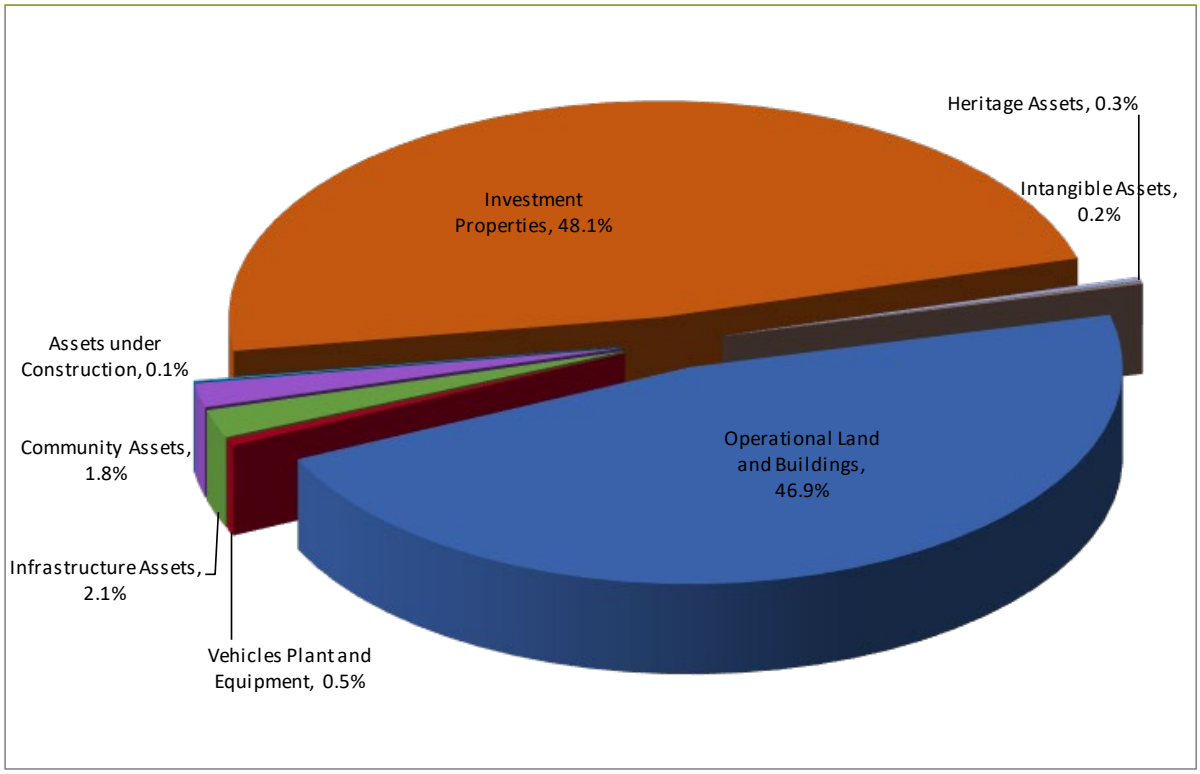
Earmarked reserves are held both to cover the potential consequences of specific risks and to provide financing for future expenditure on particular service areas or projects. As such, they form a key part of both the financial planning for particular services and eventualities and the overall financial management of the council. The table below shows total Earmarked Reserves at the beginnings and ends of each of the last two financial years, together with the General Fund balance.

Reserves	Balance 31st March 2019 £'000	Transfers in 2019/20 £'000	Transfers out 2019/20 £'000	Balance 31st March 2020 £'000	Transfers in 2020/21 £'000	Transfers out 2020/21 £'000	Balance 31st March 2021 £'000
Earmarked Reserves	-2,575	-270	670	-2,175	-4,466	315	-6,326
General Fund	-3,155	-	-	-3,155	-787	-	-3,942
	-5,730	**-270**	**670**	**-5,330**	**-5,253**	**315**	**-10,268**

Further detail of the individual Earmarked Reserves is shown in Note 10.

The council is also required to keep a number of other reserves for technical accounting reasons, which although large in value are not related to actual cash sums and so are not available to support future expenditure and are therefore referred to in the Statement of Accounts as 'Unusable Reserves'. Examples of such reserves are the Capital Adjustment Account, the Revaluation Reserve, and the Pension Reserve. Further detail of all of these and the other Unusable Reserves and the reasons for maintaining them are shown in Note 25.

Long-term assets and capital spending



This chart above shows the various categories of land and buildings that the council owns, together with other items of plant and equipment, the value of these assets at 31 March 2021 was £101.718m. Most of this is made up of Operational Land and Buildings (£47.686m), which are used directly in the delivery of the council's services and investment properties (£49.014m), which are held primarily to generate income and which make a significant contribution to the council's finances.

Operational land and buildings are revalued under a five-year rolling programme. Investment properties are revalued at the 31 March each year and for 2020/21 showed an overall rise in value of £1.009m reflecting the prevailing market conditions.

In addition to valuation movements, the council invested in a range of capital projects, with the largest elements being circa £1.918m spent on purchasing properties and refurbishing properties to mitigate the council's temporary accommodation and reduce costs as well as significant investment of circa £5.803m into the redevelopment of the town centre and improvements to leisure across the Borough. In addition to spending on its own assets, the council also supplied in excess of £654k of finance in financial assistance for capital projects, such as Disabled Facilities Grants, to other organisations and individuals. The combined total capital spending was £10.348m and this was financed using a combination of Capital Receipts (£9.432m) and grants and contributions received of (£0.916m).

Cash balances and investments

The various reserves held by the council represent a substantial overall cash balance. This results in day-to-day transactions either paid to or by the council, and amounts owed by the council (creditors) and to the council (debtors – including amounts owed by Council Tax and Business Rate payers). This cash balance is in turn managed to provide the best available return in interest and other investment income, although this must be done within the limits imposed by a careful assessment of the risks involved.

The council's investing activities are carefully managed and the types of investment that can be entered into are set out in the Annual Treasury Management Policy. This policy is set according to strict national guidelines and for example, restricts the level of individual investment with any one organisation, in order to spread the risk of who we invest with, and restricts us to using only institutions based in the UK. In 2020/21 we received £222k of interest or an average 0.6% return on our investments. This is in line with other public and private sector institutions and reflects the continuing low level of the interest rates available. At the end of the year we had short term investments of £4m invested in banks and building societies, which is a decrease of £25m compared with £29m in 2019/20. Of this, all investments held at the year-end are due to mature in the next 12 months.

The council's Treasury Management Strategy for the year restated the aim of the authority remaining debt free, and no money was borrowed in 2020/21. Further information on the way the council invests its monies, and manages the risks arising, are set out in Note 40.

The Council's pensions liability

The council's employees are able to join the Local Government Pension Scheme. This is administered by Northamptonshire County Council. The Pension Fund pays the pensions of council employees upon retirement and receives contributions from current employees together with an employer's contribution from the council. Every three years the fund's actuary assesses how much money is in the fund and whether this is sufficient to meet the potential call from staff as they retire at a future date.

The net amount chargeable to the General Fund is that payable for the year in accordance with the statutory requirements governing the Pension Fund. Where this amount does not match the amount charged to the Comprehensive Income and Expenditure Statement any difference is transferred to the pension reserve on the Balance Sheet via the Movement in Reserves Statement, i.e. it is one of the accounting adjustments referred to previously.

There are a range of factors that can affect the financial position of the fund, including:

- life expectancies,
- the level of income expected to be earned from investing funds, and
- future levels of inflation,

with all of these being projected over 20 years into the future.

The complexity and long-term nature of the assumptions that must be made and the large amounts involved, mean that the council's projected pension liability is very sensitive to any changes in underlying conditions and expectations, so the numbers shown in the Balance Sheet can show significant change from year to year. During 2020/21 the council's estimated net pension liability increased by £4.440m, from £30.939m to £35.379m, as detailed in Note 25d and 38.

This is a notional amount as the liability relates to a long-term commitment and would only be due if all circumstances remained as they are from now up to when the current contributors retire and the authority did not seek to address the matter. In reality circumstances will vary in this time, with a particular example being that expected rates of return on the scheme's investments are likely to improve over time, while other factors, such as time in the scheme and levels of contributions will change. Further information on the council's pension fund is set out in Note 38.

The layout of contents of the financial statements

The Statement of Accounts contains a number of different elements and a brief explanation of each of these is set out below.

The Statement of Responsibilities for the Statement of Accounts (page 18) sets out the respective responsibilities of council and the Section 151 Officer.

The Auditor's Report (page 19) gives the Auditor's opinion on the Statement of Accounts and on the council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

The Expenditure & Funding Analysis and the Core Financial Statements

The ***Expenditure Funding Analysis*** (page 22) shows how annual expenditure is used and funded from resources (government grants, rent, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. Although not formally classed as one of the Core Financial Statements, it is a key part of the Statement of Accounts and so is presented together with them.

The ***Comprehensive Income and Expenditure Statement*** (page 23) 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, which can be seen in the Movement in Reserves Statement. Authorities raise taxation to cover expenditure in accordance with regulations: this may vary from the accounting cost.

The ***Movement in Reserves Statement*** (page 24) shows the movement in year on the different reserves held by the council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund balance for Council Tax setting purposes. The amount for the General Fund Balance includes both the general unallocated balance and Earmarked Reserves which are held for specific purposes. Further detail on the amount of each is shown in Note 10.

The ***Balance Sheet*** (page 25) shows the value as at the Balance Sheet date of the assets and liabilities recognised by the council. The net assets of the council (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories. Firstly, usable reserves, i.e. those reserves that the council 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 is those that the council is not able to use to provide services. This category includes reserves that hold unrealised gains or losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

The ***Cash Flow Statement*** (page 26) shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the council are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash flows have been made for resources that are intended to contribute to the council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the council.

Supplementary Financial Statement

The ***Collection Fund*** (page 91) 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 (Borough Council of Wellingborough) in relation to the collection from taxpayers and distribution to local authorities and the government of council tax and non-domestic rates.

Disclosure Notes

The Core Financial statements, Collection Fund and Group Accounts are each supported by detailed and comprehensive Disclosure Notes (pages 27 to 90 respectively), which provide further information designed to explain the key figures and to enable the reader a fuller interpretation of the accounts.

The Annual Governance Statement (AGS)

Statutory regulations require the council to conduct a review at least once in a year of the effectiveness of its system of internal control. The review of internal controls or internal financial controls provides assurance that the Statement of Accounts gives a true and fair view of the council's financial position at the reporting date and its financial performance during the year.

The preparation and publication of the council's AGS is carried out in accordance with 'Delivering Good Governance in Local Government' published by CIPFA and SOLACE. This fulfils the council's statutory requirement to conduct a review at least once in each financial year of the effectiveness of its system of internal control. The statement relates to the governance system as it applied during the 2020/21 financial year and accompanies the statement of accounts as required by the 2015 Accounts and Audit (England) Regulations state in Regulation 4(4). However, (where applicable) significant events or developments relating to the governance system that occur between the reporting date and the date on which the Statement of Accounts is signed by the Section 151 Officer are also reported.

How can you give us your feedback on the content of these accounts?

The Statement of Accounts is intended to give the people, businesses, partners, employees and members of Wellingborough clear information about the council's finances. Whilst accounts have to include large elements of technical data to comply with Accounting Standards, we believe that it is vital that we make it as easy as possible for people to read regardless of their background.

Further information about the accounts is available from the Finance Manager, Swanspool House, Doddington Road, Wellingborough, NN8 1BP, or via email accountancy.bcw@northnorthants.gov.uk.

The full Statement of Accounts is available on the council website. Interested members of the public have a statutory right, for a period of 30 working days, to inspect the accounts before the audit is completed, as well as to put questions to the council's auditor and/or lodge any formal objection to the accounts. As has been publicly advertised, for 2020/21 this period begins on 31 August 2021 and ends on 11 October 2021.

Concluding remarks

I would like to take the opportunity to thank all the staff who contributed to the timely completion of the Statement of Accounts.

Janice Gotts
Executive Director of Finance and Section 151 Officer

B Statement of responsibilities for the statement of accounts

The Council's Responsibilities

The council 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 council that officer is Janice Gotts (Section 151 Officer);
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

The Section 151 Officer's Responsibility

The Section 151 Officer is responsible for the preparation of the council'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 Section 151 Officer has:

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

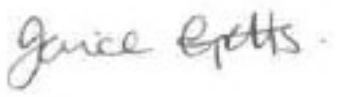
The Section 151 Officer has also:

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

Certification and Approval

I certify that this Statement of Accounts shows the true and fair position of the council at the reporting date and of its income and expenditure for the year ended 31 March 2021.

Janice Gotts



Executive Director of Finance and Section 151 Officer

Date: 23rd August 2021

I confirm that these audited accounts were approved by the Audit Committee at the meeting held on

Cllr Andrew Weatherill

Chair of Audit Committee Date: TBC

C Auditor's report

Pages left intentionally blank – report to follow

D1 Expenditure and funding analysis

This Analysis shows how annual expenditure is used and funded from resources (government grants, rent, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. Although not formally classed as one of the Core Financial Statements, it is a key part of the Statement of Accounts and so is presented together with them.

2019/20				2020/21		
Net Expenditure Chargeable to General Fund Balances £'000	Adjustments Between the Funding and Accounting Basis (Note 7) £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000		Net Expenditure Chargeable to General Fund Balances £'000	Adjustments Between the Funding and Accounting Basis (Note 7) £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
1,378	115	1,493	Community Support	1,537	7	1,544
613	-20	593	Environmental & Health Protection	802	-39	763
642	579	1,221	Housing	837	591	1,428
673	692	1,365	Planning & Local Development	766	706	1,472
4,469	327	4,796	Environmental Services	4,237	296	4,533
204	-4	200	Organisation Development	151	-3	148
639	-8	631	Democratic Services	692	-16	676
780	138	918	Operational Property	604	670	1,274
1,132	-	1,132	Shared Services	1,241	311	1,552
513	-9	504	Accountancy & Audit	-87	-11	-98
691	-25	666	Revenues & Benefits	521	-48	473
270	244	514	Corporate Management	511	122	633
1,083	-345	738	Corporate Income & Expenditure	1,085	-575	510
-1,405	1,405	-	Depreciation & Other	-1,517	1,517	-
11,682	**3,089**	**14,771**	**Net Cost Of Services**	**11,380**	**3,528**	**14,908**
-11,282	-3,797	-15,079	Other Income and Expenditure	-16,318	5,082	-11,236
400	**-708**	**-308**	**Surplus(-) or Deficit**	**-4,938**	**8,610**	**3,672**
-5,730			**Opening General Fund Balance**	**-5,330**		
400			Surplus(-) or Deficit on General Fund in Year	-4,938		
-5,330			**Closing General Fund Balance**	**-10,268**		

D2 Comprehensive income and expenditure statement

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

2019/20				2020/21		
Gross Expenditure £'000	**Gross Income £'000**	**Net Expenditure £'000**		**Gross Expenditure £'000**	**Gross Income £'000**	**Net Expenditure £'000**
1,591	-98	1,493	Community Support	1,597	-53	1,544
784	-191	593	Environmental & Health Protection	1,006	-243	763
2,021	-800	1,221	Housing	2,175	-747	1,428
2,182	-817	1,365	Planning & Local Development	2,416	-944	1,472
6,072	-1,276	4,796	Environmental Services	5,938	-1,405	4,533
208	-8	200	Organisation Development	156	-8	148
660	-29	631	Democratic Services	923	-247	676
1,041	-123	918	Operational Property	1,398	-124	1,274
1,132	-	1,132	Shared Services	1,558	-6	1,552
551	-47	504	Accountancy & Audit	19,514	-19,612	-98
17,838	-17,172	666	Revenues & Benefits	16,557	-16,084	473
549	-35	514	Corporate Management	800	-167	633
1,076	-338	738	Corporate Income & Expenditure	510	-	510
35,705	**-20,934**	**14,771**	**Cost Of Services**	**54,548**	**-39,640**	**14,908**
615	-1,074	-459	Other Operating Expenditure (Note 11)	971	-479	492
901	-3,915	-3,014	Financing and Investment Income and Expenditure (Note 12)	4,339	-4,893	-554
7,719	-19,325	-11,606	Taxation and Non-Specific Grant Income and Expenditure (Note 13)	12,727	-23,901	-11,174
		-308	**Surplus(-) or Deficit on Provision of Services**			**3,672**
			Other Comprehensive Income and Expenditure:			
		-4,749	Surplus(-) or Deficit on revaluation of property, plant and equipment assets (Note 25a)			-2,813
		64	Surplus(-) or Deficit on revaluation of available for sale financial assets (Note 25b)			-12
		-7,140	Actuarial Gains(-) or Losses on Pension Assets and Liabilities (Note 25d)			4,527
		-11,825	**Total Other Comprehensive Income and Expenditure**			**1,702**
		-12,133	**Total Comprehensive Income and Expenditure**			**5,374**

D3 Movement in reserves statement

This Statement shows the movement from the start of the year to the end on the different reserves held by the council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'. Useable reserves include the Capital Receipts Reserve which holds the balance of receipts from disposals of assets. Unusable Reserves hold unrealised gains or 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".

The Statement shows how the movement in year of the council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

Movement in Reserves Statement 2020/21	**General Fund Balance**	**Capital Receipts Reserve**	**Capital Grants Unapplied**	**Total Usable Reserves**	**Unusable Reserves**	**Total Authority Reserves**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Amount as per Balance Sheet at 31st March 2020 brought forward	**-5,330**	**-25,025**	**-534**	**-30,889**	**-64,968**	**-95,857**
Movement in Reserves during 2020/21						
Total Comprehensive Income and Expenditure	3,672	-	-	**3,672**	**1,702**	**5,374**
Adjustments between accounting basis and funding basis under regulations **(Note9)**	-8,610	7,250	-207	**-1,567**	**1,567**	**-**
Increase(-)/Decrease in 2020/21	**-4,938**	**7,250**	**-207**	**2,105**	**3,269**	**5,374**
Amount as per Balance Sheet at 31st March 2021 carried forward	**-10,268**	**-17,775**	**-741**	**-28,784**	**-61,699**	**-90,483**

Movement in Reserves Statement 2019/20	**General Fund Balance**	**Capital Receipts Reserve**	**Capital Grants Unapplied**	**Total Usable Reserves**	**Unusable Reserves**	**Total Authority Reserves**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Amount as per Balance Sheet at 31st March 2019 brought forward	**-5,730**	**-28,674**	**-433**	**-34,837**	**-48,887**	**-83,724**
Movement in Reserves during 2019/20						
Total Comprehensive Income and Expenditure	-308	-	-	**-308**	**-11,825**	**-12,133**
Adjustments between accounting basis and funding basis under regulations **(Note9)**	708	3,649	-101	**4,256**	**-4,256**	**-**
Increase(-)/Decrease in 2019/20	**400**	**3,649**	**-101**	**3,948**	**-16,081**	**-12,133**
Amount as per Balance Sheet at 31st March 2020 carried forward	**-5,330**	**-25,025**	**-534**	**-30,889**	**-64,968**	**-95,857**

D4 Balance sheet

The Balance Sheet shows the value of the council's assets and liabilities as at the 31 March. The net assets of the council (assets less liabilities) are matched by the reserves held by the council. Reserves are reported in two categories.

The first category of reserves are usable reserves, i.e. those reserves that the council 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 be used to fund capital expenditure or to repay debt).

The second category of reserves are unusable reserves, that hold unrealised gains or 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 and funding basis under regulations".

31st March 2020 £'000		Notes	31st March 2021 £'000
43,856	Property, Plant and Equipment	14	52,226
277	Heritage Assets	15	277
51,390	Investment Property	16	49,014
136	Intangible Assets	17	200
226	Long Term Investments	18a	238
-	Long Term Debtors	18a	-
95,885	**Long Term Assets**		**101,955**
29,000	Short Term Investments	18a	4,000
6	Inventories		12
8,976	Short Term Debtors	19	16,876
5,125	Cash and Cash Equivalents	20	20,875
43,107	**Current Assets**		**41,763**
-5,461	Short Term Creditors	22	-12,127
-5,944	Grants Receipts in Advance	32	-5,044
-11,405	**Current Liabilities**		**-17,171**
-791	Provisions	23	-685
-30,939	Pension Liability	38	-35,379
-31,730	**Long Term Liabilities**		**-36,064**
95,857	**Net Assets**		**90,483**
-30,889	Usable Reserves	MIRS	-28,784
-64,968	Unusable Reserves	25	-61,699
-95,857	**Total Reserves**		**-90,483**

D5 Cashflow statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the council during the reporting period. The statement shows how the council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The amount of net cash flows arising from operating activities (see Note 26) is a key indicator of the extent to which the operations of the council are funded by way of taxation and grant income or from the recipients of services provided by the council.

Investing activities (see Note 27) represent the extent to which cash flows have been made for resources that are intended to contribute to the council's future service delivery.

Financing activities (see Note 28) are activities that result in changes to amounts of principal that will be received from external providers of finance. The council is debt free and has now repaid the last of its outstanding finance lease liabilities. This means that the only entries under this heading are technical items relating to the agency status of the cash flows from the Collection Fund in respect of Council Tax and Business Rates.

This consolidated statement summarises the inflows and outflows of revenue and capital cash arising from transactions with third parties. These are further detailed in Notes 26–28.

2019/20 £'000		2020/21 £'000
-308	Net (surplus) or deficit on the provision of services	**3,672**
-4,517	Adjustments to net surplus or deficit on the provision of services for non cash movements	-10,387
1,069	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	1,122
-3,756	Net cash flows from Operating Activities (Note 26)	**-5,593**
11,777	Investing Activities (Note 27)	-18,304
227	Financing Activities (Note 28)	8,147
8,248	Net (increase) or decrease in cash and cash equivalents	**-15,750**
-13,373	Cash and cash equivalents at the beginning of the reporting period	-5,125
-5,125	Cash and cash equivalents at the end of the reporting period (Note 20)	**-20,875**

E Notes to the accounting statements

1 Statement of Accounting Policies

The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) and the accounting policies set out at Note 1. The notes to the core financial statements that follow set out supplementary information to assist readers of the accounts.

1.1 General Principles

The Statement of Accounts summarises the council's transactions for the 2020/21 financial year and its financial position at 31 March 2021. The council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015. Those regulations require that they be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (''the Code'') supported by International Financial Reporting Standards (IFRS).

The Code specifies the principles and practices of accounting required to give a "true and fair" view of the financial position and transactions of a local authority, including group financial statements where a local authority has material interests in subsidiaries, associates or joint ventures.

The accounts are disclosed in accordance with the historic cost convention except for most non-current assets and investments and other financial assets that are disclosed in accordance with other requirements in the Code, such as fair value.

1.2 Accruals of Income and Expenditure

Activity on items of income and expenditure are accounted for in the year it takes place, not simply when cash payments are made or received. In particular;

- Fees, charges and rents due from residents and customers are accounted for as income at the date the council provides the relevant goods or services. Where this is before 31 March but income had not been billed, a debtor is recorded in the Balance Sheet (above the de minimis of £10k for individual items). The debtors balance also includes payments in advance made by the council at the Balance Sheet date representing amounts prepaid to suppliers by the council that are not due until a subsequent financial year.
- An assessment is made annually as to what levels of debt are outstanding at the end of the financial year. The council's debtors are not subject to substantial fluctuations hence the council does not review all debts and assess the probability of collection of each. Instead past experience is used within materiality limits to judge the percentages of each type of debt that will probably not be recovered. A provision is made (the bad debt provision) for those debts for which recovery is deemed doubtful, the provision being recognised in the relevant service(s). This has the effect of reducing the debtors balance shown in the Balance Sheet. Once a debt is deemed irrecoverable it is written off.

- Supplies are recorded as expenditure when they are used – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet (minor items of limited materiality are excluded from this policy).
- Works are charged as expenditure when they are completed, before which they are carried as Assets Under Construction, within the balance of Property Plant & Equipment on the Balance Sheet.
- Interest received on investments is accounted for on the basis of the applicable interest rate for the relevant financial instrument rather than the cash flow fixed or determined by the contract. As the council is debt free it is not necessary to account for interest on borrowing.
- Where goods or services have been supplied but an invoice has not been processed for payment by 31 March a creditor for the relevant amount is recorded in the Balance Sheet (above the de minimis of £10k for individual items). The creditors balance also includes receipts in advance at the Balance Sheet date representing amounts prepaid to the council that are not due until a subsequent financial year.
- The actual cost of employees is recorded in the accounts. Accruals are made for the payment of pension and tax liabilities based on the notified March payments and included as creditors in the Balance Sheet. Accruals are made for salaries and other employee benefits (e.g. annual leave – see separate accounting policy '1.7 Employee Benefits') earned but unpaid at the year end.
- Grants and contributions are accounted for on an accruals basis and recognised in the accounting statements when there is reasonable assurance that
    i. the conditions for their receipt have been complied with,
    ii. the grant or contribution will be received.

1.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature within 3 months or less from the Balance Sheet date and that are readily converted to known amounts of cash with insignificant risk of change in value. Deposits in call accounts are classified as cash equivalents. Bank overdrafts form an integral part of the council's cash management and as such are classified as cash equivalents.

1.4 Exceptional Items

Where income and expenditure transactions are material, their nature and amount are disclosed separately, either on the face of the CIES or in the notes to the accounts (see Note 5), depending on how significant the items are to an understanding of the council's financial performance

1.5 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

There were no prior period disclosures in 2020/21.

1.6 Charges to Revenue for Non-current Assets

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

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

The council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the council in accordance with statutory guidance, but in practice, given that the council is debt-free and no longer has any outstanding finance leases, no provision is currently required. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

1.7 Employee Benefits

Benefits Payable During Employment

Short-term employee benefits (those that fall due wholly within 12 months of the year-end), such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees, are recognised as an expense in the year in which employees render service to the council. An accrual is made against the service in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and flexi-time earned by employees but not taken before the year end and which employees can carry forward into the next financial year. The accrual made is required under statute to be reversed out of the General Fund balance by a credit to the Unusable Reserve - Accumulated Absences Account in the Movement in Reserves Statement.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy.

These are charged on an accruals basis to the relevant service(s) line within the Surplus or Deficit on Provision of Services in the CIES when the council can no longer withdraw the offer of those benefits or when the council recognises costs of the restructure.

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

Post Employment Benefits

Under the Code, the council is required to account for retirement benefits when it is committed to pay them, even if the actual payment may be many years into the future.

The council participates in the Local Government Pension Scheme (LGPS) for pensions to employees and the scheme is managed by Northamptonshire County Council (NCC). The scheme operates on a defined benefit basis related to pay and service in accordance with International Accounting Standard (IAS) 19.

The assets attributable to the scheme are measured at fair value (defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date) and include current assets and investments. The attributable liabilities 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 forecasts of projected earnings for current employees. Contribution rates, which are included in the Accounts, are determined by triennial actuarial valuations.

Liabilities are discounted to their value at current prices, using a discount rate of 2.3% (derived from a corporate bond yield curve using high quality bonds, based on the constituents of the iBoxx AA corporate bond index).

The assets of the Northamptonshire pension fund attributable to the council are included in the Balance Sheet at their fair value:

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

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

a) Service cost comprising:
   - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the CIES to the services for which the employees worked
   - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the CIES as part of Non Distributed Costs
   - net interest on the net defined benefit liability – 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 CIES. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period, taking into account changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

b) Remeasurements comprising:
   - The return on assets – excluding amounts included in the net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
   - Actuarial gains/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 as Other Comprehensive Income and Expenditure.

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

Discretionary Benefits

The council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

1.8 Events after the Reporting Period

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

Two types of event can be identified:

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

The Statement of Accounts was signed off by the Section 151 Officer on 23 August 2021. Events taking place after that date are not reflected in the statements or disclosure notes.

1.9 Financial Instruments

Financial instruments are categorised as either financial assets or financial liabilities, and the accounting policies for both are stated below;

Financial Assets

Financial assets the council currently holds are divided into the following categories;

- Amortised Cost
- Fair Value through Profit or Loss

Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which they were acquired. The designation of financial assets is re-evaluated at every reporting date at which a choice of classification or accounting treatment is available. All financial assets are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of the financial instrument.

Loans and Receivables – Amortised Cost

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade debtors and investments are classified as loans and receivables. Loans and receivables are initially measured at fair value. Subsequent measurement is based on amortised cost. Where a receivable (i.e. debtor) 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/invoiced amount.

Investments are shown in the Balance Sheet at cost. Where investments are fixed term deposits the accrued interest owing at the Balance Sheet date of 31 March is added to the value of the investment.

Annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. For most of the investments that the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable in instrument agreement. In line with regulations, any difference between the interest receivable based on the effective rate of interest and the interest rate in the instrument agreement is transferred to the Financial Instruments Adjustment Account in the Movement in Reserves Statements to negate the impact on the General Fund balance.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the CIES. The amount of the impairment is determined as the difference between the assets' carrying amount and the present value of its estimated future cash flows discounted at the assets original effective interest rate. The carrying amount of debtors is adjusted for bad debts (see separate accounting policy – 1.2 Accruals of Income and Expenditure).

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

Soft loans are defined as those loans granted by the council at an interest rate that is below the prevailing market rate. The calculated market rate of interest is credited to the CIES and the difference between this amount and the interest actually charged to the recipient of the loan is reversed out in the Movement in Reserves Statement to the Financial Instruments Adjustment Account in the Balance Sheet.

Financial Assets Measured at Fair Value through Profit or Loss (FVPL)

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

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

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

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

The council holds shares in Aberdeen Diversified Income and Growth Trust PLC. Fair values are based on the principle that for instruments with quoted market prices, the fair value is the market price.

Any gains and losses that arise on the de-recognition of an asset are credited/debited to the Financing and Investment Income and Expenditure line in the CIES, along with any accumulated gains/losses previously recognised in the Available for Sale Reserve.

Financial Liabilities

Financial Liabilities are obligations to deliver cash or another financial asset to another entity. These are recognised when the council becomes a party to the deal date of the financial instrument and are initially measured at fair value and carried at amortised cost.

The council does not have any borrowings. Payables (i.e. creditors) are categorised as financial liabilities. Where a payable (i.e. creditor) has a maturity of less than 12 months or is a trade or other payable, the fair value is taken to be the principal outstanding or the billed/invoiced amount. A financial liability is de-recognised only when the obligation is extinguished, i.e. when the obligation is discharged, cancelled or expires.

1.10 Government Grants and Contributions

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

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

Amounts recognised as due to the council are not credited to the CIES until any conditions attached to the grant or contribution has been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contributions are required to be consumed by the council as specified or future economic benefits or service potential must be transferred to the transferor.

Amounts advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or condition is credited to the relevant service line (revenue grants attributable) or taxations and non-specific grant income line (non-ring-fenced revenue grants and all capital grants) in the CIES.

When capital grants or contributions are credited to the CIES, they are reversed out of the General Fund balance in the Movement in Reserves Statement. Where grants or contributions have yet to be used to finance capital expenditure, they are posted to Capital Grants Unapplied Account. When it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure in the Movement in Reserves Statement.

1.11 Heritage Assets

The council's heritage assets consist mostly of historic civic regalia, trophies and paintings that increase the knowledge, understanding and appreciation of the council's history and the local area and this makes their preservation for future generations important. Heritage assets are recognised and measured, including the treatment of revaluation gains and losses, in accordance with the council's accounting policies on property, plant and equipment, apart from valuations which are based on insurance values. These valuations are updated as necessary.

The carrying amounts of Heritage Assets are reviewed where there is evidence of impairment. Any impairment is recognised and measured in accordance with the council's general policies on impairment.

1.12 Intangible Assets

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

Recognition

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and restricted to that incurred during the development phase (research expenditure is not capitalised). Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the council's goods or services.

Measurement

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the council can be determined by reference to an active market. In practice, no intangible asset held by the authority meets this criterion, and they are therefore carried at amortised cost.

Amortisation

The depreciable amount of an intangible asset is amortised over its useful life (a 3 year useful life is assumed for all intangible assets) to the relevant service line(s) in the CIES. Amortisation is not permitted to have an impact on the General Fund Balance. The amortisation is therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

Impairment

An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the CIES. Impairment losses are not permitted to have an impact on the General Fund Balance. The losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

Disposal/De-recognition

Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the CIES. Disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10k) the Capital Receipts Reserve.

1.13 Interest in Companies and Other Entities

The council is required to comply with the accounting requirements set out in the Code of Practice on Local Authority Accounting in the United Kingdom if it has a material interest in subsidiaries, associates and joint ventures (jointly controlled entities) and has an ability, whether used or not, to control or exercise significant influence over the activities of such entities.

The council transferred its housing stock to Wellingborough Homes, (now Greatwell Homes), a Registered Social Landlord in 2007. The council has assessed whether the Company is a regulated influenced company under the Local Authorities (Companies) Order 1995 and deemed that it is not, and as a result have concluded that there is no requirement to consolidate Greatwell Homes' Accounts with the councils. Further details of their accounts may be obtained from Greatwell Homes, 12 Sheep Street, Wellingborough, NN8 1BL.

In 2011/12 the council created a Joint Venture Company, to be known as Wellingborough Norse Ltd, in partnership with Norse Commercial Services and transferred the operational management of the designated services to "Wellingborough Norse Ltd". The transfer was completed on the 1 March 2012. At transfer date the council received two shares in Wellingborough Norse Ltd (20% of share issue).

Wellingborough Bereavement Services Limited, trading as Nene Valley Crematorium, was incorporated on 30 December 2015 and is a wholly owned subsidiary of the council. The company directors are officers and members of the council.

The council reviews annually the extent to which other entities (over which the council has a controlling interest) need to be consolidated into group accounts. Disclosures in respect of these interests and the level of transactions are shown in Note 41.

1.14 Inventories and Long Term Contracts

Stocks are valued at the lower of actual cost or net realisable value. The FIFO (first in, first out) costing methodology is used.

The council does not undertake construction for its customers.

1.15 Investment Property

The council's non-current assets that are solely used to generate rental income and/or for capital appreciation in value and which are not used for the provision of services are classified as investment property.

Recognition

Expenditure on the acquisition, creation or enhancement of investment property is charged to capital where it is probable that the future economic benefit or service potential associated with the item flows to the council and the expenditure can be measured reliably, and is greater than the council's de minimis level of £10k. This includes internal staffing costs where they are directly attributable to a capital project. Expenditure that maintains but does not add to a non-current asset's potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as a revenue expense when it is incurred.

Measurement

Investment properties are measured initially at cost and subsequently at their fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – unobservable inputs for the asset or liability.

Where an investment property is held under a lease (i.e. the council is the lessee), the measurement is based on the lease interest. Investment properties are not depreciated but are revalued annually according to market conditions at the year-end by an independent valuer. The valuer is Mr Robert Keeves, MRICS of Underwoods LLP, Chartered Surveyors and Valuers. This means that a periodic revaluation approach (see accounting policy for Property, Plant and Equipment) is only used where the carrying amount does not differ materially from that which would be determined using fair value at the Balance Sheet date.

Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CIES. The same treatment is applied to gains and losses on disposal. Investment properties are not permitted to be reclassified as Assets Held for Sale. Revaluation and Disposal gains and losses on revaluation are not permitted by statutory arrangements to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and for any proceeds greater than £10k the Usable Capital Receipts Reserve.

Income and Expenditure

Rentals received in relation to investment property and expenditure is recognised in the Financing and Investment Income line within the CIES.

1.16 Jointly Controlled Operations and Assets

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the council and other ventures, with the assets being used to obtain benefits for the ventures. The joint venture does not involve the establishment of a separate entity. The council does not have any jointly controlled assets, however if it did the council would only account for its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

Jointly controlled operations are 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. The Comprehensive Income and Expenditure Statement is debited with the expenditure it incurs and credited with the share of income it earns from the activity of the operation.

The council has jointly controlled operations with a number of local authorities and other organisations in the area:

- *District Law* – provides legal services for Wellingborough, Daventry, Corby and Kettering councils. Kettering acts as the host and Wellingborough pays an annual contribution.
- *North Northamptonshire Joint Planning & Delivery Unit* – provides strategic planning services for Wellingborough, Kettering, Corby and East Northamptonshire who act as the host and Wellingborough pays an annual contribution.
- *IT Services* – provides IT services for Wellingborough and East Northamptonshire Councils. East Northamptonshire acts as the host and Wellingborough pays an annual contribution.
- *Northamptonshire Waste Partnership* - provides a partnership to ensure continuing cooperation and longer term vision to deliver the Partnership's vision jointly to implement the policies set out in the 'Northampton Joint Municipal Waste Management Strategy'. The partners are Northamptonshire Councils. Northamptonshire County Council acts as the host and Wellingborough pays an annual contribution.

1.17 Leases

Leases are classified as finance leases where the terms of the lease transfer most of the risks and rewards incidental to ownership of the asset from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

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

<u>The Council as Lessee</u>

Finance Leases

Property, Plant and Equipment or Investment Property 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 (if any) of the council are added to the carrying amount of the asset. Premiums paid on entry into a lease (if any) are applied to writing down the lease liability. Contingent rents are charged as expenses in the years in which they are incurred.

Lease payments are apportioned between:

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

Property, Plant and Equipment and Investment Property recognised under finance leases is accounted for using the policies applied generally to such assets, for Property, Plant and Equipment subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

The council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual provision is made from revenue towards the deemed capital investment in accordance with statutory requirements.

Depreciation, revaluation and impairment losses are therefore replaced by the Minimum Revenue Provision (MRP) in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the CIES as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g., there is a rent-free period at the commencement of the lease). An investment property held under an operating lease is accounted for as if it was a finance lease.

The Council as Lessor

Finance Leases

The council currently does not have any finance leases where it is the lessor.

Operating Leases

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

Lease Type Arrangements

Where the council enters into an arrangement, comprising a transaction or a series of related transactions, that does not take the legal form of a lease but conveys a right to use an asset (e.g. an item of property, plant or equipment) in return for a payment or series of payments, the arrangement is accounted for as a lease as detailed above. The council currently does not have any lease type arrangements.

1.18 Overheads and Support Services

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

1.19 Property, Plant and Equipment (PPE)

Property, Plant and Equipment (PPE) assets are tangible assets that have physical substance and are held for use in the provision of goods or services or for administering purposes and that are expected to be used during more than one financial year.

Recognition

Expenditure on the acquisition, creation or enhancement of PPE 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 and is greater than the council's de minimis level of £10k. This includes internal staffing costs where they are directly attributable to a capital project. Expenditure that maintains but does not add to a non-current asset's potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price, and
- 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

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

- Depreciated historical cost - for infrastructure, community assets and assets under construction only.
- Existing Use Value defined in accordance with UKVS 1.3 Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards for assets providing service potential to the council where an active market exists.
- Depreciated Replacement Cost for assets where there is no market and/or the asset is specialised.
- Fair Value, defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Where non-property assets (i.e. Vehicles, Plant and Equipment) that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

The valuation of land and buildings (which are recorded separately) is undertaken by a professionally qualified valuer. The valuer is Mr Robert Keeves, MRICS of Underwoods LLP, Chartered Surveyors and Valuers. Valuations of PPE assets are subject to review within a rolling 5 year programme of revaluations. The residual lives and estimated useful lives of an asset, together with their depreciation policies, are reviewed on an annual basis.

Revaluation gains on PPE assets are posted to the Revaluation Reserve. Gains are credited to the appropriate line(s) in the Surplus or Deficit on Provision of Services (up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised) where they arise from the reversal of a revaluation loss previously charged to the same asset.

Where decreases in value are identified, the revaluation loss is 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 insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Surplus or Deficit on Provision of Services

Revaluation gains and revaluation losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

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, in accordance with the Code of Practice applicable at that date.

Where PPE meet the criteria for Investment Property, the asset is reclassified to investment property. The asset is revalued immediately before reclassification to investment property with any remaining balance on the Revaluation Reserve ‘frozen’ until such time as it is reclassified.

Those non-current assets that are surplus to requirements (i.e. are not supporting services) but which do not meet the criteria to be classified as Assets Held for Sale or Investment Property are classified as Surplus Assets in the PPE section of the Balance Sheet.

Depreciation

The value of non-current assets is recognised in the Surplus or Deficit on Provision of Services in the CIES in the form of a depreciation charge using the straight-line method, based on the gross book value of the asset and its estimated useful life from the time of the most recent valuation.

The following standard periods are applied for the useful lives of each class of assets:

Operational Land and Buildings	Straight line up to 70 years
Vehicles, Plant and Equipment / Intangible Assets	Typically 3-7 years, but may be up to 20 years dependent on nature of individual asset and on a reducing balance basis
Infrastructure Assets	Straight line between 5-40 years

Variations to the above periods may occur if appropriate evidence is provided by a suitably qualified professional officer or external valuer.

Depreciation is not permitted to have an impact on the General Fund balance. The depreciation is therefore reversed out of the General Fund balance in the Movement in Reserve Statement and posted to the Capital Adjustment Account.

Depreciation is charged on all assets except for Investment Property, Community Assets and Assets Held for Sale; land assets that have an indefinite useful life are not depreciated. Newly acquired assets are not depreciated in the year of acquisition and assets under construction are not depreciated until they are brought into operational use. Revaluation gains are also depreciated, with an amount equal to the difference between the current value depreciation charged on non-current assets and the depreciation that would have been chargeable on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Impairment

PPE, 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 assets in the Revaluation Reserve, the carrying amount of the assets is written down against that balance (i.e. up to the amount of any accumulated gains)
- where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Surplus or Deficit on Provision of Services in the CIES.

Where an impairment loss is reversed (by a revaluation gain) subsequently on the same asset, the reversal is credited to the relevant service line(s) in the Surplus or Deficit on Provision of Services in the CIES, up to the amount of the original loss (adjusted for depreciation that would have been charged if the loss had not been recognised).

Impairments loss and reversals are not permitted to have an impact on the General Fund balance. The loss and reversals are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

Components

Component parts of the council's PPE assets that are considered to be material and are above a de minimis level of 20% (based on cost of the component compared to the asset) have been separately identified and accounted for in the accounts with effect from 1 April 2010 and recorded in the council's asset register in accordance with the Code, where the component's useful life is different from that of the other components of the non-current asset.

A maximum of four components will be identified for a primary asset:

- Structure (Main shell of the building)
- Roof
- Lifts
- Services (Electrical, Plumbing, Heating)

Componentisation is applicable to enhancement and acquisition expenditure incurred, and revaluations carried out from 1 April 2010.

Each material component will be separately depreciated over its useful life. Where separate components have the same useful life, these components will be grouped together.

On componentisation the balances on the Revaluation Reserve for the total asset will be allocated to the structure (host) (whether the asset is treated as a single component or a number of components) because the structure will principally give rise to the revaluation gains or losses. As a result the other components will be valued at cost.

Where part of a PPE item is replaced, the cost of the replacement part is recognised (subject to meeting the capitalisation rules) in the carrying value of the non-current assets and the carrying amount of those parts that are replaced will be de-recognised in the accounts and asset register. The recognition and de-recognition of components takes place regardless of whether the replaced part had been depreciated separately.

Disposals/De-recognition

When a PPE asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the CIES as part of the gain or loss on disposal. The usable capital receipt from the disposal (if any) is credited to the CIES. Capital receipts from the disposal of non-current assets are accounted for on an accrual basis. Any revaluation gains on the asset held in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The net gain or loss on the disposal is reversed out of the revenue account as a reconciling item in the Movement in Reserves Statement and transferred to the Capital Adjustment Account.

Amounts in excess of £10k are classified as capital receipts and are credited initially to the Usable Capital Receipts Reserve.

Assets Held for Sale

Non-current assets (excluding investment property) that have been declared surplus by the council are classified as Assets Held for Sale in the Balance Sheet if they meet the strict criteria, detailed below, set out in the Code of Practice on Local Authority Accounting in the United Kingdom:

- asset is immediately available for sale
- sale is highly probable
- asset is actively marketed
- sale is expected to be completed within 12 months

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 CIES. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If an asset no longer meets the criteria to be classified as an Asset Held for Sale, then it will be reclassified back to non-current assets and valued at the lower of:

- its carrying amount before it was classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had the asset not been classified as held for sale, and
- its recoverable amount at the date of the decision to sell.

1.20 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 benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the CIES in the year that the council becomes aware of the obligation, and 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.

Provisions are classified on the Balance Sheet as short term (due to be settled within 12 months of the financial year end) or long term (due to be settled over 12 months of the financial year end). For long term provisions where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. The unwinding of the discount due to the passage of time is recognised as interest within Surplus or Deficit on the Provision of services.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority 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 authority. 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 Note 39 to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the authority 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 authority.

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

1.21 Reserves

The council sets aside specific amounts as revenue or capital reserves, as appropriate, for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Movement in Reserves Statement from General Fund balances. For each reserve established the purpose, usage and basis of transactions are identified in the notes to the financial statements.

Expenditure is charged to service revenue accounts and not directly to any reserve. The reserve is then appropriated back in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

The Capital Receipts Reserve is not available for revenue purposes and some of the reserves can only be used for statutory purposes. The reserves in the Balance Sheet at the end of the financial year are classified between Usable Reserves and Unusable Reserves.

Certain reserves in the Balance Sheet are kept to manage the accounting processes for certain transactions, these are grouped under Unusable Reserves in the Balance Sheet. These are detailed in the Note 25 to the financial statements.

The General Fund Reserve is not earmarked and is to allow for any future unknown contingencies that may arise. This reserve is recommended by the council's Section 151 Officer at what is deemed to be a prudent level and in accordance with the reserves policy agreed at council. In accordance with the council's Reserves Policy, as a minimum, the level of the General Fund working balance should not fall below £1.75m.

1.22 Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

1.23 Value Added Tax

All income and expenditure in the financial statements excludes amounts related to VAT. VAT collected is payable to HM Revenue and Customs (HMRC) and VAT paid is recoverable. VAT will only be included in the CIES when it is irrecoverable from HMRC.

2. Accounting Standards that have been issued but have not yet been adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code), the council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code.

The relevant standards introduced in the 2021/22 Code are:

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

It is unlikely that the above changes will have any material impact on the council's financial statements.

3. Critical Judgements in Applying Accounting Policies

In applying the Accounting Policies set out in Note 1, pages 27 to 47, the council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- The going concern assumption is a fundamental principle in the preparation of financial statements, under which an entity is ordinarily viewed as continuing in business for the foreseeable future and able to realise its assets and discharge its liabilities in the normal course of business. As a local authority the council's operation can only be discontinued by statute and, on this basis, must be viewed as a going concern (see Code 3.4.2.23). The Code (2.1.2.6) stipulates that transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern, and so this position is unaffected by the implications of the impending reorganisation of local government in Northamptonshire.

- There is a high degree of uncertainty about future levels of funding for local government. As part of the closure of accounts process the council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the council might be impaired as a result of a need to close facilities and reduce levels of service provision. The principal assumption is that the council will experience no significant changes in its operating levels beyond those approved as part of the budget setting process.

- Investment properties have been assessed using the identifiable criteria under the International Accounting Standards of being held for rental income or for capital appreciation. Properties have been assessed using these criteria, which is subject to interpretation to determine if there is an operational reason for holding the property such as regeneration.

- Any potential legal claims by or against the council are not adjusted in the accounts but are disclosed as part of Contingent Liabilities and Assets as required under the CIPFA code.

4. Assumptions made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

Assets are included on the basis of valuations and assessed useful lives determined by the Council's valuer, on the basis of standards of professional practice set out by the Royal Institute of Chartered Surveyors (RICS). The assumptions underlying such valuations (such as market conditions) and the assessment of useful lives are subject to revision and therefore the valuations would also change.

The items in the council's Balance Sheet at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Arrears	At 31 March 2021, the council had a balance for sundry debtors of £5,840k. A review of significant balances indicated that an impairment of doubtful debts of £1,290k was appropriate. It is not certain that this impairment allowance would be sufficient as the council cannot asses with certainty which debts will be collected or not.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £1,290k to be set aside as an allowance.
Business Rates	Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013, local authorities are liable for successful appeals against business rates charged to businesses in 2020/21 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2021.	The estimate has been calculated using the latest Valuation Office Agency (VOA) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of total provision up to and including 31 March 2021. The council's share (40%) of the balance of business rate appeals provisions held at this date amounted to £515k. This is a reduction compared to the previous year's figure based on claims evidence over previous years.
Property Plant and Equipment/ Depreciation	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to the individual asset. The current economic climate makes it uncertain that the council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of an asset is reduced, depreciation increases and the carrying amount of the asset falls. Whilst this risk is inherent in the valuation process, any change to the useful lives of assets and the subsequent depreciation charge will not impact on the council's usable reserve balances, as depreciation charges do not fall on the tax payer and are removed in the Movement of Reserves Statement

Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase; changes in retirement ages; mortality rates and expected returns on pension fund assets. A firm of consulting actuaries (Hymans Robertson LLP) are engaged to provide the council with expert advice about the assumptions to be applied.	The effects on the net pension's liability of changes in individual assumptions can be measured; these changes are detailed within Note 38. For instance, a 0.5% decrease in the discount rate assumption (used for discounting the scheme liabilities) would result in an increase in the pension liability of £7,803k.

5. Material Items of Income and Expense

The council has a number of jointly controlled operations as detailed in Accounting Policy 1.16 'Jointly Controlled Operations and Assets'.

Also included in the 2020/21 Cost of Services in the CIES, the council has made the following material annual contributions:

	2019/20 £'000	2020/21 £'000
District Law	173	157
Joint Planning Unit	64	110
IT Services	486	554
Castle Theatre	608	482
Leisure Contract	40	-
Wellingborough Norse Ltd	4,835	4,782

Changes in the valuations of investment property has resulted in an upward revaluation of £1.009m recognised as part of the Financing and Investment Income and Expenditure line within the Surplus or Deficit on Provision of Services in the CIES. The £1.009m is not permitted to have an impact on the General Fund Balance. The gains are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

The council paid a total sum of £15.435m in Housing Benefit payments to Wellingborough residents to meet the cost of rent payments (£16.832m in 2019/20). The council received Housing Benefit Grant of £15.065m from Central Government to defray the cost (£16.330m in 2019/20).

6. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Section 151 Officer, on 23 August 2021. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The Structural Changes Order to create two new Unitary authorities in Northamptonshire was approved in parliament in February 2020. Any transfer of functions under combinations of public sector bodies, such as the creation of the North Northamptonshire unitary authority, does not negate the presumption of going concern.

There have been no events since the Balance Sheet date which have required adjustment of the financial statements, nor any events which, although they did not require adjustment, were relevant to a proper understanding of the authority's financial position at that date.

There is a section in the Narrative Statement regarding the re-organisation of local government in Northamptonshire and the outcome of this in May 2019 and the impact on this council for future years.

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

7. Note to the Expenditure and Funding Analysis

Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Amounts 2020/21	Adjustments for Capital Purposes (Note a)	Net Change for the Pensions Adjustments (Note b)	Other Differences (Note c)	Total Adjustments
	£'000	£'000	£'000	£'000
Community Support	12	-5	-	7
Environmental & Health Protection	-	-39	-	-39
Housing	601	-10	-	591
Planning & Local Development	752	-46	-	706
Environmental Services	296	-	-	296
Organisation Development	-	-3	-	-3
Democratic Services	-	-16	-	-16
Operational Property	670	-	-	670
Shared Services	311	-	-	311
Accountancy & Audit	-	-11	-	-11
Revenues & Benefits	-	-48	-	-48
Corporate Management	148	-26	-	122
Corporate Income & Expenditure	-67	-508	-	-575
Depreciation & Other	1,517	-	-	1,517
Net Cost of Services	**4,240**	**-712**	**-**	**3,528**
Other income and expenditure from the Expenditure and Funding Analysis	4,382	700	-	5,082
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the provision of Services	8,622	-12	-	8,610

Comparative figures for 2019/20 are shown on the following page.

2019/20 for comparison:

Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Amounts 2019/20	Adjustments for Capital Purposes (Note a) £'000	Net Change for the Pensions Adjustments (Note b) £'000	Other Differences (Note c) £'000	Total Adjustments £'000
Community Support	117	-2	-	115
Environmental & Health Protection	-	-20	-	-20
Housing	587	-8	-	579
Planning & Local Development	720	-28	-	692
Environmental Services	327	-	-	327
Organisation Development	-	-4	-	-4
Democratic Services	-	-8	-	-8
Operational Property	140	-2	-	138
Shared Services	-	-	-	-
Accountancy & Audit	-	-9	-	-9
Revenues & Benefits	-	-25	-	-25
Corporate Management	250	-6	-	244
Corporate Income & Expenditure	-	-345	-	-345
Depreciation & Other	1,405	-	-	1,405
Net Cost of Services	**3,546**	**-457**	**-**	**3,089**
Other income and expenditure from the Expenditure and Funding Analysis	-4,695	898	-	-3,797
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the provision of Services	-1,149	441	-	-708

Adjustments for Capital Purposes

a) Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

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

Net Change for the Pensions Adjustments

b) Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:
   - **For services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
   - **For financing and investment income and expenditure –**- the net interest on the defined benefit liability is charged to the CIES.

Other Differences

c) Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:
   - **For financing and investment income and expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
   - The charge under **taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for Council Tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

8. Expenditure and Income Analysed by Nature

The council's expenditure and income is analysed as follows:

Expenditure/Income	2019/20 £'000	2020/21 £'000
Expenditure:		
Employee benefits expenses	4,821	5,588
Other services expenses	11,477	33,730
Benefits payments	16,832	15,435
Depreciation, amortisation, impairment	3,477	4,135
Interest payments	-	-
Precepts and levies	575	695
NDR Tariff payments	7,718	12,726
Loss on the disposal of assets	40	276
Total Expenditure	**44,940**	**72,585**
Income:		
Fees, charges and other service income	-6,956	-8,708
Interest and investment Income	-390	-222
Income from council tax and non-domestic rates	-17,220	-21,467
Housing benefit grant	-18,055	-15,065
Government grants and contributions	-2,627	-23,451
Total Income	**-45,248**	**-68,913**
(Surplus) or deficit on the provision of services	**-308**	**3,672**

9. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the council in the year, in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the council to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance
The general fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the general fund balance, which is not necessarily in accordance with proper accounting practice.
The general fund balance therefore summarises the resources that the council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the council is required to recover) at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied
The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

Adjustments between Accounting Basis and Funding Basis under Regulations 2020/21	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments to the Revenue Resources				
Pension cost (transferred to (-) or from the Pensions Reserve)	87	-	-	-87
Council tax and NDR (transfers to (-) or from the Collection Fund)	-4,761	-	-	4,761
Renewable energy NNDR movement between years	-	-	-	-
Holiday pay (transferred to the Accumulated Absences reserve)	-9	-	-	9
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	-6,316	-	-	6,316
Total Adjustments to Revenue Resources	**-10,999**	**-**	**-**	**10,999**
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	-	-	-	-
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	-	-	-	-
Capital expenditure financed from revenue ear marked reserve	-	-	-	-
Total Adjustments to Revenue Resources	**-**	**-**	**-**	**-**
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure	-	9,432	-	-9,432
Other Capital Receipts	2,182	-2,182	-	-
Capital Grants to be used to finance future capital expenditure	207	-	-207	-
Use of the Capital Receipts Reserve to finance revenue expenditure	-	-	-	-
Cash payments in relation to deferred capital receipts	-	-	-	-
Total Adjustments to Capital Resources	**2,389**	**7,250**	**-207**	**-9,432**
Total Adjustments (as Per Movement in Reserves Statement)	**-8,610**	**7,250**	**-207**	**1,567**

Adjustments between Accounting Basis and Funding Basis under Regulations 2019/20	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments to the Revenue Resources				
Pension cost (transferred to (-) or from the Pensions Reserve)	-439	-	-	439
Council tax and NDR (transfers to (-) or from the Collection Fund)	938	-	-	-938
Renewable energy NNDR movement between years	11			-11
Holiday pay (transferred to the Accumulated Absences reserve)	-1	-	-	1
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	-976	-	-	976
Total Adjustments to Revenue Resources	**-467**	**-**	**-**	**467**
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	-	-	-	-
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	-	-	-	-
Capital expenditure financed from revenue ear marked reserve	-	-	-	-
Total Adjustments to Revenue Resources	**-**	**-**	**-**	**-**
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure	-	4,724	-	-4,724
Other Capital Receipts	1,074	-1,074	-	-
Capital Grants to be used to finance future capital expenditure	101	-	-101	-
Use of the Capital Receipts Reserve to finance revenue expenditure	-	-	-	-
Cash payments in relation to deferred capital receipts	-	-1	-	1
Total Adjustments to Capital Resources	**1,175**	**3,649**	**-101**	**-4,723**
Total Adjustments (as Per Movement in Reserves Statement)	**708**	**3,649**	**-101**	**-4,256**

10. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in Earmarked Reserves to provide financing for future specific expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund expenditure in 2019/20 and 2020/21.

Reserves	Balance 31st March 2019	Transfers in 2019/20	Transfers out 2019/20	Balance 31st March 2020	Transfers in 2020/21	Transfers out 2020/21	Balance 31st March 2021
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Efficiency and Services Transformation	**-355**	-	-	**-355**			**-355**
Organisational Property	**-250**	-	-	**-250**	-50	92	**-208**
Investment Property	**-186**	-	-	**-186**			**-186**
ICT Infrastructure	**-3**	-	-	**-3**			**-3**
Homelessness	**-233**	-	128	**-105**		105	-
Members IT Allowance	**-7**	-	-	**-7**			**-7**
Business Rates Retention	**-654**		-	**-654**	-4,340		**-4,994**
Leisure Services	**-180**	-	180	-			-
Property Service Charges	**-132**	-270	192	**-210**	-76	29	**-257**
Community Rights	**-30**	-	-	**-30**			**-30**
Individual Electoral Registration	**-90**	-	42	**-48**			**-48**
VAT Reserve	**-88**	-	88	-			-
Neighbourhood Dev Reserve	**-11**	-	-	**-11**			**-11**
Custom & Self Build Reserve	**-51**	-	-	**-51**			**-51**
Brownfield Register Reserve	**-20**	-	-	**-20**			**-20**
New Burdens Impact Reserve	**-16**	-	-	**-16**			**-16**
Members Allowance Costs	**-25**	-	17	**-8**		7	**-1**
Voluntary Sector Reserve	**-30**	-	-	**-30**		30	-
Local Authority Parks Improvement	**-12**	-	12	-			-
The Castle	**-25**	-	11	**-14**			**-14**
Miscellaneous Revenue Grants Reserve	**-177**	-	-	**-177**		52	**-125**
Earmarked Reserves	**-2,575**	**-270**	**670**	**-2,175**	**-4,466**	**315**	**-6,326**
General Fund	**-3,155**	-	-	**-3,155**	**-787**	-	**-3,942**
	-5,730	**-270**	**670**	**-5,330**	**-5,253**	**315**	**-10,268**

The nature and purpose of each reserve is shown below***:***

- ***Efficiency and Services Transformation –*** Reserve to fund budget pressures that emerge during the year and also to invest in services in order to facilitate change.

- ***Organisational Property*** - This reserve will be used to fund essential maintenance to our operational property portfolio, for example boiler repairs and other Health and Safety urgent repairs, which are, by definition, unfunded.

- ***Investment Property*** - This reserve will be used to fund essential maintenance to our investment property portfolio, which has not been identified within the planned preventative maintenance programme.

- ***Business Rates Retention –*** This reserve was created from business rates growth and is intended to absorb timing differences as a result of the changes to how business rates are funded.

- ***Property Service Charges –*** Investment property tenants make a contribution for repairs and maintenance, any residual balances are transferred to the reserve to fund future projects.

- ***Miscellaneous Revenue Grants Reserve*** – Created in 2010/11 it reflects grants received for which there are no conditions to repay but have not yet been spent.

11. Comprehensive Income and Expenditure Statement - Other Operating Expenditure

2019/20 £'000		2020/21 £'000
575	Parish Council Precepts	695
40	Gains(-)/losses on the disposal of non current assets	276
-1,043	Right to Buy and Vat Shelter	-469
-31	Other Income relating to Capital	-10
-459		**492**

12. Comprehensive Income and Expenditure Statement - Financing and Investment Income and Expenditure

2019/20 £'000		2020/21 £'000
3	Interest payable and similar charges	-
898	Pensions interest cost and expected return on pensions	700
-390	Interest receivable and similar income	-222
-3,525	Income and expenditure in relation to investment properties and changes in their fair value.	-4,672
-	(Gains) or losses on disposal of non current assets	3,640
-3,014		**-554**

13. Comprehensive Income and Expenditure Statement - Taxation and Non-Specific Grant Income

2019/20 £'000		2020/21 £'000
-4,284	Council Tax Income	-4,540
7,719	NNDR Tariff Payment	12,727
-11,578	NNDR Income	-11,484
-8,143	**Total Taxation Income**	**-3,297**
-8	Revenue Support Grant	-227
-1,029	New Homes Bonus	-932
-	Other Government Grants	-151
-1,357	Section 31 Grant	-5,445
-2,394	**Total Non-Specific Grants**	**-6,755**
-1,069	Capital Grants and Contributions	-1,122
-11,606	**Total Income**	**-11,174**

14. Property, Plant and Equipment

Movement in Balances

Movement in Balances 2020/21	Other Land and Buildings £'000	Vehicles Plant and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets under Construction £'000	Total Property Plant and Equipment £'000
Cost or Valuation						
At 31st March 2020	**38,568**	**3,359**	**3,421**	**1,783**	**2,431**	**49,562**
Additions / Donations	2,294	59	-	205	4,917	**7,475**
Revaluation increases / decreases(-) recognised in the Revaluation Reserve	1,541	-	-	-	-	**1,541**
Revaluation increases / decreases(-) recognised in the Surplus/Deficit on the Provision of Services	-23	-	-	-	-	**-23**
Derecognition - Disposals	-	-	-	-	-	**-**
Derecognition - Other	-98	-	-	-205	-	**-303**
Assets reclassified within PPE	5,732	-	1,519	-	-7,251	**-**
Assets reclassified to(-) / from Intangible Assets	-132	-	-	-	-	**-132**
Assets reclassified to(-) / from Investment Property	-42	-	-	-	-	**-42**
Other movements in cost or valuation	130	-	-	-	-	**130**
At 31st March 2021	**47,970**	**3,418**	**4,940**	**1,783**	**97**	**58,208**
Accumulated Depreciation and Impairment						
At 31st March 2020	**-351**	**-2,629**	**-2,722**	**-**	**-4**	**-5,706**
Depreciation Charge	-1,107	-237	-106	-	-	**-1,450**
Depreciation written out to Revaluation Reserve	1,165	-	-	-	-	**1,165**
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	-	-	-	-	**-**
Derecognition - disposals	-	-	-	-	-	**-**
Derecognition - Other	9	-	-	-	-	**9**
Impairment losses / reversals(-) recognised in the Revaluation Reserve	-	-	-	-	-	**-**
Impairment losses / reversals(-) recognised in the Surplus/ deficit on the Provision of Service	-	-	-	-	-	**-**
Assets reclassified within PPE	-	-	-	-	-	**-**
Other movements in depreciation and impairment	-	-	-	-	-	**-**
At 31st March 2021	**-284**	**-2,866**	**-2,828**	**-**	**-4**	**-5,982**
Net Book Value as per Balance Sheet						
At 31st March 2020	**38,217**	**730**	**699**	**1,783**	**2,427**	**43,856**
At 31st March 2021	**47,686**	**552**	**2,112**	**1,783**	**93**	**52,226**

Comparative figures for 2019/20 are shown on the following page.

2019/20 for comparison:

Movement in Balances 2019/20	Other Land and Buildings £'000	Vehicles Plant and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets under Construction £'000	Total Property Plant and Equipment £'000
Cost or Valuation						
At 31st March 2019	**33,293**	**2,957**	**3,399**	**1,758**	**1,452**	**42,859**
Additions / Donations	1,989	326	-	6	1,470	**3,791**
Revaluation increases / decreases(-) recognised in the Revaluation Reserve	3,162	-	-	25	-	**3,187**
Revaluation increases / decreases(-) recognised in the Surplus/Deficit on the Provision of Services	-250	-	-	-	-	**-250**
Derecognition - Disposals	-	-	-	-	-	**-**
Derecognition - Other	-19	-	-	-6	-	**-25**
Assets reclassified within PPE	393	76	22	-	-491	**-**
Assets reclassified to(-) / from Intangible Assets	-	-	-	-	-	**-**
Assets reclassified to(-) / from Investment Property	-	-	-	-	-	**-**
Other movements in cost or valuation	-	-	-	-	-	**-**
At 31st March 2020	**38,568**	**3,359**	**3,421**	**1,783**	**2,431**	**49,562**
Accumulated Depreciation and Impairment						
At 31st March 2019	**-852**	**-2,497**	**-2,539**	**-**	**-**	**-5,888**
Depreciation Charge	-1,015	-133	-183	-	-	**-1,331**
Depreciation written out to Revaluation Reserve	1,503	-	-	-	-	**1,503**
Depreciation written out to the Surplus/Deficit on the Provision of Services	24	-	-	-	-	**24**
Derecognition - disposals	-	-	-	-	-	**-**
Derecognition - Other	-14	-	-	-	-	**-14**
Impairment losses / reversals(-) recognised in the Revaluation Reserve	-	-	-	-	-	**-**
Impairment losses / reversals(-) recognised in the Surplus/ deficit on the Provision of Service	**-**	**-**	**-**	**-**	**-**	**-**
Assets reclassified within PPE	**-**	**-**	**-**	**-**	**-**	**-**
Other movements in depreciation and impairment	3	1	-	-	-4	**-**
At 31st March 2020	**-351**	**-2,629**	**-2,722**	**-**	**-4**	**-5,706**
Net Book Value as per Balance Sheet						
At 31st March 2019	**32,441**	**460**	**860**	**1,758**	**1,452**	**36,971**
At 31st March 2020	**38,217**	**730**	**699**	**1,783**	**2,427**	**43,856**

Depreciation

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

Property, Plant and Equipment:

Vehicles, plant and equipment	0 - 20 years
Infrastructure assets	5 - 40 years
Buildings	0 - 70 years

Community Assets may be subject to depreciation, but there were no assets to which this applied in 2020/21.
Assets Under Construction are not subject to depreciation.

In respect of components the elements identified are, in addition to the structure:-
Roof 20 - 40 years
Lifts 10 - 20 years
Services (electrical, plumbing, heating) 15-25 years

Capital Commitments
At 31 March 2021, the council has entered into a number of contracts for the construction or enhancement of property, plant and equipment and future years. The total outstanding for the major commitments is £1.243m.

Revaluations

As per accounting policy 1.19, the council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations are carried out externally. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

Revaluations	Other Land and Buildings £'000	Vehicles Plant and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets under Construction £'000	Total £'000
Carried at historical cost	-	3,418	4,940	1,783	97	**10,238**
2020/21	44,296	-	-	-	-	**44,296**
2019/20	1,355	-	-	-	-	**1,355**
2018/19	899	-	-	-	-	**899**
2017/18	235	-	-	-	-	**235**
2016/17	1,185	-	-	-	-	**1,185**
Total Cost or Valuation	**47,970**	**3,418**	**4,940**	**1,783**	**97**	**58,208**

15. Heritage Assets

Heritage Assets are those that are intended to be preserved in trust for future generations due to their cultural, environmental or historical associations. They are held by the council principally for their contribution to knowledge and culture. Heritage Assets may include historical buildings, archaeological sites, military and scientific equipment of historical importance, historic motor vehicles, civic regalia, orders and decorations (medals), museum and gallery collections and works of art. There have been no additions to the Heritage Assets during 2020/21.

Heritage Assets	Other Land and Buildings £'000	Art Works and Historic Documents £'000	Civic Regalia £'000	Total £'000
Cost or valuation				
31st March 2019	135	32	110	**277**
Additions	-	-	-	**-**
Revaluations	-	-	-	**-**
31st March 2020	**135**	**32**	**110**	**277**
Additions	-	-	-	**-**
Revaluations	-	-	-	**-**
31st March 2021	**135**	**32**	**110**	**277**

16. Investment Property

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

Investment Property	2019/20 £'000	2020/21 £'000
Rental income from Investment Property	-2,822	-2,833
Direct operating expenses arising from investment property	939	940
Net Gain(-)/Loss	**-1,883**	**-1,893**

There are no restrictions on the council's ability to realise the value inherent in its investment property or on the council's right to the remittance of income and the proceeds of disposal.

The following table summarises the movement in the fair value of investment property in 2019/20 and 2020/21:

Investment Property	2019/20 £'000	2020/21 £'000
Balance at start of year	**49,693**	**51,390**
Additions:		
Purchases	-	-
Subsequent Expenditure	55	213
Disposals	-	-3,640
Net gains/losses from fair value adjustments	1,642	1,009
Transfers:		
to/from Property, Plant and Equipment	-	42
Balance at year end	**51,390**	**49,014**

The council has no contractual obligations to purchase, construct or develop investment property.

Investment property is valued each year in accordance with the relevant accounting policy. The value will change by asset type and current prevailing market prices, and as such is recorded at fair value in the opinion of our independent valuer. Any gains or losses on valuation will only be realised when the assets are disposed of.

Details of the council's Investment Properties and information about the fair value hierarchy as at 31 March 2021 are shown below.

Recurring fair value measurements using:	Quoted proces in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Fair value as at 31st March 2021 £'000
Industrial	3,435	23,834	-	27,269
Development Land	165	6,442	-	6,607
Offices	330	1,431	-	1,761
Retail	2,748	8,213	-	10,961
Community	145	1,467	-	1,612
Garages	-	20	-	20
Other	-	784	-	784
Total	**6,823**	**42,191**	**-**	**49,014**

In estimating the fair value of the authority's investment properties, the highest and best use of the properties is their current use.

17. Intangible Assets

The council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system or accounted for as part of the hardware item of Property, Plant and Equipment. All items in the current portfolio of Intangible Assets were purchased from external suppliers; there are no internally generated assets.

All software is given a finite useful life, based on assessments of the period over which the software is expected to be of use to the council.

Intangible Assets	2019/20 £'000	2020/21 £'000
Balance at start of year		
Gross carrying amounts	759	759
Accumulated amortisation	-549	-624
Net carrying amount at start of year	**210**	**135**
Additions:		
Internal development	-	132
Purchases	-	-
Amortisation for the period	-74	-67
Net carrying amount at end of year	**136**	**200**
Comprising:		
Gross carrying amounts	759	892
Accumulated amortisation	-624	-692

18. Financial Instruments

18a Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

Financial Instruments	Long Term		Current	
	31st March 2020 £'000	31st March 2021 £'000	31st March 2020 £'000	31st March 2021 £'000
Investments and Bank Deposits				
Amortised Cost - Loans and Receivables	-	-	25,000	1,000
Financial assets measured at fair value through profit or loss	226	238	-	-
Total Investments	**226**	**238**	**25,000**	**1,000**
Debtors				
Amortised Cost - Loans and Receivables	-	-	2,467	426
Total Debtors	**-**	**-**	**2,467**	**426**
Other Long Term Liabilities				
Finance lease liabilities	-	-	-	-
Total other long term liabilities	**-**	**-**	**-**	**-**
Creditors				
Financial liabilities carried at contract amount	-	-	-511	-10,168
Total creditors	**-**	**-**	**-511**	**-10,168**

Short Term Investments	Long Term		Current	
	31st March 2020 £'000	31st March 2021 £'000	31st March 2020 £'000	31st March 2021 £'000
Fixed Term Investments	-	-	29,000	4,000
Other deposits (Call Accounts - see Note 20)	-	-	862	14,737
Total Short Term Investments	**-**	**-**	**29,862**	**18,737**

Reclassifications of Financial Instruments

In 2020/21 the council did not reclassify any financial instruments.

18b Income, Expense, Gains or Losses

Income, Expense Gains or Losses 2020/21	Financial Liabilities	Financial Assets		Total
	Finance Lease Liabilities	Amortised Cost - Loans and receivables	Financial assets measured at fair value through profit or loss	
	£'000	£'000	£'000	£'000
Interest expense	-	-	-	-
Impairment gains	-	-	-	-
Total expense in Surplus or deficit on the Provision of services	-	-	-	-
Interest Income (Note 12)	-	-222	-	**-222**
Total income in Surplus or Deficit on the Provision of Services	-	-222	-	**-222**
Gains/ (losses) on revaluation (Note 25b)	-	-	**12**	**12**
Surplus/(deficit) arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-	-	**12**	**12**
Net gain or (loss) for the year.	-	**-222**	**12**	**-210**

Income, Expense Gains or Losses 2019/20	Financial Liabilities	Financial Assets		Total
	Finance Lease Liabilities	Amortised Cost - Loans and receivables	Financial assets measured at fair value through profit or loss	
	£'000	£'000	£'000	£'000
Interest expense	-	-	-	-
Impairment gains	-	-	-	-
Total expense in Surplus or deficit on the Provision of services	-	-	-	-
Interest Income (Note 12)	-	-390	-	**-390**
Total income in Surplus or Deficit on the Provision of Services	-	-390	-	**-390**
Gains/ (losses) on revaluation (Note 25b)	-	-	**-64**	**-64**
Surplus/(deficit) arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-	-	**-64**	**-64**
Net gain or (loss) for the year.	-	**-390**	**-64**	**-454**

18c Fair Values of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at contracted amounts (the council does not have any financial instruments that are carried at amortised cost). As a result of financial instruments being carried at contracted amounts there is no difference between the fair value and carrying amount on the Balance Sheet.

The council does not have any borrowings. Available for sale assets (quoted securities) are carried in the Balance Sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument. The gains or losses arising on changes to the fair value of available for sale assets are recognised in the Available for Sale Financial Instruments Reserve (Unusable Reserve).

The two tables below illustrate the carrying amount and fair value of the council's financial liabilities and assets:

	31st March 2020		31st March 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Financial Liabilities	-1,734	-1,734	-10,168	-10,168

	31st March 2020		31st March 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Amortised Cost - Loans and receivables	27,406	27,406	1,664	1,664
Amortised Cost - Long term debtors	-	-	-	-

19. Debtors

The analysis of short-term debtors (net of provision for bad and doubtful debts) held on the Balance Sheet is shown in the table below:

31st March 2020 £'000		31st March 2021 £'000
432	Central government bodies	6,646
5,016	Other local authorities	5,679
3,528	Other entities and individuals	4,551
8,976	**Total**	**16,876**

20. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents held on the Balance Sheet is made up of the following elements:

31st March 2020 £'000		31st March 2021 £'000
4,266	Current Bank Accounts	6,138
859	Other demand deposits	14,737
5,125	**Total Cash and Cash equivalents**	**20,875**

21. Assets Held for Sale

The council did not record any assets during 2019/20 or 2020/21 which are recognised as "Assets Held for Sale" as per current accounting policy 1.19:

22. Creditors

The analysis of short-term creditors held on the Balance Sheet is shown in the table below:

31st March 2020 £'000		31st March 2021 £'000
-1,788	Central Government bodies	-1,488
-1,514	Other local authorities	-552
-6	NHS bodies	-
-2,153	Other entities and individuals	-10,087
-5,461	**Total**	**-12,127**

23. Provisions

2019/20					2020/21			
CPO	Other	NNDR Appeals	Total	Provisions	CPO	Other	NNDR Appeals	Total
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
-	-	-1,273	-1,273	**Balance at 1st April**	-	-	-791	-791
-	-			Additional provision made in year				
		192	192	Reduced provision in year	-130	-40	-76	-246
-	-	290	290	Amounts used in year	-	-	352	352
-	-	-791	-791	**Balance at 31st March**	-130	-40	-515	-685

The CPO provision was created in order to compensate the legal owner following a potential claim in respect of a property which the council has acquired under Compulsory Purchase Order.

The NNDR appeals provision represents the council's share of appeals made in respect of rateable values as defined by the Valuation Office Agency (VOA), in accordance with the local management of business rates.

24. Usable Reserves

Movements in the council's Usable Reserves are detailed in the Movement in Reserves Statement and Note 9. The balance of Usable Reserves as at 31 March 2021 was £28.784m (31 March 2020 £30.889m).

25. Unusable Reserves

The council holds a number of Unusable Reserves on the Balance Sheet. The table below shows a summary of the balances.

31st March 2020 £'000	Unusable Reserves	See Note	31st March 2021 £'000
-19,396	Revaluation Reserve	25a	-21,781
-70	Available for Sale Financial Instruments Reserve	25b	-82
-76,262	Capital Adjustment Account	25c	-79,806
30,939	Pensions Reserve	25d	35,379
-	Deferred Capital Receipts Reserve		-
-261	Collection Fund Adjustment Account	25e	4,500
82	Accumulated Absences account		91
-64,968			**-61,699**

25a 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.

2019/20 £'000		Revaluation Reserve	2020/21 £'000	
	-14,858	**Balance at 1st April**		**-19,396**
-5,017		Upward revaluation of assets	-3,598	
268		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	785	
	-4,749	Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		**-2,813**
207		Difference between fair value depreciation and historic cost depreciation.	370	
5		Accumulated gains on assets sold or scrapped	58	
	211	Amount written off to the Capital Adjustment Account		**428**
	-19,396	**Balance at 31st March**		**-21,781**

25b Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised.

2019/20 £'000	Available for Sale Financial Instruments	2020/21 £'000
-134	**Balance at 1st April**	**-70**
64	Revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	-12
-70	**Balance at 31st March**	**-82**

25c 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 which are charged to the CIES (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 property. The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 9 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

2019/20 £'000		Capital Adjustment Account	2020/21 £'000	
	-72,291	**Balance at 1st April**		**-76,262**
		Reversal of items relating to capital expenditure debited and credited to the Comprehensive Income and Expenditure Statement		
1,405		Charges for depreciation and impairment of non-current assets	1,517	
294		Revaluation losses on Property, Plant and Equipment	130	
1,846		Revenue expenditure funded from capital under statute.	2,660	
40		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	3,934	
	3,585			**8,241**
	-222	Adjusting amounts written out to the Revaluation Reserve		-428
	3,363	Net written out amount of the cost of non-current assets consumed in the year		**7,813**
		Capital financing applied in the year:		
-4,724		Use of the Capital Receipts reserve to finance new capital expenditure	-9,432	
-968		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	-916	
-		Application of grants to capital financing from the Capital Grants Unapplied Account	-	
-		Statutory provision for the financing of capital investment charged against the General Fund Balance	-	
	-5,692			**-10,348**
	-1,642	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		-1,009
	-76,262	**Balance at 31st March**		**-79,806**

25d Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The council accounts for post-employment benefits in the CIES 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 when it 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.

2019/20 £'000	Pension Reserve	2020/21 £'000
37,640	**Balance at 1st April**	30,939
-7,140	Actuarial (-) gains or losses on pensions assets and liabilities	4,527
2,309	Reversal of items relating to retirement benefits debited or credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	1,827
-1,870	Employer's pensions contributions and direct payments to pensioners payable in the year	-1,914
30,939	**Balance at 31st March**	**35,379**

25e Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax income in the CIES 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.

2019/20 £'000	Collection Fund Adjustment Account	2020/21 £'000
677	**Balance at 1st April**	-261
-938	Amount by which council tax and non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	4,761
-261	**Balance at 31st March**	**4,500**

26. Cash Flow Statement – Operating Activities

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

2019/20 £'000	Operating Activities	2020/21 £'000
-308	**Net (surplus) or deficit on the provision of services**	**3,672**
	Adjust net surplus or deficit on the provision of services for non cash movements:	
-1,331	Depreciation	-1,450
-294	Impairment and downward valuations	-130
-74	Amortisation	-67
-50	(Increase)/decrease in impairment for bad debts	416
-3,854	(Increase)/decrease in creditors	-5,766
-342	Increase/(decrease) in debtors	7,484
482	Increase/(decrease) in provisions	106
-227	Adjustment for movements in Debtors and Creditors in respect of Local Taxation that are financing activities	-8,147
-1	Increase/(decrease) in inventories	5
-439	Movement in pension liability	87
-40	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	-3,934
1,642	Movement in value of investment properties	1,009
11	Other non-cash items charged to the net surplus or deficit on the provision of services	-
-4,517	**Adjustments to net surplus or deficit on the provision of services for non cash movements**	**-10,387**
	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities:	
1,069	Capital grants included in "Taxation & non specific grant income"	1,122
-	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-
1,069	**Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities**	**1,122**
-3,756	**Net cash flows from Operating Activities**	**-5,593**

The cash flows for operating activities include the following items:

2019/20 £'000	Operating Activities (Interest)	2020/21 £'000
-377	Interest Received	-208
3	Interest paid	-
-13	Dividends received	-14
-387	**Net cash flows from operating activities (interest)**	**-222**

27. Cash Flow Statement – Investing Activities

2019/20 £'000	Investing Activities	2020/21 £'000
3,846	Purchase of property, plant and equipment, investment property and intangible assets	7,818
37,000	Purchase of short-term and long-term investments	37,000
-	Other payments for investing activities	-
-	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-
-28,000	Proceeds from short-term and long-term investments	-62,000
-1,069	Capital Grants and Contributions Received	-1,122
-	Other receipts from investing activities (including capital grants)	-
11,777	**Net cash flows from investing activities**	**-18,304**

28. Cash Flow Statement – Financing Activities

2019/20 £'000	Financing Activities	2020/21 £'000
-	Cash receipts of short and long-term borrowing	-
-1,135	Other receipts from financing activities	-
-	Cash payments for the reduction of the outstanding liabilities relating to finance leases	-
-	Repayments of short- and long-term borrowing	-
1,362	Other payments for financing activities	8,147
227	**Net cash flows from financing activities**	**8,147**

29. Members Allowances

The council paid the following amounts to Members of the council during 2019/20 and 2020/21.

Members Allowances	2019/20 £'000	2020/21 £'000
Basic Allowances	161	161
Mayor/Deputy Mayor allowances	13	13
Special Responsibility allowances	44	49
Expenses	6	1
Total	**224**	**224**

30. Officers' Remuneration

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

Officers Remuneration		Salary, Fees and Allowances £	Expenses Allowances £	Employer Pension contribution £	Total £
Managing Director/HoPS	**2020/21**	**102,977**	**2,156**	**12,830**	**117,963**
	2019/20	93,677	2,237	15,550	111,464
As Returning Officer	**2020/21**	**651**	**-**	**-**	**651**
	2019/20	3,410	55	-	3,466
Director (Resigned 09/09/2019)	**2020/21**	**-**	**-**	**-**	**-**
	2019/20	36,000	1,144	5,976	43,120
Director/S151 Officer	**2020/21**	**104,974**	**805**	**15,981**	**121,759**
	2019/20	83,756	1,511	13,904	99,171
Total in 2020/21		**208,602**	**2,961**	**28,810**	**240,373**
Total in 2019/20		216,844	4,947	35,430	257,221

Other employees receiving more than £50,000 remuneration (excluding employer's pension contributions) are detailed below. The remuneration paid to the employees shown here includes redundancy payments paid to those employees who left the council as a result of restructuring.

Remuneration Band		2019/20	2020/21
£	£	Number of Employees	Number of Employees
50,000	54,999	1	3
55,000	59,999	4	2
60,000	64,999	-	2
65,000	69,999	-	3
70,000	74,999	-	-
75,000	79,999	-	-

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit package cost band (including special payments)	Number of complusory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
£0 - £20,000	-	-	-	-	-	-	-	-
£20,001- £40,000	-	-	-	-	-	-	-	-
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	1	-	-	-	1	-	£118,576
Total	-	1	-	-	-	1	-	£118,576

31. External Audit Costs

The council 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 council's external auditors:

External Audit Costs	2019/20 £'000	2020/21 £'000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	35	67
Fees payable to for additional audit services not included as part of the annual audit fee	-	-
Fees payable for the certification of grant claims and returns for the year	12	13
	47	**80**

32. Grant Income

The council credited the following grants and contributions to the CIES in 2019/20 and 2020/21:

Grant Income	2019/20 £'000	2020/21 £'000
Credited to Taxation and Non Specific Grant Income		
Retained Business Rates	-3,846	1,243
Section 31 Grant	-1,370	-5,445
New Homes Bonus	-1,029	-932
Council Tax Income	-4,284	-4,540
Other Government Grants	-	-151
Revenue Support Grant	-8	-227
Capital Grants and Contributions	-1,069	-1,122
Total	**-11,606**	**-11,174**
Credited to Services		
Benefit Administration	-522	-535
Housing Benefit Rent Allowances & Rent Rebates	-16,330	-15,065
Discretionary Housing Payments	-	-
Other Government Grants	-332	-400
Other Grants	-	-19,602
Total	**-17,184**	**-35,602**

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 to the giver. The balances at the year-end are as follows:

Grants Received in Advance	2019/20 £'000	2020/21 £'000
Section 106 contributions		
Stanton Cross Development	-2,561	-2,564
Other	-3,317	-2,396
Special Protection Area contributions	*-66*	-84
Total	**-5,944**	**-5,044**

33. Related Parties

The council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council.

Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the council.

Central Government

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). Grants received from government departments are set out in the subjective analysis in Note 32, Grant Income.

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2020/21 is shown in Note 29. During 2020/21, no grants were given to and no works or services were commissioned from, companies in which any members or their related parties had a significant interest, influence or control.

The council transferred its housing stock to Wellingborough Homes (now Greatwell Homes), a Registered Social Landlord in December 2007.

Officers

Chief Officers were asked at the end of the year to disclose whether they, or any member of their immediate family, had any significant financial dealings with the council during the year. Replies were reviewed and no material transactions existed.

Other Public Bodies / Entities Controlled or Significantly Influenced by the Council

The council entered into a contractual arrangement with Wellingborough Norse Ltd from 1 March 2012 details of which are included in the notes relating to Group Accounts.

On 30 December 2015, the council created a new trading company called “Wellingborough Bereavement Services Ltd”. The company is a wholly owned subsidiary of the council and officers and members have been appointed as Directors of the company, further information regarding the company is available in Note 41a.

There were no other Public Bodies or Entities that were controlled or significantly influenced by the council during 2020/21.

Capital Expenditure and 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.

The CFR is analysed in the table below.

Capital Expenditure and Funding	2019/20 £'000	2020/21 £'000
Opening Capital Financing Requirement	-	-
Capital Investment		
Property Plant and equipment	3,791	7,475
Investment Properties	55	213
Intangible Assets	-	-
Revenue Expenditure Funded from Capital under Statute	1,846	2,660
Total Capital Investment	**5,692**	**10,348**
Sources of Finance		
Capital receipts	-4,724	-9,432
Government grants and other contributions	-968	-916
Other Capital Income		
Total Sources of Finance	**-5,692**	**-10,348**
Closing Capital Financing Requirement	-	-

34. Leases

Council as Lessee

Finance Leases

The council acquired Faraday Court business units under finance leases. The valuation of the assets acquired under the Faraday Court lease is nil (based on the lease interest). As a result no asset or long-term liability has been recorded on the council’s Balance Sheet.

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered in to, such as adjustments following rent reviews. The lease payments made for the Faraday Court lease have been classified as contingent rent, because as indicated above there is no long-term liability for the interest in the property. In 2020/21 £289,958 contingent rents were payable by the council (2019/20 £211,462).

Operating Leases

During 2015/16, the council entered into an operating lease in respect of printing and copying equipment. The agreement commenced on 1 December 2015 and is for four years to 30 November 2019. The agreement was initially extended to August 2020 and is currently under review. The annual charge to the Comprehensive Income and Expenditure Account is £11,228.

Council as Lessor

Finance Leases

The council does not hold any finance lease where it acts as lessor.

Operating Leases

The council leases out property (classified as investment property) under operating leases for the purpose of generating income.

The council also leases out Trafalgar House (included under PPE in the balance sheet) to Wellingborough Norse Ltd as part of the agreement for the transfer of services from the 1 March 2012 (as detailed in Note 41 – Group Accounts). The lease was due for renewal on 1 March 2017 and has currently been extended for a further five years to 28 February 2022. The income received for 2020/21 was £90,000 (2019/20 £90,000).

Trafalgar House	31st March 2020 £'000	31st March 2021 £'000
Not later than one year	90	90
Later than one year and not later than five years	180	90
	270	**180**

The future minimum lease payments, for the investment property portfolio, receivable under non-cancellable leases in future years are:

Investment Property	31st March 2020 £'000	31st March 2021 £'000
Not later than one year	-2,667	-2,665
Later than one year and not later than five years	-3,052	-3,348
Later than five years	-64,179	-63,868
	-69,898	**-69,881**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. Contingent rents are considered immaterial and have therefore not been included in the amounts in the table above.

35. Impairment Losses

At the end of 31 March 2021 the council has undertaken an assessment as to whether there is any indication that an asset may be impaired. No events have been identified and as such there are no impairments in 2020/21 (this was also the case in 2019/20).

37. Termination Benefits

The council has paid out £119k in termination costs as detailed in Note 30.

38. Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The council participates in two post-employment schemes:

1. The Local Government Pension Scheme

- This is administered locally by Northamptonshire County Council – it 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 pension's liabilities with investment assets.

- Arrangements for the award of discretionary post-retirement benefits upon early retirement – this 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 pension's payments as they eventually fall due.

- The Northamptonshire pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of Northamptonshire County Council. Policy is determined in accordance with the Pensions Fund Regulations. The investment managers of the fund are appointed by the committee which consists of seven members of Northamptonshire County Council, three members from the borough/district councils, one Universities and Colleges representative, one other employer's representative and two employees representatives.

- The principal risks to the council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance

of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund Account the amounts required by statute as described in the accounting policies Note 1.7.

2. Discretionary Post-retirement Benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

Transactions Relating to Post-employment Benefits

The council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the council is required to make against Council Tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the CIES and the General Fund Balance via the Movement in Reserves Statement during the year:

Comprehensive Income and Expenditure Statement	**Local Government Pension Scheme**	
	2019/20 £'000	**2020/21 £'000**
Cost of Services:		
Current service costs	1,411	1,193
Past service costs/(gains)		-66
Effect of settlements	-	-
Financing and investment Income and Expenditure		
Net interest cost	898	700
Total Post-employment Benefit Charged to the Surplus or deficit on the provision of services	**2,309**	**1,827**
Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability:		
Return on scheme assets	5,905	-11,771
Actuarial gains (losses) arising from changes in financial assumptions	-5,876	16,311
Changes in demographic assumptions	-2,711	1,062
Other remeasurement gains/losses	-4,458	-1,075
Total Remeasurement of the net defined benefit liability:	**-7,140**	**4,527**
Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**-4,831**	**6,354**
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of services for post employment benefits in accordance with the Code	-2,309	-1,827
Actual amount charged against the General Fund Balance for pensions in the year		
Employers' contributions payable to scheme	-1,809	-1,864
Retirement benefits payable to pensioners	-61	-50

Pensions Assets and Liabilities Recognised in the Balance Sheet	Pension Scheme		Discretionary Benefits Arrangements		TOTAL	
	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000
Present value of the defined benefit obligation	-78,446	-94,762	-844	-724	-79,290	-95,486
Fair value of pension scheme assets	48,351	60,107	-	-	48,351	60,107
Net liability arising from the defined benefit obligation	**-30,095**	**-34,655**	**-844**	**-724**	**-30,939**	**-35,379**

Reconciliation of the Movements in the Fair Value of Scheme Assets	2019/20 £'000	2020/21 £'000
Opening value of scheme assets as 1st April	**54,171**	**48,351**
Interest income	1,290	1,100
Remeasurement - plan assets	-5,905	11,771
Employer contributions	1,870	1,864
Contributions by scheme participants	217	238
Benefits paid	-3,292	-3,267
Service cost settlement effects	-	-
Closing balance at 31st March	**48,351**	**60,057**

Reconciliation of Defined Benefit Obligations	TOTAL	
	2019/20 £'000	2020/21 £'000
Opening balance as 1st April	**91,811**	**79,290**
Current service cost	1,411	1,193
Past service costs/(gains)	-	-66
Effect of settlements	-	-
Interest cost	2,188	1,800
Contributions by scheme participants	217	238
Actuarial gains (losses) arising from changes in demographic assumptions	-2,711	1,062
Actuarial gains (losses) arising from changes in financial assumptions	-5,876	16,311
Other remeasurement gains/(losses)	-4,458	-1,075
Losses / (Gains) on Curtailments	-	-
Liabilities Extinguished on Settlements	-	-
Benefits paid	-3,292	-3,292
Closing balance at 31st March	**79,290**	**95,461**

Pension Scheme Assets comprised;

Local Government Pension Scheme assets: Dissagregation by class	Quoted prices in active markets	Quoted prices not in active markets	Quoted prices in active markets	Quoted prices not in active markets
	2019/20 £'000	2019/20 £'000	2020/21 £'000	2020/21 £'000
Cash and cash equivalents	**738**	**-**	**952.7**	**-**
Equity Instruments by industry type:				
Consumer	1,202	-	0.3	-
Manufacturing	523	-	-	-
Energy and utilities	327	-	-	-
Financial institions	479	-	-	-
Health and care	330	-	-	-
Information technology	363	-	-	-
Other		-		-
Total equity instruments	**3,224**	**-**	**0.3**	**-**
Debt Securities:				
Corporate bonds	-	-	-	-
Government bonds	-	5,225	-	6,108
Other	-	-	-	-
Total Debt Securities	**-**	**5,225**	**-**	**6,108**
Property by geography:				
UK property	-	3,643	-	3,489
Overseas Property	-	251	-	451
Total property	**-**	**3,894**	**-**	**3,940**
Private equity:				
All private equity	**-**	**1,060**	**-**	**1,790**
Investment funds and Unit Trusts by type:				
Equities	-	27,799	-	38,034
Bonds	-	3,580	-	5,587
Infrastructure	-	2,909	-	3,773
Other	-	-	-	-
Total investment funds	**-**	**34,288**	**-**	**47,394**
Derivatives:				
Forward foreign exchange contracts	**-**	**-**	**-**	**-**
Total assets	**3,962**	**44,467**	**953.0**	**59,232**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits 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 2019.

The principal assumptions used by the actuary have been:

Actuarial Assumptions	Local Government Pension Scheme	
	2019/20	2020/21
Mortality assumptions		
Longevity at 65 for current pensioners:		
Men	21.5 years	21.7 years
Women	23.7 years	24.1 years
Longevity at 65 for future pensioners:		
Men	22.8 years	22.5 years
Women	25.1 years	25.8 years
Rate of inflation (CPI)	2.00%	3.30%
Rate of increase in salaries	2.40%	3.35%
Rate of increase in pensions	1.90%	2.85%
Rate of discounting scheme liabilities	2.30%	2.00%
Take up of option to convert annual pension into retirement lump sum		
Pre April 2008 Service	50%	50%
Post April 2008 Service	75%	75%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis above has been determined based on reasonably possible changes of assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for women and men. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis is consistent with methods used in previous years.

Impact on the Council's Cash flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Northamptonshire Pension Fund has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2022.

Statements

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The council anticipates paying £1.864m of contributions into the scheme during 2021/22.

The weighted average duration of the defined benefit obligation for scheme members is 17 years, 2020/21 (17 years 2019/20).

39. Contingent Liabilities

At 31 March 2021, the council had the following material contingent liabilities:

- In December 2007 the Borough Council of Wellingborough signed a warranty in favour of Greatwell Homes (previously known as Wellingborough Homes) as part of its housing stock transfer. As part of this warranty the council agreed for a period of 20 years to indemnify the company for any expenditure above an agreed threshold for the cost of works relating to the removal of asbestos in the stock transferred. The original threshold agreement was £2.340m. This is monitored annually and is unlikely to be breached in the coming years. However, there is a potential liability for the council for the future and as such it should be recognised as a contingent liability.

- As a result of a faulty electricity meter being identified at the multi storey car park, it is possible the council has been incorrectly charged by the utility company. This error has been traced back to 2014 and whilst the issue is in dispute, there remains a possibility the council could be liable for approximately £130k. The estimated figure is based on current usage and should be recognised as a contingent liability.

40. Nature and Extent of Risks arising from Financial Instruments

The council's activities expose it to a variety of financial risks:

- credit risk – the possibility that other parties might fail to pay amounts due to the council
- liquidity risk – the possibility that the council might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the council as a result of changes in such measures as interest rates and stock market movements.

The council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies stated within the annual Treasury Management Strategy, approved by the council in June 2020. This document provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the council's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch and Moody's and Standard and Poor's Ratings Services. The Annual Treasury Management Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

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

Financial Asset Category	Criteria	Maximum Investment
Deposits with Banks	As assessed by our treasury management advisors:	**£**
	Part Nationalised UK banks	7m
	UK domiciled banks with a minimum Fitch rating of A- or equivalent	7m
	Non UK banks, domiciled in a country which has a minimum sovereign long term Fitch rating of AA- (or equivalent)	3m
Deposits with building societies	Building Societies are assessed by their asset base:	**£**
	Building societies with assets >£1bn	3m
	Building societies with assets >£500m <£1bn	1m

The council does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

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

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors.

The council's maximum exposure to credit risk in relation to its investments in banks and building societies of £18.737m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. A risk of non-recovery applies to all of the council's deposits, but there was no evidence at the 31 March 2021 that this was likely to crystallise.

The following analysis summarises the council's potential maximum exposure to credit risk on other financial assets, based on experience of default and collection rates over the last three financial years, adjusted to reflect current market conditions:

	Amount at 31st March 2021	Historical experience of default	Historical experience adjusted for market conditions at 31st March 2021	Estimated maximum exposure to default and un-collectability as at 31st March 2021	Estimated maximum exposure at 31st March 2020
	£'000	%	%	£'000	£'000
	A	B	C	(A x C)	
Customers	2,849	9.25%	12.44%	354	244

The council does not generally allow credit for customers, such that £30,889 of the £144,962 balance, summarised below, is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

Outstanding Debt Analysis	31st March 2020 £'000	31st March 2021 £'000
Less than three months	162	110
Three to six months	112	50
Six months to one year	-13	-12
More than one year	16	-3
	277	145

Liquidity Risk

The council is debt free, which means it has no borrowings to finance capital expenditure. 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 no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The council manages its liquidity position through risk management procedures such as the setting and approval of prudential indicators and the approval of the Treasury and Investment Strategy reports. It also maintains detailed cash flow planning to manage its day to day liquidity. The council has an overdraft facility, has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and the Public Works Loan Board (PWLB) also acts as a lender of last resort to councils.

All trade and other payables are due to be paid in less than one year.

Market Risk

Interest Rate Risk

The council is exposed to risk in terms of its exposure to interest rate movements on its investments only, as it has no borrowings. Movements in interest rates have a complex impact on the council. For instance, a rise in interest rates would have the following effects:

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

Changes in interest receivable on variable rate investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

Local authorities should have due regard for the risks associated with the financial instruments that they hold. The procedures for risk management are set out through a legal framework 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. Active treasury management allows continual re-assessment of the impact that movements in interest rates have both in respect of feeding into the setting of the annual budget and also used to update the budget quarterly during the year. This allows any adverse changes to be accommodated.

According to this assessment strategy, at 31 March 2021, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£'000
Increase in interest receivable on variable rate investments	147
Impact on Surplus or Deficit on the Provision of Services	147
Decrease in fair value of fixed rate investment assets	40
Impact on Other Comprehensive Income and Expenditure	40
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	-

The impact of a 1% fall in interest rates would be the reverse of the above.

Price Risk

The council does not generally invest in equity shares but does have shareholdings to the value of £237,500 in Aberdeen Diversified Income & Growth (previously known as Black Rock Income Strategies Trust) as at the 31 March 2021 (£225,500 at 31 March 2020). Consequently, the council is exposed to losses or surpluses arising from movements in the prices of these shares. These shares are classified as 'Available for Sale', meaning that all movements in price will impact on gains and losses recognised in Other Comprehensive Income and Expenditure. This represented an overall increase of 5.3% in year.

Foreign Exchange Risk

The council has no financial exposure to loss arising from movements in exchange rates.

41. Group Accounts

The council has business relationships with a number of entities over which it has varying degrees of control or influence. These are classified into the categories of subsidiaries, associates or joint ventures. The meanings of these terms are outlined below:

- Subsidiary - A subsidiary is an entity including an unincorporated entity such as a partnership that is controlled by another entity (the council), known as the parent.
- Associate - An associate is an entity over which an investee and investor (the council) has significant influence.
- Joint Venture - A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

a) Wellingborough Bereavement Services Ltd:

On 30 December 2015, Wellingborough Bereavement Services Ltd, trading as Nene Valley Crematorium, was incorporated and commenced trading in September 2016. The company is a wholly owned subsidiary of the council and for the purposes of group accounts is classified as a subsidiary and is therefore consolidated into the group accounts on a line by line basis.

The following additional information is disclosed to aid an understanding of the nature of the group relationship.

i. The registered name of the company is Wellingborough Bereavement Services Ltd,
ii. Nature of the business – the principal activities of the company are to offer long-term comfort within the local community for the presently bereaved and for generations of families into the future and to ensure that cremations take place in a respectful and effective way.
iii. The immediate parent undertaking is Borough Council of Wellingborough,
iv. The ultimate parent undertaking is Borough Council of Wellingborough,
v. The company's ultimate controlling party is Borough Council of Wellingborough.
vi. Payments made to Wellingborough Bereavement Services – The council has made no payments to the company but has incurred cost on their behalf. As such a debtor amount of £16k (2019/20 £86k) has been included in the council's core financial statements to recognise these transactions. This has been removed from the group accounts, together with the corresponding creditor, which will appear in the single entity financial statements for Wellingborough Bereavement Services Ltd, in order to recognise that these items are internal to the group.

b) Wellingborough NORSE Ltd:

On the 1 March 2012 the council entered into an agreement with Wellingborough Norse Ltd relating to services previously carried out by the 'environmental' and 'facilities management' sections of the council. The council has a 20% share of Wellingborough Norse Ltd., and as such the council does have significant influence over Wellingborough Norse Ltd. This assumption is supported by representation on the Wellingborough Norse Ltd board, together with the fact that the majority of Wellingborough Norse Ltd.'s business is with the council. Based on this, the council's accounting relationship with Wellingborough Norse Ltd has been determined as that of an 'Associate' and is consolidated using the equity method.

Tables are shown below which set out the extent and implications of the council's interest in Wellingborough Norse for the core financial statements of the council's 20% interest in the company.

In addition the council also receives a 50/50 profit or loss share at the end of the financial year. The total profit for 2019/20 has been reported as £83,222, the council's share of this is £41,611.

The following additional information is disclosed to aid an understanding of the nature of the group relationship.

i. The registered name of the company is Wellingborough Norse Ltd,
ii. Nature of the business – the principal activity of the company is that of refuse, cleansing and maintenance services,
iii. The immediate parent undertaking is Norse Commercial Services Ltd,
iv. The ultimate parent undertaking is Norse Group Ltd,
v. The company's ultimate controlling party is Norfolk County Council, by virtue of them owning 100% of the ordinary share capital of Norse Group Ltd,
vi. Payments made to Wellingborough Norse Ltd in respect of services provided are included within the Cost of Services in the Comprehensive Income and Expenditure Statement. Total payments to Wellingborough Norse Ltd were £4.782m in 2020/21 and £4.835m in 2019/20, these are included in the accounting statements as follows:

Service	2019/20 £,000	2020/21 £,000
Corporate & Democratic Core	140	140
Cultural & Related Services	1,055	1,055
Environmental & Regulatory	2,695	2,695
Financing & Investment Income & Expenditure	29	29
Highways, Roads & Transport Services	358	305
Planning & Development Services	79	79
Recharged Cost Centres	479	479
Grand Total	4,835	4,782

At 31 March 2021 Wellingborough Norse Limited owed to the council £1,573 (2019/20 £273,413). There was nothing owed by the council to Wellingborough Norse Limited (2019/20 £22,345).

F1 Collection fund

The Collection Fund reflects the statutory requirements 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)

2019/20		2020/21			
£'000		£'000	£'000	TOTAL £'000	
	INCOME FOR THE YEAR				
	Income from Council Tax	-			3
	Section 13 Reliefs				
	Income from Non Domestic Rates		-		2
	TOTAL INCOME FOR THE YEAR (a)				
	EXPENDITURE FOR THE YEAR (b)				
	Apportionment of Previous Year's				
-738	Central Government	9	-	9	
-569	Billing Authority	94	-	94	
-2	County Council	127	-	127	
27	Police and Crime Commissioner		-	4	
	Fire & Rescue	-	-	-	
-1,275		**234**		**234**	4
	Precepts, Demands and Shares (c)				
	Central Government		-		2
	Billing Authority				2
	County Council				2
	Police and Crime Commissioner				2
	Fire & Rescue	-			2
	Charges to Collection Fund (d)				
	Less : Write offs of uncollectable amounts	-		440	5
212	Less : Increase/ Decrease (-) in Bad Debts	162	-	162	5
-1,207	Less : Increase/ Decrease (-) in Provision	-689	-	-689	5
	Less: Transitional Protection Payments	111	-	111	
	Less : Cost of Collection Allowance	107	-	107	
	Other Transfers to the General Fund in with non-domestic rates regulation				
-19	Renewable Energy	45	-	45	
-532		**-264**			
1,616	**SURPLUS/ DEFICIT (-) FOR THE YEAR (a-**	**-11,590**	**-1,222**	**-12,812**	
-1,921	**SURPLUS/ DEFICIT (-) b/fwd 1st April**	983	-1,288	-305	
-305	**SURPLUS/ DEFICIT (-) c/fwd 31st March**	**-10,607**	**-2,510**	**-13,117**	
	Apportionment of Surplus/Deficit (-)				
196	Central Government	-5,491	-	-5,491	
-545	County Council	-767	-1,807	-2,574	
261	Billing Authority	-4,243	-257	-4,500	
-172	Police and Crime Commissioner	-106	-359	-465	
-45	Fire & Rescue	-	-87	-87	
-305		**-10,607**	**-2,510**	**-13,117**	

F2 Notes to the collection fund

1 Introduction

The Collection Fund is an agent's statement that reflects the statutory obligation of billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and National Non-Domestic Rates (NNDR) and its distribution to local government bodies and the government.

The council has a statutory requirement to operate a Collection Fund as a separate account to the General Fund. The purpose of the Collection Fund therefore, is to isolate the income and expenditure relating to Council Tax and NNDR. The administrative costs associated with the collection process are charged to the General Fund.

Collection Fund surpluses or deficits declared by the billing authority in relation to Council Tax are apportioned to the relevant precepting bodies in the subsequent financial year. For Wellingborough, the Council Tax precepting bodies are Northamptonshire County Council (NCC) and the Police, Fire and Crime Commissioner for Northamptonshire (PFCC), previously Northamptonshire Fire & Rescue Service (NF&R).

In 2013/14 the local government finance regime was revised with the introduction of the retained business rates scheme. The main aim of the scheme is to give councils a greater incentive to grow businesses in the borough. It does, however, also increase the financial risk due to non-collection and the volatility of the NNDR tax base and impact of appeals.

The scheme allows the council to retain a proportion of the total NNDR received. Wellingborough share is 40% with the remainder paid to central government (50%), NCC (9%) and Police, Fire and Crime Commissioner (1%). These percentages differ from last year when Northamptonshire was part of a Government business rates pilot which meant the County Council retained 34% and the Government 25%.

NNDR surpluses or deficits declared by the billing authority in relation to the Collection Fund are apportioned to the relevant precepting bodies in the subsequent financial year in their respective proportions.

The national Code of Practice followed by Local Authorities in England stipulates that a Collection Fund Income and Expenditure account is included in the council's accounts. The Collection Fund Balance Sheet meanwhile is incorporated into the council's Consolidated Balance Sheet.

2 Income from Business Ratepayers

The council collects National Non-Domestic Rates (NNDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by central government.

When the scheme was introduced, central government set a baseline level for each council identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amounts. Tariffs due from authorities payable to central government are used to finance the top ups to those authorities who do not achieve their targeted baseline funding. In this respect Wellingborough paid an estimated tariff to the General Fund in 2020/21 to the value of £8.107m (£7.719m in 2019/20).

The business rates shares payable for 2020/21, including surplus or deficit contributions, were estimated before the start of the financial year as £14.398m (£6.303m in 2019/20) to central government, £2.717m (£9.428m in 2019/20) to NCC, £292k (£282k for 2019/20) to PFCC and £11.595m (£10.674m in 2019/20) to the Borough Council of Wellingborough. The payment to Wellingborough includes the tariff payment of £8.107m (£7.719m in 2019/20) which leaves a retained income of £3.399m. These sums have been paid in 2020/21 and charged to the collection fund in year.

The total income from business rate payers collected in 2020/21 was £17.159m (£29.564m in 2019/20).

In addition to the tariff, a 'safety net' figure is calculated at 92.5% of the baseline amount which ensures that authorities are protected to this level of Business Rates income. For Wellingborough, the value of the safety net figure is £2.239m (£2.475m in 2019/20). The comparison of business rates income to safety net uses the total income collected from business rate payers and adjusts for losses in collection, losses on appeal, transitional protection payments, the cost of collection and the revision to Small Business Rate Relief not allowed for when the safety net was set. The council does not qualify for a safety net payment for 2020/21.

Along with the local management of business rates, authorities are also expected to finance appeals made in respect of rateable values as defined by the VOA and hence business rates outstanding as at 31 March 2021. As such, authorities are required to make a provision for these amounts. Appeals are charges and are provided for in proportion of the precepting shares. The total provision charged to the collection fund for 2020/21 has been calculated at £1.287m which is a £0.689m reduction when compared with 2019/20.

For 2020/21 the total non-domestic rateable value at the year-end is £73.068m (£72.766m in 2019/20). The national multipliers for 2020/21 were 49.9p for qualifying small business and the standard multiplier being 51.2p for all other businesses (49.1p and 50.4p respectively in 2019/20).

3 Council Tax

Council Tax derives from charges raised according to the value of residential properties, which have been classified into 9 valuation bands (A-H) for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the council for the forthcoming year and dividing this by the Council Tax base (i.e. the equivalent number of Band D dwellings).

In 2013/14, the local government finance regime was revised and Council Tax benefit is no longer received by the council. This has been replaced by a Council Tax Reduction Scheme which is administered in each council.

The Council Tax base for 2020/21 was 25,469 (25,113 in 2019/20). The tax base for 2020/21 was approved at council on 28 January 2020 and was calculated as follows:

2019/20 Band D Equivalents	Band	Estimated number of taxable properties after effect of discounts	Ratio	2020/21 Band D Equivalents
10	A(-)	22	5/9	12
4,922	A	7,685	6/9	5,123
6,373	B	8,394	7/9	6,529
5,598	C	6,451	8/9	5,734
3,613	D	3,653	9/9	3,653
2,733	E	2,225	11/9	2,720
1,185	F	807	13/9	1,165
873	G	502	15/9	836
60	H	32	18/9	64
25,367				**25,836**
-254	Non-Collection Provision 2020/21			-367
25,113	**Council Tax Base**			**25,469**

4 Contributions to Collection Fund Surpluses and Deficits

The council has a statutory requirement to prepare an estimate each January of the surplus or deficit expected to arise at the end of that financial year. In January 2020 it was estimated the Collection Fund would have a Council Tax surplus of £nil and a Business Rates surplus of £0.234m, a combined collection fund surplus of £0.234m (£1.275m deficit in January 2019). The following amounts were due to preceptors in 2020/21.

2019/20 £'000	Collection Fund Balance	2020/21 £'000
-738	Central Government	9
-2	Northamptonshire County Council	127
27	Northamptonshire Police & Crime Commissioner	4
7	Northamptonshire Fire & Rescue	-
-569	Borough Council of Wellingborough	94
-1,275	**Total Surplus/(-Deficit)**	**234**

5 Council Tax/NNDR Bad Debt Provision and NNDR provision for valuation appeals – Accounting Policy

The Collection Fund account provides for bad debts on arrears on the basis of prior year experience and current year's collection rates

(a) Bad debts on Council Tax Arrears

2019/20 £'000		2020/21 £'000
2,677	Balance at 1st April	2,703
-224	Write-offs during the year for previous years	-738
250	Contribution to provision during the year	440
2,703	Balance at 31st March	**2,405**

The council's proportion of these write offs and increase in provision are shown below.

2019/20 £'000		2020/21 £'000
272	Balance at 1st April	276
-23	Write-offs during the year for previous years	-75
26	Contribution to provision during the year	46
276	Balance at 31st March	**246**

(b) Bad debts on NNDR Arrears.

2019/20 £'000		2020/21 £'000
205	Balance at 1st April	315
-76	Write-offs during the year for previous years	-
186	Contribution to provision during the year	162
315	Balance at 31st March	**477**

The council's proportion of these write offs and increase in provision are shown below.

2019/20 £'000		2020/21 £'000
82	Balance at 1st April	126
-30	Write-offs during the year for previous years	-
74	Contribution to provision during the year	65
126	Balance at 31st March	**191**

(c) NNDR Appeals.

The Collection Fund account also provides for provision for appeals against the rateable value set by the Valuation Office Agency (VOA) not settled as at 31 March 2021.

2019/20 £'000		2020/21 £'000
3,184	Balance at 1st April	1,977
-1,207	Contribution to/(from) provision during the year	-689
1,977	Balance at 31st March	**1,288**

The council's proportion of this provision is shown below.

2019/20 £'000		2020/21 £'000
1,273	Balance at 1st April	791
-482	Contribution to/(from) provision during the year	-275
791	Balance at 31st March	**516**

G1 Group accounts

The following Group Statements and Notes consolidate:

- the council's single entity financial Statements and Notes,
- the financial Statements and Notes of Wellingborough Bereavement Services Limited (a subsidiary of the council), and
- the council's interest in Wellingborough Norse Limited (an associate of the council, in which it holds a 20% interest).

Additional information on the nature of the relationships is contained in Note 41 above.

GROUP Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with accounting standards, 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 of Reserves Statement. The Group CIES includes the operations of Wellingborough Bereavement Services Ltd and the council's share of the Wellingborough Norse Ltd profits and tax expenses.

2019/20				2020/21		
Gross Expendit	**Gross incom**	**Net Expendit**		**Gross Expendit**	**Gross income**	**Net Expendit**
£'000 *Restated*	**£'000** *Restated*	**£'000** *Restated*		**£'000**	**£'000**	**£'000**
1,591	*-98*	*1,493*	Community Support	1,597	-53	1,544
784	*-191*	*593*	Environmental & Health Protection	1,006	-243	763
2,021	*-800*	*1,221*	Housing	2,175	-747	1,428
2,182	*-817*	*1,365*	Planning & Local Development	2,416	-944	1,472
6,695	*-2,190*	*4,505*	Environmental Services	6,654	-2,541	4,113
208	*-8*	*200*	Organisation Development	156	-8	148
660	*-29*	*631*	Democratic Services	923	-247	676
1,041	*-123*	*918*	Operational Property	1,398	-124	1,274
1,132	-	*1,132*	Shared Services	1,558	-6	1,552
551	*-47*	*504*	Accountancy & Audit	19,514	-19,612	-98
17,838	*-17,172*	*666*	Revenues & Benefits	16,557	-16,084	473
549	*-35*	*514*	Corporate Management	800	-167	633
1,076	*-338*	*738*	Corporate Income & Expenditure	510	-	510
36,328	***-21,848***	***14,480***	**Cost Of Services**	**55,264**	**-40,776**	**14,488**
615	*-1,074*	*-459*	Other Operating Expenditure (Note 11)	971	-479	492
901	*-3,915*	*-3,014*	Financing and Investment Income and Expenditure (Note	4,339	-4,893	-554
7,719	*-19,325*	*-11,606*	Taxation and Non-Specific Grant Income and Expenditure	12,727	-23,901	-11,174
		-599	**Surplus(-) or Deficit on Provision of Services**			**3,252**
		-17	Share of Surplus (-) / Deficit on the provision of services by			**-21**
		3	Tax expenses of Associate (Group note2)			**4**
		-613	**Group Surplus (-) / Deficit**			**3,235**
			Other Comprehensive Income and Expenditure:			
		-4,749	Surplus(-) or Deficit on revaluation of property, plant			-2,813
		64	Surplus(-) or Deficit on revaluation of available for sale			-12
		-7,140	Actuarial Gains(-) or Losses on Pension Assets and Liabilities			4,527
		-11,825	**Total Other Comprehensive Income and Expenditure**			**1,702**
		-12,438	**Total Comprehensive Income and Expenditure**			**4,937**

GROUP Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the council and the Group, analysed into 'Usable Reserves' (i.e. those that can be utilised to fund expenditure or reduce taxation) and other reserves. The surplus (-) or deficit on the Provision of Service line shows the true economic cost of providing the Group's services, more details of which are shown in the Group CIES. Additional information on the structure of this Statement is contained within the council's Movement in Reserves Statement, presented earlier in this Statement of Accounts.

Group Movement in Reserves Statement 2020/21	**General Fund Balance**	**Capital Receipts Reserve**	**Capital Grants Unapplied**	**Total Usable Reserves**	**Unusable Reserves**	**Total Authority Reserves**	**Reserves of Subsidiary**	**Council's Share of Reserves of Associate**	**Total Reserves**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Amount as per Balance Sheet at 31st March 2020 brought forward	**-5,330**	**-25,025**	**-534**	**-30,889**	**-65,453**	**-96,342**	**-431**	**-183**	**-96,956**
Movement in Reserves during 2020/21									
Total Comprehensive Income and Expenditure	3,672	-	-	**3,672**	1,702	**5,374**	**-420**	**-17**	**4,937**
Adjustments between accounting basis and funding basis under regulations **(Note9)**	-8,610	7,250	-207	**-1,567**	1,567	**-**	**69**	**-**	**69**
Increase(-)/Decrease in 2020/21	**-4,938**	**7,250**	**-207**	**2,105**	**3,269**	**5,374**	**-351**	**-17**	**5,006**
Amount as per Balance Sheet at 31st March 2021 carried forward	**-10,268**	**-17,775**	**-741**	**-28,784**	**-62,184**	**-90,968**	**-782**	**-200**	**-91,950**

Group Movement in Reserves Statement 2019/20 *Restated*	**General Fund Balance**	**Capital Receipts Reserve**	**Capital Grants Unapplied**	**Total Usable Reserves**	**Unusable Reserves**	**Total Authority Reserves**	**Reserves of Subsidiary**	**Council's Share of Reserves of Associate**	**Total Reserves**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Amount as per Balance Sheet at 31st March 2019 brought forward	***-5,730***	***-28,674***	***-433***	***-34,837***	***-48,887***	***-83,724***	***-140***	***-169***	***-84,033***
Movement in Reserves during 2019/20									
Total Comprehensive Income and Expenditure	*-308*	-	-	***-308***	*-12,310*	***-12,618***	***-291***	***-14***	***-12,923***
Adjustments between accounting basis and funding basis under regulations (Note9)	*708*	*3,649*	*-101*	***4,256***	*-4,256*	**-**	**-**	**-**	**-**
Increase(-)/Decrease in 2019/20	***400***	***3,649***	***-101***	***3,948***	***-16,566***	***-12,618***	***-291***	***-14***	***-12,923***
Amount as per Balance Sheet at 31st March 2020 carried forward	***-5,330***	***-25,025***	***-534***	***-30,889***	***-65,453***	***-96,342***	***-431***	***-183***	***-96,956***

GROUP Balance Sheet

The Balance Sheet shows the value of the assets and liabilities recognised by the council and the Group at the Balance Sheet date. The net assets (i.e. assets less liabilities) are matched by the Group's reserves, reported in two categories. Details of the Usable and Unusable Reserves are contained within Notes 24 and 25 to the council's Core Financial Statements and Note 3 to the Group Accounts.

31st March 2020 £'000 Restated		Notes	31st March 2021 £'000
43,878	Property, Plant and Equipment		52,292
277	Heritage Assets	15	277
51,390	Investment Property	16	49,014
146	Intangible Assets	17	218
226	Long Term Investments	18a	238
183	Investment in Associate		200
-	Long Term Debtors	18a	-
96,100	**Long Term Assets**		**102,239**
29,000	Short Term Investments	18a	4,000
6	Inventories		95
9,013	Short Term Debtors	Group Note 7	16,965
5,682	Cash and Cash Equivalents	Group Note 8	21,639
43,701	**Current Assets**		**42,699**
-7,100	Short Term Creditors	Group Note 9	-12,368
-4,495	Grants Receipts in Advance	32	-5,044
-11,595	**Current Liabilities**		**-17,412**
-791	Provisions	23	-685
-30,944	Pension Liability	38	-35,376
-31,735	**Long Term Liabilities**		**-36,061**
96,471	**Net Assets**		**91,465**
-31,503	Usable Reserves	MIRS	-29,766
-64,968	Unusable Reserves	25	-61,699
-96,471	**Total Reserves**		**-91,465**

GROUP Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the council and Group during the reporting period. The statement shows how the council and the Group generate and use cash and cash equivalents by classifying cash flows as operating, investing and financing activities. Additional information on the structure of this Statement is contained within the council's Cash Flow Statement and in Notes 26-28 to the Core Financial Statements.

2019/20 £'000 *Restated*		2020/21 £'000
-599	Net (surplus) or deficit on the provision of services	**3,252**
-3,305	Adjustments to net surplus or deficit on the provision of services for non cash movements	-10,618
1,069	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	1,122
-2,835	Net cash flows from Operating Activities (Group Note 10)	**-6,244**
11,779	Investing Activities	-18,198
227	Financing Activities (Note 28)	8,485
9,171	Net (increase) or decrease in cash and cash equivalents	**-15,957**
-14,853	Cash and cash equivalents at the beginning of the reporting period	-5,682
-5,682	Cash and cash equivalents at the end of the reporting period (Note 20)	**-21,639**

G2 Notes to the group accounting statements

1. Statement of Accounting Policies

Both Wellingborough Bereavement Services Ltd and Wellingborough Norse Ltd prepare their accounts under UK GAAP, whereas the council prepares its financial statements based on International Financial Reporting Standards. As far as can be ascertained, this gives rise to no material difference between the accounting principles of the other group entities and the council.

2. Group Comprehensive Income and Expenditure Statement

The Group CIES has been prepared incorporating the operations of Wellingborough Bereavement Services Ltd and the council's share of Wellingborough Norse Ltd.'s surplus on the provision of services and its tax liability. This differing treatment reflects the differing status of each entity within the group, being a subsidiary and an associate respectively.

3. Group Balance Sheet.

The Group Balance Sheet has been prepared incorporating the assets of Wellingborough Bereavement Services Ltd and the council's share of Wellingborough Norse Ltd.'s net assets under the heading of Investment in Associates. This again reflects the differing status of each entity. The analysis of Usable Reserves is constituted as follows:-

	31st March 2020 £'000 *Restated*	**31st March 2021 £'000**
Borough Council of Wellingborough	*-30,889*	-28,784
Wellingborough Bereavement Services Ltd	*-431*	-782
Wellingborough Norse Ltd	*-183*	-200
	-31,503	**-29,766**

4. Cash Flow

The cash flows of Wellingborough Bereavement Services Ltd are incorporated into the Group Statement. No adjustment to the council's Cash Flow Statement is required in respect of its holding in Wellingborough Norse Ltd. The council's holding in Wellingborough Norse Ltd has no implications for the Cash Flow Statement, given that cash transactions are neutral between the two bodies.

5. Significant Influence Over Associate

The council has a 20% share of Wellingborough Norse Ltd., and as such the council does have significant influence over Wellingborough Norse Ltd. This assumption is supported by representation on the Wellingborough Norse Ltd board, together with the fact that the majority of Wellingborough Norse Ltd.'s business is with the council.

6. Reporting Date

The reporting date of all group entities is 31 March each year.

7. Debtors

The analysis of short-term debtors (net of provision for bad and doubtful debts) held on the Balance Sheet is shown in the table below:

31st March 2020 £'000 *Restated*		31st March 2021 £'000
432	Central government bodies	6,646
5,016	Other local authorities	5,679
3,565	Other entities and individuals	4,640
9,013	**Total**	**16,965**

8. Cash & Cash Equivalents

The balance of Cash and Cash Equivalents held on the Balance Sheet is made up of the following elements:

31st March 2020 £'000		31st March 2021 £'000
4,823	Current Bank Accounts	6,902
860	Other demand deposits	14,737
5,682	**Total Cash and Cash equivalents**	**21,639**

9. Creditors

The analysis of short-term creditors held on the Balance Sheet is shown in the table below:

31st March 2020 £'000 *Restated*		31st March 2021 £'000
-1,788	Central Government bodies	-1,488
-1,514	Other local authorities	-552
-6	NHS bodies	-
-2,343	Other entities and individuals	-10,328
-5,651	**Total**	**-12,368**

10. Cash Flow Statement – Operating Activities

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

2019/20 £'000 *Restated*	Operating Activities	2020/21 £'000
-599	**Net (surplus) or deficit on the provision of services**	**3,252**
	Adjust net surplus or deficit on the provision of services for non cash movements:	
-1,349	Depreciation	-1,462
-294	Impairment and downward valuations	-130
-74	Amortisation	-67
-50	(Increase)/decrease in impairment for bad debts	416
-3,845	(Increase)/decrease in creditors	-5,817
879	Increase/(decrease) in debtors	7,536
482	Increase/(decrease) in provisions	106
-227	Adjustment for movements in Debtors and Creditors in respect of Local Taxation that are financing activities	-8,147
-1	Increase/(decrease) in inventories	88
-439	Movement in pension liability	87
-40	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	-3,934
1,642	Movement in value of investment properties	706
11	Other non-cash items charged to the net surplus or deficit on the provision of services	-
-3,305	**Adjustments to net surplus or deficit on the provision of services for non cash movements**	**-10,618**
	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities:	
1,069	Capital grants included in "Taxation & non specific grant income"	1,122
-	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-
1,069	**Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities**	**1,122**
-2,835	**Net cash flows from Operating Activities**	**-6,244**

H Glossary of terms

Accounting Period
This is the period of time covered by the accounts. For the Borough Council of Wellingborough this is a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date, that being 31 March.

Accruals basis
The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods or services are received rather than when the payment is made.

Actuarial Valuation
The council's pension fund is administered by Northamptonshire County Council. They employ an actuary to undertake a valuation of the fund for each employer, by comparing the value of the pension scheme's 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. This valuation is carried out every three years, the next being due in 2022.

Actuarial Gains and Losses
Wellingborough's pension fund experiences annual changes in what the actuary calculates its assets and liabilities are, and as such what deficit or surplus arises. This tends to be because events have not coincided with the actuarial assumptions made at the last valuation, such as the number of staff employed by the council or the life expectancy of former employees; or the actuarial assumptions have changed such as the likely interest to be earned from invested funds.

Agency Arrangements
Services performed by, or for another authority or public body, where the agent is reimbursed for the cost of the work done.

Amortisation
The term used to describe the charge made for the cost of using intangible assets. The charge for the year will represent the amount of economic benefits consumed (e.g. wear and tear).

Asset
An asset is something the council owns. The Asset may be a physical one, such as a building or an intangible one, such as a software licence. Assets are also classed as either current or long term:

- 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 long term 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 Authority
Borough Council of Wellingborough is classed as a Billing Authority 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, Fire and Crime Commissioner and the Non-Domestic Rates on behalf of the County Council and Central Government.

Budget
A statement defining in financial terms the council's plans to spend over a specified period, normally the accounting period. The budget is prepared as part of the process of setting the Council Tax.

Capital Expenditure & Financing
Expenditure on the acquisition, or enhancement of a non-current asset, which adds to and not merely maintains the value of existing assets. This is not the same as revenue expenditure that is normally spent on assets consumed in the financial year. Capital spend is funded from various sources of money, including revenue, capital receipts, capital grants, and reserves

Capital Financing Costs
Each service is charged with an annual capital charge to reflect the cost of using non-current assets (e.g. buildings or vehicles) in pursuit of providing services. This is usually referred to as depreciation or amortisation.

Capital Receipts
This is money received from the sale of a capital non-current asset, such as land, buildings and vehicles. The council can use the proceeds from the disposal of non-current assets to finance new capital investments, but the proceeds cannot be used to finance revenue expenditure. In certain cases the government has set out rules that govern when a receipt can or cannot be used and these are referred to as usable and non-usable receipts (set aside receipts).

Capital Adjustment Account
This account absorbs the difference arising from the different rates at which non-current assets are accounted for as being consumed and at which resources are set aside to finance their acquisition.

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.

Carrying Amount
The net cost of an asset as shown in the Balance Sheet.

Chartered Institute of Public Finance and Accountancy (CIPFA)
Professional accountancy body specialising in the public sector.

Collection Fund
A separate statutory fund to detail the transactions in relation to income and expenditure relating to Council Tax, National Non-Domestic Rates (NNDR or Business Rates as they are often referred to) and the residual Community Charge.

Commutation
Amount of money that must be set aside at 31 March at the current interest rates to provide for sums such as the pension funds on a future date. The lower the interest rates the higher the amount required, and vice versa.

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.

Contingent Rent
Lease payments that increase or decrease as a result of factors occurring subsequent to the inception of the lease, other than the passage of time. Examples of contingent rents are rentals linked to an inflation index, rentals based on the level of lettings achieved from the leased premises, and rentals based on usage.

Council Tax
This is the banded property tax levied on domestic properties in the Borough. The banding is based on estimated property values.

Corporate / Democratic Core
This comprises all activities which local authorities engage in specifically because they are elected, multi purpose authorities. These are concerned with the costs of corporate policy making and member based activities. Other costs relate to the general running of the council including corporate management, public accountability and treasury management. 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 the pension schemes liabilities.

Code
The Code is a code of practice that has been developed by the CIPFA/LASAAC Joint Committee in accordance with the IFRS, as adapted and interpreted for local authorities. (This Code has replaced the SORP).

Debtor
Amounts owed to the council for goods or services the council has provided for before 31 March but for which payment has not been received by that date.

Deferred Capital Receipts
These represent capital income still to be received after disposals have taken place and wholly consists of principal outstanding from the sale of council houses.

Deferred Liabilities
These are liabilities that are payable beyond the next year; they are primarily for mortgage payments.

Defined Benefit Scheme
Also known as a Final Salary Scheme. Pension scheme arrangement where the benefits payable to the members are determined by the scheme rules. In most cases there is a compulsory members' contribution but over and above this all costs of meeting the quoted benefits are the responsibility of the employer.

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 whether arising from use, or obsolescence through technological or other charges.

Fair Value
This is the amount that an asset could be bought or sold for between parties; the current market value of an asset can be evidence that the asset has been valued fairly.

Financial Instruments
This is any contract that gives rise to a financial asset of one entity and a financial liability or equity of another. The term covers both financial assets (e.g. loans receivable) and financial liabilities (e.g. borrowings).

Finance Lease
A lease which transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee.

Flexible Use Of Capital Receipts
The use of the proceeds of the sales of fixed assets, which could normally only be used either for capital expenditure or to repay debt, to finance revenue costs, under the terms of an initiative announced by the government as part of the 2016/17 local government finance settlement.

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

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

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

Impairment
A material reduction in the value of an asset during the accounting period. This can be caused by a consumption of economic benefits (such as physical damage through fire or flood) or a fall in price of a specific asset. A general reduction in asset values is accounted for as impairment through valuation loss.

Infrastructure assets
Non-current assets that are inalienable, expenditure on which is recoverable only by continued use of the assets created. Examples of infrastructure assets are roads and footpaths.

International Financial Reporting Standards (IFRS)
The accounting standards issued by the International Accounting Standards Board setting out the approved accounting treatment.

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

Materiality
Information is material if omitting it or misstating it could influence the decisions that users make on the basis of financial information about a specific reporting authority.

Minimum Revenue Provision (MRP)
The minimum amount which must be charged to a council's revenue account each year to provide for future debt repayments. As Wellingborough is debt free the MRP is zero.

Net Book Value
This is the value of an asset that is counted in the Balance Sheet. It represents its historical or re-valued cost less the accumulated depreciation of the asset.

Net Realisable Value
The market value of the asset in its existing use (or open-market value in the case of a non-operational asset), less any expenses incurred in realising the asset.

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

Non-Current Assets
Tangible assets that yield benefits to the council and the services it provides for a period of more than one year.

Non-Domestic Rate (NDR)
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. NDR is collected by billing authorities on behalf of the County Council and Central Government.

Non Operational Assets
Non-current assets held by the council but are not directly occupied used or consumed in the delivery of services.

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

Operational Asset
Non-current assets held and occupied, used or consumed by the council in the direct delivery of services.

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

Property, Plant and Equipment
Assets that yield benefits to the council and the services it provides for a period of more than one year. Examples include land, buildings and vehicles.

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.

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

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 (earmarked) 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.

Section 151 Officer
The officer with specific legal responsibility for the financial matters of the council.

Service Reporting Code of Practice (SeRCOP)
Prepared and published by CIPFA, the Service Reporting Code of Practice (SeRCOP) is reviewed annually to ensure that it develops in line with the needs of modern local government, transparency, best value and public services reform. SeRCOP establishes proper practices with regard to consistent financial reporting for services and in England and Wales, it is given legislative backing by regulations which identify the accounting practices it propounds as proper practices under the Local Government Act 2003.

Society of Local Authority Chief Executives (SOLACE)
The membership body for Local Authority Chief Executives.

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

Trading Accounts
Trading accounts exist where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the authority or from other organisations.

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

UK GAAP
The accounting treatments that companies in the UK would generally be expected to apply in the preparation of their financial statements

Valuation Loss
Impairment of an asset is a downward valuation due to a general fall in prices, supported by a valuer's certificate. Valuation losses are charged initially to any balance in the revaluation reserve, and subsequently to the comprehensive income and expenditure account. Impairment charges do not however, fall on the taxpayer, and the impact is reversed in the movement of reserves statement.