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North  
Northamptonshire  
Council

**Meeting:** Audit and Governance Committee  
**Date:** Monday 5th September, 2022  
**Time:** 2.00 pm  
**Venue:** Council Chamber, Swanspool House, Doddington Road,  
Wellingborough, Northants, NN8 1BP

To:

## Members of the Audit and Governance Committee

**Councillors Andrew Weatherill (Chair), Kirk Harrison (Vice-Chair), Jean Addison, Ian Jelley, Anne Lee, Richard Levell, Paul Marks, Mark Pengelly and Russell Roberts**

Substitutes:

Councillors Valerie Anslow, John Currall, Bert Jackson, Peter McEwan, John McGhee and Lee Wilkes

## A G E N D A SUPPLEMENT

**The following additional report and appendix has now been published which was not available at the time the agenda was published.**

This supplementary agenda has been published by Democratic Services.

Contact: [democraticservices@northnorthants.gov.uk](mailto:democraticservices@northnorthants.gov.uk)

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## NORTH NORTHAMPTONSHIRE COUNCIL

### AUDIT AND GOVERNANCE COMMITTEE

<b>Report Title</b>	<b>Draft Statement of Accounts East Northants District Council</b>	
<b>Report Author</b>	<b>Claire Edwards – Assistant Director of Finance &amp; Accountancy</b> <a href="mailto:Claire.Edwards@northnorthants.gov.uk">Claire.Edwards@northnorthants.gov.uk</a>	
<b>Contributors/Checkers/Approvers</b>		
<b>North MO</b>		
<b>North S151</b>		
<b>Other Director/SME</b>	N/a	N/a

#### List of Appendices

#### **Appendix A – East Northamptonshire District Council 2020/21**

##### **1. Purpose of Report**

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- 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**

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- 2.1. This report recommends that the Committee approve the draft Statement of Accounts 2020/21 for East Northamptonshire District Council.

##### **3. Recommendations**

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- 3.1. It is recommended that the Committee:
- a) Approve the draft Statement of Accounts for the financial year 2020/21 for the East Northamptonshire District 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 the East Northamptonshire District Council are delegated to the Council's Executive Director of Finance (s151 Officer), in consultation with the Chair of the Audit and Governance Committee.

### 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 and Governance Committee are required to undertake this function.

## **4. Report Background**

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- 4.1. The accounts for East Northants District Council remain in draft format as there are several outstanding matters that are to be concluded, these are set out in the Provisional Audit Results Report prepared by Ernst and Young (EY).
- 4.2. The Statement of Accounts 2020/21 for East Northamptonshire District Council are detailed at **Appendix A**.

## **5. Issues and Choices**

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- 5.1. The Committee is being requested to approve the draft Statement of Accounts for East Northants District 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 and 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 and Governance Committee are required to undertake this function.

## **6. Implications (including financial implications)**

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### **6.1. Resources and Financial**

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

### **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**

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7.1. Council Constitution.

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East  
Northamptonshire  
Council

# Draft Annual Financial Report



For the year ending 31 March 2021

# Draft Annual Financial Report - For the year ended 31<sup>st</sup> March 2021

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# Narrative Report

By the Chief Finance Officer

As the Council's Responsible Financial Officer, I am pleased to present the Council's 2020/21 Annual Financial Report which outlines the Council's financial performance for the year ended 31 March 2021.

The purpose of this report is to provide a guide to the most significant matters reported in the Council's accounts and is in three sections.

- Commentary and review of 2020/21.
- The Financial Statements.
- Technical information.

## Commentary and Review of 2020/21

### The District

Positioned in the heart of England with its historic market towns and picturesque villages, East Northamptonshire has a mix of rural and urban areas which make it a great place to live, work and visit. Despite the economic constraints of recent years, the district continues to grow with continued above average demand for house building and on-going interest from a diverse business base. However, this continued growth should not mask the challenge that the council faces in achieving its vision to sustain a thriving district.

East Northamptonshire Council is one of seven Districts and Borough Councils in the County of Northamptonshire and is easily accessible by road from other parts of England and Europe.

The Council recognises that in order to retain and improve the quality of life of those who live and work in this area, it is important that the demand for housing growth is accompanied by the provision of appropriate physical and social infrastructure and the creation of new employment. Otherwise, there is a risk that the local economy will not develop in a manner that fully realises the potential of both the area and local residents.

### Population

Office for National Statistics Mid-Year Estimates for 2017 reported that East Northamptonshire's estimated population was 93,135

### Equality

East Northamptonshire Council recognises that equality and diversity is central to how our organisation operates and is committed to advancing the equality of opportunity, to eliminate discrimination and promote good relations in both our community and our workforce. We will provide a working environment where employees feel they are treated with dignity and fairness, and whereby skills and experience are valued. We will raise awareness in the community and consult with our local partners to promote an inclusive society where our residents feel safe and supported by their Council.

### Economy

Economic data tells us:

- Around 73 % of housing in the district is resident-owned (outright or with a mortgage or loan) which is higher than the average for Northamptonshire;

- Nearly one in ten of the overall population lives in income deprivation (rising to 12.8% of children and nearly 12.1% of older people);
- Almost 83% of people throughout East Northamptonshire class themselves as in good or very good health. However, obesity levels are higher than the England average level;
- Around 58% of the population are of working age (20-65);
- Over the last 3 years Business Rates has seen growth of 35% this due to developments such as: Large distribution centres (Primark) and Large shopping areas (Rushden Lakes).

East Northamptonshire Council is a multifunctional and complex organisation. Its policies are directed by the Political Leadership and implemented by the Corporate Management Team and Officers of the Council. The following section describes the political and management structures of the Council, the political ethos driving the policy agenda and the means by which these are implemented and managed.

### **Political Structure**

East Northamptonshire has 22 wards, and the council consists of 40 Councillors. The overall administration of the Council is a Conservative Party majority.

Councillor Steven North is the Leader and Councillor David Jenney is the Deputy Leader of the Council.

The Corporate Management Team is responsible for the delivery of Council services, directing improvements and future plans for East Northamptonshire. It provides managerial leadership and supports Councillors in:

- Developing strategies;
- Identifying and planning resources;
- Delivering plans;
- Reviewing the Authority's effectiveness with the overall objective of providing excellent services to the public.

### **The Council's Corporate Plan**

One of the key strategic documents that frame the actions of the Council is the Council's Corporate Plan. This is a working document that exists to help Councillors, staff and partners work together to deliver the vision for East Northamptonshire. Its primary purpose is to meet the needs and aspirations of the people of East Northamptonshire.

Our Ambition is..." Working with our Communities to sustain a thriving District".

The Corporate Plan includes a small number of key priorities:

- Sustainable development – there is continuing demand for housing in this area. We recognise the need for growth and the benefits it can bring, particularly in helping to revitalise our town centres, but it must be sustainable. We will aim to accommodate sensible levels of growth while preserving the character of our historic towns and villages.
- Regeneration and economic development – allied to growth must be improvements to the quality of our town centres. We will work with the private sector to bring investment into the area and to reverse the decline of some of our towns. We will continue to consult local communities about the changes that they want to see and work with them to achieve their aspirations for their local area.

- Financial stability – we will continue to control our costs, to find ways of generating income and to provide value-for-money services by maintaining our drive for efficiency and building effective partnerships.
- Customer focused services – despite the economic downturn, the District is still relatively affluent. Many of our residents and businesses routinely use the internet and we will continue to upgrade our website to provide better quality information and to enable far more transactions to be carried out online. We will also work even more closely with our partners, particularly the County Council, to meet the needs of the most vulnerable members of our community.

### **Covid-19 Pandemic**

The COVID-19 pandemic and resulting economic impacts are forecast to have a significant negative impact on the council's revenue budget outturn position for 2020/21 as a result of additional costs and forecast loss of income.

The net revenue budget pressure due to lost income and additional costs related to the pandemic, after considering these specific sources of funding is £1.846k.

The council's allocation of Central Government non-ringfenced COVID-19 pressures funding was £1,225k.

In July 2020 Central Government announced a new income compensation scheme for lost sales, fees and charges. This income loss scheme is designed to compensate local authorities for irrecoverable and unavoidable losses from sales, fees and charges income generated in the delivery of services in the financial year 2020/21.

## **Risks**

### **Achievements**

Despite the financial constraints under which we have been operating, we have remained ambitious and have worked with the private sector to deliver significant growth in the District. It has been very challenging to achieve that growth while preserving the character of our towns and villages and ensuring that new development brings with it the associated infrastructure and services needed to support that development.

Below are some of the positive outcomes that have happened within the District throughout 2020/21:

- Achieved sustainable finances and a balanced budget set for 2020/21
- Rushden Lakes development has grown and is thriving
- Land purchased for the Enterprise Centre at Warth Park, Raunds
- Along with the other Northamptonshire councils, secured a 75% Business Rates Pilot for the area, retaining more funding locally.

### **Risks**

A risk management strategy is in place to identify and evaluate risks. There is a clear process in place referred to as the risk management cycle with specific roles and responsibilities identified. The impact and likelihood of risks are assessed using a matrix scoring approach. Through embedding risk management across the organisation, there is a better understanding of the threats and opportunities which helps us to support better decision making.

Below are the council's corporate risks as identified in the risk register:

- Failure to achieve optimum level of growth across the district
- Loss due to major court cases
- Lack of engagement with and provision of services by the Voluntary and Third Sector
- Lack of staff resources in terms of numbers
- Lack of staff resources in terms of knowledge, skills and/or behaviours
- Failure to comply with legislation relevant to Local Government
- Risk of unitary preparation diverting resources from delivery of corporate/efficiency plans
- Failure to achieve Payment Card Industry Data Security Standard compliance
- Failure to follow ENC's project Framework
- Risk of cyber attack
- Risk of inappropriate use of IT by staff
- Risk of inappropriate use of IT by Councillors
- Failure to protect personal data
- Councillors breaching Code of Conduct, Constitution and/or legislation
- Failure to meet corporate health and safety requirements including fire risk
- Failure to respond effectively to major incidents
- Failure to meet business continuity requirements
- Failure to plan for and accommodate the impact of Brexit
- Failure of core IT infrastructure leading to inability to provide services
- Deterioration of staff health and wellbeing
- Failure of transformation programme to enable transition into new unitary organisation effectively
- Short term loss of key communication channels (telephone, website etc)

## Review of the Year

### Revenue Overview

Council approved a total budget requirement of £13,283,485 for 2020/21 which included a council tax requirement of £4,804,368, as well as parish precepts and several technical accounting entries and adjustments. The original revenue budget for the net cost of services, before such adjustments and items, was £12,501,393.

Since the budget setting in March 2020, the total budget was revised to £13,219,376. The net increase in budget relates to incorporating the net interest receivable budget to the service expenditure monitoring, net carry forwards from 2019/20 totalling £536,959 and supplementary estimates totalling £331,024 approved during the year, as shown in Table 1 below.

**Table 1**

Item	£,000
<b>Net cost of services</b>	<b>12,501</b>
Net interest receivable	(150)
Supplementary estimates approved in year:	
- Office Transformation Project approved FPSC 6 May 2020	126
- Economic Recovery Project approved Council 20 July 2020	195
- Homelessness – North Northants review approved FPSC 14 Dec 2020	10
Net carry forward budgets approved P&R 13 July 2020	537
<b>Forecast revenue budget per outturn report P9</b>	<b>13,219</b>

## Revenue Outturn

The services outturn for the year is an overspend of £1,168k, which is almost entirely attributable to COVID-related pressures, as set out in Table 2 below. This shows the actual expenditure to date against budget, and the estimated out-turn for the year with the variance against budget. Table 2 below shows the actual expenditure against budget, as set out in Table 1, for 2020/21 by service:

**Table 2**

Service Area	Budget £000	Actual £000
Corporate & Democratic	1,486	0
Customer & Community Services	2,025	3,479
Economic & Commercial Development	1,133	4,580
Environmental Services	3,641	(11)
ICT	1,051	3,211
Resources	1,705	2,426
Planning Services	2,090	702
<b>Net Cost of Services</b>	<b>13,219</b>	<b>14,387</b>

## Significant Variances

There are currently some large variances showing between the budget for 2020/21 and the actual and committed to date figures. These are as follows:

Table 3 below provides a summary of the main savings and pressures, in excess of £100k. A detailed breakdown by Head of Service is shown at Appendix 1.

**Table 3**

Item	£000
lost management charges and support provided for leisure contract	(876)
Loss of General Fund income related to Council Tax collection as a result of Covid-19 Customer	(244)
220 Economic Recovery Project	(220)

Favourable/(unfavourable)

The use of reserves to fund COVID-19 related pressures was £195k. This is in relation to the Economic Recovery Project,

**Table 4**

Forecast Use of £	£
Net Revenue COVID-19 Costs	1,846
ICT Capital Costs Related to Home Working	35
Non-Ringfenced Funding – COVID Pressures	(1,225)
Non-Ringfenced Funding – Income Compensation Scheme	(140)
Forecast Use of In-Year savings for COVID Pressures	(321)
Total Use of Reserves (currently forecast to fund Recovery Through Enterprise Project)	195

## Capital Overview

### Capital Expenditure 2020/21

A detailed breakdown of the capital programme is shown below, the draft outturn for 2020/21 is an underspend of £1.263m. This is mainly due to delays in completing the Enterprise Centre, Disabled Facilities and Leisure Projects:-

Item	Budget £000	Actual £000
Disabled facilities Grants	599	308
Commercial Property	2,316	1,726
Leisure & Tourism projects	406	47
Environmental projects	160	241
Corporate systems	398	294
<b>Total</b>	<b>3,879</b>	<b>2,616</b>

## Non-Financial performance

### Prompt Payment of Invoices (Invoices paid within 30 Days)

The prompt payment of invoices as at 31 March 2021 was 100%, which is on target of 100% and on par with the previous year's performance for the same period at 100%.

Regulation 113(7) of the Public Contracts Regulations 2015 introduced a requirement that from March 2016 all in-scope organisations must publish, on an annual basis and covering the previous 12 months, the percentage of their invoices paid within 30-days and the amount of interest paid to suppliers due to late payment. No interest was paid due to late payment of invoices during this period.

### Sundry Debt Performance

The total outstanding sundry debt as at 31 March 2021 was £404.5k of this, £342.2k (84.6%) is current debt (less than 30 days old). The total debt is in line with the balance at 31 March 2020 which was £407.7k.

The council also monitors the amount of debt written off for sundry debtors. Sundry debts of £6.5k were written off in the period to 31 March 2021. A review of sundry debts was undertaken at year end to identify any possible write offs.

### Housing Benefit Overpayments

Housing benefit overpayment collection as at 31 March 2021 was 69.0% which is similar to the performance reported in 2019/20.

The performance is above the target of 50% for the year. The council also monitors the amount of debt written off for housing benefit overpayments. At 31 March 2021 a total of £14.5k was written off as irrecoverable. This can be compared to 2019/20 when £26.2k had been written off.

### Council Tax Collection

The in-year collection of Council Tax at 31 March 2021 is 96.32% (2020 - 98.8%), which is below target. The council also monitors the amount of debt written off for Council Tax. As at 31 March 2021 a total of £101k had been written off as irrecoverable, which can be compared to £204k written off in 2019/20.

## **Business Rates Collection**

The cumulative collection of business rates as at 31 March 2021 was 93.53% (2020 - 97.68%), which is under the target of 98% for the period, which is a consequence of the disruption to businesses caused by the pandemic.

The amount of debt written off for business rates is also monitored. At 31 March 2021 a total of £53k had been written off as irrecoverable in comparison to £47.3k which had been written off during the same period in 2019/20.

## **Looking to the Future**

### **Going Concern**

There are a number of challenges and uncertainties facing local government in general and the new Council over the next few years. East Northamptonshire 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:

### **Local Government Reorganisation**

From 1st April 2021 East Northamptonshire Council will merge with Corby Borough Council, Kettering Borough 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.

### **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 1 April 2021. However, the Covid-19 pandemic has led to the review being postponed until 2022 and the revaluation until 2023.

### **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.



## **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.

## **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.

## **Future Savings**

In recent years East Northamptonshire Council has delivered its planned savings. Future delivery of significant savings will become increasingly more difficult for the new Council to achieve.

## **Long Term Impact of the Covid-19 Pandemic**

The impact of the pandemic will continue into 2021/22 for the new Council, the full impact will depend on the extent of the 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

## **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.

## **The Financial Statements**

The Council's financial statements for 2020/21 have been prepared in accordance with the: Standard format for local authority accounts recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) for the Statement of Accounts in 2020/21 as prescribed by the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 based on International Financial Reporting Standards, Accounts and Audit Regulations 2015.

The primary financial statements are supported by explanatory notes, including details of the accounting policies adopted by the Council.

## **Movement in Reserves Statement (MiRS)**

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'useable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'.

The Statement shows how the movements 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.

### **The Comprehensive Income and Expenditure Statement (CIES)**

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.

### **Balance Sheet**

The Balance Sheet shows the value at the 31 March 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 useable 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 of reserves are unusable and 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 at the line entitled 'Adjustments between accounting basis and funding basis under regulations'.

### **The Cash Flow Statement**

The Cash Flow Statement shows the changes in "cash" (cash and cash equivalents) of the Council during the reporting period. The statement shows how the Council generates and uses "cash" 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 Collection Fund Revenue Account**

The Collection Fund is a separate account into which are paid amounts raised from local taxation. As well as including amounts collected in respect of Council Tax, it now includes amounts collected from local businesses, which following the introduction of the Local Business Rates scheme, now means that Non-Domestic Rates are distributed subject to predetermined government set formulae. The Fund also accounts for payments due to preceptors.

## **Technical Information**

### **International Financial Reporting Standards**

The Council has reported its financial position based on the requirements of International Financial Reporting Standards (IFRS) and this is encapsulated within the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

**Statement of Accounting Policies**

The accounting policies applicable to the 2020/21 statement of accounts are, in the main, the same as those that were applied to the 2019/20.

**True and Fair View Override**

As required by the Accounts and Audit Regulations 2015, paragraph 8.2, it is noted that the Responsible Financial Officer has not had to use the “true and fair view override”.

# **Independent Auditor's Report to the Members of North Northamptonshire Council**

# Independent Auditor's Report to the Members of North Northamptonshire Council

# Independent Auditor's Report to the Members of North Northamptonshire Council

# Independent Auditor's Report to the Members of North Northamptonshire Council

# Statement of Responsibilities

## 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 Chief Finance Officer.
- manage its affairs to secure economic, efficient, and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

## The Chief Finance Officer's Responsibilities

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

In preparing this Statement of Accounts the Chief Finance Officer has:

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

The Chief Finance Officer has also:

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

I certify that, to the best of my knowledge, the Statement of Accounts presents a true and fair view of the financial position of East Northamptonshire Council as at 31 March 2021 and its income and expenditure for the year ended 31 March 2021.

Janice Gotts

**Executive Director of Finance (Section 151 Officer)**

North Northamptonshire Council

9<sup>th</sup> September 2022



## **Chairman's Approval of the Statement of Accounts**

This is the Annual Financial Report, incorporating the Statement of Accounts with all audit activities completed. The Audit and Governance Committee of North Northamptonshire Council at its meeting on 5<sup>th</sup> September 2022 delegated authority to me as Chairman of the Panel to approve the Statement of Accounts.

Cllr Andrew Weatherill  
**Chairman of Audit & Governance Committee**

9<sup>th</sup> September 2022

# Statement of Accounts

## Comprehensive Income and Expenditure Statement (CIES)

	2019/20			2020/21		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
Corporate and Democratic Core	0	0	0	0	0	0
Customer and Consumer Services	18,717	(15,488)	3,229	18,059	(14,580)	3,479
Environmental Services	8,734	(2,966)	5,768	7,695	(3,115)	4,580
ICT	626	(610)	16	645	(655)	(10)
Resources and Organisational Development	3,288	(79)	3,209	2,919	292	3,212
Planning Services	4,020	(1,627)	2,393	4,124	(1,699)	2,425
Economic and Commercial Development	1,317	(2,245)	(928)	2,168	(776)	1,392
Exceptional item	4,000	0	4,000	0	0	0
<b>Cost of Services</b>	<b>40,702</b>	<b>(23,015)</b>	<b>17,687</b>	<b>35,611</b>	<b>(20,533)</b>	<b>15,078</b>
Other Operating Expenditure/(Income) (note 9)			3,017			3,666
Financing and Investment Income and Expenditure (note 10)			436			465
Taxation and Non-specific Grant Income (note 11)			(20,243)			(29,605)
<b>(Surplus) / Deficit on provision of services</b>			<b>897</b>			<b>(10,397)</b>
(Surplus) or deficit in the revaluation of non-current assets			(1,678)			2,150
Actuarial losses/(gains) on pension assets and liabilities			(5,168)			7,493
<b>Other comprehensive (income) and expenditure</b>			<b>(6,841)</b>			<b>9,643</b>
<b>Total comprehensive (income) and expenditure</b>			<b>(5,944)</b>			<b>(754)</b>

# Movement in Reserves Statement

## Movement in reserves during 2020/21

	General Fund Balance	Earmarked Reserves	Total General Fund	Capital Receipts Reserve	Capital Grants unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
<b>BALANCE AT 31 MARCH 2020</b>	1,500	16,100	17,600	1,309	196	19,105	13,216	32,321
Surplus/(Deficit) on provision of services	10,397		10,397			10,397		10,397
Other comprehensive income and expenditure							(9,643)	(9,643)
<b>Total comprehensive income and expenditure</b>	<b>10,397</b>	<b>0</b>	<b>10,397</b>	<b>0</b>	<b>0</b>	<b>10,397</b>	<b>(9,643)</b>	<b>754</b>
Adjustments between accounting basis and funding basis under regulations (Note 9)	6,375		6,375	361	267	7,003	(7,003)	0
Transfers to/from Reserves	(16,772)	16,772				0		0
<b>Net increase/(decrease) in year</b>	<b>0</b>	<b>16,772</b>	<b>16,772</b>	<b>361</b>	<b>267</b>	<b>17,400</b>	<b>(17,210)</b>	<b>754</b>
<b>BALANCE AT 31 MARCH 2021</b>	<b>1,500</b>	<b>32,872</b>	<b>34,372</b>	<b>1,670</b>	<b>463</b>	<b>36,505</b>	<b>(3,430)</b>	<b>33,075</b>

## Movement in reserves during 2019/20

	General Fund Balance	Earmarked Reserves	Total General Fund	Capital receipts reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
<b>BALANCE AT 31 MARCH 2019</b>	1,500	18,249	19,749	564	297	20,609	5,708	26,317
Adjust to opening balances						(3)	66	63
Surplus/(Deficit) on provision of services	(897)		(897)			(897)	0	(897)
Other comprehensive income and expenditure						0	6,838	6,838
<b>Total comprehensive income and expenditure</b>	<b>(897)</b>	<b>0</b>	<b>(897)</b>	<b>0</b>	<b>0</b>	<b>(897)</b>	<b>6,838</b>	<b>5,941</b>
Adjustments between accounting basis and funding basis under regulations (Note 9)	(1,248)		(1,248)	745	(101)	(604)	604	0
Transfer to reserves	2,145	(2,145)	0			0	0	0
<b>Net increase/(decrease) in year</b>	<b>(0)</b>	<b>(2,145)</b>	<b>(2,145)</b>	<b>745</b>	<b>(101)</b>	<b>(1,501)</b>	<b>7,442</b>	<b>5,941</b>
<b>BALANCE AT 31 MARCH 2020</b>	<b>1,500</b>	<b>16,100</b>	<b>17,600</b>	<b>1,309</b>	<b>196</b>	<b>19,105</b>	<b>13,216</b>	<b>32,321</b>

## Balance Sheet

Item		Notes	31 March 2020	31 March 2021
<b>Long Term Assets</b>	Property, Plant and Equipment	12	35,941	34,559
	Investment Property	13	2,794	2,150
	Intangible Assets	14	625	518
	<b>Total Long Term Assets</b>		<b>39,360</b>	<b>37,227</b>
<b>Current Assets</b>	Short Term Investments	15	3,000	6,000
	Short Term Debtors	16	3,755	13,816
	Cash and Cash Equivalents	17	22,818	23,421
	<b>Total Current Assets</b>		<b>29,573</b>	<b>43,237</b>
<b>Current Liabilities</b>	Short Term Creditors	18	(6,508)	(12,931)
	Provisions	19	(1,496)	(1,870)
	<b>Total Current Liabilities</b>		<b>(8,004)</b>	<b>(14,802)</b>
<b>Long Term Liabilities</b>	Long term Creditors	18	(4,000)	0
	Net Pensions Liability	32	(23,727)	(31,853)
	Capital Grants Receipts in Advance	29	(876)	(734)
	<b>Total Long Term Liabilities</b>		<b>(28,603)</b>	<b>(32,587)</b>
<b>Total Net Assets</b>			<b>32,321</b>	<b>33,075</b>
<b>Reserves</b>	Usable Reserves	20	(19,105)	(36,505)
	Unusable Reserves	21	(13,216)	3,430
<b>Total Reserves</b>			<b>(32,321)</b>	<b>(33,075)</b>

I certify that the statement of accounts gives a true and fair view of the financial position of the authority at 31 March 2021 and its income and expenditure for the year ended 31 March 2021.

### Janice Gotts

Executive Director of Finance (Section 151 Officer)

North Northamptonshire Council

9<sup>th</sup> September 2022

## Cash Flow Statement

Item		Notes	2019/20 £000	2020/21 £000
<b>Cash flow</b>	Net (Surplus) / Deficit on the provision of services		897	(10,397)
<b>from</b>	Adjustments to net surplus or deficit on the provision of services		(8,522)	4,609
<b>Operating</b>	for non-cash movements			
<b>Activities</b>	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		1,497	1,035
	Net cash flows from Operating Activities	22	<b>(6,128)</b>	<b>(4,753)</b>
	Investing Activities	23	(1,057)	4,231
	Financing Activities	24	(362)	(81)
	Net increase/(decrease) in cash and cash equivalents		<b>(7,547)</b>	<b>(603)</b>
	Cash and cash equivalents at the beginning of the reporting period		(15,271)	(22,818)
<b>Cash and cash equivalents at the end of the reporting period (Note 17)</b>			<b>(22,818)</b>	<b>(23,421)</b>

# Notes to the Accounts

## Note 1. Accounting Policies

### Accounting Policies in respect of Concepts and Principles

#### (a) General Principles

The Statement of Accounts summarises the council's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (The Code). It also complies with guidance notes issued by CIPFA on the application of Accounting Standards (Standard Statements of Accounting Practice and Financial Reporting Standards to Local Authority Accounts).

This means that the relevant accounting policies adopted have been reviewed to ensure that the Statement of Accounts can be relied upon to give a true and fair view of the council's financial performance and position. It also ensures that all legislative requirements have been correctly applied and that finally, the accounts have been prepared on a going concern basis. That is, the council will continue in operational existence for the foreseeable future.

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

These consolidated Accounts are presented in Sterling (£) as this is the most representative currency of the council's operations and rounded to the nearest thousand.

The Accounts have been prepared in accordance with The Code. This requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income, and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are considered to be reasonable under the circumstances. They form the basis of judgements about the carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on a continuing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Critical judgements and areas where the use of estimates is significant are discussed in note 3 of the Notes to the Accounts.

#### (b) Going Concern: Local Government Reform in Northamptonshire

##### Basis of preparation

The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions of the Code in respect of going concern reporting requirements reflect the economic and statutory environment within which authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. The Council's accounts are therefore produced under the Code and assume that the Council's services will continue to operate for the foreseeable future.

Due to local government reform, the functions and services of Northamptonshire County Council transferred to North Northamptonshire Council and West Northamptonshire Council, along with the respective functions and services of the surrounding districts and boroughs on 1 April 2021, in accordance with The Northamptonshire Structural Changes Order 2020 (Statutory Instrument 2020 No. 156).

**Establishing the Financial Baseline for North Northamptonshire**

The approach to establishing North Northamptonshire Council’s 2021-22 budget and opening financial position, had been to create the baseline budget and balance sheet by disaggregating the County Council and aggregating with the District and Borough Councils. This covered the following areas:

- 2020-21 Revenue Budget
- Dedicated Schools Grant
- Capital Programme
- Public Health Grant
- Balance sheet (including reserves and balances)

The disaggregation work was completed by identifying a set of principles that provided a fair representation of how income, expenditure, assets and liabilities should be distributed between North and West Northamptonshire Council, once these principles were agreed, the most up to date data sets were then obtained to inform the percentage split. This piece of work was completed collaboratively by the NCC finance team working with senior managers within the services, overseen by a member led task and finish group which was supported by relevant senior officers including the Chief Financial Officer. A summary of these key principles is set out in the table below.

<b>Revenue and Capital Disaggregation Principles</b>	<b>Balance Sheet Disaggregation Principles</b>
<ul style="list-style-type: none"> <li>• Place of ordinary residence</li> <li>• Geographical location</li> <li>• Cost drivers</li> <li>• Population</li> <li>• Funding formulae</li> <li>• Staff numbers</li> </ul>	<ul style="list-style-type: none"> <li>• Geographical location</li> <li>• Link to capital programme / capital financing requirement</li> <li>• Link to service disaggregation</li> <li>• Caretaker authority</li> <li>• District/Borough areas</li> </ul>

Added to the disaggregated County Council position were the budgets for the District and Borough Council’s and when brought together provides for a starting baseline budget for the total estimated cost of services, as well as the assets and liabilities, to be delivered by the new authority.

## North Northamptonshire Budget 2021-22

The focus for establishing financial budgets and plans for the new councils has been for a 'safe and legal' provision of services. A key requirement in formulating the 2021-22 budgets has been to develop a process for allocating the existing Medium Term Financial Plans to the new organisations. The existing sovereign council plans were carefully scrutinised and updated to reflect a North Northamptonshire perspective and a West Northamptonshire perspective to identify and budget for changes related to:

- COVID-19 pressures
- Contract and other inflation
- Demographic and service demand
- Full year impacts of previous decisions
- Technical and legislative changes
- The implementation of the service Blueprint for North Northamptonshire and West Northamptonshire and both Councils drive for further transformation and improvement.

Key assumptions included in the 2021-22 budget for North Northamptonshire are;

- safe and legal service provision,
- a balanced net revenue budget of £293m,
- Covid-19 pressures of £17m,
- a contingency of £6m,
- a 4-year capital investment programme (including HRA) of £219m (funded by £43m of borrowing),
- an Affordable Borrowing Limit of £824m for 2021-22,
- general fund reserves of £22m, and earmarked reserves of £124m, including £20m of HRA reserves, at 1 April 2021

In addition, the actual liquidity position the new council inherit was positive, on the 31<sup>st</sup> March 2021 it had cash and investment held by sovereign councils totalling £158.9m. This excludes an estimated contribution of £10.3m from the legacy council Northampton County Council for the cash and investment held as at end of March 2021.

## Children's Social Care

In November 2020 the Northamptonshire Children's Trust was established. This follows Northamptonshire County Council being issued statutory directions from the Department for Education which required the Council to voluntarily establish a Children's Trust.

The Children's Trust is a wholly owned and 'Teckal' compliant company to perform specified children's social care functions on behalf of the Council in Northamptonshire with the statutory responsibility for children's services retained by the Council.

The Trust was established as a company limited by guarantee on 1 November 2020 and was a wholly owned subsidiary of Northamptonshire County Council, who were therefore responsible for its underwriting liabilities.

From 1 April 2021 the ownership and responsibilities of the Trust transferred to North and West Northamptonshire Council's, providing contractual oversight of the Trust which



operates as a separate entity in its own right, and within the terms of the contractual agreement.

### The Professional Finance Team

Ensuring a suitably qualified and resourced Finance Team was an important priority for NNC. Prior to vesting day, an interim finance structure was created for the new Strategic Finance and Accountancy divisions within Finance.

The S151 Officer has ensured there is robust financial governance and control throughout the organisation. There are two Deputy S151 Officers roles in the structure who each lead the following teams.

The Strategic Finance Team operates a Business Partnering Service to ensure services have access to timely and accurate financial information to support decision making, provide support on financial training, and in year and future years reporting requirements and support the discharge of s151 responsibilities throughout the organisation.

The Accountancy Team provides the Treasury Management function and technical financial advice, while also being responsible for the Collection Fund, the preparation of the Statement of Accounts and the implementation of new and updated International Financial Reporting Standards and supporting the execution of s.151 responsibilities.

The Procurement Service, Revenue and Benefits also form part of the wider Finance Directorate, reporting to the S151 officer, which supports a joined up and collaborative approach to financial management.

### Robustness Review of 2021-22 Revenue Budget

Each budget group has a dedicated budget manager, responsible for the probity and financial management for their respective service.

### Period 4 Review of 2021-22 Revenue Budget Outturn

The forecast outturn position for the Council reported to the 26<sup>th</sup> August Executive Committee of the Council was £266k. The summary forecast outturn position is set out in the table below.

	Net Budget	Forecast Position at 31/03/22	P4 Variance Forecast at 31/03/22
	£'000	£'000	£'000
<b>Net Total Available Resources</b>	<b>292,505</b>	<b>292,505</b>	<b>0</b>
<b>Total Corporate Budgets</b>	<b>23,950</b>	<b>23,950</b>	<b>0</b>
Children's & Education Services	60,351	60,351	0
Adults, Communities & Wellbeing Services	120,854	120,604	(250)
Place & Economy	55,783	55,135	(648)
Enabling & Support Services	31,567	32,199	632
<b>Total Directorate Budgets</b>	<b>268,555</b>	<b>268,289</b>	<b>(266)</b>
<b>Total Budget</b>	<b>292,505</b>	<b>292,239</b>	<b>(266)</b>
<b>Net Position 2021/22</b>	<b>0</b>	<b>(266)</b>	<b>(266)</b>

Set out below is NNC's projected reserves and balances position up to March 2023. The table also details estimated commitment against these reserves up to March 2023.

	Forecast Balance at 01/04/2021 £'000	Transfers to/ (from) Reserve 2021/22 £'000	Forecast Balance at 31/03/22 £'000	Transfers to/ (from) Reserves 2022/23 £'000	Forecast Balance at 31/03/23 £'000
<b>General Fund Balance</b>	21,911	115	22,026	0	22,026
<b>Earmarked Reserves</b>					
Regeneration and Economic Investments	2,250	0	2,250	0	2,250
Investment Income	3,550	0	3,550	0	3,550
Welfare Reform	1,498	0	1,498	0	1,498
Recycling Commodities	1,931	0	1,931	0	1,931
Homelessness	1,542	0	1,542	0	1,542
Budget Delivery	7,105	(450)	6,655	0	6,655
Covid-19 Related Risks	6,593		6,593		6,593
Business Rates Retention Risks	41,418	(21,445)	19,973		19,973
Transformation Reserves	10,569	(4,175)	6,394	(2,300)	4,094
Other Efficiency and Transformation	2,351		2,351		2,351
Building Repairs and Investment	1,325		1,325		1,325
Planning Risks	417		417		417
Economic Development and Regeneration	1,490		1,490		1,490
Voluntary Community and Social Enterprise	0	400	400	(200)	200
Community Projects	4,132	(342)	3,790		3,790
LGSS Reserves	591		591		591
Burton Wold	111		111		111
Joint Planning Unit	288	(212)	76		76
Capacity Fund	191	(191)	0		0
COVID-19 - Contain Outbreak Mgt Fund and Test & Trace	6,593	(6,593)	0		0
Public Health Reserve	4,463		4,463		4,463
Adult Social Care Reserve	0	3,200	3,200		3,200
Local Council Tax Support Reserve	0	500	500		500
Waste Management	0	2,300	2,300		2,300
Other Earmarked Reserves	1,903	(449)	1,454		1,454
Capital General Fund	2,039		2,039		2,039
Insurance Risk Reserve	1,195		1,195		1,195
<b>Total Earmarked Reserves</b>	<b>103,545</b>	<b>(27,457)</b>	<b>76,088</b>	<b>(2,500)</b>	<b>73,588</b>
<b>Total General Fund Reserves &amp; Balances</b>	<b>125,456</b>	<b>(27,342)</b>	<b>98,114</b>	<b>(2,500)</b>	<b>95,614</b>

## Robustness Review of Capital Programme

The Council has a Strategic Capital Board, the purpose of this Board is to review and challenge capital schemes prior to their submission to the Executive Committee / Full Council for final approval. The SCB will ensure that revenue implications of capital projects have been assessed including an options appraisal exercise and that schemes are in line with the limits outlined in the Capital Strategy prior to the scheme moving from planning stage to the delivery stage of the capital approval process. Budget managers are required to account for the delivery of project objectives and specific performance of the project.

## 2022-23 Budget Setting and Medium-Term Financial Planning Process

The development of the 2022-23 revenue budget and refinement of the Medium-Term financial plan commenced in Spring 2021.

The budget review process for 2022/23 is focussed on delivering the transformation that is required for the Council to quickly move into delivering services in the most efficient way to residents. As part of this process, the Transformation Team are meeting with service leads to review service delivery across all directorates of the Council. The real time information being gathered as part of the 2021/22 budget monitoring process is also being used to update the budget and MTFP. The outcome of these reviews along with other budget review work that is being delivered by the corporate finance team under the

leadership of the Section 151 Officer will feed into the budget and MTFP that will be presented to the Executive and Council at the end of the budget setting process in February 2022.

The development of the Capital Strategy and Capital Programme will be through the guidance and steer of the S151 Officer and Corporate Leadership Team, the Strategic Capital Board and the Executive. Aside from the in-year adjustment to the capital programme that would have already received approval prior to the new budget being set, services have been invited to refresh and review the existing capital programme and to set out the rationale for any new capital schemes that they want considered for inclusion in the 2022/23 capital programme. These proposed new schemes will be subject to review by S151 Officer and Corporate Leadership Team colleagues and the Strategic Capital Board prior to submission to the Executive for approval and inclusion in the draft 2022/23 capital programme.

The budget for 2022/23 was approved on 24<sup>th</sup> February by Council. For further information on the NNC budget refer to the budget report at the following web link:

<https://northnorthants.moderngov.co.uk/documents/s5804/Budget%20cover%20report.pdf>

### **Liquidity**

In addition, the forecasted liquidity position the new council inherited is positive, on 31st March 2021 the level of cash and investment held by sovereign councils which transferred to North Northamptonshire was around £159m. The forecast cash position to the end of March 24 is estimated to be positive, at £43.2m. The principles for the disaggregation of Northamptonshire County Council's loan portfolio between North Northamptonshire and West Northamptonshire has been agreed in principle and remains subject to final sign off. The cashflow forecast assumes loans amounting to around £55m are repaid between 2021/22 & 2023/24 and aren't refinanced. The Councils estimated level of external borrowing over the next 12 months is significantly less than the affordable borrowing limit.

### **Conclusion**

Having regard to the Code and its reporting requirements the Council concludes that it is appropriate to prepare the financial statements on a going concern basis, and that the Council will be a going concern, 12 months from the date of approval of the financial statements.

North Northamptonshire Council cannot be dissolved without statutory prescription and therefore the functions of the Council will continue. It is therefore appropriate for the Accounts to be prepared on a going concern basis for the period of 12 months from the date of approval of the financial statements.

### **(c) Accruals of Income and Expenditure**

Expenditure and income are accounted for in the year that they take place, not simply when cash payments are made or received. However, if any amount (income or expenditure) comes to light after a reasonable cut off period and is below £15k it will not be accrued for within the financial year, as it will not have a material effect on the position of the income and expenditure reported within these statements. In particular:

- Fees, charges, and rents due from customers are accounted for as income at the date the council provides the relevant goods or services.
- Supplies of goods 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.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income 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 the latest four quarterly accounts has been taken as a proxy for actual expenditure in the year.

#### **(d) Changes in Accounting Policies, Prior Period Adjustments, 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.

#### **(e) Events after the Balance Sheet Date**

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 events 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 are 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.

#### **(f) Property, Plant and Equipment**

Assets that have physical substance and are held for use in the provision 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.

- **Recognition**

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.

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 Authority and the cost of the item can be measured reliably.

Expenditure that maintains but does not add to an 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.

The council has a general de-minimis limit of £5k for capital expenditure purposes which results in the capitalisation of expenditure above that limit as an asset in the Balance Sheet. Items below this limit are charged to revenue.

The council will recognise significant components of an item of property, plant, and equipment where that assets value is greater than £800k and the component is more than 25% of the total assets value. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major component) of property, plant, and equipment.

Where a component is replaced or restored (i.e. enhancements), the carrying amount of the old component shall be derecognised to avoid double counting and the new component reflected in the carrying amount, subject to the recognition principles as set out above being met.

- **Measurement**

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

Other Land and Buildings	- Existing Use Value
Vehicles, Plant and Equipment	- Historic Cost
Heritage Assets	- Open Market Value or Insurance Value
Infrastructure	- Historic Cost
Community Assets	- Historic Cost
Surplus Assets	- Fair Value

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current 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 Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.]

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

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

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

A full valuation of East Northamptonshire Council's Land and Buildings was last undertaken as at 31st March 2015 by Wilks Head and Eve LLP, 3rd Floor, 55 New Oxford Street, London, WC1A 1BS. Each year high value assets only will be reviewed, and any material revaluation may be included to comply with the Code of Practice. The valuations have been made in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual.

- **Fair Valuation**

The Council measures some of its non-current assets such as surplus assets at fair value at each reporting date. Fair value is the price that would be received to sell an asset between market participants at the measurement date. The fair value measurement assumes the following:

- 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 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-current asset, consideration is given to the participants ability to generate economic benefit by using the asset in its highest and best use. This assessment is carried out on behalf of the Council by appointed valuers, Wilkes Head and Eve, who will adopt valuation techniques that are appropriate to the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. These techniques are categorised into hierarchies, as follows:

- Level 1 – quoted prices in an active market for identical assets [or liability] that the Council can access at the measurable 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].
- **Impairment**  
Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

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

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

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

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

- **Disposals and Non-Current Assets Held for Sale**  
When the value of non-current assets is expected to be recovered principally through sale rather than through continuing usage, they are classified as non-current assets held for sale. With the exception of assets arising from employee benefits and financial instruments, these assets are classified as current and are stated at the lower of their carrying amount and fair value less costs to sell.

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 loss in fair value, the loss is recognised in Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount previously lost in the Surplus and Deficit on Provision of services. Depreciation is not charged on assets held for sale.

If the asset does no longer meet the criteria to be classified as an asset 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.

Income from the disposal of non-current assets is accounted for on an accruals basis and the unapplied balance is included in the balance sheet as useable capital receipts. There is a £10k de-minimis for capital receipts.

The written-off value of disposals is not a charge against council tax, as the cost of property, plant and equipment 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.

- **Depreciation**

Depreciation is provided for on all tangible assets except freehold land and assets under construction. Depreciation is provided for on other assets with a determinable finite life by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use. Depreciation is calculated on the opening book value with no charge being made in the period of acquisition but a full charge in the period of disposal.

Depreciation is calculated over the expected life of each asset. The “straight-line method” of calculation is used. No depreciation charge is applied to land. Buildings and other assets are depreciated over the following periods:

Other land and buildings:	Up to 50 years
Infrastructure Assets:	Up to 35 years
Vehicles, plant, and equipment:	3-10 years
Surplus Assets	Up to 50 years

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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.

- **Assets Under Construction**

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

## **(g) Investment Properties**

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



Investment properties are measured initially at cost and subsequently, annually, at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the financing and investment income and expenditure line in the comprehensive income and expenditure statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the financing and investment income line and result in a gain for the general fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the general fund balance. The gains and losses are therefore reversed out of the general fund balance in the movement in reserves statement and posted to the capital adjustment account and (for any sale proceeds greater than £10,000) the capital receipts reserve.

#### **(h) Intangible Assets**

The council capitalise purchased intangible assets 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 assets are also tested for impairment when there is an indication that the asset might be impaired. The amortisation and impairment charge will be made to the relevant service lines in the Comprehensive Income and Expenditure Statement. Any gain or loss arising from the disposal or abandonment of an intangible asset is charged to the Other Operating Expenditure line in the Comprehensive Income and expenditure Statement.

Costs that are directly associated with the purchase and implementation of identifiable and unique software products by the council are recognised as intangible assets. Expenditures that enhance and extend the benefits of computer software programs beyond their original specifications and lives are recognised as a capital improvement and added to the original cost of the software.

Expenditure is only capitalised if costs can be measured reliably, the product is technically and commercially feasible, future economic benefits are probable, and the council has sufficient resources to complete development and to use the asset.

Intangible assets relating to licences obtained as part of the council's business combinations are recorded initially at their cost.

Other intangible assets are stated at cost less amortisation on a straight-line basis over the following periods:

- Software: 3 to 5 years.
- Licences: 3 years or less if the licence term is shorter.

#### **(i) Financial Assets**

A financial asset is right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council.

The financial assets held by the Council during the year are accounted for under the following classifications:

- Amortised Cost
- Fair Value through profit or loss (FVPL), and
- Fair value through other comprehensive income (FVOCI).

**(j) 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 (CIES) for interest receivables are based on the carrying amount of the asset multiply 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 principal receivables (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

However, where loans are made to organisations at less than market rates (soft loans) a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. The Council currently has no such loans.

The Council's business model to collect cash flow comprises:

- Loans to other local authorities
- Trade receivables.

**(k) Financial Assets Measured at FVPL**

Financial assets that are measured at FVPL are recognised on 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. The fair value gains and losses are recognised as they arrive in Surplus or Deficit on the provision of Services. The Council currently has no such assets within this category.

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 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 a level that are observable for the asset, either directly or indirectly
- Level 3 inputs – unobservable inputs for the asset.

### **Financial Assets Measured at FVOCI**

Financial assets that are measured at FVOCI are recognised on Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument; and the Council's business model is both to collect cash flow and sell the instrument.

### **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and initially measured at fair value and 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 the effective rate of interest for the instrument. The effective interest rate 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.

The Council has the following liabilities:

- Creditors
  - Creditors are carried at their original invoice amount.
- Bank overdrafts
  - Bank overdrafts comprise amounts owed to banks and similar institutions and are repayable on demand. Due to their nature and short-term maturity, the fair values for creditors and bank overdrafts are estimated using their carrying values.
- Short-term borrowing
  - Loans of less than 1 year and carried at amortised cost.
- Long-term loan
  - Loans with the Public Works Loans Board are carried at their amortised cost but with the fair value disclosed in a note

### **Held to maturity investments**

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

### **(j) Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the investment date and that are readily convertible to cash with insignificant risk of change in value.

### **(k) Provisions**

Provisions are liabilities of uncertain timing or amount. They are recognised when the council has a present legal or constructive obligation as a result of past events, and it is likely that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are presented in the Accounts at the present value of the estimated future outflows expected to be required to settle the obligation. Provision charges and reversals are charged to the appropriate service revenue account. Any discount unwinding is recognised as a finance expense.

Provisions are recognised for unavoidable lease payments in onerous contracts as the difference between the rentals due and any income expected to be derived from the vacant properties being sublet.

## **(I) Accounting Policies in respect of Employee Benefits**

### **Post-Employment Benefits**

#### **Local Government Pension Scheme**

Employees of the council may be members of the Local Government Pension Scheme which is accounted for as a defined benefits scheme:

- Liabilities of the 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 2.3%.

The assets of the scheme attributable to the council are included 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:

- Service cost comprising:
  - Current service cost – the increase in liabilities as a result of years of service earned this year. It is recorded 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. It is debited to the Net Cost of Services in the Comprehensive Income and Expenditure Account 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. It is debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Account.
- Remeasurement comprising:

- expected return on assets – the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return. It is credited to Net Operating Expenditure in the Comprehensive Income and Expenditure Account.
- 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. It is debited to the Comprehensive Income and Expenditure Statement.
- contributions paid to the pension fund – cash paid as employer’s contributions to the pension fund.

The Comprehensive Income and Expenditure Statement is charged with the cost of the benefits that have accrued during the year and not the actual amount paid by the council. The General Fund balance however is charged with the actual amount paid. Any adjustments are made in the Statement of Movement in Reserves to this effect.

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.

### **Other long-term employee benefits**

The council’s net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the council’s obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognised in profit or loss in the period in which they arise.

### **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 and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees. These are recognised as an expense in the Comprehensive Income and Expenditure Statement on an undiscounted basis to the related service provided to the council.

An accrual is made for the cost of holiday entitlement earned by employees but not taken before the year-end which the employee can carry forward into the next financial year. The accrual 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 the revenue in the financial year in which the holiday absence occurs. Based on data collected over a 3-year period, the accrual for short term employee benefits did not change much year on year.

### **Termination Benefits**

Termination benefits are recognised as an expense when the council is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the council has made an offer of

voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

#### **(m) Government Grants and Contributions**

Applications for grant support are made to government departments and other organisations such as the European Union and the lottery boards whenever the opportunity becomes available.

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

- the Authority 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 creditors. 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, 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. Where 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.

#### **(n) Reserves**

The council has established a number of reserves to allow specific future objectives to be financed. It also retains general balances to allow for contingencies and for cash flow management purposes. Details are shown in note 9.

Reserves are created by appropriating amounts in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance so that there is no net charge against council tax for the expenditure.

By law, the council may use its Useable Capital Receipts Reserve only to finance capital expenditure.

There are other reserves that cannot be used to finance expenditure:

- Capital Adjustment Account – these are capital resources set aside to meet past expenditure.
- Revaluation Reserve – the gains of valuation of assets not yet realised by sales.
- Financial Instruments Adjustment Account – balancing account to allow for differences in statutory requirements and accounting requirements for borrowing and investments.
- Collection Fund Adjustment Account – holds the difference between the income included in the Income and Expenditure Account and the amount required by regulation to be credited to the General Fund.
- Pensions Reserve – balancing account to allow the pensions liability to be included in the Balance Sheet.

#### **(o) 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 assets attributable to the service.

The authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement [equal to either an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance (England and Wales) or the statutory repayment of loans fund advances (Scotland)]. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the general fund balance (MRP or the statutory repayment of loans fund advances), by way of an adjusting transaction with the capital adjustment account in the movement in reserves statement for the difference between the two.

#### **Leases**

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

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

#### **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 council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

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

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

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 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. 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).

### **The Council as Lessor**

#### **Finance Leases**

Where the council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, 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. A gain, representing the council's net investment in the lease, is 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), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:-

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and



- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the Deferred Capital Receipts are transferred to the Capital Receipts Reserve.

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 therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### **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 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. 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.

### **(p) Revenue Expenditure funded from Capital under Statute**

Revenue expenditure funded from capital under statute results from expenditure of a capital nature where no non-current assets are created for the council. They include private sector renewal grants and advances to other parties to finance capital investments.

This also includes exceptional revenue expenditure for which a capitalisation direction can be granted to allow this expenditure to be funded from capital. The capitalisation direction gives the council the flexibility to treat specified revenue expenditure as capital expenditure. The council has to meet strict criteria and should only be sought for costs which are due largely to factors beyond the control of the council and are unavoidable.

The council generally writes off revenue expenditure funded from capital under statute to revenue in the year in which it is created.

Where the council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Movement in Reserves Statement so there is no impact on the level of council tax.

### **(q) Value Added Tax**

Income & Expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them.

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.

**(r) Contingent Assets and Liabilities**

**Contingent Assets**

A contingent asset shall be disclosed in the note of the accounts where an inflow of economic benefits or service potential is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the debtor (or cash where consideration has been received) and the related revenue are recognised in the financial statements of the period in which the change occurs.

**Contingent Liabilities**

A contingent liability shall be disclosed where a liability exists, but a reliable estimate cannot be made. Contingent liabilities are assessed continually to determine whether an outflow of resources embodying economic benefits or service potential has become probable. A provision is recognised in the financial statements of the period in which the change in probability occurs.

**s) Joint Operations**

A Joint Operation is an arrangement by which the parties that have joint control of the arrangement and have the rights to the assets and obligations for the liabilities relating to the arrangement. All parties have joint control with decisions of the activities of the arrangement requiring unanimous consent from all parties. 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:-

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its revenue from the sales of its share of the output arising from the joint operation
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

**(t) Collection Fund**

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the collection fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the collection fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

**Non-Domestic Rates (NDR)**

Retained Business Rate income included within the Comprehensive Income & Expenditure Statement for the year will be treated as accrued income.

Tariff and levy payments included within the Comprehensive Income & Expenditure Statement for the year will be treated as accrued expenditure.

### **Council Tax**

- Council Tax income included within the Comprehensive Income & Expenditure Statement for the year will be treated as accrued income.

Both NDR, Council Tax Income and Tariff and levy payments will be recognised in the Comprehensive Income & Expenditure Statement in the Taxation, Non-Specific Grant Income and Expenditure. As a billing authority the difference between the NDR and Council Tax included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund shall be taken to the Collection Fund Adjustment Accounts and reported in the Movement in Reserve Statement.

The income from Council Tax and NDR is recognised when it is probable that the economic benefit will flow into the authority and the amount of the revenue can be measured reliably.

## **Note 2. Accounting Standards that have been issued but have not yet been 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.

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.

## **Note 3. Critical Judgements in Applying Accounting Policies**

In applying the Accounting Policies set out in Note 1, 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:

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.

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.

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.

## Note 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 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.

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
Property, Plant and Equipment valuations and Investment property valuations	The valuations have been provided amidst the economic uncertainty created as a result of the Novel Coronavirus (COVID-19) and thus valuations have been reported subject to a Material Valuation Uncertainty clause. The inclusion of the 'material valuation uncertainty' declaration, however, does not mean that the valuation cannot be relied upon, rather that the declaration has been included to ensure transparency of the fact that, in the current extraordinary circumstances, less certainty can be attached to the valuation than would otherwise be the case.	If market conditions are impacted by the COVID-19 pandemic, for every 1% change in value, would be equal to  Land & Buildings                      £263k Investment Properties                      £33k
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 pension liability of changes in individual assumptions can be measured, these changes are detailed within Note 32.
Depreciation of Property, Plant and Equipment	Assets are depreciated over useful lives which are estimated annually. The carrying value of Property, Plant and Equipment as at 31 March 2020 is £34.7 million.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. If the depreciation lives of the assets were to reduce by 1 year across all assets, this would have an impact of approximately £100k on the Council's finances annually.

## Note 5. Expenditure and Funding Analysis (EFA)

The objective of the Expenditure and Funding Analysis is to demonstrate to council taxpayers how the funding available to the authority (i.e. government grants, council tax, 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 directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

### 2020/21 Adjustments between the Funding and Accounting Basis

	Net Expenditure in the Comprehensive Income and Expenditure Statement £000	Adjustments for Capital Purposes (Note a) £000	Net change for the Pensions Adjustments (Note b) £000	Other Differences (Note c) £000	Total Adjusted £000	Net Expenditure Chargeable to the General Fund Balance £000
Corporate and Democratic Core	0	0	(31)	0	(31)	(31)
Customer and Consumer Services	3,479	(328)	(133)	0	(461)	3,018
Environmental Services	4,580	(257)	(2)	0	(259)	4,321
ICT	(10)	(801)	96	0	(706)	(717)
Resources and Organisational Development	3,212	(371)	(2)	0	(373)	2,838
Planning Services	2,425	(106)	(7)	0	(113)	2,313
Economic and Commercial Development	1,392	(731)	(7)	0	(738)	655
<b>Cost of Services</b>	<b>15,078</b>	<b>(2,594)</b>	<b>(86)</b>	<b>0</b>	<b>(2,680)</b>	<b>12,398</b>
Other income and expenditure	(25,474)	3,245	(547)	(6,394)	(3,696)	(29,170)
<b>(Surplus) or Deficit</b>	<b>(10,396)</b>	<b>651</b>	<b>(633)</b>	<b>(6,394)</b>	<b>(6,376)</b>	<b>(16,772)</b>
<b>Opening General Fund Balances (includes Earmarked Reserves)</b>	<b>(17,600)</b>					
<b>Surplus/(Deficit) on General Fund in Year</b>	<b>(16,772)</b>					
<b>Closing General Fund Balances</b>	<b>(34,372)</b>					

## 2019/20 Adjustments between the Funding and Accounting Basis

	Net Expenditure in the Comprehensive Income and Expenditure Statement £000	Adjustments for Capital Purposes (Note a) £000	Net change for the Pensions Adjustments (Note b) £000	Other Differences (Note c) £000	Total Adjustments £000	Net Expenditure Chargeable to the General Fund Balance £000
Corporate and Democratic Core	0	3,457	(133)	0	3,324	3,324
Customer and Consumer Services	3,229	(292)	(94)	0	(386)	2,843
Environmental Services	5,768	(1,144)	(99)	0	(1,243)	4,525
ICT	16	(306)	0	0	(306)	(290)
Resources and Organisational Development	3,209	(24)	(11)	0	(35)	3,174
Planning Services	2,393	(198)	(157)	0	(355)	2,038
Economic and Commercial Development	(1,434)	(83)	(17)	0	(100)	(1,534)
Exceptional Item	4,000	0	0	0	0	4,000
<b>Cost of Services</b>	<b>17,181</b>	<b>1,410</b>	<b>(511)</b>	<b>0</b>	<b>899</b>	<b>18,080</b>
Other income and expenditure	(16,789)	1,219	(674)	308	853	(15,936)
<b>(Surplus) or Deficit</b>	<b>392</b>	<b>2,629</b>	<b>(1,185)</b>	<b>308</b>	<b>1,752</b>	<b>2,144</b>
<b>Opening General Fund Balances (Includes Earmarked Reserves)</b>	<b>(19,744)</b>					
Surplus/(Deficit) on General Fund in Year	2,144					
<b>Closing General Fund Balances</b>	<b>(17,600)</b>					

### Notes to the EFA

#### A Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation, impairment, 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 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.

## **B Net Change for the Pensions Adjustment**

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.

## **C Other Differences**

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.

## **D Segmental Analysis**

The table above shows Net Expenditure on a segmental basis.



## Note 6. Expenditure and Income Analysed by Nature

The Authority's expenditure and income is analysed as follows;

Expenditure/Income		2019/20	2020/21
		£000	£000
<b>Expenditure</b>	Employee Benefits expenses	7,134	7,443
	Other services expenses	26,617	26,638
	Exceptional item (note 33)	4,000	0
	Support services recharges	59	10
	Depreciation, amortisation, impairment	2,116	2,163
	REFCUS	892	(486)
	Precepts and levies	3,723	4,028
	Pension Interest Costs	886	710
	<b>Total expenditure</b>	<b>44,971</b>	<b>40,507</b>
<b>Income</b>	Fees, charges, and other services income	(8,278)	(6,610)
	Interest and investment income	(238)	(82)
	Income from council tax, non-domestic rates, and Government grants	(17,977)	(32,490)
	Non-Domestic rates redistribution	(8,500)	(3,500)
	Demand on collection fund	(8,300)	(7,988)
	Gain on the disposal of assets	(705)	(362)
	Transfer to collection fund	(76)	127
		<b>Total income</b>	<b>(44,074)</b>
<b>(Surplus) or Deficit on the Provision of Services</b>		<b>847</b>	<b>(10,397)</b>

## Note 7. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement 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 a Council are required to be paid and out 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 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.

## 2020/21

		General Fund £000	Capital receipts reserve £000	Capital Grants Unapplied £000	Movement Unusable Reserves £000
<b>Adjustment primarily involving the Capital Adjustment Account:</b>	Charges for depreciation and impairment of non-current assets	1,312			(1,312)
	Amortisation of intangible fixed assets	211			(211)
	Downward revaluation of Investment property	640			(640)
	Revenue expenditure funded from capital under statute	431			(431)
	Amount of non-current assets written off on disposal	0			0
	Capital applied credited to the Financing of Capital expenditure	(2,291)			2,291
<b>Adjustment primarily involving the Capital Grants Unapplied Account:</b>	Application of grants to capital financing transferred to the Capital Adjustment Account			(325)	325
	Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(592)		592	0
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>	Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(361)	361		0
	Use of the Capital Receipts Reserve to finance new capital expenditure	0			0
<b>Adjustments primarily involving the Pensions Reserve:</b>	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	2,489			(2,489)
	Employer's pensions contributions and direct payments to pensioners payable in the year	(1,856)			1,856
	Amount by which council tax and non-domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with statutory requirements	6,392			(6,392)
<b>Total Adjustments</b>		<b>6,375</b>	<b>361</b>	<b>267</b>	<b>(7,003)</b>

		General Fund	Capital receipts reserve	Capital Grants Unapplied	Movement in unusable Reserves
<b>Adjustment primarily involving the Capital Adjustment Account:</b>	Charges for depreciation and impairment of non-current assets	922			(922)
	Amortisation of intangible fixed assets	228			(228)
	Revaluation of Investment property	505			(505)
	Revenue expenditure funded from capital under statute	892			(892)
	Amount of non-current assets written off on disposal	40			(40)
	Capital applied credited to the Financing of Capital expenditure	(3,454)			3,454
<b>Adjustment primarily involving the Capital Grants Unapplied Account:</b>	Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement			(614)	614
	Transfer from Grants unapplied	(513)		513	0
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>	Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(734)	734		0
	Use of the Capital Receipts Reserve to finance new capital expenditure	0	0		0
<b>Adjustments primarily involving the Pensions Reserve:</b>	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	2,992			(2,992)
	Employer's pensions contributions and direct payments to pensioners payable in the year	(1,807)			1,807
	Amount by which council tax and non-domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with statutory requirements	(308)			308
<b>Total Adjustments</b>		<b>(1,248)</b>	<b>734</b>	<b>(101)</b>	<b>(604)</b>

## Note 8. Movements in Earmarked Reserves

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts transferred back from earmarked reserves to meet General Fund expenditure (either revenue expenditure or direct revenue financing of capital).

Item	Balance 31.3.19 £000	Transfers in £000	Transfers out £000	Balance 31.3.20 £000	Transfers in £000	Transfers out £000	Balance 31.3.20 £000
BRR Reserve	7,267	(1,506)	0	5,761	16,772	0	22,533
Projects and Other Investment Opportunities	2,655	(481)	2,102	4,276	0	0	4,276
Community Projects	4,807	(3,842)	848	1,813	0	0	1,813
Devolution Options	1,122	(407)	318	1,033	0	0	1,033
Covid risks	0	0	648	648	0	0	648
MTFS Savings	300	0	250	550	0	0	550
Capital Financing Reserve	387	0	0	387	0	0	387
Revenue Grants	242	(25)	66	283	0	0	283
Property Investment - Advisers	250	0	0	250	0	0	250
Enterprise centre	0	0	250	250	0	0	250
Asset Management Plan	162	0	0	162	0	0	162
Waste risk reserve	0	0	154	154	0	0	154
Election Reserve	116	0	30	146	0	0	146
Insurance Reserve	112	0	0	112	0	0	112
Legal Costs	109	(4,000)	4,000	109	0	0	109
Other small reserves (below £20k)	64	0	0	64	0	0	64
Procurement Reserve	51	0	0	51	0	0	51
Planning Reserve	184	(153)	0	31	0	0	31
Women's Tour	20	0	0	20	0	0	20
Carry Forwards	249	(249)	0	(0)	0	0	(0)
Personal Land Charges	154	(154)	0	0	0	0	0
<b>Total Earmarked reserves</b>	<b>18,250</b>	<b>(10,817)</b>	<b>8,666</b>	<b>16,100</b>	<b>16,772</b>	<b>0</b>	<b>32,872</b>

**Projects and Other Investment Opportunities**

Fund any project identified within the Efficiency Plan

**MTFS Reserve**

Fund any deficit as identified within the MTFS

**Community Projects**

Fund project within the community

**BRR Reserve**

Fund any shortfalls in business rates collected.

## Note 9. Other Operating Expenditure included in the Comprehensive Income and Expenditure Statement

Item	2019/20 £000	2020/21 £000
Parish Council precepts	3,723	4,028
(Gains)/losses on the disposal of non-current assets	(706)	(362)
<b>Total</b>	<b>3,017</b>	<b>3,666</b>

## Note 10. Financing and Investment Income and Expenditure

Item	2019/20 £000	2020/21 £000
Pensions interest cost and expected return on pensions assets	674	547
Interest and Investment income	(238)	(82)
<b>Total</b>	<b>436</b>	<b>465</b>

## Note 11. Taxation and Non-Specific Grant Income

Item	2019/20 £00	2020/21 £000
Central Government Grants	(2,991)	(5,220)
Council Tax Income	(8,300)	(8,832)
Transfer of Council tax surplus/Deficit	(76)	127
Capital Grants and Contributions	(513)	0
Retained business rates	(8,394)	(3,500)
Levy payment	759	845
Small business rate relief grant (S.31)	(728)	(13,025)
<b>Total</b>	<b>(20,243)</b>	<b>(29,605)</b>

## Note 12. Property, Plant and Equipment

### Movements in 2020/21

		Other Land and Buildings	Vehicles, Plant & Equipment	Infrastru- cture Assets	Surplus Assets	Commu- nity Assets	Assets Under Constru- ction	Total, Property, Plant and Equipment
<b>Cost or Valuation</b>	<b>Gross B'fwd</b>	<b>22,505</b>	<b>9,653</b>	<b>306</b>	<b>1,226</b>	<b>1,094</b>	<b>6,647</b>	<b>41,431</b>
	Additions	553	404				1,124	2,081
	Transfers	7,771					(7,771)	0
	Revaluation to Revaluation Reserve	(2,478)						(2,478)
	Revaluation to CIES	(218)						(218)
	Disposal		(2,870)					(2,870)
	<b>Gross C'fwd</b>	<b>28,133</b>	<b>7,187</b>	<b>306</b>	<b>1,226</b>	<b>1,094</b>	<b>0</b>	<b>37,946</b>
<b>Depreciation</b>	<b>Gross B'fwd</b>	<b>(116)</b>	<b>(5,292)</b>	<b>(81)</b>				<b>(5,489)</b>
	Depreciation charge	(334)	(752)	(8)				(1,094)
	Depreciation to Revaluation Reserve	327						327
	Disposal		2,871					2,871
<b>Gross C'fwd</b>	<b>(123)</b>	<b>(3,175)</b>	<b>(89)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,387)</b>	
<b>Net Book Value at 31 March 2021</b>	<b>28,010</b>	<b>4,012</b>	<b>217</b>	<b>1,226</b>	<b>1,094</b>	<b>0</b>	<b>34,559</b>	

## Movements in 2019/20

		Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Surplus Assets	Community Assets	Assets Under Construction	Total, Property, Plant and Equipment
Cost or Valuation	<b>Gross B'fwd</b>	21,735	8,512	306	572	1,058	1,832	34,016
	Additions	95	1,141			36	4,814	6,086
	Revaluation to	715			654			1,369
	Revaluation Reserve							
	Disposal	(40)						(40)
	<b>Gross C'fwd</b>	<b>22,505</b>	<b>9,653</b>	<b>306</b>	<b>1,226</b>	<b>1,094</b>	<b>6,646</b>	<b>41,429</b>
Depreciation	<b>Gross B'fwd</b>	(93)	(4,703)	(72)				(4,869)
	Depreciation charge	(324)	(589)	(9)				(922)
	Depreciation to	301						358
	Revaluation Reserve							
	Disposal							0
<b>Gross C'fwd</b>	<b>(116)</b>	<b>(5,292)</b>	<b>(81)</b>				<b>(5,489)</b>	
<b>Net Book Value At 31 March 2020</b>	<b>22,389</b>	<b>4,360</b>	<b>225</b>	<b>1,226</b>	<b>1,094</b>	<b>6,646</b>	<b>35,940</b>	
<b>Net Book Value At 31 March 2019</b>	<b>21,642</b>	<b>3,809</b>	<b>234</b>	<b>572</b>	<b>1,058</b>	<b>1,832</b>	<b>29,147</b>	

## Capital Commitments

As at 31 March 2021 the Council had not committed to any capital works

## Revaluations

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years.

A full valuation of East Northamptonshire Council's Land and Buildings was last undertaken as at 31st March 2015 by Wilks, Head and Eve LLP, the Council's appointed valuers. Each year high value assets only will be reviewed any material revaluation may be included to Comply with the Code of Practice.

The valuations have been made in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual.

Revaluation Profile	Other Land and Buildings £000	Surplus Assets £000
<b>Valued at Fair Value as at</b>		
31 March 2021	25,850	0
31 March 2020	0	1,129
31 March 2016	2,283	97
<b>Total</b>	<b>28,133</b>	<b>1,226</b>

## Note 13. Investment Property

The following items of income and expense have been accounted for in the Comprehensive Income and Expenditure Statement as financing and investment income and expenditure.

Item	2019/20 £000	2020/21 £000
Rental income from investment property	(286)	(308)
Direct operating expenses arising from investment property	5	5
	(281)	(303)
Revaluation Adjustment	44	168
<b>Net gain</b>	<b>(237)</b>	<b>(135)</b>

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

The following table summarises the movement in the fair value of investment properties over the year.

Item	2019/20 £000	2020/21 £000
<b>Balance at start of the year</b>	<b>3,294</b>	<b>2,794</b>
Additions in year	5	0
Net gain/(loss) for fair value	(505)	(644)
<b>Balance at end of the year</b>	<b>2,794</b>	<b>2,150</b>

### Fair Value Hierarchy

All the Council's investment property portfolio has been assessed as Level 2 for valuation purposes (see Accounting Policies for explanation of fair value levels).

### Valuation Techniques used to determine level 2 fair values for investment properties

The fair value of the investment properties has been measured using the Investment Method of Valuation. The valuers have used a market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. The valuers have taken into consideration the following factors: market rentals and sales values, yields, void and letting periods, size, configuration, proportions and layout, location, visibility and access, condition, lease covenants, obsolescence.

### Highest and best use of investment properties

In estimating the fair value of the Authority's investment properties, the highest and best use of the properties is deemed to be their current use.

### Valuers

The investment portfolio has been valued at 31st March 2019 by Guy Harbord MA MRICS IRRV, Partner, Wilks Head and Eve LLP, Newlands House 3rd Floor, 55 New Oxford Street, London, WC1A 1BS. The valuations have been made in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual.

## Note 14. Intangible Assets

Item	2019/20 £000	2020/21 £000
Gross carrying amounts	2,553	2,644
Accumulated amortisation	(1,791)	(2,019)
<b>Net carrying amount at the start of the year</b>	<b>762</b>	<b>625</b>
Additions	91	104
Amortisation for the period	(228)	(211)
<b>Net carrying amount at the end of the year</b>	<b>625</b>	<b>518</b>
Gross carrying amounts	2,644	1,167
Accumulated amortisation	(2,019)	(649)
<b>Net carrying amount at end of the year</b>	<b>625</b>	<b>518</b>

## Note 15. Financial Instruments

The financial assets and liabilities included in the Balance Sheet comprise the following categories of financial instruments.

Current Financial Instruments		2020/21 £000	2019/20 £000
<b>Investments</b>	Short term investment	6,000	3,000
	<b>Total investments</b>	<b>6,000</b>	<b>3,000</b>
<b>Cash &amp; Cash equivalents</b>	Short term deposits	21,953	18,000
	Cash and bank balances	1,305	4,818
	<b>Total cash &amp; cash equivalents</b>	<b>23,258</b>	<b>22,818</b>
<b>Debtors</b>	Trade receivables	1,448	1,668
	<b>Total Debtors</b>	<b>1,448</b>	<b>1,668</b>
<b>TOTAL FINANCIAL ASSETS</b>		<b>30,644</b>	<b>27,621</b>
<b>Borrowings</b>	Financial liabilities at amortised cost	0	0
	<b>Total borrowings</b>	<b>0</b>	<b>0</b>
<b>Creditors</b>	Financial liabilities at amortised cost	4,702	1,904
	<b>Total creditors</b>	<b>4,702</b>	<b>1,904</b>
<b>TOTAL FINANCIAL LIABILITIES</b>		<b>4,702</b>	<b>1,904</b>

### Gains and losses on income and expense

#### Financial Assets (Loans and Receivables)

Item	2019/20 £000	2020/21 £000
Interest expenses (Loans and liabilities)	0	0
Interest income (Investments)	(238)	(82)
<b>Net gain/(loss) for the year</b>	<b>(238)</b>	<b>(82)</b>

#### Fair value of assets and liabilities carried at amortised cost

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. The fair value is taken from the market price.

Financial instruments classified at amortised cost are carried in the Balance sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2020, using the following methods and assumptions:



- The Council has no loans.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

IFRS 13 introduces a three level of hierarchy for the inputs into fair value calculations:

- Level 1- quoted prices in active markets for identical assets or liabilities
- Level 2 - inputs other than quoted prices that are observable for the asset or liability, e.g., interest rates or yields for similar Instruments
- Level 3- Fair value is determined using unobservable inputs, e.g., non-market data such as cash flow forecasts or estimated creditworthiness.

All the Council's Financial Instruments are Level 1

		2019/20 carrying amount	2019/20 Fair Value	2020/21 carrying amount	2020/21 Fair Value
<b>Liabilities</b>	Financial liabilities	1,904	1,904	4,702	4,702
<b>Assets</b>	Loans and receivables	27,621	27,621	30,644	30,644

### Nature and extent of risks arising from financial instruments

The authority's activities expose it to a variety of financial risks, including:

- credit risk – the possibility that other parties might fail to pay amounts due to the authority
- liquidity risk – the possibility that the authority might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss may arise for the authority as a result of changes in such measures as interest rates and stock market movements.

The Authority has a Treasury Management Strategy in order to minimise risk when lending out money or borrowing, for instance by establishing criteria for selecting counterparties. The Authority also follows Treasury Management best practice as outlined by Chartered Institute of Public Finance Accountancy, in order to reduce risk.

### Credit Risk

The Authority always runs the risk that debtors do not make payments. Wherever possible, the authority provides services at the point of payment. Risk of non-payment is also reduced by procedures to monitor, measure debts, and pursue debts on behalf of the authority. The Authority monitors debts using aged debtor reports, reviewing how long debt has been outstanding. Another type of credit risk is the risk that the Authority deposits money with financial institutions that fail. The Treasury Management Strategy outlines procedures to minimise this risk when selecting Counterparties.

### Liquidity Risk

Liquidity risk is the risk that the Authority runs out of cash to manage its day-to-day cash-flow. To minimise this risk, the Authority monitors and anticipates future cash flows in order to plan for sufficient cash. The Authority has debt collection procedures to ensure that it receives the money owing. Revenue and capital budgets are fully financed as per Local Government regulations and agreed by Council before the start of the financial year.

## Refinancing Risk

Refinancing risk is the risk that when renewing a financial instrument, for example a loan, the terms deteriorate.

## Market Risk

Market risk is the risk of financial loss arising from market movements, for example interest rate movements. The continued low interest rates in 2019/20 have reduced interest income received by the Authority. This risk is mitigated for future years. Budgets have been set, taking low interest rates into consideration. Also interest rates are at the bottom of the cycle, which means in effect that they cannot fall much further. If current interest rates rise by 0.5% the interest payable will increase by £5k per annum for each £1m borrowed.

## Price Risk

This is a risk that there is a change in the value of quoted investments. Excluding the Pension Fund, the Authority does not invest in securities and equities with this type of risk. It should be noted that the council does not manage the pension fund. This is done by Northamptonshire County Council.

## Foreign Exchange Risk

This is the risk of fluctuations in the value of foreign currency. The Authority has no financial assets and liabilities denominated in foreign currencies, so this risk does not apply.

## Note 16. Debtors

### Short term Debtors

	2019/20 short term	2019/20 long term	2020/21 short term	2020/21 long term
Central government bodies	1,040		7,700	
Other local authorities	1,029		4,271	
Other entities and individuals	1,979		2,470	
Provision for bad debts	(293)		(625)	
<b>Totals</b>	<b>3,755</b>	<b>0</b>	<b>13,816</b>	<b>0</b>

## Note 17. Cash and Cash Equivalents

Item	2019/20 £000	2020/21 £000
Cash held by the Council	4,814	1,468
Short term deposits	18,004	21,953
<b>Cash and Cash Equivalents</b>	<b>22,818</b>	<b>23,421</b>

## Note 18. Creditors

	2019/20 Short term £000	2019/20 Long term £000	2020/21 Short term £000	2020/21 Long term £000
Central government bodies	3,815	0	7,058	0
Other local authorities	951	0	596	0
Other entities and individuals	1,742	4,000	5,277	0
<b>Totals</b>	<b>6,508</b>	<b>4,000</b>	<b>12,931</b>	<b>0</b>

## Note 19. Provisions

Item	Balance as at 31 March 2020 £000	Increase/ (decrease) in provision £000	Utilised £000	Balance as at 31 March 2021 £000
Business rates appeal	1,473	378	(4)	1,847
Other	23	0	0	23
<b>Total</b>	<b>1,496</b>	<b>378</b>	<b>(3)</b>	<b>1,870</b>

### NDR Appeals Provision

As a consequence of the Government initiative in the localisation of Non-Domestic Rates (NDR), the Government transferred the risk of appeals against Rateable Values to local authorities. Following a review which included taking external expert advice a provision for appeals outstanding was estimated to be £4.6m; of which £1.9m would have to be met by the Council, and £2.7m by other Collection Fund participants.

## Note 20. Usable Reserves

Movements in the Council's useable reserves are detailed in the Movement in Reserves Statement and a further breakdown is shown in Note 8, Movements in Earmarked Reserves.

## Note 21. Unusable Reserves

Item	2019/20 £000	2020/21 £000
Capital Adjustment Account	(29,099)	(29,143)
Revaluation Reserve	(7,362)	(5,191)
Pensions Reserve	23,727	31,853
Accumulated absence account	58	58
Deferred capital receipts reserve	(1)	0
Collection Fund Adjustment Account	(539)	5,853
<b>Total Unusable Reserves</b>	<b>(13,217)</b>	<b>3,430</b>

### 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 and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment and Investment Properties before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains and losses. Note 7 provides the details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Capital Adjustment Account		2019/20	2019/20	2020/21	2020/21
		£000	£000	£000	£000
<b>Balance at 1 April</b>			<b>(27,791)</b>		<b>(29,099)</b>
	Charges for depreciation and revaluation of non-current assets	923		1,312	
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	Revaluation movement on investment properties	505		640	
	Amortisation of intangible assets	228		211	
	Revenue expenditure funded from capital under statute	892		431	
	Other adjustments for assets disposed of or transferred from the Revaluation reserve	252		71	
	Difference between current value depreciation and historical cost depreciation	(80)		(93)	
	Amounts of non-current assets written off on disposal	40		0	
<b>Totals</b>			<b>2,760</b>		<b>2,572</b>
<b>Capital financing applied in the year:</b>	Application of Grants to finance capital expenditure	(614)		(325)	
	Capital expenditure charged to General Fund	<b>(3,454)</b>		<b>(2,291)</b>	
<b>Totals</b>			<b>(4,068)</b>		<b>(2,616)</b>
<b>Balance at 31 March</b>			<b>(29,099)</b>		<b>(29,143)</b>

### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. It is identified at individual asset level. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost. If no surplus remains on a particular asset's account, any further impairment must be charged to the surplus/deficit on the provision of services within the Comprehensive Income and Expenditure Statement;
- 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.

Revaluation Reserve	2019/20	2020/21
	£000	£000
<b>Balance at 1 April</b>	<b>(5,520)</b>	<b>(7,361)</b>
Upward revaluation of assets	(1,835)	0
Downward revaluation of assets		0
Impairment losses not charged to the surplus/deficit on the provision of services	165	2,150
<b>(Surplus) or deficit in the revaluation of non-current assets</b>	<b>(7,189)</b>	<b>(5,211)</b>
Other adjustments for assets disposed of or transferred – Written off to the Capital Adjustment Account	(252)	(73)
Difference between fair value depreciation and historical cost depreciation - written off to Capital Adjustment Account	80	93
<b>Balance at 31 March</b>	<b>(7,362)</b>	<b>(5,191)</b>

Other adjustments for assets disposed of or transferred - written off to Capital Adjustments Account

## 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 pay 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. Further information is found in Note 38 in respect of Defined Benefit Pension Scheme.

Pensions Reserve	2019/20 £000	2020/21 £000
<b>Balance at 1 April</b>	<b>(27,774)</b>	<b>(23,727)</b>
Remeasurement of net defined liability	5,168	(8,057)
Adjustment between IAS19 report and Pension Fund accounts	0	564
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	(2,992)	(2,489)
<b>Employer's pensions contributions and direct payments to pensioners payable in the year</b>	<b>1,871</b>	<b>1,856</b>
<b>Balance at 31 March</b>	<b>(23,727)</b>	<b>(31,853)</b>

## Collection Fund Adjustment Account

The Collection Fund Adjustment Account identifies the element of the Collection Fund balance that is due to this Council. It is included in the Comprehensive Income and Expenditure Statement as it relates to 2020/21 and previous years although it is only actually transferred from the Collection Fund in line with regulations.

Collection Fund Adjustment Account	2019/20 £000	2020/21 £000
<b>Balance at 1 April</b>	<b>(227)</b>	<b>(536)</b>
Adjustment	-	(3)
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic income calculated for the year in accordance with statutory requirements	(312)	6,392
<b>Balance at 31 March</b>	<b>(539)</b>	<b>5,853</b>

## Note 22. Cashflow - Operating Activities

The cash flows for operating activities include the following items:

Interest Items	2019/20 £000	2020/21 £000
<b>Interest Received</b>	<b>238</b>	<b>82</b>
Grants credited to services	514	592
Proceeds from sale of Property, plant, and equipment	745	361
<b>Total</b>	<b>1,497</b>	<b>1,035</b>

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

Non-Cash Items	2019/20 £000	2020/21 £000
Depreciation	(922)	(1,094)
Impairment and downward valuations	(505)	(858)
Amortisation	(228)	(211)
Increase/ (decrease) in creditors	(5,658)	(2,423)
Increase/ (decrease) in debtors	378	10,062
Increase/ (decrease) in provisions	(277)	(375)
Movement in pension liability	(1,185)	(633)
Carrying amount of non-current assets and non-current assets held for sale, sold, or derecognised	(40)	0
Other non-cash items charged to the net surplus or deficit on the provision of services	(45)	141
<b>Total</b>	<b>(8,522)</b>	<b>4,609</b>

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

Investing and Financing Items	2019/20 £000	2020/21 £000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(725)	(361)
Any other items for which the cash effects are investing or financing cash flows	(12,393)	(2,184)
<b>Total</b>	<b>(13,118)</b>	<b>(2,545)</b>

## Note 23. Cashflow - Investing Activities

Item	2019/20 £000	2020/21 £000
Purchase of property, plant and equipment, investment property and intangible assets	6,182	2,184
Purchases of short- and long-term investments	(6,000)	3,000
Capital grants received	(725)	(592)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(514)	(361)
Other receipts from investing activities		
<b>Net cash flows from investing activities</b>	<b>(1,057)</b>	<b>4,231</b>

## Note 24. Cashflow - Financing Activities

Item	2019/20 £000	2020/21 £000
Interest received	(238)	(82)
Collection fund adjustment	(110)	0
Other payments for financing activities	(14)	1
<b>Net cash flows from financing activities</b>	<b>(362)</b>	<b>(81)</b>

## Note 25. Senior Officer remuneration and staff over £50k

### Remuneration of Senior Officers

The following table summarises the remuneration for Senior Officers whose salary is equal to or more than £50,000 per year. There are eight other employees whose annual remuneration, excluding employers pension contributions that exceeded £50,000 in 2020/21 and one for 2019/20. Remuneration means all amounts paid to or receivable by an employee and includes sums due by way of expenses allowances (as far as those sums are chargeable to United Kingdom income tax) and the estimated money value of any other benefits received by an employee otherwise than in cash.

2020/21	Salary & Allowances	Reimbursement of expenses	Compensation for Loss of Office	Benefits in Kind	Total Remuneration excluding Pension Contribution	Pension Contribution	Total remuneration including Pension Contribution
Post Title	£K	£K	£K	£K	£K	£K	£K
Chief Executive	114	0	0	1	115	38	153
Executive Director: Growth and Infrastructure	89	1	0	1	91	30	121
Executive Director: Resources & Commercial	92	0	0	1	93	31	124
Head of Joint Planning Unit	69	0	0	1	70	23	93

2019/20	Salary & Allowances (i)	Reimbursement of expenses (ii)	Compensation for Loss of Office	Benefits in Kind	Total Remuneration excluding Pension Contribution	Pension Contribution	Total remuneration including Pension Contribution
Post Title	£K	£K	£K	£K	£K	£K	£K
Chief Executive	111	2	0	1	114	37	151
Executive Director (iii)	44	1	0	1	46	13	59
Executive Director (iiii)	15	0	0	0	15	0	15
Executive Director: Resources & Commercial	89	0	0	1	90	30	120
Head of Environmental Services	67	1	0	1	69	22	91
Head of Resources and Organisational Development (iv)	59	1	0	1	61	19	80
Head of Resources and Organisational Development (v)	9	0	0	0	9	0	9
Head of Joint Planning Unit	67	1	0	1	69	22	91
Head of Community and Customer Services (vi)	50	1	0	1	52	17	69

(i) Salary & allowances include total paid to agency/shared service.

(ii) Expense allowances are primarily the reimbursement of business mileage expenses.

(iii) Executive Director left the Council on 01/08/19.

(iiii) Executive Director position sourced through a shared service with KBC.

(iv) Head of Resources and Organisation Development left the Council on 01/03/20.

(v) Agency cover was arranged for the Head of Resources and Organisation Development from 24/02/20.

(vi) Head of Community and Customer Services left the Council on the 01/01/20.

(vii) Head of Community and Customer Services vacancy was filled by an existing employee who started in the position from 01/01/20.

## Disclosure Requirement for Other Employees receiving more than £50,000

Remuneration Band	2020/21 Number of Employees	2019/20 Number of Employees
£50,000 to £54,999	1	1
£55,000 to £59,999	1	-
£60,000 to £64,999	1	1
£65,000 to £69,999	3	2
£85,000 to £89,999	1	1
£110,000 to £114,999	1	1

## Exit Packages

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages		Total cost of exit packages £	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
£								
0 - 20,000	-	-	1	-	1	-	3,608	0
20,001 - 40,000	-	-	-	-	-	-	-	-
40,000 >	-	-	-	-	-	-	-	-

## Note 26. Members' Allowances

The Authority paid the following amounts to members of the Council during the year:

Item	2019/20 £000	2020/21 £000
Allowances	274	276
Expenses	13	7
<b>Total</b>	<b>287</b>	<b>283</b>

## Note 27. Related Parties

The Authority 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 Authority.

### Central Government

Central Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework, within which the Authority operates and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from Government departments are detailed in Note 29.

### 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 26.

### Officers

During 2020/21 there were no disclosures of any material transactions with related parties.



## Note 28. External Audit Related Costs

The sums disclosed below are those payable to EY for the annual audit of the statement of accounts, statutory inspections, and certification of grant claims.

Item	2019/20 £000	2020/21 £000
External audit	35	35
Additional External audit fees 2019/20	-	50
Additional External audit fees 2020/21	-	50
PSAA rebate	-	(4)
Grant claim certification	14	12
<b>Total</b>	<b>49</b>	<b>143</b>

## Note 29. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

Item	2019/20 £000	2020/21 £000	
<b>Credited to taxation and non-specific Grant income</b>	New Homes Bonus	2,196	2,046
	Business rates S31 grant	1,433	14,583
	Covid pressures	-	1,183
	Other Grants	90	433
	<b>Total</b>	<b>3,719</b>	<b>18,245</b>
<b>Credited to Services</b>	Housing Benefits Rent allowances	13,804	13,421
	Benefits administration	169	176
	Housing Benefit Discretionary Housing	105	151
	Council tax support	72	70
	Other grants	354	527
<b>Total</b>	<b>14,504</b>	<b>14,709</b>	
<b>Taxation and grant income</b>	<b>18,223</b>	<b>32,590</b>	

The Council has received some grants that have yet to be recognised as income as they have conditions attached to them that may require the monies to be returned. The balances at the year-end are as follows:

Grants Receipts in Advance	2019/20 £000	2020/21 £000
<b>Government grants</b> Balance at 1 April 2019	863	877
Movement for year	14	(143)
<b>Total</b>	<b>877</b>	<b>734</b>

## Note 30. 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.

A net increase in the CFR reflects the Council's need to borrow to finance capital expenditure. The borrowing will be repaid from an annual revenue charge (Minimum Revenue Provision) which reflects the use of the assets over their useful lives.

Item	2019/20 £000	2020/21 £000
<b>Opening Capital Financing Requirement</b>	<b>(73)</b>	<b>2,932</b>
<b>Capital Investment</b>		
Property, Plant and Equipment	6,086	2,081
Intangible Assets	91	104
Revenue Expenditure Funded from Capital Under Statute	892	431
Investment Property	4	
<b>Total</b>	<b>7,073</b>	<b>2,616</b>
<b>Capital Financing</b>		
Capital Receipts	0	0
Grants and Other Contributions	(614)	(324)
Revenue funding	(3,454)	(2,292)
<b>Total</b>	<b>(4,068)</b>	<b>(2,616)</b>
<b>Closing Capital Finance Requirement</b>	<b>2,932</b>	<b>2,932</b>
<b>Increase/(Decrease) in Underlying Need to Borrow</b>	<b>3,005</b>	<b>0</b>

## Note 31. Leases

### Council as Lessee

#### Finance Leases

The Council has not entered into any finance leases.

#### Service Concessions

The Council does not have any contracts that include service concessions.

### Council as Lessor

#### Finance leases

The Council has no finance leases as lessor.

#### Operating Leases

The Council leases out property under operating leases for economic development purposes to provide suitable affordable accommodation for local businesses.

The future lease payments receivable under non-cancellable leases in future years are noted below:

Item	2019/20 £000	2020/21 £000
Not later than 1 year	48	482
Later than 1 year and not later than 5 years	384	262
Later than 5 years	0	0
<b>Total</b>	<b>432</b>	<b>744</b>

The lease payments receivable does not include rents that are contingent on events taking place after the Balance Sheet date, such as adjustments following rent reviews.

## Note 32. Defined Benefit Pension Scheme

### Participation in Pension Schemes

As part of the terms and conditions of employment, the council offers retirement benefits to its employees. Although the benefits will not actually be paid until employees retire, the council has a commitment to make the payments. This commitment needs to be disclosed at the time employees earn their future entitlement.

The council participates in the Local Government Pension Scheme, a defined benefit final salary scheme, which is administered by Northamptonshire County Council (NCC). This is a "funded" scheme, which means that both the council and its employees make payments into a fund, calculated at a level intended to balance the future pension liabilities with the fund's assets.

The significant changes that have taken place during the year for a typical employer in the Fund are that the deficit has fallen.

<b>Comprehensive Income and Expenditure Statement</b>		<b>2019/20</b>	<b>2020/21</b>
		<b>£'000</b>	<b>£'000</b>
<b>Cost of Services:</b>	Current Service Cost	2,434	1,942
	Past Service Cost	(116)	0
<b>Financing and Investment Income and Expenditure:</b>	Net interest expense	674	547
<b>Total post-employment benefit charged to the deficit on the provision of services</b>		<b>2,992</b>	<b>2,489</b>

<b>Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement:</b>	Re-measurement of the net defined benefit liability comprising:-		
	Return on plan assets (Excluding the amount included in the net interest expense)	3,024	10,647
	Actuarial gains and losses arising on changes in demographic assumptions	(2,451)	(988)
	Actuarial gains and losses arising on changes in financial assumptions	(6,245)	(18,412)
	Other experience	504	696
	Adjustment between IAS19 report and Pension Fund accounts	0	564
<b>Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement</b>		<b>(5,168)</b>	<b>(7,493)</b>

<b>Movement in Reserves Statement</b>	Net charges made to the (surplus)/deficit on the provision of services for post-employment benefits in accordance with the Code	(2,176)	(2,489)
	Reversal of net charges made to the surplus/deficit on the provision of services	2,176	2,489
<b>Actual amount charged against the General Fund Balance for Pensions in the Year:</b>	Employer's contributions payable to the scheme	1,807	1,856
<b>Total Movement in Reserves Statement</b>		<b>3,983</b>	<b>4,345</b>

## Assets and Liabilities in relation to Post-employment Benefits

Reconciliation of present value of the scheme assets and liabilities in respect of the Council:

Item	31 March 2020 £000	31 March 2021 £000
<b>Opening fair value of Scheme assets</b>	44,733	43,179
Interest on assets	1,080	996
Return on assets less interest	(3,024)	10,647
Contributions by employer	1,751	1,803
Contributions by scheme participants	360	387
Estimated benefits paid plus unfunded net of transfers in	(1,721)	(1,857)
Adjustment between IAS19 report and Pension Fund accounts (Note 1)	0	564
<b>Closing fair value of scheme assets</b>	<b>43,179</b>	<b>55,719</b>

Note 1: The Council's IAS19 report was prepared before the audit of the Pension Fund audit was completed, the subsequent adjustment to the value of the Pension Funds assets, was not recognised in the report, but has been reported in these accounts as an adjustment to asset values.

Item	31 March 2020 £000	31 March 2021 £000
<b>Opening defined benefit obligation</b>	72,443	66,906
Current service cost	2,434	1,942
Interest Cost	1,754	1,543
Change in financial assumptions	(6,245)	18,412
Change in demographic assumptions	(2,451)	988
Experience loss/(gain) on defined benefit obligation	504	(696)
Estimated benefits paid net of transfers in	(1,721)	(1,857)
Past Service costs, including curtailments	(116)	0
Contributions by Scheme participants	360	387
Unfunded pension payments	(56)	(53)
<b>Closing defined benefit obligation</b>	<b>66,906</b>	<b>87,572</b>

## Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans is as follows:

Item	2019/20 £'000	2020/21 £'000
Fair value of assets	43,179	55,719
Deficit in the scheme	(66,906)	(87,572)
<b>Total</b>	<b>(23,727)</b>	<b>(31,853)</b>

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment benefits. The total liability of £32m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, the statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- The deficit on the local government 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 and actuary.
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The Council expects to contribute £2.9m into Northamptonshire County Council's Local Government Pension Fund in the year to 31 March 2021. With regard to discretionary benefits, there were no such awards in 2020/21 (2019/20; Nil).

## Impact of the 31 March 2019 Formal Actuarial Valuation

Formal actuarial valuations are carried out every three years where assets and liabilities are calculated on a detailed basis, and these were concluded as at 31 March 2019.

### Basis for Estimating Liabilities and Assets

Liabilities, for the purposes of IAS19, 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, longevity etc. The liabilities have been assessed by Hymans Robertson LLP, the independent firm of actuaries to the County Council Pension Fund being based on the latest full valuation of the scheme as at 31 March 2019. The results of this valuation were projected forward using approximate methods.

The main assumptions used by the actuary are as shown below:

County Fund – Main Assumptions		2019/20	2020/21
<b>Main Assumptions</b>	Rate of increase in salaries	2.4%	3.35%
	Rate of increase in pensions	1.9%	2.85%
	Rate of discounting scheme liabilities	2.3%	2.00%
<b>Mortality assumptions: Longevity at 65 for current pensioners</b>	Men	21.5 years	21.7 years
	Women	22.3 years	24.1 years
<b>Mortality assumptions: Longevity at 65 for future pensioners</b>	Men	23.7 years	22.8 years
	Women	25.1 years	25.8 years

## Local Government Pension Scheme Assets Comprised:

Pension fund assets consist of the following categories, by value of the total assets held:

Asset Category	Period Ended 31 March 2021				Period Ended 31 March 2020				
	Quoted prices in active markets	Quoted prices not in active markets	Total	% of Total Assets	Quoted prices in active markets	Quoted prices not in active markets	Total	% of Total Assets	
	£000	£000	£000	%	£000	£000	£000	%	
<b>Equity Securities</b>	Consumer	1	1	0%	4,907	0	4,907	11%	
	Manufacturing				1,721	0	1,721	4%	
	Energy and Utilities				2,552	0	2,552	6%	
	Financial Institutions				2,784	0	2,784	6%	
	Health and Care				1,754	0	1,754	4%	
	Information Technology				2,402	0	2,402	5%	
<b>Debt Securities</b>	UK Government		5,598	5,598	10%	0	3,828	3,828	9%
	Private Equity:								
	All		1,641	1,641	3%	0	807	807	2%
	Real Estate								
<b>Investment Funds and Unit Trusts</b>	UK Property		3,197	3,197	6%	3,537	0	3,537	8%
	Overseas Property		413	413	1%	112	0	112	0%
	Equities		34,855	34,855	63%	15,833	0	15,833	35%
<b>Cash and Cash Equivalents:</b>	Bonds		5,120	5,120	9%	3,247	0	3,247	7%
	Infrastructure		3,457	3,457	6%	199	0	199	0%
<b>Totals</b>		<b>874</b>	<b>54,281</b>	<b>55,155</b>	<b>100%</b>	<b>40,098</b>	<b>4,635</b>	<b>44,733</b>	<b>100%</b>
Adjustment between IAS19 report and Pension Fund accounts (Note 1)			564				-		
<b>Totals</b>			<b>55,719</b>				<b>44,733</b>		

Note 1: The Council's IAS19 report was prepared before the audit of the Pension Fund audit was completed, the subsequent adjustment to the value of the Pension Funds' assets, was not recognised in the report, but has been reported in these accounts as an adjustment to asset values.

## History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2020/21 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2021.

## Sensitivity analysis:

Impact on the defined benefit obligation in the Scheme	Increase in assumption 31 March 2020 £000	Increase in assumption 31 March 2021 £000
Longevity (increase or decrease in 1 year)	1.25%	1.5%
Rate of increase in salaries (increase or decrease by 0.5%)	1,811	942
Rate of increase in pensions (increase or decrease by 0.5%)	18,059	7,906
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	(20,029)	9,042

The principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes, we estimate that a one-year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 3-5%. In practice the actual cost of a one-year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages).

The provided sensitivity figures can be used to estimate the impact of adopting different financial assumptions (e.g. an Employer considering alternative accounting assumptions or to help an Employer complete an ESFA accounts return). For further details on this, please refer to the accompanying accounting covering report.

In order to quantify the impact of a change in the financial assumptions used, we have calculated and compared the value of the scheme liabilities at the accounting date on varying bases. The approach taken is consistent with that adopted to derive the accounting figures provided in this report, based on the profile (average member ages, retirement ages etc) of the Employer as at the date of the most recent valuation.

### **Impact on the Authority's Cash Flows**

The objectives of the scheme are to keep employers' contributions as a constant rate as possible. The council 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 31st March 2022.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, Local Government Pension Scheme in England and Wales and other main service schemes may not provide benefits in relation to the service after 31st March 2014 (or service after 31st March 2015 or 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.

It is estimated that the council's contribution for the period to 31st March 2021 will be approximately £0.995m.

The weighted averages duration of the defined benefit obligation for scheme members is 18 years.

### **Further information**

The information included for all of the pension disclosure is provided by Hyman Robertson LLP, the Actuary for the Pension Fund. Further information can be found in The Annual Report of the Northamptonshire County Council Pension Fund and is available on request from the Pensions Manager, LGSS Pensions Service, Northamptonshire County Council, One Angel Square, Angel Street, Northampton NN1 1 ED (Telephone: 01604 366537).

## **Note 33. Exceptional item**

A liability was recognised in 2019/20 in respect of irrecoverable legal costs as a result of a claim against the Council arising from legal action taken by the Council in relation to an environmental health matter.

## **Note 34. Events after the Balance Sheet Date**

The draft Statement of Accounts was authorised for issue by the Councils appointed statutory Finance Officer on 5th September 2022. 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.

On 1st April 2021 all the functions and services along with its assets and liabilities of East Northamptonshire Council 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.

It has been agreed that there are no non-adjusting events after the Balance Sheet date.



# Collection Fund

Collection Fund		2019/20			2020/21		
		£000 Council Tax	£000 NNDR	£000 Total	£000 Council Tax	£000 NNDR	£000 Total
<b>Income</b>	Council Taxpayers	(58,228)		<b>(58,228)</b>	(60,808)		(60,808)
	Income from Business Ratepayers		(34,647)	<b>(34,647)</b>		(23,579)	(23,579)
<b>TOTAL INCOME</b>		<b>(58,228)</b>	<b>(34,647)</b>	<b>(92,874)</b>	<b>(60,808)</b>	<b>(23,579)</b>	<b>(84,387)</b>
<b>Expenditure: Precepts</b>	Northamptonshire County Council	39,382		<b>39,382</b>	41,548		<b>41,548</b>
	The Police and Crime Commissioner for Northamptonshire	7,807		<b>7,807</b>	10,246		<b>10,246</b>
	East Northamptonshire Council	8,300		<b>8,300</b>	8,832		<b>8,832</b>
	Fire & Rescue Service	1,936		<b>1,936</b>	2,003		<b>2,003</b>
<b>Expenditure: Business Rates</b>	Payments to Government		8,286	<b>8,286</b>		17,692	<b>17,692</b>
	Payments to Northamptonshire County Council		11,270	<b>11,270</b>		3,185	<b>3,185</b>
	Payments to East Northamptonshire Council		13,258	<b>13,258</b>		14,154	<b>14,154</b>
	Payments to PCCF		331	<b>331</b>		354	<b>354</b>
	Costs of Collection		107	<b>107</b>		155	<b>155</b>
	Transitional Protection payments		(61)	<b>(61)</b>		188	<b>188</b>
<b>Expenditure: Bad and Doubtful Debts</b>	Provisions	288	101	<b>389</b>	1,065	419	<b>1,484</b>
	Provision for Appeals		692	<b>692</b>		938	<b>938</b>
<b>Expenditure: Other Transfers</b>	Renewable Energy		429	<b>429</b>		315	<b>315</b>
<b>Expenditure: Contributions</b>	Transfer / Payment of Surplus	938	(691)	<b>247</b>	761	1,940	<b>2,701</b>
<b>TOTAL EXPENDITURE</b>		<b>58,651</b>	<b>33,722</b>	<b>92,373</b>	<b>62,452</b>	<b>38,963</b>	<b>101,415</b>
<b>Deficit/ (Surplus) for the year</b>		<b>424</b>	<b>(925)</b>	<b>(501)</b>	<b>1,644</b>	<b>15,384</b>	<b>17,028</b>
<b>Collection Fund Balance</b>	Balance brought forward at 1 April	<b>(1,151)</b>	<b>(158)</b>	<b>(1,310)</b>	<b>(729)</b>	<b>(1,082)</b>	<b>(1,811)</b>
	Deficit/ (Surplus) for the year (as above)	424	(925)	<b>(501)</b>	1,644	15,384	17,028
	<b>Balance carried forward at 31 March</b>	<b>(727)</b>	<b>(1,083)</b>	<b>(1,811)</b>	<b>915</b>	<b>14,300</b>	<b>15,215</b>
<b>Collection Fund Balance: Allocated to</b>	Northamptonshire County Council	(498)	(164)	<b>(762)</b>	627	1,501	<b>2,128</b>
	The Police and Crime Commissioner for Northamptonshire	(100)	(2)	<b>(102)</b>	110	143	<b>253</b>
	Government		(483)	<b>(483)</b>		6,936	<b>6,936</b>
	East Northamptonshire Council	(106)	(433)	<b>(539)</b>	133	5,720	<b>5,853</b>
	Northamptonshire Fire Authority	(25)		<b>(25)</b>	45		<b>45</b>
<b>TOTALS</b>		<b>(729)</b>	<b>(1,082)</b>	<b>(1,811)</b>	<b>915</b>	<b>14,300</b>	<b>15,215</b>

## Notes to the Collection Fund

Domestic properties within the district are banded from A to H according to their value as at 31 March 1992. The numbers of properties in each banding are then converted into Band D equivalents using a multiplier and totalled to give a tax base. The Band D equivalents for 20/21 are detailed below:

Tax Band	Band D Multiplier	Number of Domestic Properties 2020/21	Band D Equivalent 2019/20
Disabled	5/9	7	13
A	6/9	4,575	6,861
B	7/9	7,128	9,164
C	8/9	5,378	6,050
D	9/9	5,117	5,117
E	11/9	4,631	3,789
F	13/9	3,381	2,341
G	15/9	2,273	1,364
H	18/9	256	128
<b>Totals</b>		<b>32,746</b>	<b>34,828</b>

The council collects non-domestic rates for its area, which are based on local rateable values multiplied by a national uniform rate set by the government, for industrial and commercial premises. Previously, the total amount due, less certain allowances, was paid to a central pool (NNDR Pool) managed by central government, which, in turn, paid to local authorities their share of the pool. This allocation was based on a standard amount per head of the local adult population.

In 2013/14, the distribution of NNDR changed following the introduction of a business rates retention scheme which aims to give councils a greater incentive to grow businesses but also increased the financial risk due to volatility and non-collection of rates. The council is working with other councils across Northamptonshire to continue the pooling arrangements across the county.

Instead of paying NNDR to the central pool, local authorities retain a proportion of the total collectable rates due. Due to participation in a 75% Pilot Scheme the share due to East Northamptonshire Council is 40%, with the remainder being distributed to central government (25%), Northamptonshire County Council (34%), and Police & Fire (1%).

The total Non-Domestic Rateable Value at 31 March 2021 was £87.7m. The equivalent figure for 31st March 2020 was £83.4m.

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.

<b>Council Tax</b>	<b>2019/20 £000</b>	<b>2020/21 £000</b>
Balance at 1 April	475	559
Write offs during year for previous years	(204)	(101)
Net increase/(decrease) in provision	288	1,065
<b>Balance at 31 March</b>	<b>559</b>	<b>1,523</b>

The Collection Fund account also provides for bad debts on NNDR arrears.

<b>NNDR</b>	<b>2019/20 £000</b>	<b>2020/21 £000</b>
Balance at 1 April	141	195
Write offs during year for previous years	(47)	(53)
Net increase/(decrease) in provision	101	419
<b>Balance at 31 March</b>	<b>195</b>	<b>561</b>

The Collection Fund account also provides for provision for appeals against the rateable valuation set by the Valuation Office Agency (VOA) not settled as at 31st March 2021.

<b>NNDR Appeals</b>	<b>2019/20 £000</b>	<b>2020/21 £000</b>
Balance at 1 April	2,990	3,681
Net increase/(decrease) in provision	692	940
<b>Balance at 31 March</b>	<b>3,681</b>	<b>4,621</b>

# Annual Governance Statement

## 1 Scope of responsibility

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

In discharging this overall responsibility, East Northamptonshire Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk and incorporates the system of internal control.

East Northamptonshire Council has approved and adopted a local code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. These principles are based upon Nolan's seven principles of public life: selflessness, integrity, objectivity, accountability, openness, honesty and leadership. A copy of the authority's code is on our website at [Code of Governance](#) or can be obtained from the council's Democratic Services. This code has gone through a process of review and was updated during 2019/20, being presented to the Governance and Audit Committee on 24<sup>th</sup> July 2019 and ratified by Full Council on 14<sup>th</sup> October 2019. This statement is our Annual Governance Statement and explains how East Northamptonshire Council has complied with the Code and also meets the requirements of the Accounts and Audit (England) Regulations 2015, regulation 6(1b), which requires all relevant bodies to prepare an annual governance statement.

## 2 The purpose of the governance framework

The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The budgetary process challenges the value for money and performance of all services to deliver a robust and sustainable budget. Councillors work jointly with officers via a range of committees to scrutinise the process and help shape the financial future of the Council.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of East Northamptonshire Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at East Northamptonshire Council for the year ended 31 March 2021. From 1 April 2021, East Northamptonshire Council will no longer exist. All functions and services will transfer over to North Northamptonshire Council, see section 5.

## 3 The governance framework

## Communicating the Authority's vision

East Northamptonshire Council communicates its vision and objectives through the Council's Corporate Plan. The Corporate Plan 2016 - 2019 approved by Council in December 2015 sets out the Council's key priorities and the outcomes it intended to achieve over the period.

The plan was developed in consultation with strategic partners and sets out how the council works with its communities to sustain a thriving district.

Usually, the plan is updated every four years, however due to Local Government Re-organisation in Northamptonshire, the Council committed to fully implementing key legacy projects already underway in the District under this Corporate Plan rather than revising it for East Northamptonshire's final two years. Therefore, the Corporate Plan 2016-19 remains the basis of the Council's strategic direction for the year 2020/21.

The following table sets out the outcomes the council is committed to:

	A good quality of life where the district will be:	Priority outcomes
Improvements for the community	Prosperous	<b>Regeneration and economic development</b>
	Sustainable	<b>Sustainable development</b> High quality built environment
	Clean	Effective management of waste Clean streets
	Healthy	High levels of participation in active recreation Improved housing Good public health
	Safe	Low levels of crime and anti-social behaviour
	Council services which provide good value for money	<b>Financial stability</b> Good value for money
	Effective processes	High quality service delivery
Effective partnership working		Strong strategic partnerships
Effective management		Committed staff Good use of resources Legal compliance
How we learn and grow	Knowledge of our customers and communities	Customer and community insight
	Councillors and staff with the right knowledge, skills and behaviours	Continuous development Appropriate behaviours

The Council monitors and assesses its achievement of the outcomes through business planning, project management and performance management processes which link the Corporate Plan to Service Plans, Team Plans and individual Performance and Development Reviews.

On a quarterly basis the outcomes of performance and financial management processes are reported to the Finance and Performance Sub-Committee. Internal Audit and other governance process outcomes are reported to the Governance and Audit Committee.

## ***Translating the vision***

The council uses various media to communicate with its stakeholders, such as:

- Council Website
- Local Media
- Corporate Leaflets
- Consultation
- Reports & public documents
- Displays, exhibitions & road shows
- "In House" newsletter for employees
- Social Media (Twitter, Facebook, LinkedIn)
- EnCircle (quarterly council newsletter)
- E-newsletter
- Enterprising East Northants literature including the Business Charter (supporting local businesses)
- Local business networks, events and one to one meetings
- Meetings with Town and Parish Councils

## ***Quality of service***

The Corporate Plan sets out how the Council plans to achieve its priorities and outcomes. The Medium-Term Financial Strategy demonstrates how it is providing value for money and making the best use of resources.

Residents of East Northamptonshire who have volunteered as participants in the Northamptonshire Residents Panel (a joint venture between Northamptonshire County Council, Northampton Borough Council and East Northamptonshire Council) take part in a consultation process to give feedback on the council's services. East Northamptonshire residents from the Panel were surveyed and consulted during 2020/21 on their perceptions of district-level issues within the area. The survey was also open to other residents via the Council's website to ensure an open and accessible forum for residents to share their views. The survey was advertised in local publications (Nene Valley News and ENCIRCLE) and publicised on social media. Paper versions of the survey were also available to those with no access to the online version of the survey.

## ***Roles and responsibilities***

The Council's Constitution sets out the roles and responsibilities of each committee and includes an extensive scheme of delegation that is reviewed regularly. All Councillors meet together at Full Council meetings which are open to the public apart from the consideration of confidential items. There were 8 meetings held in this financial year.

The Constitution clearly defines the roles and responsibilities of the statutory officers (Chief Executive, Chief Finance Officer (S151 Officer) and Monitoring Officer), Councillors and council officers and the codes and protocols under which they must operate.

The Council's scheme of delegation identifies those who have powers to make decisions on behalf of the Council. The scheme has been reviewed to take account of constitutional changes and changes to the management structure.

The Chief Executive is designated as the Head of Paid Service. The constitution documents the roles and responsibilities of this role and is supplemented by an up to date job description.

The Monitoring Officer has a statutory responsibility to ensure the legality of transactions, activities and arrangements the council enters into, ensuring compliance with relevant laws and regulations, internal policies and procedures.

The Executive Director (Resources and Commercial)/(S151 Officer) has a statutory responsibility to ensure that the Council's financial affairs are properly undertaken and that the Council is suitably safeguarded from loss. The authority's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016).

Reports to Committees are scrutinised by the three Statutory Officers (or their deputies where appropriate) before being presented.

Internal Audit is responsible for independently and objectively reviewing the Council's internal systems of control with a view to reporting on and making recommendations to improve the effectiveness of managing risk.

LGSS Internal Audit delivers this role to the council and makes a positive contribution to the Council's control framework. The Authority's assurance arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2019) and the Public Sector Internal Audit Standards (PSIAS).

The Governance and Audit Committee is considered to be "Those Charged with Governance" and receives reports from both the External Auditor and Internal Audit.

### ***Standards of behaviour***

The Constitution is available to all staff through the intranet and to the public on the Council's website. It contains clear Codes of Conduct for both Councillors and Officers and a protocol for Councillor/Officer relations, as well as supplementary guidance in relation to the Councillor's role in regulatory processes such as Planning and Licensing.

The Knowledge, Skills and Behaviours (KSB) framework outlines the Council's expectations of officers. This is a core framework introduced to all staff at induction and embedded within the appraisal process for continual development and improvement.

The Performance and Development Review (PDR) process is in place to support employees across the organisation. Through this, along with regular line management meetings and team meetings, employees are updated and reminded about the standards of behaviour expected by the Council, receive performance appraisals and discuss training needs.

## ***Decision making***

The Council has a committee system structure in place and therefore does not have an executive or require an Overview and Scrutiny Committee. The Council's Constitution clearly shows how decisions of the Council have to be made. Agendas, reports and minutes are available on the Council's website for public inspection in accordance with the relevant legislative requirements.

The Councillor Induction Programme was undertaken after the last elections and additional training has been delivered since. Training includes Licensing and Good Governance for the Governance and Audit Committee. Individual training is also organised when Councillors join specific committees such as Licensing, Planning Management and Joint Standards Complaints Committee.

Where complex decisions are required, e.g. cyber security, Councillor-led working parties have been set up or seminars have been held to facilitate understanding by Councillors.

The Council uses a standard committee report template that contains sections which identify clearly sections which cover implications around risk management, financial, legal, equalities, constitutional and customer service impacts. This allows the Council to demonstrate that it is meeting all relevant legislation and guidance and provides consistency for Councillors when providing challenge and scrutiny. This was updated in 2018/19 to include privacy impact implications in recognition of changes in legislation around General Data Protection Regulations (GDPR).

The Council publishes links to reports of officer decisions made under the Scheme of Delegation which was implemented following the 'Openness of Local Government Bodies Regulations 2014'. Where officer decisions are made under the Scheme of Delegation, for Committees, these are reported next to the minutes for that Committee.

## ***Counter Fraud & Risk Management***

The Council has a risk management framework, including a system to record risks, controls and assurance, which forms a comprehensive risk register. Risks are formally reviewed on a quarterly basis through the performance clinics within the performance management framework. The risk management process is overseen by the Finance Manager, who ensures the content and categorisation of risks is regularly reviewed. An annual risk review meeting is carried out by each service area as well as Corporate Management Team (CMT) and is continually monitored to identify new/increased risks and to set out management strategies.

During 2018/19 the Council embarked on developing an Enterprise Centre. In December 2018 a parcel of land was purchased for this project, and building work started on the site in June 2019. The Centre was opened on 1<sup>st</sup> July 2020. This represented a new area of risk for the council, being its largest capital build project in its existence. Additional due diligence was completed, alongside the procurement of specialist external consultants with significant experience of building enterprise centres to support ENC officers with the project. Current



projections forecast the build to be underspent (subject to the final account being received from the constructors as per the contract in July 2021).

In 2016/17 Council approved the ICT Strategy which aimed to:

- Make our ICT infrastructure simpler, more reliable and secure
- Focus resources on business improvement
- Integrate ICT with other service areas
- Simplify management processes and decision-making within the ICT Service
- Adopt common processes and improve efficiency in shared service arrangements with Borough Council of Wellingborough
- Save money

The strategy involves migrating most of the existing ICT infrastructure, such as servers, to an external data centre as well as some existing software systems to external providers. This work started in 2017/18, and continued through 2018/19, 2019/20 and into 2020/21 culminating in the replacement of the Council's Network Provision Contract and the replacement of the Council's data storage server in 2020. This in itself has created some risk and disruption to business continuity which was closely monitored and reported to CMT.

As part of the continuous improvement of its performance management process, information about significant risks and key projects is included in the quarterly performance clinics for discussion with Heads of Service and CMT. Risk is also a regular agenda item for working parties. A risk management report is presented to the Governance and Audit Committee on a quarterly basis. The Committee also invite Heads of Service to meetings to review various risks in more detail.

The Council has a Corporate Counter Fraud Strategy in place. It is based on a series of comprehensive and inter-related procedures designed to deter, frustrate, or take effective action against any attempted fraudulent or corrupt acts affecting the council.

The Corporate Framework for counter fraud requires a whole range of high level component parts, if it is to contribute to the council having an effective counter-fraud strategy, and the key elements are:-

- Having a Counter Fraud Strategy in place which outlines the council's aims, expectations and procedures
- Councillor support and codes of conduct for Councillors and Officers
- Confidential Reporting code i.e. "Whistleblowing" policy
- Complaints Procedures
- Procedural Rules for staffing (including recruitment and disciplinary), financial and procurement matters
- Sound internal control systems, procedures and reliable records
- Effective internal audit arrangements
- Professional Fraud Investigators
- Commitment to ensure compliance with external standards
- Induction and training, clear responsibilities, accountabilities and standards
- Counter Fraud baseline/benchmarking.

The Council monitors feedback and complaints from the public, including those made to the Local Government Ombudsman. The Council also has in place procedures for dealing with Freedom of Information requests as these increase the transparency of council activities. There are procedures in place for consideration of complaints where Councillors may have breached their Code of Conduct.

### ***Other arrangements***

The Council recognises the importance of transparency in its activities in promoting public confidence in the organisation and in facilitating public scrutiny. The Council has complied with changes in guidance that have increased the level of information about its activities which is

made available on the website, including items of spending over £500.

## **4 Review of effectiveness**

East Northamptonshire Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This review is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates, together with consideration by the Governance and Audit Committee.

The main processes that have been relied upon by the Council in reviewing and maintaining the effectiveness of the system of internal control are identified in this section of the Annual Governance Statement.

### ***The Council's Corporate Management Team (CMT)***

CMT consists of the Chief Executive, the Monitoring Officer, the Executive Director (Resources and Commercial) (Section 151 Officer) and Heads of Service. They meet weekly and provide a forum for overall planning, performance monitoring and decision making in connection with council services. CMT provides a management core to enable direction and control. All significant business proposals are brought to CMT for consideration and approval, and service plans are scrutinised individually to ensure they contribute to the delivery of the corporate outcomes. A formal project approval process exists where all significant projects are recorded and progress is regularly reported.

The Annual Governance Statement and, in particular, any recommendations arising through its preparation and review, are reviewed by CMT, therefore assisting with the continued improvement in the Council's internal control, risk management and governance arrangements.

CMT is assigned responsibility for the planning and delivery of specific services in accordance with the council's business priorities. In doing so they have a responsibility to ensure that services provide good value for money and council resources are safeguarded from loss and damage.

The Council's Constitution places much of the responsibility for internal control on its Chief Executive, the Monitoring Officer and Chief Finance Officer, though in practice this is largely delegated to the Heads of Service. Therefore, annually the Heads of Service are required to certify a 'Senior Management Assurance Statement'. This statement requires explicit confirmation that, as the senior managers within the Council responsible for the delivery of services, they have done so in accordance with the Council's policies, procedures and practices which underpin the internal control framework. Where exceptions exist, there is a requirement to disclose these so that consideration can be given to the overall impact they may have on the effectiveness of the Council's internal control environment and the preparation of the Annual Governance Statement. Heads of Service are also required to review and identify any emerging risks that may threaten service delivery. These are reflected on the risk register or audit plan. Significant issues are incorporated into an action plan.

### ***Scrutiny at East Northamptonshire Council***

The Scrutiny Committee was disbanded at Annual Council in May 2018 as part of the process of streamlining the Council's activities in preparation for the anticipated transition to a North Northamptonshire Unitary Council. This decision also recognised that the majority of future policy and service development activity would take place on a North Northamptonshire basis.

Any service development activity prior to the start of the new unitary council would be undertaken on a cross council basis, building on existing shared service arrangements, and monitored by the new Transformation Committee. This Committee also monitors any internal transformation work this council carries out.

Monitoring of Performance Reports was transferred to the renamed Finance and Performance Sub Committee whilst provision was made for the completion of any outstanding Scrutiny projects. Where appropriate any recommendations arising from these reviews would be reported to Policy and Resources Committee.

There remains provision within the Constitution for Councillors to raise issues relating to the remit of any Committee or the Council via questions or motions under Part 4.1 (Procedure Rules) of the Constitution and for appropriate responses/action to be agreed at the relevant meeting.

### ***Governance and Audit Committee***

The Governance and Audit Committee's terms of reference include the agreement of the final accounts together with consideration of Internal and External Audit Reports and any other external agency reports such as those by the Local Government Ombudsman. The other key areas which are considered by the Committee include risk management and internal control, ethics and probity plus consideration of significant changes to the Constitution.

## ***East Northamptonshire Joint Standards Committee***

The Council established the East Northamptonshire Joint Standards Complaints Committee in 2012 as part of its arrangements to meet the requirements of the Localism Act 2011. The Committee has seven East Northamptonshire Councillors and seven Town and Parish Councillors, who together advise on complaints against Councillors in respect of the Councillor Code of Conduct. The Committee can also grant dispensation to Councillors to take part in Council business in certain circumstances where legislation would otherwise prevent this.

The Committee meets 3 times a year to formally review the effectiveness of the complaint's procedure and Councillor Code of Conduct. Panels are drawn from the Committee to hear complaints and appeals when necessary.

The Council also appoints an Independent Person (and Reserve) to advise the Monitoring Officer and Committee at various points in the assessment of complaints.

The key roles and functions of the Committee are to promote and maintain high standards of conduct of Councillors, ensuring they observe the Councillor Code of Conduct, to provide training on the application of the Code and to deal with any reports from the Monitoring Officer. The Committee has responsibilities for the corporate governance of the 41 Town and Parish Councils in the District and for providing advice and training to their Councillors on governance matters. The Committee proposed changes to the Procedure for the Assessment of Complaints (Part 9 of the Constitution) in 2018/19 and also reviewed its activities against the recommendations of the Committee for Standards in Public Life report on Local Government Ethical Standards published in 2019.

The Council has facilitated the publication of Councillors' registers of interest on its website for ENC and all town and parish councils, together with a list of Codes of Conduct that have been adopted.

### ***Internal Audit***

Internal Audit is responsible for independently and objectively reviewing the Council's systems of internal control with a view to providing assurance on their effectiveness in managing the risks to achievement of key council aims and objectives. Internal Audit reports on and makes recommendations to council management with regard to their effectiveness in managing business risk. Internal Audit reviews are completed in accordance with the approved annual internal audit plan. This is a programme of reviews designed to assess the effectiveness of the internal controls on which the Council relies for managing key risks. The programme is created after consideration of the controls in place and risks facing the Council, with input from CMT and Councillors. Changes to the agreed programme are approved by the Governance and Audit Committee.

All audit recommendations are presented by the Head of Internal Audit to the Governance and Audit Committee, who monitor their implementation by the Council. These include

specific action plans and details by senior officers on how these will be addressed. During 2020/21, there were a number of outstanding audit recommendations from 2019/20. To ensure effective delivery and scrutiny of these items, an independent working group of the Governance and Audit Committee was established that focuses on these key areas to drive forward progress and understand any potential issues. The main focus of this working group has been the ICT Cyber Security and Asset Management recommendations.

The Head of Internal Audit will be reporting any outstanding audit recommendations at 31<sup>st</sup> March 2021 through North Northamptonshire Council's governance framework for their consideration and action within the new authority.

### ***External Audit***

External Audit is responsible for providing an opinion on the council's financial statements and also includes a Value for Money conclusion. At the time of publication of the 2020/21 Annual Governance Statement, the audit opinion for the year ended 31 March 2020 had not been issued due to delays in the audit process with the 2018/19 Statement of Accounts which has had a knock on impact upon completion of the 2019/20 accounts.

### ***Section 151 Officer and Monitoring Officer***

The Council's Section 151 Officer and Monitoring Officer acknowledge and have demonstrated active management of their responsibilities for the governance including maintaining their continuous professional development requirements.

### ***Other Mechanisms or Sources of Assurance***

A number of other external sources of assurance exist that demonstrate good management and support the overall good governance of the Council such as the Annual Report by the Local Government Ombudsman on the outcome of complaints referred to them, which is reported to the Governance and Audit Committee.

### ***Financial Management Arrangements***

The Council continues to deliver its objectives with fewer resources and through new mechanisms for delivery. The Council believes that it is therefore even more important to ensure that strong governance continues throughout the organisation.

The Council has a set of Financial Procedure Rules and Contract Procedure Rules within its Constitution which govern the way in which financial matters are conducted. The Contract Procedure Rules were updated during 2014/15 following changes arising from The Public Contract Regulations (2015), and were reviewed and further strengthened in October 2018.

The Financial Procedure Rules underwent considerable review during 2014/15 and were updated in March 2019.

The financial statements will be prepared on a going concern basis. From 1<sup>st</sup> April 2021, East Northamptonshire Council will no longer exist but all of its functions and services will transfer into North Northamptonshire Council following Local Government Reorganisation in Northamptonshire, see section below.

### ***CIPFA Financial Management Code***

CIPFA published a Financial Management Code (FM Code) in October 2019, to be fully implemented in 2021/22. The FM Code requires authorities to demonstrate that the processes they have in place satisfy the principles of good financial management. The requirements of the code fall outside the existence of East Northamptonshire Council, and therefore its implications will be assessed by the new North Northamptonshire Council.

## **5 Significant Governance Issues**

The Council has considered the outcomes of the risk management and assurance processes referred to in this Governance Statement. Where considered appropriate, action plans have been developed to address weaknesses.

### ***Local Government Re-organisation in Northamptonshire***

In August 2018, the Council submitted a proposal to the Ministry of Housing Communities and Local Government in regards to Local Government Reorganisation in Northamptonshire. On 14<sup>th</sup> May 2019, the Secretary of State for Housing, Communities and Local Government confirmed that two new unitary authorities will be created, one for West Northamptonshire and one for North Northamptonshire, of which this Council will become part of. During 2020/21, Councillors, CMT and other officers have been involved in a number discussions, working groups and baselining activities associated with this reform. This process is governed by separate arrangements spanning all Councils affected, that have been reviewed and approved by the Council.

During 2020/21, Officers' attention and efforts were targeted at creating sound governance arrangements for the new authority while ensuring that established systems operating in East Northamptonshire Council continued to function effectively in East Northamptonshire's final year.

### ***Asset Management***

An Internal Audit report was presented to the Governance and Audit Committee on 29 January 2020 which highlighted 13 high priority and 11 medium priority recommendations to address a number of risks across the Council's asset management framework. Due to the significance of its findings, the full audit report and detailed action plan to address the control weaknesses was published alongside the internal audit report and monitoring against progress is completed through the Governance and Audit Working Party which reports directly into the Governance and Audit Committee. During 2020/21, significant progress has

been made towards the implementation of the recommendations. A follow up audit presented to Governance and Audit Committee on 10<sup>th</sup> March 2021 found a “substantially improved control environment” (with the exception of commercial leases) and a good level of assurance obtained.

Additional work is required on commercial leases and wider estate management recommendations, these will be transferred into North Northamptonshire Council within the associated work stream.

### **Bank reconciliation**

Throughout 2020/21 financial year, due to staff shortages, the bank reconciliation was unable to be completed. As a result of the year end reconciliation management identified that a third party had set up a direct debit in August 2019 to take fraudulent payments from the Council bank account and payments of £19,900 were made during 2020/21. In total, £33,080 was paid via this direct debit in 2019/20 and 2020/21.

The direct debit was cancelled from 04/2021 and the Council is in discussion with the bank for recovery of the amount, as well as working with the bank to ascertain how the direct debit was set up and how the Council can protect themselves.

Internal audit completed planned work early in 2021/22 in relation to the bank reconciliation controls and identified the issues.

Management has put in place monthly bank reconciliations and is reviewing the wider control environment and financial reporting arrangements for the new North Northamptonshire Council to ensure that a similar cannot re-occur and any such attempts are identified promptly.

## **6 COVID-19 Pandemic**

The financial year 2020/21 has been heavily influenced by the COVID-19 pandemic.

As part of the initial response to the pandemic in terms of its own operations, the Council took the following action:

- Rolling out the provision of laptops and remote access for all users, including incorporating access to certain software remotely
- Accelerated roll out of new mobile phones to staff
- Accelerated roll out of video technology – MS Teams
- Construction of a twice weekly situational reporting mechanism, where the statutory functions of the Council were documented, identified as critical/business as usual/low priority and ranked twice a week as to their current ability to be delivered, capturing any risks or issues for these functions including staffing capacity. This was fed back to CMT twice weekly to identify areas where additional resources were required.
- Creation of a dedicated COVID-19 page on the intranet
- Creation of a Risk Assessment Working Group to develop all of the COVID-19 risk assessments required for the Council's buildings and staff to ensure adequate controls in place for safety

A small number of committee meetings were postponed allowing the Council time to set up a virtual meeting solution through MS Teams, however from 6<sup>th</sup> May 2020 a full calendar of meetings has taken place, including the Annual General Meeting on 13<sup>th</sup> May 2020.

Due to the Pandemic, the Government announced that all local by-elections and other polls would be postponed until 6<sup>th</sup> May 2021. This included the elections for the new North Northamptonshire Council.

The Council is also involved in front line service provision to respond to the Pandemic. For instance, the Council is part of the countywide Chief Housing Officers Group who widened their membership to include colleagues in social care, NHS, public health to address areas including:

- Rough sleepers including mental health and drug and alcohol abuse
- Accommodation for key workers, hospital patients and prisoners being discharged
- Working with voluntary organisations e.g. food provision for rough sleepers and those in hotels

The Council also operates the East Northamptonshire Community Resilience Hub, which has coordinated support for vulnerable residents within the District following referrals from the central hub operated by Northamptonshire County Council.

The Council as a billing authority is also responsible for the administration of Central Government grants to support businesses within the District. To this end, the Council has received significant sums to passport over to businesses, and also additional funding from Central Government in the form of non-ring-fenced and ring-fenced grants. The Government has required a rapid roll out of these grants and amended guidance throughout the year. In response, the Council has taken a pragmatic approach, undertaking appropriate due diligence, enhanced management checks and internal audit reviews. Monitoring of the spend against these grants has then been reported to Members through the Finance and Performance Committees held since the start of the pandemic.

Reports on the pandemic and its associated risks to the Council were given to the Governance and Audit Committee at their meetings on 29 July 2020 and 23 September 2020.

The Corporate Management Team have reported no significant issues regarding the operations of controls in relation to changes made in response to the COVID-19 pandemic through their assurance statements.

## 7 Conclusion

### ***Declaration***

We have been advised on the implications of the result of the review of the effectiveness of the Council's governance framework.

The overall assessment is that the arrangements continued to be regarded as fit for purpose in accordance with the governance framework during 2020/21. Any significant areas for improvement will be reported to North Northamptonshire Council through its governance arrangements for their consideration.

This Annual Governance Statement has been produced based on information available up to 31<sup>st</sup> March 2021, within the lifetime of East Northamptonshire Council. Any updates required to this statement will be completed as part of the closure of the 2020/21 Statement of Accounts by North Northamptonshire Council.



Signed:

Signed:

**Date:** 9<sup>th</sup> September 2022

**Date:** 9<sup>th</sup> September 2022

**Janice Gotts**

**Cllr. Andrew Weatherill**

**Executive Director of Finance**

**Chairman of Audit & Governance  
Committee**

# Glossary of Terms and Abbreviations

## Glossary of Terms

### **Accrual**

The recognition of income and expenditure as it is earned or incurred, rather than as cash is received or paid.

### **Actuarial Assumptions**

These are predictions made for factors that will affect the financial condition of the pension scheme.

### **Amortisation**

The gradual write off of initial costs of assets.

### **Asset**

An item having value to the Council in monetary terms.

### **Balance**

Unallocated reserves held to resource unpredictable expenditure demands.

### **Capital Charges**

Charges made to service department revenue accounts, comprising depreciation (where appropriate) based on the value of the asset employed.

### **Capital Expenditure**

Expenditure on the acquisition of non-current assets which will be used in providing services beyond the current accounting period, or expenditure on non-current assets.

### **Capital Financing Charges**

The annual cost of depreciation, leasing charges and other costs of funding capital expenditure.

### **Capital Adjustment Account**

The account which reflects the extent to which the District Council's resources have been applied to finance capital expenditure and to meet future debt redemption or other credit liabilities.

### **Capital Receipts**

Income received from selling non-current assets.

### **Carrying amount**

The value of an asset or liability in the Balance Sheet.

### **CIPFA**

This is the Chartered Institute of Public Finance and Accountancy which is an institute that represents accounting in the Public Sector.

### **Collection Fund**

A separate fund that records the income and expenditure relating to Council Tax and Non-domestic Rates.

### **Community Infrastructure Levy**

An amount payable by developers (commercial and domestic) in respect of new buildings created within the District. The Levy must be used to provide infrastructure; decisions on which are taken by District and Parish Councils.

### **Contingent Liabilities**

These are amounts that the Council may be, but is not definitely, liable for.

### **Council Tax**

A tax paid by residents of the District that is based on the value of the property lived in and is paid to the Council and spent on local services.

### **Creditors**

These are people or organisations which the Council owes money to for goods or services which have not been paid for by the end of the financial year.

### **Current Assets**

These are assets that are held for a short period of time, for example cash in the bank, inventories, and debtors.

### **Debtors**

Sums of money owed to the District Council but not received by the end of the financial year.

### **Depreciation**

The amount an asset has dropped in value is the amount it has been judged to have depreciated. Accountants use depreciation to demonstrate how much of the property, plant and equipment value has been used and therefore lowered during a financial year, for example because of wear and tear.

### **Earmarked Reserves**

Money set aside for a specific purpose.

### **Exceptional Item**

A material item in the Comprehensive Income and Expenditure Statement that falls within the ordinary activities of the Council, but which needs to be disclosed separately by virtue of their size to give a fair presentation of the accounts.

### **Fair Value**

The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

### **Finance Lease**

A lease is a financial agreement to pay for an asset, for example a vehicle, in regular instalments. A finance lease transfers substantially all of the risks and rewards of ownership of an item of property, plant, and equipment to a lessee.

### **Impairment**

A reduction in the value of property, plant, and equipment to below its carrying amount on the Balance Sheet.

### **Impairment of Debts**

This recognises that the real value of debt is less than the book value.

### **Intangible Assets**

A non-physical item which provides future economic benefits. This Council's intangible assets comprise computer software licences.

### **Liabilities**

Amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

### **Liquid Resources**

Current asset investments held as readily disposable stores of value, either readily convertible into cash, or traded in an active market.

### **Non-Domestic Rates**

Rates which are levied on business properties. From 1<sup>st</sup> April 2013, as a consequence of The Local Government Finance Act 2012, a local Non-Domestic Rating regime was introduced that included the business rates retention scheme. See also Tariff and Safety Net.

### **Operating Leases**

A lease is a financial agreement to pay for an asset, for example a vehicle, in regular instalments. An operating lease is where the ownership of the non-current asset remains with the lessor.

### **Precept**

A payment to the Council's General fund, or another local council, from the Council's Collection Fund.

### **Prior Year Adjustments**

These are material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors.

### **Property, Plant and Equipment**

Non-current assets that give benefit to the District Council and the services it provides for more than one year.

### **Provisions**

Monies set aside for liabilities or losses which are likely to be incurred but where the exact amounts or dates on which they will arrive are uncertain.

### **Reclassification**

Where comparative (prior year) figures are reclassified into new categories of income or expenditure, and the change has not been the result of a material error or accounting policy, but the amount is "material" then this is a reclassification.

### **Responsible Financial Officer**

The designated post within the Council, as determined by the Accounts and Audit Regulations 2015, which holds the statutory S.151 responsibility (Local Government Act 1972). This responsibility is in respect of ensuring the proper administration of the Council's financial affairs. This post was formerly known as Chief Financial Officer.

### **Revenue Expenditure Funded from Capital under Statute**

Spending on items normally classed as revenue but which are defined by statute as capital e.g. improvement grants.

**Revaluation Reserve**

The account that reflects the amount by which the value of the Council's assets has been revised following revaluation or disposal.

**Revenue Expenditure**

Spending on day-to-day items, including salaries and wages, premises costs and supplies and services.

**Revenue Support Grant**

A grant from Central Government towards the cost of providing services.

**Safety Net**

The scheme for localising Non-Domestic Rates (NDR) includes a safety net provision. Where the actual NDR after Tariff is less than 92.5% of the funding baseline, Central Government makes a safety net payment to the Council equal to the difference between the actual NDR and the funding baseline.

**Section 106**

Under planning regulations developers can be requested to make contributions to on and off-site facilities required as a result of their development.

**Tariff**

The scheme for localising Non-Domestic Rates (NDR) includes baselines for both the amount of NDR the Council receives and the amount of Council funding from NDR. The Council pays Central Government a Tariff equal to the difference between the two baselines.

**True and Fair View Override**

As required by the Accounts and Audit Regulations 2015, paragraph 8.2, the Responsible Financial Officer is required to certify that the statement of accounts presents a true and fair view of the financial position of the Council. However, as a consequence of IFRS, this has introduced the principle of the "true and fair view override". This means, where the Responsible Financial Officer considers that to give a true and fair view would actually require the Council to provide misleading information i.e. to provide an actual outturn figure would actually show to the reader an unexpected financial position, the Responsible Financial Officer is permitted to provide alternative figures providing such divergence from the "true and fair view" is appropriately acknowledged in the notes to the accounts.

## Abbreviations

<b>CFR</b>	Capital Financing Requirement
<b>CIES</b>	Comprehensive Income and Expenditure Statement
<b>CIL</b>	Community Infrastructure Levy
<b>CIPFA</b>	Chartered Institute of Public Finance and Accountancy
<b>CPFA</b>	Chartered Public Finance Accountant
<b>DRC</b>	Depreciated replacement cost
<b>EFA</b>	Expenditure and Funding Analysis
<b>FTE</b>	Full Time Equivalent
<b>IAS</b>	International Accounting Standards
<b>IFRIC</b>	International Financial Reporting Interpretations Committee
<b>IFRS</b>	International Financial Reporting Standards
<b>LEP</b>	Local Enterprise Partnership
<b>LGPS</b>	Local Government Pension Scheme
<b>LLPG</b>	Local Land and Property Gazetteer (UK)
<b>MHCLG</b>	Ministry for Housing, Communities and Local Government
<b>MRP</b>	Minimum Revenue Provision
<b>MTFS</b>	Medium Term Financial Strategy
<b>NBV</b>	Net Book Value
<b>NDR</b>	Non-Domestic Rates
<b>NHB</b>	New Homes Bonus
<b>NNDR</b>	National Non-Domestic Rates (Business Rates)
<b>PWLB</b>	Public Works Loans Board
<b>RICS</b>	Royal Institution of Chartered Surveyors
<b>RSG</b>	Revenue Support Grant
<b>S106</b>	Section 106
<b>SOLACE</b>	Society of Local Authority Chief Executives