Public Document Pack



Meeting:	Audit and Governance Committee
Date:	Monday 8th November, 2021
Time:	2.00 pm
Venue:	Council Chamber, Cedar Drive, Thrapston, Northants, NN14 4LZ.

To:

Members of the Audit and Governance

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

Substitutes:

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

	Agenda		
ltem	Subject	Presenting Officer	Page no.
01	Apologies for non-attendance		
02	Members' Declarations of Interest		
03	Minutes of the meeting held on 27 September 2021		5 - 12
	Items requiring a decision		
04	Code of Corporate Governance	A Wylie Director of Legal and Democratic	13 - 38
05	Audit Results Report 2020-2021 Borough Council of Wellingborough	C Edwards Assistant Director of Finance & Accountancy	39 - 94
06	Draft Statement of Accounts 2020-2021 Borough Council of Wellingborough	C Edwards Assistant Director of Finance & Accountancy	95 - 212
07	Audit Plan 2019-2020 Corby Borough Council Page 1	C Edwards Assistant Director of	213 - 252

		Finance &	
		Accountancy	
08	Draft Statement of Accounts 2019-2020	C Edwards	253 - 356
	Corby Borough Council	Assistant	
		Director of	
		Finance &	
		Accountancy	
09	Audit Plan 2019-2020	C Edwards	357 - 396
	East Northamptonshire Council	Assistant	
		Director of	
		Finance &	
040	Draft Statement of Accounts 2010 2020	Accountancy	207 400
010	Draft Statement of Accounts 2019-2020	C Edwards	397 - 482
	East Northamptonshire Council	Assistant	
		Director of Finance &	
011	Future of External Audit	Accountancy C Edwards	483 - 488
011		Assistant	403 - 400
		Director of	
		Finance &	
		Accountancy	
		Accountancy	
	Items to note		100 10
012	Internal Audit Progress Report	R Ashley-	489 - 512
		Caunt	
		Head of	
		Internal Audit	
		& Counter	
040	Stratagia Diak Degiatar Undata	Fraud	E40 E04
013	Strategic Risk Register Update	R Ashley- Caunt	513 - 524
		Head of	
		Internal Audit	
		& Counter	
		Fraud	
	Example Itama	Tiadu	
014	Exempt Items None notified		
014	Close of meeting		
010	Adele Wylie, Monitoring Officer		
	North Northamptonshire Council		
	Andrá		
	Proper Officer		
	Friday 29 October 2021		

This agenda has been published by Democratic Services. Committee Administrator: Fiona Hubbard ☎01933 231 519 ^⊕Fiona.Hubbard@northnorthants.gov.uk

Meetings at the Council Offices

Due to the Covid-19 pandemic seating in the Council Chamber will be limited. If you are intending to attend the meeting as a spectator, please contact the committee administrator

Exempt or confidential business

Where there is a need for the Council to discuss exempt or confidential business, the press and public will be excluded from those parts of the meeting only and will have to vacate the room for the duration of that business.

Members' Declarations of Interest

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

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

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

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

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

Press & Media Enquiries

Any press or media enquiries should be directed through the Council's Communications Team to NNU-Comms-Team@northnorthants.gov.uk

Public Enquiries

Public enquiries regarding the Authority's meetings can be made to <u>democraticservices@northnorthants.gov.uk</u>



Minutes of the Audit and Governance Committee

held at 2.00 pm on Monday 27 September 2021 in the Council Chamber, Cedar Drive, Thrapston, Northants, NN14 4LZ.

Members in Attendance:

Councillor Andrew Weatherill (Chair), Councillor Matt Binley, Councillor Bert Jackson (Substitute Member for Councillor Kevin Watt), Councillor Ian Jelley, Councillor Richard Levell, Councillor Paul Marks (Substitute Member for Councillor Kirk Harrison) and Councillor Russell Roberts.

Councillor Lloyd Bunday, Portfolio Holder for Finance and Transformation also attended the meeting.

Officers in Attendance:

Janice Gotts (Executive Director of Finance (s151 Officer)), Mark Dickenson (Assistant Director of Finance and Strategy), Rachel Ashley-Caunt (Head of Internal Audit and Counter Fraud), Neil Harris (Ernst & Young – External Audit), Ciaran McLaughlin (Grant Thornton – External Audit), Dean Mitchell (Group Accountant – North Northamptonshire), Fiona Hubbard (Senior Democratic Services Officer) and Raj Sohal (Democracy Officer).

14 Apologies for absence

Apologies for absence were received from Councillors Kirk Harrison, Peter McEwan, Mark Pengelly and Kevin Watt. Councillor Valerie Anslow was attending the meeting as Councillor Pengelly's Substitute but had to give apologies.

15 Declarations of Interest

There were no declarations received.

16 Confirmation of the minutes of the meeting held on 12 July 2021

The Chair referred to minute 11 of the minutes and informed members that a meeting to review the Audit Planning Memoranda for Kettering Borough Council and Borough Council of Wellingborough took place on Friday 10 September 2021. Councillors Kirk Harrison, Mark Pengelly and Andrew Weatherill attended the meeting and observations were also submitted by Councillor Richard Levell. Janice Gotts (Executive Director of Finance (s151 Officer)) and Mark Dickenson (Assistant Director of Finance and Strategy), Neil Harris (Ernst & Young – External Auditors) and Fiona Hubbard (Senior Democratic Services Officer), were also in attendance.

RESOLVED that the minutes of the meeting held on 12 July 2021, be confirmed and signed.

17 Audit Results Report 2020-2021 - Kettering Borough Council

The circulated report of the Assistant Director of Finance and Strategy was received for the Audit Results Report 2020/2021 for Kettering Borough Council.

Appended to the report was the draft ISA 260 Report in relation to the Statement of Accounts for Kettering Borough Council for 2020/2021 and also the Council's draft Management Representation Letter to Ernst & Young.

The purpose of the report was to present the draft ISA 260 Report in relation to the Statement of Accounts for Kettering Borough Council for 2020/2021 to those charged with Governance. This had been prepared by the Council's External Auditor (Ernst & Young); and also to agree that the approval of the Council's draft Management Representation Letter be delegated to the Executive Director of Finance (s151 Officer), in consultation with the Chair of the Audit and Governance Committee.

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

The reason for the recommendation is that it is a statutory requirement for the Council to approve the ISA 260. In accordance with the Council's constitution the Audit and Governance Committee are required to undertake this function.

Neil Harris (Ernst & Young - External Auditor) presented the report which set out the audit results in the audit plan and currently proposes an unqualified audit report and consider the Statement of Accounts to be a true and fair view for the year ending 31 March 2021, with no significant weaknesses. He remarked on the substantial progress that had been made and thanked officers for their cooperation.

In relation to the audits a Councillor asked if there are any concerns which may arise in the future for the new authority. Neil Harris confirmed that Ernst & Young had agreed with the National Audit Office that three months after all the audits of the former Councils have been completed any matters will be consolidated and reported.

The Councillor then asked for confirmation from Ernst & Young that there were no matters of concern arising from Kettering Borough Council's Audit for 2020/2021. Neil Harris confirmed that there were no significant weaknesses to report.

Neil Harris referred members to the report and the areas that were outstanding, some of which were national issues. He briefed members, giving them a thorough explanation of the matters and the timescale when he expected to receive conclusions from specialists involved. These included the IAS 19 Report and net pension disclosures, the updated Going Concern Disclosure note for North Northamptonshire Council and property asset valuations. Members considered the report and appendices and raised a number of questions arising from the outstanding matters and Neil Harris responded to questions of clarification.

Members noted the content of the Letter of Representation to Ernst & Young, which gives the opportunity for the Council to explain any uncorrected differences.

The Chair stated that he was very encouraged to have reached this stage and thanked officers for getting to this point. He commented that it was not an easy task to be running so many audits and year end accounts preparation at the same time. In his opinion he considered the audit to be clean with minor points as potential emphasis of matter. He considered there to be sufficient assurance in relation to the asset valuation and the pension matters were in a controlled environment and a national issue to be resolved.

There were two recommendations in the report. The Chair requested that these be voted on separately.

The recommendation contained in the report to receive the Provisional Audit Results Report to those charged with Governance and approve the draft Management Representation Letter was duly MOVED by Councillor Ian Jelley and SECONDED by Councillor Richard Levell. On being put to the vote this was carried.

RESOLVED that:-

(i) The Audit and Governance Committee receive the Provisional Audit Results Report to those charged with Governance and approve the draft Management Representation Letter.

The recommendation contained in the report to delegate any adjustments to the draft Management Representation Letter to the Council's Executive Director of Finance (s151 Officer), in consultation with the Chair of the Audit and Governance Committee was duly MOVED by Councillor Richard Levell and SECONDED by Councillor Ian Jelley. On being put to the vote this was carried.

RESOLVED that:-

(ii) The Audit and Governance Committee delegate any adjustments to the draft Management Representation Letter to the Council's Executive Director of Finance (s151 Officer), in consultation with the Chair of the Audit and Governance Committee.

18 Outturn and draft Statement of Accounts - Kettering Borough Council and Borough Council of Wellingborough

The circulated report of the Assistant Director of Finance and Strategy was received in relation to the Outturn and draft Statement of Accounts for Kettering Borough Council and Borough Council of Wellingborough.

Appended to the report were the Outturn Reports for Kettering Borough Council and Borough Council of Wellingborough, Kettering Borough Council Draft Accounts 2020/2021 and the Borough Council of Wellingborough Draft Accounts for 2020/2021.

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. The report recommended the Committee to approve the draft Statement of Accounts in relation to Kettering Borough Council for 2020/2021 and to note the draft accounts in relation to the Borough Council of Wellingborough for 2020/2021. The accounts for Wellingborough will be subject to a further report to the Audit and Governance Committee on 8 November 2021.

The reason for the recommendation is that 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 the Agenda of this meeting). In accordance with the Council's constitution the Audit and Governance Committee are required to undertake this function.

Prior to presenting his report, the Assistant Director of Finance and Strategy gave a power point presentation to the committee explaining the process, content and update of the Statement of Accounts, together with a timetable of when statements of accounts are expected to be received by the Audit and Governance Committee.

Members considered the report and appendices.

A Councillor commented on the timescale members had in which to read documents of this nature in detail once received and wanted this brought to the Chair's attention. The tight timescale was known and had been approved by the Chair. The Executive Director for Finance (s151 Officer) confirmed that the statement of accounts had been pre-published on the Council's website. The Chair responded that a valid point had been made but these are highly unusual circumstances and it is a monumental task to complete these 6 audits. As a Committee, we need to act collaboratively with advisors and officers and trust and rely on the professionals, as appropriate. In future, it is fully expected that draft accounts would be issued to members of the Committee in advance of the published committee reports, once available on the Council's website.

Another Councillor responded that developing a training programme to assist with the detail within accounts would assist some members of the committee going forward in discharging their responsibilities.

There were three recommendations in the report. The Chair requested that these be voted on separately.

The recommendation contained in the report to approve the draft Statement of Accounts for the financial year 2020/21 for Kettering Borough Council subject to the conclusion of the audit and that there are no material adjustments that impact on the Council's usable reserves, was duly MOVED by Councillor Ian Jelley and SECONDED by Councillor Russell Roberts. On being put to the vote this was carried.

RESOLVED that:-

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

The recommendation contained in the report to approve any non-material adjustments required to the draft Statement of Accounts in relation to Kettering Borough Council be delegated to the Councils Executive Director of Finance (s151 Officer), in consultation with the Chair of the Audit & Governance Committee, was duly MOVED by Councillor Russell Roberts and SECONDED by Councillor Matt Binley. On being put to the vote this was carried.

RESOLVED that:-

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

The recommendation contained in the report to note the draft Statement of Accounts for the financial year 2020/2021 for the Borough Council of Wellingborough, was duly MOVED by Councillor Richard Levell and SECONDED by Councillor Russell Roberts. On being put to the vote this was carried.

RESOLVED that:-

(iii) To note the draft Statement of Accounts for the financial year 2020/21 for the Borough Council of Wellingborough.

19 Open Audit Actions

The circulated report of the Head of Internal Audit and Counter Fraud was received, in relation to the Open Audit Actions.

The report noted the approach adopted to follow up open audit actions from the legacy Councils and the findings to date.

Upon the closure of the legacy councils in North Northamptonshire, a number of actions arising from Internal Audit findings remained open. The report provided an overview of those actions which had been inherited, together with an update and proposed approach to the ongoing follow up.

The reason for the recommendation was for the Committee to exercise its duties and responsibilities within its Terms of Reference and to support effective delivery of the Internal Audit service.

The Head of Internal Audit and Counter Fraud presented the report. She explained in detail the breakdown of inherited open audit actions and the timing of the actions to be followed up within planned Internal Audit coverage.

In relation to any open actions for areas of weakness or improvement, officers would be contacted monthly, and this information reported back to Committee.

Members considered the report and raised questions of clarification. These were answered by the Head of Internal Audit and Counter Fraud and related to timescales of audits and safeguarding. In relation to safeguarding, it was considered acceptable to carry forward the open actions as none of the actions had been assigned a high priority and generally related to training policies and corporate procedures. Members commended and thanked Internal Audit for their work, good approach and best practice.

The recommendation contained in the report was duly MOVED by Councillor Richard Levell and SECONDED by Councillor Matt Binley. On being put to the vote this was carried.

RESOLVED that:-

(i) The Audit and Governance Committee note the current status of the open action risks and how internal Audit will be seeking assurances that risks are addressed.

20 Internal Audit Progress report

The circulated report of the Head of Internal Audit and Counter Fraud was received in relation to the Internal Audit Progress Report. Appended to the report was the Internal Audit Progress Report for September 2021.

The report provided the committee with a progress update on the work of the Internal Audit team and the key findings from audits completed to date.

The Internal Audit service is delivering against the schedule of work presented to the Audit and Governance Committee at the meeting on 12 July 2021. This plan of work is subject to ongoing review and prioritisation to ensure it focuses on the Council's key risks. During the year to date all assignments planned for the first quarter have been completed and have either been finalised or are in advanced stages of delivery or clearance at the time of reporting. Good progress is being made on progressing quarter two audit work, although some assignments have been delayed to co-ordinate with other developments and work underway in the respective service areas.

The reason for the recommendation was for the Committee to exercise its duties and responsibilities within its Terms of Reference for receiving reports from the Internal Audit service and considering the main issues arising.

The Head of Internal Audit and Counter Fraud presented the report referring to sections in the Internal Audit Progress Report. She informed the committee that the timing of the safeguarding audit had been slightly postponed, but this was a deliberate change as a new Assistant Director had been recently appointed and this was being scoped to commence in October. The Head of Internal Audit and Counter Fraud also referred to the positive counter fraud activity and the work of the Counter Fraud team with the Fraud Hub.

Members raised concerns regarding the bank reconciliations for the former East Northamptonshire Council and Corby Borough Council. The Executive Director of Finance (s151 Officer) stated that she was equally disappointed, but this was progressing with speed. The Chair responded that these Councils are now demised and we now control our environment and this highlighted the importance of Internal Audit. The Executive Director of Finance (s151 Officer) added that a report was being taken to the Executive to bring Internal Audit back inhouse to North Northamptonshire Council as it was currently provided by a number of different organisations collectively. In light of the bank reconciliations a Councillor commented that we need assurance that the systems are effective now. The Head of Internal Audit and Counter Fraud responded that they would continue to follow up on the recommendations until they were fully satisfied that the work was completed. The Executive Director of Finance (s151 Officer) will support the Head of Internal Audit and Counter Fraud to make necessary changes to keep to deadlines and to achieve changes.

A Councillor remarked that he takes comfort that officers know what they are doing, and the committee has to work with officers and Internal and External Auditors.

Neil Harris (Ernst & Young – External Audit) commented that the bank reconciliations of East Northamptonshire Council and Corby Borough Council will be a significant contrast to the control environments of Kettering Borough Council and the Borough Council of Wellingborough around their bank reconciliations.

The Executive Director of Finance (s151 Officer) reported that they are putting in processes to clear up the back log and for their own professional integrity want accounts presenting correctly.

The Chair summarised that officers are aiming to resolve the problem and that any weaknesses will need addressing.

The recommendation contained in the report was duly MOVED by Councillor Richard Levell and SECONDED by Councillor Ian Jelley. On being put to the vote this was carried.

RESOLVED that:-

(i) The Audit and Governance Committee note the Internal Audit Progress Report for September 2021.

21 External Audit Progress report

The circulated report of the Executive Director of Finance (s151 Officer) was received to provide the committee with a progress update on the work being undertaken by the external auditor, Grant Thornton. The report also included a sector update which provided a summary of emerging national issues and areas for the Committee to consider in relation to these. Appended to the report was Grant Thornton's North Northamptonshire External Audit Progress Report

The Council's external auditors will undertake initial planning work for the 2021/2022 audit in November/December 2021. The progress report sets out what this initial planning involves and the key deliverables.

The reason for the recommendation was for the Committee to exercise its duties and responsibilities within its Terms of Reference for considering reports of the External Auditor.

The Executive Director of Finance (s151 Officer) introduced the new external auditor for 2021/2022 and confirmed there would be a transition to support and ensure the smooth handover from Ernst & Young to Grant Thornton.

Ciaran McLaughlin (Grant Thornton – External Auditor) introduced himself to the committee and briefed the members on the content of the External Audit Progress Report.

A Councillor raised the question as to the impact of the delays of the legacy audits. Ciaran McLaughlin responded that they would not be able to complete their audit until they are finished; they would be able to do some elements but would not have the final picture.

The recommendation contained in the report was duly MOVED by Councillor Matt Binley and SECONDED by Councillor Russell Roberts. On being put to the vote this was carried.

RESOLVED that:-

(i) The Audit and Governance Committee note the progress report and sector update in Grant Thornton's North Northamptonshire Audit Progress Report.

22 Exempt Items

None notified

23 Close of meeting

The meeting closed at 3:28 pm.

Chair

Date

Agenda Item 4



Item no: 4

AUDIT AND GOVERNANCE COMMITTEE

8th November 2021

Report Title	Code of Corporate Governa	nce
Report Author	Adele Wylie, Director of Leg	al and Democratic
Contributors/Check	ers/Approvers	
North MO		
North S151		
Other Director/SME		

List of Appendices

Appendix A – Code of Corporate Governance

1. Purpose of Report

1.1. For the Audit and Governance Committee to approve the Local Code of Corporate Governance.

2. Executive Summary

- 2.1 The critical importance of local authority governance during this era of financial pressure and rapid change is important and must be monitored by the Audit and Governance Committee.
- 2.2 The Corporate Code of Governance will provide a public record of how the authority will meet its commitment to demonstrating that it has the necessary corporate governance arrangements in place to perform effectively.

3. Recommendations

- 3.1 It is recommended that the Audit and Governance Committee:
 - a) Approve the Code of Corporate Governance attached as Appendix A.
- 3.2 Reason for Recommendations –

To ensure that there is a public record of governance controls in place in accordance with legislative requirements.

4. Report Background

- 4.1 The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
- 4.2 The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way which functions are exercised.
- 4.3 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including the management of risks.
- 4.4 The Accounts and Audit Regulations 2015 require a local authority to review at least once a year the effectiveness of its system of internal control. This requirement will be fulfilled if the review is conducted in accordance with the Delivering Good Governance (DGG) in Local Government Framework.
- 4.5 The Council should be able to demonstrate that its governance structures comply with the core and sub-principles contained in the Framework and, to facilitate this, it should therefore develop and maintain a Local Code of Corporate Governance reflecting the principles set out.
- 4.6 The Local Code of Corporate Governance is a public statement that sets out the way the Council will meet its commitment to demonstrating that it has the necessary corporate governance arrangements in place to perform effectively. It represents a key component of the Council's governance arrangements and applies to all Council members, officers, partners and stakeholders in their dealings with the Council.

5. Issues and Choices

- 5.1 The Code of Corporate Governance contained at Appendix A sets out how the authority has put in place proper arrangements for the governance of its affairs. It has been drafted to ensure compliance with the Framework as described above.
- 5.2 It is recognised that there are still some elements of the governance of the authority that will need to be developed and improved to ensure that the Council is following best practice.
- 5.3 Whilst the Authority is still bedding in following transition on 1st April 2021, it is proposed that rather than the yearly review of the Code to ensure that it accurately reflects the governance controls in place, that this is monitored by the Committee after six months.

6. Implications (including financial implications)

6.1 **Resources and Financial**

There are no resources or financial implications arising from the proposals.

6.2 Legal

Legal implications are contained within the report.

6.3 **Risk**

If a Code of Corporate Governance was not approved, there is a risk that the authority would not be complying with audit requirements and important governance controls to ensure that the authority is meeting legislative requirements.

6.4 **Consultation**

6.4.1 None

6.5 **Consideration by Scrutiny**

- 6.5.1 None
- 6.6 Climate Impact
- 6.6.1 None
- 6.7 **Community Impact**
- 6.7.1 None

7. Background Papers

6.7.1 None

This page is intentionally left blank

Appendix

Code of Corporate Governance



Page 17

From the Chairman of the Audit Committee

I am pleased to endorse this Code of Corporate Governance, which sets out the commitment of the Council to continue to uphold the highest possible standards of good governance. I hope you will find that the document clearly demonstrates our drive to ensure this.

Good governance is key to achieving our vision.

Good governance

Good governance is about how the Council ensures that it is doing the right things, in the right way, for the communities it serves, in a timely, inclusive, open, honest, and accountable manner.

Our commitment

North Northamptonshire Council is committed to upholding the highest possible standards of good corporate governance, believing that good governance leads to high standards of management, strong performance, effective use of resources, increased public involvement and trust in the Council and ultimately good outcomes.

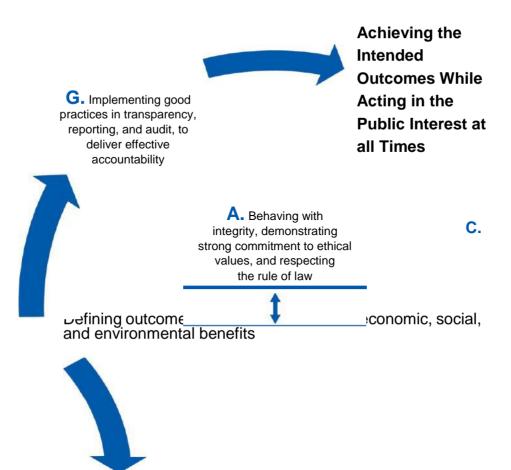
Good governance flows from shared values, culture, and behaviour and from systems and structures. This Code of Corporate Governance is a public statement that sets out the framework through which the Council meets its commitment to good corporate governance.

The Governance Framework comprises the systems and processes, and cultures and values, by which the Council is directed and controlled and through which it accounts to, engages with and, where appropriate, leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate cost-effective services.

The corporate governance of the Council is based on the following principles recommended by CIPFA/SOLACE in a joint document entitled 'Delivering Good Governance in Local Government' which builds on the seven Principles for the Conduct of Individuals in Public Life (Appendix A):

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- B. Ensuring openness and comprehensive stakeholder engagement.
- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- D. Determining the interventions necessary to optimize the achievement of the intended outcomes.
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- F. Managing risks and performance through robust internal control and strong public financial management.
- G. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

This document describes how the Council achieves the seven principles of good governance and describes how the Council's corporate governance arrangements will be monitored and reviewed.



F. Managing risks and performance through robust internal control and strong public financial management B. Ensuring openness and comprehensive stakeholder engagement **D.** Determining the interventions necessary to optimize the achievement of the intended outcomes



E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

Page 21

Supporting Principles	To meet the requirements of this Principle:	This is evidenced by:
Behaving with integrity Page 22	 The Council's leadership sets a tone for the organisation by creating a climate of openness, support and respect through its Constitution, Corporate and Service Plans and other key policies. The Council's Codes of Conduct for officers and members, and supporting guidance, communicate the expectation that members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated, thereby protecting the reputation of the organisation. The Council's Conduct, based on the Seven Principles of Public Life (the Nolan Principles). The Council has in place a Performance Management Framework, which ensures that North Northamptonshires vision and values are communicated to and understood by colleagues. The Council has in place arrangements to ensure that Councillor's and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and has in place appropriate processes to ensure that they continue to operate in practice. This includes maintaining the statutory Register of Members Interests and requiring officers to ensure that core corporate policies and processes are designed in conformity with ethical standards and are reviewed on a 	 Council Corporate Plan Council Services Plans The Council's Constitution Members Code of Conduct Officers Code of Conduct Performance Management Framework Register of Members' Interests Declaration of Interest Guidance Gifts and Hospitality Guidance Members Induction/Training Financial Regulations Contract Procedure Rules Scheme of Delegation HR Policies and Procedures Democracy and Standards Committee

Γ

Demonstrating strong commitment to ethical values	 The Council's Constitution establishes a clear ethical framework for the Council's operation, and core corporate policies and procedures place emphasis on agreed ethical values. The Codes of Conduct ensures that personal behaviour is underpinned with ethical values which permeate all aspects of the organisation's culture and operation. The Council maintains an effective Democracy and Standards Committee. 	 The Council's Constitution Democracy and Standards Committee Committee Partnerships Policy Members Code of Conduct Officers Code of Conduct
Respecting the rule of law Page 23	 The Council's policies and culture set the tone for members and staff to demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations, and ensure that statutory officers, other key post holders, and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements. The Council maintains and implements a Whistleblowing Policy to enable employees to raise any concerns of wrongdoing in confidence and without fear of reprisal. External suppliers, members of the public and Councillors may raise any concerns about suspected illegal or illegitimate practices via the Council's formal Complaints Procedure. The Council recognises the limits of lawful action and observes both the specific requirements of legislation and the general responsibilities placed on it by public law. The Council observes all specific legislative requirements placed upon it, as well as the requirements of general law, and deals with breaches of legal and regulatory provisions effectively. The Council strives to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders. The Council ensures corruption and misuse of power are dealt with effectively through the Anti-Bribery Policy, The Counter Fraud Response Plan and the Anti-Fraud and Corruption Strategy. 	 Counter Fraud and Corruption Policy Counter Fraud response plan Anti-Bribery Policy Anti-Money Laundering Policy Whistleblowing Policy Formal Complaints Procedure Role of the Monitoring Officer as per the Constitution and Complaints Procedures.

Supporting Principles	To meet the requirements of this Principle:	This will be evidenced by:
Openness Page 24	 The Council's Constitution, Forward Plan and Executive system ensures that decision-making is open and there is appropriate oversight and challenge, with an organizational commitment to openness. The Council makes decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. Committee meetings are held in public, and minutes and papers are available to the public on the Council's website, including regular financial and performance forecasts. If a decision needs to be kept confidential, then the justification for this is provided. The Council's Corporate Plan, Statements of Accounts, and key strategies are available through the website. An effective Internal Audit function is resourced and maintained, with regular reporting to the Audit and Governance Committee. The Council is committed to being transparent, accountable and to increasing the amount of data it publishes for reuse by others. The Council maintains a Publication Scheme listing the information available to the public as a matter of course, and performance figures are published regarding responses to FOI requests. The Council uses formal and informal consultation and engagement to determine the most appropriate and effective interventions/courses of action. 	 Forward Plan The Council's Constitution Committee System Internal Audit Audit Committee Publication Scheme Freedom of Information guidance Compliance Performance reports for FOI's Council Website Corporate Plan Statement of Accounts Committee agendas, reports and minutes Register of Members' Interests

Engaging with institutional stakeholders	 The Council considers those institutional stakeholders to whom the authority is accountable, to ensure that the purpose, objectives and intended outcomes for each sustainably. The Council aims to develop formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively 	 Significant Partnership Register The Council's Constitution Information Governance Agreements for Data Sharing between partners
Engaging with individual citizens and service users effectively P age N S	 The Council makes decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. Committee meetings are available to the public, and minutes and papers are available to the public on the Council's website, including regular financial and performance forecasts. If a decision needs to be kept confidential, then the justification for this is provided. The Council consults on its Corporate Plan proposals and other key aspects of its vision, strategic plans and priorities, with the local community and other key stakeholders. The Council takes account of the impact of decisions on future generations of tax payers and service users. The Council encourages, collects and evaluates the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs. The Council maintains a customer feedback and complaints procedure to enable stakeholders to submit their views on Council performance and services. 	 Business Plan Consultation Consultation Strategy Consultation page on Council website Customer Contact Centre and Complaints Procedure Comments, Compliments and complaints on website

Supporting Principles	To meet the requirements of this Principle:	This will be evidenced by:
Page 26	 The Council's Corporate Plan forms its agreed statement of the organisation's purpose and intended outcomes, which provides the basis for the authority's overall strategy, planning and other decisions. The Corporate Plan sets out the Council's Vision and defines the key outcomes for North Northamptonshire. Specific Council strategies and policies link to the outcomes defined in the Corporate Plan. The Corporate Plan sets out how the Council will deliver defined outcomes on a sustainable basis, within the resources that will be available. It also specifies the intended impact on, or changes for, stakeholders including citizens and service users, for the next five years. Service Plans set out Key Performance Indicators (KPIs) to be used to assess the achievement of the Council's outcomes. The Council's corporate KPIs are reported to Governance and Audit Committee and The Performance Improvement Board as part of the regular Finance and Performance reporting. The Council operates a risk management system to identify and manage risks to the achievement of outcomes. The Corporate Risk Register is reported to and reviewed by the Council's Corporate Management Team, and the Governance and Audit Committee for Performance on a regular basis. 	 Corporate Plan Corporate Delivery Plan Team Plans Corporate Management Team Risk and Opportunity Management Toolkit & framework Corporate Risk Register Statement of Accounts Capital Strategy (in MTFP)

Г

 the communities affected by the proposals. The Council seeks to determine the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs. The Council identifies and monitors corporate performance indicators, which demonstrate performance against the Council's planned outcomes and how benefits are being delivered. The Council maintains a prudential financial framework, balancing commitments with available resources and monitoring income and expenditure levels to ensure a sustainable balance is achieved.

Supporting Principles	To meet the requirements of this Principle:	This will be evidenced by:
Determining interventions Page 28	 The Council's Corporate Project Management process incorporates Business Cases for proposed projects and savings, ensuring decision makers receive objective and rigorous analysis of a variety of options for achieving outcomes, indicating how intended outcomes would be achieved and associated risks. This ensures best value is achieved, however services are provided. In addition the Project Management Guide requires that all major projects establish a Project Board which includes the relevant portfolio holder which ensures that there is appropriate political input into the project. Gateway Reviews are carried out during the lifetime of the project by an officer not on the Project Board and the shadow portfolio, which ensures that the project is monitored throughout its lifecycle. The Council's Consultation approach ensures that decision-makers consider feedback from citizens and service users when making decisions about service improvements or where services are no longer required. The aim is to support the prioritization of competing demands with limited resources available including people, skills, land and assets and bearing in mind future impacts. A consultation team work with service area using systematized processes and methods, including a dedicated consultation portal. Committee reports include a title specifically around consultation to ensure that it is routinely considered. 	 Project Management Guide & Toolkit Business Cases Committee reports Consultation website: <u>North</u> <u>Northamptonshire Council - Citizen</u> Space
Planning Interventions	 The Council has an established annual Business Planning process which sets a strategic plan for the Council that informs the development of strategic and operational plans, priorities and targets. The Corporate Plan is reviewed annually meaning that mechanisms for delivering outcomes are regularly reviewed and can be adapted to changing circumstances. The Corporate Plan incorporates medium term resource planning, including changes to revenue and capital expenditure. Budgets are prepared in accordance with the Council's objectives, strategies and the Corporate Plan. The Service Area Team Plans establish appropriate key performance indicators (KPIs) as part of the planning process in order to review service quality result exists to generate the information required to review service quality regularly. 	 Business Planning process Corporate Plan Service Plans Business Plan Consultation Consultation Strategy

D	 priorities, affordability and other resource constraints. The Council's Corporate Plan sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period, in order for outcomes to be achieved while optimising resource usage. Achievement of Corporate Plan outcomes is monitored and reported to the Council's Corporate Leadership Team through Finance and Performance Reports and other reporting. The Council maintains a robust system of risk management which identifies risks to the achievement of the Council's intended outcomes and puts in place mitigating actions to support achievement. The Council maintains systems of business continuity and emergency planning to deal with failures in service delivery or emergencies which may threaten achievement of the Council's intended outcomes. 	 Corporate Plan Risk Framework Directorate Risk Registers Corporate Risk Register Corporate Leadership Team Business Continuity Plans Emergency Planning
---	--	---

Supporting Principles	To meet the requirements of this Principle:	This will be evidenced by:
Developing the entity's capacity	 The Council recognises the benefits of partnerships and collaborative working where added value can be achieved. The Council maintains robust recruitment and selection processes to ensure that the Council is able to attract suitable candidates, ensuring a diverse workforce that will add value to the organisation. The Council reviews its operations, performance and use of assets on a regular basis to ensure their continuing effectiveness, and seeks to improve resource use through appropriate application of techniques such as benchmarking and other options, in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently. 	 Significant Partnership Registe Recruitment and Selection Policies Corporate Plan Corporate Risk Register Asset Management Plan Capital Programme
Beveloping the capability of the entity's leadership and other individuals	 The Council's Constitution and Scheme of Delegation set out a clear statement of the respective roles and responsibilities of the Council's Executive, the Council, its committees and officers. The Scheme of Delegation clarifies the type of decisions that are delegated and those reserved for collective decision making of the governing body. Committee Terms of References set out a clear statement of the respective roles and responsibilities of the Council's Committees. This ensures that a shared understanding of roles and objectives is maintained The Council maintains protocols to ensure effective communication between Council Members and officers in their respective roles. The Chief Finance Officer is a member of the Corporate Leadership Team and thus has direct access to the Leadership Team. The Monitoring Officer is a member of the Corporate Leadership Team and thus has direct access to the Leadership Team. 	 The Council's Constitution Scheme of Delegation Committee Terms of Reference Members Code of Conduct Officers Code of Conduct Protocol on Members/Officer Relations Induction Policy Corporate Induction Members Induction Programme Ongoing Member Training Performance Appraisal/PADP Scheme

 officers to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks, by: Ensuring Members and staff have access to appropriate induction tailored to their role, and that ongoing training is available and encouraged; Ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis; Holding staff to account through regular performance reviews which take account of training or development needs; Ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external; Ensuring arrangements are in place to maintain the health and wellbeing of the workforce, and support individuals in maintaining their own physical and mental wellbeing. 	 policy Role of Internal Audit CF/MO member of CLT Intranet updates for health and wellbeing activities taking place Health & Wellbeing updates through communications Employee Assistance Programme Personal Safety Advice for Members
---	--

Supporting Principles	To meet the requirements of this Principle;	This will be evidenced by:
Managing risk	 The Council recognises that risk management is an integral part of all activities and must be considered in all aspects of decision making. Robust and integrated risk management arrangements are in place and regularly reviewed to ensure that they are working effectively. Risk management is embedded into the culture of the Council. The Council ensures that responsibilities for managing individual risks are clearly allocated, and the Corporate Risk register is reported to and reviewed by the Council's Corporate Leadership Team and the Audit and Governance Committee for performance on a regular basis. 	 Risk and opportunities Management toolkit and framework Directorate Risk Registers Corporate Risk Register Scrutiny panel for performance Risk Reports to Committees Project Management toolkit
Managing performance	 Members and senior management are provided with regular reports on performance and progress towards outcome achievement. The Council makes decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook The Council encourages effective and constructive challenge and debate on policies and objectives, to support balanced and effective decision making. 	 Committee agendas, reports, and minutes Customer Feedback Internal Audit Reports

Robust internal control	 The Council ensures effective counter fraud, anti-corruption and antimoney laundering arrangements are in place. Additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by Internal Audit. The Audit and Governance Committee is independent of the Executive and accountable to the Council, and: provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment; ensures that its recommendations are listened to and acted upon. 	 Counter-Fraud and Corruption Policy Counter Fraud Response Plan Anti-Money Laundering Policy Internal Audit Internal Audit Annual Report Annual Governance Statement Risk and Opportunities Management toolkit and framework Business and operational risk registers (from Tens System) Corporate Risk Register Audit and Governance Committee Democracy and Standards Committee
ထိ Managing data ယ	 The Council's information governance policies and procedures ensure that effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data. The Council's Senior Information Risk Owner (SIRO) has lead responsibility to ensure that organizational information risks are properly identified and managed. The Council ensures effective arrangements are in place and operating effectively when sharing data with other bodies. 	 Data Protection Policy Information Governance Policy Information requests Procedure (FOI/EIR) ICT Security Policy Data loss Procedure and Data Protection Guidelines Data Protection and confidentiality in the workplace guidance Document Retention Policy Information Sharing Protocol Senior Information Risk Owner Significant Partnerships Policy

Strong public financial management
--

Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability		
Supporting Principles	To meet the requirements of this Principle;	This will be evidenced by:
Implementing good practice in transparency	 The Council seeks to write and communicate reports and other information for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate. The Council complies with the Local Government Transparency Code and publishes information required in a timely manner. The Council provides appropriate information to the public to ensure transparency, striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny, while not being too onerous to provide and for users to understand. 	 Committee agendas, papers, and minutes District Council website Publication Scheme Forward Plan (what will be on agenda for each meeting)
ယ Implementing good practice in reporting	 The Council's Annual Governance Statement ensures robust arrangements for assessing the extent to which the principles contained in this Framework have been applied, and the results of this assessment are published. The Council ensures that the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations. The Council maintains open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based. 	 Statement of Accounts Annual Governance Statement Annual External Audit Report and Letter Internal Audit Reports Committee agendas, reports, and minutes

Assurance and effective accountability	 The Council maintains an effective Audit and Governance Committee and ensures that an effective internal audit function, with direct access to Members, is resourced and maintained. The Internal Audit service provides assurance with regard to governance arrangements and verifies that recommendations are acted upon. The Council ensures that recommendations for corrective action made by external audit are acted upon. The Council welcomes peer challenge, reviews and inspections from regulatory bodies, as a result of which action plans are identified to implement recommendations. When working in partnership, the Council ensures that arrangements for accountability are clear and the need for wider public accountability has been recognised and met. 	 Audit and Governance Committee Role of Internal Audit Results of External Inspections (ICO etc.) Significant Partnerships Policy Risk Framework Council Meetings
--	--	---

MONITORING AND REPORTING

The Council will undertake an annual review of its governance arrangements to ensure continuing compliance with best practice to provide assurance that corporate governance arrangements are adequate and operating effectively in practice. Where reviews of the corporate governance arrangements have revealed gaps, actions will be planned to enhance the governance arrangements accordingly.

The Council will prepare an Annual Governance Statement which will be submitted to the Audit and Governance Committee for consideration and will form part of the Council's annual Financial Statement.

The Governance Statement will include:

- an acknowledgement of responsibility for ensuring there is a sound system of governance (incorporating the system of internal control) and reference to the authority's code of governance;
- a reference to and assessment of the effectiveness of key elements of the governance framework and the role of those responsible for the development and maintenance of the governance environment;
- an opinion on the level of assurance that the governance arrangements can provide and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework;
- a reference to how issues raised in the previous year's annual governance statement have been resolved; and
- a conclusion including a commitment to monitoring implementation as part of the next annual review.

The Annual Governance Statement will be signed by the Chair of the Audit and Governance Committee and the Chief Executive on behalf of the Council.

In reviewing and approving the Annual Governance Statement, members will be provided with detailed information regarding the effectiveness of the governance arrangements and system of internal control and how these address the key risks faced by the Council. Those Assurances will be available from a wide range of sources, including internal and external audit, a range of external inspectorates and managers from across the Council.

The Council will continually strive to operate an assurance framework, embedded into its business processes, that maps corporate objectives to risks, controls and assurances. This framework and regular reports on its application and effectiveness will provide members with assurances to support the Annual Governance Statement and will help members to identify whether corporate objectives and significant business risks are being properly managed.

Seven principles for the conduct of individuals in public life

The governance framework is supported by the seven **Principles of Public Life**, which set the standards of conduct and behaviour to which Councillors and employees should aspire in their day-to-day dealings (annexed to the **Members' Code of Conduct)**.

1. Selflessness

Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other benefits for themselves, their family or their friends.

2. Integrity

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.

to influence them in the performance of their official duties.

3. Objectivity

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

4. Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to whatever scrutiny is appropriate to their office

5. Openness

Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

6. Honesty

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

7. Leadership

Holders of public office should promote and support these principles by leadership and example.

Agenda Item 5



Item no: 5

AUDIT AND GOVERNANCE COMMITTEE

8th November 2021

Report Title	Audit Results Report 2020-2021 Borough Council of Wellingborough				
Report Author	Claire Edwards – Assistant Director of Finance & Accountancy Claire.Edwards@northnorthants.gov.uk				
Contributors/Checkers/Approvers					
North MO					
North S151					
Other Director/SME	N/a	N/a			

List of Appendices

Appendix A – ISA 260

Appendix B – Management Representation Letter

1. Purpose of Report

1.1. The purpose of this report is to present the draft ISA 260 Report in relation to the Statement of Accounts for the Borough Council of Wellingborough for 2020/21 to those charged with Governance. The report has been prepared by the Council's External Auditor (Ernst and Young (EY)), and to agree that the approval of the Council's draft Management Representation Letter be delegated to the Chair of the Audit and Governance Committee in consultation with the Executive Director of Finance (S151).

2. Executive Summary

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

3. Recommendations

- 3.1. It is recommended that the Committee;
 - a) Receives the Provisional Audit Results Report to those charged with governance and approves the draft Management Representation Letter.



- b) Delegates any adjustments to the draft Management Representation Letter to the Council's Chair of the Audit & Governance Committee. in consultation with the Executive Director of Finance (s151 Officer).
- 3.2. Reason for Recommendations -
 - It is a statutory requirement for the Council to approve the ISA 260. In accordance with the Council's constitution the Audit and Governance Committee are required to undertake this function.

4. Report Background

- 4.1. In order to comply with the statutory requirements of the Accounts and Audit Regulations 2015, the Responsible Financial Officer is usually required to issue the Statement of Accounts by 31st May each year. However due to the impact on Local Authorities of COVID-19, the Accounts and Audit (Amendment) Regulations 2021 extended the deadline for all Local Authorities to 31st July for accounts relating to 2020/21. The accounts for Wellingborough Borough Council were duly signed on the 23rd August 2021.
- 4.2. The Councils governance arrangements require this Committee to receive and approve the Statement of Accounts for the former District and Borough Councils in North Northamptonshire.
- 4.3. The accounts for the Borough Council of Wellingborough remain in draft format as the following issues are to be concluded:

🖹 Appendix D

Outstanding matters

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

Item 🚺	Actions to resolve	Responsibility 🍰
Group Audit	EY review of consolidation journals, intercompany eliminations Consider the impact that Covid-19 has on WBS's going concern assessment Discussion of any queries with management or any further information to be provided	EY, Management and Component auditor (DNG)
Pension - IAS19	Pension Fund auditor final report outstanding	EY and Management
PPE and Investment Property Valuations	EYRE to issue final report on their review of PPE and Investment Property Valuations and resolve queries with management	EY and Management
Finalisation of Value For Money audit work	To discuss with management any queries that may arise	EY and Management
Completion of procedures required for whole of government accounts	Submission of assurance statement to be undertaken	EY
Going Concern disclosures	Complete EY consultation procedures on appropriateness of going concern disclosures.	EY and Management
Completion of subsequent events review	Procedures performed up to the date of signing	EY and Management



🖹 Appendix D

Outstanding matters

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

Item	Actions to resolve	Responsibility
Clearance of queries arising from review by Associate Partner and Manager	Ongoing review process	EY
Final version of financial statements	Review of final version of accounts	EY
Receipt of the signed management representation letter	To be provided prior to final sign off of the audit opinion	Chief Financial Officer/Chair of Audit and Governance Committee

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

5. Issues and Choices

- 5.1. The Committee is being requested to approve the provisional Audit Results Report (draft ISA 260) for the Borough of Wellingborough Council and delegate authority for any non-material adjustments to the draft Statement of Accounts to the Councils Executive Director of Finance (s151 Officer), in consultation with the Chair of the Audit & Governance Committee.
- 5.2. It is a statutory requirement for the Council to approve the annual Statement of Accounts and to consider the External Auditors report (Item x on this Agenda). In accordance with the Council's constitution the Audit & Governance Committee are required to undertake this function.

6. Implications (including financial implications)

6.1. Resources and Financial

6.1.1. The financial implications are set out within the Provisional Audit Results Report.



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

6.3. **Risk**

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

6.4. Consultation

6.4.1. None specific to this report.

6.5. **Consideration by Scrutiny**

6.5.1. Not specific to this report.

6.6. Climate Impact

6.6.1. None specific to this report.

6.7. Community Impact

6.7.1. None specific to this report.

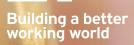
7. Background Papers

7.1. Council Constitution.

Borough Council of Wellingborough Audit results report Year ended 31 March 2021

08 November 2021

Page 43







Private and Confidential Audit and Governance Committee Members Borough Council of Wellingborough - North Northamptonshire Council Sheerness House 41 Meadow Road Kettering, Northants NN16 8TL

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

08 November 2021

We have substantially completed our audit of Borough Council of Wellingborough for the year ended 31 March 2021. At the date of this report, the substantive areas to complete are Pension Valuation, we are waiting for a response from the auditors of Northamptonshire Pension Fund to the programme of work we requested on the Pension Fund assets and liabilities. We have engaged with EY Real Estate to assess the values of a sample of Investment Property and PPE and have requested further information from the council's valuers. We are concluding our professional practice consultation procedures on the appropriateness of the going concern disclosures for North Northamptonshire Council. Our VFM work is substantially complete and we have not identified any significant weaknesses to date.

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

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources. Although we are proposing no qualifications or modifications to our audit report, we do anticipate including in our audit report an emphasis of matter which draws attention to the disclosures included in the Council's financial statements in response to Covid-19 and the Council's merger with North Northamptonshire from the 1st April 2021.

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

We would like to thank your staff for their help during the engagement and welcome the opportunity to discuss the contents of this report with you at the Audit and Governance Committee meeting on 08 November 2021. Yours faithfully

Neil Harris

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

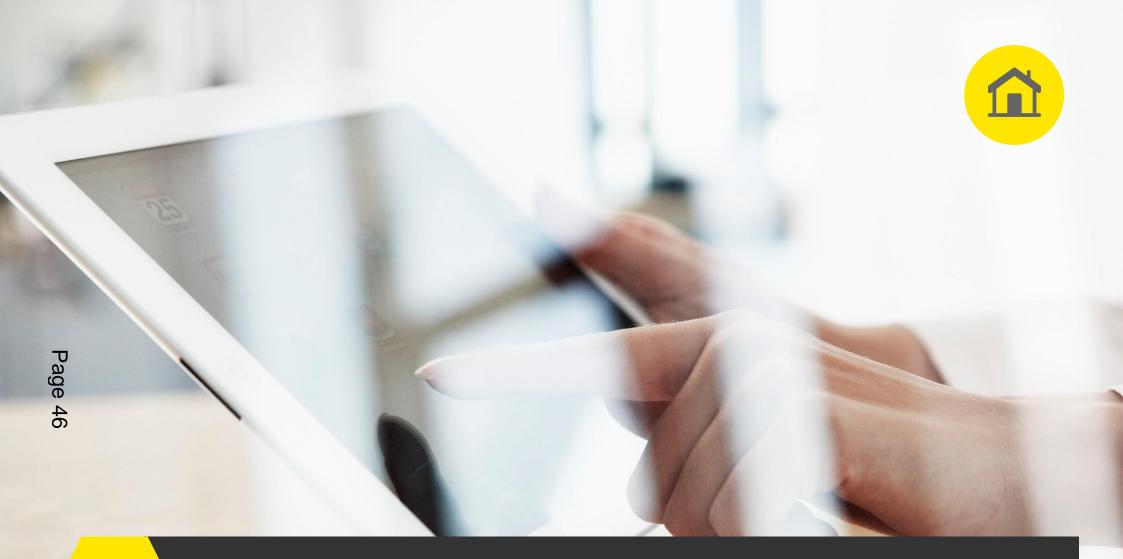
Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<u>https://www.psaa.co.uk/audit-guality/statement-of-responsibilities</u>/). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit & Governance Committee and management of Borough Council of Wellingborough in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Committee and management of Borough Council of Wellingborough those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit & Governance Committee and the management of Borough Council of Wellingborough for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01 Executive Summary



Scope update

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

Changes in materiality:

In our Audit Planning Report, we communicated that our audit procedures would be performed using a materiality of £0.744million, with performance materiality, at 75% of overall materiality, of £0.558 million, and a threshold for reporting misstatements of £0.037m. We updated our planning materiality assessment using the draft accounts and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure on provision of services, we have updated our overall materiality assessment to £1.119million. This results in updated performance materiality, at 75% of overall materiality, of £0.839 million.

The basis of our assessment is 2% of gross expenditure on provision of services. The threshold for reporting misstatements that have an effect on the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement and collection fund) is £0.056m.

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

Jused the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited;

Agree IPE to scanned documents or other system screenshots; and gained our own access to the accounting software to enable us re-run reports ourselves

Audit differences

Corrected:

The presentation of operating lease disclosures were not aligned to the calculations provided, with a difference of £90k

Note 2 of the Collection Fund disclosures, Income from business rate payers was overstated by £84k. Refer to further items on page 17

Uncorrected

The Net Pension liability was not adjusted for as result of receiving the revised IAS 19 Report, resulting in an overstatement of £119k.

Areas of audit focus

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

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

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

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

Control observations

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



υ

Executive Summary

Auditor responsibilities under the new Code of Audit Practice 2020

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

The specified reporting criteria are:

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

alue for money - progress update

+ the Audit Plan, we reported that we were yet to commence with our value for money (VFM) risk assessment. We have now substantially completed this work and did \mathbf{P} tidentify any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code.

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

Other reporting issues

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

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

We have no other matters to report.

Independence

Please refer to Section 09 for our update on Independence.



Executive Summary

Status update

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

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

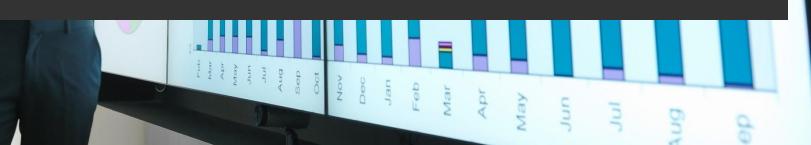
Whole of Government Accounts

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

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

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





Significant risk

Misstatements due to fraud or error

What is the risk?

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

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

hat judgements are we focused on?

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

What did we do?

υ

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

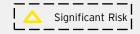
- Identifying fraud risks during the planning stages.
- Inquiry of management about risks of fraud and the controls put in place to address those risks.
- Understanding the oversight given by those charged with governance of management's processes over fraud.
- Consideration of the effectiveness of management's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

What are our conclusions?

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

We have not identified any instances of inappropriate judgements being applied. Please also see pages 11-12 for our conclusion on property valuation and pension liability.

We did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of business and no unusual items identified from our journal entry testing



Significant risk

Inappropriate capitalisation of revenue expenditure

[Fraud Risk]

What is the risk?

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

υ Q ര്

ements are we focused on?

whether management have appropriately classified expenditure as capital in nature

What are our conclusions?

We have not identified any revenue items that have been inappropriately capitalised from our substantive and no unusual items identified from our journal entry testing

What did we do?

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

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





Significant risk

Risk of error in the valuation of property, including investment properties

What is the risk?

Valuation of Land and Buildings

Property, plant and equipment (PPE) and Investment Property assets represents a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Material judgemental inputs and estimation techniques are required to calculate the year-end asset property valuations held on the balance sheet.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates.

As at 31 March 2021 the value of the Council's PPE was £52m and Investment Properties £49m. Due to significant economic uncertainty caused by the Covid-19 pandemic there is an increased risk that asset valuations (based on market conditions) may be materially misstated.

What judgements are we focused on?

- Refocused on aspects of the land and buildings valuation which could have a material impact on the financial statements, primarily:
- ωHarder to value assets such as Leisure Centres which are valued on a depreciated replacement cost basis;
- High value assets carried at fair value;
- the assumptions and estimates used to calculate the valuation; and
- changes to the basis for valuing the assets.

What did we do?

Our work in this area remains in progress and involves:

- Considering the work performed by the Authority's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- Consulting with the EY Real Estates team on significant assets and identifying whether key assumptions or the valuation methodology of other assets have changed and understanding the rationale, involving EY Estates as necessary;
- Testing inputs into a sample of valuations to ensure that they are appropriate and supportable;
- Review assets not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated and;
- Testing accounting entries have been correctly processed in the financial statements.

What are our conclusions?

With the assistance of our specialist, EY Real Estates, we are reviewing the significant assumptions used by the Authority's valuer, the valuation of all the properties tested falls within an acceptable and supportable range, the work by EYRE and the audit team is in progress and expected to be finalised soon

Based on the procedures performed to date, we have not identified any misstatements

Inherent Risks and Other areas of audit focus

Pension net liability valuation

What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body. The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet.

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31st March 2021 this totalled £35 million.

The information disclosed is based on the IAS 19 report issued to the Council by the Actuary. Accounting for this scheme involves significant estimation and judgement and due to the nature, volume and size of the transactions, in the current uncertain economic environment, we consider this to be a higher inherent risk.

at judgements are we focused on?

We focused on aspects of the pension liability which could have a material impact on the financial statements, primarily:

- significant changes in assumptions made by the actuary;
- the assessments of the actuary undertaken by PWC, as consulting actuary commissioned by the National Audit Office, and the EY actuarial team the assessments of the actuary undertaken by PWC and the EY actuarial team; and
- Impact on the Authority's pension valuation of Covid-19 reported by the Northamptonshire Pension Fund (NPF) auditor based on the pension fund assurance response.

What did we do?

П

- Liaise with the auditors of Northamptonshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Borough Council of Wellingborough
- Assess the work of the Pension Fund actuary including the assumptions they have used by relying on the work of PwC -Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.
- Assess the results of the triennial valuations, including the assumptions used and the impact on the Council's pension liability, consider any updated information in respect of the impact of national issues including Goodwin and McCloud.
- Consider the nature and value of level 3 investments held by Northamptonshire Pension Fund and the proportion of the overall Fund relating to Borough Council of Wellingborough in order to identify any additional procedures required to support the estimates of the valuation of these asset as at 31 March 2021.

What are our conclusions?

in 2020/21, We will consider the impact of Covid-19 on the valuation of complex (Level 3) investments held by NPF (for example private equity investments) and the fact that the valuations are highly subjective in nature as at 31 March 2021 and will have to be estimated. This is likely to impact on the IAS19 reports provided by the actuary and the assurances over asset values that are provided by the pension fund auditor, and consequently the assurance we are able to obtain over the net pension liability in the Council's accounts.

We will also need to consider the outcome of the assurances we receive from the Pension Fund auditor and undertake additional procedures as required.

Continued on next page

Inherent Risks and Other areas of audit focus

Pension net liability valuation

What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body. The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet.

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31st March 2021 this totalled £35 million.

The information disclosed is based on the IAS 19 report issued to the Council by the Actuary. Accounting for this scheme involves significant estimation and judgement and due to the nature, volume and size of the transactions, in the current uncertain economic environment, we consider this to be a higher inherent risk.

What are our conclusions?

Continued

Give issue has arisen across all local government audits that needs to be resolved prior to us being able to fully conclude our work. This is in relation to the impact of the new auditing standard on accounting estimates. We planned to take an audit approach to this estimate based on procedures to evaluate management's process. The new auditing standard requires auditors to test the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model. Neither we, nor PWC as consulting actuaries commissioned by the NAO for all local government sector audits, are able to access the detailed models of the actuaries in order to evidence these requirements. Therefore, we have been required to modify our planned approach and undertake alternate procedures to create an auditor's estimate, to provide a different method of gaining assurance. Our EY Pension team has conducted these procedures and confirmed that no material matters were identified.

At the time of the writing, the assurance from the Pension fund auditor is outstanding as the NPF audit is still on-going. This is one of the outstanding matter set out in Appendix D of this report. We expect to have received the pension fund assurances, reviewed and concluded by the 8 November 2021 meeting.



What is the risk/area of focus?

Going Concern disclosures

Covid-19 has created a number of financial pressures throughout Local Government. This includes reductions in income for the Council as well as additional cost pressures. There is some financial support from MHCLG that covers financial consequences of Covid-19.

North Northamptonshire Council was formed under statutory instrument The Northamptonshire (Structural Changes) Order 2020, which was made on 14 February 2020 and came into effect from 01 April 2021

CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 sets out that organisations that can only be discontinued der statutory prescription shall prepare their accounts on a going concern asis.

Concern, International Auditing Standard 570 *Going Concern*, as applied by Concern, as applied by Concern, as applied by Concern, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report. We are obliged to report on such matters within the section of our audit report 'Conclusions relating to Going Concern'.

To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements.

The auditor's report in respect of going concern covers a 12-month period from the date of the report, therefore the Council's assessment will also need to cover this period and their ability to continue with providing services with regards to the transition to Unitary

What will we do and our conclusions?

In light of the unprecedented nature of Covid-19, its impact on the funding of public sector entities and uncertainty over the form and extent of government support, we will be seeking a documented and detailed consideration to support management's assertion regarding the going concern basis and particularly with a view whether there are any material uncertainties for disclosure.

These disclosures should also include the process that has been undertaken for revising financial plans and cashflow, liquidity forecasts, known outcomes, sensitivities, mitigating actions including but not restricted to the use of reserves, and key assumptions (e.g. assumed duration of Covid-19).

With regards to the councils transition to unitary, our procedures will focus on sufficiency and appropriateness of management's assessment that they have sufficient resources to continue to deliver services at the planned levels; and disclosures of any material uncertainties in the continuity of service provision. Our audit procedures will:

• Assess the adequacy of disclosures required in 2020/21, and the impact on our opinion, should these be inadequate;

• Obtain management's going concern assessment and review for any evidence of bias and consistency with the accounts;

• Review the financial modelling and forecasts prepared by the Council. This will consider key assumptions, stress testing applied to those assumptions and consider the risk to cashflow up to at least 12 months after the signing date of the accounts and opinion;

• Ensure that an appropriate going concern disclosure has been made within the financial statements; and

• Consider the impact on our audit report and comply with EY consultation requirements, if this is determined to be appropriate.

North Northamptonshire Council going concern disclosures and judgements have been updated to take account of the liquidity and viability assumptions and conditions at least 12 months from November 2021. We are concluding a professional practice consultation on the appropriateness of the Council's going concern disclosures. Our work on going concern is yet to conclude, this is one of the outstanding matter set out in Appendix D of this report.

P

S

Areas of Audit Focus

What is the risk/area of focus?

What will we do and our conclusions?

Recognition of grant income associated with Covid-19

Central Government has provided a number of new and different Covid-19 related grants to local authorities during the year. There are also funds that have been provided for the Council to distribute to other bodies.

The Council needs to review each of these grants to establish how they should be accounted for. It needs to assess whether it is acting as a principal or agent, with the accounting to follow that decision. Where the decision is that the council is a principal, it must also assess whether there are any initial conditions that may also affect the recognition of the grants as revenue during 2020/21.

Our approach has focused on:

- Consider the revenue and capital grants received by the Council;
- Assess the potential for manipulation of individual grant streams (including those related to business rates); and
- Responsive to the risk, carry out testing to ensure the accounting treatment and recognition applied to grant income is appropriate. On a sample of the grant and funding population we will:
- Review the Council's decision for new grant or funding arrangements whether it is acting as principal or agent;
- Review whether any initial conditions are attached to grants impacting their recognition;
- Assess whether the accounting appropriately follows those judgements.

We will also check the Council has adequately disclosed grant income received in the year, under both principal and agent arrangements.

Conclusion: Our work is substantially complete and have not identified any misstatements to report on to date



04 Audit Differences

Hong Kong





Audit Differences

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

Summary of Audit differences as at 27 October 2021

At the date of this report, we identified three misstatements. Corrected:

The presentation of operating lease disclosures were not aligned to the calculations provided, with a difference of £90k Note 2 of the Collection Fund disclosures, Income from business rate payers was overstated by £84k Court Costs Debtors as per the GL did not agree to the Academy report, with an understatement of £62k Council Tax Debtors disclosed in the accounts does not agree to the Collection Fund Model, with an understatement of £102k

Retential Adjustment

🗰 R Debtors disclosed in the accounts does not agree to the NNDR Model, with an understatement of £1,022k, this matter is under investigation and we will provide an Bedate at the Audit and Governance Committee meeting

СЛ õ

Uncorrected

The Net Pension liability was not adjusted for as result of receiving the revised IAS 19 Report, resulting in an overstatement of £119k

The uncorrected item is not material to the financial statements and have no impact on the Council's financial position



0

05 Value for Money



Value for Money

The Council's responsibilities for value for money

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

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

Risk assessment

ດ

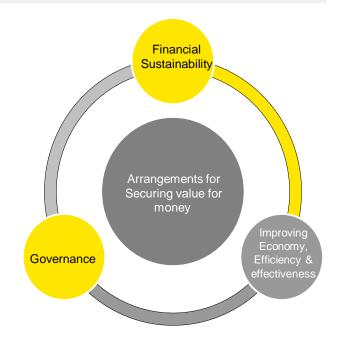
Throughout our audit we have performed a risk assessment in relation to the arrangements in place. This risk assessment looked at whether there was any risk of significant weaknesses in the VFM arrangements.

Na significant risks were identified through our risk assessment. lge

The Council's responsibilities for value for money

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

As a result, we currently have no matters to report by exception in the auditor's annual report.





06 Other reporting issues



Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts for the year ended 2020/21 with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts for the year ended 2020/21 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no Her matters to report.



Other reporting issues

Other powers and duties

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

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

Pag

O ther matters

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

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

We have no matters to report.



07 Assessment of Control Environment



Service Assessment of Control Environment

Financial controls

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

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

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

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

OTOOTO! **Data Analytics** 08 a rater

TRATATATATATA

AA TA TAATAATAA AA

TOTOLI BET BIT BET B

TO FOO TO TOOTOOTOOTOOT

A T. TOO TO TOOTOTOOT TOOT

T

age

TOTOOTTOO)

ARTIGN DUDING

THIN IN THIS

A STATE OF THE PARTY OF THE PAR

Le Lee Lieu une

NUM HATTANTE

taat

HIE

SI LEGISTERISTERIST

E HEI HEI HEI HEI HEI HEI HEI HEI

HAR THERE IN THE REAL PROVIDENT

FTERETERTER FOR THE FORMATION

THE FILLE FOR THE POIL OF THE POIL

THE OFFICE OFFICE OFFICE

THOM I BUT BUT BUT I

100000001000101001001

10010100110010100101010101

1.6

Ø

LE LE LEE



Data analytics

Analytics Driven Audit

Data analytics

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

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

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

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

Journal Entry Analysis

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

Payroll Analysis

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





Journal Entry Testing

What is the risk?

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

What judgements are we focused on?

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

What did we do?

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

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

What are our conclusions?

We have isolated a sub set of journals for further investigation and obtained supporting evidence to verify the posting of these transactions and did not identify any misstatements.



Page 70

😤 Independence

Confirmation of independence and analysis of audit fees

We confirm there are no changes in our assessment of independence since our confirmation in our audit planning report dated September 2021.

We complied with the APB Ethical Standards. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you and your Audit and Governance Committee consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit and Governance Committee on 08 November 2021.

As part of our reporting on our independence, we set out below a summary of the fees you for the year ended 31 March 2021.

	Planned fee 2020/21	Scale fee 2020/21	Final Fee 2019/20
	£	£	£
Total Fee - Code work (Note 1 & 2)	38,508	38,508	38,508
Gup Accounts and Quality	ТВС		10,474
Real Estate Specialist	TBC		11,037
Additional work on pensions	TBC		3,136
Property valuations material uncertainty and Estimates	TBC		3,194
Going concern disclosure & VFM work	TBC		3,736
EY consultations on auditor report	TBC		2,019
Total Audit Fee	TBC		72,105
Other non-audit services not covered above (Housing Benefits)	Nil*	Nil*	Nil*

Notes:

- 1. We are currently in discussion with PSAA nationally about an increase to the scale fee. For Borough Council of Wellingborough, we proposed a revised scale fee of £67,423. This is yet to be determined by PSAA.
- 2019/20 additional fees as set out in our Annual Audit Letter and Audit Results Report remains subject to approval by PSAA. All fees exclude VAT

2020/21 Fees:

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

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

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

- Revised ISAs in respect of Estimates and Going Concern as noted in the Audit Plan presented in September 2021
- Additional procedures in relation to COVID-19 and new value for money requirements
- Use of experts in relation to Pensions to satisfy revised ISA requirements.

Once we have completed the audit will we assess the final fee, discuss with management and provide an update to the Audit & Governance Committee.

😤 Independence

Relationships, services and related threats and safeguards

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

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

Other communications

EY Transparency Report 2020

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

72



10 Appendices

Appendix A

Audit approach update

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

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

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

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

🖹 Appendix B

Summary of communications

Date	Nature	Summary
23 June 2021	Meeting	The manager and lead senior of the audit team, met with the finance team for a regular liaison meeting.
20 September 2021	Report	The audit planning report, including confirmation of independence, was issued to the audit committee.
27 September 2021	Audit Committee	The partner in charge of the engagement attended the audit committee
August-October	Meeting	The EY audit team met regularly to discuss the progress of the audit with the North Northamptonshire Council s151 officer and Finance team

🖹 Appendix C

Required communications with the Audit and Governance Committee

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

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



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



		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	 Significant matters arising during the audit in connection with the Authority's related parties including, when applicable: Non-disclosure by management Inappropriate authorisation and approval of transactions Disagreement over disclosures Non-compliance with laws and regulations Difficulty in identifying the party that ultimately controls the Authority 	Audit results report - November 2021
Independence Page 78	 Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: The principal threats Safeguards adopted and their effectiveness An overall assessment of threats and safeguards Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place. 	Audit planning report - September 2021 and Audit results report - November 2021
External confirmations	 Management's refusal for us to request confirmations Inability to obtain relevant and reliable audit evidence from other procedures. 	Audit planning report - September 2021 and Audit results report - November 2021



		Our Reporting to you
Required communications	What is reported?	📅 💡 When and where
Consideration of laws and regulations	 Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur Enquiry of the Audit and Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Governance Committee may be aware of 	We have asked management and those charged with governance. We have not identified any material instances or non- compliance with laws and regulations.
Significant deficiencies in internal controls identified auring the audit	 Significant deficiencies in internal controls identified during the audit. 	Audit results report - November 2021
Coup Audits	 An overview of the type of work to be performed on the financial information of the components An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements. 	Audit planning report - September 2021 Audit results report - November 2021



		Our Reporting to you
Required communications	What is reported?	🟥 💎 When and where
Written representations we are requesting from management and/or those charged with governance	 Written representations we are requesting from management and/or those charged with governance 	Audit results report - November 2021
Material inconsistencies or misstatements of fact identified in other information which management has refused torevise	 Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit results report - November 2021
ထို ditors report က ထ	 Any circumstances identified that affect the form and content of our auditor's report 	Audit results report - November 2021
O Fee Reporting	 Breakdown of fee information when the audit planning report is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Audit planning report – September 2021 and Audit results report – November 2021
Value for money commentary	A commentary on the arrangements in place during 2020/21 to achieve value for money, and any recommendations we may make to improve those arrangements.	Annual auditors report - January 2022

🕒 Appendix D

Outstanding matters

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

Item	Actions to resolve	Responsibility
Group Audit	EY review of consolidation journals, intercompany eliminations Consider the impact that Covid-19 has on WBS's going concern assessment Discussion of any queries with management or any further information to be provided	EY, Management and Component auditor (DNG)
က ထူension - IAS19 တို	Pension Fund auditor final report outstanding	EY and Management
Φ ∞		
PPE and Investment Property Valuations	EYRE to issue final report on their review of PPE and Investment Property Valuations and resolve queries with management	EY and Management
Finalisation of Value For Money audit work	To discuss with management any queries that may arise	EY and Management
Completion of procedures required for whole of government accounts	Submission of assurance statement to be undertaken	EY
Going Concern disclosures	Complete EY consultation procedures on appropriateness of going concern disclosures.	EY and Management
Completion of subsequent events review	Procedures performed up to the date of signing	EY and Management



Outstanding matters

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

Item	Actions to resolve	Responsibility
Clearance of queries arising from review by Associate Partner and Manager	Ongoing review process	EY
Final version of financial statements	Review of final version of accounts	EY
Receipt of the signed management of the signed management	To be provided prior to final sign off of the audit opinion	Chief Financial Officer/Chair of Audit and Governance Committee
ge		

e 82

Appendix E

DRAFT Management representation letter

Management Rep Letter

08 November 2021

Ernst & Young 400 Capability Green Luton Bedfordshire LU1 3LU

Q õ

Ð

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

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

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

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

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

🖹 Appendix E

Management representation letter

Management Rep Letter

5. We believe that the effects of the unadjusted audit difference, summarised in this report, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statement as a whole.

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

- 1. We acknowledge that we are responsible to determine that the Group and Council's business activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any
- non-compliance with applicable laws or regulations, including fraud.
- 2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
- We have disclosed to you the results of our assessment of the risk that the consolidated and council financial statements may be materially misstated as a result of fraud.
 - 4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud, that may have affected the Group or Company (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including noncompliance matters:
 - Involving financial improprieties
 - Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated and parent company financial statements
 - Related to laws or regulations that have an indirect effect on amounts and disclosures in the consolidated and parent company financial statements, but compliance with which may be fundamental to the operations of the Group and Company's business, its ability to continue in business, or to avoid material penalties
 - Involving management, or employees who have significant roles in internal control, or others

 In relation to any allegations of fraud, suspected fraud or other noncompliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

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

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

3. We have made available to you all minutes of the meetings of the Council and its relevant Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 29 September 2021.

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

Page

🖹 Appendix E

Management representation letter

Management Rep Letter

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

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

D. Liabilities and Contingencies

- Page 85
 - 1. All liabilities and contingencies, including those associated with
 - guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and council financial statements.
- statements.
 We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
 - 3. We recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that we have given to third parties.

E. Subsequent Events

1. Other than as described in Note 6 to the consolidated and council financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the consolidated and parent company financial statements or notes thereto.

F. Group audits

- 1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.
- 2. Necessary adjustments have been made to eliminate all material intragroup unrealised profits on transactions amongst parent company, subsidiary undertakings and associated undertakings.

G. Other information

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

H. Contingent Liabilities

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

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

I. Reserves

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

🖹 Appendix E

Management representation letter

Management Rep Letter

J. Use of the Work of a Specialist

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

K. Property valuation and Pension Liability Estimate Ma ballove that the manufacturement processor is also

- 1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
- We confirm that the disclosures made in the consolidated and council financial statements with respect to the accounting estimates are complete, including the effects of the COVID-19 pandemic on property and pension valuation and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
- 3. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and council financial statements due to subsequent events, including due to the COVID-19 pandemic.

Yours faithfully,

Janice Gotts- Chief Financial Officer of NNC (S151 Officer)

Cllr Andrew Weatherill - Chairman of the Audit and Governance Committee of NNC

🖹 Appendix F

Accounting and regulatory update

Future accounting developments

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

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

EY | Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

© 2017 EYGM Limited. All Rights Reserved.

ED None

80

his material has been prepared for general informational purposes only and is not thended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice. **Gey.com**

Appendix



Finance Municipal Offices Bowling Green Road Kettering Northants NN15 7QX Tel: 0300 126 3000 www.northnorthants.gov.uk

8th November 2021

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

Dear Neil,

Borough Council of Wellingborough - Audit for the year ended 31 March 2021

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

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

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

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

- 1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
- 2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with [the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and are free of material misstatements, including omissions. We have approved the financial statements.



Finance Municipal Offices Bowling Green Road Kettering Northants NN15 7QX Tel: 0300 126 3000 www.northnorthants.gov.uk

- 3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
- 4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.
- 5. We believe that the effects of the unadjusted audit differences, summarised in the ISA 260 report, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements as a whole.

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

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

- 2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
- 3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
 - involving financial improprieties;
 - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;
 - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's business, its ability to continue in business, or to avoid material penalties;
 - involving management, or employees who have significant roles in internal controls, or others;



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

C. Information Provided and Completeness of Information and Transactions

- 1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- 2. All material transactions have been recorded in the accounting records and [all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic.
- 3. We have made available to you all minutes of the meetings of the Council and audit committees held through the year to the most recent meeting on the following date: 29th September 2021.
- 4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
- 5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

D. Liabilities and Contingencies

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

We take the protection of your data seriously. To see how we use your data and how to exercise your data rights visit: www.northnorthants.gov.uk/privacynotices. If you are concerned to a good data is suspect a data breach, please contact the Data Protection Officer.

Registered Office: North Northamptonshire Council, Sheerness House, 41 Meadow Road, Kettering, NN16 8TL



Finance Municipal Offices Bowling Green Road Kettering Northants NN15 7QX Tel: 0300 126 3000 www.northnorthants.gov.uk

- 2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
- 3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent in *Note 41* and have disclosed confirm that we have not given any guarantees to third parties.

E. Subsequent Events

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

F. Group audits

- 1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of the statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.
- 2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst parent company, subsidiary undertakings and associated undertakings.

G. Other information

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

H. Contingent Liabilities

- 1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the financial statements).
- 2. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance.

I. Reserves

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

Registered Office: North Northamptonshire Council, Sheerness House, 41 Meadow Road, Kettering, NN16 8TL



Finance Municipal Offices Bowling Green Road Kettering Northants NN15 7QX Tel: 0300 126 3000 www.northnorthants.gov.uk

J. Use of the Work of a Specialist

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

K. Property valuation and Pension Liability Estimate

- 1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
- 2. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete ,including the effects of the COVID-19 pandemic on property and pension valuation and made in accordance with provide a valuation for these assets in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
- 3. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events, including due to the COVID-19 pandemic.

Yours faithfully,

Executive Director of Finance (Section 151 Officer)

Chairman of the Audit & Governance Committee of NNC

Registered Office: North Northamptonshire Council, Sheerness House, 41 Meadow Road, Kettering, NN16 8TL

We take the protection of your data seriously. To see how we use your data and how to exercise your data rights visit: www.northnorthants.gov.uk/privacynotices. If you are concerned for goe days suspect a data breach, please contact the Data Protection Officer. This page is intentionally left blank

Agenda Item 6



Item no: 6

AUDIT AND GOVERNANCE COMMITTEE

8th November 2021

Report Title	Draft Statement of Accounts 2020-2021 Borough Council of Wellingborough		
Report Author	Claire Edwards – Assistant Director of Finance & Accountancy <u>Claire.Edwards@northnorthants.gov.uk</u>		
Contributors/Checkers/Approvers			
North MO			
North S151			
Other Director/SME	N/a N/a		

List of Appendices

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

1. Purpose of Report

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

2. Executive Summary

2.1. This report requires the Committee to approve the draft Statement of Accounts in relation to the Borough Council of Wellingborough for 2020/21.

3. Recommendations

- 3.1. It is recommended that the Committee;
 - a) Approve the draft Statement of Accounts for the financial year 2020/21 for the Borough Council of Wellingborough 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 Borough Council of Wellingborough are delegated to the Councils Executive Director of Finance (s151 Officer), in consultation with the Chair of the Audit & Governance Committee.



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

4. Report Background

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

Borough Council of Wellingborough https://www.wellingborough.gov.uk/downloads/file/9097/statement_of_accounts 2020-21

5. Issues and Choices

- 5.1. The Committee is being requested to approve the draft Statement of Accounts for the Borough Council of Wellingborough and delegate authority for any nonmaterial adjustments to the draft Statement of Accounts to the Councils Executive Director of Finance (s151 Officer), in consultation with the Chair of the Audit & Governance Committee.
- 5.2. It is a statutory requirement for the Council to approve the annual Statement of Accounts and to consider the External Auditors report (Item 4 on this Agenda). In accordance with the Council's constitution the Audit & Governance Committee are required to undertake this function.

6. Implications (including financial implications)

6.1. Resources and Financial

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

6.2. Legal

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



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

6.4. Consultation

6.4.1. None specific to this report.

6.5. Consideration by Scrutiny

6.5.1. Not specific to this report.

6.6. Climate Impact

6.6.1. None specific to this report.

6.7. Community Impact

6.7.1. None specific to this report.

7. Background Papers

7.1. Council Constitution.

This page is intentionally left blank



Making Wellingborough a place to be proud of

Statement of Accounts for the Borough Council of Wellingborough 2020/21 DRAFT



Contents

		Page
Α	Narrative Report by the Section 151 Officer	2
в	Statement of Responsibilities for the Statement of Accounts	18
С	Auditor's Report	19
D	The Accounting Statements	
D1	Expenditure and Funding Analysis	22
D2	Comprehensive Income and Expenditure Statement	23
D3	Movement in Reserves Statement	24
D4	Balance Sheet	25
D5	Cash Flow Statement	26
Е	Notes to the Accounting Statements	27-90
F1	The Collection Fund	91
F2	Notes to the Collection Fund	92-96
G1	Group Accounts	97-102
G2	Notes to the Group Accounting Statements	103-105
н	Glossary of terms	106-112

A Narrative report by the section 151 officer

I am pleased to introduce you to the Borough Council of Wellingborough's 2020/21 Statement of Accounts, which demonstrates how the council has continued to manage its resources effectively in an ongoing environment of financial constraint, producing a significantly better outturn position than the budget that was set in February 2020 thus improving the council's financial sustainability for 2021/22 and beyond.

Any consideration at this time of the council's finances, its risks and opportunities, strategy and objectives, are inevitably overshadowed by two things. The first being the ongoing Covid 19 situation and how local government, public health and other partners working with central government have responded to this to support the local communities through this difficult period and working with local businesses, residents, communities and the voluntary sector on the recovery phase which is likely to take considerable time to get back to a pre-Covid position for everyone affected. The financial consequences of this are still evolving and collaboration between local and central government is key to ensure any shortfall between additional Covid expenditure and funding received is not significant. This is being constantly monitored alongside the required council support and will be reported through the council's relevant committee meetings.

The second area is the approval by the Secretary of State of the reorganisation of local government in Northamptonshire on 14 May 2019 to create two new unitary councils for North and West Northamptonshire. This means that the Borough Council of Wellingborough will cease to exist as a sovereign entity on 31 March 2021 and the new North Northamptonshire Unitary Council will take effect from 1 April 2021. The new authority will deliver all of the services currently provided to residents of Wellingborough, Corby, East Northamptonshire and Kettering as previously provided by these councils and Northamptonshire County Council.

The extended vesting day of 1 April 2021 provided a real opportunity to deliver some significant member priorities and capital investments across the town and the borough and to better support the residents and businesses of Wellingborough until March 2021.

The council is playing a key role in an exciting journey to deliver not only a safe and legal new unitary council but a more efficient one, transforming the way of delivering the key frontline services our residents expect at the quality they expect ensuring our pride objectives are engrained and putting the residents first and foremost.

This does not detract from what has been achieved in the borough during the year. Key achievements include:

- reducing homelessness numbers
- approving the Local Plan
- progressing significant developments across the borough to increase the housing capacity and provide affordable homes
- significant investment in the town centre and the borough and enhancing the public realm

Page 101

• enhancing the leisure offering for residents.

The Code on which this Statement is based requires that, even when arrangements for local government reorganisations are actually in place, councils will still prepare their accounts on the basis that the organisation remains a 'going concern' (see Note 3 on page 48), reflecting the continuity within the structural changes. The rest of this Report, and the Statement of Accounts of which it forms an integral part, have been prepared on this basis.

As the Section 151 Officer I have the responsibility to ensure the accounts are provided in line with the statutory deadlines and are accurate, representing a true and fair financial position for the council. The accounts contain a large amount of financial information which we have tried to keep in a simple understandable format. The accounts aim to provide the reader with the assurance that the council is managing the large amount of public money it is entrusted with carefully and ensures it delivers value for money.

The council set a net budget for 2020/21 of £9.515m with an increase to the average Band D council tax of £5.00. It was not expected that use of reserves would be required. The government's contribution to the council's finances in the form of revenue support grant has been eliminated over the recent years and is set to reduce to zero.

In 2020/21 the revenue budget delivered an overall saving against the revised budget of $\pounds 0.787$ m, but we still needed to use $\pounds 0.189$ m of our reserves to meet the full cost of services. This need to draw money from balances has been removed from the current budget despite government funding reductions and the council's ongoing inflationary and other pressures. A fundamental objective for the council in setting its 2020/21 budget is to meet these financial challenges whilst continuing to maintain and enhance, where possible, the levels of services delivered to its residents, businesses and other stakeholders, using a combination of savings looking at future service delivery, including the potential to work more collaboratively with neighbouring public sector bodies in readiness for the new unitary council.

As the financial statements demonstrate, the financial standing of the council continues to be robust in the current year. We have established good financial management disciplines, processes and procedures and, recognising that we operate in an environment of continuous change, we will pursue our drive for on-going improvement and excellence evidencing the value for money the council tax payers receive from the council's delivered services.

The Statement of Accounts has been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA). It therefore aims to provide information so that members of the public, including electors and residents of Wellingborough, council members, partners, stakeholders and other interested parties can:

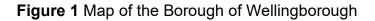
- understand the overarching financial position of the council and the outturn for 2020/21;
- have confidence that the public money with which the council has been entrusted has been used and accounted for in an appropriate manner; and
- be assured that the financial position of the council is sound and secure.

This Narrative Report provides information about the council and its finances; it also provides a summary of the financial position at 31 March 2021 and is structured as follows:

- A general introduction to Wellingborough
- An overview of the council's structure
- Information on Council Tax setting, spending on services and how the financial future is looking
- Long-term assets and capital spending
- Cash balances and investments
- The council's pensions liability
- The layout of the contents of the financial statements
- How to give feedback on the content of the Statement of Accounts

An introduction to Wellingborough

The Borough of Wellingborough is shown in Figure 1 below. It is situated in the eastern half of Northamptonshire, approximately 65 miles from both London and Birmingham and covers an area of 63 square miles. It is located at the most southern tip of the East Midlands Region and, together with Kettering, Corby and East Northamptonshire; it forms part of the area known as North Northamptonshire. Wellingborough has close links with Northampton, Milton Keynes and Bedford.





Wellingborough town, with a population of around 49,000, forms the urban centre of the borough and is surrounded by 19 villages which range in size from Earls Barton (population 5,387) and Irchester (population 4,745) to Hardwick (population 70) and Strixton (population under 50). The total population of the borough at the time of the 2011 Census was 75,356, with approximately 65% living within the town of Wellingborough with the rest living in the rural area. The population grew by 4% from the 2001 Census which is at a lower rate than the national average (7.2%) and surrounding districts.

In terms of ethnicity, the borough has a relatively diverse population and the diversity is increasing. In the 2011 census, approximately 81% of residents described themselves as white british; a reduction from the 88% in the 2001 Census.

Wellingborough town forms the focal point of the local economy. A significant part of retail activity on offer is located within the town centre of Wellingborough, with industrial and commercial development primarily located on several estates at Park Farm, Denington Road, Finedon Road, Ise Valley, Irthlingborough Road and Victoria Business Park on the A45.

Between 2011 and 2020, 1,995 new homes were built in the borough to provide for residents and to create sustainable, inclusive and mixed communities. Of this figure, 1,545 new dwellings (77.4%) were built in the town whilst rural areas had 450 (22.6%). Wellingborough benefits from good road connections and has a number of key transport corridors. The A45 provides an east-west route and leads directly to junctions 15, 15A and 16 of the M1. The A509 provides a north-south route which links via the A14 to the M1, M6 and the east coast ports. Wellingborough's railway station is on the Midland Mainline linking it direct to London, Nottingham, Leicester, Derby and Sheffield. The average journey time to London (St Pancras) is 60 minutes and the station is served by at least two trains per hour.

In 2011, part of the Nene Valley was recognised as being of international importance when it was designated as a Special Protection Area and Ramsar Site for birds under the habitats directive. Sites of Specific Scientific Interest (SSSI) cover only 3.45% of the borough.

The borough has a rich built heritage and evidence of settlements stretching back 2,000 years. 529 buildings have been listed as of special architectural or historic interest and there are 11 scheduled ancient monuments. Much of the historic built environment is of high quality, adding significantly to the character and identity of the area.

Overview of the Council's structure

The Borough Council of Wellingborough had 35 councillors who were elected on 7 May 2015. Elected councillors were responsible for agreeing policies about provision of services and how the council's money was spent. Regular council and committee meetings were held to undertake the decision-making process, as set out in the council's constitution.

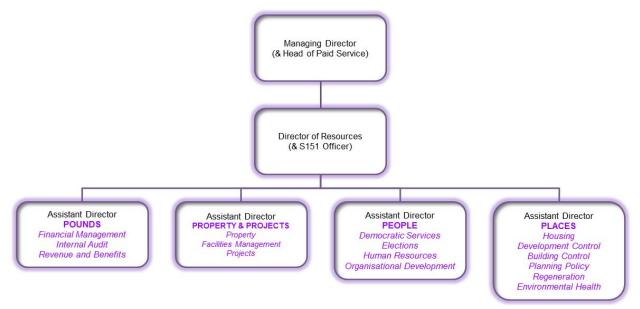
The council operated a scheme that permitted members of the public to address its committees. The public speaking rules for Planning Committee were slightly different to the policy committees. Most reports to committees are publicly available on the council's website. The public may attend committee meetings if they wish to.

Some reports to committees were withheld from publication either because they contained exempt information and/or the discussion of them at the meeting was considered likely to cause exempt information to be disclosed. The public were excluded from the part of the meeting that considered this business. Exempt information typically refers to details about individuals, financial information of third parties, enforcement action, contracts under negotiation and other legal proceedings.

Council Departments

The implementation of council policy and the delivery of services are carried out through the council's operational departments. A new management structure was approved in October 2019, with the objective of establishing leadership arrangements that were both flexible and equally effective at operational service delivery and in the strategic direction of the council.

The full management structure and the respective responsibilities of each department are shown in the following chart.



Delivering our corporate goals

The previous Corporate Plan specified a series of themes within which services would be planned and delivered. These were:

- Promoting high quality growth
- Reducing crime and anti-social behaviour
- Improving life chances for young people
- Delivering efficient and responsive services
- Enhancing the environment

These remained relevant throughout 2020/21. Practical application of these are found in the key projects being delivered by the council and in the initiatives contained in the Efficiency Plan.

Flexible use of capital receipts

As part of the settlement for 2016/17 the then DCLG (Department for Communities and Local Government) offered councils the opportunity to apply capital receipts flexibly to projects that delivered efficiency savings for spending that may typically be revenue in nature. The main tests that the council had to meet to be able to make use of this facility were that an efficiency strategy had to be in place for the year in which the flexible use was proposed and the capital receipts used have to be received within that same year. The availability of a clear efficiency strategy and a continuing success in generating capital receipts has ensured that the council has been able to access this additional flexibility, boosting the range of options available in strategic financial management and benefiting the year end general fund balance by some £434k. This also provides a useful source of funding for the inevitable transformation costs in creating the new unitary council from 2021 and will assist in removing any further pressure on revenue reserves.

Council Tax, spending on services and how the financial future is looking

The council receives income from a range of sources, including direct fees and charges, rents and interest on investments, as well as from Business Rates and Council Tax. A calculation is made every year of exactly how much will be needed from Council Tax and the need to keep any increases to affordable levels is one of the key drivers in setting the overall budget for how much will be spent in each financial year which is formally approved by council every year in February.

The Council Tax Base is the total number of properties in the council's area that are subject to Council Tax, expressed as a number of 'Band D Equivalents' (e.g. a Band A property counts as only part of a 'Band D' equivalent, while a Band H property is equivalent to two). The number of Band D equivalents grew by 356 (or 1.42%) between 2019/20 and 2020/21 and this is a valuable contribution to the council's income.

The numbers for the three most recent years are as follows.

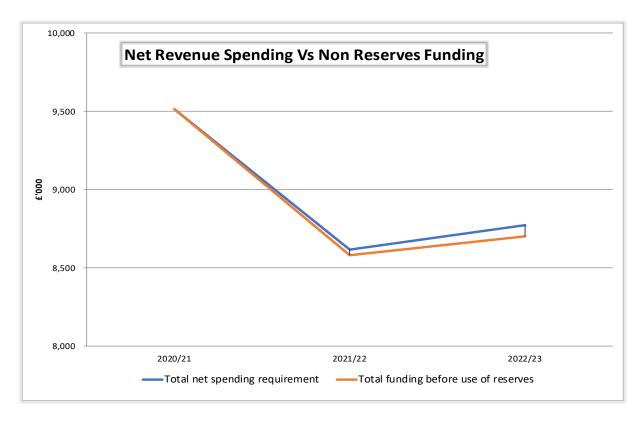
			2020/21
Number of Band D Equivalent	24,492	25,113	25,469

In considering whether or not to increase the basic level of Council Tax in 2020/21 the council again sought to balance the need to maintain service levels and standards with that to keep any change as affordable as possible. The outcome was to increase the average Band D Council Tax by £5, from £115.54 to £120.54 (excluding parish precepts and special expenses). Around 90% of the Council Tax which is raised in the borough does not come to this council, but is money collected to meet the demands set by the County Council and by the Police, Fire and Crime Commissioner.

	2018/19		2019/20		2020/21	
	£	%	£	%	£	%
Borough Council of Wellingborough*	168.43	10.4%	174.95	10.2%	184.02	10.3%
Northamptonshire Police and Crime Commissioner	221.04	13.6%	305.80	17.8%	317.01	17.7%
Northamptonshire County Council	1,236.35	76.0%	1,236.10	72.0%	1,285.42	72.0%
	1,625.82	100.0%	1,716.85	100.0%	1,786.45	100.0%

Taking into account other funding changes and underlying pressures on the council's budget, the overall result was no requirement for the use of reserves in order to finance the 2020/21 budget. Beyond that it's expected without further savings or income growth, there will be continuing demands on reserves over the following years. The position is shown in the table below.

	2020/21 £'000	2021/22 £'000	2022/23 £'000
Base Budget Pressures (eg inflation, additional service	10,617	9,515	8,619
demands)	586	312	156
Identified savings	-1,688	-1,208	-
	9,515	8,619	8,775
Central Government Grants	-227	-	-
Business Rates funding	-3,811	-3,532	-3,601
New Homes Bonus	-932	-270	-84
Council Tax Income	-4,545	-4,780	-5,019
	-9,515	-8,582	-8,704
Planned use of Earmarked Reserves	-	-	-
Planned use of General Fund Reserves	-	-37	-71



The ongoing need to use reserves is illustrated in the following graph.

During the year the actual use of reserves was less than budgeted due to a combination of further savings in year and a variation in the level of income received, including that from Business Rates. This means that the final outturn resulted in a return of £787k to the general fund reserves.

Budget and outturn figures are shown below.

	Original Budget 2020/21	Revised or Profiled Budget 2020/21	Actual Expenditure to 31st March 2021	Variance at Period 13
	£'000	£'000	£'000	£'000
Environmental & Health Protection	692	700	802	102
Property & Projects	453	448	457	9
Planning & Building Control	236	243	273	30
Environmental Services	3,611	3,604	4,237	633
Organisational Development	175	177	151	-26
Democratic Services	784	801	692	-109
Operational Property	638	570	606	36
Investment Property	-1,929	-1,918	-1,980	-62
Information Technology Shared Service	995	1,029	1,084	55
District Law Shared Service	164	164	157	-7
Community Support	1,270	1,372	1,538	166
Housing	425	608	872	264
Accountancy	697	700	704	4
Internal Audit	61	61	59	-2
Revenues & Benefits - Operational	405	418	206	-212
Revenues & Benefits - Benefits Subsidy	367	367	315	-52
Other Income & Expenditure	-721	-833	-653	180
Corporate Management	617	618	-341	-959
Parish Precepts	575	575	695	120
Service Income and Expenditure	9,515	9,704	9,874	170
Government Funding	-227	-227	-378	-151
Business rates	-2,441	-6,781	-7,480	-699
Section 31 Grant	-1,370	-1,370	-1,357	13
Council Tax	-4,545	-4,545	-4,665	-120
New Homes Bonus	-932	-932	-932	-
Use of General Fund Reserves	-	-	787	787
Ear Marked Reserves		4,151	4,151	-
2020/21 funding	-9,515	-9,704	-9,874	-170
Net Position	-	-	-	-

Gross expenditure on services was \pounds 52.616m, offset by service income of \pounds 42.742m, giving the net amount of \pounds 9.874m shown above. The breakdown by type of expenditure, as amounts and as a proportion of the total, is shown in the table and graph below.

	2019/20	2020/21
	£'000	£'000
Employee Costs	6,287	7,127
Premises Costs	1,038	914
Transport	78	48
Supplies & Services	9,890	29,092
Housing Benefit payments	16,832	15,435
	34,125	52,616
Service Income	-24,145	-42,742
Amount met from use of reserves, Business Rates, Council		
Tax & General Grants	9,980	9,874

The amount that is shown in the Comprehensive Income and Expenditure Account (CIES) (page 23) as the 'Cost of Services' for the year is £14.908m. The reason that this is higher than the £9.874m shown above is because the figure in the CIES includes other amounts such as depreciation and the impact of some property valuation changes.

These other items are included because the council has to follow International Financial Reporting Standards in producing its accounts and these require the CIES to be prepared on the same basis as other organisations, including those in the private sector. However, it is important that charges such as depreciation do not affect Council Tax levels, and so statutory regulations require these to be reversed back out again before determining the overall effect on the council's General Fund. The table below shows how the 'Cost of Services' figure of £14.908m reconciles to the actual use of earmarked reserves of £5.374m.

	£'000
Cost of Services (see CIES)*	14,908
Corporate Items:	
Other Operating Expenditure (see CIES & Note 11)*	492
Financing and Investment Income & Expenditure (see CIES & Note 12)*	-554
Council Tax, Business Rates and General Grant Income (see CIES & Note 13)*	-11,174
Surplus on the provision of services (see CIES)	3,672
Accounting Adjustments (see Note 9 & Movement In Reserves	4 700
Statement (MIRS))	1,702
Net Movement in General Fund Reserves (see MIRS)	5,374

* Lines marked with asterisk all include items that are subject to accounting adjustments

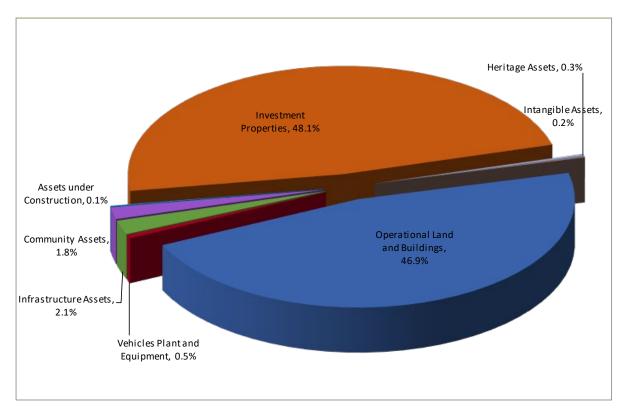
Earmarked reserves are held both to cover the potential consequences of specific risks and to provide financing for future expenditure on particular service areas or projects. As such, they form a key part of both the financial planning for particular services and eventualities and the overall financial management of the council. The table below shows total Earmarked Reserves at the beginnings and ends of each of the last two financial years, together with the General Fund balance.

Reserves	Balance 31st March 2019 £'000	Transfers in 2019/20 £'000	Transfers out 2019/20 £'000	Balance 31st March 2020 £'000	Transfers in 2020/21 £'000	Transfers out 2020/21 £'000	Balance 31st March 2021 £'000
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Earmarked Reserves General	-2,575	-270	670	-2,175	-4,466	315	-6,326
Fund	-3,155	-	-	-3,155	-787	-	-3,942
	-5,730	-270	670	-5,330	-5,253	315	-10,268

Further detail of the individual Earmarked Reserves is shown in Note 10.

The council is also required to keep a number of other reserves for technical accounting reasons, which although large in value are not related to actual cash sums and so are not available to support future expenditure and are therefore referred to in the Statement of Accounts as 'Unusable Reserves'. Examples of such reserves are the Capital Adjustment Account, the Revaluation Reserve, and the Pension Reserve. Further detail of all of these and the other Unusable Reserves and the reasons for maintaining them are shown in Note 25.

Long-term assets and capital spending



This chart above shows the various categories of land and buildings that the council owns, together with other items of plant and equipment, the value of these assets at 31 March 2021 was £101.718m. Most of this is made up of Operational Land and Buildings (£47.686m), which are used directly in the delivery of the council's services and investment properties (£49.014m), which are held primarily to generate income and which make a significant contribution to the council's finances.

Operational land and buildings are revalued under a five-year rolling programme. Investment properties are revalued at the 31 March each year and for 2020/21 showed an overall rise in value of £1.009m reflecting the prevailing market conditions.

In addition to valuation movements, the council invested in a range of capital projects, with the largest elements being circa £1.918m spent on purchasing properties and refurbishing properties to mitigate the council's temporary accommodation and reduce costs as well as significant investment of circa £5.803m into the redevelopment of the town centre and improvements to leisure across the Borough. In addition to spending on its own assets, the council also supplied in excess of £654k of finance in financial assistance for capital projects, such as Disabled Facilities Grants, to other organisations and individuals. The combined total capital spending was £10.348m and this was financed using a combination of Capital Receipts (\pm 9.432m) and grants and contributions received of (\pm 0.916m).

Cash balances and investments

The various reserves held by the council represent a substantial overall cash balance. This results in day-to-day transactions either paid to or by the council, and amounts owed by the council (creditors) and to the council (debtors – including amounts owed by Council Tax and Business Rate payers). This cash balance is in turn managed to provide the best available return in interest and other investment income, although this must be done within the limits imposed by a careful assessment of the risks involved.

The council's investing activities are carefully managed and the types of investment that can be entered into are set out in the Annual Treasury Management Policy. This policy is set according to strict national guidelines and for example, restricts the level of individual investment with any one organisation, in order to spread the risk of who we invest with, and restricts us to using only institutions based in the UK. In 2020/21 we received £222k of interest or an average 0.6% return on our investments. This is in line with other public and private sector institutions and reflects the continuing low level of the interest rates available. At the end of the year we had short term investments of £4m invested in banks and building societies, which is a decrease of £25m compared with £29m in 2019/20. Of this, all investments held at the year-end are due to mature in the next 12 months.

The council's Treasury Management Strategy for the year restated the aim of the authority remaining debt free, and no money was borrowed in 2020/21. Further information on the way the council invests its monies, and manages the risks arising, are set out in Note 40.

The Council's pensions liability

The council's employees are able to join the Local Government Pension Scheme. This is administered by Northamptonshire County Council. The Pension Fund pays the pensions of council employees upon retirement and receives contributions from current employees together with an employer's contribution from the council. Every three years the fund's actuary assesses how much money is in the fund and whether this is sufficient to meet the potential call from staff as they retire at a future date.

The net amount chargeable to the General Fund is that payable for the year in accordance with the statutory requirements governing the Pension Fund. Where this amount does not match the amount charged to the Comprehensive Income and Expenditure Statement any difference is transferred to the pension reserve on the Balance Sheet via the Movement in Reserves Statement, i.e. it is one of the accounting adjustments referred to previously.

There are a range of factors that can affect the financial position of the fund, including:

- life expectancies,
- the level of income expected to be earned from investing funds, and
- future levels of inflation,

with all of these being projected over 20 years into the future.

The complexity and long-term nature of the assumptions that must be made and the large amounts involved, mean that the council's projected pension liability is very sensitive to any changes in underlying conditions and expectations, so the numbers shown in the Balance Sheet can show significant change from year to year. During 2020/21 the council's estimated net pension liability increased by £4.440m, from £30.939m to £35.379m, as detailed in Note 25d and 38.

This is a notional amount as the liability relates to a long-term commitment and would only be due if all circumstances remained as they are from now up to when the current contributors retire and the authority did not seek to address the matter. In reality circumstances will vary in this time, with a particular example being that expected rates of return on the scheme's investments are likely to improve over time, while other factors, such as time in the scheme and levels of contributions will change. Further information on the council's pension fund is set out in Note 38.

The layout of contents of the financial statements

The Statement of Accounts contains a number of different elements and a brief explanation of each of these is set out below.

The Statement of Responsibilities for the Statement of Accounts (page 18) sets out the respective responsibilities of council and the Section 151 Officer.

The Auditor's Report (page 19) gives the Auditor's opinion on the Statement of Accounts and on the council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

The Expenditure & Funding Analysis and the Core Financial Statements

The *Expenditure Funding Analysis* (page 22) shows how annual expenditure is used and funded from resources (government grants, rent, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. Although not formally classed as one of the Core Financial Statements, it is a key part of the Statement of Accounts and so is presented together with them.

The **Comprehensive Income and Expenditure Statement** (page 23) shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation, which can be seen in the Movement in Reserves Statement. Authorities raise taxation to cover expenditure in accordance with regulations: this may vary from the accounting cost.

The *Movement in Reserves Statement* (page 24) shows the movement in year on the different reserves held by the council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund balance for Council Tax setting purposes. The amount for the General Fund Balance includes both the general unallocated balance and Earmarked Reserves which are held for specific purposes. Further detail on the amount of each is shown in Note 10.

The **Balance Sheet** (page 25) shows the value as at the Balance Sheet date of the assets and liabilities recognised by the council. The net assets of the council (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories. Firstly, usable reserves, i.e. those reserves that the council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category is those that the council is not able to use to provide services. This category includes reserves that hold unrealised gains or losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

The **Cash Flow Statement** (page 26) shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the council are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash flows have been made for resources that are intended to contribute to the council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the council.

Supplementary Financial Statement

The **Collection Fund** (page 91) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority (Borough Council of Wellingborough) in relation to the collection from taxpayers and distribution to local authorities and the government of council tax and non-domestic rates.

Disclosure Notes

The Core Financial statements, Collection Fund and Group Accounts are each supported by detailed and comprehensive Disclosure Notes (pages 27 to 90 respectively), which provide further information designed to explain the key figures and to enable the reader a fuller interpretation of the accounts.

The Annual Governance Statement (AGS)

Statutory regulations require the council to conduct a review at least once in a year of the effectiveness of its system of internal control. The review of internal controls or internal financial controls provides assurance that the Statement of Accounts gives a true and fair view of the council's financial position at the reporting date and its financial performance during the year.

The preparation and publication of the council's AGS is carried out in accordance with 'Delivering Good Governance in Local Government' published by CIPFA and SOLACE. This fulfils the council's statutory requirement to conduct a review at least once in each financial year of the effectiveness of its system of internal control. The statement relates to the governance system as it applied during the 2020/21 financial year and accompanies the statement of accounts as required by the 2015 Accounts and Audit (England) Regulations state in Regulation 4(4). However, (where applicable) significant events or developments relating to the governance system that occur between the reporting date and the date on which the Statement of Accounts is signed by the Section 151 Officer are also reported.

How can you give us your feedback on the content of these accounts?

The Statement of Accounts is intended to give the people, businesses, partners, employees and members of Wellingborough clear information about the council's finances. Whilst accounts have to include large elements of technical data to comply with Accounting Standards, we believe that it is vital that we make it as easy as possible for people to read regardless of their background.

Further information about the accounts is available from the Finance Manager, Swanspool House, Doddington Road, Wellingborough, NN8 1BP, or via email <u>accountancy.bcw@northnorthants.gov.uk</u>.

The full Statement of Accounts is available on the council website. Interested members of the public have a statutory right, for a period of 30 working days, to inspect the accounts before the audit is completed, as well as to put questions to the council's auditor and/or lodge any formal objection to the accounts. As has been publicly advertised, for 2020/21 this period begins on 31 August 2021 and ends on 11 October 2021.

Concluding remarks

I would like to take the opportunity to thank all the staff who contributed to the timely completion of the Statement of Accounts.

Janice Gotts Executive Director of Finance and Section 151 Officer

B Statement of responsibilities for the statement of accounts

The Council's Responsibilities The council is required to:

> make arrangements for the proper administration of its financial affairs and to secure

that one of its officers has the responsibility for the administration of those affairs. In

this council that officer is Janice Gotts (Section 151 Officer);

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

The Section 151 Officer's Responsibility

The Section 151 Officer is responsible for the preparation of the council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code). In preparing this Statement of Accounts, the Section 151 Officer has:

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

The Section 151 Officer has also:

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

Certification and Approval

I certify that this Statement of Accounts shows the true and fair position of the council at the reporting date and of its income and expenditure for the year ended 31 March 2021.

Janice Gotts

gance gotts.

Executive Director of Finance and Section 151 Officer Date: 23rd August 2021

I confirm that these audited accounts were approved by the Audit Committee at the meeting held on

Cllr Andrew Weatherill

Chair of Audit Committee Date: TBC

C Auditor's report

Pages left intentionally blank - report to follow

Page 119 Making Wellingborough a place to be proud of

D1 Expenditure and funding analysis

This Analysis shows how annual expenditure is used and funded from resources (government grants, rent, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. Although not formally classed as one of the Core Financial Statements, it is a key part of the Statement of Accounts and so is presented together with them.

ure Ble to General Fund Balances in the Funding and Accounting Basis (Note 7) in the Comprehen sive income and Expenditure Statement in the Comprehen and Expenditure in the Comprehen and Expenditure in the Comprehen and Expenditure in the Comprehen and Expenditure in the Comprehen and Expenditure in the Comprehen and Expenditure in the Comprehen Statement £'000 £'00		2019/20				2020/21	
1,378 115 1,493 Community Support Environmental & Health Protection 1,537 7 1,544 613 -20 593 Protection 802 -39 765 642 579 1,221 Housing 837 591 1,424 673 692 1,365 Development 766 706 1,472 4,469 327 4,796 Environmental Services 4,237 296 4,533 0204 -4 200 Development 151 -3 144 639 -8 631 Democratic Services 692 -16 677 780 138 918 Operational Property 604 670 1,277 1,132 - 1,132 Shared Services 1,241 311 1,557 513 -9 504 Accountancy & Audit -87 -11 -98 691 -25 666 Revenues & Benefits 521 -48 477 1,083 -345 738 Expenditure 1,085 -575 510 <th>Expendit ure Chargea ble to General Fund Balances</th> <th>nts Between the Funding and Accounti ng Basis (Note 7)</th> <th>Expenditure in the Comprehen sive Income and Expenditure Statement</th> <th></th> <th>Expendit ure Chargeab le to General Fund Balances</th> <th>nts Between the Funding and Accounti ng Basis (Note 7)</th> <th>Expenditure in the Comprehen sive Income and Expenditure Statement</th>	Expendit ure Chargea ble to General Fund Balances	nts Between the Funding and Accounti ng Basis (Note 7)	Expenditure in the Comprehen sive Income and Expenditure Statement		Expendit ure Chargeab le to General Fund Balances	nts Between the Funding and Accounti ng Basis (Note 7)	Expenditure in the Comprehen sive Income and Expenditure Statement
613 -20 593 Environmental & Health Protection 802 -39 763 642 579 1,221 Housing Planning & Local Development 837 591 1,424 673 692 1,365 Development 766 706 1,472 4,469 327 4,796 Environmental Services 4,237 296 4,533 204 -4 200 Development 151 -3 144 639 -8 631 Democratic Services 692 -16 677 1,132 - 1,132 Shared Services 1,241 311 1,557 513 -9 504 Accountancy & Audit -87 -11 -94 691 -25 666 Revenues & Benefits 521 -48 477 270 244 514 Corporate Income & Expenditure 511 122 633 -1,083 -345 738 Expenditure 1,085 -575 510 -1,240 1,405 - Depreciation & Other -1,517 1,517 </th <th></th> <th></th> <th></th> <th></th> <th></th> <th></th> <th></th>							
642 579 1,221 Housing Planning & Local Development 837 591 1,424 673 692 1,365 Development 766 706 1,477 4,469 327 4,796 Environmental Services Organisation 4,237 296 4,537 204 -4 200 Development 151 -3 144 639 -8 631 Democratic Services 692 -16 670 780 138 918 Operational Property 604 670 1,274 1,132 - 1,132 Shared Services 1,241 311 1,557 513 -9 504 Accountancy & Audit -87 -11 -98 691 -25 666 Revenues & Benefits 521 -48 477 270 244 514 Corporate Income & Expenditure 1,085 -575 510 -1,405 1,405 - Depreciation & Other -1,517 1,517 -1,405 1,405 - Depreciation & Other -16,318 5,082	1,378	115	1,493		1,537	7	1,544
673 692 1,365 Development 766 706 1,472 4,469 327 4,796 Environmental Services 4,237 296 4,533 204 -4 200 Development 151 -3 144 639 -8 631 Democratic Services 692 -16 670 780 138 918 Operational Property 604 670 1,274 1,132 - 1,132 Shared Services 1,241 311 1,552 513 -9 504 Accountancy & Audit -87 -111 -96 691 -25 666 Revenues & Benefits 521 -448 477 270 244 514 Corporate Management 511 122 633 1,083 -345 738 Expenditure 1,085 -575 510 -1405 1,405 - Depreciation & Other -1,517 1,517 1,1682 3,089 14,771 Net Cost Of Services 11,380 3,528 14,904	613	-20	593	Protection	802	-39	763
4,469 327 4,796 Environmental Services Organisation 4,237 296 4,537 204 -4 200 Development 151 -3 144 639 -8 631 Democratic Services 692 -16 677 780 138 918 Operational Property 604 670 1,274 1,132 - 1,132 Shared Services 1,241 311 1,557 513 -9 504 Accountancy & Audit -87 -11 -96 691 -25 666 Revenues & Benefits 521 -48 477 270 244 514 Corporate Management 511 122 633 1,083 -345 738 Expenditure 1,085 -575 510 -1,405 1,405 - Depreciation & Other -1,517 1,517 1,082 3,089 14,771 Net Cost Of Services 0ther Income and -16,318 5,082 -11,230 -11,282 -3,797 -15,079 Surplus(-) or Deficit -4,938	-	579	1,221	Planning & Local	837		1,428
204 -4 200 Organisation Development 151 -3 144 639 -8 631 Democratic Services 692 -16 670 780 138 918 Operational Property 604 670 1,274 1,132 - 1,132 Shared Services 1,241 311 1,557 513 -9 504 Accountancy & Audit -87 -11 -98 691 -25 666 Revenues & Benefits 521 -48 473 270 244 514 Corporate Management Corporate Income & Expenditure 1,085 -575 510 -1,083 -345 738 Expenditure 1,085 -575 510 -1405 1,405 - Depreciation & Other -1,517 1,517 -11,282 -3,797 -15,079 Net Cost Of Services Other Income and Expenditure -16,318 5,082 -11,230 -5,730 -5,730 Surplus(-) or Deficit Opening General Fund Balance -5,330 <td></td> <td></td> <td>,</td> <td></td> <td></td> <td></td> <td>1,472</td>			,				1,472
639 -8 631 Democratic Services 692 -16 670 780 138 918 Operational Property 604 670 1,274 1,132 - 1,132 Shared Services 1,241 311 1,552 513 -9 504 Accountancy & Audit -87 -11 -98 691 -25 666 Revenues & Benefits 521 -48 473 270 244 514 Corporate Management 511 122 633 1,083 -345 738 Expenditure 1,085 -575 510 -1,405 1,405 - Depreciation & Other -1,517 1,517 11,682 3,089 14,771 Net Cost Of Services 11,380 3,528 14,908 -11,282 -3,797 -15,079 Other Income and Expenditure -16,318 5,082 -11,230 400 -708 -308 Surplus(-) or Deficit -4,938 8,610 3,672	4,469	327			4,237	296	4,533
780 138 918 Operational Property 604 670 1,274 1,132 - 1,132 Shared Services 1,241 311 1,552 513 -9 504 Accountancy & Audit -87 -11 -94 691 -25 666 Revenues & Benefits 521 -48 473 270 244 514 Corporate Management 511 122 633 1,083 -345 738 Expenditure 1,085 -575 516 -1,405 1,405 - Depreciation & Other -1,517 1,517 -1,682 3,089 14,771 Net Cost Of Services 11,380 3,528 14,908 -11,282 -3,797 -15,079 Expenditure -16,318 5,082 -11,230 400 -708 -308 Surplus(-) or Deficit -4,938 8,610 3,672 -5,730 -5,730 -5,330 -5,330 -5,330 -5,330 -5,330 400 -5,330 -4,938 -4,938 -4,938 -4,938 <td< td=""><td></td><td>-</td><td></td><td></td><td></td><td></td><td>148</td></td<>		-					148
1,132 - 1,132 Shared Services 1,241 311 1,552 513 -9 504 Accountancy & Audit -87 -11 -94 691 -25 666 Revenues & Benefits 521 -48 473 270 244 514 Corporate Management 511 122 633 1,083 -345 738 Expenditure 1,085 -575 510 -1,405 1,405 - Depreciation & Other -1,517 1,517 11,682 3,089 14,771 Net Cost Of Services 0ther Income and -16,318 5,082 -11,230 -11,282 -3,797 -15,079 Expenditure -16,318 5,082 -11,230 400 -708 -308 Surplus(-) or Deficit -4,938 8,610 3,672 0pening General Fund Balance -5,330 -5,330 -5,330 -5,330 400 -5,330 Surplus(-) or Deficit on -4,938 -4,938 -4,938		-					676
513 -9 504 Accountancy & Audit -87 -11 -94 691 -25 666 Revenues & Benefits 521 -48 473 270 244 514 Corporate Management Corporate Income & Expenditure 511 122 633 1,083 -345 738 Expenditure 1,085 -575 510 -1,405 1,405 - Depreciation & Other -1,517 1,517 11,682 3,089 14,771 Net Cost Of Services 11,380 3,528 14,900 -11,282 -3,797 -15,079 Expenditure -16,318 5,082 -11,230 400 -708 -308 Surplus(-) or Deficit -4,938 8,610 3,672 -5,730 -5,730 -5,330 Surplus(-) or Deficit on General Fund in Year -4,938 -4,938	780	138	918	Operational Property	604	670	1,274
691 25 666 Revenues & Benefits 521 -48 473 270 244 514 Corporate Management 511 122 633 1,083 -345 738 Expenditure 1,085 -575 510 -1,405 1,405 - Depreciation & Other -1,517 1,517 11,682 3,089 14,771 Net Cost Of Services 11,380 3,528 14,900 -11,282 -3,797 -15,079 Expenditure -16,318 5,082 -11,230 400 -708 -308 Surplus(-) or Deficit -4,938 8,610 3,672 400 -63,730 -5,730 Surplus(-) or Deficit on General Fund Balance -5,330 -5,330 400 -100 -100 General Fund in Year -4,938 -4,938	1,132	-	1,132	Shared Services	1,241	311	1,552
270 244 514 Corporate Management Corporate Income & Expenditure 511 122 633 1,083 -345 738 Expenditure 1,085 -575 510 -1,405 1,405 - Depreciation & Other -1,517 1,517 11,682 3,089 14,771 Net Cost Of Services 11,380 3,528 14,908 -11,282 -3,797 -15,079 Expenditure -16,318 5,082 -11,230 400 -708 -308 Surplus(-) or Deficit -4,938 8,610 3,672 400 -5,730 -5730 Surplus(-) or Deficit on General Fund in Year -4,938 -4,938	513	-9	504	Accountancy & Audit	-87	-11	-98
1,083 -345 738 Corporate Income & Expenditure 1,085 -575 510 -1,405 1,405 - Depreciation & Other -1,517 1,517 11,682 3,089 14,771 Net Cost Of Services 11,380 3,528 14,908 -11,282 -3,797 -15,079 Expenditure -16,318 5,082 -11,230 400 -708 -308 Surplus(-) or Deficit -4,938 8,610 3,672 -5,730 -5,730 -5,330 Surplus(-) or Deficit on General Fund in Year -4,938 -4,938	691	-25	666	Revenues & Benefits	521	-48	473
1,083 -345 738 Expenditure 1,085 -575 510 -1,405 1,405 - Depreciation & Other -1,517 1,517 1 11,682 3,089 14,771 Net Cost Of Services 11,380 3,528 14,908 -11,282 -3,797 -15,079 Expenditure -16,318 5,082 -11,230 400 -708 -308 Surplus(-) or Deficit -4,938 8,610 3,672 -5,730 -5,730 -5,330 Surplus(-) or Deficit on General Fund in Year -4,938 -4,938	270	244	514		511	122	633
11,682 3,089 14,771 Net Cost Of Services 11,380 3,528 14,908 -11,282 -3,797 -15,079 Other Income and Expenditure -16,318 5,082 -11,236 400 -708 -308 Surplus(-) or Deficit -4,938 8,610 3,672 -5,730 -5,730 Surplus(-) or Deficit on General Fund in Year -5,330 -5,330	1,083	-345	738		1,085	-575	510
-11,282 -3,797 -15,079 Other Income and Expenditure -16,318 5,082 -11,230 400 -708 -308 Surplus(-) or Deficit -4,938 8,610 3,672 -5,730 -5,730 Surplus(-) or Deficit on General Fund in Year -5,330 -5,330 -5,330	-1,405	1,405	-	Depreciation & Other	-1,517	1,517	-
-11,282 -3,797 -15,079 Expenditure -16,318 5,082 -11,230 400 -708 -308 Surplus(-) or Deficit -4,938 8,610 3,672 -5,730 -5,730 -10,318 5,082 -11,230 400 -708 -308 Surplus(-) or Deficit -4,938 8,610 3,672 -5,730 -5,730 -5,330 Surplus(-) or Deficit on -5,330	11,682	3,089	14,771	Net Cost Of Services	11,380	3,528	14,908
-5,730Opening General Fund Balance-5,330400Surplus(-) or Deficit on General Fund in Year-4,938	-11,282	-3,797	-15,079		-16,318	5,082	-11,236
-5,730Balance-5,330Surplus(-) or Deficit on-4,938	400	-708	-308	Surplus(-) or Deficit	-4,938	8,610	3,672
400 General Fund in Year -4,938	-5,730			Balance	-5,330		
LOOSHO GENERAL FUND	400			General Fund in Year	-4,938		
-5,330 Balance -10,268	-5,330	<u>_</u>			-10,268		

D2 Comprehensive income and expenditure statement

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

	2019/20				2020/21	1
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
1,591	-98	1,493	Community Support	1,597	-53	1,544
784	-191	593	Environmental & Health Protection	1,006	-243	763
2,021	-800	1,221	Housing	2,175	-243	1,428
2,021	-817	1,365	Planning & Local Development	2,175	-944	1,472
6,072	-1,276	4,796	Environmental Services	5,938	-1,405	4,533
208	-8	200	Organisation Development	156	-8	148
660	-29	631	Democratic Services	923	-247	676
1,041	-123	918	Operational Property	1,398	-124	1,274
1,132	-	1,132	Shared Services	1,558	-6	1,552
551	-47	504	Accountancy & Audit	19,514	-19,612	-98
17,838	-17,172	666	Revenues & Benefits	16,557	-16,084	473
549	-35	514	Corporate Management	800	-167	633
			Corporate Income &			
1,076	-338	738	Expenditure	510	-	510
35,705	-20,934	14,771	Cost Of Services	54,548	-39,640	14,908
615	-1,074	-459	Other Operating Expenditure (Note 11)	971	-479	492
901 7,719	-3,915 -19,325	-3,014 -11,606	Financing and Investment Income and Expenditure (Note 12) Taxation and Non-Specific Grant Income and Expenditure (Note 13)	4,339 12,727	-4,893 -23,901	-554 -11,174
1,110	10,020	-308	Surplus(-) or Deficit on Provision of Services	12,121	20,001	3,672
		-4,749	Other Comprehensive Income and Expenditure: Surplus(-) or Deficit on revaluation of property, plant and equipment assets (Note 25a)			-2,813
64		64	Surplus(-) or Deficit on revaluation of available for sale financial assets (Note 25b)			-12
-7,140		-7,140	Actuarial Gains(-) or Losses on Pension Assets and Liabilities (Note 25d)			4,527
-11,825		-11,825	Total Other Comprehensive Income and Expenditure			1,702
-		-12,133	Total Comprehensive Income and Expenditure			5,374

D3 Movement in reserves statement

This Statement shows the movement from the start of the year to the end on the different reserves held by the council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'. Useable reserves include the Capital Receipts Reserve which holds the balance of receipts from disposals of assets. Unusable Reserves hold unrealised gains or losses (for example the Revaluation Reserve) where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between Accounting Basis and Funding Basis under Regulations".

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

Movement in Reserves Statement 2020/21	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Amount as per Balance Sheet at 31st March 2020 brought forward	-5,330	-25,025	-534	-30,889	-64,968	-95,857
Movement in Reserves during 2020/21						
Total Comprehensive Income and Expenditure	3,672	-	-	3,672	1,702	5,374
Adjustments between accounting basis and funding basis under regulations (Note9)	-8,610	7,250	-207	-1,567	1,567	-
Increase(-)/Decrease in 2020/21	-4,938	7,250	-207	2,105	3,269	5,374
Amount as per Balance Sheet at 31st March 2021 carried forward	-10,268	-17,775	-741	-28,784	-61,699	-90,483

Movement in Reserves Statement 2019/20	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Amount as per Balance Sheet at 31st March 2019 brought forward	-5,730	-28,674	-433	-34,837	-48,887	-83,724
Movement in Reserves during 2019/20						
Total Comprehensive Income and Expenditure	-308	-	-	-308	-11,825	-12,133
Adjustments between accounting basis and funding basis under regulations (Note9)	708	3,649	-101	4,256	-4,256	-
Increase(-)/Decrease in 2019/20	400	3,649	-101	3,948	-16,081	-12,133
Amount as per Balance Sheet at 31st March 2020 carried forward	-5,330	-25,025	-534	-30,889	-64,968	-95,857

D4 Balance sheet

The Balance Sheet shows the value of the council's assets and liabilities as at the 31 March. The net assets of the council (assets less liabilities) are matched by the reserves held by the council. Reserves are reported in two categories.

The first category of reserves are usable reserves, i.e. those reserves that the council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example, the Capital Receipts Reserve that may be used to fund capital expenditure or to repay debt).

The second category of reserves are unusable reserves, that hold unrealised gains or losses (for example the Revaluation Reserve) where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting and funding basis under regulations".

31st March 2020 £'000		Notes	31st March 2021 £'000
43,856	Property, Plant and Equipment	14	52,226
277	Heritage Assets	15	277
51,390	Investment Property	16	49,014
136	Intangible Assets	17	200
226	Long Term Investments	18a	238
-	Long Term Debtors	18a	-
95,885	Long Term Assets		101,955
29,000	Short Term Investments	18a	4,000
6	Inventories		12
8,976	Short Term Debtors	19	16,876
5,125	Cash and Cash Equivalents	20	20,875
43,107	Current Assets		41,763
-5,461	Short Term Creditors	22	-12,127
-5,944	Grants Receipts in Advance	32	-5,044
-11,405	Current Liabilities		-17,171
-791	Provisions	23	-685
-30,939	Pension Liability	38	-35,379
-31,730	Long Term Liabilities		-36,064
95,857	Net Assets		90,483
-30,889	Usable Reserves	MIRS	-28,784
-64,968	Unusable Reserves	25	-61,699
-95,857	Total Reserves		-90,483

D5 Cashflow statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the council during the reporting period. The statement shows how the council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The amount of net cash flows arising from operating activities (see Note 26) is a key indicator of the extent to which the operations of the council are funded by way of taxation and grant income or from the recipients of services provided by the council.

Investing activities (see Note 27) represent the extent to which cash flows have been made for resources that are intended to contribute to the council's future service delivery.

Financing activities (see Note 28) are activities that result in changes to amounts of principal that will be received from external providers of finance. The council is debt free and has now repaid the last of its outstanding finance lease liabilities. This means that the only entries under this heading are technical items relating to the agency status of the cash flows from the Collection Fund in respect of Council Tax and Business Rates.

This consolidated statement summarises the inflows and outflows of revenue and capital cash arising from transactions with third parties. These are further detailed in Notes 26–28.

2019/20 £'000		2020/21 £'000
-308	Net (surplus) or deficit on the provision of services	3,672
-4,517	Adjustments to net surplus or deficit on the provision of services for non cash movements	-10,387
1,069	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	1,122
-3,756	Net cash flows from Operating Activities (Note 26)	-5,593
11,777	Investing Activities (Note 27)	-18,304
227	Financing Activities (Note 28)	8,147
8,248	Net (increase) or decrease in cash and cash equivalents	-15,750
-13,373	Cash and cash equivalents at the beginning of the reporting period	-5,125
-5,125	Cash and cash equivalents at the end of the reporting period (Note 20)	-20,875
	-	

E Notes to the accounting statements

1 Statement of Accounting Policies

The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) and the accounting policies set out at Note 1. The notes to the core financial statements that follow set out supplementary information to assist readers of the accounts.

1.1 General Principles

The Statement of Accounts summarises the council's transactions for the 2020/21 financial year and its financial position at 31 March 2021. The council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015. Those regulations require that they be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code") supported by International Financial Reporting Standards (IFRS).

The Code specifies the principles and practices of accounting required to give a "true and fair" view of the financial position and transactions of a local authority, including group financial statements where a local authority has material interests in subsidiaries, associates or joint ventures.

The accounts are disclosed in accordance with the historic cost convention except for most non-current assets and investments and other financial assets that are disclosed in accordance with other requirements in the Code, such as fair value.

1.2 Accruals of Income and Expenditure

Activity on items of income and expenditure are accounted for in the year it takes place, not simply when cash payments are made or received. In particular;

- Fees, charges and rents due from residents and customers are accounted for as income at the date the council provides the relevant goods or services. Where this is before 31 March but income had not been billed, a debtor is recorded in the Balance Sheet (above the de minimis of £10k for individual items). The debtors balance also includes payments in advance made by the council at the Balance Sheet date representing amounts prepaid to suppliers by the council that are not due until a subsequent financial year.
- An assessment is made annually as to what levels of debt are outstanding at the end of the financial year. The council's debtors are not subject to substantial fluctuations hence the council does not review all debts and assess the probability of collection of each. Instead past experience is used within materiality limits to judge the percentages of each type of debt that will probably not be recovered. A provision is made (the bad debt provision) for those debts for which recovery is deemed doubtful, the provision being recognised in the relevant service(s). This has the effect of reducing the debtors balance shown in the Balance Sheet. Once a debt is deemed irrecoverable it is written off.

- Supplies are recorded as expenditure when they are used where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet (minor items of limited materiality are excluded from this policy).
- Works are charged as expenditure when they are completed, before which they are carried as Assets Under Construction, within the balance of Property Plant & Equipment on the Balance Sheet.
- Interest received on investments is accounted for on the basis of the applicable interest rate for the relevant financial instrument rather than the cash flow fixed or determined by the contract. As the council is debt free it is not necessary to account for interest on borrowing.
- Where goods or services have been supplied but an invoice has not been processed for payment by 31 March a creditor for the relevant amount is recorded in the Balance Sheet (above the de minimis of £10k for individual items). The creditors balance also includes receipts in advance at the Balance Sheet date representing amounts prepaid to the council that are not due until a subsequent financial year.
- The actual cost of employees is recorded in the accounts. Accruals are made for the payment of pension and tax liabilities based on the notified March payments and included as creditors in the Balance Sheet. Accruals are made for salaries and other employee benefits (e.g. annual leave see separate accounting policy '1.7 Employee Benefits') earned but unpaid at the year end.
- Grants and contributions are accounted for on an accruals basis and recognised in the accounting statements when there is reasonable assurance that
 - i. the conditions for their receipt have been complied with,
 - ii. the grant or contribution will be received.

1.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature within 3 months or less from the Balance Sheet date and that are readily converted to known amounts of cash with insignificant risk of change in value. Deposits in call accounts are classified as cash equivalents. Bank overdrafts form an integral part of the council's cash management and as such are classified as cash equivalents.

1.4 Exceptional Items

Where income and expenditure transactions are material, their nature and amount are disclosed separately, either on the face of the CIES or in the notes to the accounts (see Note 5), depending on how significant the items are to an understanding of the council's financial performance

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

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

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

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

There were no prior period disclosures in 2020/21.

1.6 Charges to Revenue for Non-current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

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

The council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the council in accordance with statutory guidance, but in practice, given that the council is debt-free and no longer has any outstanding finance leases, no provision is currently required. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

1.7 Employee Benefits

Benefits Payable During Employment

Short-term employee benefits (those that fall due wholly within 12 months of the yearend), such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees, are recognised as an expense in the year in which employees render service to the council. An accrual is made against the service in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and flexi-time earned by employees but not taken before the year end and which employees can carry forward into the next financial year. The accrual made is required under statute to be reversed out of the General Fund balance by a credit to the Unusable Reserve - Accumulated Absences Account in the Movement in Reserves Statement.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy.

These are charged on an accruals basis to the relevant service(s) line within the Surplus or Deficit on Provision of Services in the CIES when the council can no longer withdraw the offer of those benefits or when the council recognises costs of the restructure.

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

Post Employment Benefits

Under the Code, the council is required to account for retirement benefits when it is committed to pay them, even if the actual payment may be many years into the future.

The council participates in the Local Government Pension Scheme (LGPS) for pensions to employees and the scheme is managed by Northamptonshire County Council (NCC). The scheme operates on a defined benefit basis related to pay and service in accordance with International Accounting Standard (IAS) 19.

The assets attributable to the scheme are measured at fair value (defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date) and include current assets and investments. The attributable liabilities are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and forecasts of projected earnings for current employees. Contribution rates, which are included in the Accounts, are determined by triennial actuarial valuations.

Liabilities are discounted to their value at current prices, using a discount rate of 2.3% (derived from a corporate bond yield curve using high quality bonds, based on the constituents of the iBoxx AA corporate bond index).

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

Page 129

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

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

- a) Service cost comprising:
 - current service cost the increase in liabilities as a result of years of service earned this year – allocated in the CIES to the services for which the employees worked
 - past service cost the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the CIES as part of Non Distributed Costs
 - net interest on the net defined benefit liability the expected increase in the
 present value of liabilities during the year as they move one year closer to being
 paid debited to the Financing and Investment Income and Expenditure line in
 the CIES. This is calculated by applying the discount rate used to measure the
 defined benefit obligation at the beginning of the period, taking into account
 changes in the net defined benefit liability during the period as a result of
 contribution and benefit payments.
- b) Remeasurements comprising:
 - The return on assets excluding amounts included in the net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - Actuarial gains/losses changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- c) Contributions paid to the Northamptonshire pension fund:
 - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

The council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

1.8 Events after the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue.

Two types of event can be identified:

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

The Statement of Accounts was signed off by the Section 151 Officer on 23 August 2021. Events taking place after that date are not reflected in the statements or disclosure notes.

1.9 Financial Instruments

Financial instruments are categorised as either financial assets or financial liabilities, and the accounting policies for both are stated below;

Financial Assets

Financial assets the council currently holds are divided into the following categories;

- Amortised Cost
- Fair Value through Profit or Loss

Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which they were acquired. The designation of financial assets is re-evaluated at every reporting date at which a choice of classification or accounting treatment is available. All financial assets are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of the financial instrument.

Loans and Receivables – Amortised Cost

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade debtors and investments are classified as loans and receivables. Loans and receivables are initially measured at fair value. Subsequent measurement is based on amortised cost. Where a receivable (i.e. debtor) has a maturity of less than 12 months or is a trade or other receivable, the fair value is taken to be the principal outstanding or the billed/invoiced amount.

Investments are shown in the Balance Sheet at cost. Where investments are fixed term deposits the accrued interest owing at the Balance Sheet date of 31 March is added to the value of the investment.

Annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. For most of the investments that the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable in instrument agreement. In line with regulations, any difference between the interest receivable based on the effective rate of interest and the interest rate in the instrument agreement is transferred to the Financial Instruments Adjustment Account in the Movement in Reserves Statements to negate the impact on the General Fund balance.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the CIES. The amount of the impairment is determined as the difference between the assets' carrying amount and the present value of its estimated future cash flows discounted at the assets original effective interest rate. The carrying amount of debtors is adjusted for bad debts (see separate accounting policy – 1.2 Accruals of Income and Expenditure).

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

Soft loans are defined as those loans granted by the council at an interest rate that is below the prevailing market rate. The calculated market rate of interest is credited to the CIES and the difference between this amount and the interest actually charged to the recipient of the loan is reversed out in the Movement in Reserves Statement to the Financial Instruments Adjustment Account in the Balance Sheet.

Financial Assets Measured at Fair Value through Profit or Loss (FVPL)

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services. The fair value measurements of the financial assets are based on the following techniques:

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

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

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

The council holds shares in Aberdeen Diversified Income and Growth Trust PLC. Fair values are based on the principle that for instruments with quoted market prices, the fair value is the market price.

Any gains and losses that arise on the de-recognition of an asset are credited/debited to the Financing and Investment Income and Expenditure line in the CIES, along with any accumulated gains/losses previously recognised in the Available for Sale Reserve.

Financial Liabilities

Financial Liabilities are obligations to deliver cash or another financial asset to another entity. These are recognised when the council becomes a party to the deal date of the financial instrument and are initially measured at fair value and carried at amortised cost.

The council does not have any borrowings. Payables (i.e. creditors) are categorised as financial liabilities. Where a payable (i.e. creditor) has a maturity of less than 12 months or is a trade or other payable, the fair value is taken to be the principal outstanding or the billed/invoiced amount. A financial liability is de-recognised only when the obligation is extinguished, i.e. when the obligation is discharged, cancelled or expires.

1.10 Government Grants and Contributions

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

- The council will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the council are not credited to the CIES until any conditions attached to the grant or contribution has been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contributions are required to be consumed by the council as specified or future economic benefits or service potential must be transferred to the transferror.

Amounts advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or condition is credited to the relevant service line (revenue grants attributable) or taxations and non-specific grant income line (non-ring-fenced revenue grants and all capital grants) in the CIES.

When capital grants or contributions are credited to the CIES, they are reversed out of the General Fund balance in the Movement in Reserves Statement. Where grants or contributions have yet to be used to finance capital expenditure, they are posted to Capital Grants Unapplied Account. When it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure in the Movement in Reserves Statement.

1.11 Heritage Assets

The council's heritage assets consist mostly of historic civic regalia, trophies and paintings that increase the knowledge, understanding and appreciation of the council's history and the local area and this makes their preservation for future generations important. Heritage assets are recognised and measured, including the treatment of revaluation gains and losses, in accordance with the council's accounting policies on property, plant and equipment, apart from valuations which are based on insurance values. These valuations are updated as necessary.

The carrying amounts of Heritage Assets are reviewed where there is evidence of impairment. Any impairment is recognised and measured in accordance with the council's general policies on impairment.

1.12 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the council.

Recognition

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and restricted to that incurred during the development phase (research expenditure is not capitalised). Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the council's goods or services.

Measurement

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

Amortisation

The depreciable amount of an intangible asset is amortised over its useful life (a 3 year useful life is assumed for all intangible assets) to the relevant service line(s) in the CIES. Amortisation is not permitted to have an impact on the General Fund Balance. The amortisation is therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

Impairment

An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the CIES. Impairment losses are not permitted to have an impact on the General Fund Balance. The losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

Disposal/De-recognition

Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the CIES. Disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10k) the Capital Receipts Reserve.

1.13 Interest in Companies and Other Entities

The council is required to comply with the accounting requirements set out in the Code of Practice on Local Authority Accounting in the United Kingdom if it has a material interest in subsidiaries, associates and joint ventures (jointly controlled entities) and has an ability, whether used or not, to control or exercise significant influence over the activities of such entities.

The council transferred its housing stock to Wellingborough Homes, (now Greatwell Homes), a Registered Social Landlord in 2007. The council has assessed whether the Company is a regulated influenced company under the Local Authorities (Companies) Order 1995 and deemed that it is not, and as a result have concluded that there is no requirement to consolidate Greatwell Homes' Accounts with the councils. Further details of their accounts may be obtained from Greatwell Homes, 12 Sheep Street, Wellingborough, NN8 1BL.

In 2011/12 the council created a Joint Venture Company, to be known as Wellingborough Norse Ltd, in partnership with Norse Commercial Services and transferred the operational management of the designated services to "Wellingborough Norse Ltd". The transfer was completed on the 1 March 2012. At transfer date the council received two shares in Wellingborough Norse Ltd (20% of share issue).

Wellingborough Bereavement Services Limited, trading as Nene Valley Crematorium, was incorporated on 30 December 2015 and is a wholly owned subsidiary of the council. The company directors are officers and members of the council.

The council reviews annually the extent to which other entities (over which the council has a controlling interest) need to be consolidated into group accounts. Disclosures in respect of these interests and the level of transactions are shown in Note 41.

1.14 Inventories and Long Term Contracts

Stocks are valued at the lower of actual cost or net realisable value. The FIFO (first in, first out) costing methodology is used.

The council does not undertake construction for its customers.

1.15 Investment Property

The council's non-current assets that are solely used to generate rental income and/or for capital appreciation in value and which are not used for the provision of services are classified as investment property.

Recognition

Expenditure on the acquisition, creation or enhancement of investment property is charged to capital where it is probable that the future economic benefit or service potential associated with the item flows to the council and the expenditure can be measured reliably, and is greater than the council's de minimis level of £10k. This includes internal staffing costs where they are directly attributable to a capital project. Expenditure that maintains but does not add to a non-current asset's potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as a revenue expense when it is incurred.

Measurement

Investment properties are measured initially at cost and subsequently at their fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – unobservable inputs for the asset or liability.

Where an investment property is held under a lease (i.e. the council is the lessee), the measurement is based on the lease interest. Investment properties are not depreciated but are revalued annually according to market conditions at the year-end by an independent valuer. The valuer is Mr Robert Keeves, MRICS of Underwoods LLP, Chartered Surveyors and Valuers. This means that a periodic revaluation approach (see accounting policy for Property, Plant and Equipment) is only used where the carrying amount does not differ materially from that which would be determined using fair value at the Balance Sheet date.

Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CIES. The same treatment is applied to gains and losses on disposal. Investment properties are not permitted to be reclassified as Assets Held for Sale. Revaluation and Disposal gains and losses on revaluation are not permitted by statutory arrangements to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and for any proceeds greater than £10k the Usable Capital Receipts Reserve.

Income and Expenditure

Rentals received in relation to investment property and expenditure is recognised in the Financing and Investment Income line within the CIES.

1.16 Jointly Controlled Operations and Assets

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the council and other ventures, with the assets being used to obtain benefits for the ventures. The joint venture does not involve the establishment of a separate entity. The council does not have any jointly controlled assets, however if it did the council would only account for its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

Jointly controlled operations are activities undertaken by the council in conjunction with other ventures that involve the use of the assets and resources of the ventures rather than the establishment of a separate entity. The council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs. The Comprehensive Income and Expenditure Statement is debited with the expenditure it incurs and credited with the share of income it earns from the activity of the operation. The council has jointly controlled operations with a number of local authorities and other organisations in the area:

- *District Law* provides legal services for Wellingborough, Daventry, Corby and Kettering councils. Kettering acts as the host and Wellingborough pays an annual contribution.
- *North Northamptonshire Joint Planning & Delivery Unit* provides strategic planning services for Wellingborough, Kettering, Corby and East Northamptonshire who act as the host and Wellingborough pays an annual contribution.
- *IT Services* provides IT services for Wellingborough and East Northamptonshire Councils. East Northamptonshire acts as the host and Wellingborough pays an annual contribution.
- Northamptonshire Waste Partnership provides a partnership to ensure continuing cooperation and longer term vision to deliver the Partnership's vision jointly to implement the policies set out in the 'Northampton Joint Municipal Waste Management Strategy'. The partners are Northamptonshire Councils. Northamptonshire County Council acts as the host and Wellingborough pays an annual contribution.

1.17 Leases

Leases are classified as finance leases where the terms of the lease transfer most of the risks and rewards incidental to ownership of the asset from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

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

The Council as Lessee

Finance Leases

Property, Plant and Equipment or Investment Property held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs (if any) of the council are added to the carrying amount of the asset. Premiums paid on entry into a lease (if any) are applied to writing down the lease liability. Contingent rents are charged as expenses in the years in which they are incurred.

Lease payments are apportioned between:

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

Property, Plant and Equipment and Investment Property recognised under finance leases is accounted for using the policies applied generally to such assets, for Property, Plant and Equipment subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

The council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual provision is made from revenue towards the deemed capital investment in accordance with statutory requirements.

Depreciation, revaluation and impairment losses are therefore replaced by the Minimum Revenue Provision (MRP) in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the CIES as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g., there is a rent-free period at the commencement of the lease). An investment property held under an operating lease is accounted for as if it was a finance lease.

The Council as Lessor

Finance Leases

The council currently does not have any finance leases where it is the lessor.

Operating Leases

Where the council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the CIES. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g., there is a premium paid at the commencement of the lease). Initial direct costs incurred (if any) in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Lease Type Arrangements

Where the council enters into an arrangement, comprising a transaction or a series of related transactions, that does not take the legal form of a lease but conveys a right to use an asset (e.g. an item of property, plant or equipment) in return for a payment or series of payments, the arrangement is accounted for as a lease as detailed above. The council currently does not have any lease type arrangements.

1.18 Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the council's arrangements for accountability and financial performance.

1.19 Property, Plant and Equipment (PPE)

Property, Plant and Equipment (PPE) assets are tangible assets that have physical substance and are held for use in the provision of goods or services or for administering purposes and that are expected to be used during more than one financial year.

Recognition

Expenditure on the acquisition, creation or enhancement of PPE is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the council and the cost of the item can be measured reliably and is greater than the council's de minimis level of £10k. This includes internal staffing costs where they are directly attributable to a capital project. Expenditure that maintains but does not add to a non-current asset's potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price, and
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

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

- Depreciated historical cost for infrastructure, community assets and assets under construction only.
- Existing Use Value defined in accordance with UKVS 1.3 Royal Institution of Chartered Surveyors (RICS) Valuation Professional Standards for assets providing service potential to the council where an active market exists.
- Depreciated Replacement Cost for assets where there is no market and/or the asset is specialised.
- Fair Value, defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Where non-property assets (i.e. Vehicles, Plant and Equipment) that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

The valuation of land and buildings (which are recorded separately) is undertaken by a professionally qualified valuer. The valuer is Mr Robert Keeves, MRICS of Underwoods LLP, Chartered Surveyors and Valuers. Valuations of PPE assets are subject to review within a rolling 5 year programme of revaluations. The residual lives and estimated useful lives of an asset, together with their depreciation policies, are reviewed on an annual basis.

Revaluation gains on PPE assets are posted to the Revaluation Reserve. Gains are credited to the appropriate line(s) in the Surplus or Deficit on Provision of Services (up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised) where they arise from the reversal of a revaluation loss previously charged to the same asset.

Where decreases in value are identified, the revaluation loss is accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Surplus or Deficit on Provision of Services

Revaluation gains and revaluation losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

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

Where PPE meet the criteria for Investment Property, the asset is reclassified to investment property. The asset is revalued immediately before reclassification to investment property with any remaining balance on the Revaluation Reserve 'frozen' until such time as it is reclassified.

Those non-current assets that are surplus to requirements (i.e. are not supporting services) but which do not meet the criteria to be classified as Assets Held for Sale or Investment Property are classified as Surplus Assets in the PPE section of the Balance Sheet.

Depreciation

The value of non-current assets is recognised in the Surplus or Deficit on Provision of Services in the CIES in the form of a depreciation charge using the straight-line method, based on the gross book value of the asset and its estimated useful life from the time of the most recent valuation.

The following standard periods are applied for the useful lives of each class of assets:

Operational Land and Buildings	Straight line up to 70 years
Vehicles, Plant and Equipment /	Typically 3-7 years, but may be up
Intangible Assets	to 20 years dependent on nature of
	individual asset and on a reducing
	balance basis
Infrastructure Assets	Straight line between 5-40 years

Variations to the above periods may occur if appropriate evidence is provided by a suitably qualified professional officer or external valuer.

Depreciation is not permitted to have an impact on the General Fund balance. The depreciation is therefore reversed out of the General Fund balance in the Movement in Reserve Statement and posted to the Capital Adjustment Account.

Depreciation is charged on all assets except for Investment Property, Community Assets and Assets Held for Sale; land assets that have an indefinite useful life are not depreciated. Newly acquired assets are not depreciated in the year of acquisition and assets under construction are not depreciated until they are brought into operational use. Revaluation gains are also depreciated, with an amount equal to the difference between the current value depreciation charged on non-current assets and the depreciation that would have been chargeable on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Impairment

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

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

- where there is a balance of revaluation gains for the assets in the Revaluation Reserve, the carrying amount of the assets is written down against that balance (i.e. up to the amount of any accumulated gains)
- where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Surplus or Deficit on Provision of Services in the CIES.

Where an impairment loss is reversed (by a revaluation gain) subsequently on the same asset, the reversal is credited to the relevant service line(s) in the Surplus or Deficit on Provision of Services in the CIES, up to the amount of the original loss (adjusted for depreciation that would have been charged if the loss had not been recognised).

Impairments loss and reversals are not permitted to have an impact on the General Fund balance. The loss and reversals are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

Components

Component parts of the council's PPE assets that are considered to be material and are above a de minimis level of 20% (based on cost of the component compared to the asset) have been separately identified and accounted for in the accounts with effect from 1 April 2010 and recorded in the council's asset register in accordance with the Code, where the component's useful life is different from that of the other components of the non-current asset.

A maximum of four components will be identified for a primary asset:

- Structure (Main shell of the building)
- Roof
- Lifts
- Services (Electrical, Plumbing, Heating)

Componentisation is applicable to enhancement and acquisition expenditure incurred, and revaluations carried out from 1 April 2010.

Each material component will be separately depreciated over its useful life. Where separate components have the same useful life, these components will be grouped together.

On componentisation the balances on the Revaluation Reserve for the total asset will be allocated to the structure (host) (whether the asset is treated as a single component or a number of components) because the structure will principally give rise to the revaluation gains or losses. As a result the other components will be valued at cost.

Where part of a PPE item is replaced, the cost of the replacement part is recognised (subject to meeting the capitalisation rules) in the carrying value of the non-current assets and the carrying amount of those parts that are replaced will be de-recognised in the accounts and asset register. The recognition and de-recognition of components takes place regardless of whether the replaced part had been depreciated separately.

Disposals/De-recognition

When a PPE asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the CIES as part of the gain or loss on disposal. The usable capital receipt from the disposal (if any) is credited to the CIES. Capital receipts from the disposal of non-current assets are accounted for on an accrual basis. Any revaluation gains on the asset held in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The net gain or loss on the disposal is reversed out of the revenue account as a reconciling item in the Movement in Reserves Statement and transferred to the Capital Adjustment Account.

Amounts in excess of £10k are classified as capital receipts and are credited initially to the Usable Capital Receipts Reserve.

Assets Held for Sale

Non-current assets (excluding investment property) that have been declared surplus by the council are classified as Assets Held for Sale in the Balance Sheet if they meet the strict criteria, detailed below, set out in the Code of Practice on Local Authority Accounting in the United Kingdom:

- asset is immediately available for sale
- sale is highly probable
- asset is actively marketed
- sale is expected to be completed within 12 months

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the CIES. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If an asset no longer meets the criteria to be classified as an Asset Held for Sale, then it will be reclassified back to non-current assets and valued at the lower of:

- its carrying amount before it was classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had the asset not been classified as held for sale, and
- its recoverable amount at the date of the decision to sell.

1.20 Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the CIES in the year that the council becomes aware of the obligation, and measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

Provisions are classified on the Balance Sheet as short term (due to be settled within 12 months of the financial year end) or long term (due to be settled over 12 months of the financial year end). For long term provisions where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. The unwinding of the discount due to the passage of time is recognised as interest within Surplus or Deficit on the Provision of services.

Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in Note 39 to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.21 Reserves

The council sets aside specific amounts as revenue or capital reserves, as appropriate, for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Movement in Reserves Statement from General Fund balances. For each reserve established the purpose, usage and basis of transactions are identified in the notes to the financial statements.

Expenditure is charged to service revenue accounts and not directly to any reserve. The reserve is then appropriated back in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

The Capital Receipts Reserve is not available for revenue purposes and some of the reserves can only be used for statutory purposes. The reserves in the Balance Sheet at the end of the financial year are classified between Usable Reserves and Unusable Reserves.

Page 145

Certain reserves in the Balance Sheet are kept to manage the accounting processes for certain transactions, these are grouped under Unusable Reserves in the Balance Sheet. These are detailed in the Note 25 to the financial statements.

The General Fund Reserve is not earmarked and is to allow for any future unknown contingencies that may arise. This reserve is recommended by the council's Section 151 Officer at what is deemed to be a prudent level and in accordance with the reserves policy agreed at council. In accordance with the council's Reserves Policy, as a minimum, the level of the General Fund working balance should not fall below £1.75m.

1.22 Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

1.23 Value Added Tax

All income and expenditure in the financial statements excludes amounts related to VAT. VAT collected is payable to HM Revenue and Customs (HMRC) and VAT paid is recoverable. VAT will only be included in the CIES when it is irrecoverable from HMRC.

2. Accounting Standards that have been issued but have not yet been adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code), the council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code.

The relevant standards introduced in the 2021/22 Code are:

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

It is unlikely that the above changes will have any material impact on the council's financial statements.

3. Critical Judgements in Applying Accounting Policies

In applying the Accounting Policies set out in Note 1, pages 27 to 47, the council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- The going concern assumption is a fundamental principle in the preparation of financial statements, under which an entity is ordinarily viewed as continuing in business for the foreseeable future and able to realise its assets and discharge its liabilities in the normal course of business. As a local authority the council's operation can only be discontinued by statute and, on this basis, must be viewed as a going concern (see Code 3.4.2.23). The Code (2.1.2.6) stipulates that transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern, and so this position is unaffected by the implications of the impending reorganisation of local government in Northamptonshire.
- There is a high degree of uncertainty about future levels of funding for local government. As part of the closure of accounts process the council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the council might be impaired as a result of a need to close facilities and reduce levels of service provision. The principal assumption is that the council will experience no significant changes in its operating levels beyond those approved as part of the budget setting process.
- Investment properties have been assessed using the identifiable criteria under the International Accounting Standards of being held for rental income or for capital appreciation. Properties have been assessed using these criteria, which is subject to interpretation to determine if there is an operational reason for holding the property such as regeneration.
- Any potential legal claims by or against the council are not adjusted in the accounts but are disclosed as part of Contingent Liabilities and Assets as required under the CIPFA code.

4. Assumptions made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

Assets are included on the basis of valuations and assessed useful lives determined by the Council's valuer, on the basis of standards of professional practice set out by the Royal Institute of Chartered Surveyors (RICS). The assumptions underlying such valuations (such as market conditions) and the assessment of useful lives are subject to revision and therefore the valuations would also change.

The items in the council's Balance Sheet at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

ltem	Uncertainties	Effect if actual results differ from assumptions
Arrears	At 31 March 2021, the council had a balance for sundry debtors of $\pounds 5,840$ k. A review of significant balances indicated that an impairment of doubtful debts of $\pounds 1,290$ k was appropriate. It is not certain that this impairment allowance would be sufficient as the council cannot asses with certainty which debts will be collected or not.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £1,290k to be set aside as an allowance.
Business Rates	Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013, local authorities are liable for successful appeals against business rates charged to businesses in 2020/21 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2021.	The estimate has been calculated using the latest Valuation Office Agency (VOA) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of total provision up to and including 31 March 2021. The council's share (40%) of the balance of business rate appeals provisions held at this date amounted to £515k. This is a reduction compared to the previous year's figure based on claims evidence over previous years.
Property Plant and Equipment/ Depreciation	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to the individual asset. The current economic climate makes it uncertain that the council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of an asset is reduced, depreciation increases and the carrying amount of the asset falls. Whilst this risk is inherent in the valuation process, any change to the useful lives of assets and the subsequent depreciation charge will not impact on the council's usable reserve balances, as depreciation charges do not fall on the tax payer and are removed in the Movement of Reserves Statement

Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase; changes in retirement ages; mortality rates and expected returns on pension fund assets. A firm of consulting actuaries (Hymans Robertson LLP) are engaged to provide the council with expert advice about the assumptions to be applied.	The effects on the net pension's liability of changes in individual assumptions can be measured; these changes are detailed within Note 38. For instance, a 0.5% decrease in the discount rate assumption (used for discounting the scheme liabilities) would result in an increase in the pension liability of £7,803k.

5. Material Items of Income and Expense

The council has a number of jointly controlled operations as detailed in Accounting Policy 1.16 'Jointly Controlled Operations and Assets'.

Also included in the 2020/21 Cost of Services in the CIES, the council has made the following material annual contributions:

	2019/20 £'000	2020/21 £'000
District Law	173	157
Joint Planning Unit	64	110
IT Services	486	554
Castle Theatre	608	482
Leisure Contract	40	-
Wellingborough Norse Ltd	4,835	4,782

Changes in the valuations of investment property has resulted in an upward revaluation of £1.009m recognised as part of the Financing and Investment Income and Expenditure line within the Surplus or Deficit on Provision of Services in the CIES. The £1.009m is not permitted to have an impact on the General Fund Balance. The gains are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

The council paid a total sum of £15.435m in Housing Benefit payments to Wellingborough residents to meet the cost of rent payments (£16.832m in 2019/20). The council received Housing Benefit Grant of £15.065m from Central Government to defray the cost (£16.330m in 2019/20).

6. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Section 151 Officer, on 23 August 2021. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The Structural Changes Order to create two new Unitary authorities in Northamptonshire was approved in parliament in February 2020. Any transfer of functions under combinations of public sector bodies, such as the creation of the North Northamptonshire unitary authority, does not negate the presumption of going concern.

There have been no events since the Balance Sheet date which have required adjustment of the financial statements, nor any events which, although they did not require adjustment, were relevant to a proper understanding of the authority's financial position at that date.

There is a section in the Narrative Statement regarding the re-organisation of local government in Northamptonshire and the outcome of this in May 2019 and the impact on this council for future years.

On 1 April 2021 all the functions and services along with its assets and liabilities transferred to the newly created North Northamptonshire Council, under Local Government reorganisation. As the functions of the Council are continuing in North Northamptonshire Council it is appropriate for the accounts to be prepared on a going concern basis.

7. Note to the Expenditure and Funding Analysis

Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Amounts 2020/21	Adjustments for Capital Purposes (Note a)	Net Change for the Pensions Adjustments (Note b)	Other Differences (Note c)	Total Adjustments
	£'000	£'000	£'000	£'000
Community Support	12	-5	-	7
Environmental & Health Protection	-	-39	-	-39
Housing	601	-10	-	591
Planning & Local Development	752	-46	-	706
Environmental Services	296	-	-	296
Organisation Development	-	-3	-	-3
Democratic Services	-	-16	-	-16
Operational Property	670	-	-	670
Shared Services	311	-	-	311
Accountancy & Audit	-	-11	-	-11
Revenues & Benefits	-	-48	-	-48
Corporate Management	148	-26	-	122
Corporate Income & Expenditure	-67	-508	-	-575
Depreciation & Other	1,517	-	-	1,517
Net Cost of Services	4,240	-712	-	3,528
Other income and expenditure from the Expenditure and Funding Analysis	4,382	700		5,082
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the provision of Services	8,622	-12	-	8,610

Comparative figures for 2019/20 are shown on the following page.

2019/20 for comparison:

Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Amounts 2019/20	Adjustments for Capital Purposes (Note a)	Net Change for the Pensions Adjustments (Note b)	Other Differences (Note c)	Total Adjustments
	£'000	£'000	£'000	£'000
Community Support	117	-2	-	115
Environmental & Health Protection	-	-20	-	-20
Housing	587	-8	-	579
Planning & Local Development	720	-28	-	692
Environmental Services	327	-	-	327
Organisation Development	-	-4	-	-4
Democratic Services	-	-8	-	-8
Operational Property	140	-2	-	138
Shared Services	-	-	-	-
Accountancy & Audit	-	-9	-	-9
Revenues & Benefits	-	-25	-	-25
Corporate Management	250	-6	-	244
Corporate Income & Expenditure	-	-345	-	-345
Depreciation & Other	1,405	-	-	1,405
Net Cost of Services	3,546	-457	-	3,089
Other income and expenditure from the Expenditure and Funding Analysis	-4,695	898	-	-3,797
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the provision of Services	-1,149	441	-	-708

Adjustments for Capital Purposes

- a) Adjustments for capital purposes this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:
 - Other operating expenditure adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
 - Financing and investment income and expenditure the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
 - Taxation and non-specific grant income and expenditure capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

- b) Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:
 - For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
 - For financing and investment income and expenditure -- the net interest on the defined benefit liability is charged to the CIES.

Other Differences

- c) Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:
 - For financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
 - The charge under taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

8. Expenditure and Income Analysed by Nature

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

Expenditure/Income	2019/20	2020/21
	£'000	£'000
Expenditure:		
Employee benefits expenses	4,821	5,588
Other services expenses	11,477	33,730
Benefits payments	16,832	15,435
Depreciation, amortisation, impairment	3,477	4,135
Interest payments	-	-
Precepts and levies	575	695
NDR Tariff payments	7,718	12,726
Loss on the disposal of assets	40	276
Total Expenditure	44,940	72,585
Income:		
Fees, charges and other service income	-6,956	-8,708
Interest and investment Income	-390	-222
Income from council tax and non-domestic rates	-17,220	-21,467
Housing benefit grant	-18,055	-15,065
Government grants and contributions	-2,627	-23,451
Total Income	-45,248	-68,913
(Surplus) or deficit on the provision of services	-308	3,672

9. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the council in the year, in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the council to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

Adjustments between Accounting Basis and Funding Basis under Regulations 2020/21	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments to the Revenue Resources				
Pension cost (transferred to (-) or from the Pensions Reserve)	87	-	-	-87
Council tax and NDR (transfers to (-) or from the Collection Fund)	-4,761	-	-	4,761
Renewable energy NNDR movement between years	-	-	-	-
Holiday pay (transferred to the Accumulated Absences reserve)	-9	-	-	9
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	-6,316	-	_	6,316
Total Adjustments to Revenue Resources	-10,999	-	-	10,999
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	-	-	-	-
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	-	-	-	-
Capital expenditure financed from revenue ear marked reserve	-	-	-	-
Total Adjustments to Revenue Resources	-	-	-	-
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure	-	9,432	-	-9,432
Other Capital Receipts	2,182	-2,182	-	-
Capital Grants to be used to finance future capital expenditure	207	-	-207	-
Use of the Capital Receipts Reserve to finance revenue expenditure	-	-	-	-
Cash payments in relation to deferred capital receipts	-	-	-	-
Total Adjustments to Capital Resources	2,389	7,250	-207	-9,432
Total Adjustments (as Per Movement in Reserves Statement)	-8,610	7,250	-207	1,567

Adjustments between Accounting Basis and Funding Basis under Regulations 2019/20	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments to the Revenue Resources				
Pension cost (transferred to (-) or from the Pensions Reserve)	-439	-	-	439
Council tax and NDR (transfers to (-) or from the Collection Fund)	938	-	-	-938
Renewable energy NNDR movement between years	11			-11
Holiday pay (transferred to the Accumulated Absences reserve)	-1	-	-	1
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	-976	-	_	976
Total Adjustments to Revenue Resources	-467	-	-	467
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	-	-	-	-
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	-	-	-	-
Capital expenditure financed from revenue ear marked reserve	-	-	-	-
Total Adjustments to Revenue Resources		-	-	
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure	-	4,724	-	-4,724
Other Capital Receipts	1,074	-1,074	-	-
Capital Grants to be used to finance future capital expenditure	101	-	-101	-
Use of the Capital Receipts Reserve to finance revenue expenditure	-	-	-	-
Cash payments in relation to deferred capital receipts	-	-1	-	1
Total Adjustments to Capital Resources	1,175	3,649	-101	-4,723
Total Adjustments (as Per Movement in Reserves Statement)	708	3,649	-101	-4,256

10. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in Earmarked Reserves to provide financing for future specific expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund expenditure in 2019/20 and 2020/21.

Reserves	Balance 31st March 2019	Transfers in 2019/20	Transfers out 2019/20	Balance 31st March 2020	Transfers in 2020/21	Transfers out 2020/21	Balance 31st March 2021
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Efficiency and Services							
Transformation	-355	-	-	-355			-355
Organisational Property	-250	-	-	-250	-50	92	-208
Investment Property	-186	-	-	-186			-186
ICT Infrastructure	-3	-	-	-3			-3
Homelessness	-233	-	128	-105		105	-
Members IT Allowance	-7	-	-	-7			-7
Business Rates Retention	-654		-	-654	-4,340		-4,994
Leisure Services	-180	-	180	-			-
Property Service Charges	-132	-270	192	-210	-76	29	-257
Community Rights Individual Electoral	-30	-	-	-30			-30
Registration	-90	-	42	-48			-48
VAT Reserve	-88	-	88	-			-
Neighbourhood Dev Reserve	-11	-	-	-11			-11
Custom & Self Build Reserve	-51	-	-	-51			-51
Brownfield Register Reserve	-20	-	-	-20			-20
New Burdens Impact Reserve	-16	-	-	-16			-16
Members Allowance Costs	-25	-	17	-8		7	-1
Voluntary Sector Reserve Local Authority Parks	-30	-	-	-30		30	-
Improvement	-12	-	12	-			-
The Castle	-25	-	11	-14			-14
Miscellaneous Revenue Grants Reserve	-177	-	-	-177		52	-125
Earmarked Reserves	-2,575	-270	670	-2,175	-4,466	315	-6,326
General Fund	-3,155	-	-	-3,155	-787	-	-3,942
	-5,730	-270	670	-5,330	-5,253	315	-10,268

The nature and purpose of each reserve is shown below:

- *Efficiency and Services Transformation* Reserve to fund budget pressures that emerge during the year and also to invest in services in order to facilitate change.
- **Organisational Property** This reserve will be used to fund essential maintenance to our operational property portfolio, for example boiler repairs and other Health and Safety urgent repairs, which are, by definition, unfunded.
- **Investment Property** This reserve will be used to fund essential maintenance to our investment property portfolio, which has not been identified within the planned preventative maintenance programme.

- **Business Rates Retention** This reserve was created from business rates growth and is intended to absorb timing differences as a result of the changes to how business rates are funded.
- Property Service Charges Investment property tenants make a contribution for repairs and maintenance, any residual balances are transferred to the reserve to fund future projects.
- *Miscellaneous Revenue Grants Reserve* Created in 2010/11 it reflects grants received for which there are no conditions to repay but have not yet been spent.
- 11. Comprehensive Income and Expenditure Statement Other Operating Expenditure

2019/20 £'000		2020/21 £'000
575	Parish Council Precepts	695
40	Gains(-)/losses on the disposal of non current assets	276
-1,043	Right to Buy and Vat Shelter	-469
-31	Other Income relating to Capital	-10
-459		492

12. Comprehensive Income and Expenditure Statement - Financing and Investment Income and Expenditure

2019/20 £'000		2020/21 £'000
3	Interest payable and similar charges	-
898	Pensions interest cost and expected return on pensions	700
-390	Interest receivable and similar income	-222
	Income and expenditure in relation to investment	
-3,525	properties and changes in their fair value.	-4,672
-	(Gains) or losses on disposal of non current assets	3,640
-3,014		-554

13. Comprehensive Income and Expenditure Statement - Taxation and Non-Specific Grant Income

2019/20		2020/21
£'000		£'000
-4,284	Council Tax Income	-4,540
7.719		12.727
-11,578	NNDR Income	-11,484
-8,143	Total Taxation Income	-3,297
-8	Revenue Support Grant	-227
-1.029	New Homes Bonus	-932
-	Other Government Grants	-151
-1,357	Section 31 Grant	-5,445
-2,394	Total Non-Specific Grants	-6,755
-1,069	Capital Grants and Contributions	-1,122
-11,606	Total Income	-11,174
		· · · · ·

14. Property, Plant and Equipment

Movement in Balances

Movement in Balances 2020/21	Other Land and Buildings	Vehicles Plant and Equipment	Infrastructure Assets	Community Assets	Assets under Construction	Total Property Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation						
At 31st March 2020	38,568	3,359	3,421	1,783	2,431	49,562
Additions / Donations	2,294	59	-	205	4,917	7,475
Revaluation increases / decreases(-) recognised in the Revaluation Reserve	1,541	-	-	-	-	1,541
Revaluation increases / decreases(-) recognised in the Surplus/Deficit on the Provision of Services	-23	-	-	-	-	-23
Derecognition - Disposals	-	-	-	-	-	-
Derecognition - Other	-98	-	-	-205	-	-303
Assets reclassified within PPE	5,732	-	1,519	-	-7,251	-
Assets reclassified to(-) / from Intangible Assets	-132	-	-	-	-	-132
Assets reclassified to(-) / from Investment Property	-42	-	-	-	-	-42
Other movements in cost or valuation	130	-	-	-	-	130
At 31st March 2021	47,970	3,418	4,940	1,783	97	58,208
Accumulated Depreciation and Impairment						
At 31st March 2020	-351	-2,629	-2,722	-	-4	-5,706
Depreciation Charge	-1,107	-237	-106	-	-	-1,450
Reserve Depreciation written out to Revaluation Reserve Surplus/Deficit on the Provision of	1,165	-	-	-	-	1,165
Services	-	-	-	-	-	-
Derecognition - disposals	-	-	-	-	-	-
Derecognition - Other	9	-	-	-	-	9
Impairment losses / reversals(-) recognised in the Revaluation Reserve Impairment losses / reversals(-) recognised in the Surplus/ deficit on the Provision of Service	-	-	-	-	-	-
	-	-	-	-	-	-
Assets reclassified within PPE	-	-	-	-	-	-
Other movements in depreciation and impairment		-	-	-	-	-
At 31st March 2021	-284	-2,866	-2,828	-	-4	-5,982
Net Book Value as per Balance Sheet						
At 31st March 2020	38,217	730	699	1,783	2,427	43,856
At 31st March 2021	47,686	552	2,112	1,783	93	52,226

Comparative figures for 2019/20 are shown on the following page.

2019/20 for comparison:

Movement in Balances 2019/20	Other Land and Buildings	Vehicles Plant and Equipment	Infrastructure Assets	Community Assets	Assets under Construction	Total Property Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation						
At 31st March 2019	33,293	2,957	3,399	1,758	1,452	42,859
Additions / Donations	1,989	326	-	6	1,470	3,791
Revaluation increases / decreases(-) recognised in the Revaluation Reserve Revaluation increases / decreases(-) recognised in the Surplus/Deficit on the Provision of Services	3,162	-	-	25	-	3,187 -250
Derecognition - Disposals	- 200	-	_	-	_	-
Derecognition - Other	-19	-	_	-6	-	-25
Assets reclassified within PPE	393	76	22	-	-491	
Assets reclassified to(-) / from Intangible	000	10			101	
Assets	-	-	-	-	-	-
Assets reclassified to(-) / from Investment Property	-	-	-	-	-	-
Other movements in cost or valuation	-	-	-	-	-	-
At 31st March 2020	38,568	3,359	3,421	1,783	2,431	49,562
Accumulated Depreciation and Impairment		0.407				
At 31st March 2019	-852	-2,497	-2,539	-	-	-5,888
Depreciation Charge Depreciation written out to Revaluation Reserve Depreciation written out to the	-1,015 1,503	-133	-183 -	-	-	-1,331 1,503
Surplus/Deficit on the Provision of Services	24	_	_	-	_	24
Derecognition - disposals		-	-	-	-	
Derecognition - Other	-14	-	-	-	-	-14
Impairment losses / reversals(-) recognised in the Revaluation Reserve Impairment losses / reversals(-) recognised in the Surplus/ deficit on the Provision of Service	-	-	-	-	-	-
Assets reclassified within PPE	-	-	-	-	-	-
	-	-	-	-	-	-
Other movements in depreciation and impairment	3	1	-	-	-4	-
At 31st March 2020	-351	-2,629	-2,722	-	-4	-5,706
Net Book Value as per Balance Sheet						
At 31st March 2019	32,441	460	860	1,758	1,452	36,971
At 31st March 2020	38,217	730	699	1,783	2,427	43,856

Depreciation

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

Property, Plant and Equipment:

Vehicles, plant and equipment	0 - 20 years
Infrastructure assets	5 - 40 years
Buildings	0 - 70 years

Community Assets may be subject to depreciation, but there were no assets to which this applied in 2020/21.

Assets Under Construction are not subject to depreciation.

In respect of components the elements identified are, in addition to the structure:-Roof 20 - 40 years Lifts 10 - 20 years Services (electrical, plumbing, heating) 15-25 years

Capital Commitments

At 31 March 2021, the council has entered into a number of contracts for the construction or enhancement of property, plant and equipment and future years. The total outstanding for the major commitments is £1.243m.

Revaluations

As per accounting policy 1.19, the council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations are carried out externally. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

Revaluations	Other Land and Buildings	Vehicles Plant and Equipment	Infrastructure Assets	Community Assets	Assets under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	-	3,418	4,940	1,783	97	10,238
2020/21	44,296	-	-	-	-	44,296
2019/20	1,355	-	-	-	-	1,355
2018/19	899	-	-	-	-	899
2017/18	235	-	-	-	-	235
2016/17	1,185	-	-	-	-	1,185
Total Cost or Valuation	47,970	3,418	4,940	1,783	97	58,208

15. Heritage Assets

Heritage Assets are those that are intended to be preserved in trust for future generations due to their cultural, environmental or historical associations. They are held by the council principally for their contribution to knowledge and culture. Heritage Assets may include historical buildings, archaeological sites, military and scientific equipment of historical importance, historic motor vehicles, civic regalia, orders and decorations (medals), museum and gallery collections and works of art. There have been no additions to the Heritage Assets during 2020/21.

Heritage Assets	Other Land and Buildings	Art Works and Historic Documents	Civic Regalia	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
31st March 2019	135	32	110	277
Additions	-	-	-	-
Revaluations	_	-	-	-
31st March 2020	135	32	110	277
Additions	-	-	-	-
Revaluations	_	-	-	-
31st March 2021	135	32	110	277

16. Investment Property

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

Investment Property	2019/20 £'000	2020/21 £'000
Rental income from Investment Property	-2,822	-2,833
Direct operating expenses arising from investment property	939	940
Net Gain(-)/Loss	-1,883	-1,893

There are no restrictions on the council's ability to realise the value inherent in its investment property or on the council's right to the remittance of income and the proceeds of disposal.

The following table summarises the movement in the fair value of investment property in 2019/20 and 2020/21:

Investment Property	2019/20 £'000	2020/21 £'000
Balance at start of year	49,693	51,390
Additions:		
Purchases	-	-
Subsequent Expenditure	55	213
Disposals	-	-3,640
Net gains/losses from fair value adjustments	1,642	1,009
Transfers:		
to/from Property, Plant and Equipment	-	42
Balance at year end	51,390	49,014

The council has no contractual obligations to purchase, construct or develop investment property.

Investment property is valued each year in accordance with the relevant accounting policy. The value will change by asset type and current prevailing market prices, and as such is recorded at fair value in the opinion of our independent valuer. Any gains or losses on valuation will only be realised when the assets are disposed of.

Details of the council's Investment Properties and information about the fair value hierarchy as at 31 March 2021 are shown below.

Recurring fair value measurements using:	Quoted proces in active markets for identical assets	in active Other significant unobs markets for observable inputs in		Fair value as at 31st March 2021	
	(Level 1) £'000	(Level 2) £'000	(Level 3) £'000	£'000	
Industrial	3,435	23,834	-	27,269	
Development Land	165	6,442	-	6,607	
Offices	330	1,431	-	1,761	
Retail	2,748	8,213	-	10,961	
Community	145	1,467	-	1,612	
Garages	-	20	-	20	
Other	-	784	-	784	
Total	6,823	42,191	-	49,014	

In estimating the fair value of the authority's investment properties, the highest and best use of the properties is their current use.

17. Intangible Assets

The council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system or accounted for as part of the hardware item of Property, Plant and Equipment. All items in the current portfolio of Intangible Assets were purchased from external suppliers; there are no internally generated assets.

All software is given a finite useful life, based on assessments of the period over which the software is expected to be of use to the council.

Page 163

Intangible Assets	2019/20	2020/21
	£'000	£'000
Balance at start of year		
Gross carrying amounts	759	759
Accumulated amortisation	-549	-624
Net carrying amount at start of year	210	135
Additions:		
Internal development	-	132
Purchases	-	-
Amortisation for the period	-74	-67
Net carrying amount at end of year	136	200
Comprising:		
Gross carrying amounts	759	892
Accumulated amortisation	-624	-692

18. Financial Instruments

18a Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

Financial Instruments	Long	Term	Curr	ent
	31st March 2020 £'000	31st March 2021 £'000	31st March 2020 £'000	31st March 2021 £'000
Investments and Bank Deposits				
Amortised Cost - Loans and Receivables	-	-	25,000	1,000
Financial assets measured at fair value through profit or loss	226	238	-	-
Total Investments	226	238	25,000	1,000
Debtors Amortised Cost - Loans and Receivables Total Debtors		-	2,467 2,467	426 426
	-	-	2,407	420
Other Long Term Liabilities Finance lease liabilities	_	-	-	-
Total other long term liabilities	-	-	-	-
Creditors Financial liabilities carried at contract amount		_	-511	-10,168
Total creditors	-	-	-511	-10,168

Short Term Investments	Long	Term	Current		
	31st March 2020 £'000	31st March 2021 £'000	31st March 2020 £'000	31st March 2021 £'000	
Fixed Term Investments Other deposits (Call Accounts - see Note	-	-	29,000	4,000	
20) Total Short Term Investments	-	-	862 29,862	14,737 18,737	

Reclassifications of Financial Instruments

In 2020/21 the council did not reclassify any financial instruments.

18b Income, Expense, Gains or Losses

Income, Expense Gains or Losses 2020/21	Financial Liabilities	Finan	cial Assets	
	Finance Lease Liabilities	Amortised Cost - Loans and receivables	Financial assets measured at fair value through profit or loss	Total
	£'000	£'000	£'000	£'000
Interest expense Impairment gains	-	-	-	-
Total expense in Surplus or deficit on the Provision of services		-	-	-
Interest Income (Note 12)	-	-222	-	-222
Total income in Surplus or Deficit on the Provision of Services	_	-222	-	-222
Gains/ (losses) on revaluation (Note 25b)	-	-	12	12
Surplus/(deficit) arising on revaluation of financial assets in Other Comprehensive Income and Expenditure		-	12	12
Net gain or (loss) for the year.	-	-222	12	-210

Income, Expense Gains or Losses 2019/20	Financial Liabilities	Finan	cial Assets	
	Finance Lease Liabilities	Amortised Cost - Loans and receivables	Financial assets measured at fair value through profit or loss	Total
	£'000	£'000	£'000	£'000
Interest expense Impairment gains	-	-	-	-
Total expense in Surplus or deficit on the Provision of services		-	-	-
Interest Income (Note 12)	-	-390	_	-390
Total income in Surplus or Deficit on the Provision of Services		-390	-	-390
Gains/ (losses) on revaluation (Note 25b)	-	-	-64	-64
Surplus/(deficit) arising on revaluation of financial assets in Other Comprehensive Income and Expenditure			-64	-64
Net gain or (loss) for the year.	-	-390	-64	-454

18c Fair Values of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at contracted amounts (the council does not have any financial instruments that are carried at amortised cost). As a result of financial instruments being carried at contracted amounts there is no difference between the fair value and carrying amount on the Balance Sheet.

Page 165

The council does not have any borrowings. Available for sale assets (quoted securities) are carried in the Balance Sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument. The gains or losses arising on changes to the fair value of available for sale assets are recognised in the Available for Sale Financial Instruments Reserve (Unusable Reserve).

The two tables below illustrate the carrying amount and fair value of the council's financial liabilities and assets:

	31st Ma	rch 2020	31st March 2021		
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	
	£'000	£'000	£'000	£'000	
Financial Liabilities	-1,734	-1,734	-10,168	-10,168	

	31st Ma	rch 2020	31st March 2021		
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	
	£'000	£'000	£'000	£'000	
Amortised Cost - Loans and receivables	27,406	27,406	1,664	1,664	
Amortised Cost - Long term debtors	-	-	-	-	

19. Debtors

The analysis of short-term debtors (net of provision for bad and doubtful debts) held on the Balance Sheet is shown in the table below:

31st March 2020		31st March 2021
£'000		£'000
432	Central government bodies	6,646
5,016	Other local authorities	5,679
3,528	Other entities and individuals	4,551
8,976	Total	16,876
	-	

20. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents held on the Balance Sheet is made up of the following elements:

31st March 2020 £'000		31st March 2021 £'000
4,266	Current Bank Accounts	6,138
859	Other demand deposits	14,737
5,125	Total Cash and Cash equivalents	20,875
	=	-

21. Assets Held for Sale

The council did not record any assets during 2019/20 or 2020/21 which are recognised as "Assets Held for Sale" as per current accounting policy 1.19:

22. Creditors

The analysis of short-term creditors held on the Balance Sheet is shown in the table below:

31st March 2020 £'000		31st March 2021 £'000
-1,788	Central Government bodies	-1,488
-1,514	Other local authorities	-552
-6	NHS bodies	-
-2,153	Other entities and individuals	-10,087
-5,461	Total	-12,127

23. Provisions

	2	019/20			2020/21			
СРО	Other	NNDR Appeals	Total	Provisions	CPO	Other	NNDR Appeals	Total
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
-	-	-1,273	-1,273	Balance at 1st April Additional provision made in year	-	-	-791	-791
		192	192	Reduced provision in year	-130	-40	-76	-246
-	-	290	290	Amounts used in year	-	-	352	352
-	-	-791	-791	Balance at 31st March	-130	-40	-515	-685

The CPO provision was created in order to compensate the legal owner following a potential claim in respect of a property which the council has acquired under Compulsory Purchase Order.

The NNDR appeals provision represents the council's share of appeals made in respect of rateable values as defined by the Valuation Office Agency (VOA), in accordance with the local management of business rates.

24. Usable Reserves

Movements in the council's Usable Reserves are detailed in the Movement in Reserves Statement and Note 9. The balance of Usable Reserves as at 31 March 2021 was £28.784m (31 March 2020 £30.889m).

25. Unusable Reserves

The council holds a number of Unusable Reserves on the Balance Sheet. The table below shows a summary of the balances.

31st March 2020	Unusable Reserves		31st March 2021
£'000		See Note	£'000
-19,396	Revaluation Reserve	25a	-21,781
-70	Available for Sale Financial Instruments Reserve	25b	-82
-76,262	Capital Adjustment Account	25c	-79,806
30,939	Pensions Reserve	25d	35,379
-	Deferred Capital Receipts Reserve		-
-261	Collection Fund Adjustment Account	25e	4,500
82	Accumulated Absences account		91
-64,968			-61,699

25a Revaluation Reserve

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

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

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

20	019/20	Revaluation Reserve	202	0/21
ł	E'000		£'	000
-5,017	-14,858	Balance at 1st April Upward revaluation of assets	-3,598	-19,396
268		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	785	
	-4,749	Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		-2,813
207		Difference between fair value depreciation and historic cost depreciation.	370	
5		Accumulated gains on assets sold or scrapped	58	
	211	Amount written off to the Capital Adjustment Account		428
	-19,396	Balance at 31st March		-21,781
				•

25b Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised.

2019/20 £'000	Available for Sale Financial Instruments	2020/21 £'000
-134	Balance at 1st April	-70
64	Revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	-12
-70	Balance at 31st March	-82

25c Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations which are charged to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the council as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on investment property. The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 9 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

1,405Reversal of items relating to capital expenditure debited and credited to the Comprehensive Income and Expenditure Statement1,5171,405Charges for depreciation and impairment of non-current assets Revaluation losses on Property, Plant and Equipment Revenue expenditure funded from capital under statute.1,301,846Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement3,93440Adjusting amounts written out to the Revaluation Reserve Net written out amount of the cost of non-current assets consumed in the year Capital financing applied in the year: Use of the Capital Receipts reserve to finance new capital expenditure-9,432-4,724Capital grants and contributions credited to the Comprehensive lncome and Expenditure Statement that have been applied to capital financing-916-968Application of grants to capital financing from the Capital Grants unapplied Account-916-Statuory provision for the financing of capital investment charged against the General Fund Balance-	2019/20		Capital Adjustment Account	2020)/21
1,405 Reversal of items relating to capital expenditure debited and credited to the Comprehensive Income and Expenditure Statement 1,517 294 Charges for depreciation and impairment of non-current assets 1,517 294 Revaluation losses on Property, Plant and Equipment 130 1,846 Revenue expenditure funded from capital under statute. 2,660 40 Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement 3,934 40 3,585	£'000			£'0	00
294 1,846Revaluation losses on Property, Plant and Equipment Revenue expenditure funded from capital under statute.130 2,66040Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement3,934403,585Adjusting amounts written out to the Revaluation Reserve8, Adjusting amounts written out to the Revaluation Reserve-222Net written out amount of the cost of non-current assets consumed in the year Capital financing applied in the year: Use of the Capital Receipts reserve to finance new capital expenditure-9,432-4,724Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing Application of grants to capital financing from the Capital Grants Unapplied Account-916-968Application of the financing of capital investment charged against the General Fund Balance-10,		-72,291	Reversal of items relating to capital expenditure debited and credited to the Comprehensive Income and Expenditure		-76,262
1,846 Revenue expenditure funded from capital under statute. 2,660 40 Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement 3,934 40 3,585	1,405		Charges for depreciation and impairment of non-current assets	1,517	
40 Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement 3,934 40 3,585	294		Revaluation losses on Property, Plant and Equipment	130	
40part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement3,9343,585-222Adjusting amounts written out to the Revaluation Reserve8-222Adjusting amounts written out to the Revaluation Reserve-3,363Net written out amount of the cost of non-current assets consumed in the year4,724Use of the Capital financing applied in the year: Use of the Capital Receipts reserve to finance new capital 	1,846		Revenue expenditure funded from capital under statute.	2,660	
-222 Adjusting amounts written out to the Revaluation Reserve -	40		part of the gain/loss on disposal to the Comprehensive Income	3,934	
-4,724 Net written out amount of the cost of non-current assets consumed in the year 7, -4,724 Capital financing applied in the year: -9,432 -4,724 Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing -9,432 -968 Application of grants to capital financing from the Capital Grants Unapplied Account -916 - Statutory provision for the financing of capital investment charged against the General Fund Balance - - -5,692 -10,		3,585			8,241
-4,724 3,363 consumed in the year 7, -4,724 Capital financing applied in the year: Use of the Capital Receipts reserve to finance new capital expenditure -9,432 -968 Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing -916 -968 Application of grants to capital financing from the Capital Grants Unapplied Account - - Statutory provision for the financing of capital investment charged against the General Fund Balance - - -5,692 -10,		-222	Adjusting amounts written out to the Revaluation Reserve		-428
-4,724 expenditure -9,432 Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing -916 Application of grants to capital financing from the Capital Grants Unapplied Account - Statutory provision for the financing of capital investment charged against the General Fund Balance - -10,		3,363	consumed in the year		7,813
-968 Income and Expenditure Statement that have been applied to capital financing -916 Application of grants to capital financing from the Capital Grants Unapplied Account - Statutory provision for the financing of capital investment charged against the General Fund Balance - -10,	-4,724			-9,432	
- Unapplied Account - Statutory provision for the financing of capital investment charged against the General Fund Balance	-968		Income and Expenditure Statement that have been applied to	-916	
against the General Fund Balance	-			-	
	-			-	
or credited to the Comprehensive Income and Expenditure			or credited to the Comprehensive Income and Expenditure		-10,348
-1,642 Statement -1,		-1,642	Statement	L	-1,009
-76,262 Balance at 31st March -79,		-76,262	Balance at 31st March		-79,806

25d Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The council accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the council makes employer's contributions to pension funds or when it eventually pays any pensions for which it is directly responsible.

The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2019/20 £'000	Pension Reserve	2020/21 £'000
37,640	Balance at 1st April	30,939
-7,140	Actuarial (-) gains or losses on pensions assets and liabilities	4,527
2,309	Reversal of items relating to retirement benefits debited or credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	1,827
-1,870	Employer's pensions contributions and direct payments to pensioners payable in the year	-1,914
30,939	Balance at 31st March	35,379

25e Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax income in the CIES as it falls due from Council Tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2019/20 £'000	Collection Fund Adjustment Account	2020/21 £'000
677	Balance at 1st April	-261
-938	Amount by which council tax and non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	4,761
-261	Balance at 31st March	4,500

26. Cash Flow Statement – Operating Activities

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

2019/20	Operating Activities	2020/21
£'000		£'000
-308	Net (surplus) or deficit on the provision of services	3,672
	Adjust net surplus or deficit on the provision of services	
	for non cash movements:	
-1,331	Depreciation	-1,450
-294	Impairment and downward valuations	-130
-74	Amortisation	-67
-50	(Increase)/decrease in impairment for bad debts	416
-3,854	(Increase)/decrease in creditors	-5,766
-342	Increase/(decrease) in debtors	7,484
482	Increase/(decrease) in provisions	106
	Adjustment for movements in Debtors and Creditors in	
-227	respect of Local Taxation that are financing activities	-8,147
-1	Increase/(decrease) in inventories	5
-439	Movement in pension liability	87
	Carrying amount of non-current assets and non-current	
-40	assets held for sale, sold or de-recognised	-3,934
1,642	Movement in value of investment properties	1,009
	Other non-cash items charged to the net surplus or	
11	deficit on the provision of services	-
-4,517	Adjustments to net surplus or deficit on the	-10,387
	provision of services for non cash movements	
	Adjust for items included in the net surplus or deficit on	
	the provision of services that are investing and financing	
	activities:	
	Capital grants included in "Taxation & non specific grant	
1,069	income"	1,122
	Proceeds from the sale of property, plant and	
-	equipment, investment property and intangible assets	-
4 000	Adjust for items included in the net surplus or	4 400
1,069	deficit on the provision of services that are	1,122
	investing or financing activities	
-3,756	Net cash flows from Operating Activities	-5,593

The cash flows for operating activities include the following items:

2019/20	Operating Activities (Interest)	2020/21
£'000		£'000
-377	Interest Received	-208
3	Interest paid	-
-13	Dividends received	-14
-387	Net cash flows from operating activities (interest)	-222

27. Cash Flow Statement – Investing Activities

2019/20	Investing Activities	2020/21
£'000		£'000
3,846 37,000	Purchase of property, plant and equipment, investment property and intangible assets Purchase of short-term and long-term investments	7,818 37,000
-	Other payments for investing activities	-
- -28,000 -1,069 -	Proceeds from the sale of property, plant and equipment, investment property and intangible assets Proceeds from short-term and long-term investments Capital Grants and Contributions Received Other receipts from investing activities (including capital grants)	- -62,000 -1,122
11,777	Net cash flows from investing activities	-18,304

28. Cash Flow Statement – Financing Activities

2019/20 £'000	Financing Activities	2020/21 £'000
-	Cash receipts of short and long-term borrowing	-
-1,135	Other receipts from financing activities	-
-	Cash payments for the reduction of the outstanding liabilities relating to finance leases	-
- 1,362	Repayments of short- and long-term borrowing Other payments for financing activities	- 8,147
227	Net cash flows from financing activities	8,147
	<u>_</u>	•,• •

29. Members Allowances

The council paid the following amounts to Members of the council during 2019/20 and 2020/21.

Members Allowances	2019/20 £'000	2020/21 £'000
Basic Allowances	161	161
Mayor/Deputy Mayor allowances	13	13
Special Responsibility allowances	44	49
Expenses	6	1
Total	224	224

30. Officers' Remuneration

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

Officers Remuneration		Salary, Fees and Allowance s	Expenses Allowance s	Employer Pension contribution	Total
		£	£	£	£
Managing Director/HoPS	2020/21	102,977	2,156	12,830	117,963
As Detuminer Officer	2019/20	93,677	2,237	15,550	111,464
As Returning Officer	2020/21	651	-	-	651
	2019/20	3,410	55	-	3,466
Director (Resigned 09/09/2019)	2020/21	-	-	-	
	2019/20	36,000	1,144	5,976	43,120
Director/S151 Officer	2020/21	104,974	805	15,981	121,759
	2019/20	83,756	1,511	13,904	99,171
Total in 2020/21		208,602	2,961	28,810	240,373
Total in 2019/20		216,844	4,947	35,430	257,221

Other employees receiving more than £50,000 remuneration (excluding employer's pension contributions) are detailed below. The remuneration paid to the employees shown here includes redundancy payments paid to those employees who left the council as a result of restructuring.

Remuneration Band		2019/20	2020/21
£	£	Number of Employees	Number of Employees
50,000	54,999	1	3
55,000	59,999	4	2
60,000	64,999	-	2
65,000	69,999	-	3
70,000	74,999	-	-
75,000	79,999	-	-

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit package cost band (including special payments)	Number of complusory redundancies		complusory departures agreed packages by cost		package	ost of exit es in each and		
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
£0 - £20,000	-	-	-	-	-	-	-	-
£20,001- £40,000	-	-	-	-	-	-	-	-
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000 £100.001 -	-	-	-	-	-	-	-	-
£150,000	-	1	-	-	-	1	-	£118,576
Total	-	1	-	-	-	1	-	£118,576

31. External Audit Costs

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

External Audit Costs	2019/20 £'000	2020/21 £'000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	35	67
Fees payable to for additional audit services not included as part of the annual audit fee	-	-
Fees payable for the certification of grant claims and returns for the year	12	13
	47	80

32. Grant Income

The council credited the following grants and contributions to the CIES in 2019/20 and 2020/21:

Credited to Taxation and Non Specific Grant Income		
Retained Business Rates	-3,846	1,243
Section 31 Grant	-1,370	-5,445
New Homes Bonus	-1,029	-932
Council Tax Income	-4,284	-4,540
Other Government Grants	-	-151
Revenue Support Grant	-8	-227
Capital Grants and Contributions	-1,069	-1,122
Total	-11,606	-11,174
Credited to Services		
Benefit Administration	-522	-535
Housing Benefit Rent Allowances & Rent Rebates	-16,330	-15,065
Discretionary Housing Payments	-	-
Other Government Grants	-332	-400
Other Grants	-	-19,602
Total	-17,184	-35,602

The council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

Page 175

Grants Received in Advance	2019/20 £'000	2020/21 £'000
Section 106 contributions		
Stanton Cross Development	-2,561	-2,564
Other	-3,317	-2,396
Special Protection Area contributions	-66	-84
Total	-5,944	-5,044
	I	

33. Related Parties

The council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council.

Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the council.

Central Government

Central Government has effective control over the general operations of the council – it is responsible for providing the statutory framework, within which the council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. Council Tax bills, Housing Benefits). Grants received from government departments are set out in the subjective analysis in Note 32, Grant Income.

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2020/21 is shown in Note 29. During 2020/21, no grants were given to and no works or services were commissioned from, companies in which any members or their related parties had a significant interest, influence or control.

The council transferred its housing stock to Wellingborough Homes (now Greatwell Homes), a Registered Social Landlord in December 2007.

Officers

Chief Officers were asked at the end of the year to disclose whether they, or any member of their immediate family, had any significant financial dealings with the council during the year. Replies were reviewed and no material transactions existed.

Other Public Bodies / Entities Controlled or Significantly Influenced by the Council

The council entered into a contractual arrangement with Wellingborough Norse Ltd from 1 March 2012 details of which are included in the notes relating to Group Accounts. On 30 December 2015, the council created a new trading company called "Wellingborough Bereavement Services Ltd". The company is a wholly owned subsidiary of the council and officers and members have been appointed as Directors of the company, further information regarding the company is available in Note 41a.

There were no other Public Bodies or Entities that were controlled or significantly influenced by the council during 2020/21.

Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it.

Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the council that has yet to be financed.

The CFR is analysed in the table below.

Capital Expenditure and Funding	2019/20	2020/21
	£'000	£'000
Opening Capital Financing Requirement	-	-
Capital Investment		
Property Plant and equipment	3,791	7,475
Investment Properties	55	213
Intangible Assets	_	-
Revenue Expenditure Funded from Capital under Statute	1,846	2,660
Total Capital Investment	5,692	10,348
Sources of Finance		
Capital receipts	-4,724	-9,432
Government grants and other contributions	-968	-916
Other Capital Income		
Total Sources of Finance	-5,692	-10,348
Closing Capital Financing Requirement		-

34. Leases

Council as Lessee

Finance Leases

The council acquired Faraday Court business units under finance leases. The valuation of the assets acquired under the Faraday Court lease is nil (based on the lease interest). As a result no asset or long-term liability has been recorded on the council's Balance Sheet.

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered in to, such as adjustments following rent reviews. The lease payments made for the Faraday Court lease have been classified as contingent rent, because as indicated above there is no long-term liability for the interest in the property. In 2020/21 £289,958 contingent rents were payable by the council (2019/20 £211,462).

Operating Leases

During 2015/16, the council entered into an operating lease in respect of printing and copying equipment. The agreement commenced on 1 December 2015 and is for four years to 30 November 2019. The agreement was initially extended to August 2020 and is currently under review. The annual charge to the Comprehensive Income and Expenditure Account is \pounds 11,228.

Council as Lessor

Finance Leases

The council does not hold any finance lease where it acts as lessor.

Operating Leases

The council leases out property (classified as investment property) under operating leases for the purpose of generating income.

The council also leases out Trafalgar House (included under PPE in the balance sheet) to Wellingborough Norse Ltd as part of the agreement for the transfer of services from the 1 March 2012 (as detailed in Note 41 – Group Accounts). The lease was due for renewal on 1 March 2017 and has currently been extended for a further five years to 28 February 2022. The income received for 2020/21 was £90,000 (2019/20 £90,000).

Trafalgar House	31st March 2020 £'000	31st March 2021 £'000
Not later than one year	90	90
Later than one year and not later than five		
years	180	90
	270	180

The future minimum lease payments, for the investment property portfolio, receivable under non-cancellable leases in future years are:

£'000	£'000
-2,667	-2,665
-3,052	-3,348
-64,179	-63,868
-69,898	-69,881
	-2,667 -3,052 -64,179

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. Contingent rents are considered immaterial and have therefore not been included in the amounts in the table above.

35. Impairment Losses

At the end of 31 March 2021 the council has undertaken an assessment as to whether there is any indication that an asset may be impaired. No events have been identified and as such there are no impairments in 2020/21 (this was also the case in 2019/20).

37. Termination Benefits

The council has paid out £119k in termination costs as detailed in Note 30.

38. Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The council participates in two post-employment schemes:

- 1. The Local Government Pension Scheme
- This is administered locally by Northamptonshire County Council it is a funded defined benefit final salary scheme, meaning that the council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.
- Arrangements for the award of discretionary post-retirement benefits upon early
 retirement this is an unfunded defined benefit arrangement, under which liabilities
 are recognised when awards are made. However, there are no investment assets built
 up to meet these pensions' liabilities, and cash has to be generated to meet actual
 pension's payments as they eventually fall due.
- The Northamptonshire pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of Northamptonshire County Council. Policy is determined in accordance with the Pensions Fund Regulations. The investment managers of the fund are appointed by the committee which consists of seven members of Northamptonshire County Council, three members from the borough/district councils, one Universities and Colleges representative, one other employer's representative and two employees representatives.
- The principal risks to the council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance

of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund Account the amounts required by statute as described in the accounting policies Note 1.7.

2. Discretionary Post-retirement Benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

Transactions Relating to Post-employment Benefits

The council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the council is required to make against Council Tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the CIES and the General Fund Balance via the Movement in Reserves Statement during the year:

Comprehensive Income and Expenditure Statement	Local Government Pension Scheme	
	2019/20 £'000	2020/21 £'000
Cost of Services:		
Current service costs	1,411	1,193
Past service costs/(gains)		-66
Effect of settlements	-	-
Financing and investment Income and Expenditure		
Net interest cost	898	700
Total Post-employment Benefit Charged to the Surplus or deficit on the provision of services	2,309	1,827
Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability:		
Return on scheme assets	5,905	-11,771
Actuarial gains (losses) arising from changes in financial assumptions	-5,876	16,311
Changes in demographic assumptions	-2,711	1,062
Other remeasurement gains/losses	-4,458	-1,075
Total Remeasurement of the net defined benefit liability:	-7,140	4,527
Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement Movement in Reserves Statement	-4,831	6,354
Reversal of net charges made to the Surplus or Deficit for the Provision of services for post employment benefits in accordance with the Code	-2,309	-1,827
Actual amount charged against the General Fund Balance for pensions in the year		
Employers' contributions payable to scheme	-1,809	-1,864
Retirement benefits payable to pensioners	-61	-50

Pensions Assets and Liabilities Recognised in the	Pension Scheme		Discretionary Benefits Arrangements		TOTAL	
Balance Sheet	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000
Drecent value of the defined herefit obligation	79.446	04 760	-844	-724	70.000	05 496
Present value of the defined benefit obligation Fair value of pension scheme assets	-78,446 48,351	-94,762 60,107	-044 -	-724	-79,290 48,351	-95,486 60,107
Net liability arising from the defined benefit obligation	-30,095	-34,655	-844	-724	-30,939	-35,379

Reconciliation of the Movements in the Fair Value of Scheme Assets	2019/20 £'000	2020/21 £'000
Opening value of scheme assets as 1st April	54,171	48,351
Interest income	1,290	1,100
Remeasurement - plan assets	-5,905	11,771
Employer contributions	1,870	1,864
Contributions by scheme participants	217	238
Benefits paid	-3,292	-3,267
Service cost settlement effects	-	-
Closing balance at 31st March	48,351	60,057

	TOTAL		
Reconciliation of Defined Benefit Obligations	2019/20 £'000	2020/21 £'000	
Opening balance as 1st April	91,811	79,290	
Current service cost	1,411	1,193	
Past service costs/(gains)	-	-66	
Effect of settlements	-	-	
Interest cost	2,188	1,800	
Contributions by scheme participants	217	238	
Actuarial gains (losses) arising from changes in demographic assumptions	-2,711	1,062	
Actuarial gains (losses) arising from changes in financial			
assumptions	-5,876	16,311	
Other remeasurement gains/(losses)	-4,458	-1,075	
Losses / (Gains) on Curtailments	-	-	
Liabilities Extinguished on Settlements	-	-	
Benefits paid	-3,292	-3,292	
Closing balance at 31st March	79,290	95,461	

Pension Scheme Assets comprised;

Local Government Pension Scheme assets: Dissagregation by class	Quoted prices in active markets 2019/20	Quoted prices not in active markets 2019/20	Quoted prices in active markets 2020/21	Quoted prices not in active markets 2020/21
	£'000	£'000	£'000	£'000
Cash and cash equivalents	738	-	952.7	-
Equity Instruments by industry type:				
Consumer	1,202	-	0.3	-
Manufacturing	523	-	-	-
Energy and utilities	327	-	-	-
Financial institions	479	-	-	-
Health and care	330	-	-	-
Information technology	363	-	-	-
Other		-		-
Total equity instruments	3,224	-	0.3	-
Debt Securities:				
Corporate bonds	-	-	-	-
Government bonds	-	5,225	-	6,108
Other	-	-	-	-
Total Debt Securities	-	5,225	-	6,108
Property by geography:				
UK property	-	3,643	-	3,489
Overseas Property	-	251	-	451
Total property	-	3,894	-	3,940
Private equity:				
All private equity	-	1,060	-	1,790
Investment funds and Unit Trusts by type:				
Equities	-	27,799	-	38,034
Bonds	-	3,580	-	5,587
Infrastructure	-	2,909	-	3,773
Other	-	-	-	-
Total investment funds	-	34,288	-	47,394
Derivatives:				
Forward foreign exchange contracts	-	-	-	-
Total assets	3,962	44,467	953.0	59,232

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2019.

Actuarial Assumptions	Local Governmer	nt Pension Scheme
Actuarial Assumptions	2019/20	2020/21
Mortality assumptions		
Longevity at 65 for current pensioners:		
Men	21.5 years	21.7 years
Women	23.7 years	24.1 years
Longevity at 65 for future pensioners:		
Men	22.8 years	22.5 years
Women	25.1 years	25.8 years
Rate of inflation (CPI)	2.00%	3.30%
Rate of increase in salaries	2.40%	3.35%
Rate of increase in pensions	1.90%	2.85%
Rate of discounting scheme liabilities	2.30%	2.00%
Take up of option to convert annual pension into retirement lump sum		
Pre April 2008 Service	50%	50%
Post April 2008 Service	75%	75%

The principal assumptions used by the actuary have been:

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis above has been determined based on reasonably possible changes of assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for women and men. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis is consistent with methods used in previous years.

Impact on the Council's Cash flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Northamptonshire Pension Fund has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2022.

Statements

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The council anticipates paying £1.864m of contributions into the scheme during 2021/22.

The weighted average duration of the defined benefit obligation for scheme members is 17 years, 2020/21 (17 years 2019/20).

39. Contingent Liabilities

At 31 March 2021, the council had the following material contingent liabilities:

- In December 2007 the Borough Council of Wellingborough signed a warranty in favour of Greatwell Homes (previously known as Wellingborough Homes) as part of its housing stock transfer. As part of this warranty the council agreed for a period of 20 years to indemnify the company for any expenditure above an agreed threshold for the cost of works relating to the removal of asbestos in the stock transferred. The original threshold agreement was £2.340m. This is monitored annually and is unlikely to be breached in the coming years. However, there is a potential liability for the council for the future and as such it should be recognised as a contingent liability.
- As a result of a faulty electricity meter being identified at the multi storey car park, it is possible the council has been incorrectly charged by the utility company. This error has been traced back to 2014 and whilst the issue is in dispute, there remains a possibility the council could be liable for approximately £130k. The estimated figure is based on current usage and should be recognised as a contingent liability.

40. Nature and Extent of Risks arising from Financial Instruments

The council's activities expose it to a variety of financial risks:

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

The council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies stated within the annual Treasury Management Strategy, approved by the council in June 2020. This document provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the council's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch and Moody's and Standard and Poor's Ratings Services. The Annual Treasury Management Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

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

Financial Asset Category	Criteria	Maximum Investment
Deposits with Banks	As assessed by our treasury management advisors:	£
	Part Nationalised UK banks	7m
	UK domiciled banks with a minimum Fitch rating of A- or equivalent	7m
	Non UK banks, domiciled in a country which has a minimum sovereign long term Fitch rating of AA- (or equivalent)	3m
Deposits with building societies	Building Societies are assessed by their asset base:	£
	Building societies with assets >£1bn	3m
	Building societies with assets >£500m <£1bn	1m

The council does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- Credit watches and credit outlooks from credit rating agencies
- Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings
- Sovereign ratings to select counterparties from only the most creditworthy countries

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors.

The council's maximum exposure to credit risk in relation to its investments in banks and building societies of £18.737m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. A risk of non-recovery applies to all of the council's deposits, but there was no evidence at the 31 March 2021 that this was likely to crystallise.

The following analysis summarises the council's potential maximum exposure to credit risk on other financial assets, based on experience of default and collection rates over the last three financial years, adjusted to reflect current market conditions:

	Amount at 31st March 2021	Historical experience of default	Historical experience adjusted for market conditions at 31st March 2021	Estimated maximum exposure to default and un-collectability as at 31st March 2021	Estimated maximum exposure at 31st March 2020
	£'000	%	%	£'000	£'000
	А	В	С	(A x C)	
Customers	2,849	9.25%	12.44%	354	244

The council does not generally allow credit for customers, such that £30,889 of the £144,962 balance, summarised below, is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

Outstanding Debt Analysis	31st March 2020 £'000	31st March 2021 £'000
Less than three months	162	110
Three to six months	112	50
Six months to one year	-13	-12
More than one year	16	-3
	277	145

Liquidity Risk

The council is debt free, which means it has no borrowings to finance capital expenditure. The council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The council manages its liquidity position through risk management procedures such as the setting and approval of prudential indicators and the approval of the Treasury and Investment Strategy reports. It also maintains detailed cash flow planning to manage its day to day liquidity. The council has an overdraft facility, has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and the Public Works Loan Board (PWLB) also acts as a lender of last resort to councils.

All trade and other payables are due to be paid in less than one year.

Market Risk

Interest Rate Risk

The council is exposed to risk in terms of its exposure to interest rate movements on its investments only, as it has no borrowings. Movements in interest rates have a complex impact on the council. For instance, a rise in interest rates would have the following effects:

- investments at variable rates the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates the fair value of the assets will fall.

Changes in interest receivable on variable rate investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

Local authorities should have due regard for the risks associated with the financial instruments that they hold. The procedures for risk management are set out through a legal framework in the *Local Government Act 2003* and the associated regulations. These require the council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Active treasury management allows continual re-assessment of the impact that movements in interest rates have both in respect of feeding into the setting of the annual budget and also used to update the budget quarterly during the year. This allows any adverse changes to be accommodated.

According to this assessment strategy, at 31 March 2021, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£'000
Increase in interest receivable on variable rate investments	147
Impact on Surplus or Deficit on the Provision of Services	147
Decrease in fair value of fixed rate investment assets	40
Impact on Other Comprehensive Income and Expenditure	40
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	-

The impact of a 1% fall in interest rates would be the reverse of the above.

Price Risk

The council does not generally invest in equity shares but does have shareholdings to the value of £237,500 in Aberdeen Diversified Income & Growth (previously known as Black Rock Income Strategies Trust) as at the 31 March 2021 (£225,500 at 31 March 2020). Consequently, the council is exposed to losses or surpluses arising from movements in the prices of these shares. These shares are classified as 'Available for Sale', meaning that all movements in price will impact on gains and losses recognised in Other Comprehensive Income and Expenditure. This represented an overall increase of 5.3% in year.

Page 187

Foreign Exchange Risk

The council has no financial exposure to loss arising from movements in exchange rates.

41. Group Accounts

The council has business relationships with a number of entities over which it has varying degrees of control or influence. These are classified into the categories of subsidiaries, associates or joint ventures. The meanings of these terms are outlined below:

- Subsidiary A subsidiary is an entity including an unincorporated entity such as a partnership that is controlled by another entity (the council), known as the parent.
- Associate An associate is an entity over which an investee and investor (the council) has significant influence.
- Joint Venture A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

a) Wellingborough Bereavement Services Ltd:

On 30 December 2015, Wellingborough Bereavement Services Ltd, trading as Nene Valley Crematorium, was incorporated and commenced trading in September 2016. The company is a wholly owned subsidiary of the council and for the purposes of group accounts is classified as a subsidiary and is therefore consolidated into the group accounts on a line by line basis.

The following additional information is disclosed to aid an understanding of the nature of the group relationship.

- i. The registered name of the company is Wellingborough Bereavement Services Ltd,
- ii. Nature of the business the principal activities of the company are to offer long-term comfort within the local community for the presently bereaved and for generations of families into the future and to ensure that cremations take place in a respectful and effective way.
- iii. The immediate parent undertaking is Borough Council of Wellingborough,
- iv. The ultimate parent undertaking is Borough Council of Wellingborough,
- v. The company's ultimate controlling party is Borough Council of Wellingborough.
- vi. Payments made to Wellingborough Bereavement Services The council has made no payments to the company but has incurred cost on their behalf. As such a debtor amount of £16k (2019/20 £86k) has been included in the council's core financial statements to recognise these transactions. This has been removed from the group accounts, together with the corresponding creditor, which will appear in the single entity financial statements for Wellingborough Bereavement Services Ltd, in order to recognise that these items are internal to the group.

b) Wellingborough NORSE Ltd:

On the 1 March 2012 the council entered into an agreement with Wellingborough Norse Ltd relating to services previously carried out by the 'environmental' and 'facilities management' sections of the council. The council has a 20% share of Wellingborough Norse Ltd., and as such the council does have significant influence over Wellingborough Norse Ltd. This assumption is supported by representation on the Wellingborough Norse Ltd board, together with the fact that the majority of Wellingborough Norse Ltd.'s business is with the council. Based on this, the council's accounting relationship with Wellingborough Norse Ltd has been determined as that of an 'Associate' and is consolidated using the equity method.

Tables are shown below which set out the extent and implications of the council's interest in Wellingborough Norse for the core financial statements of the council's 20% interest in the company.

In addition the council also receives a 50/50 profit or loss share at the end of the financial year. The total profit for 2019/20 has been reported as £83,222, the council's share of this is \pounds 41,611.

The following additional information is disclosed to aid an understanding of the nature of the group relationship.

- i. The registered name of the company is Wellingborough Norse Ltd,
- ii. Nature of the business the principal activity of the company is that of refuse, cleansing and maintenance services,
- iii. The immediate parent undertaking is Norse Commercial Services Ltd,
- iv. The ultimate parent undertaking is Norse Group Ltd,
- v. The company's ultimate controlling party is Norfolk County Council, by virtue of them owning 100% of the ordinary share capital of Norse Group Ltd,
- vi. Payments made to Wellingborough Norse Ltd in respect of services provided are included within the Cost of Services in the Comprehensive Income and Expenditure Statement. Total payments to Wellingborough Norse Ltd were £4.782m in 2020/21 and £4.835m in 2019/20, these are included in the accounting statements as follows:

Service	2019/20	2020/21
	£,000	£,000
Corporate & Democratic Core	140	140
Cultural & Related Services	1,055	1,055
Environmental & Regulatory	2,695	2,695
Financing & Investment Income & Expenditure	29	29
Highways, Roads & Transport Services	358	305
Planning & Development Services	79	79
Recharged Cost Centres	479	479
Grand Total	4,835	4,782

At 31 March 2021 Wellingborough Norse Limited owed to the council £1,573 (2019/20 £273,413). There was nothing owed by the council to Wellingborough Norse Limited (2019/20 £22,345).

Page 189

F1 Collection fund

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

2019/20			2020/21		
£'000		£'000	£'000	TOTAL £'000	
	INCOME FOR THE YEAR				
	Income from Council Tax Section 13 Reliefs Income from Non Domestic Rates	-	-		3 2
	TOTAL INCOME FOR THE YEAR (a)				
-738 -569 -2 27 -1,275	EXPENDITURE FOR THE YEAR (b) Apportionment of Previous Year's Central Government Billing Authority County Council Police and Crime Commissioner Fire & Rescue	9 94 127 - 234	- - - - -	9 94 127 4 - 234	4
	<i>Precepts, Demands and Shares (c)</i> Central Government Billing Authority County Council Police and Crime Commissioner Fire & Rescue	-	-		2 2 2 2 2 2
212 -1,207	Charges to Collection Fund (d) Less : Write offs of uncollectable amounts Less : Increase/ Decrease (-) in Bad Debts Less : Increase/ Decrease (-) in Provision Less: Transitional Protection Payments Less : Cost of Collection Allowance Other Transfers to the General Fund in with non-domestic rates regulation	- 162 -689 111 107	- - -	440 162 -689 111 107	5 5 5
-19 - 532	Renewable Energy	45 -264	-	45	
-552		-204			
1,616	SURPLUS/ DEFICIT (-) FOR THE YEAR (a-	-11,590	-1,222	-12,812	
-1,921	SURPLUS/ DEFICIT (-) b/fwd 1st April	983	-1,288	-305	
-305	SURPLUS/ DEFICIT (-) c/fwd 31st March	-10,607	-2,510	-13,117	
196 -545 261 -172 -45 -305	Apportionment of Surplus/Deficit (-) Central Government County Council Billing Authority Police and Crime Commissioner Fire & Rescue	-5,491 -767 -4,243 -106 - -	- -1,807 -257 -359 -87 -2,510	-5,491 -2,574 -4,500 -465 -87 -13,117	

F2 Notes to the collection fund

The Collection Fund is an agent's statement that reflects the statutory obligation of billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and National Non-Domestic Rates (NNDR) and its distribution to local government bodies and the government.

The council has a statutory requirement to operate a Collection Fund as a separate account to the General Fund. The purpose of the Collection Fund therefore, is to isolate the income and expenditure relating to Council Tax and NNDR. The administrative costs associated with the collection process are charged to the General Fund.

Collection Fund surpluses or deficits declared by the billing authority in relation to Council Tax are apportioned to the relevant precepting bodies in the subsequent financial year. For Wellingborough, the Council Tax precepting bodies are Northamptonshire County Council (NCC) and the Police, Fire and Crime Commissioner for Northamptonshire (PFCC), previously Northamptonshire Fire & Rescue Service (NF&R).

In 2013/14 the local government finance regime was revised with the introduction of the retained business rates scheme. The main aim of the scheme is to give councils a greater incentive to grow businesses in the borough. It does, however, also increase the financial risk due to non-collection and the volatility of the NNDR tax base and impact of appeals.

The scheme allows the council to retain a proportion of the total NNDR received. Wellingborough share is 40% with the remainder paid to central government (50%), NCC (9%) and Police, Fire and Crime Commissioner (1%). These percentages differ from last year when Northamptonshire was part of a Government business rates pilot which meant the County Council retained 34% and the Government 25%.

NNDR surpluses or deficits declared by the billing authority in relation to the Collection Fund are apportioned to the relevant precepting bodies in the subsequent financial year in their respective proportions.

The national Code of Practice followed by Local Authorities in England stipulates that a Collection Fund Income and Expenditure account is included in the council's accounts. The Collection Fund Balance Sheet meanwhile is incorporated into the council's Consolidated Balance Sheet.

2 Income from Business Ratepayers

The council collects National Non-Domestic Rates (NNDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by central government.

Page 191

When the scheme was introduced, central government set a baseline level for each council identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amounts. Tariffs due from authorities payable to central government are used to finance the top ups to those authorities who do not achieve their targeted baseline funding. In this respect Wellingborough paid an estimated tariff to the General Fund in 2020/21 to the value of £8.107m (\pounds 7.719m in 2019/20).

The business rates shares payable for 2020/21, including surplus or deficit contributions, were estimated before the start of the financial year as £14.398m (£6.303m in 2019/20) to central government, £2.717m (£9.428m in 2019/20) to NCC, £292k (£282k for 2019/20) to PFCC and £11.595m (£10.674m in 2019/20) to the Borough Council of Wellingborough. The payment to Wellingborough includes the tariff payment of £8.107m (£7.719m in 2019/20) which leaves a retained income of £3.399m. These sums have been paid in 2020/21 and charged to the collection fund in year.

The total income from business rate payers collected in 2020/21 was £17.159m (£29.564m in 2019/20).

In addition to the tariff, a 'safety net' figure is calculated at 92.5% of the baseline amount which ensures that authorities are protected to this level of Business Rates income. For Wellingborough, the value of the safety net figure is £2.239m (£2.475m in 2019/20). The comparison of business rates income to safety net uses the total income collected from business rate payers and adjusts for losses in collection, losses on appeal, transitional protection payments, the cost of collection and the revision to Small Business Rate Relief not allowed for when the safety net was set. The council does not qualify for a safety net payment for 2020/21.

Along with the local management of business rates, authorities are also expected to finance appeals made in respect of rateable values as defined by the VOA and hence business rates outstanding as at 31 March 2021. As such, authorities are required to make a provision for these amounts. Appeals are charges and are provided for in proportion of the precepting shares. The total provision charged to the collection fund for 2020/21 has been calculated at £1.287m which is a £0.689m reduction when compared with 2019/20.

For 2020/21 the total non-domestic rateable value at the year-end is \pounds 73.068m (\pounds 72.766m in 2019/20). The national multipliers for 2020/21 were 49.9p for qualifying small business and the standard multiplier being 51.2p for all other businesses (49.1p and 50.4p respectively in 2019/20).

3 Council Tax

Council Tax derives from charges raised according to the value of residential properties, which have been classified into 9 valuation bands (A-H) for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the council for the forthcoming year and dividing this by the Council Tax base (i.e. the equivalent number of Band D dwellings).

In 2013/14, the local government finance regime was revised and Council Tax benefit is no longer received by the council. This has been replaced by a Council Tax Reduction Scheme which is administered in each council.

The Council Tax base for 2020/21 was 25,469 (25,113 in 2019/20). The tax base for 2020/21 was approved at council on 28 January 2020 and was calculated as follows:

2019/20 Band D Equivalents	Band	Estimated number of taxable properties after effect of discounts	Ratio	2020/21 Band D Equivalents
10	A(-)	22	5/9	12
4,922	А	7,685	6/9	5,123
6,373	В	8,394	7/9	6,529
5,598	С	6,451	8/9	5,734
3,613 2,733	D E	3,653 2,225	9/9 11/9	3,653 2,720
1,185	F	807	13/9	1,165
873	G	502	15/9	836
60	Н	32	18/9	64
25,367				25,836
-254	Non-Coll	lection Provision 2020/21		-367
25,113		Council Tax Base		25,469

4 Contributions to Collection Fund Surpluses and Deficits

The council has a statutory requirement to prepare an estimate each January of the surplus or deficit expected to arise at the end of that financial year. In January 2020 it was estimated the Collection Fund would have a Council Tax surplus of £nil and a Business Rates surplus of £0.234m, a combined collection fund surplus of £0.234m (£1.275m deficit in January 2019). The following amounts were due to preceptors in 2020/21.

2019/20 £'000	Collection Fund Balance	2020/21 £'000
-738	Central Government	9
-2	Northamptonshire County Council	127
27	Northamptonshire Police & Crime Commissioner	4
7	Northamptonshire Fire & Rescue	-
-569	Borough Council of Wellingborough	94
-1,275	Total Surplus/(-Deficit)	234

5 Council Tax/NNDR Bad Debt Provision and NNDR provision for valuation appeals – Accounting Policy

The Collection Fund account provides for bad debts on arrears on the basis of prior year experience and current year's collection rates

Page 193

(a) Bad debts on Council Tax Arrears

2019/20 £'000		2020/21 £'000
2,677	Balance at 1st April	2,703
-224 250	Write-offs during the year for previous years Contribution to provision during the year	-738 440
2,703	Balance at 31st March	2,405

The council's proportion of these write offs and increase in provision are shown below.

2019/20 £'000		2020/21 £'000
272	Balance at 1st April	276
-23 26	Write-offs during the year for previous years Contribution to provision during the year	-75 46
276	Balance at 31st March	246

(b) Bad debts on NNDR Arrears.

2019/20 £'000		2020/21 £'000
205	Balance at 1st April	315
-76 186	Write-offs during the year for previous years Contribution to provision during the year	- 162
315	Balance at 31st March	477

The council's proportion of these write offs and increase in provision are shown below.

2019/20 £'000		2020/21 £'000
82	Balance at 1st April	126
-30 74	Write-offs during the year for previous years Contribution to provision during the year	- 65
126	Balance at 31st March	191

(c) NNDR Appeals.

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

2019/20 £'000		2020/21 £'000
3,184	Balance at 1st April	1,977
-1,207	Contribution to/(from) provision during the year	-689
1,977	Balance at 31st March	1,288

The council's proportion of this provision is shown below.

2019/20 £'000		2020/21 £'000
1,273	Balance at 1st April	791
-482	Contribution to/(from) provision during the year	-275
791	Balance at 31st March	516

G1 Group accounts

The following Group Statements and Notes consolidate:

- the council's single entity financial Statements and Notes,
- the financial Statements and Notes of Wellingborough Bereavement Services Limited (a subsidiary of the council), and
- the council's interest in Wellingborough Norse Limited (an associate of the council, in which it holds a 20% interest).

Additional information on the nature of the relationships is contained in Note 41 above.

GROUP Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with accounting standards, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement of Reserves Statement. The Group CIES includes the operations of Wellingborough Bereavement Services Ltd and the council's share of the Wellingborough Norse Ltd profits and tax expenses.

	2019/20				2020/21	
Gross Expendit	Gross incom	Net Expendit		Gross Expendit	Gross income	Net Expendit
£'000 Restated	£'000 Restat	£'000 Restated		£'000	£'000	£'000
	ed					
1,591	-98	1,493	Community Support Environmental & Health	1,597	-53	1,544
784	-191	593	Protection	1,006	-243	763
2,021	-800	1,221	Housing	2,175	-747	1,428
2,182	-817	1,365	Planning & Local Development	2,416	-944	1,472
6,695	-2,190	4,505	Environmental Services	6,654	-2,541	4,113
208	-8	200	Organisation Development	156	-8	148
660	-29	631	Democratic Services	923	-247	676
1,041	-123	918	Operational Property	1,398	-124	1,274
1,132	-	1,132	Shared Services	1,558	-6	1,552
551	-47	504	Accountancy & Audit	19,514	-19,612	-98
17,838	17,172	666	Revenues & Benefits	16,557	-16,084	473
549	-35	514	Corporate Management Corporate Income &	800	-167	633
1,076	-338	738	Expenditure	510	-	510
36,328	- 21,848	14,480	Cost Of Services	55,264	-40,776	14,488
615	-1,074	-459	Other Operating Expenditure (Note 11)	971	-479	492
901	-3,915	-3,014		4,339	-4,893	-554
7,719	- 19,325	-11,606	Taxation and Non-Specific Grant Income and Expenditure	12,727	-23,901	-11,174
		-599	Surplus(-) or Deficit on Provision of Services			3,252
		-17	Share of Surplus (-) / Deficit on the provision of services by			-2′
		3	Tax expenses of Associate (Group note2)			2
		-613	Group Surplus (-) / Deficit			3,23
			Other Comprehensive Income and Expenditure:			
		-4,749	Surplus(-) or Deficit on revaluation of property, plant			-2,813
		64	Surplus(-) or Deficit on revaluation of available for sale			-12
		-7,140	Actuarial Gains(-) or Losses on Pension Assets and Liabilities			4,52
		-11,825	Total Other Comprehensive Income and Expenditure Total Comprehensive Income			1,70

GROUP Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the council and the Group, analysed into 'Usable Reserves' (i.e. those that can be utilised to fund expenditure or reduce taxation) and other reserves. The surplus (-) or deficit on the Provision of Service line shows the true economic cost of providing the Group's services, more details of which are shown in the Group CIES. Additional information on the structure of this Statement is contained within the council's Movement in Reserves Statement, presented earlier in this Statement of Accounts.

Group Movement in Reserves Statement 2020/21	Genera I Fund Balanc e	Capital Receipt s Reserv e	Capital Grants Unappli ed	Total Usable Reserv es	Unusa ble Reserv es	Total Authori ty Reserv es	Reserve s of Subsidi ary	Council 's Share of Reserv es of Associ ate	Total Reserv es
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amount as per Balance Sheet at 31st March 2020 brought forward	-5,330	-25,025	-534	-30,889	-65,453	-96,342	-431	-183	-96,956
Movement in Reserves during 2020/21									
Total Comprehensive Income and Expenditure Adjustments between	3,672	-	-	3,672	1,702	5,374	-420	-17	4,937
accounting basis and funding basis under regulations (Note9)	-8,610	7,250	-207	-1,567	1,567	-	69	-	69
Increase(-)/Decrease in 2020/21	-4,938	7,250	-207	2,105	3,269	5,374	-351	-17	5,006
Amount as per Balance Sheet at 31st March 2021 carried forward	-10,268	-17,775	-741	-28,784	-62,184	-90,968	-782	-200	-91,950
Group Movement in Reserves Statement 2019/20 Restated	Genera I Fund Balanc e	Capital Receipt s Reserv e	Capital Grants Unappli ed	Total Usable Reserv es	Unusa ble Reserv es	Total Authori ty Reserv es	Reserve s of Subsidi ary	Council 's Share of Reserv es of Associ ate	Total Reserv es
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amount as per Balance Sheet at 31st March 2019 brought forward	-5,730	-28,674	-433	-34,837	-48,887	-83,724	-140	-169	-84,033
Movement in Reserves during 2019/20									
Total Comprehensive	-308	-	-	-308	-12,310	-12,618	-291	-14	-12,923

4,256

3,948

-30,889

-4,256

-16,566

-65,453

_

-12,618

-96,342

-

-

-14

-183

-291

-431

-101

-101

-534

708

-5,330

400

3,649

3,649

-25,025

Income and Expenditure Adjustments between accounting basis and

Amount as per Balance

Sheet at 31st March 2020 carried forward

funding basis under

regulations (Note9) Increase(-)/Decrease in

2019/20

-12,923

-96,956

GROUP Balance Sheet

The Balance Sheet shows the value of the assets and liabilities recognised by the council and the Group at the Balance Sheet date. The net assets (i.e. assets less liabilities) are matched by the Group's reserves, reported in two categories. Details of the Usable and Unusable Reserves are contained within Notes 24 and 25 to the council's Core Financial Statements and Note 3 to the Group Accounts.

31st March 2020		Notes	31st March 2021
£'000			£'000
Restated			
43,878	Property, Plant and Equipment		52,292
277	Heritage Assets	15	277
51,390	Investment Property	16	49,014
146	Intangible Assets	17	218
226	Long Term Investments	18a	238
183	Investment in Associate		200
-	Long Term Debtors	18a	-
96,100	Long Term Assets		102,239
29,000	Short Term Investments	18a	4,000
6	Inventories		95
9,013	Short Term Debtors	Group Note 7	16,965
5,682	Cash and Cash Equivalents	Group Note 8	21,639
43,701	Current Assets		42,699
-7,100	Short Term Creditors	Group Note 9	-12,368
-4,495	Grants Receipts in Advance	32	-5,044
-11,595	Current Liabilities		-17,412
-791	Provisions	23	-685
-30,944	Pension Liability	38	-35,376
-31,735	Long Term Liabilities		-36,061
96,471	Net Assets		91,465
-31,503	Usable Reserves	MIRS	-29,766
-64,968	Unusable Reserves	25	-61,699
-96,471	Total Reserves		-91,465
	-	-	

GROUP Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the council and Group during the reporting period. The statement shows how the council and the Group generate and use cash and cash equivalents by classifying cash flows as operating, investing and financing activities. Additional information on the structure of this Statement is contained within the council's Cash Flow Statement and in Notes 26-28 to the Core Financial Statements.

2019/20		2020/21
£'000		£'000
Restated		
-599	Net (surplus) or deficit on the provision of services	3,252
-3,305	Adjustments to net surplus or deficit on the provision of services for non cash movements	-10,618
1,069	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	1,122
-2,835	Net cash flows from Operating Activities (Group Note 10)	-6,244
11,779	Investing Activities	-18,198
227	Financing Activities (Note 28)	8,485
9,171	Net (increase) or decrease in cash and cash equivalents	-15,957
-14,853	Cash and cash equivalents at the beginning of the reporting period	-5,682
-5,682	Cash and cash equivalents at the end of the reporting period (Note 20)	-21,639

G2 Notes to the group accounting statements

1. Statement of Accounting Policies

Both Wellingborough Bereavement Services Ltd and Wellingborough Norse Ltd prepare their accounts under UK GAAP, whereas the council prepares its financial statements based on International Financial Reporting Standards. As far as can be ascertained, this gives rise to no material difference between the accounting principles of the other group entities and the council.

2. Group Comprehensive Income and Expenditure Statement

The Group CIES has been prepared incorporating the operations of Wellingborough Bereavement Services Ltd and the council's share of Wellingborough Norse Ltd.'s surplus on the provision of services and its tax liability. This differing treatment reflects the differing status of each entity within the group, being a subsidiary and an associate respectively.

3. Group Balance Sheet.

The Group Balance Sheet has been prepared incorporating the assets of Wellingborough Bereavement Services Ltd and the council's share of Wellingborough Norse Ltd.'s net assets under the heading of Investment in Associates. This again reflects the differing status of each entity. The analysis of Usable Reserves is constituted as follows:-

	31st March 2020 £'000	31st March 2021 £'000
	Restated	
Borough Council of Wellingborough	-30,889	-28,784
Wellingborough Bereavement Services Ltd	-431	-782
Wellingborough Norse Ltd	-183	-200
	-31,503	-29,766

4. Cash Flow

The cash flows of Wellingborough Bereavement Services Ltd are incorporated into the Group Statement. No adjustment to the council's Cash Flow Statement is required in respect of its holding in Wellingborough Norse Ltd. The council's holding in Wellingborough Norse Ltd has no implications for the Cash Flow Statement, given that cash transactions are neutral between the two bodies.

5. Significant Influence Over Associate

The council has a 20% share of Wellingborough Norse Ltd., and as such the council does have significant influence over Wellingborough Norse Ltd. This assumption is supported by representation on the Wellingborough Norse Ltd board, together with the fact that the majority of Wellingborough Norse Ltd.'s business is with the council.

6. Reporting Date

The reporting date of all group entities is 31 March each year.

7. Debtors

The analysis of short-term debtors (net of provision for bad and doubtful debts) held on the Balance Sheet is shown in the table below:

31st March 2020		31st March 2021
£'000		£'000
Restated		
432	Central government bodies	6,646
5,016	Other local authorities	5,679
3,565	Other entities and individuals	4,640
9,013	Total	16,965
	-	

8. Cash & Cash Equivalents

The balance of Cash and Cash Equivalents held on the Balance Sheet is made up of the following elements:

31st March 2020 £'000		31st March 2021 £'000
4,823	Current Bank Accounts	6,902
860	Other demand deposits	14,737
5,682	Total Cash and Cash equivalents	21,639

9. Creditors

The analysis of short-term creditors held on the Balance Sheet is shown in the table below:

31st March 2020 £'000 Restated		31st March 2021 £'000
-1,788	Central Government bodies	-1,488
-1,514	Other local authorities	-552
-6	NHS bodies	-
-2,343	Other entities and individuals	-10,328
-5,651	Total	-12,368
	-	

10. Cash Flow Statement – Operating Activities

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

2019/20	Operating Activities	2020/21
£'000		£'000
Restated		
-599	Net (surplus) or deficit on the provision of services	3,252
	Adjust net surplus or deficit on the provision of services for non cash movements:	
-1,349	Depreciation	-1,462
-294	Impairment and downward valuations	-130
-74	Amortisation	-67
-50	(Increase)/decrease in impairment for bad debts	416
-3,845	(Increase)/decrease in creditors	-5,817
879	Increase/(decrease) in debtors	7,536
482	Increase/(decrease) in provisions	106
-227	Adjustment for movements in Debtors and Creditors in respect of Local Taxation that are financing activities	-8,147
-1	Increase/(decrease) in inventories	88
-439	Movement in pension liability	87
-40	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	-3,934
1,642	Movement in value of investment properties	706
11	Other non-cash items charged to the net surplus or deficit on the provision of services	-
-3,305	Adjustments to net surplus or deficit on the provision of services for non cash movements	-10,618
	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities:	
1,069	Capital grants included in "Taxation & non specific grant income"	1,122
-	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-
1,069	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	1,122
-2,835	Net cash flows from Operating Activities	-6,244
	-	

H Glossary of terms

Accounting Period

This is the period of time covered by the accounts. For the Borough Council of Wellingborough this is a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date, that being 31 March.

Accruals basis

The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods or services are received rather than when the payment is made.

Actuarial Valuation

The council's pension fund is administered by Northamptonshire County Council. They employ an actuary to undertake a valuation of the fund for each employer, by comparing the value of the pension scheme's assets with its liabilities. The actuary then calculates how much needs to be paid into the scheme by the employer and members to ensure there will be adequate funds to pay the pensions when they become due. This valuation is carried out every three years, the next being due in 2022.

Actuarial Gains and Losses

Wellingborough's pension fund experiences annual changes in what the actuary calculates its assets and liabilities are, and as such what deficit or surplus arises. This tends to be because events have not coincided with the actuarial assumptions made at the last valuation, such as the number of staff employed by the council or the life expectancy of former employees; or the actuarial assumptions have changed such as the likely interest to be earned from invested funds.

Agency Arrangements

Services performed by, or for another authority or public body, where the agent is reimbursed for the cost of the work done.

Amortisation

The term used to describe the charge made for the cost of using intangible assets. The charge for the year will represent the amount of economic benefits consumed (e.g. wear and tear).

Asset

An asset is something the council owns. The Asset may be a physical one, such as a building or an intangible one, such as a software licence. Assets are also classed as either current or long term:

- A current asset is one that will be used or cease to have a material value by the end of the next financial year.
- A long term asset provides a benefit to the council for a period greater than one year.

Page 205

Balance Sheet

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

Billing Authority

Borough Council of Wellingborough is classed as a Billing Authority as it has the responsibility of collecting the Council Tax and Non-Domestic Rates. It collects the Council Tax on behalf of the County Council and Police, Fire and Crime Commissioner and the Non-Domestic Rates on behalf of the County Council and Central Government.

Budget

A statement defining in financial terms the council's plans to spend over a specified period, normally the accounting period. The budget is prepared as part of the process of setting the Council Tax.

Capital Expenditure & Financing

Expenditure on the acquisition, or enhancement of a non-current asset, which adds to and not merely maintains the value of existing assets. This is not the same as revenue expenditure that is normally spent on assets consumed in the financial year. Capital spend is funded from various sources of money, including revenue, capital receipts, capital grants, and reserves

Capital Financing Costs

Each service is charged with an annual capital charge to reflect the cost of using noncurrent assets (e.g. buildings or vehicles) in pursuit of providing services. This is usually referred to as depreciation or amortisation.

Capital Receipts

This is money received from the sale of a capital non-current asset, such as land, buildings and vehicles. The council can use the proceeds from the disposal of non-current assets to finance new capital investments, but the proceeds cannot be used to finance revenue expenditure. In certain cases the government has set out rules that govern when a receipt can or cannot be used and these are referred to as usable and non-usable receipts (set aside receipts).

Capital Adjustment Account

This account absorbs the difference arising from the different rates at which non-current assets are accounted for as being consumed and at which resources are set aside to finance their acquisition.

Capital Grants Unapplied

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

Capital Programme

The planned capital schemes the council intends to carry out over a specified period of time.

Carrying Amount

The net cost of an asset as shown in the Balance Sheet.

Chartered Institute of Public Finance and Accountancy (CIPFA)

Professional accountancy body specialising in the public sector.

Collection Fund

A separate statutory fund to detail the transactions in relation to income and expenditure relating to Council Tax, National Non-Domestic Rates (NNDR or Business Rates as they are often referred to) and the residual Community Charge.

Commutation

Amount of money that must be set aside at 31 March at the current interest rates to provide for sums such as the pension funds on a future date. The lower the interest rates the higher the amount required, and vice versa.

Contingent Liabilities / Assets

A contingent liability / asset is either:

- a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the council's control, or
- a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount cannot be measured with sufficient reliability.

Contingent Rent

Lease payments that increase or decrease as a result of factors occurring subsequent to the inception of the lease, other than the passage of time. Examples of contingent rents are rentals linked to an inflation index, rentals based on the level of lettings achieved from the leased premises, and rentals based on usage.

Council Tax

This is the banded property tax levied on domestic properties in the Borough. The banding is based on estimated property values.

Corporate / Democratic Core

This comprises all activities which local authorities engage in specifically because they are elected, multi purpose authorities. These are concerned with the costs of corporate policy making and member based activities. Other costs relate to the general running of the council including corporate management, public accountability and treasury management. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

Creditor

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

Current Service Cost (Pensions)

The increase in the present value of the pension schemes liabilities.

Code

The Code is a code of practice that has been developed by the CIPFA/LASAAC Joint Committee in accordance with the IFRS, as adapted and interpreted for local authorities. (This Code has replaced the SORP).

Page 207

Debtor

Amounts owed to the council for goods or services the council has provided for before 31 March but for which payment has not been received by that date.

Deferred Capital Receipts

These represent capital income still to be received after disposals have taken place and wholly consists of principal outstanding from the sale of council houses.

Deferred Liabilities

These are liabilities that are payable beyond the next year; they are primarily for mortgage payments.

Defined Benefit Scheme

Also known as a Final Salary Scheme. Pension scheme arrangement where the benefits payable to the members are determined by the scheme rules. In most cases there is a compulsory members' contribution but over and above this all costs of meeting the quoted benefits are the responsibility of the employer.

Depreciation

This is a charge made to the service revenue accounts each year to reflect the reduction in the value of the asset used in the delivery of services whether arising from use, or obsolescence through technological or other charges.

Fair Value

This is the amount that an asset could be bought or sold for between parties; the current market value of an asset can be evidence that the asset has been valued fairly.

Financial Instruments

This is any contract that gives rise to a financial asset of one entity and a financial liability or equity of another. The term covers both financial assets (e.g. loans receivable) and financial liabilities (e.g. borrowings).

Finance Lease

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

Flexible Use Of Capital Receipts

The use of the proceeds of the sales of fixed assets, which could normally only be used either for capital expenditure or to repay debt, to finance revenue costs, under the terms of an initiative announced by the government as part of the 2016/17 local government finance settlement.

Government Grants

Grants made by the government towards either revenue or capital expenditure to support the cost of the provision of services. These grants may be specifically towards the cost of particular schemes or to support the revenue spend of the council.

Gross Book Value

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

Historical Cost Adjustment

This is the difference between Historical Cost Depreciation and the actual depreciation charged (Current Cost) calculated on revalued assets.

Impairment

A material reduction in the value of an asset during the accounting period. This can be caused by a consumption of economic benefits (such as physical damage through fire or flood) or a fall in price of a specific asset. A general reduction in asset values is accounted for as impairment through valuation loss.

Infrastructure assets

Non-current assets that are inalienable, expenditure on which is recoverable only by continued use of the assets created. Examples of infrastructure assets are roads and footpaths.

International Financial Reporting Standards (IFRS)

The accounting standards issued by the International Accounting Standards Board setting out the approved accounting treatment.

Liability

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

Materiality

Information is material if omitting it or misstating it could influence the decisions that users make on the basis of financial information about a specific reporting authority.

Minimum Revenue Provision (MRP)

The minimum amount which must be charged to a council's revenue account each year to provide for future debt repayments. As Wellingborough is debt free the MRP is zero.

Net Book Value

This is the value of an asset that is counted in the Balance Sheet. It represents its historical or re-valued cost less the accumulated depreciation of the asset.

Net Realisable Value

The market value of the asset in its existing use (or open-market value in the case of a non-operational asset), less any expenses incurred in realising the asset.

Net Worth

The total value of an organisation expressed as total assets less total liabilities.

Non-Current Assets

Tangible assets that yield benefits to the council and the services it provides for a period of more than one year.

Non-Domestic Rate (NDR)

A levy on businesses, based on a national rate in the pound set by the government multiplied by the rateable value of the premises they occupy. NDR is collected by billing authorities on behalf of the County Council and Central Government.

Non Operational Assets

Non-current assets held by the council but are not directly occupied used or consumed in the delivery of services.

Operating Lease

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

Operational Asset

Non-current assets held and occupied, used or consumed by the council in the direct delivery of services.

Precept

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

Property, Plant and Equipment

Assets that yield benefits to the council and the services it provides for a period of more than one year. Examples include land, buildings and vehicles.

Provision

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

Rateable Value (RV)

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

Realised Valuations

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

Revenue Funded from Capital Under Statute (REFCUS)

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

Related Parties

The council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council.

Reserves

Funds set aside for expenditure in future years. Certain reserves (earmarked) have constraints on how they can be spent.

Revaluation Reserve

This reserve records unrealised revaluation gains / losses from holding non-current assets.

Revenue Expenditure

Expenditure on the day-to-day costs of providing services. **Revenue Support Grant (RSG)** Grant from central government towards the cost of service provision.

Section 151 Officer

The officer with specific legal responsibility for the financial matters of the council.

Service Reporting Code of Practice (SeRCOP)

Prepared and published by CIPFA, the Service Reporting Code of Practice (SeRCOP) is reviewed annually to ensure that it develops in line with the needs of modern local government, transparency, best value and public services reform. SeRCOP establishes proper practices with regard to consistent financial reporting for services and in England and Wales, it is given legislative backing by regulations which identify the accounting practices it propounds as proper practices under the Local Government Act 2003.

Society of Local Authority Chief Executives (SOLACE)

The membership body for Local Authority Chief Executives.

Stocks

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

Trading Accounts

Trading accounts exist where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the authority or from other organisations.

Transfer Payments

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

UK GAAP

The accounting treatments that companies in the UK would generally be expected to apply in the preparation of their financial statements

Valuation Loss

Impairment of an asset is a downward valuation due to a general fall in prices, supported by a valuer's certificate. Valuation losses are charged initially to any balance in the revaluation reserve, and subsequently to the comprehensive income and expenditure account. Impairment charges do not however, fall on the taxpayer, and the impact is reversed in the movement of reserves statement.

Agenda Item 7



Item no: 7

AUDIT AND GOVERNANCE COMMITTEE

8th November 2021

Report Title	Audit Plan 2019-20 Corby Borough Council			
Report Author	Claire Edwards – Assistant Director of Finance & Accountancy <u>Claire.Edwards@northnorthants.gov.uk</u>			
Contributors/Checkers/Approvers				
North MO				
North S151				
Other Director/SME	N/a	N/a		

List of Appendices

Appendix A – External Audit Plan 2019 - 20

1. Purpose of Report

1.1. The purpose of this report is to present the Audit Plan in relation to the Statement of Accounts for the Corby Borough Council for 2019/20 and the work currently being undertaken by the external auditor, Ernst & Young.

2. Executive Summary

2.1. The Council's external auditors will undertake work for the audit of the 2019/20 statement of accounts. The report set out what is involved and what the key deliverables are.

3. Recommendations

- 3.1. It is recommended that the Committee;
 - a) Note the Audit Plan for 2019/20 as shown in Appendix A.
- 3.2. Reason for Recommendations -
 - For the Committee to exercise its duties and responsibilities within its Terms of Reference for considering reports of the External Auditor.

- 4.1. The external auditor's report attached at Appendix A provides the committee with an outline of work to be undertaken for the external audit work for 2019/20.
- 4.2. The report highlights key consideration within the audit process in terms of the impact of key risks, such as the impact of Covid 19, value for money and materiality.

5. Issues and Choices

5.1. The report provides an outline to the external audit plan and process for 2019/20 for Corby Borough Council.

6. Implications (including financial implications)

6.1. Resources and Financial

6.1.1. None specific to this report

6.2. **Legal**

6.2.1. None specific to this report

6.3. **Risk**

6.3.1. None specific to this report

6.4. Consultation

6.4.1. None specific to this report.

6.5. Consideration by Scrutiny

6.5.1. Not specific to this report.

6.6. Climate Impact

6.6.1. None specific to this report.

6.7. Community Impact

6.7.1. None specific to this report.

7. Background Papers

7.1. None

Corby Borough Council Audit planning report Year ended 31 March 2020

8th November 2021

Appendix

Building a better working world





Dear Governance and Audit Committee Members

Audit planning report

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2019/20 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

October 2021

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

This report is intended solely for the information and use of the Audit and Governance Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 8 November 2021 as well as understand whether there are other matters which you consider may influence our audit.

At the date of preparing this report we have started our year end procedures for Corby Borough Council. We will provide a verbal update on the progress of the audit at the meeting.

Yours faithfully

Neil Harris For and on behalf of Ernst & Young LLP





Dear Governance and Audit Committee Members

Current position on the status of the audit

At the date of preparing this report, we have completed our audit planning procedures and risk assessment for the audit of the Council's financial statements. Our risk assessment and audit procedures associated with the Council's value for money arrangements remains ongoing. However, we expect that our focus will be updating our understanding on the Council's arrangements to main an appropriate control environment in 2019/20, and up to the vesting day and merger with North Northamptonshire Council.

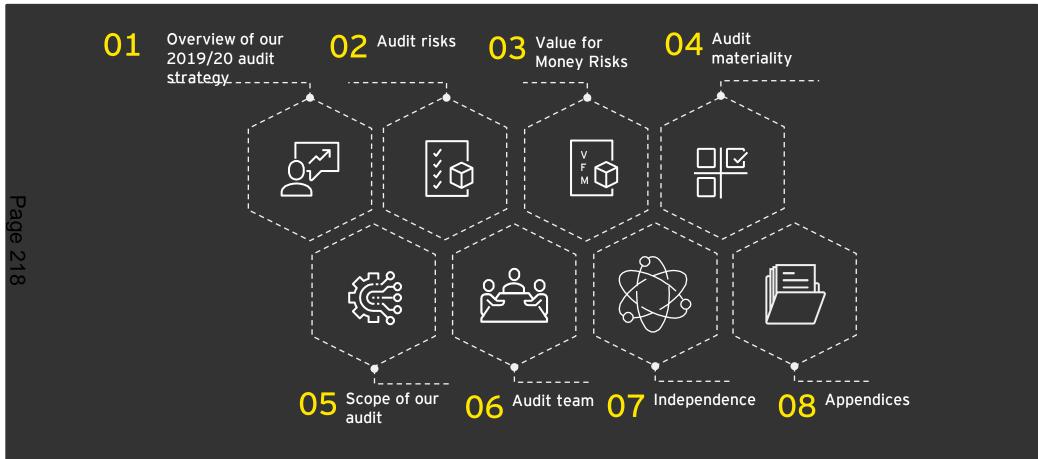
We will report to the Audit and Governance Committee if our planning and risk assessment work identifies any risks of significant weaknesses in the Council's value for money arrangements, and thereafter if we believe these will have materialised, including any associated recommendations.

We received the Council's draft financial statements in October 2021. The work related to our final audit procedures is under way. At this point, we still expect to report the results of our audit procedures on the Council's 2020-21 financial statements and value for money arrangements to the Committee meeting in January 2022. We will notify the Governance and Audit Committee at the earliest opportunity though if we believe this will not be achievable and in the event we need to agree any revised timetables for the conclusion of the audit.

Yours faithfully

Neil Harris For and on behalf of Ernst & Young LLP

Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<u>https://www.psaa.co.uk/audit-guality/statement-of-responsibilities/</u>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of Corby Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of Corby Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of Corby Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

4

01 Overview of our 2019/20 audit strategy

ſ

Overview of our 2019/20 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Governance and Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

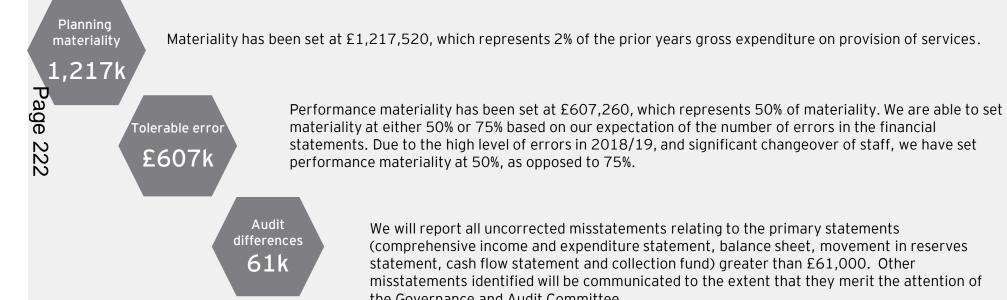
Audit risks and areas of focus			
Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud risk	No change from assessment made in 18/19 audit	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
Incorrect capitalisation of revenue expenditure	Fraud risk	No change from assessment made in 18/19 audit	Linking to our fraud risk above we have considered the capitalisation of revenue expenditure on property, plant and equipment as a separate risk, given the extent of the Council's capital programme.
Aluation of Investment Properties	Significant Risk	Increase from assessment made in 18/19 audit	The valuation of Investment Property represent significant balances in the Council's accounts. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. There is a risk Investment Property may be under/overstated or the associated accounting entries incorrectly posted. The risk is heightened for traditional retail assets due to market difficulties, partly arising from the advent of Covid-19 (C-19), such as reduced consumer confidence and competition from internet based retailers with lower cost bases. This has led to a large number of retailers, including well known names, closing stores, going into administration or otherwise seeking to reduce their rental costs by renegotiating existing leases, perhaps by way of a Creditors Voluntary Arrangements. These difficulties have had a direct impact on the value of the retail units (high street shops, out of town retail parks and shopping centres) leased to retailers or owned by them.
Valuation of PPE	Inherent risk	No change from assessment made in 18/19 audit	The value of Property, Plant and Equipment (PPE) represents significant balances in the Council's accounts and is subject to valuation changes and impairment reviews. Management is required to make material judgements about key assumptions and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.
Pension liability valuation	Inherent risk	No change from assessment made in 18/19 audit	The Council's pension fund deficit is a material estimated balance disclosed on the Council's balance sheet. Accounting for this scheme involves significant estimation and judgement, management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.



The following 'dashboard' summarises the significant accounting and auditing matters identified as a result of Covid-19. It seeks to provide the Governance and Audit Committee with an overview of any changes in risks identified in the current year.

Audit risks and areas of focus			
Risk / area of focus	Risk identified	Change from PY	Details
Going concern and covid-19 disclosures	Inherent risk	New risk	Covid-19 has created a number of financial pressures throughout Local Government. There is currently not a clear statement of financial support from MHCLG that covers all financial consequences of Covid-19. CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 sets out that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis. However, International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report. We are obliged to report on such matters within the section of our audit report 'Conclusions relating to Going Concern'. To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements. As the Council has now merged, managements assessment and disclosure should focus on the financial sustainability of the new Unitary Council.

Materiality



materiality at either 50% or 75% based on our expectation of the number of errors in the financial statements. Due to the high level of errors in 2018/19, and significant changeover of staff, we have set performance materiality at 50%, as opposed to 75%.

> We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement and collection fund) greater than £61,000. Other misstatements identified will be communicated to the extent that they merit the attention of the Governance and Audit Committee.



Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of Corby Borough Council give a true and fair view of the financial position as at 31 March 2020 and of the income and expenditure for the year then ended; and
- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

-When planning the audit we take into account several key inputs:

- ag Strategic, operational and financial risks relevant to the financial statements;
- Φ Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- 223 Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.



02 Audit risks





🛃 Audit risks

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Misstatements due to fraud or error *

What is the risk?

As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.

What will we do?

- Inquiry of management about risks of fraud and the controls put in place to address those risks.
- Understanding the oversight given by those charged with governance ► of management's processes over fraud.
- Consideration of the effectiveness of management's controls designed ► to address the risk of fraud.

Performing mandatory procedures regardless of specifically identified fraud risks, including:

- Testing the appropriateness of journal entries recorded in the general ► ledger and other adjustments made in the preparation of the financial statements
- Assessing accounting estimates for evidence of management bias, and ►
- Evaluating the business rationale for significant unusual transactions. ►

In addition to our overall response, we consider where these risk may manifest themselves and identify separate fraud risks as necessary below



🔀 Audit risks

Our response to significant risks

We have set out the significant risks identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

	What is the risk?	What will we do?
Risk of fraud in revenue recognition - inappropriate capitalisation of revenue expenditure inancial statement impact inancial statement impact revenue expenditure would decrease the net expenditure from the general fund, and increase the value of non-current assets.	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. From our risk assessment, we have assessed that the risk manifests itself solely through the inappropriate capitalisation of revenue expenditure to improve the financial position of the general fund. Capitalised revenue expenditure can be funded through borrowing with only minimal MRP charges recorded in the general fund, deferring the expenditure for 30+ years when the borrowing is repaid.	 Our approach will focus on: For significant additions we will examine invoices, capital expenditure authorisations, leases and other data that support these additions. We review the sample selected against the definition of capital expenditure in IAS 16. We will extended our testing of items capitalised in the year by lowering our testing threshold. We will also review a larger random sample of capital additions below our testing threshold. Journal testing - we will use our testing of Journals to identify high risk transactions, such as items originally recorded as revenue expenditure and subsequently capitalised.



🛃 Audit risks

Our response to significant risks

We set out new significant risks identified for the current year and significant risks that have changed subsequent to the issue of our Audit Planning Report, together with the rationale and expected audit approach.

Valuation of Investment Property (IP) nancial statement

nvestment property are incorrectly valued this would have the impact of understating expenditure.

What is the risk?

Investment Property (IP) is a significant balance in the Council's Balance Sheet. The valuation of IP is complex and subject to a number of assumptions and judgements. A small movement in these assumptions can have a material impact on the financial statements.

the Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, has issued guidance to valuers highlighting that the uncertain impact of Covid-19 (C-19) on markets might cause a valuer to conclude that there is a material uncertainty.

The risk is heightened for traditional retail assets due to market difficulties such as reduced consumer confidence and competition from internet based retailers with lower cost bases. This has led to a large number of retailers, including well known names, closing stores, going into administration or otherwise seeking to reduce their rental costs by renegotiating existing leases, perhaps by way of a Creditors Voluntary Arrangements. These difficulties have had a direct impact on the value of the retail units (high street shops, out of town retail parks and shopping centres) leased to retailers or owned by them.

What will we do?

We will:

- consider the competence, capability and objectivity of the Council's valuers:
- ► consider the scope of valuers' work;
- ensure IP has been annually revalued as required by the Code;
- consider if there are any specific changes to assets that should ► have been communicated to the valuer(s);
- sample test key inputs used by the valuer(s) when producing valuations:
- consider the results of the valuers' work; ►
- challenge the assumptions used by the Council's valuers by ► reference to external evidence and our EY valuation specialists (where necessary);
- test journals for the valuation adjustments to confirm that they have been accurately processed in the financial statements;
- test a sample of assets revalued in year to confirm that the valuation basis is appropriate and the accounting entries are correct; and
- review assets that are not subject to valuation in 2019/20 to ► confirm the remaining asset base is not materially misstated.

🛃 Audit risks

Our response to significant risks (continued)

area of audit focus: Assessment and disclosures on Going Concern and Events after the balance sheet date

cial statement

consider the risk applies toothe work done by the Council to gain comfort it remains appropriate to prepare the financial statements on a going concern basis.

It is also important that this assessment is fully reflected in the financial statements including the disclosure of any remaining areas of material uncertainty and relevant events that have occurred after the balance sheet date.

What is the risk?

Covid-19 has created a number of financial pressures throughout local government, creating financial stress in either, or a combination of, increasing service demand leading to increased expenditure in specific services, and reductions in income sources. There is currently no clear statement of financial support from MHCLG that covers all financial consequences of Covid-19.

There have been a number of media stories in both the national press and trade publications raising the possibilities of an increase in chief financial officers using their s114 powers. This could be under s114(3), insufficient resources to fund likely expenditure. CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 sets out that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis. However, International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report. We are obliged to report on such matters within the section of our audit report 'Conclusions relating to Going Concern'. To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements.

The auditor's report in respect of going concern covers a 12-month period from the date of the audit report, therefore the Council's assessment will also need to cover this period. As the Council has now merged, managements assessment and disclosure should focus on the financial sustainability of the new Unitary Council.

Events after the balance sheet:

There is increased risk that further events after the balance sheet date concerning the current Covid-19 pandemic will need to be disclosed. The amount of detail required in the disclosure will need to reflect the specific circumstances of the Council.

What will we do?

In light of the unprecedented nature of Covid-19, its impact on the funding of public sector entities and uncertainty over the form and extent of government support, we will be seeking a documented and detailed consideration to support management's assertion regarding the going concern basis and particularly with a view whether there are any material uncertainties for disclosure. We will review your updated going concern disclosures within the financial statements under IAS1, and associated financial viability disclosures within the Narrative Statement. These disclosures should also include the process that has been undertaken for revising financial plans and cashflow, liquidity forecasts, known outcomes, sensitivities, mitigating actions including but not restricted to the use of reserves, and key assumptions (e.g. assumed duration of Covid-19).

Our audit procedures to review these will include consideration of:

- Current and developing environment.
- Liquidity (operational and funding).
- Mitigating factors.
- Management information and forecasting.
- Sensitivities and stress testing.



🔀 Audit risks

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

What will we do?	
We will:	
 Consider the work performed by the Council's valuers (Wilks, Head & Eve), including the adequacy of the scope of the work performed, their professional capabilities and the results of their work; 	
 Challenge the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists as necessary - for example, significant or unusual movements in valuation, difficult to value specialist assets, or investments in areas of the economy under stress such as retail; 	
 Sample testing key asset information used by the valuers in performing their valuation (e.g. building areas to support valuations based on price per square metre); 	
 Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE, and annually for IP. We also consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer; 	
 Review assets not subject to valuation in 2019/20 to confirm that the remaining asset base is not materially misstated; 	
 Consider changes to useful economic lives as a result of the most recent valuation; and 	

• Test accounting entries have been correctly processed in the financial statements.



Audit risks

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

What is the risk?

What will we do?

Pension liability valuation

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Northamptonshire County Council.

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's Halance sheet. At 31 March 2019 this totalled £27.710 million.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council.

Occounting for this scheme involves significant estimation and $\mathbf{\Theta}$ dgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

In order to address this risk we will carry out a range of procedures including:

- Liaise with the auditors of Northamptonshire Pension Fund, to obtain assurances over the • information supplied to the actuary in relation to Corby Borough Council;
- Assess the work of the Pension Fund actuary (Hymans) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by The National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.



Other impacts

Impact of Covid-19

Other potential impacts of Covid-19

The ongoing disruption to daily life and the economy as a result of the C-19 virus will have a pervasive impact upon the financial statements. Understandably, the priority for the Council to date has been to ensure the safety of staff and the delivery of business critical activities. However, the financial statements need to reflect the impact of C-19 on the Council's financial position and performance. We have not identified further significant risks or areas of audit focus related to C-19 other than those set out previously as part of this audit plan update, but wish to highlight the wide range of ways in which C-19 could impact the financial statements. Over-and-above the areas already considered these may include, but not be limited to:

- Revenue recognition there may be an impact on income collection (council tax and business rates) if businesses and residents are unable to work and earn income due to the lockdown and restriction of movement due to C-19.
- Tangible assets there may be impairment of tangible assets if future service potential is reduced by the economic impact of the virus. The Council may also have already incurred capital costs on projects where the economic case has fundamentally changed.
- Valuation of investments the valuation of investments may be made more difficult due to the market volatility brought about by the impact of C-19 at the end of the Dinancial year.
- 🖸 Pensions volatility in the financial markets is likely to have a significant impact on pension assets, and therefore net liabilities. We already treat this as a high • inherent risk estimate and area of audit focus in our audit approach.

N SReceivables - there may be an increase in amounts written off as irrecoverable and impairment of year-end balances due to the increased number of businesses and \rightarrow residents unable to meet their financial obligations.

- Holiday and sickness pay the change in working patterns may result in year-end staff pay accruals which are noticeably different to prior years.
- Government support C-19 specific government support may be a new transaction stream and may require development of new accounting policies and treatments.
- Annual Governance Statement- the widespread use of home working is likely to change the way internal controls operate. The Annual Governance Statement will need to capture how the control environment has changed during the period and what steps were taken to maintain a robust control environment during the disruption. This will also need to be considered in the context of internal audit's ability to issue their Head of Internal Audit opinion for the year, depending on the ability to complete the remainder of the internal audit programme.

In addition to the impact on the financial statements themselves, the disruption caused by C-19 may impact on our ability to complete the audit as efficiently as normal. For example, it may be more difficult than usual to access the supporting documentation necessary to support our audit procedures. There will also be additional audit procedures we have to perform to respond to the additional risks caused by the factors noted above.

The changes to audit risks and audit approach will change the level of work we perform. This may impact the audit fee. We will agree changes to the audit fee with management and report back to the Governance and Audit Committee in our Audit Results Report.



0

O3 Value for Money Risks





Value for Money

Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2019/20 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

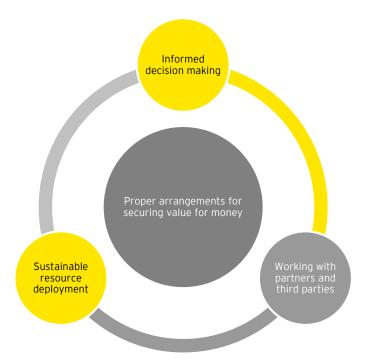
considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work. We consider business and operational risks insofar as they relate to proper arrangements at both sector and organisation-specific level.

Our risk assessment will therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. At this preliminary stage, we have not identified any significant risks but we will keep this assessment under review and update the Governance and Audit Committee as soon as possible if risks are identified during the remainder of our audit.



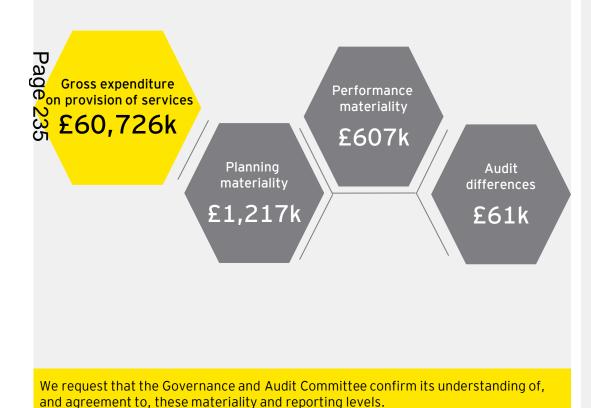


□ Audit materiality

Materiality

Materiality

For planning purposes, materiality for 2019/20 has been set at $\pounds1,217k$. This represents 2% of the Council's prior year gross expenditure on provision of services. It will be reassessed throughout the audit process. We have provided supplemental information about audit materiality in Appendix C.



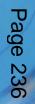
Key definitions

Planning materiality - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality - the amount we use to determine the extent of our audit procedures. We have set performance materiality at $\pounds 607k$ which represents 50% of planning materiality.

Audit difference threshold - we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet, and collection fund that have an effect on income or that relate to other comprehensive income.

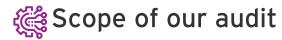
Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Governance and Audit Committee, or are important from a qualitative perspective.



05 Scope of our audit







Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we

മ്

Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.



Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.

For 2019/20 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics: We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and Give greater likelihood of identifying errors than random sampling techniques. We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for **G**hprovement, to management and the Governance and Audit Committee.

Internal audit:

We will regularly meet with the Chief Internal Auditor, and review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.

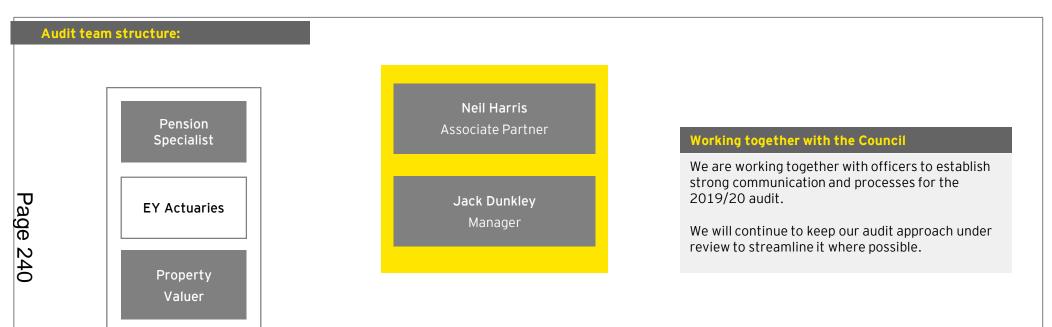
06 Audit team





الاطعة Audit team گھ

Audit team





Audit team and the use of specialists

The core audit team is lead by Neil Harris, Associate Partner and Jack Dunkley as Manager.

Use of specialists

N

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The area where either EY or third party specialists provide input for the current year audit is:

Area	Specialists
Pensions IAS 19 entries	Hymans Robertson, PwC Actuaries and EY Actuaries
operty valuation	Wilks Head & Eve, and EY Real Estates

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- Assess the reasonableness of the assumptions and methods used;
- Consider the appropriateness of the timing of when the specialist carried out the work; and
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.



07 Independence

記名





Introduction

The FRC Ethical Standard and ISA (UK) 260 "Communication of audit matters with those charged with governance", requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage

Final stage

- The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us;
- The safeguards adopted and the reasons why they are considered to be effective, including any
- Page Engagement Quality review;
- The overall assessment of threats and safeguards;
- N
- Information about the general policies and process within EY to maintain objectivity and independence. 4
- ώ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard
- In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- Details of non-audit services provided and the fees charged in relation thereto; ►
- Written confirmation that the firm and each covered person is independent and, if applicable, that any ► non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- Written confirmation that all covered persons are independent; ►
- Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit ► services by EY and any apparent breach of that policy;
- Details of any contingent fee arrangements for non-audit services provided by us or our network firms: and
- An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.



Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non -audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Neil Harris, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

Re of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non audit fees to audits fees is not permitted to exceed 70%.

the time of writing, we have not undertaken any non-audit work, therefore no additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

B Independence

Relationships, services and related threats and safeguards

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise. There are no other threats at the date of this report.

Other communications

EY Transparency Report 2020

This & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence do integrity are maintained.

Petails of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm required to publish by law. The most recent version of this Report is for the year ended June 2020 and can be found here:

https://www.ey.com/en_uk/who-we-are/transparency-report-2020



Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

Planned fee Scale fee **Final Fee** 2019/20 2018/19 2019/20 £'s £'s £'s Τ Q To be To be Total Fee - Code work 39,692 confirmed confirmed Scale Fee Rebasing: Changes in work required to address professional and regulatory requirements and scope 39,692 48.925 associated with risk (see next page) To be To be confirmed Changes in scope confirmed To be To be Total audit fees £88,617 confirmed confirmed

A breakdown of our fees is shown in the table below.

The agreed fee presented is based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- ► Our accounts opinion and value for money conclusion being unqualified;
- ► Appropriate quality of documentation is provided by the Council; and
- ► The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

We do anticipate scale fee variations for the 2019-2020 audit to respond to the significant and inherent risks, areas of focus on our audit of the Council's financial statements as well as our work on value for money arrangements as set out in this report. We will report our proposed variations to officers and the Governance and Audit Committee at the conclusion of our 2019-2020 audit and before we submit to PSAA for approval and determination.



Fees

Janet Dawson, our Government & Public Sector Assurance Lead, wrote to all Chief Finance Officers and Audit Committee (or equivalent) chairs on 11 February 2020 on the subject of the sustainability of UK local public audit. Amongst other issues her letter stated that we did not believe the existing scale fees provide a clear link with both a public sector organisation's risk and complexity, and the audit profession's context for cost and fee increases, including the attractiveness of audit, investment in technology, innovation and the regulatory environment.

Around the same time, PSAA consulted on its 2020/21 audit fees (<u>PSAA fee consulation</u>), discussing the challenging environment, new standards and regulatory requirements. They noted an appropriate forum for fee discussions from these impacts would be between the auditor and Chief Financial Officer, to take place as soon as possible as part of planning discussions for 2019/20 audits.

The subsequent review by Sir Tony Redmond (<u>Redmond Review</u>) has also highlighted that audit fees in the local authority sector have dropped significantly at the same time that audit fees in other sectors have significantly risen, and that no assessment of the amount it would cost to audit each local authority based on their level of audit risk has been made in the past ten years due to the methods applied by the Audit Commission and then PSAA. As such there is no guarantee that the fee paid by each local authority accurately reflects the risk profile or amount of audit work required for their external audit.

To address these issues we undertook an analysis of the changes in professional and regulatory requirements since our last tender to PSAA was submitted, and any other known changes in audit risk. For instance, where applicable, significant commercial property investments, creation of joint ventures, subsidiaries and other similar arrangements.

• We identified the proposed fee rebasing under the headings of:

- Changes in risk;
- Increased regulatory requirements; and
- Client readiness and ability to support a technologically enabled audit.

As requested by PSAA, we discussed this with management.

We did not reach agreement. While management recognised many of these pressures and can see how they are reflected in the changes in the audit work, their view was that this is a decision for PSAA.

Having not reached agreement, and in light of managements comments, we will now submit the proposed rebasing to PSAA for their review and decision. We would like to thank management for their contribution to this debate and the positive manner in which they engaged with us.

τ

ພັ

Required communications with the Governance and Audit Committee

We have detailed the communications that we must provide to the Governance and Audit Committee.

Required communications	What is reported?	🛗 🖓 When and where
Terms of engagement	Confirmation by the Governance and Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach ge 24	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Audit Plan
Significant findings from the audit	 Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures Significant difficulties, if any, encountered during the audit Significant matters, if any, arising from the audit that were discussed with management Written representations that we are seeking Expected modifications to the audit report Other matters if any, significant to the oversight of the financial reporting process. 	Audit Results Report

Our Penarting to you

Required communications with the Governance and Audit Committee (continued)

		Uur Reporting to you
Required communications	What is reported?	When and where
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence Communication of key elements of the audit engagement partner's consideration of	Audit Plan
	independence and objectivity such as:The principal threats	Audit Results Report
Page 2	 Safeguards adopted and their effectiveness An overall assessment of threats and safeguards Information about the general policies and process within the firm to maintain objectivity and independence 	
Sternal confirmations	 Management's refusal for us to request confirmations Inability to obtain relevant and reliable audit evidence from other procedures 	Audit Results Report
Consideration of laws and regulations	 Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off Enquiry of the Governance and Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Governance and Audit Committee may be aware of 	Audit Results Report
Internal controls	 Significant deficiencies in internal controls identified during the audit 	Audit Results Report

Required communications with the Governance and Audit Committee (continued)

		Our Reporting to you
Required communications	What is reported?	💼 🕈 When and where
Going concern	 Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: Whether the events or conditions constitute a material uncertainty Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements The adequacy of related disclosures in the financial statements 	Audit Results Report
Agesstatements Constant Solution Statements	 Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation The effect of uncorrected misstatements related to prior periods A request that any uncorrected misstatement be corrected Corrected misstatements that are significant Material misstatements corrected by management 	Audit Results Report
Fraud	 Enquiries of the Governance and Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity Any fraud that we have identified or information we have obtained that indicates that a fraud may exist A discussion of any other matters related to fraud 	Audit Results Report
Related parties	 Significant matters arising during the audit in connection with the entity's related parties including, when applicable: Non-disclosure by management Inappropriate authorisation and approval of transactions Disagreement over disclosures Non-compliance with laws and regulations Difficulty in identifying the party that ultimately controls the entity 	Audit Results Report

Required communications with the Governance and Audit Committee (continued)

Required communications	What is reported?	🛗 🖓 When and where
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report
Auditors report	 Key audit matters that we will include in our auditor's report Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report
မှု Pee Reporting N က	 Breakdown of fee information when the audit plan is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Audit Plan Audit Results Report Annual Audit Letter

Agenda Item 8



Item no: 8

AUDIT AND GOVERNANCE COMMITTEE

8th November 2021

Report Title	Draft Statement of Accounts 2019-2020 Corby Borough Council					
Report Author	Claire Edwards – Assistant Director of Finance & Accountancy Claire.Edwards@northnorthants.gov.uk					
Contributors/Check	ers/Approvers					
North MO						
North S151						
Other Director/SME	N/a	N/a				

List of Appendices

Appendix A – Corby Borough Council Draft Accounts 2019/20

1. Purpose of Report

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

2. Executive Summary

2.1. This report requires the Committee to approve the draft Statement of Accounts in relation to Corby Borough Council for 2019/20.

3. Recommendations

- 3.1. It is recommended that the Committee;
 - a) Note the draft Statement of Accounts for the financial year 2019/20 for Corby Borough Council.
- 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 6 on this Agenda). In accordance with the Council's constitution the Audit & Governance Committee are required to undertake this function.

- 4.1. The accounts for Corby Borough Council remain in draft format as the external audit is still on-going. Good progress is being made with this audit and it is expected that the outcome of this audit will be reported to this Committee at the meeting on the 10th January 2022.
- 4.2. Local Government accounts for 2019/20 are required to be prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code). The Statement of Accounts for 2019/20 for Corby Borough Council are detailed at **Appendix A**. Electronic copies of the accounts are available at:

Corby Borough Council Draft Statement of Accounts 2019/20 | Corby Area

5. Issues and Choices

5.1. It is a statutory requirement for the Council to approve the annual Statement of Accounts and to consider the External Auditors Audit Plan (Item 6 on this Agenda). In accordance with the Council's constitution the Audit & Governance Committee are required to undertake this function.

6. Implications (including financial implications)

6.1. Resources and Financial

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

6.2. Legal

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

6.3. Risk

6.3.1. The Council's External Auditors have set out the risks in their Audit Plan (Item 6 on this Agenda).

6.4. Consultation

6.4.1. None specific to this report.

6.5. Consideration by Scrutiny

6.5.1. Not specific to this report.

6.6. Climate Impact

6.6.1. None specific to this report.



6.7. Community Impact

6.7.1. None specific to this report.

7. Background Papers

7.1. Council Constitution.

This page is intentionally left blank





DRAFT Statement of Accounts 2019/20

Contents

Narrative R		4
	ry and Review of 2019/20	4
The Financ	ial Statements	13
Statement of	of Responsibilities	14
Chairman's	Approval of the Statement of Accounts	15
Independer	nt Auditor's Report	16
Main Finar	ncial Statements	
Comprehe	ensive Income and Expenditure Statement (CIES)	20
	t in Reserves Statement	21
Balance S	heet	22
Cash Flow	v Statement	23
Notes to th	ne Accounts	
Note 1.	Accounting Policies	24
Note 2.	Accounting Standards that have been issued but not yet adopted	38
Note 3.	Critical Judgements in Applying Accounting Policies	38
Note 4.	Assumptions Made About Future & Major Sources of Est. Uncertainty	38
Note 5.	Material Items of Income and Expenditure	39
Note 6.	Events after the Balance Sheet Date	39
Note 7.	Expenditure and Funding Analysis (EFA)	40
Note 8.	Expenditure and Income Analysed by Nature	44
Note 9.	Adj's between Accounting Basis and Funding Basis under Regs	45
Note 10.	Movements in Earmarked Reserves	48
Note 11.	Other Operating Expenditure included in the CIES	49
Note 12.	Financing and Investment Income and Expenditure	49
Note 13.	Taxation and Non-Specific Grant Income	49
Note 14.	Property, Plant and Equipment	50
Note 15.	Investment Property	52
Note 16.	Intangible Assets	53
Note 17.	Financial Instruments	<u> </u>
Note 18.	Debtors (Short and Long Term)	55
Note 19.	Cash and Cash Equivalents	55
Note 20.	Creditors	55
Note 20.	Provisions	55
Note 22.	Useable Reserves	55
Note 22.		56
	Unusable Reserves	
Note 24.	Cash flow - Operating Activities	59
Note 25. Note 26.	Cash flow - Investing Activities	60
	Cash flow - Financing Activities Senior Officer remuneration and staff over £50k	60
Note 27.		60
Note 28.	Termination Benefits and exit packages	61
Note 29.	Members allowances	62
Note 30.	Related Party Transactions	62
Note 31.	External Audit Fees	63
Note 32.	Grants and Contributions	64
Note 33.	Capital Expenditure and Financing	65
Note 34.	Leases	65
Note 35	Impairments	66
Note 36.	Pensions	67
Note 37.	Contingent Liabilities	72
Note 38.	Contingent Assets	72
Note 39.	Nature & Extent of Risks Arising from Financial Instruments	72
Note 40.	Heritage Assets	75
Note 41.	Trading Operations	76

Hous	ng Revenue Account	77
1.	Housing Stock	79
2.	Asset Values	79
3.	Rent Income	79
4.	Rent Arrears	80
5.	Depreciation and Impairments	80
6.	Valuation of Non-current Assets	80
7.	Major Repairs Reserve	81
8.	Capital Expenditure and Financing	81
9.	Capital Receipts	82
10.	Pensions	82
Colle	ction Fund	83
1.	Council Tax	84
2.	Non Domestic Rates (NDR)	84
3.	Collection Fund Surplus / Deficit	85
4.	Council Tax / NDR Bad Debt Provision	86
Annua	I Governance Statement	87
Gloss	ary of Terms and Abbreviations	97

Narrative Report

The financial statements demonstrate that the financial standing of the Council continues to be robust, against a continuously changing financial environment. Going forward into more financial uncertainty, the finance team will have a key role in supporting the Council through these challenging times in setting future budgets.

Achieving the year end close down within the targets set, is the result of hard work and dedication of the staff in Financial Services.

The Statement of Accounts have been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA). It aims to provide information so that members of the public, including electors and residents of Corby, Council Members, partners, stakeholders and other interested parties can:

- Understand the overarching financial position of the Council and outturn for 2019/20,
- Have confidence that the public money with which the Council has been entrusted has been used and accounted for in the appropriate manner; and
- Be assured that the financial position of the Council is sound and secure.

The format and style of the accounts complies with CIPFA standards and is similar to previous years.

The narrative report gives readers a brief overview of the most significant matters reported in the accounts and an explanation in overall terms of the Council's financial position. It is based on the key principles identified in the Code of Practice on Local Authority Accounting 2019/20. The Council's financial statements are prepared on a going concern basis, that is on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. Any transfer of functions under combinations of public sector bodies, such as local government reorganisation, do not negate the presumption of going concern.

The narrative report provides information about Corby, including the key issues affecting the Council and its accounts. It also provides a summary of the financial position at 31 March 2020.

This is followed by an explanation of the Financial Statements, including information on significant transactions during 2019/20.

An Introduction to Corby

Corby Borough Council is one of seven Local Authorities in Northamptonshire, it lies in the north of the county and shares its borders with the Borough of Kettering, the District of East Northamptonshire and the County of Rutland. The Borough is the 11th smallest local authority in the UK, covers 31 square miles and is situated in the heart of England with excellent road links via the A14 to the M1, M6 and A1, together with a direct passenger rail service to London.

Corby has a proud industrial heritage in Steel production but as with many towns and cities, the industries on which the wealth of the area was built have now declined, however over the past decade Corby has been named as the fastest growing borough outside of London, with a population which is expected to increase to 76,400 as the borough continues to use population growth to fund regeneration as it continues to reinvent itself after the loss of heavy industry.

Key Facts about Corby

The profile of the local population dictates the direction and substance of the services provided by the Council, for example demand is increasing for children's and adult social care. The Office for National Statistics Mid-Year Estimates for 2017 reported that Corby's estimated population was 69,600. Corby has a relatively young age profile, with more people aged 0 - 15 years compared to aged 65 or over. This trend goes against national averages.

Economic data tells us:

• The earnings per head in Corby are less than the national average,

• The unemployment rate (NOMIS) in Corby as at December 2018 stands at 5.1%, as compared to the East Midlands average of 4.5% and the national average of 4.2%. In aggregate over the previous year, unemployment in Corby has increased by 0.7% while there was an increase in East Midlands by (0.1%) but the national average has decreased by (0.2%),

• More than one in five Corby children aged 0-15 (22.3%) live in income deprived households (Income Deprivation Affecting Children Index),

• Just over one in six Corby residents aged over 60 (16.9%) live in income deprived households (Income Deprivation Affecting Older People Index) and

• The Borough is ranked 88 out of 326 local authorities in England on overall deprivation

Key Information about Corby Borough Council

Corby Borough Council is a multifunctional and complex organisation. Its policies are directed by the Political Leadership and implemented by the Senior 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 in the 2019/20 Municipal Year

Corby has 12 wards and the Council consists of 29 Councillors as follows:

Labour 24 cllrs

Independent
 1 cllr

The administration of the Council is held with a Labour Party majority.

Councillor Tom Beattie has been the leader of the Council since December 2011, the Deputy leader is Jean Addison.

Management Structure

The Senior Management Team is responsible for delivery of Council services, directing improvements and future plans for Corby. 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.

Council Employees

At the start of April 2019 the Council employed 544 people (excluding school-based employees). The Council is currently developing its Employee Development Scheme where employee appraisals are undertaken each year to ensure staff are aware of their roles and responsibilities, and what is expected of them to meet the objectives in their service areas. Key issues such as training, development and performance are discussed at the appraisals with a review at six months.

The Council's Corporate Plan

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

Our New Ambition is...

"To regenerate through growth and to double the population toward 100,000 people by 2030 with a complementary increase in jobs, prosperity and public services that rank with the very best".

The new Mission incorporates P.R.I.D.E, which is becoming the Council and Borough's key word. It serves as the link between our new Objectives and Priorities, our new Core Values, and our new form of Employee Development Scheme (EDS).

Our New Mission...

"Working together to deliver **P.R.I.D.E** in Corby".

Promoting Healthier, Safer and Stronger Communities Regeneration and Economic Growth Inspiring a Future Delivery Excellence Environment and Climate Change

The Objectives are now grouped around themes that are more cross-cutting than previously and will help achieve greater corporate working, as will the Priorities and Actions. A number of key landmark projects such as the Cube, Swimming Pool, Enterprise Centre, Train Station, Willow Place and the Cinema have been achieved, but so much more remains to be done. The new Actions, of some 100+ in number, are a daunting but achievable mix of projects and service improvements to be realised across the Council and Borough.

The PRIDE theme across the Plan, Core Values and EDS were very positively reported in the recent successful Investors in People (IiP) inspection which has resulted in a further three years IiP accreditation.

The 2019/20 Revenue Budget Process

The 2019/20 revenue budget process was undertaken using a tried and tested method of review and challenge by the Senior Management Team and Members to identify and agree budget savings and/or pressures, which were put forward for public consultation in December 2018.

On 27th February 2019 Full Council agreed the budget proposals for the General Fund with a net expenditure budget of £10.514m. Council also approved the Treasury Management Strategy, Capital Programme for 2019/23 along with the Housing Revenue Accounts budget for 2019/20.

Council Tax

Council Tax policy was to freeze Council Tax for 2019/20 compared to 2018/19 at Corby Borough Council. Northamptonshire County Council (NCC) froze their precepts (including 2% Adult Social Care contribution). Police and Crime Commissioner for Northamptonshire (PCCN) increased their precepts by £24 for 2019/20. The comparison of Council Tax levels from 2018/19 to 2019/20 is shown below:

Band D Council Tax by Tax	2018/19 (£)	2019/20 (£)
Corby Borough Council (exc. Parish precepts)	189.50	189.50
Northamptonshire County Council	1,236.35	1,236.10
Police and Crime Commissioner for Northamptonshire	221.04	245.04
Northamptonshire Fire and Rescue	-	60.76
	1,646.89	1,731.40

Medium Term Financial Strategy for 2019/20 to 2023/24

The Medium Term Financial Strategy (MTFS) covers the five year period of 2019/20 to 2023/24. This sets out a detailed projection for the General Fund, Housing Revenue Account and the Capital Programme. Government funding cutbacks and future income risks mean that whilst the General Fund is in a reasonably healthy position for the next 2 to 3 years, careful monitoring and a responsible approach to budgeting and reserves will be required. The HRA continues to look healthy. The Capital Programme is generally limited to housing schemes and grant funded or essential expenditure.

The current projections demonstrate that for the next 2 - 4 years the outlook is generally healthy with expected surplus's that will allow us to contribute over £1m of resources to reserves. However, the outlook for 2021/22 and beyond is less optimistic.

This does rely on several key assumptions that over 3 years will inevitably be uncertain, especially in terms of the various future central government funding cuts. If they remain as expected the Council will need to have a robust focus on priorities and the identification of both efficiency savings and of non-priorities, if we are to continue to set a balanced budget without drawing upon reserves.

The strategy is underpinned by the following underlying principles, which remain unchanged from previous years:

1. The Council will, within available resources, seek to maximise delivery of services and levels of performance and ensure that resources are targeted to meeting its objectives and priorities. It is recognised that delivering high quality services comes at a cost;

2. The burden falling on local taxpayers will be kept to a minimum, through ensuring that external funding is maximised;

3. The Council will seek to build up reserves wherever possible to cover unforeseen events;

4. Where requirements to undertake borrowing are identified, the costs and benefits of doing so will be assessed as required in line with CIPFA's Prudential Code;

5. Services will be kept under constant review to ensure that they are delivered efficiently and effectively, and efficiency savings targets will be set;

6. Annual budgets will be robust and fully represent the cost of providing the levels of service and performance set out in the Corporate Plan and Service Plans.

Budget Monitoring

Revenue and capital budget monitoring information is reported to OCPC throughout the year, where any areas of concern can be requested to be reviewed by Overview and Scrutiny Panel. However, during 2019/20 no areas were referred to this committee, which demonstrates that the budget monitoring process facilitates a good level of challenge.

Capital Strategy and Capital Programme 2019/20 to 2023/24

The Capital programme was approved at Council on 27th February 2019 and provided the framework within which the Council's capital investment plans were to be delivered.

The Council is embarking on an ambitious five-year capital programme of £34.313m. This will support the Council's Corporate ambition through regeneration and growth. The major schemes included are:

• Housing Improvements in Existing Stock £13.564m - to maintain the current housing stock to decent standards and to minimise the time any property is void, and

• New Social Housing Build Programme £12.250m - development of new social housing units, including the redevelopment of Neville House.

The Council's five-year capital programme and its funding can be summarised as follows:

	2019/20	2020/21	2021/22	2022/23	2023/24	<u>Total</u>
	£'000	£'000	£'000	£'000	£'000	<u>£'000</u>
Housing Cap. Programme						
Housing improvements	3,469	3,117	2,326	2,326	2,326	13,564
New build programme	3,390	2,215	2,215	2,215	2,215	12,250
	6,859	5,332	4,541	4,541	4,541	25,814
Funded by						
Revenue funding	2,700	2,700	2,326	2,326	2,326	12,378
Right to Buy sales	2,215	2,215	2,215	2,215	2,215	11,075
Borrowing	1,175	0	0	0	0	1,175
Use of Reserves	769	417	0	0	0	1,186
	6,859	5,332	4,541	4,541	4,541	25,814
Gen.Fund Cap. Programme						
Capital growth bids	5,174	0	0	0	0	5,174
Woodland improvements	63	63	63	63	63	315
Replacement wheelie bins	52	52	52	52	52	260
Disabled Facilities Grant	400	400	400	400	400	2,000
ICT hardware replacement	150	150	150	150	150	750
	5,839	665	665	665	665	8,499
Funded by						
Grants & contributions	463	463	463	463	463	2,315
S106 contributions	147	0	0	0	0	147
Use of resources	5,027	0	0	0	0	5,027
Further funding required	202	202	202	202	202	1,010
	5,839	665	665	665	665	8,499

Financial Performance of the Council 2019/20

Revenue Outturn Position

The Council revenue outturn position is shown in the table below. The original GF budget set at Council in February 2019 was £10.514m, with an additional £866k agreed as budget carried forward from 2018/19, revising the budget to £11.380m. Through robust monitoring the Council achieved an under spend against revenue budgets on its General Fund and HRA. The outturn for the Council is a contribution to General reserves of £686k and £275k to the HRA reserves to ensure the council has sufficient resources in the future to cover a number of risks on the horizon (e.g. Government austerity measures, welfare reform, the economy, investment in Council buildings).

General Fund

	Revised Budget	Outturn	Variance
	£'000	£'000	£'000
Chief Executive	1,304	1,304	0
Neighbourhood Pride	632	615	(17)
Planning & Environmental Services	6,472	6,095	(377)
Culture & Leisure	3,806	3,996	190
Corporate Services	1,423	1,261	(162)
CB Property	(4,820)	(5,035)	(215)
Human Resources	111	80	(31)
Other (miscellaneous items)	2,453	2,377	(75)
General Fund Total	11,380	10,693	(686)

The main variances relate to four areas:

• Environment - additional licences income and other net savings of £52k, street scene savings for refuse and grounds maintenance of £114k and recycling cost savings of co-mingled waste of £241k due to significant market fluctuations.

• Culture & Leisure - a £60k loss of net income at Lodge Park Sports Centre and East Carlton Park workshops, £80k additional utilities costs at the pool, £40k for catering management at the pool and the golf course and a £10k cost for safety of play area zip wires.

• Corporate Services - salary savings of £82k and a £100k higher than initially expected benefits admin subsidy grant at year end.

• CB property - additional income of £263k for the purchase of the Brakey Road investment property, partially offset by net rental income and maintenance pressures of £48k across the property portfolio.

	Revised Budget	Outturn	Variance
	£'000	£'000	£'000
Responsive repairs	4,007	3,944	(63)
Pre-planned maintenance	1,539	1,466	(73)
General maintenance	4,950	4,735	(215)
Sheltered housing	236	190	(46)
Hostels / single person accommodation	(44)	(53)	(9)
Community / Emergency alarms	203	205	2
Other services- communal flat services	(7)	(44)	(37)
Other / technical	7,340	7,342	2
Income	(18,295)	(18,131)	163
HRA Total	(70)	(345)	(275)

The main variances relate to one area:

General maintenance – relates to salary savings.

Capital

The Council agreed a budget in February 2019 of £7.5m, together with £5.2m carried forward from 2018/19 capital programme, the revised budget was £12.7m.

During the year additional projects were undertaken of £17.6m, making the capital investment programme for 2019/20 £30.3m.

The Council has spent £18.9m on capital works, £11.4m below budget, of which £9.3m will be carried forward into the capital programme of 2020/21.

Balance Sheet

The Council has continued to improve its balances sheet in line with meeting its objective to ensure the Council has sufficient useable reserves to meet its key risks. See the Balance Sheet statement for further details.

Provisions

Business Rates Appeals provision - Short term provisions have increased from £0.6m to £0.8m, this is solely down to Business rate appeals, the increase in provision has been made upon the best estimate of the actual liability at the year-end in known appeals based on information provided by the Valuation Office (VO).

Treasury

Cash and cash equivalents have increased from £10.9m to £16.6m. Total Borrowing for the year end position is £129.5m (£57.7m General Fund borrowing and £71.8m HRA borrowing).

Pensions Liability

The in-year valuation in relation to the Local Government Defined Benefit Pension has reduced the deficit in this financial year by £9.821m to £38.312m in 2019/20, from £48.133m in 2018/19. Further details of the Defined Benefit Pension Plan are shown within note36.

Revaluation of Assets

Each year the Council revalues 20% of its property and land portfolio as required by the Code of Practice. This has resulted in an upwards revaluation of £5.7m, increasing the value of the authority's property, plant and equipment. Of which £1.6m relates to Council Dwellings and £4.1m relates to other land and buildings.

Non-Financial Performance of the Council 2019/20

Achievements

Although times are challenging within Local Government as a whole, Corby has shown that, with effort and determination things can improve for the better. Below are some of the positive outcomes that have happened within the borough:

• Corby remains one of the fastest growing boroughs outside of London (Office of National Statistics)

• Significant investments within the commercial sector within Corby by the Council promoting economic growth within the borough

- Corby West development
- Midlands Logistic Park

Corporate 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 highest significant corporate risks as identified in the risk register:

- Further reductions in revenue support grant
- Non-Delivery of Housing Revenue Account Business Plan
- Loss of Rental Income from investment properties
- Failure to deliver housing capital programme
- Recyclables Processing Contracts failure to deliver and stay within current budget targets
- Delay in implementation of effective Business Continuity Arrangements

Page 1266

Other, less significant risks include:

- Failure to achieve the predicted level of capital receipts
- · Culture and Leisure not achieving required income levels
- Grant reductions resulting in possible loss of local voluntary services
- Failure to deliver Little Stanion S106 agreement
- Individual Electoral Registration Scheme
- Recycling Credits Removal of funding from County Council

Outlook for the Future

Since 2010 Corby Borough Council has faced significant financial challenges due to the reductions in funding from central government along with continued pressures in delivering services and greater volatility in future funding streams.

The only thing that is certain is that there will continue to be significant change within Local Government Finance. Despite this uncertainty, the key underlying strategic principles remain unchanged – maximising service delivery whilst maintaining relatively low Council Tax and maximising funding from external partners in order to secure value for money for the residents of the Borough.

a) Local Government Reorganisation

From 1st April 2021 Corby Borough Council will merge with Kettering Borough Council, East Northamptonshire Council, Borough Council of Wellingborough and part of Northamptonshire County Council to form the new unitary authority of North Northamptonshire. A shadow authority was elected in May 2020.

b) Brexit

Following the referendum result on 23 June 2016 which meant that the United Kingdom was to leave the European Union (EU), the Prime Minister triggered Article 50 on 29 March 2017 which formally began this process. On 20 March 2019, the Prime Minister wrote to the European Council President asking to extend Article 50 until 30 June 2019. Following a meeting of the European Council on 10 April 2019, the UK and the EU 27 countries agreed to extend Article 50 until 31st October 2019. The implications of leaving the EU are not fully known but there could be a potential impact for the district due to reductions in EU funding, a change in interest rates, an increase in expenditure and an increase in the cost of basic goods which could impact on residents. As there is still a degree of doubt, the risk associated with leaving the EU is not measurable. The impact will be closely monitored and any adverse effect considered and reported through the appropriate channels.

c) Joint Working with Kettering Borough Council

Corby Borough Council and Kettering Borough Council are jointly the beneficial owners of a warehouse located in the Corby area. The two councils established a Trust to administer the day-to-day control of the management of this property, and of any future joint acquisitions. The decisions of the trustees are binding on the beneficial owners, which share equally all expenditure and income associated with the venture. In February 2019 Corby and Kettering Borough Council formed a Street Scene Shared Service, incorporating Refuse Collection; Recycling; Grounds Maintenance and Street Cleansing. This operation will now be delivering a £10m joint service.

d) Business Rates Retention

It is the intention that local government will in future retain 75% of business rates revenues to fund local services, in addition the Uniform Business Rate will be abolished and any local area will be able to cut business rates at their discretion.

e) Fair Funding Review

Consultation has been undertaken by the Ministry of Housing, Communities and Local Government (MHCLG) in relation to fair funding and will set new baseline funding allocations for local authorities by delivering an up-to-date assessment of their relative needs and resources, using the best available evidence. Collective and individual responses were made in relation to this consultation for Northamptonshire and Corby, however the timing for implementing the Fair Funding Review is still to be confirmed.



Receipt of Further Information

Council Tax payers have a statutory right to inspect the accounts and to question the external auditor prior to the closure of the audit, for a period of 30 working days starting from 27th Sept 2021 to 5th Nov 2021.

The Financial Statements

The Council's financial statements for 2019/20 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 2019/20 as prescribed by the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 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.

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.

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.

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

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

The Housing Revenue Income and Expenditure Account (HRA)

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

Collection Fund

This statement shows the transactions of the billing authority in relation to nondomestic rates and council tax, together with illustrating the way these have been distributed to preceptors and the General Fund.

Annual Governance Statement (AGS)

The Annual Governance Statement identifies the systems that the Council has in place to ensure that its business is conducted in accordance with the law and proper standards and that public money is safeguarded.

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 Director of Corporate Services (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 Director of Corporate Services 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 Director of Corporate Services 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 Director of Corporate Services has also:

- kept proper accounting records which were up-to-date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- ensured that an effective system of internal financial control is maintained and operated.

I hereby certify that the Statement of Accounts presents a true and fair view of the financial position of Corby Borough Council as at 31 March 2020 and its income and expenditure for the year ended 31 March 2020.

Х

Name Janice Gotts Executive Director of Finance (Section 151 Officer) North Northamptonshire Council Date 24/09/2021

Delegation to Approve the 2019/20 Accounts

The delegation to approve the 2019/2020 accounts moved to the North Northamptonshire Council from the 1st April 2021. As the statutory financial officer for the North Northamptonshire Council, I hereby certify that, to the best of my knowledge, the statement of accounts presents a true and fair view of the financial position of Corby Borough Council as at 31st March 2020 and its income and expenditure for the year ended 31 March 2020. The statement of accounts were authorised on 24th Sept 2021.

Х

Name Janis Gotts Executive Director of Finance (Section 151 Officer) North Northamptonshire Council Date 24/09/2021

Independent Auditor's Report to the Members of Corby Borough Council

>>> Intentionally blank for DRAFT set of accounts 1/4>>

>>> Intentionally blank for DRAFT set of accounts 2/4>>

>>> Intentionally blank for DRAFT set of accounts 3/4>>

>>> Intentionally blank for DRAFT set of accounts 4/4>>

Comprehensive Income and Expenditure Statement (CIES)

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

	2018/19			2019/20		
Gross Exp.	Gross Inc.	Net		Gross Exp.	Gross Inc.	Net
£000	£000	£000		£000	£000	£000
1,618	(304)	1,313	Chief Executive	1,833	(467)	1,307
1,418	(906)	512	Neighbourhood pride	1,632	(1,034)	598
9,484	(4,088)	5,396	Planning & Environmental Services	10,191	(3,986)	6,205
5,307	(3,168)	2,139	Culture & Leisure	7,800	(3,520)	4,280
15,446	(13,899)	1,547	Corporate Services	13,971	(12,729)	1,242
2,885	(3,882)	(997)	CB Property	3,581	(4,812)	(1,232)
17	(8)	8	Human Resources	64	(19)	45
18,648	(22,337)	(3,689)	Housing revenue account (HRA)	15,125	(19,226)	(4,101)
1,031	(112)	920	Other	1,185	(82)	1,103
55,854	(48,704)	7,150	Cost of Services	55,382	(45,875)	9,508
645	(951)	(305)	Other Operating Exp/(Inc) (note11)	581	(1,100)	(519)
3,834	(1,974)	1,860	Financing & Investment Inc & Exp (note12)	4,763	(21,937)	(17,174)
10,509	(21,582)	(11,073)	Taxation & Non-specific Grant Inc (note13)	11,114	(22,435)	(11,321)
70,842	(73,211)	(2,369)	(Surplus) / deficit on provision of services	71,841	(91,346)	(19,506)
		(28,390)	(Surplus)/deficit Reval. of Non-current Assets			(5,764)
		3,193	Actuarial Loss/(gain) on Pension. Asset & Liab			(11,928)
	-	(25,197)	Other Comprehensive Inc & Exp		-	(17,692)
	_	(==,)	TOTAL COMPREHENSIVE INC & EXP		-	(37,198)

Movement in Reserves Statement

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

	GF Bal	GF ear- mark- ed	HRA Bal	HRA ear- mark- ed	Major repairs res.	Capital receipt res.	Capital grants unapp- lied	TOTAL USE- ABLE RES.	Unus- able Res.	TOTAL RES.
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
2019/20										
BAL AT 31/03/2019 Surplus/(Deficit)	645	13,972	3,463	9,859	349	6,510	1,823	36,622	216,543	253,165
on provision of services Other	17,356	0	2,139	0	0	0	0	19,506	0	19,506
comprehensive income and expenditure	0	0	0	0	0	0	0	0	17,692	17,692
Total CIES	17,366	0	2,139	0	0	0	0	19,506	17,692	37,198
Adjs between accounting basis and funding basis under regs (Note9)	(13,460)	0	131	0	(349)	(331)	(669)	(14,679)	14,679	0
Earmarked	(14)	14	(1,500)	1,500	0	0	0	0	0	0
Net inc/(dec) in year	3,893	14	770	1,500	(349)	(331)	(669)	4,827	32,370	37,198
BAL AT 31/03/2020	4,536	13,986	4,233	11,359	0	6,179	1,154	41,447	248,913	290,361
<u>2018/19</u>										
BAL AT 31/03/2018 Surplus/(Deficit)	800	15,703	3,401	9,196	1,011	5,500	1,999	37,611	187,990	225,601
on provision of services Other	651	0	1,718	0	0	0	0	2,369	0	2,369
comprehensive income and expenditure	0	0	0	0	0	0	0	0	25,197	25,197
Total CIES	651	0	1,718	0	0	0	0	2,369	25,197	27,566
Adjs between accounting basis and funding basis under regs (Note9)	(2,537)	0	(993)	0	(662)	1,010	(176)	(3,358)	3,358	0
Earmarked	1,731	(1,731)	(663)	663	0	0	0	0	0	0
Net inc/(dec) in year	(155)	(1,731)	62	663	(662)	1,010	(176)	(989)	28,555	27,566
BAL AT 31/03/2019	645	13,972	3,463	9,859	349	6,510	1,823	36,622	216,543	253,165

Page 277

Balance Sheet

The Balance Sheet summarises the financial position of the Council. It shows the value of the Council's assets and liabilities at the year-end.

31 March 2019 £000		Notes	31 March 2020 £000
0.47.054			050.075
347,251	Property, Plant & Equipment	14	353,875
216	Heritage Assets	40	216
70,352	Investment Property	15	96,057
461	Intangible Assets	16	390
332	Long Term Debtors	18 _	322
418,612	Long Term Assets		450,870
6,500	Short Term Investments	17	0
47	Inventories	-	64
6,262	Short Term Debtors	18	5,280
10,887	Cash and Cash Equivalents	19	17,988
23,696	Current Assets	_	23,332
(19,700)	Short Term Borrowing	17	(19,700)
(12,720)	Short Term Creditors	20	(8,718)
	Provisions	21	(795)
(33,054)	Current Liabilities	—	(29,213)
(2,103)	Long term Finance Lease	34	(1,819)
(102,639)	Long Term Borrowing	17	(110,008)
(48,133)	Net Pensions Liability	36	(38,312)
(3,215)	Grants receipts in Advance	32	(4,491)
(156,090)	Long Term Liabilities	_	(154,630)
050.405		_	000.001
253,165	Net Assets	_	290,361
36,622	Useable Reserves	22	41,447
216,543	Unusable Reserves	23	248,913
253,165	Total Reserves	_	290,361

I certify that the statement of accounts gives a true and fair view of the financial position of the authority as at 31 March 2020 and its income and expenditure for the year ended 31 March 2020.

Janice Gotts X

Executive Director of Finance (Section 151 Officer)

North Northamptonshire Council 24/09/2021

Cash Flow Statement

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

2018/19 £000		2019/20 £000
(2,369)	Net Surplus / (Deficit) on the provision of services	(19,506)
(9,449)	Adj's to net surplus/deficit on provision of services for non-cash movements	662
(5,685)	Adj's for items included in the net surplus or deficit on the provision of services that are investing and financing activities	5,751
(17,504)	Net cash flows from Operating Activities (Note 24)	(13,093)
6,603	Investing Activities (Note 25)	13,361
7,562	Financing Activities (Note 26)	(7,369)
(3,340)	Net increase/(decrease) in cash and cash equivalents	(7,101)
(7,548)	Cash and cash equivalents at the beginning of the reporting period	(10,887)
(10,887)	Cash and cash equivalents at the end of the reporting period	(17,988)

Note 1. Accounting Policies

Accounting Policies in respect of Concepts and Principles

General Principles

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

The 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 non-current assets.

The Accounts are presented in Sterling (f) as this is the most representative currency of the Council's operations and rounded to the nearest thousand.

The preparation of Accounts in accordance with Code 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 notes 3 & 4.

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.

The functions and services of Corby Borough Council transferred to North Northamptonshire Council on 1st 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 budget and financial position has 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 Budget
- Balance sheet (including reserves and balances)
- Capital Programme
- Dedicated Schools Grant
- Public Health Grant.

The disaggregation work was overseen by a member led task and finish group which was supported by relevant senior officers including the Chief Financial Officer.

The budget formulation work was overseen by a separate member led task and finish group, as well as the shadow executive, which again were supported by senior officers.

A critical piece of work was to disaggregate the County Council budget and balance sheet to provide an indicative baseline of what the costs, assets and liabilities are of providing County Council services in 2020/21 had there been a split between the West and the North. The disaggregation was based on a number of agreed principles and provides for what the cost of services should be as a starting position for the West and North. A summary of these key principles is set out in the table below.

Revenue and Capital Disaggregation	Balance Sheet Disaggregation
Place of ordinary residence	Geographical location
Geographical location	Link to capital programme/capital financing Cost drivers
requirement	Link to service disaggregation
Population	Caretaker authority
Funding formulae	District/Borough areas
Staff numbers	

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 and Medium-Term Financial Plans

The focus for establishing financial budgets and plans for the new council has been for a 'safe and legal' provision of services. A key requirement in formulating the 2021/22 budget has been to develop a process for allocating the existing Medium Term Financial Plans to the new organisation. The existing sovereign council plans were carefully scrutinised and updated to reflect a North 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 the Council's 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 (equivalent of 7.5% of net revenue budget) and earmarked reserves of £124m, including £20m of HRA reserves, at 1st April 2021.

In addition, the forecast 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 £156m. The forecast cash position 12 months from signing the accounts (end of April 22) is estimated to be positive the estimated level of cash is estimated to be £90m. 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 £37m are repaid during 2021/22 and aren't refinanced. The Councils estimated level of external borrowing over the next 12 months is significantly less than the affordable borrowing limit.

The forecast available reserves as at the end of April 2022 remain consistent to those reported to the Shadow Authority at its meeting on 25th February 2021 the estimated reserves as at March 2022 are £98.1m and £95.6m at March 2023.

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 '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 1st November 2020 and is a wholly owned subsidiary of the Northamptonshire County Council, who are responsible for its underwriting liabilities. From 1st April the ownership and responsibilities of the Trust transferred to North and West Northamptonshire Council's The Trust operates as a separate entity in its own right and within the terms of the contractual agreement.

Key Risks and Uncertainties

The financial position of the new council includes a number of risks and uncertainties. These include the impact of Covid 19 on services provision and the economy, potential changes to government funding arising from the Fair Funding, Business Rates Retention and New Homes Bonus reviews from 2022/23 agreement between North and West on the areas of disaggregation outstanding in relation to the balance sheet, the completion of the predecessor council's 2020 21 external audit process and the inherent risks of establishing a new organisation. These risks are actively being monitored, managed and mitigated

Further Information

For more information on the North Northamptonshire Council budget refer to the budget report approved by Shadow Authority on 25th February 2021 at the following web link:

https://cmis.northamptonshire.gov.uk/cmis5live/MeetingsCalendar/tabid/73/ctl/ViewMeetingPublic/mid/ 410/Meeting/3662/Committee/456/Default.aspx

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. This is based on the financial and liquidity position of North Northamptonshire Council, taking into account the balanced budget, positive assurance by North Northamptonshire Council's Chief Finance Officer on the robustness of budget estimates and adequacy of reserves of the new council and cash and investment balances of £90m at 30 April 2022.

North Northamptonshire Council cannot be dissolved without statutory prescription and therefore the functions of Corby Borough Council have continued in the new Council. 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.

a) 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 are recorded as expenditure when they are consumed where there is a delay between the date supplies are received and their consumption, they are carried as inventory 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 four quarterly accounts has been taken as a proxy for actual expense in year.

b) 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.

c) Tax Income (Council Tax, Non Domestic Rate and Rates)

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.

d) Contingent Liabilities and Assets

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.

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.

e) Post Employment Benefits

Local Government Pension Scheme

Employees of the Council are 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
- 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 pensions liability is analysed into the following:

- Service Cost comprising:
 - Current Service cost the increase in liabilities as result of years of service earned this year allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked.
 - Past Service Cost the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

 Net interest on the net defined benefit liability – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.
- Remeasurement comprising:
 - Return on plan assets the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return credited to Other Comprehensive Income and Expenditure.
 - Actuarial Gains and Losses changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions debited to Other Comprehensive Income and Expenditure.
- 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. General Fund balance however is charged with the actual amount paid and 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 Authority'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 Authority'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.

Termination benefits

Termination benefits are recognised as an expense when the Authority 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 Authority 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.

Short-term employee benefits

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 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 account in the financial year in which the holiday absence occurs.

As the provision made for short-term employee benefits is not of a material nature the Council has adopted a policy of reviewing the current provision every 3-5 years with effect from 1st April 2011.

f) Events after the Balance Sheet Date

An authority shall adjust the amounts in the financial statements to reflect adjusting events both favourable and unfavourable, which provide evidence of conditions that existed at the end of the reporting period and such events occur between the end of the reporting period and the date when the financial statements are authorised for issue.

g) Exceptional Items

Exceptional items are material items which derive from individual events that fall within the ordinary activities of the Council that are identified as exceptional items by virtue of their size, nature or incidence.

h) Financial Instruments

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

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

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

Financial assets are classified into two types:

- Loans and receivables assets that have fixed or determinable payments but are not quoted in an active market.
- Available-for-sale assets that have a quoted market price and/or do not have fixed or determinable payments. The Council does not have any available-for-sale finance assets.

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

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

Loans and receivables

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

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

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

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

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

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

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

Available for sale financial assets

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

Financial liabilities are initially recognised at fair value.

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

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

Other financial liabilities

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

Interest is recognised using the effective interest method.

Financial Instruments - Risks

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

- Credit Risk the possibility that other parties may fail to pay the amounts due
- Liquidity Risk the possibility that the Council cannot pay its commitments
- Interest Risk that changes in areas such as interest rates will affect the Council's revenue resources.

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

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

<u>Liquidity risk:</u> to mitigate this risk the Council ensure that current working capital requirements are immediately available. Short-term flexibility is achieved by overdraft facilities.

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

In addition, the Council has adopted the CIPFA Prudential Code and reviews and monitors the level of exposure to investments which mature beyond one year and the use of specified and non-specified investments. The Authority has actual borrowing in 2016/17, which has currently been assessed as affordable under the prudential code.

i) 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.

Page 286

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 contributions 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 (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.

j) 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 amortisation charge will be made to the relevant service lines 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

k) Inventories

General Inventory is shown on the Balance Sheet at actual cost basis. This does not accord with the Code of Practice which recommends that inventory is carried at the lower of cost and net realisable value. Cost is the price paid less any rebates, trade discounts or subsidies. It also includes delivery charges and import duties but does not include value added taxes or advertising and administration costs. The amounts involved are not material. The general inventory held by the Council ranges from IT consumables to souvenirs and maps, and, therefore, there is little or no wastage. As a result, the Council does not maintain a provision for obsolete inventory. Cost is based on the first-in, first-out (FIFO) principle.

All other inventory shown on the Balance Sheet is at the lower of cost and net realisable value.

I) Investment Properties

An investment property is one that is used solely to earn rentals or for capital appreciation or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet the definition of an investment property.

Investment properties are measured at fair value, with gains and losses recognised in Surplus or Deficit rather than through the revaluation reserve. Investment properties held at fair value are not depreciated.

Fair value is to be interpreted as the amount that would be paid for the asset in its highest and best use, i.e. market value. The fair value of investment property held under a lease is the lease interest.

m) 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.

The Authority as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. 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 Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment 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 benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Authority as Lessor

Finance Leases

Where the Authority 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 Authority'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 Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

n) 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.

Disposal groups are groups of assets and liabilities to be disposed of together as a group in a single transaction. They are recognised as held for sale at the reporting date and are separately disclosed as current assets and liabilities on the Balance Sheet.

The results of discontinued operations should be presented separately in Surplus or Deficit on the Provision of Services. Measurement differences arising between the carrying amount and fair value less cost of disposal are treated as impairment charges and separately disclosed.

o) Property, Plant & 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 component's of an item of property, plant and equipment where the components value is greater than £800k and is more than 25% of the total asset's 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:

Council Dwellings
Other Land and Buildings
Vehicles, plant and equipment
Infrastructure
Community assets
Investment Properties
Surplus Assets

Existing use value for social housing (dwellings) Existing use value Historic cost Historic cost Historic cost Fair Value 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 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Property, plant and equipment is subject to an impairment review if there are events or changes in circumstances which indicate that the carrying amount may not be recoverable. Those events and change in circumstances are listed under Critical Accounting Estimate and Judgements.

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

- 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 charged to the Comprehensive Income and Expenditure Statement but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Disposals

When an asset is disposed of or decommissioned the value of the asset in the Balance Sheet and the receipt from disposal are written off to the Income and Expenditure Account as part of the loss or gain on disposal. Any revaluation gains 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 deminimis for capital receipts.

Depreciation

Depreciation is provided for on all tangible assets except freehold land and asset 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, except for vehicles, where the "reducing balance method" is used. No depreciation charge is applied to land. Buildings and other assets are depreciated over the following periods:

Council housing Dwellings Other land and buildings Vehicles Plant and equipment Infrastructure Community assets Investment Properties Finance Leases assets	 54 years (previously before 2019/20 at 39 years) 40 years 5 years (on reducing balance) 3 – 10 years 50 years Varying periods, according to useful life No depreciation charge Over the shorter of useful lives or lease terms
Surplus Assets	40 years
Infrastructure Community assets Investment Properties Finance Leases assets	50 years Varying periods, according to useful life No depreciation charge Over the shorter of useful lives or lease terms

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.

Asset 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 brought into use under the relevant sections of property plant and equipment.

p) Heritage assets

Recognition

Heritage Assets are those assets that have an historical, artistic, scientific, technological, geophysical or environmental quality that is held and maintained principally for its contribution to knowledge and culture. The term heritage asset refers to both tangible heritage assets and intangible heritage assets.

Measurement

Where an Authority has information on the cost or value of a heritage asset, the authority shall recognise the asset in accordance with their policy for Property, Plant and Equipment or Intangible Assets. Where this information is not available and cannot be obtained at a cost which is commensurate with the benefits to users of the financial statements, the assets will not be recognised in the Balance Sheet.

Civic Regalia, Paintings and Statues

Details of the Heritage Assets held by the Council are disclosed in note 40, these assets have been included within the Balance Sheet at insurance valuation which is based on a market value. The Insurance valuation is reviewed on an annual basis. The above assets are deemed to have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation.

Heritage Centres

The Authority has two Heritage Centres located at East Carlton Park and Corby Old Village, for the purposes of this disclosure these assets have been classified as operational and are not included separately on the face of the balance sheet, but included within Property, Plant and Equipment.

Other Artefacts

Items which have been donated to the Council over the last 30 years, such as an exhibition model of steel works, various items from the steel works and non-operational trains on display at East Carlton Park are considered to have a value of £250 or less and the Council is not aware of any one item being worth more than £1,000. These items have not been recognised on the Balance Sheet as cost information is not readily available and the Authority believes that the benefits of obtaining the valuation for these items would not justify the cost.

Impairment

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

q) 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 more likely than not 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. 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.

Holiday pay provision relates to the leave accrued to the employees.

r) 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 10.

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 Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure.

By law, the Council may use its Useable Capital Receipts Reserve only to finance capital expenditure. The Revaluation Reserve cannot be used to finance either revenue or capital expenditure.

s) 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 asset is 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. 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. Details are shown in note 33.

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.

t) Value Added Tax

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

u) Joint arrangements

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.

v) 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 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 Authority'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.

w) Fair value measurement of non-financial assets

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 advantages 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].

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 2019/20 has introduced some changes to the accounting policies which will be required from 1 April 2020 and will be adopted by the Council from this date.

The changes are related to:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015–2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

The first two changes will not impact on the Council and it is unlikely that the last change will have any material impact on the Council's future Statement of Accounts.

Implementation of IFRS 16 (Leases) has been deferred to the 2021/22 Code of Practice. IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (with exemptions for low-value and short-term leases).

Note 3. Critical Judgements in Applying Accounting Policies

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

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

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 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

ltem	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment,	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 a change in the net assets of the Council of £3.5m
Investment Properties	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 a change in the net assets of the Council of £0.7m.
Pensions Liability	Estimations of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. This information is provided to the authority by the actuaries.	The effects on the net pensions liability of changes in individual assumptions can be measured, these changes are detailed within Note36.

Note 5. Material Items of Income and Expenditure

The primary purpose of this note is to disclose those material items of income and expenditure that are not part of the ordinary course of business or events of the Council (i.e. extraordinary). During 2019/20 no such items of income or expenditure were incurred (2018/19; nil).

Note 6. Events after the Balance Sheet Date

The draft Statement of Accounts was authorised for issue by the Council's appointed (delegated) statutory Finance Officer on 24th Sept 2021 and was done so after due consideration to any post balance sheet events at that point in time.

On 1st April 2021 all the functions and services along with its assets and liabilities of Corby Borough 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.

Note 7. 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 Council (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.

	2019/20								
	Net	Adjustments	between the Fur	nding and Acco	unting Basis	Net Expenditure in			
	Expenditure Chargeable to the General Fund Balance	Adjustments for Capital Purposes (Note A)	Net change for the Pensions Adjustments (Note B)	Other Differences (Note C)	Total Adjustments	the Comprehensive Income and Expenditure Statement			
	£000	£000	£000	£000	£000	£000			
Chief Executive	1,329	0	38	0	38	1,367			
Neighbourhood pride	525	24	48	0	72	598			
Planning & Environmental services	5,681	436	88	0	524	6,205			
Culture & Leisure	3,435	651	194	0	845	4,280			
Corporate Services	663	380	199	0	579	1,242			
CB property	(1,313)	18	64	0	82	(1,232)			
Human resources	24	0	21	0	21	45			
Housing Revenue account (HRA)	(3,588)	(963)	450	0	(531)	(4,101)			
Other	1,098	0	5	0	5	1,103			
Cost of Services	7,854	546	1,108	0	1,654	9,508			
Other income and expenditure	(14,031)	(17,391)	999	1,409	(14,983)	(29,013)			
(Surplus) or Deficit	(6,177)	0	2,107	1,409	(13,329)	(19,506)			
Opening General Fund and HRA Balances (Includes Earmarked Res)	(27,939)								
Surplus/(Deficit) on General Fund in Year	(6,177)								
Closing General Fund and HRA Bal	(34,116)								

	2018/19									
	Net	Adjustments	between the Fur	nding and Acco	unting Basis	Net Expenditure in				
	Expenditure Chargeable to the General Fund Balance	Adjustments for Capital Purposes (Note A)	Net change for the Pensions Adjustments (Note B)	Other Differences (Note C)	Total Adjustments	the Comprehensive Income and Expenditure Statement				
	£000	£000	£000	£000	£000	£000				
Chief Executive	1,276	0	6	31	37	1,313				
Neighbourhood pride	556	24	41	(110)	(45)	512				
Planning & Environmental services	5,564	78	82	(328)	(168)	5,396				
Culture & Leisure	3,551	(1,045)	159	(526)	(1,412)	2,138				
Corporate Services	1,403	772	(78)	(550)	144	1,547				
CB property	(4,930)	(2,717)	12	6,637	3,932	(998)				
Human resources	80	0	4	(76)	(72)	8				
Housing Revenue Account (HRA)	(83)	(811)	344	(3,139)	(3,606)	(3,690)				
Other	2,201	0	603	(1,884)	(1,218)	919				
Cost of Services	9,620	(3,699)	1,173	55	(2,471)	7,149				
Other income and expenditure	(8,739)	1,833	1,123	(3,736)	(780)	(9,518)				
(Surplus) or Deficit	881	(1,866)	2,296	(3,681)	(3,251)	(2,369)				
Opening General and HRA Fund Balances (Includes Earmarked Res)	(29,102)									
Surplus/(Deficit) on General Fund in Year	881									
Closing General and HRA Fund Bal	(28,221)									

Notes to the EFA

NoteA 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 the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

NoteB 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 Council 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.

NoteC 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.

Note 8. Expenditure and Income Analysed by Nature

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

2018/19		2019/20
£000s		£000s
	Expenditure	
18,270	Employee Benefits expenses	18,378
31,056	Other services expenses	26,205
445	Support services recharges	5,021
5,211	Depreciation, amortisation, impairment	5,778
3,582	Interest Payments	3,595
10,662	Precepts and levies	11,289
84	Loss on disposal of assets	0
407	Payments to Housing Capital Receipts Pool	406
1,123	Pension Interest Costs	1,168
0	Transfer to collection fund	0
70,842	Total Expenditure	71,841
	Income	
(33,891)	Fees, charges and other services income	(32,169)
(330)	Interest and investment income	(319)
(18,563)	Income from council tax, non-domestic rates	(20,662)
(17,952)	Government grants and contributions	(15,479)
(120)	Gain on the disposal of assets	(1,100)
2,432	Depreciation, amortisation, impairment	(0)
(4,732)	Support Services Recharges	(0)
(3,057)	Inc/Exp and change in Fair Value of Inv. Properties	(21,618)
(73,211)	Total Income	(91,346)

Note 9. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure 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.

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.

Housing Revenue Account (HRA) Balance

The HRA balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Major Repairs Reserve

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

Capital Receipts Reserve

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

Capital Grants Unapplied Reserve

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.

2019/20

	GF £000	HRA £000	MRR £000	CRR £000	CGU £000	Unusable £000
Adj involving Cap Adj Account:						
Charges deprec & impair non-current assets	2,244	3,299	0	0	0	(5,544)
Revaluation on non-current assets	0	0	0	0	0	0
Movements in the market value of inv prop	(17,391)	0	0	0	0	17,391
Amortisation of intangible fixed assets	83	152	0	0	0	(235)
Capital grants and contributions applied	0	0	0	0	0	0
REFCUS	0	0	0	0	0	0
Non-current assets w/o on disposal to CIES	747	3,801	0	0	0	(4,549)
Insertion of items not dr/cr to CIES Statutory prov for financing of capital investment	(1,655)	0	0	0	0	1,655
Capital exp charged against the GF & HRA bals	0	0	0	0	0	0
Adj involving Cap Grants Unapplied A/c:						
Capital grants & contr unapplied cr to CIES App of grants to cap fin transferred to CAA	26 0	0 0	0 0	0 0	(26) 0	0 0
Repayment of grant	644	0	0	0	(644)	0
Adj involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds cr as part of the gain/loss on disposal to the CIES Asset sales admin costs	(885) (102)	(4,866) 102	0 0	5,751 0	0	0 0
Used to finance new capital expenditure	(102)	0	0	(5,675)	0	5,675
Contr to fin payments to govt cap receipts	406	0	0	(406)	0	0
pool Adj involving the Major Repairs Reserve:						
Reversal of MRA credited to the HRA	0	(3,451)	3,451	0	0	0
Used to finance new capital expenditure	0	(0, 101)	(3,801)	0	0	3,801
CAPITAL TOTAL	(15,882)	(963)	(349)	(331)	(669)	18,194
Adj involving the Pensions Reserve:						
Rev of items relating to retirement benefits dr/cr to the CIES	2,625	2,834	0	0	0	(5,459)
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,612)	(1,740)	0	0	0	3,352
Adj involving the Coll. Fund Adj A/c:						
Amount by which Cou. tax & NNDR income cr to the CIES is diff from the amount taken to the GF in accordance with statutory requirements	1,409	0	0	0	0	(1,409)
Adj involving the Acc. Absence Adj A/c:						
Amount by which officer remun charged to the CIES on an accruals basis diff from remun chargeable in year in accordance with stat req	0	0	0	0	0	0
PENSIONS AND OTHER TOTAL	2,422	1,094	(349)	0	0	(3,516)
TOTAL ADJUSTMENTS	(13,460)	131	(349)	(331)	(669)	14,679

<u>2018/19</u>

	GF £000	HRA £000	MRR £000	CRR £000	CGU £000	Unusable £000
Adj involving Cap Adj Account:						
Charges deprec & impair non-current assets	2,208	3,928	0	0	0	(6,136)
Revaluation on non-current assets	(1,696)	0	0	0	0	1,696
Movements in the market value of inv prop	435	0	0	0	0	(435)
Amortisation of intangible fixed assets	129	0	0	0	0	(129)
Capital grants and contributions applied REFCUS	(688) 688	0 0	0 0	0	0	688 (688)
Non-current assets w/o on disposal to CIES	3,152	2,020	0	0	0	(5,172)
Insertion of items not dr/cr to CIES	0,102	2,020	Ŭ	Ŭ	Ŭ	(0,112)
Statutory prov for financing of capital investment	(1,338)	0	0	0	0	1,338
Capital exp charged against the GF & HRA bals	(614)	(812)	0	1,426	0	0
Adj involving Cap Grants Unapplied A/c:						
Capital grants & contr unapplied cr to CIES App of grants to cap fin transferred to CAA	(886) (84)	0 0	0 0	0 0	886 (1,062)	0 1,146
Adj involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds cr as part of the gain/loss on disposal to the CIES	(2,174)	(3,104)	0	5,278	0	0
Used to finance new capital expenditure	0	0	0	(4,951)	0	4,951
Contr to fin payments to govt cap receipts pool	611	132	0	(743)	0	0
Adj involving the Major Repairs Reserve:						
Reversal of MRA credited to the HRA	0	(4,053)	4,053	0	0	0
Used to finance new capital expenditure CAPITAL TOTAL	0 (257)	0 (1,889)	(4,715) (662)	0 1,010	0 (176)	4,715 1,974
Adj involving the Pensions Reserve:						
Rev of items relating to retirement benefits dr/cr to the CIES	2,998	2,575	0	0	0	(5,573)
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,598)	(1,679)	0	0	0	3,277
Adj involving the Coll. Fund Adj A/c:						
Amount by which Cou. tax & NNDR income cr to the CIES is diff from the amount taken to the GF in accordance with statutory requirements	(3,680)	0	0	0	0	3,680
Adj involving the Acc. Absence Adj A/c:						
Amount by which officer remun charged to the CIES on an accruals basis diff from remun chargeable in year in accordance with stat req	0	0	0	0	0	0
PENSIONS AND OTHER TOTAL	(2,280)	896	0	0	0	1,384
TOTAL ADJUSTMENTS	(2,537)	(993)	(662)	1,010	(176)	3,358

Note 10. 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).

	Bal 31.3.18 £000	Trans in £000	Trans out £000	Bal 31.3.19 £000	Trans in £000	Trans out £000	Bal 31.3.20 £000
Medium Term Funding	4,730	212	(2,333)	2,608	0	(5)	2,603
Future Interest rate	1,000	0	(0)	1,000	0	(0)	1,000
CBC Properties	200	0	(0)	200	0	(0)	200
Cube Sinking Fund	396	35	(20)	410	16	(0)	426
General Fund Rev Carry Forwards	656	536	(655)	537	2	(0)	539
Oakley Vale Bus Contribution	95	0	(0)	95	0	(0)	95
Loss of Rental	700	0	(0)	700	0	(0)	700
Business Rates Growth & Retention	2,735	2,768	(1,835)	3,667	0	(1)	3,666
Cube Repairs	504	0	(9)	494	0	(0)	494
Future Pool	354	0	(161)	193	0	(3)	190
Other Building Repairs - C&L Properties	300	0	(14)	286	0	(0)	286
Corby Innovation Hub	200	0	(200)	0	0	(0)	0
Other Building Repairs	472	0	(161)	311	0	(0)	311
New Homes Bonus	3,000	0	(0)	2,999	0	(1,900)	1,098
LG re-org	0	0	(0)	0	1,900	(0)	1,900
Revenue Grant	366	113	(7)	472	5	(0)	477
General Fund Total	15,708	3,663	(5,394)	13,972	1,924	(1,910)	13,986
HRA Solar FITs	2	0	(0)	2	0	(0)	2
Hou Prop Sinking	55	0	(0)	55	0	(0)	55
HRA Rev Carry Forwards	25	0	(25)	0	0	(0)	0
HRA Debt management	4,900	1,500	(0)	6,400	1,500	(0)	7,900
Housing Stock	4,214	0	(812)	3,401	0	(0)	3,401
HRA Total	9,196	1,500	(837)	9,859	1,500	(0)	11,358
Total Earmarked	24,904	5,164	(6,232)	23,831	3,424	(1,912)	25,344

Purpose of Reserve	
Medium Term Financial	To support future budgets funding requirements
Future Interest Rate	To fund any future interest rate increases
CBC Properties	To fund future maintenance liabilities
Cube Sinking Fund	Contribution from tenants to support future maintenance
General Fund Rev Carry Forwards	To fund future revenue requirements
Oakley Vale Bus Contribution	To fund commitment as landowner in relation to S.106 agreements
Loss of Rental Income Reserves	To fund future reduction in income due to tenancy vacant periods
Bus. Rates Growth & Retention	To support future budgets funding requirements
Cube Repairs	To fund future maintenance liabilities
Future Pool Repairs Other Building Repairs - C&L Prop Corby Innovation Hub Other Building Repairs New Homes Bonus	To fund future pool maintenance liabilities To fund future maintenance liabilities for Culture & Leisure facilities To fund future Innovation hub requirements To fund future maintenance liabilities for other council owned properties To mitigate the risk of funding being withdrawn or reduced in future years
LG re-org	CBC share of Unitary re-organisation on 1st April 2021
Revenue Grant	Ring fenced grant income received in year but not expensed

Note 11. Other Operating Exp. included in the CIES

2018/19		2019/20
£000		£000
(867)	(Gains)/losses on the disposal of non-current assets	(1,100)
407	Contribution to Housing Pooled Capital receipts	406
154	Parish Council precepts	175
(305)	Total	(519)

Note 12. Financing and Investment Income and Expenditure

2018/19		2019/20
£000		£000
(330)	Interest and Investment income	(319)
3,589	Interest payable and similar charges	3,595
(3,057)	Income and expenditure in relation to inv prop and changes in their fair value	(21,618)
832	Loss/ (gain) on the disposal on investment properties	0
1,116	Pensions interest cost and expected return on pension assets	1,168
2,150	Total	(17,174)

Note 13. Taxation and Non-Specific Grant Income

2018/19 £000		2019/20 £000
(1,743)	Central Government grant	(1,773)
(3,768)	Council Tax income	(3,888)
(886)	Capital Grants and contributions	(0)
(1,463)	Collection Fund (surplus) / deficit	(1,423)
(13,332)	Retained business rates	(14,460)
9,895	Tariff payment	10,559
517	Levy payment	555
97	Small business rate relief grant (S.31)	(891)
(390)	Revenue Support Grant	(0)
(11,073)	Total	(11,321)

Note 14. Property, Plant and Equipment

Movements in 2019/20	& Council 00 Dwellings	Bother Land Cand Buildings	rehicles, 00 Plant, & Equip-ment	thfrast- 000 ructure Assets	® Surplus 00 Assets	B Comm-unity 0 Assets	® Assets 00 Under Const- ruction	# Total 60 Property, Plant and Equip-ment
Cost or Valuation								
Gross B'fwd	248,090	85,186	8,564	2	2,083	5,264	5,751	354,940
Additions	2,726	927	2,236	264	0	387	3,931	10,471
Revaluation to Reval Reserve	1,641	4,122	0	0	0	0	0	5,764
Revaluation to CIES	0	0	0	0	0	0	0	0
Disposals	(3,801)	(0)	(0)	(266)	(0)	(0)	(0)	(4,067)
Other de-recognition	(3,247)	(0)	(0)	(0)	(0)	(0)	(0)	(3,247)
Reclassifications	2,799	0	2,002	0	0	(2,002)	(2,799)	0
Reclassified Assets held for sale	0	0	0	0	0	0	0	0
Gross C'fwd	248,208	90,236	12,801	0	2,083	3,650	6,882	363,860
Depreciation								
Gross B'fwd	0	(370)	(6,394)	0	0	(925)	0	(7,690)
Depreciation in Year	(3,247)	(1,444)	(830)	(0)	(0)	(22)	(0)	(5,544)
Depreciation to Reval Reserve	0	0	0	0	0	0	0	0
Disposal	3,247	0	0	0	0	0	0	3,247
Other de-recognition	0	0	(234)	0	0	234	0	0
Gross C'fwd	0	(1,814)	(7,458)	0	0	(714)	0	(9,986)
Net Book Value								
At 31 March 2020	248,208	88,422	5,343	0	2,083	2,936	6,882	353,875
At 31 March 2019	248,090	84,816	2,170	2	2,083	4,339	5,751	347,251

Movements in 2018/19	0008 Council Dwellings	帶 Other Land and 8 Buildings	the contraction of the contracti	the set of	r Surplus Assets 00	to Comm-unity O Assets	Assets Under O Const-ruction	ଞ୍ଚ Total Property, Plant Gand Equipment
Cost or Valuation								
Gross B'fwd	220,410	80,862	5,966	2	2,083	5,259	7,732	322,315
Additions	4,285	706	2,598	0	0	5	4,212	11,806
Revaluation to Reval Reserve	23,151	5,239	0	0	0	0	0	28,390
Revaluation to CIES	0	1,696	0	0	0	0	0	1,696
Disposals	(2,058)	(84)	0	0	0	0	0	(2,142)
Other de-recognition	(3,891)	(3,233)	0	0	0	0	0	(7,124)
Reclassifications	6,193	0	0	0	0	0	(6,193)	0
Gross C'fwd	248,090	85,186	8,564	2	2,083	5,264	5,751	354,940
Depreciation								
Gross B'fwd	0	(2,020)	(5,873)	0	0	(821)	0	(8,714)
Depreciation in Year	(3,928)	(1,583)	(521)	0	0	(104)	0	(6,136)
Disposal	37	0	0	0	0	0	0	37
Other de-recognition	3,891	3,233	0	0	0	0	0	7,124
Gross C'fwd	0	(370)	(6,394)	0	0	(925)	0	(7,690)
Net Book Value At 31 March 2019	248.000	04.040	0.470		2.082	4.220	E 764	247.054
At 31 March 2019 At 31 March 2018	248,090 220,410	84,816 78,842	2,170 93	2 2	2,083 2,083	4,339 4,438	5,751 7,732	347,251 313,599

Revaluations

The Council operates a five year rolling programme for revaluations where 20% of freehold and leasehold properties, which comprise the Council's property portfolio (excluding council dwellings which are valued , are revalued every year. This was carried out by Guy Harbord MA MRICS IRRV, Partner, Wilks Head and Eve LLP, 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.

The Council's Property, plant and equipment are valued in accordance with the Code of Practice as follows:

- Other Land and Buildings:
- Vehicles, Plant and Equipment:
- Infrastructure Assets:
- Community Assets:
- Council Dwellings:
- Surplus Assets

Existing Use Value Historical cost net of depreciation Historical cost net of depreciation Historical cost net of depreciation Existing Use Value

Fair Value

The significant assumptions applied in estimating the fair values are:

- Beacon approach for Council dwellings
- Reasonable state of repair on all assets
- Valuation approaches Market Value; Existing Use Value and Fair Value.

OLB VPE Surplus Council Infra Comm-AuC Total Dwell unity £000 £000 £000 £000 £000 £000 £000 £000 Carried at Historical 12,801 0 3,650 6,882 23,333 -Cost Valued at Fair Value as at; 31 March 2020 248.208 81.697 329.905 --31 March 2019 3,899 3,899 31 March 2018 2,920 5,003 2,083 _ _ 31 March 2017 1,376 1,376 _ _ 31 March 2016 344 344 _ Total Cost or 248,208 12,801 0 Valuation 90,236 2.083 3,650 6,882 363,860 (31/03/2020)

The following table shows the progress of the Council's five year rolling programme for revaluations;

Note 15. 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.

2018/19 £000		2019/20 £000
4,716	Rental income from investment property	5,450
(1,103)	Direct operating expenses arising from investment properties	(1,222)
3,613	Net gain/(loss)	4,228

Restrictions

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

Corby Borough Council and Kettering Borough Council have jointly acquired an investment property in Corby. The asset was acquired in Trust jointly with Kettering Borough Council under a Co-Ownership Arrangement. The trust is a creation of statute and therefore is not a legal entity on its own.

The movement in investment properties balances during the year are shown below.

2018/19 £000		2019/20 £000
73,269	Balance at start of the year	70,352
332	Additions	8,796
(2,802)	Disposals	(482)
(550)	Net gain/(loss) for fair value adj	17,391
115	Net gain/(loss) for fair value adj – assets held in trust	0
(12)	Reclassifications	(0)
70,352	Balance at end of the year	96,057

Page 308

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 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

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use.

Valuers

The fair value is measured on an annual basis as at 31st March. All valuations are carried out by a qualified valuer from Wilkes Head and Eve (Guy Harbord MA MRICS IRRV), in accordance with methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Note 16. Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of property, plant and equipment. The intangible assets include both purchased licenses and internally generated software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation charged to revenue is charged to the IT cost centre and then absorbed as an overhead across all service headings in the net expenditure of services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

2018/19		2019/20
£000		£000
1,040	Gross carrying amounts	1,063
(464)	Accumulated amortisation	(602)
576	Net carrying amount at the start of the year	461
278	Additions	164
(263)	Disposals	(0)
(129)	Amortisation for the period	(235)
461	Net carrying amount at the end of the year	390
1,063	Gross carrying amounts	1,227
(602)	Accumulated amortisation	(837)
461	Net carrying amount at end of the year	390

The movement on intangible asset balances during the year are as follows:

Note 17. Financial Instruments

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

Non-current 2018/19	Current 2018/19		Non-curr 2019/20	2019/20
£000	£000		£000	£000
		Investments		
0	6,500	Loans, shares and receivables	0	0
		Debtors		
332	2,330	Loans and receivables	332	6,880
-	10,887	Cash and Cash Equivalents	-	17,988
		Borrowing		
(102,639)	(19,700)	Fin. liabilities at amortised cost	(110,008)	(19,700)
		Creditors		
-	(0)	Cash and Cash Equivalents	-	(0)
(0)	(4,201)	Fin. Liabilities at amortised cost	(0)	(6,341)
(102,307)	(4,184)	TOTAL	(109,676)	(1,172)

Fair Value of Assets and Liabilities

The fair values and Carrying Values are considered to be the same, with the exception of the following;

Carrying val	lue Fair value		Carrying value	Fair value
2018/19 £000	2018/19 £000		2019/20 £000	2019/20 £000
(102,639)	(132,458)	Borrowing, long term via PWLB	(110,008)	(158,750)

Gains and losses on income and expense

2018/19 £000	2018/19 £000	2018/19 £000		2019/20 £000	2019/20 £000	2019/20 £000
Fin Liab at amortis- ed cost	Fin Asset Loans and Receiv- ables	Total		Fin Liab at amortis- ed cost	Fin Asset Loans and Receiv- ables	Total
3,589	0	3,589	Interest expenses	3,595	0	3,595
3,589	0	3,589	Total expenditure in surp/def on PoS	3,595	0	3,595
(0)	(330)	(330)	Interest income	(0)	(319)	(319)
(0)	(330)	(330)	Total income in surp/def on PoS	(0)	(319)	(319)
3,589	(330)	3,259	Net gain/(loss) for the year	3,595	(319)	3,277

2018	/19		2019/20		
Short term £000	Long term £000		Short term £000	Long term £000	
441	0	Central Govt bodies	1,253	0	
274	0	Other Local Authorities	177	0	
13	0	NHS bodies	0	0	
5,534	332	Other Entities and Individuals	7,177	332	
9,403	332		8,607	332	
		Less provisions for bad debts;			
(332)	-	Council tax- general	(375)	-	
(245)	-	Council tax- court costs	(245)	-	
(423)	-	Business rates	(623)	-	
(1,344)	-	Housing (HRA)	(1,287)	-	
(798)	-	Sundry debtors	(797)	-	
(3,141)			(3,327)	-	
6,262	332	Total	5,280	322	

Note 18. Debtors- short and long term

Note 19. Cash and Cash Equivalents

2018/19 £000		2019/20 £000
387	Cash / (overdraft)	5,488
10,500	Short term deposits (under 3 months maturity)	12,500
10,887	Total	17,988

Note 20. Creditors

2018	8/19		201	9/20
Short term £000	Long term £000		Short term £000	Long term £000
4,590	0	Central Govt bodies	3,016	0
1,998	0	Other Local Authorities	1,474	0
0	0	NHS bodies	1	0
6,132	0	Other Entities and Individuals	4,227	0
12,720	0	Total	8,718	0

Note 21. Provisions

	Balance as at 31 March 2019	Increase/(decrease) in provision	Utilised	Balance as at 31 March 2020
	£000	£000	£000	£000
Business rates appeal	(635)	(480)	320	(795)

Business rates appeals provision has been made upon the best estimate of the actual liability at the year-end in known appeals based on information provided by the Valuation Office (VO).

Note 22. Useable Reserves

Movements in the Council's useable reserves are detailed in the Movement in Reserves Statement and a further breakdown is shown in Note 10 of movements in Earmarked Reserves.

2018/19		2019/20
£000		£000
54,410	Revaluation Reserve	60,174
208,167	Capital Adjustment Account	226,361
246	Deferred Capital Receipts Account	246
(48,134)	Pensions Reserve	(38,312)
1,916	Collection Fund Adjustment Account	507
(61)	Accumulated absences Account	(61)
216,544	Total Unusable Reserves	248,916

Note 23. Unusable Reserves

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. 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.

2018/19	Revaluation Reserve	2019/20
£000		£000
26,021	Balance at 1 April	54,411
28,390	Upward revaluation of assets	5,764
0	Downward revaluation or impairment of assets not charged to the surplus/deficit on the provision of services	0
28,390	(Surplus) or deficit in the revaluation of non-current assets	5,764
0	Difference between fair value depreciation and historical cost depreciation - written off to Capital Adjustment Account	0
54,411	Balance at 31 March	60,175

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.

2018/19	Capital Adjustment Account	2019/20
£000		£000
206,200	Balance at 1 April 2019	208,168
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(6,135)	Charges for depreciation of non-current assets	(5,544)
1,261	Revaluation losses on property, plant and equipment	0
(138)	Amortisation of intangible assets	(235)
(688)	Revenue expenditure funded from capital under statute	(0)
(5,169)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(4,549)
(10,869)	-	(10,327)
	Capital financing applied in the year:	
4,951	Use of the Capital Receipts Reserve to finance new capital expenditure	5,675
4,714	Application of Grants to finance capital expenditure	3,801
1,833	Application of grants to capital fin from capital grants unapplied account	0
1,338	Statutory prov for the fin of cap investment charged against the GF (MRP)	1,655
-	Movement in market value of Inv Prop (dr/cr to CIES)	17,391
12,837	-	28,521
208,168	Balance at 31 March	226,362

Deferred Capital Receipts Reserve

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

2018/19	Deferred Capital Receipts Reserve	2019/20
£000		£000
246	Balance at 1 April	246
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	0
0	Transfer to the Capital Receipts Reserve upon receipt of cash	0
246	Balance at 31 March	246

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.

2018/19	Pensions Reserve	2019/20
£000		£000
(42,644)	Balance at 1 April	(48,133)
-	Adj to opening bal as per actuary 19/20 IAS19 report	124
(3,193)	Actuarial (gains) or losses on pensions assets and liabilities	11,804
(5,573)	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	(5,459)
3,277	Employer's pensions contributions and direct payments to pensioners payable in the year	3,352
(48,133)	Balance at 31 March	(38,312)

Further information is found in Note 36 in respect of Defined Benefit Pension Scheme.

Collection Fund Adjustment Account

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

2018/19	Collection Fund Adjustment Account	2019/20
£000		£000
(1,763)	Balance at 1 April	1,917
3,680	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	(1,409)
1,917	Balance at 31 March	508

Note 24. Cash flow - Operating Activities

2018/19 £000		2019/20 £000	
(2,616)	16) Net (surplus) / deficit on the provision of services		
(138)	Amortisation of intangible assets	(235)	
(2,733)	Charges for depreciation and impairment on non-current assets	(5,544)	
688	Govt grants applied	-	
4,738	Profit/Loss on disposal of assets	-	
(407)	Right to Buy pooling	-	
(3,900)	Increase / (decrease) in debtors	(982)	
(1,681)	(Increase) / decrease in creditors	214	
(249)	Contribution to provisions for bad and doubtful debt	(186)	
(11)	Increase / (decrease) in inventories	17	
0	Major repairs allowance (MRA)	-	
(5,573)	Net charges made for retirement benefits (IAS19)	(2,107)	
(3,663)	Collection Fund adjustment	-	
3,277	Employer's contribution payable to the pensions fund and	(3,352)	
	retirement benefits payable direct to pensioners		
449	(Increase) / decrease in provisions	(161)	
-	Other non-cash items charged to net surplus/deficit on provision of	17,545	
	services		
(9,202)	Adjustment to net (surplus) / deficit on the PoS for non-cash	662	
	movements		
(6,015)	Interest Paid	-	
330	Interest Received	-	
-	Proceeds from the sale of PPE/Inv.Prop/Intangible assets	5,751	
(5,685)	Adjustment for items included in the net surplus/deficit for Prov of Services that are investing and financing activities	5,751	
(17,506)	Net cash flows from operating activities	(13,093)	

The cash flows for operating activities include the following items:

(6,015)	Interest Paid	(3,595)
330	Interest Received	319
(5,685)		(3,277)

2018/19 £000		2019/20 £000
13,249	Purchase of property, plant and equipment, investment property and intangible assets	19,431
0	Purchase of short-term and long -term investments	0
0	Other payments for investing activities	0
(4,942)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(5,751)
0	Purchases of short and long term investments	0
(330)	Proceeds from short-term and long-term investments	(319)
(1,374)	Other receipts from investing activities	(0)
6,603	Net cash flows from investing activities	13,361

Note 25. Cash flow - Investing Activities

Note 26. Cash flow - Financing Activities

2018/19		2019/20
£000		£000
822	Cash receipts of short and long term borrowing	(8,300)
6,740	Other payments for financing activities	0
-	Repayment of short and long term borrowing	931
7,562	Net cash flows from financing activities	(7,369)

Note 27. Senior Officer remuneration and staff over £50k

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

2018/19	£		£	2019/20
1	50,000	but less than	55,000	2

Excluded in the banding table above are those senior officers who are separately disclosed in the following remuneration of senior employees table.

Remuneration of Senior Employees

2019/20	Salary inc allow- ances	Expen- ses	Benefits in kind	Comp for loss of office	Total remun- eration Inc allow- ances and fees	Employer pension contr- ibutions	Remun- eration including pension contr- ibutions
Post holder	£000	£000	£000	£000	£000	£000	£000
Chief Executive	106	0	0	0	107	36	143
Head of Housing	59	0	0	0	60	20	80
Corporate Director - Resource	90	1	0	0	91	31	122
Head of Environmental Services	65	3	0	0	68	22	90
Head of Culture & Leisure	65	1	0	0	65	22	87
Head of CB Properties	63	2	0	0	65	21	87

2018/19	Salary inc allow- ances	Expen- ses	Benefits in kind	Comp for loss of office	Total remun- eration Inc allow- ances and fees	Employer pension contr- ibutions	Remun- eration including pension contr- ibutions
Post holder	£000	£000	£000	£000	£000	£000	£000
Chief Executive	104	0	0	0	104	33	137
Head of Housing	57	0	0	0	57	18	75
Corporate Director - Resource	79	1	0	0	80	25	105
Head of Environmental Services	63	1	0	0	64	20	84
Head of Culture & Leisure	63	0	0	0	62	20	82
Head of CB Properties	59	1	0	0	61	19	80

Note 28. Termination Benefits and Exit Packages

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies.

	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
	Number	Number	Number	Number	Cost	Cost
	compul- sory	compul- sory	other	other	£000	£000
£0 to <£20,000	0	0	6	0	47	0
£20,000 to <£40,000	0	0	1	1	30	22
£40,000 to <£60,000	0	0	0	0	0	0
>£60,000	0	0	0	0	0	0
	0	0	7	1	77	22

Note 29. Members' Allowances

2018/19		2019/20
£000		£000
132	Basic Allowances	131
2	Expenses	6
43	Special Allowances	41
176		178

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

Note 30. Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. A 'related party' is defined as being an Organisation with which the Council has dealings and where either officers or members of the Council have a controlling interest or influence in the activities of that organisation. Disclosure allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Details of transactions are shown in note 32, Govt Grants and Grant Income.

Local Authorities

The Council has joint working arrangements with other Local Authorities for the delivery of the following services:

2018/19	Payments to / (from)	2019/20
£000		£000
76	Internal Audit Services - Welland Partnership	74
63	Joint Planning Unit - Kettering Borough Council, Borough Council of Wellingborough and Northamptonshire County Council	69
300	Encor Financial Services - East Northamptonshire Council	455
25	Central Admin Unit - East Northamptonshire Council, Borough Council of Wellingborough and Daventry District Council	24

Officers

No material officers' interests were reported in 2019/20.

Assisted Organisations

The Council paid the following grants to local organisations and community groups in which members had an interest. Grants were considered and awarded following proper consideration of declarations of interest made.

2018/19		2019/20
£000		£000
12	Beanfield Community Association	12
9	Stephenson Way Community Association	9
11	Corby Athletics Club	24
5	Team Work Trust	55
8	Oakley Vale Community Centre	8
-	Adrenaline Alley Trustee	15
-	Hope Church, Corby	1
-	Pen Green Children's Centre	23
-	Priors Hall Community Centre	15

Group Accounts

The Council has an interest within a community interest company 'Electric Corby' but does not have overall control and would not therefore be considered as a group account for disclosure.

Note 31. External Audit Related Costs

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

2018/19 £000		2019/20 £000
40	Base audit (EY)	40
5	Grant claims (KPMG for HB subsidy claim)	12
0	Other fees	0
46	 Total	53

Note 32. Grant Income

2018/19 £000		2019/20
£000	Credited to taxation and non-specific grant income;	£000
(390)	Revenue Support Grant (RSG)	(0)
(1,743)	New Homes Bonus	(1,773)
(390)	HCA	(0)
(496)	Other Third Party Contributions	(0)
-	Business Rate Reliefs	(891)
(3,019)	Total	(2,665)
	Credited to Services;	
(13,278)	Housing Benefit- DWP	(11,877)
(208)	Housing Benefit Admin grant- DWP	(214)
(30)	Local plans and env- Env Agency	(0)
(107)	Forest co-ordinator- HCA	(101)
(28)	Electoral registration- IER	(122)
(206)	Homelessness Support grant- DCLG	(269)
(0)	New Burdens- DCLG	(8)
(666)	Disabled Facilities grant- DCLG	(518)
-	Council Tax Admin Grant- DCLG	(71)
-	Cold Weather Payment- DCLG	(5)
-	Rough Sleepers- DCLG	(146)
(82)	S106 developer contributions (private sector)	(5)
(21)	Happening project- NCC	(19)
-	NNDR cost of collection	(88)
(45)	Other	(261)
(14,671)	Total	(13,706)

The categories of government grants recognised in the financial statements are as follows:

Developer Contributions

The resources held within 'developers contributions' have arisen mainly from Section 106 agreements. Section 106 receipts are monies paid to the Council by Developers as a result of the grant of planning permission where works are required to be carried out.

2018/19 £000	S106 Grants Receipts in Advance	2019/20 £000
(62)	Community safety	(83)
(854)	Community facilities	(1,197)
(2,392)	Regeneration & infrastructure	(3,108)
(107)	Parks & play areas	(102)
(3,415)	Total	(4,491)

Note 33. 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.

2018/19		2019/20
£000		£000
145,375	Opening Capital Financing Requirement	145,724
	Capital investment;	
11,806	Property, Plant and Equipment	10,471
332	Investment Property	8,796
278	Intangible Assets	164
688	Revenue Expenditure Funded from Capital Under Statue	0
13,104	Total Expenditure	19,431
	Sources of capital finance;	
(4,715)	Major Repairs Reserve	(3,801)
(4,951)	Capital Receipts	(5,675)
(1,750)	Capital Grants and Other Contributions	(0)
(1,338)	Minimum Revenue Provision	(1,655)
(12,755)	Total sources of capital finance	(11,131)
145,724	Closing Capital Finance Requirement	154,024
Explanation of	of movements in year	
2,390	Increase/(decrease) in Finance Lease	0
(1,420)	Increase in underlying borrowing (unsupported)	(8,300)
970	Increase/(Decrease) in Underlying Need to Borrow	(8,300)

Note 34. Leases

Council as Lessee

Operating leases

The Council has acquired a number of photocopiers and has classified these as an operating lease.

The future minimum lease payments due are:

2018/19		2019/20
£000		£000
16	Not later than one year	16
19	Later than one year and not later than five years	4
35	Total	20

Under IAS 17 the Council has to determine if a lease transfers substantially all the risks and rewards incidental to ownership of an asset, if so this must be treated as a finance lease.

The Council has undertaken such review and deemed the leases shown above to be finance leases. These leases have not been restated as finance leases within the financial statements as the net impact to the balance sheet was considered to be immaterial.

Finance leases

The Council in 2004 entered into a 10 year contract for refuse collection, at which point the refuse vehicles owned by the Council were transferred to the service provider. The contract has now been extended for a further 2 years. This contract has now ended. In February 2019, the council entered into a shared service arrangement with Kettering Borough Council to deliver the refuse collection on behalf of the council. This arrangement includes the use of vehicles, plant and equipment over a 9 year lease contract. Therefore, the use of these assets are considered to be an embedded lease and the financial statements reflect the net impact as shown below:

2018/19	Present Value of minimum lease payments	2019/20
£000		£000
288	Not later than one year	284
1,100	Later than one year and not later than five years	1,121
1,002	Later than five years	698
2,390	Total	2,103
288	Current creditors	284
2,102	Long term creditors	1,819
2,390	Total	2,103

Council as Lessee

The Council leases out industrial and commercial units.

The future minimum lease payments receivable are:

2018/19		2019/20
£000		£000
4,329	Not later than one year	4,438
14,806	Later than one year and not later than five years	15,395
23,963	Later than five years	20,134
43,098	_ Total	39,967

The minimum lease payments receivable don't include rents that are contingent on events taking place after the lease was entered into, such as adjustment following rent reviews. In 2019/20 £270k contingent rent was receivable by the Council (2018/19 £698k).

Note 35. Impairment Losses

During 2019/20 the Council has recognised impairments to Property, Plant and Equipment of \pounds nil (2018/19; \pounds nil).

Note 36. Defined Benefit Pension Scheme

Participation in Pension Schemes

As part of the terms and conditions of employments, 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 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 mean that both the Council and its employees make payments into the fund, calculated at a level intended to balance the future pension liabilities with the fund's assets. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement during the year.

The NCC pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of Northamptonshire County Council. Policy is determined in accordance with the Pensions Fund Regulations. The investment managers of the fund are appointed by the committee.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the general fund and HRA the amounts required by statute as described in the accounting policies note.

Discretionary post-retirement benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

Transactions relating to post-employment benefits

The cost of retirement benefits in the reported cost of services is recognised when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the general fund [and Housing Revenue Account] via the movement in reserves statement. The following transactions have been made in the comprehensive income and expenditure statement and the general fund balance via the movement in reserves statement during the year.

The significant changes that have taken place during the year for a typical employer in the Fund are that:

McCloud and GMP cases

The McCloud case judgement found that the claimants had been treated less favourably on the grounds of age in applying reforms to the Public Sector pension schemes. An estimated McCloud judgement allowance has been added to the formal valuation results by the Actuary, so the impact continues to be included within the balance sheet at 31 March 2020 (as per the 2019 accounting approach). This allowance has been reduced to reflect the recent proposed changes to McCloud eligibility. This reduction is shown as a Past Service Gain within the profit & loss account.

An allowance for changes to GMP indexation was incorporated into the 2019 actuarial valuation results and is therefore reflected in the March 2020 year-end obligation figures for the Council. Please note the GMP indexation issue affecting public service schemes is not equivalent to the GMP equalisation issue affecting many private sector schemes (often referred to as the 'Lloyds case'). The amounts in the financial statements as at 31 March 2020 are based on the last formal valuation of the Fund which was carried out as at 31 March 2019. The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March 2020 are as follows:

2018/19		2019/20
£000		£000
	Cost of Services:	
(3,847)	Current Service Cost	(4,471)
(603)	Past Service Cost	180
· · · ·	Financing and Investment Income and Expenditure:	
2,110	Interest income on planned assets	2,092
(3,233)	Interest costs on defined benefit obligations	(3,260)
(5,573)	Total post-employment benefit charged to the deficit on the provision of services	(5,459)
	Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement:	
	Re-measurement of net defined benefit liability comprising:	
3,908	 Return on plan assets (Excluding the amount included in the net interest expense) 	(9,610)
-	 Actuarial gains/(losses) arising on changes in demographic assumptions 	4,210
(6,924)	 Actuarial gains and losses arising on changes in financial assumptions 	9,814
(53)	Other experience *	7,390
(3,069)	- –	11,804
(8,642)	Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement	6,34
	- –	
	Movement in Reserves Statement	
2,296	Reversal of net charges made to the surplus/deficit on the provision of services	2,107
(3,277)	Employer's contributions payable to the scheme	(3,352)
(1,384)	Total Movement in Reserves Statement	(1,245)

*The 'other experience' item allows for the re-calibration to the latest formal valuation data. The actuary does not calculate this as the sum of individual factors. However, it does represent these factors in aggregate. As an example, some factors which are represented by this experience item are typically (but not exclusively):

- Salary increases higher/lower than expected
- Benefit increases higher/lower than expected
- Early leavers more/less than expected
- Pensions ceasing more/less than expected
- Transfers of service.

Assets and Liabilities Recognised in the Balance Sheet

2018/19		2019/20
£000		£000
87,041	Present value of the defined benefit obligation	79,282
(133,271)	Fair value of Funded Liabilities	(115,974)
(1,903)	Fair value of Unfunded liabilities	(1,620)
(48,133)	Net liability arising from defined benefit obligation	(38,312)

Reconciliation of the movement in the fair value of scheme assets

2018/19		2019/20
£000		£000
81,288	Opening fair value of scheme assets balance as at 1 April	87,041
	Adjustment to opening assets	
		124
	-	87,165
2,110	Interest Income	2,092
	Remeasurement gain/(loss)	
3,784	The return on plan assets (Excluding amount included in net interest expense)	(9,610)
3,277	Contributions by the employer	3,352
605	Contributions by employees into the scheme	634
(3,890)	Benefits paid	(4,221)
(133)	Unfunded (Discretionary) benefits paid	(130)
87,041	Closing Balance at 31 March	79,282

Reconciliation of fair value of scheme liabilities

31 March 2019		31 March 2020
£000		£000
123,932	Opening balance as at 1 April	135,174
3,847	Current Service Cost	4,471
603	Past Service	(180)
3,233	Interest Cost	3,260
605	Contributions by scheme participants	634
	Remeasurement (gains) and losses:	
0	Actuarial losses/ (gains) from changes in demographic assumptions	(4,210)
6,924	Actuarial losses / (gains) from changes in financial assumptions	(9,814)
53	Other experience (see previous page for outline)	(7,390)
(4,023)	Benefits paid	(4,351)
135,174	Closing balance at 31 March	117,594

Fair value of employers assets

The below asset values are at bid value as required under IAS19.

Where IAS19 asset splits were not available at the exact start and end dates, we have used the nearest IAS19 asset split prior to these dates.

2018/19 active £000	2018/19 non- active £000	2018/19 Total £000	2018/19 %		2019/20 active £000	2019/20 non- active £000	2019/20 Total £000	2019/20 %
				Equity securities;				
9,562	0	9,562	11	Consumer	1,968	0	1,968	2
3,353	0	3,353	4	Manufacturing	856	0	856	1
4,973	0	4,973	6	Energy & Utilities	536	0	536	1
5,426	0	5,426	6	Fin. Institutions	785	0	785	1
3,418	0	3,418	4	Health & Care	540	0	540	1
4,681	0	4,681	5	Info. Tech.	594	0	594	1
0	0	0	0	Other	0	0	0	0
				Debt securities;				
0	0	0	0	Corp. Bonds (inv)	0	0	0	0
0	0	0	0	C. Bonds (non-inv)	0	0	0	0
0	7,459	7,459	9	UK govt	0	8,554	8,554	11
0	0	0	0	Other	0	0	0	0
				Private equity;				
0	1,573	1,573	2	All (UK & o/seas)	0	1,735	1,735	2
				Property;				
6,892	0	6,892	8	UK	0	5,964	5,964	8
218	0	218	0	Overseas	0	410	410	1
				Inv funds / unit;				
30,852	0	30,852	35	Equities	0	45,509	45,509	57
6,326	0	6,326	7	Bonds	0	5,860	5,860	7
0	0	0	0	Hedge funds	0	0	0	0
0	0	0	0	Commodities	0	0	0	0
387	0	387	0	Infrastructure	0	4,762	4,762	6
0	0	0	0	Other	0	0	0	0
				Derivatives;				
0	0	0	0	Inflation	0	0	0	0
0	0	0	0	Interest rates	0	0	0	0
0	0	0	0	Foreign exchange	0	0	0	0
0	0	0	0	Other	0	0	0	0
2,045	0	2,045	2	Cash & cash equiv	1,208	0	1,208	2
<u>78,134</u>	<u>9,031</u>	<u>87,164</u>	<u>100</u>	TOTAL ASSETS	<u>6,487</u>	<u>72,795</u>	<u>79,282</u>	<u>100</u>

Actuarial Assumptions

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.

2018/19	County Fund – Main Assumptions	2019/20
2.8%	Rate of increase in salaries	2.4%
2.5%	Rate of increase in pensions	1.9%
2.4%	Rate of discounting scheme liabilities	2.3%
	Mortality assumptions:	
	Longevity at 65 for current pensioners	
22.1 years	Men	21.5
24.2 years	Women	23.7
	Longevity at 65 for future pensioners	
23.9 years	Men	22.3
26.1 years	Women	25.1

Sensitivity analysis:

	Approximate Increase to Employer Liability	Approximate monetary amount
	%	£000
Change in assumptions at 31st March 2020		
0.5% decrease in real discount rate	9%	10,157
0.5% increase in the salary increase rate	1%	916
0.5% increase in the pension increase rate	8%	9,160

Impact on the Council's cash flows

The objectives of the scheme are to keep employers' contributions at as 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 period to 31st March 2021 will be approximately £3.222m.

The weighted averages duration of the defined benefit obligation for scheme members is 19 years. The information included for all of the pension disclosure is provided by Hyman Robertson LLP, the Actuary for the Pension Fund.

Further information

Further information can be found in The Annual Report of the West Northamptonshire Council Pension Fund and is available on request from the Pensions Manager, Pensions Service, West Northamptonshire Council, One Angel Square, Angel Street, Northampton NN1 ED (Telephone: 01604 366537).

Note 37. Contingent Liabilities

As at 31 March 2020, the Council had no material contingent liabilities.

Business Rate payers are entitled to appeal against the rateable value allocated to them by the Valuation Office Agency. The Council has made provision for appeals lodged but significant uncertainty remains.

There continues to be uncertainty as to the speed of recovery following the Covid-19 Pandemic and its impacts on several significant income streams to the Council including rent from tenants and income for leisure facilities.

Note 38. Contingent Assets

As at 31 March 2020, the Council had no material contingent assets.

Note 39. Nature and Extent of Risks Arising from Financial Instruments

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:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The fair values of other long-term loans and investment have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March.
- No early repayment or impairment is recognised for any financial instrument.
- 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.

There have not been any assets and liabilities transferred between hierarchy levels during the financial year 2019/2020.

LIABILITIES	Fair Value	Balance Sheet	Fair Value	Balance Sheet	Fair Value
	Level	31.3.2019 £000	31.3.2019 £000	31.3.2020 £000	31.3.2020 £000
Financial Liabilities held at amortised cost:					
Long term loans from PWLB	2	(102,639)	(132,459)	(110,008)	(158,750)
TOTAL	-	(102,639)	(132,459)	(110,008)	(158,750)
Liabilities for which fair value is not disclosed		(23,901)		(26,041)	
TOTAL FINANCIAL LIABILITIES	-	(126,540)	(132,459)	(136,049)	(158,750)
Recorded on the balance sheet as:					
Short term creditors		(4,201)		(6,341)	
Short term borrowing		(19,700)		(19,700)	
TOTAL SHORT TERM FINANCIAL LIABILITIES	-	(23,901)	_	(26,041)	
Long term borrowing		(102,639)		(110,008)	
Other long term liabilities		(0)		(0)	
TOTAL LONG TERM FINANCIAL LIABILITIES	-	(102,639)	_	(110,008)	
TOTAL FINANCIAL LIABILITIES	-	(126,540)		(136,049)	

ASSETS	Fair Value Level	Balance Sheet 31.3.2019 £000	Fair Value 31.3.2019 £000	Balance Sheet 31.3.2020 £000	Fair Value 31.3.2020 £000
Financial Assets held at fair value:					
Short term Investment	1	6,500	6,500	0	0
Financial assets held at amortised cost:					
Long term loans to local organisations	2	0	0	0	0
TOTAL	-	0	0	0	0
Assets for which fair value is not disclosed		2,662		7,212	
TOTAL FINANCIAL ASSETS	-	9,162	-	7,213	
Recorded on the balance sheet as:					
Short term debtors		2,330		6,880	
Short term investments		6,500		0	
TOTAL SHORT TERM FINANCIAL ASSETS	-	8,830	_	6,880	
Long term debtors		332		332	
Long term investments		0		0	
TOTAL LONG TERM FINANCIAL ASSETS	-	332	_	332	
TOTAL FINANCIAL ASSETS	-	9,162	-	7,213	

The Council'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 Council
- Liquidity risk the possibility that the Council might not have funds available to meet its commitments to make payments
- Market risk the possibility that financial loss may arise for the Council as a result of changes in such measures as interest rates and stock market movements.

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

Credit Risk

The Council always runs the risk that debtors do not make payments. Wherever possible, the Council 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 Council. The Council monitors debts using aged debtor reports, reviewing how long debt has been outstanding. Another type of credit risk is the risk that the Council deposits money with financial institutions that fail. The Treasury Management Strategy outlines procedures to minimise this risk when selecting Counterparties.

The following analysis summarises the Council's potential maximum exposure to credit risk on receivables, based on historical experience of default and un-collectability. It relates to the sundry debtors element of the total debtors, including debts of individuals, entities and housing benefit claimants.

				Estimated max exposure to default & un- collectability
	Amount (A)	Historical	Historical experience of default adj for market	(A xC)
	31-Mar-2020	experience of default (B)	conditions (C)	31-Mar-2020
	£'000	%	%	£'000
Sundry debtors	6,526	5%	5%	326

Liquidity Risk

Liquidity risk is the risk that the Council runs out of cash to manage its day-to-day cash-flow. To minimise this risk, the Council monitors and anticipates future cash flows in order to plan for sufficient cash. The Council 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.

The maturity analysis of significant financial liabilities is as follows:

PWLB loan repayments	£'000
Less than 1 year	0
1 to 2 years	0
2 to 5 years	12,075
6 to 10 years	1,667
10 to 15 years	15,000
15 to 20 years	19,331
20 years +	61,936
	110,088

All trade payables are due to be paid in less than one year.

Market Risk

Interest Rate 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 Council. 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.

All borrowing and investments by the Council are at fixed interest rates, therefore a 1% increase or decrease on actual rates in 2019/20 would not have affected the Council's bottom line.

Price Risk

This is a risk that there is a change in the value of quoted investments. Excluding the Pension Fund, the Council 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 Council has no financial assets and liabilities denominated in foreign currencies, so this risk does not apply.

Note 40. Heritage Assets

	Statue £000	Civic Regalia £000	Paintings £000	TOTAL £000
1 st April value	116	91	9	216
Additions	0	0	0	0
Disposals	0	0	0	0
Revaluations	0	0	0	0
Depreciation	0	0	0	0
31 st March value	116	91	9	216

	Statue £000	Civic Regalia £000	Paintings £000	TOTAL £000
1 st April value	116	91	9	216
Additions	0	0	0	0
Disposals	0	0	0	0
Revaluations	0	0	0	0
Depreciation	0	0	0	0
31 st March value	116	91	9	216

Statue, Civic Regalia and Paintings

The Authority's collection of paintings, civic regalia and statue is reported in the balance sheet at insurance valuation which is based on market values. These insurance valuations are updated annually.

Heritage Centres

The Authority has two heritage centres located at East Carlton Park and Corby Old Village; these assets have been classified as an operational asset and therefore have not been recognised within this note as a heritage assets.

Note 41. Trading Accounts

The Council has a number of trading units, which are required to operate in a commercial environment. These units generate income by supplying services to the general public or in some cases to Northamptonshire County Council. For commercial property holdings and trade refuse collection, the trading objective is to maximise the surplus. The objective for other trading units is to break even after covering all relevant overhead expenses. For all trading units, profits or losses are taken to the General Fund. The external trading operation for Highways Maintenance is undertaken for Northamptonshire County Council under powers contained in the Local Authorities (Goods and Services) Act 1970.

	Income £000	Exp. £000	TOTAL £000
Commercial property			
Industrial / housing development sites	(219)	66	(153)
Oakley Hay industrial estate	(168)	191	24
St Marks business centre	(63)	36	(27)
Other shops and offices	(1,220)	398	(822)
Corby Hub	(578)	467	(112)
Curver Way industrial	(1,637)	37	(1,600)
Mitchell road	(1,564)	43	(1,521)
Total commercial property	(5,450)	1,237	(4,213)
Total refuse collection (2018/19 final year)	(0)	0	0
Trading with external organisations			
Highways maintenance (2018/19 final year)	(0)	0	0
TOTAL- all trading operations	(5,450)	1,237	(4,213)

	Income £000	Exp. £000	TOTAL £000
Commercial property			
Industrial / housing development sites	(214)	63	(151)
Oakley Hay industrial estate	(164)	179	15
St Marks business centre	(79)	38	(42)
Other shops and offices	(1,194)	459	(736)
Corby Hub	(670)	274	(396)
Curver Way industrial	(1,653)	53	(1,600)
Mitchell road	(934)	36	(898)
Total commercial property	(4,908)	1,101	(3,807)
Total refuse collection	(371)	285	(87)
Trading with external organisations			
Highway's maintenance	(67)	67	0
TOTAL- all trading operations	(5,346)	1,452	(3,893)

Housing Revenue Account

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

2018/19			2019/20
£000		Note	£000
	INCOME		
(18,308)	Dwelling rents	3	(18,108)
(91)	Non-dwelling rents		(122)
(892)	Charges for services and facilities		(915)
-	Contribution to expenditure		(80)
(19,291)	Total Income		(19,226)
	EXPENDITURE	_	
5,166	Repairs and Maintenance		5,017
5,545	Supervision and Management		5,736
360	Rent, Rates, Taxes and Other Charges		372
4,052	Depreciation and Impairment of Non-current Assets	5	3,451
-	Inc/(dec) provision for bad/doubtful debts		65
15,123	Total Expenditure		14,640
(4,168)	Net (income)/ cost of Service	_	(4,586)
479	HRA services' share of corporate and democratic core		485
(3,689)	Net (income)/ cost of HRA service	_	(4,101)
	HRA share of the operating income and expenditure included in the CIES	_	
(951)	(Gain) or loss on sale of HRA non-current assets		(963)
2,444	Interest Payable		2,444
(100)	Interest Income		(126)
578	Pen interest costs & expected return on pension assets		606
1,971	-	_	1,962
(1,718)	Surplus) or deficit for the year on HRA Services	_	(2,139)

Movement in Housing Revenue Account Reserves

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months However, the Council is required to account for the net costs of Council Housing in a different way.

This statement below and the detailed reconciling items on the following page summarise the differences between the outturn on the HRA Income and Expenditure Account and the Housing Revenue Account Balance.

2018/19		2019/20
£000		£000
3,403	Balance on the HRA at the end of the previous year	3,590
-	Opening balance adjustment	(127)
3,403	Revised opening balance	3,463
1,718	Surplus / (deficit) for the year on the HRA Income and Expenditure Statement	2,139
(867)	Adj's between accounting basis and funding basis under statute	132
851	Net increase or (decrease) before transfers to or from reserves	2,271
(663)	Transfer (to) / from earmarked reserves	(1,500
188	Increase / (decrease) in year on the HRA	77
3,590	Balance on the HRA at the end of current year	4,234
	Adj. between accounting & funding basis under statute	
951	Gain or Loss on sale of HRA non-current assets	963
(578)	HRA Share of contributions to / from the pen reserve	(606
0	Transfer to/ (from) Major Repairs/Capital Reserve	(
(318)	Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(488
812	Capital expenditure charged in year to HRA balances	(
867	- Net adjustment	(132

Notes to the Housing Revenue Account

Note HRA1 Housing Stock

The Council had dwellings available to let at 31st March 2020. Details of the types of dwellings and the movement of housing stock are summarised below:

	1 April 2019	Additions	Disposals	31 March 2020
Low rise flats	1,046	4	(5)	1,045
Medium rise flats	447	0	(8)	439
Houses and bungalows	3,193	4	(61)	3,136
Total	4,686	8	(74)	4,620

Note HRA2 Value of Assets

The Balance Sheet values of assets are set out below:

2018/19	Balance Sheet Value	2019/20
£'000s		£'000s
	Operational Assets	
248,519	Dwellings	248,208
190	Plant and Equipment	1,571
368	Intangible Assets	217
249,078		249,997
8	Non-operational assets - land	8
249,086	Total	250,005

The values shown for operational dwellings are the estimated existing use values for social housing This valuation method represents 42% of the relevant open market values, reflecting the economic cost to the Council of its obligation to provide social housing at rents that are set below market levels.

Property not used for housing purposes are shown at estimated open market value.

All values are shown net of cumulative depreciation, except for the non-operational properties, which are shown at open market value.

Note HRA3 Rent Income - Dwellings

The gross rent income is the amount due if all the Council dwellings were rented for 52 weeks of the year.

At 31 March 2020 there were 42 vacant properties This represented 0.91% of the housing stock, compared to vacant properties 0.60% at the end of the previous year.

The average rent being charged at 31 March 2020 was £82.27 a week compared to £82.70 at 31 March 2019 reflecting a 0.52% average decrease in weekly rent from 1 April 2019 (based on a 48 week rent year).

Note HRA4 Rent Arrears – Dwellings

The amount of rent arrears, (owed by current and former tenants), as a proportion of net rent income was 5.81% at 31 March 2020 compared with 5.65% at 31 March 2019. Details of the arrears are set out below:

2018/19	Rent Arrears	2019/20
£'000s		£'000s
481	Current Tenants Arrears	475
558	Former Tenants Arrears	584
1,039	Total	1,059

The provision for bad and doubtful debts in respect of dwelling rent arrears amounted to £1.160m at 31 March 2020. This sum formed part of the total HRA bad debts provision of £1.287m.

Note HRA5 Depreciation

Depreciation charges were made to the HRA in respect of the following;

2018/19 £'000s	Depreciation	2019/20 £'000s
3,928	Dwellings	3,247
60	Vehicles, Plant and Equipment	52
3,988		3,299
65	Intangible Assets	152
4,053	Total	3,451

The Council has decided to set the depreciation charge for dwellings and other facilities at the actual level of the depreciation rather than Major Repairs Allowance. This represents a more accurate charge for the use of assets, although any additional depreciation over Major Repairs Allowance does not impact on the HRA Land values are not subject to depreciation.

Depreciation charges for computer assets are calculated using the "straight line" method.

Depreciation charges for vehicles are calculated using the "decreasing balance method" based on an estimate of the useful life of each vehicle.

Note HRA6 Valuation of Non-Current Assets

The Council's Council dwellings are required to be valued each year and is currently done so by Wilkes Head and Eve on Existing Use Value (using a Beacon approach. The annual valuation was carried out as at 31st March 2020 and there was an overall revaluation gain of £1.641m (2018/19 - £23.151m) on operational HRA assets.

2018/19 £'000s	Revaluations	2019/20 £'000s
23,151	Dwellings	1,641

Note HRA7 Major Repairs Reserve

The MRR has two functions, the first is to act as a credit entry for the cost of depreciation on Council dwellings The second is to hold unused balances of Major Repairs Allowance which can be used in future years The MRA is a notional amount which can only be used to finance capital expenditure and represents the estimated annual cost of maintaining the Council's stock at its existing level.

Council dwelling depreciation is lower than MRA, therefore an adjustment is required to ensure there is no bottom-line impact on the HRA. The transactions on the MRR for 2019/20 and 2018/19 are detailed below.

2018/19	Major Repairs Reserve	2019/20
£'000s		£'000s
1,011	Balance at 1 April	349
3,928	Depreciation – Council Dwellings	3,247
125	Depreciation – Other Assets	204
(4,715)	Amount used to finance capital expenditure	(3,801)
349	Balance at 31 March	0

Note HRA8 Capital Expenditure and Financing

The following capital expenditure was incurred during the year:

2018/19		2019/20
£'000s		£'000s
	Capital Expenditure;	
4,715	Council Dwellings	3,801
3,986	Assets under construction	3,931
263	Other Assets (VPE and Intangibles)	1,435
8,964	Total	9,166
	Financing;	
4,715	Major Repairs Reserve	3,801
2,842	Capital Receipts	5,365
0	Borrowing	0
595	Grants	0
812	Earmarked Reserves	0
8,964	Total	9,166

Note HRA9 Capital Receipts

2018/19 £'000s	Housing Capital Receipts	2019/20 £'000s
4,889	Balance at 1 April	4,611
2,972	Dwelling sales	4,866
(407)	Less receipts pool to the Government	-
(2,842)	Less application of useable receipts for capital financing	(5,365)
(278)	Total in year capital receipts	(500)
4,611	Balance at 31 March	4,111

The following table shows capital receipts generated during the year:

It is the Council's policy to transfer capital receipts not required to finance future housing capital payments to the General Fund.

Note HRA10 Pensions

An adjustment of £488k was made to the HRA to take into account the current cost valuation by Hymans Robertson LLP, the Pension Fund Actuaries. The effect of these transactions neither increased nor decreased the amount to be met from rents. Full details of the Defined Benefit Pension Scheme are shown in Note 36.

Collection Fund

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

2018/19				201	9/20	
Council Tax	Non- Domestic Rates	Total		Council Tax	Non- Domestic Rates	Total
£000	£000	'£000		£000	£000	'£000
			INCOME;			
(32,434)	-	(32,434)	Council Tax payers	(35,001)	-	(35,001)
-	(36,231)	(36,231)	Business Rates	-	(37,876)	(37,876)
-	636	636	Transitional Protection Payment	-	853	853
(32,434)	(35,595)	(68,029)	Total amounts to be credited	(35,001)	(37,023)	(72,024)
			EXPENDITURE;			
			App of prev years surp./(def.)			
0	(3,909)	(3,909)	Central Government	0	1,347	1,347
8	(3.127)	(3,118)	Corby Borough Council	92	1,077	1,170
53	(782)	(728)	Northamptonshire County Council	577	269	846
10	0	10	Police and Crime Commissioner for Northamptonshire	103	0	103
-	-	-	Northamptonshire Comm Fire & Rescue	27	0	27
			Precepts, Demands & Shares			
-	17,716	17,716	Central Government	-	9,038	9,038
3,768	14,172	17,940	Corby Borough Council	3,888	14,460	18,348
24,002	3,543	27,545	Northamptonshire County Council	24,220	12,291	36,511
4,291	-	4,291	Police and Crime Commissioner for Northamptonshire	4,801	-	4,801
-	-	-	Northamptonshire Comm Fire & Rescue	1,191	362	1,552
			Charges to Collection Fund			
314	(199)	115	Increase/ (decrease) in allowance for impairment	831	982	1,813
-	(1,124)	(1,124)	•		402	402
-	88	88	Cost of Collection	-	88	88
12	(9,217)	(9,205)	(Surplus)/Deficit for the year	729	3,294	4,023
(1,547)	4,892	3,345	(Surplus)/Deficit Brought Fwd	(1,534)	(4,325)	(5,859)
(1,534)	(4,325)	(5,859)	(Surplus)/Deficit Carried Fwd	(805)	(1,031)	(1,836)

Notes to the Collection Fund

CF1. Council Tax

The Council's tax base i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of Band D dwellings is calculated as detailed below:

2018/19	Band	Estimated	Ratio	2019/20
Band D		number of taxable		Band D Equiv.
Equiv.		properties after discounts		
-	A+ disabled	39	5/9	22
8,283	А	12,411	6/9	8,274
4,624	В	6,083	7/9	4,731
3,432	С	4,075	8/9	3,622
2,836	D	2,922	9/9	2,922
1,847	E	1,602	11/9	1,958
439	F	299	13/9	432
250	G	146	15/9	243
22	н	11	18/9	22
21,733	Tax base at Band D			22,226
(2,244)	Net effect of premiums & discounts			(2,434)
(417)	Non-collection provision			(198)
19,073	(A) Council Tax Base			19,594
1,654.94	(B) Average tax for yr at Band D			1,740.34
31,564,671	Tax due at start of yr (A) x (B)			34,100,383
869,676	Net changes during the year			900,972
32,434,347	Total Council Tax Income			35,001,355

In 2013/14, the local government finance regime was revised and Council Tax Benefit is no longer received by the Council. This has been replaced by a Council Tax Support Scheme which is administered by the Authority.

CF2. Non Domestic Rates (NDR)

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 administration 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. In 2018/19 the local share is 40%, with the remainder being distributed to Central Government (50%) and Northamptonshire County Council (10%).

Page⁸840

For 2019/20 a local NNDR Pool was established and the rates changed to local as 40%, Central Government (25%), Northamptonshire County Council (34%) and Northamptonshire Fire & Rescue (1%). The Pool ran for 2019/20 only, proportions will return to 2018/19 levels in 2020/21.

The total non-domestic rateable value as at 31 March 2020 was £87,768,055, the equivalent figure for 31 March 2019 was £84,785,040. The National Domestic Rate multiplier for 2019/20 was 50.4p, the equivalent figure for 2018/19 was 49.3p. Small business rate multiplier rate for 2019/20 was 49.1p, the equivalent figure for 2018/19 was 48.0p.

CF3. Collection Fund surplus/ deficit

The (surplus)/deficit shown in the Collection Fund is only the Council's share of the total (surplus) / deficit, which is distributed in proportion to the value of the respective precepts and demand made by Northamptonshire County Council, The Police and Crime Commissioner for Northamptonshire, Central Government and Corby Borough. The in-year (surplus)/ deficit is as follows:

2018/19		Movement	2019/20
£000	Council Tax (surplus) / deficit	£000	£000
(1,535)	(Surplus) / deficit for the year	729	(805)
	Proportional Shares;		
(183)	Corby Borough Council	91	(92)
(1,147)	Northamptonshire County Council	574	(572)
(205)	Police and Crime Commissioner for Northamptonshire	91	(113)
-	Northamptonshire Comm Fire & Rescue	(28)	(28)
(1,535)	Total	729	(805)

2018/19		Movement	2019/20
£000	NNDR (surplus) / deficit	£000	£000
(4,325)	(Surplus) / deficit for the year	3,294	(1,031)
	Proportional Shares;		
(1,730)	Corby Borough Council	1,318	(412)
(432)	Northamptonshire County Council	82	(350)
(2,162)	Central Government	1,905	(258)
-	Northamptonshire Comm Fire & Rescue	(10)	(10)
(4,325)	Total	3,294	(1,031)

CF4. Council tax/ NNDR bad debt provision

The Collection Fund account provides for bad debts on Council Tax and NNDR arrears on the basis of prior year's experience and current years collection rates.

2018/19 £'000s	Provision for bad and doubtful debts	2019/20 £'000s
2,652	Council tax opening provision	2,776
(190)	Write offs in year	(213)
314	Contribution (from) / to provision	831
2,776	Council tax closing provision	3,394
1,268	NNDR opening provision	1,058
(12)	Write offs in year	(483)
(199)	Contribution (from) / to provision	982
1,058	NNDR closing provision	1,556
3,833	Total Provisions	4,950

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 2020.

2018/19 £'000s	NNDR appeals	2019/20 £'000s
2,710	Opening provision	1,587
(1,206)	Write offs in year	(800)
81	Contribution (from) / to provision	1,200
1,587	Closing Provisions	1,987

Annual Governance Statement 2019/20

Introduction

Good governance is about how the Council ensures that it is doing the right things, in the right way, for the communities it serves, in a timely, inclusive, open, honest and accountable manner.

Our Commitment

Corby Borough Council acknowledges its responsibility and is committed to ensuring the highest possible standards of good corporate governance (incorporating the system of internal control), believing that good governance leads to high standards of management, strong performance, effective use of resources, increased public involvement and trust in the Council and ultimately good outcomes.

Good governance flows from shared values, culture and behaviour and from systems and structures. This Code of Corporate Governance is a public statement that sets out the framework through which the Council meets its commitment to good corporate governance.

The Governance Framework comprises the systems and processes, and cultures and values, by which the Council is directed and controlled and through which it accounts to, engages with and, where appropriate, leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate cost-effective services.

Corporate governance for the Council is based on the following principles recommended by CIPFA/SOLACE in a joint document entitled 'Delivering Good Governance in Local Government' which builds on the seven Principles for the Conduct of Individuals in Public Life:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting rule of law.
- Ensuring openness and comprehensive stakeholder engagement.
- Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- Determining the interventions necessary to optimize the achievement of the intended outcomes.
- Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- Managing risks and performance through robust internal control and strong public financial management.
- Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

This document describes how the Council achieves the seven principles of good governance and describes how the Council's corporate governance arrangements will be monitored and reviewed.

Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law;

• Behaving with integrity

Behaviour and actions that meet the requirements of this principle	This will be evidenced by:
 The Council's leadership sets a tone for the organisation by creating a climate of openness, support and respect through its Constitution, Business Plan and other key policies. The Council's Codes of Conduct for officers and members, and supporting guidance, communicate the expectation that members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated, thereby protecting the reputation of the organisation. The Council has in place a Behaviours PRIDE Framework, which ensures that the Council's vision and values are communicated to, and understood by, staff. This framework forms the basis of the annual staff appraisal process. The Council has in place arrangements to ensure that Councillors and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and has in place appropriate processes to ensure that they continue to operate in practice. This includes maintaining the statutory Register 	 Council Business plan The Council's Constitution Members Code of Conduct Officers Code of Conduct Register of Members' Interests Declaration of Interest Guidance Rules relating to Gifts and Hospitality Members Induction/Training Financial Regulations Contract Procedure Rules Scheme of Delegation



of Members Interests and requiring officers to make Declarations of Interests. • Grievance Policy and Procedure

• The Council has in place arrangements to ensure that core corporate policies and processes are designed in conformity with ethical standards and are reviewed on a regular basis to ensure they are operating effectively.

Grievance Policy and Procedure
Information Governance Policies

•	Demonstrating	strong	commitment to ethical values	5
---	---------------	--------	------------------------------	---

Behaviour and actions that meet the requirements of this principle	This will be evidenced by:
 The Council's Constitution establishes a clear ethical framework for the Council's operation, and core corporate policies and procedures place emphasis on agreed ethical values. The Council's Codes of Conduct and Behaviours PRIDE Framework ensures that personal behaviour is underpinned with ethical values which permeate all aspects of the organisation's culture and operation. The Council maintains an effective Constitution and Ethics Committee. The Council's Partnerships Governance Guidance sets out key considerations to ensure that partnerships act with integrity and in compliance with the ethical standards expected by the organisation. 	 The Council's Constitution Constitution and Ethics Committee Partnerships Governance Guidance Members Code of Conduct Officers Code of Conduct PRIDE Behaviours Framework

• Respecting the rule of law

Behaviour and actions that meet the requirements of this principle	This will be evidenced by:
 The Council's policies and culture set the tone for members and staff to demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations, and ensure that statutory officers, other key post holders, and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements. The Council maintains and implements a Whistleblowing Policy to enable employees to raise any concerns of wrongdoing in confidence and without fear of reprisal. External suppliers, members of the public and Councillors may raise any concerns about suspected illegal or illegitimate practices via the Council's formal Complaints Procedure. The Council recognises the limits of lawful action and observes both the specific requirements of legislation and the general responsibilities placed on it by public law. The Council observes all specific legislative requirements placed upon it, as well as the requirements of general law, and deals with breaches of legal and regulatory provisions effectively. The Council strives to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders. The Council ensures corruption and misuse of power are dealt with effectively through the Anti-Fraud and Corruption Policy. 	 Anti-Fraud and Corruption Policy Anti-Money Laundering Policy Whistleblowing Policy Formal Complaints Procedure Role of the Monitoring Officer as per the Constitution

Ensuring openness and comprehensive stakeholder engagement;

• Openness

Behaviour and actions that meet the requirements of this principle	This will be evidenced by:	
The Council's Constitution, Forward Plan and cross-party Committee system ensures that decision-making is open and there	Forward Plan	

is appropriate oversight and challenge, with an organizational commitment to openness.

- The Council makes decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. Committee meetings are held in public, and minutes and papers are available to the public on the Council's website, including regular financial and performance forecasts. If a decision needs to be kept confidential, then the justification for this is provided.
- The Council's Business Plan, Statements of Accounts, and key strategies are available through the County Council Website.
- An effective Internal Audit function is resourced and maintained, with regular reporting to the Audit and Accounts Committee.
- The Council is committed to being transparent, accountable and to increasing the amount of data it publishes for reuse by others. The Council maintains websites to enable public access to data.
- The Council uses formal and informal consultation and engagement to determine the most appropriate and effective interventions/courses of action.

- The Council's Constitution
- Committee System
- Internal Audit
- Audit and Accounts
 Committee
- Council websites
- Publication Scheme
- Freedom of Information
- FOI Disclosure Log
- Business Plan
- Statement of Accounts
- Committee agendas, reports and minutes
- Register of Members' Interests

• Engaging comprehensively with institutional stakeholders

Behaviour and actions that meet the requirements of this principle	This will be evidenced by:
 The Council considers those institutional stakeholders to whom the authority is accountable, to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably. The Council aims to develop formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively. The Council's Partnerships Governance Guidance aims to ensure that partnerships are based on trust, a shared commitment to change, and a culture that promotes and accepts challenge among partners. 	 Partnerships Governance Guidance The Council's Constitution Recognition Agreement (unions)

Engaging with individual citizens and service users effectively

Behaviour and actions that meet the requirements of this principle	This will be evidenced by:	
 The Council makes decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. Committee meetings are held in public, and minutes and papers are available to the public on the Council's website, including regular financial and performance forecasts. If a decision needs to be kept confidential, then the justification for this is provided. The Council consults on its Business Plan proposals and other key aspects of its vision, strategic plans and priorities, with the local community and other key stakeholders. The Council takes account of the impact of decisions on future generations of tax-payers and service users. The Council encourages, collects and evaluates the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs. The Council maintains a customer feedback and complaints procedure to enable stakeholders to submit their views on Council performance and services. 	 Business Plan Consultation Public consultation Community Impact Assessments Digitalisation 	

Defining outcomes in terms of sustainable economic, social and environmental benefits;

• Defining outcomes

Behaviour and actions that meet the requirements of this principle	This will be evidenced by:
 The Council's Business Plan forms its agreed statement of the organisation's purpose and intended outcomes, which provides the basis for the authority's overall strategy, planning and other decisions. The Business Plan sets out the Council's Vision and defines the key outcomes for the people of Corby. The Business Plan sets out how the Council will deliver defined outcomes on a sustainable basis, within the resources that will be available. It also specifies the intended impact on, or changes for, stakeholders including citizens and service users, for the next five years. The Business Plan sets out Key Performance Indicators (KPIs) to be used to assess the achievement of the Council's outcomes. The Council's corporate KPIs are reported to the Audit and Governance Committee as part of the regular reporting. The Council operates a risk management system to identify and manage risks. The Corporate Risk Register is reported to and reviewed by the Council's Senior Management Team and the Audit and Governance Committee on a regular basis. 	 Business Plan Strategic Management Team Risk Management Policy and Procedures Corporate Risk Register Statement of Accounts Integrated Finance & Performance Reports Capital Strategy (in Business Plan)

• Sustainable economic, social and environmental benefits

Behaviour and actions that meet the requirements of this principle	This will be evidenced by:
 The Council considers and balances the combined economic, social and environmental impact of policies and plans when taking decisions. The Council seeks to take a longer-term view with regard to decision-making, which takes account of risks. Community Impact Assessments are undertaken for the key proposals included in the Council's Business Plan, which identify the impact of decisions on different groups within the communities affected by the proposals. The Business Plan also incorporates the results of consultation with the local community and businesses. The Council seeks to determine the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate tradeoffs. The Council identifies and monitors corporate performance indicators, which demonstrate performance against the Council's planned outcomes and how benefits are being delivered. The Council maintains a prudential financial framework, balancing commitments with available resources and monitoring income and expenditure levels to ensure a sustainable balance is achieved. 	 Business Plan Business Plan Consultation Annual Statement of Accounts External Auditors reports Finance & Performance Reporting

Determining the interventions necessary to optimise the achievement of the intended outcomes;

• Determining interventions

Behaviour and actions that meet the requirements of this principle	This will be evidenced by:
• The Council's Business Planning process incorporates Business Cases for proposed projects and savings, ensuring decision makers receive objective and rigorous analysis of a variety of options for achieving outcomes, indicating how intended outcomes would be achieved and associated risks. This ensures best value is achieved, however services are provided.	 Business Plan Business Cases Business Plan Consultation Community Impact Assessments



• The Council's consultation ensures that decision-makers consider feedback from citizens and service users when making decisions about service improvements or where services are no longer required, in order to prioritise competing demands within limited	
resources available including people, skills, land and assets and	
bearing in mind future impacts.	

• Planning interventions

Behaviour and actions that meet the requirements of this principle	This will be evidenced by:
 The Council has an established five-year Corporate Plan for the Council that informs the development of strategic and operational plans, priorities and targets. The Business Plan is reviewed annually meaning that mechanisms for delivering outcomes are regularly reviewed and can be adapted to changing circumstances. The Council has a medium-term financial plan, including estimates of revenue and capital expenditure. Budgets are prepared in accordance with the Council's objectives, strategies and the Business Plan. The Corporate Plan establishes appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured. The Council ensures that capacity exists to generate the information required to review service quality regularly. As part of the planning process, the Council engages with internal and external stakeholders in determining how services and other courses of action should be planned and delivered. 	 Corporate Planning process Business Plan MTFS Partnerships Governance Guidance Business Plan Consultation Community Impact Assessments

• Optimise achievement of intended outcomes

Behaviour and actions that meet the requirements of this principle	This will be evidenced by:
 The Council ensures the Corporate Plan integrates and balances service priorities, affordability and other resource constraints, and that the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term. The Council's Corporate Plan sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period, in order for outcomes to be achieved while optimising resource usage. Achievement of Corporate Plan outcomes is monitored and reported to the Council's Senior Management Team through Finance and Performance Reports and other reporting. The Council maintains a robust system of risk management which identifies risks to the achievement of the Council's intended outcomes and puts in place mitigating actions to support achievement. The Council maintains systems of business continuity and emergency planning to deal with failures in service delivery or emergencies which may threaten achievement of the Council's intended outcomes. 	 Corporate Plan Risk Management Policy Corporate Risk Register Finance and Performance Reports Senior Management Team Business Continuity Plans Emergency Planning

Developing the entity's capacity, including the capability of its leadership and the individuals within it;

• Developing the entity's capacity

Behaviour and actions that meet the requirements of this principle	This will be evidenced by:
 The Council recognises the benefits of partnerships and collaborative working where added value can be achieved. The Council maintains robust recruitment and selection processes to ensure that the Council is able to attract suitable candidates, ensuring a diverse workforce that will add value to the organisation. The Council also maintains a secondment policy to ensure that internal resource can be diverted to the areas that will add most value, and to develop the capabilities of staff. The Council seeks to understand the capacity of its workforce and any gaps, and workforce development strategies are in place to develop the organisation's capacity as required to enhance the strategic allocation of resources. The Council reviews its operations, performance and use of assets on a regular basis to ensure their continuing effectiveness and seeks to improve resource use through appropriate application of techniques such as benchmarking and other options, in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently. 	 Recruitment and Selection Policy and Toolkit Secondment Policy Workforce Development Strategies Finance and Performance Reporting Corporate Risk Register

•	Developing the	capability of its	leadership a	and other individuals
---	----------------	-------------------	--------------	-----------------------

Behaviour and actions that meet the requirements of this This will be evidenced by:				
principle				
 clear statement of the reference of Delegation of delegated and those resigns governing body. Commit statement of the respect Council's Committees. The council 's Committees. The council maintains proceeding and the objectives is members of the leaders. The Chief Finance Office Team and thus has direct members of the leaders. The Council develops the management, and office enable the organisation and policy demands as the environmental changes. Ensuring Members induction tailored the development matic requirements is at the second state of the council state of the council the environmental changes. Ensuring members induction tailored the development matic requirements is at the council state of the council the environmental changes. Ensuring members is at the council the council the council the environmental changes. Ensuring members is at the council the council the council the environmental changes. Ensuring members is at the council the council the environmental changes. Ensuring members is at the council the environmental changes. Ensuring members is at the council the environmental changes. Ensuring members is at the environmental changes. Ensuring personal development through the environment of the environmental changes. Ensuring arranger and wellbeing of the environmental changes. 	rotocols to ensure effective communication ers and officers in their respective roles. er is a member of the Senior Management et access to the Chief Executive and other hip team. e capabilities of members, senior rs to achieve effective leadership and to to respond successfully to changing legal well as economic, political and and risks, by: s and staff have access to appropriate o their role, and that ongoing training and hing individual and organisational ailable and encouraged; s and officers have the appropriate skills, ces and support to fulfil their roles and d ensuring that they are able to update their	 The Council's Constitution Scheme of Delegation Committee Terms of Reference Members Code of Conduct Officers Code of Conduct Protocol on Members/Officer Relations Workforce Development Strategies Induction Policy Corporate Induction Members Induction Programme Member Development Programme Performance Appraisal Role of Internal Audit CFO member of SMT 		

Managing risks and performance through robust internal control and strong financial management;

• Managing risk

Behaviour and actions that meet the requirements of this principle	This will be evidenced by:
 The Council recognises that risk management is an integral part of all activities and must be considered in all aspects of decision making. Robust and integrated risk management arrangements are in place and regularly reviewed to ensure that they are working effectively. Risk management is embedded into the culture of the Council. The Council ensures that responsibilities for managing individual risks are clearly allocated, and the Corporate Risk register is reported to and reviewed by the Council's Senior Management Team and Audit and Governance Committee on a regular basis. 	 Risk Management Policy Risk Management Procedures Corporate Risk Group Corporate Risk Register Audit and Governance Committee Risk Reports to Committees Project Management guidance

• Managing performance

Behaviour and actions that meet the requirements of this principle	This will be evidenced by:
 Members and senior management are provided with regular reports on performance and progress towards outcome achievement. The Council makes decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook. The Council encourages effective and constructive challenge and debate on policies and objectives, to support balanced and effective decision making. 	 Finance and Performance Reporting Committee agendas, reports and minutes Customer Feedback Internal Audit Reports

• Robust internal control

Behaviour and actions that meet the requirements of this principle	This will be evidenced by:
 The Council ensures effective counter fraud, anti-corruption and anti-money laundering arrangements are in place. Additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by Internal Audit. The Audit and Accounts Committee is independent of the executive and accountable to the governing body, and: provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment; ensures that its recommendations are listened to and acted upon. 	 Anti-Fraud and Corruption Policy Anti-Money Laundering Policy Internal Audit Internal Audit Annual Report Annual Governance Statement Risk Management Policy Risk Management Procedures Corporate Risk Register Audit and Accounts Committee

• Managing data

Behaviour and actions that meet the requirements of this principle	This will be evidenced by:
 The Council's information governance policies and procedures ensure that effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data. The Council has a designated Senior Information Officer (SIO) who has lead responsibility to ensure that organizational information risks are properly identified and managed. The Council ensures effective arrangements are in place and operating effectively when sharing data with other bodies. 	 Data Protection Policy Freedom of Information/EIR Regulations Policy Records Management Policy Data Management Policy

• Strong public financial management

Behaviour and actions that meet the requirements of this principle	This will be evidenced by:
 The Council ensures that its financial management supports both long term achievement of outcomes and short-term financial and operational performance. The Council ensures well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls. The Council ensures that officers with a role in financial management are provided with the support and resources to ensure strong public financial management. 	 Financial Regulations Finance and Performance Reporting Corporate Plan Business Planning Process

Implementing good practice in transparency, reporting and audit to deliver effective accountability;

• Implementing good practice in transparency

Behaviour and actions that meet the requirements of this principle	This will be evidenced by:
 The Council seeks to write and communicate reports and other information for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate. The Council complies with the Local Government Transparency Code and publishes information required in a timely manner. The Council provides appropriate information to the public to ensure transparency, striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny, while not being too onerous to provide and for users to understand. 	 Committee agendas, papers and minutes Council website Publication Scheme Forward Plan

Behaviour and actions that meet the requirements of this principle	This will be evidenced by:
 The Council's Annual Governance Statement ensures robust arrangements for assessing the extent to which the principles contained in this Framework have been applied, and the results of this assessment are published. The Council ensures that the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations. 	 Statement of Accounts Annual Governance Statement Annual External Audit Report and Letter Internal Audit Reports Finance and Performance Reporting

• Implementing good practice in reporting

Page®850

 The Council maintains open and effective mechanisms for documenting evidence for decisions and recording the criteria, 	 Committee agendas, reports and minutes
rationale and considerations on which decisions are based.	

Assurance and effective accountability

Behaviour and actions that meet the requirements of this principle	This will be evidenced by:
 The Council maintains an effective Audit and Accounts Committee and ensures that an effective internal audit function, with direct access to Members, is resourced and maintained. The Internal Audit service provides assurance with regard to governance arrangements and verify that recommendations are acted upon. The Council ensures that recommendations for corrective action made by external audit are acted upon. The Council welcomes peer challenge, reviews and inspections from regulatory bodies, as a result of which action plans are identified to implement recommendations. When working in partnership, the Council ensures that arrangements for accountability are clear and the need for wider public accountability has been recognised and met. 	 Audit & Accounts Committee Role of Internal Audit Peer Reviews Risk Management Procedures Council Meetings

Significant Governance Issues

The Council is required to report upon any significant governance issues in this statement. The Head of Internal Audit in their Annual Internal Audit Report states that:

"Based upon the work undertaken by Internal Audit during 2019/20, the Head of Internal Audit's overall opinion is that <u>Satisfactory Assurance</u> can be given that there is generally a sound system of internal control, designed to meet the organisation's objectives and that controls are generally operating effectively in practice." (Audit and Governance Committee 02/09/2020)

This remains consistent with the opinions given in previous years and indicates a satisfactory or sound management of risk. While some elements of the control framework require attention, audit recommendations have been made to address those issues and responsible managers have agreed timetables for their implementation.

This shows that the Council addresses any control weaknesses identified during audits and good progress is being made in the implementation of recommendations. 94% of all recommendations from 2019/20 which were due to be implemented have been completed during the year (83% in 2018/19).

When audits are completed they receive 2 levels of assurance. One is for design of control environment and one is for compliance. Of the 14 audits that were completed during the year there were therefore 28 levels of assurance.

- 1 received a substantial level,
- 18 received an assurance level of good,
- 9 were satisfactory and
- None were limited.

No audits received a "no assurance" rating. This is further evidence of effectiveness within our overall control environment.

Conclusion

Overall therefore, the system of internal control has been in place for the financial year ended 31 March 2020 and procedures are in place to ensure that there is continuous improvement. It is our view that as far as possible the Council has established an acceptable level of internal control, risk management and Corporate Governance framework on which it will develop and improve. This underpins the way in which Corby Borough Council delivers its services and relates to its communities.

Signed: x

Chief Executive

Date: XX/XX/2021

Signed: x Leader of the Council Date: XX/XX/2021

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.

Business Improvement District

A levy on local business to provide funding to develop the immediate area covered by the levy. The levy is agreed by majority vote.

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 Nondomestic 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.

Local Enterprise Partnership

A Government initiative to boost economic growth within defined and agreed geographical areas. Funding to enable this growth is derived from the Non Domestic Rates collected for that area and channelled into the "partnership" to fund schemes.

Minimum Revenue Provision

The minimum amount that must be charged to the revenue account each year to provide for the repayment of monies borrowed by the Council.

Non Domestic Rates

Rates which are levied on business properties. From 1st 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.

Page[®]854

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 offsite 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

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

Agenda Item 9



Item no: 9

AUDIT AND GOVERNANCE COMMITTEE

8th November 2021

Report Title	Audit Plan 2019-20 East Northants District Council	
Report Author	Claire Edwards – Assistant Director of Finance & Accountancy <u>Claire.Edwards@northnorthants.gov.uk</u>	
Contributors/Checkers/Approvers		
North MO		
North S151		
Other Director/SME	N/a	N/a

List of Appendices

Appendix A – External Audit Plan 2019 - 20

1. Purpose of Report

1.1. The purpose of this report is to present the Audit Plan in relation to the Statement of Accounts for the East Northants District Council for 2019/20 and the work currently being undertaken by the external auditor, Ernst & Young.

2. Executive Summary

2.1. The Council's external auditors will undertake work for the audit of the 2019/20 statement of accounts. The report set out what is involved and what the key deliverables are.

3. Recommendations

- 3.1. It is recommended that the Committee;
 - a) Note the Audit Plan for 2019/20 as shown in Appendix A.
- 3.2. Reason for Recommendations -
 - For the Committee to exercise its duties and responsibilities within its Terms of Reference for considering reports of the External Auditor.

- 4.1. The external auditor's report attached at Appendix A provides the committee with an outline of work to be undertaken for the external audit work for 2019/20.
- 4.2. The report highlights key consideration within the audit process in terms of the impact of key risks, such as the impact of Covid 19, value for money and materiality.

5. Issues and Choices

5.1. The report provides an outline to the external audit plan and process for 2019/20 for East Northants District Council.

6. Implications (including financial implications)

6.1. Resources and Financial

6.1.1. None specific to this report

6.2. Legal

6.2.1. None specific to this report

6.3. **Risk**

6.3.1. None specific to this report

6.4. Consultation

6.4.1. None specific to this report.

6.5. Consideration by Scrutiny

6.5.1. Not specific to this report.

6.6. Climate Impact

6.6.1. None specific to this report.

6.7. Community Impact

6.7.1. None specific to this report.

7. Background Papers

7.1. None

East Northamptonshire Council Audit planning report Year ended 31 March 2020

8th November 2021

Appendix

Building a better working world





Dear Governance and Audit Committee Members

Audit planning report

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2019/20 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

This report is intended solely for the information and use of the Audit Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 8 November 2021 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Neil Harris For and on behalf of Ernst & Young LLP





Dear Governance and Audit Committee Members

Current position on the status of the audit

At the date of preparing this report, we have completed our audit planning procedures and risk assessment for the audit of the Council's financial statements. Our risk assessment and audit procedures associated with the Council's value for money arrangements remains ongoing. However, we expect that our focus will be updating our understanding on the Council's arrangements to main an appropriate control environment in 2019/20, and up to the vesting day and merger with North Northamptonshire Council.

We will report to the Audit and Governance Committee if our planning and risk assessment work identifies any risks of significant weaknesses in the Council's value for money arrangements, and thereafter if we believe these will have materialised, including any associated recommendations.

We received the Council's draft financial statements in September 2021. The work related to our final audit procedures is under way and we have completed a significant proportion of our audit procedures. However work remains outstanding on some key risk areas, notably on capital additions and property valuation. We are also currently completing our quality assurance procedures on the work performed.

At this point, we still expect to report the results of our audit procedures on the Council's 2020-21 financial statements and value for money arrangements to the Committee meeting in January 2022. We will notify the Audit and Governance Committee at the earliest opportunity though if we believe this will not be achievable and in the event we need to agree any revised timetables for the conclusion of the audit.

Yours faithfully

Neil Harris For and on behalf of Ernst & Young LLP

Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<u>https://www.psaa.co.uk/audit-guality/statement-of-responsibilities/</u>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of East Northamptonshire Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of East Northamptonshire those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of East Northamptonshire Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

01 Overview of our 2019/20 audit strategy



Overview of our 2019/20 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Governance Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

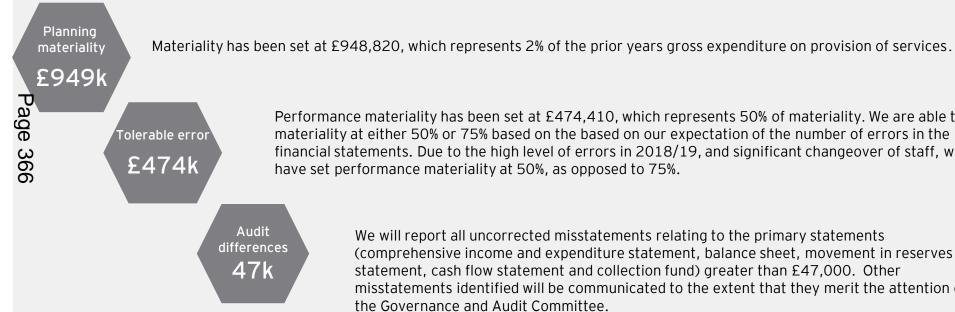
Audit risks and areas of focus			
Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud risk	No change from assessment made in 18/19 audit	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
Incorrect capitalisation of revenue expenditure	Fraud risk	No change from assessment made in 18/19 audit	Linking to our fraud risk above we have considered the capitalisation of revenue expenditure on property, plant and equipment as a separate risk, given the extent of the Council's capital programme.
Baluation of Investment Properties Ge 364	Significant Risk	Increase from assessment made in 18/19 audit	The valuation of Investment Property represent significant balances in the Council's accounts. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. There is a risk Investment Property may be under/overstated or the associated accounting entries incorrectly posted. The risk is heightened for traditional retail assets due to market difficulties, partly arising from the advent of Covid-19 (C-19), such as reduced consumer confidence and competition from internet based retailers with lower cost bases. This has led to a large number of retailers, including well known names, closing stores, going into administration or otherwise seeking to reduce their rental costs by renegotiating existing leases, perhaps by way of a Creditors Voluntary Arrangements. These difficulties have had a direct impact on the value of the retail units (high street shops, out of town retail parks and shopping centres) leased to retailers or owned by them.
Valuation of PPE	Inherent risk	No change from assessment made in 18/19 audit	The value of Property, Plant and Equipment (PPE) represents significant balances in the Council's accounts and is subject to valuation changes and impairment reviews. Management is required to make material judgements about key assumptions and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.
Pension liability valuation	Inherent risk	No change from assessment made in 18/19 audit	The Council's pension fund deficit is a material estimated balance disclosed on the Council's balance sheet. Accounting for this scheme involves significant estimation and judgement, management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Overview of our 2019/20 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters identified as a result of Covid-19. It seeks to provide the Governance and Audit Committee with an overview of any changes in risks identified in the current year.

Audit risks and areas of focus			
Risk / area of focus	Risk identified	Change from PY	Details
Going concern and covid-19 disclosures	Inherent risk	New risk	Covid-19 has created a number of financial pressures throughout Local Government. There is currently not a clear statement of financial support from MHCLG that covers all financial consequences of Covid-19. CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 sets out that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis. However, International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report. We are obliged to report on such matters within the section of our audit report 'Conclusions relating to Going Concern'. To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements. As the Council has now merged, managements assessment and disclosure should focus
			on the financial sustainability of the new Unitary Council.
IAS 37 assessment	Inherent risk	New risk	In 2018/19 the Council recognised a contingent liability 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. Management will need to update their assessment against the requirements of IAS 37 to assessment whether the claim still meets the requirements of a
			contingent liability.

Materiality



Performance materiality has been set at $\pounds474,410$, which represents 50% of materiality. We are able to set materiality at either 50% or 75% based on the based on our expectation of the number of errors in the financial statements. Due to the high level of errors in 2018/19, and significant changeover of staff, we have set performance materiality at 50%, as opposed to 75%.

> We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement and collection fund) greater than £47,000. Other misstatements identified will be communicated to the extent that they merit the attention of the Governance and Audit Committee.



Audit scope

This Initial Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of East Northamptonshire Council give a true and fair view of the financial position as at 31 March 2020 and of the income and expenditure for the year then ended; and
- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

when planning the audit we take into account several key inputs:

- ige
- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- **P** The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.







🛛 🔂 Audit risks

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Misstatements due to fraud or error *

What is the risk?

As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.

What will we do?

- Inquiry of management about risks of fraud and the controls put in place to address those risks.
- Understanding the oversight given by those charged with governance ► of management's processes over fraud.
- Consideration of the effectiveness of management's controls designed ► to address the risk of fraud.

Performing mandatory procedures regardless of specifically identified fraud risks, including:

- Testing the appropriateness of journal entries recorded in the general ► ledger and other adjustments made in the preparation of the financial statements
- ► Assessing accounting estimates for evidence of management bias, and
- Evaluating the business rationale for significant unusual transactions. ►

In addition to our overall response, we consider where these risk may manifest themselves and identify separate fraud risks as necessary below



Pa

🛃 Audit risks

Our response to significant risks

We have set out the significant risks identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

cial statement impact

In propriate capitalisation of revenue expenditure would decrease the net expenditure from the general fund, and increase the value of non-current assets.

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

From our risk assessment, we have assessed that the risk manifests itself solely through the inappropriate capitalisation of revenue expenditure to improve the financial position of the general fund.

Capitalised revenue expenditure can be funded through borrowing with only minimal MRP charges recorded in the general fund, deferring the expenditure for 30+ years when the borrowing is repaid.

What will we do?

Our approach will focus on:

► For significant additions we will examine invoices, capital expenditure authorisations, leases and other data that support these additions. We review the sample selected against the definition of capital expenditure in IAS 16.

▶ We will extended our testing of items capitalised in the year by lowering our testing threshold. We will also review a larger random sample of capital additions below our testing threshold.

► Journal testing - we will use our testing of Journals to identify high risk transactions, such as items originally recorded as revenue expenditure and subsequently capitalised.



Our response to significant risks

We set out new significant risks identified for the current year and significant risks that have changed subsequent to the issue of our Audit Planning Report, together with the rationale and expected audit approach.

Valuation of Investment Property (IP) nancial statement

nvestment property are incorrectly valued this would understating expenditure.

What is the risk?

Investment Property (IP) is a significant balance in the Council's Balance Sheet. The valuation of IP is complex and subject to a number of assumptions and judgements. A small movement in these assumptions can have a material impact on the financial statements.

the Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, has issued guidance to valuers highlighting that the uncertain impact of Covid-19 (C-19) on markets might cause a valuer to conclude that there is a material uncertainty.

The risk is heightened for traditional retail assets due to market difficulties such as reduced consumer confidence and competition from internet based retailers with lower cost bases. This has led to a large number of retailers, including well known names, closing stores, going into administration or otherwise seeking to reduce their rental costs by renegotiating existing leases, perhaps by way of a Creditors Voluntary Arrangements. These difficulties have had a direct impact on the value of the retail units (high street shops, out of town retail parks and shopping centres) leased to retailers or owned by them.

What will we do?

We will:

- consider the competence, capability and objectivity of the Council's valuers:
- ► consider the scope of valuers' work;
- ensure IP has been annually revalued as required by the Code;
- consider if there are any specific changes to assets that should ► have been communicated to the valuer(s);
- sample test key inputs used by the valuer(s) when producing valuations:
- consider the results of the valuers' work; ►
- challenge the assumptions used by the Council's valuers by ► reference to external evidence and our EY valuation specialists (where necessary);
- test journals for the valuation adjustments to confirm that they have been accurately processed in the financial statements;
- test a sample of assets revalued in year to confirm that the valuation basis is appropriate and the accounting entries are correct; and
- review assets that are not subject to valuation in 2019/20 to ► confirm the remaining asset base is not materially misstated.

Our response to significant risks (continued)

area of audit focus: Assessment and disclosures on Going Concern and Events after the balance sheet date

cial statement

consider the risk applies the work done by the Council to gain comfort it remains appropriate to prepare the financial statements on a going concern basis.

It is also important that this assessment is fully reflected in the financial statements including the disclosure of any remaining areas of material uncertainty and relevant events that have occurred after the balance sheet date.

What is the risk?

Covid-19 has created a number of financial pressures throughout local government, creating financial stress in either, or a combination of, increasing service demand leading to increased expenditure in specific services, and reductions in income sources. There is currently no clear statement of financial support from MHCLG that covers all financial consequences of Covid-19.

There have been a number of media stories in both the national press and trade publications raising the possibilities of an increase in chief financial officers using their s114 powers. This could be under s114(3), insufficient resources to fund likely expenditure. CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 sets out that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis. However, International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report. We are obliged to report on such matters within the section of our audit report 'Conclusions relating to Going Concern'. To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements.

The auditor's report in respect of going concern covers a 12-month period from the date of the audit report, therefore the Council's assessment will also need to cover this period. As the Council has now merged, managements assessment and disclosure should focus on the financial sustainability of the new Unitary Council.

Events after the balance sheet:

There is increased risk that further events after the balance sheet date concerning the current Covid-19 pandemic will need to be disclosed. The amount of detail required in the disclosure will need to reflect the specific circumstances of the Council.

What will we do?

In light of the unprecedented nature of Covid-19, its impact on the funding of public sector entities and uncertainty over the form and extent of government support, we will be seeking a documented and detailed consideration to support management's assertion regarding the going concern basis and particularly with a view whether there are any material uncertainties for disclosure. We will review your updated going concern disclosures within the financial statements under IAS1, and associated financial viability disclosures within the Narrative Statement. These disclosures should also include the process that has been undertaken for revising financial plans and cashflow, liquidity forecasts, known outcomes, sensitivities, mitigating actions including but not restricted to the use of reserves, and key assumptions (e.g. assumed duration of Covid-19).

Our audit procedures to review these will include consideration of:

- Current and developing environment.
- Liquidity (operational and funding).
- Mitigating factors.
- Management information and forecasting.
- Sensitivities and stress testing.



Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

What is the risk/area of focus?	What will we do?
Valuation of PPE	We will:
The fair value of Property, Plant and Equipment (PPE) represent significant	 Consider the work performed by the Council's valuers (Wilks, Head & Eve), including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
balances in the Council's accounts and is subject to valuation changes and impairment reviews.	 Challenge the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists as necessary - for example, significant or unusual movements in valuation, difficult to value specialist assets, or investments in areas of the economy under stress such as retail;
Management is required to make material dgements about key assumptions and apply timation techniques to calculate the year- end balances recorded in the balance sheet.	 Sample testing key asset information used by the valuers in performing their valuation (e.g. building areas to support valuations based on price per square metre);
	 Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE, and annually for IP. We also consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
ω	 Review assets not subject to valuation in 2019/20 to confirm that the remaining asset base is not materially misstated;
	 Consider changes to useful economic lives as a result of the most recent valuation; and
	 Test accounting entries have been correctly processed in the financial statements.



Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

What is the risk?

What will we do?

Pension liability valuation

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Northamptonshire County Council.

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's Halance sheet. At 31 March 2019 this totalled £27.710 million.

The information disclosed is based on the IAS 19 report issued to the **Go**uncil by the actuary to the County Council.

Accounting for this scheme involves significant estimation and addgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

IAS 37 Assessment

In 2018/19 the Council recognised a contingent liability 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.

Management will need to update their assessment against the requirements of IAS 37 to assessment whether the claim still meets the requirements of a contingent liability.

In order to address this risk we will carry out a range of procedures including:

- Liaise with the auditors of Northamptonshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to East Northamptonshire Council;
- Assess the work of the Pension Fund actuary (Hymans) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by The National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

In order to address this risk we will carry out a range of procedures including:

- Review managements assessment against the requirements of IAS 37;
- Assess whether the work requirements requires the involvement of our financial reporting specialists (FRG); and
- Assess the adequancy of management disclosure.



Other impacts

Impact of Covid-19

Other potential impacts of Covid-19

The ongoing disruption to daily life and the economy as a result of the C-19 virus will have a pervasive impact upon the financial statements. Understandably, the priority for the Council to date has been to ensure the safety of staff and the delivery of business critical activities. However, the financial statements need to reflect the impact of C-19 on the Council's financial position and performance. We have not identified further significant risks or areas of audit focus related to C-19 other than those set out previously as part of this audit plan update, but wish to highlight the wide range of ways in which C-19 could impact the financial statements. Over-and-above the areas already considered these may include, but not be limited to:

- Revenue recognition there may be an impact on income collection (council tax and business rates) if businesses and residents are unable to work and earn income due to the lockdown and restriction of movement due to C-19.
- Tangible assets there may be impairment of tangible assets if future service potential is reduced by the economic impact of the virus. The Council may also have already incurred capital costs on projects where the economic case has fundamentally changed.
- Valuation of investments the valuation of investments may be made more difficult due to the market volatility brought about by the impact of C-19 at the end of the Dinancial year.
- 🖸 Pensions volatility in the financial markets is likely to have a significant impact on pension assets, and therefore net liabilities. We already treat this as a high • inherent risk estimate and area of audit focus in our audit approach.
- Receivables there may be an increase in amounts written off as irrecoverable and impairment of year-end balances due to the increased number of businesses and **O**residents unable to meet their financial obligations.
- Holiday and sickness pay the change in working patterns may result in year-end staff pay accruals which are noticeably different to prior years.
- Government support C-19 specific government support may be a new transaction stream and may require development of new accounting policies and treatments.
- Annual Governance Statement- the widespread use of home working is likely to change the way internal controls operate. The Annual Governance Statement will need to capture how the control environment has changed during the period and what steps were taken to maintain a robust control environment during the disruption. This will also need to be considered in the context of internal audit's ability to issue their Head of Internal Audit opinion for the year, depending on the ability to complete the remainder of the internal audit programme.

In addition to the impact on the financial statements themselves, the disruption caused by C-19 may impact on our ability to complete the audit as efficiently as normal. For example, it may be more difficult than usual to access the supporting documentation necessary to support our audit procedures. There will also be additional audit procedures we have to perform to respond to the additional risks caused by the factors noted above.

The changes to audit risks and audit approach will change the level of work we perform. This may impact the audit fee. We will agree changes to the audit fee with management and report back to the Governance and Audit Committee in our Audit Results Report.



0

O3 Value for Money Risks





Value for Money

Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2019/20 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

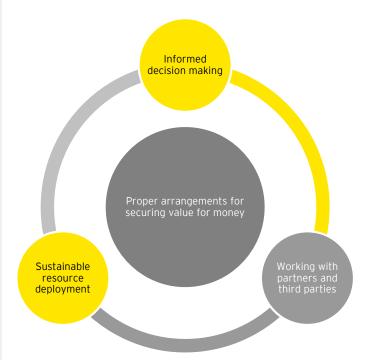
considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work. We consider business and operational risks insofar as they relate to proper arrangements at both sector and organisation-specific level.

Our risk assessment will therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. At this preliminary stage, we have not identified any significant risks but we will keep this assessment under review and update the Governance and Audit Committee as soon as possible if risks are identified during the remainder of our audit.





₽ Audit materiality

Materiality

Materiality

For planning purposes, materiality for 2019/20 has been set at £948,820. This represents 2% of the Council's prior year gross expenditure on provision of services. It will be reassessed throughout the audit process. We have chosen this percentage on the basis of there being no shareholders; no traded debt or covenants; limited changes in the business environment; good viability of the business and limited external financing.



We request that the Governance and Audit Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Tolerable error - the amount we use to determine the extent of our audit procedures. We have set tolerable error at $\pounds474,410$ which represents 50% of planning materiality. We have selected 50% on the basis of the level of errors in the prior year and changes to the control environment.

Audit difference threshold - we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet and collection fund that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Governance and Audit Committee, or are important from a qualitative perspective.

Specific materiality - We have set a materiality of the audit difference threshold £47,000 for related party transactions and members' allowances. For officers remuneration including exit packages we will apply materiality of £5,000 in line with bandings. This reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to these disclosures.



05 Scope of our audit







Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we

മ്

Procedures required by standards

- Φ Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.



Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.

For 2019/20 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics: We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and Give greater likelihood of identifying errors than random sampling techniques. We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for Nonprovement, to management and the Governance and Audit Committee.

Internal audit:

We will regularly meet with the Chief Internal Auditor, and review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.

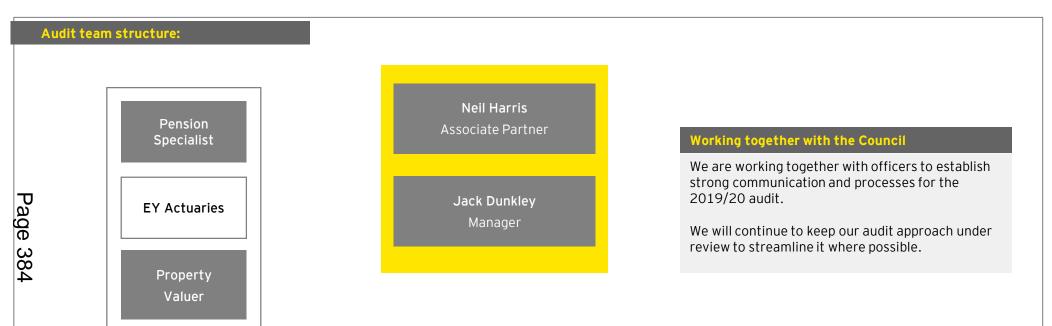
06 Audit team





الاطعة Audit team گھ

Audit team





Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Valuation of Land and Buildings	We will consider any valuation aspects that may require EY valuation specialists to review any material specialist assets and the underlying assumptions used by the Council's valuers Wilkes, Head and Eve.
Pensions disclosure EY Pensions Advisory, PwC (Consulting Actuary to the National Audit Office) who will review the work of Hy Robertson, the actuaries to the Northamptonshire County Council Pension Fund.	

Pa

Accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

V also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- Assess the reasonableness of the assumptions and methods used;
- Consider the appropriateness of the timing of when the specialist carried out the work; and
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.



Page

386

記名





Introduction

The FRC Ethical Standard and ISA (UK) 260 "Communication of audit matters with those charged with governance", requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage

- Final stage
- The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us;
- The safeguards adopted and the reasons why they ► are considered to be effective, including any
- Page Engagement Quality review;
- The overall assessment of threats and safeguards;
- Information about the general policies and process ω
- within EY to maintain objectivity and independence. Õ
- Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard
- In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed:
- Details of non-audit services provided and the fees charged in relation thereto; ►
- Written confirmation that the firm and each covered person is independent and, if applicable, that any ► non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- Written confirmation that all covered persons are independent; ►
- Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit ► services by EY and any apparent breach of that policy;
- Details of any contingent fee arrangements for non-audit services provided by us or our network firms: and
- An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period. analysed in appropriate categories, are disclosed.



Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non -audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Neil Harris, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

B ne of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non audit fees to audits fees is not permitted to exceed 70%.

Rethe time of writing, we have not undertaken any non-audit work, therefore no additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

B Independence

Relationships, services and related threats and safeguards

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise. There are no other threats at the date of this report.

Other communications

EY Transparency Report 2020

That & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Petails of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm equired to publish by law. The most recent version of this Report is for the year ended June 2020 and can be found here:

Reps://www.ey.com/en_uk/who-we-are/transparency-report-2020



Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

Planned fee Scale fee **Final Fee** 2019/20 2018/19 2019/20 £'s £'s £'s Τ Q To be To be Total Fee - Code work 34,673 confirmed confirmed Scale Fee Rebasing: Changes in where the work required to address professional and regulatory requirements and scope 49,691 49.691 associated with risk (see next page) To be To be confirmed Changes in scope confirmed To be To be Total audit fees 84,364 confirmed confirmed

A breakdown of our fees is shown in the table below.

- The agreed fee presented is based on the following assumptions:
- ► Officers meeting the agreed timetable of deliverables;
- ► Our accounts opinion and value for money conclusion being unqualified;
- ► Appropriate quality of documentation is provided by the Council; and
- ► The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

We do anticipate scale fee variations for the 2019-2020 audit to respond to the significant and inherent risks, areas of focus on our audit of the Council's financial statements as well as our work on value for money arrangements as set out in this report. We will report our proposed variations to officers and the Audit and Governance Committee at the conclusion of our 2020-2021 audit and before we submit to PSAA for approval and determination.



Fees

Janet Dawson, our Government & Public Sector Assurance Lead, wrote to all Chief Finance Officers and Audit Committee (or equivalent) chairs on 11 February 2020 on the subject of the sustainability of UK local public audit. Amongst other issues her letter stated that we did not believe the existing scale fees provide a clear link with both a public sector organisation's risk and complexity, and the audit profession's context for cost and fee increases, including the attractiveness of audit, investment in technology, innovation and the regulatory environment.

Around the same time, PSAA consulted on its 2020/21 audit fees (<u>PSAA fee consulation</u>), discussing the challenging environment, new standards and regulatory requirements. They noted an appropriate forum for fee discussions from these impacts would be between the auditor and Chief Financial Officer, to take place as soon as possible as part of planning discussions for 2019/20 audits.

The subsequent review by Sir Tony Redmond (<u>Redmond Review</u>) has also highlighted that audit fees in the local authority sector have dropped significantly at the same time that audit fees in other sectors have significantly risen, and that no assessment of the amount it would cost to audit each local authority based on their level of audit risk has been made in the past ten years due to the methods applied by the Audit Commission and then PSAA. As such there is no guarantee that the fee paid by each local authority accurately reflects the risk profile or amount of audit work required for their external audit.

To address these issues we undertook an analysis of the changes in professional and regulatory requirements since our last tender to PSAA was submitted, and any other known changes in audit risk. For instance, where applicable, significant commercial property investments, creation of joint ventures, subsidiaries and other similar arrangements.

 $oldsymbol{\circ}$ We identified the proposed fee rebasing under the headings of:

- Changes in risk;
- Increased regulatory requirements; and
- Client readiness and ability to support a technologically enabled audit.

As requested by PSAA, we discussed this with management.

We did not reach agreement. While management recognised many of these pressures and can see how they are reflected in the changes in the audit work, their view was that this is a decision for PSAA.

Having not reached agreement, and in light of managements comments, we will now submit the proposed rebasing to PSAA for their review and decision. We would like to thank management for their contribution to this debate and the positive manner in which they engaged with us.

🖹 Appendix B

Required communications with the Governance and Audit Committee

We have detailed the communications that we must provide to the Governance and Audit Committee.

Required communications	What is reported?	🛗 🖓 When and where
Terms of engagement	Confirmation by the Governance and Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach ge 33 93	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Audit Plan
ω Significant findings from the audit	 Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures Significant difficulties, if any, encountered during the audit Significant matters, if any, arising from the audit that were discussed with management Written representations that we are seeking Expected modifications to the audit report Other matters if any, significant to the oversight of the financial reporting process. 	Audit Results Report

Our Penarting to you

Appendix B

Required communications with the Audit Committee (continued)

		Our Reporting to you
Required communications	What is reported?	📺 💎 When and where
Independence Page Sternal confirmations	 Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: The principal threats Safeguards adopted and their effectiveness An overall assessment of threats and safeguards Information about the general policies and process within the firm to maintain objectivity and independence Management's refusal for us to request confirmations Inability to obtain relevant and reliable audit evidence from other procedures 	Audit Plan Audit Results Report Audit Results Report
Consideration of laws and regulations	 Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off Enquiry of the Governance and Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Governance and Audit Committee may be aware of 	Audit Results Report
Internal controls	 Significant deficiencies in internal controls identified during the audit 	Audit Results Report

Appendix B

Required communications with the Audit Committee (continued)

		Our Reporting to you
Required communications	What is reported?	📅 💎 When and where
Going concern	 Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: Whether the events or conditions constitute a material uncertainty Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements The adequacy of related disclosures in the financial statements 	Audit Results Report
Bestatements D C C C C C C C C C	 Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation The effect of uncorrected misstatements related to prior periods A request that any uncorrected misstatement be corrected Corrected misstatements that are significant Material misstatements corrected by management 	Audit Results Report
Fraud	 Enquiries of the Governance and Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity Any fraud that we have identified or information we have obtained that indicates that a fraud may exist A discussion of any other matters related to fraud 	Audit Results Report
Related parties	 Significant matters arising during the audit in connection with the entity's related parties including, when applicable: Non-disclosure by management Inappropriate authorisation and approval of transactions Disagreement over disclosures Non-compliance with laws and regulations Difficulty in identifying the party that ultimately controls the entity 	Audit Results Report

Appendix B

Required communications with the Audit Committee (continued)

		Our Reporting to you
Required communications	What is reported?	🛗 🖓 When and where
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report
Auditors report	 Key audit matters that we will include in our auditor's report Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report
Fee Reporting	 Breakdown of fee information when the audit plan is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Audit Plan Audit Results Report Annual Audit Letter

Agenda Item 10



Item no: 10

AUDIT AND GOVERNANCE COMMITTEE

8th November 2021

Report Title	Draft Statement of Accounts 2019-2020 East Northants District Council			
Report Author	Claire Edwards – Assistant Director of Finance & Accountancy Claire.Edwards@northnorthants.gov.uk			
Contributors/Checkers/Approvers				
North MO				
North S151				
Other Director/SME	N/a	N/a		

List of Appendices

Appendix A – East Northants District Council Draft Accounts 2019/20

1. Purpose of Report

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

2. Executive Summary

2.1. This report requires the Committee to approve the draft Statement of Accounts in relation to East Northants District Council for 2019/20.

3. Recommendations

- 3.1. It is recommended that the Committee;
 - a) Note the draft Statement of Accounts for the financial year 2019/20 for East Northants District Council.
- 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 Update (Item 8 on this Agenda). In accordance with the Council's constitution the Audit & Governance Committee are required to undertake this function.

- 4.1. The accounts for East Northants District Council remain in draft format as the external audit is still on-going. Good progress is being made with this audit and to date no issues of significant have been reported by the Council's External Auditors and it is expected that the outcome of this audit will be reported to this Committee at the meeting on the 10th January 2022.
- 4.2. Local Government accounts for 2019/20 are required to be prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code). The Statement of Accounts for 2019/20 for East Northants District Council are detailed at **Appendix A**.

5. Issues and Choices

5.1. It is a statutory requirement for the Council to approve the annual Statement of Accounts and to consider the External Auditors Audit Plan (Item 8 on this Agenda). In accordance with the Council's constitution the Audit & Governance Committee are required to undertake this function.

6. Implications (including financial implications)

6.1. Resources and Financial

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

6.2. Legal

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

6.3. Risk

6.3.1. The Council's External Auditors have set out the risks in their Audit Plan (Item 8 on this Agenda).

6.4. Consultation

6.4.1. None specific to this report.

6.5. Consideration by Scrutiny

6.5.1. Not specific to this report.

6.6. Climate Impact

- 6.6.1. None specific to this report.
- 6.7. Community Impact



6.7.1. None specific to this report.

7. Background Papers

7.1. Council Constitution.

This page is intentionally left blank





East Northamptonshire Council

Draft Annual Financial Report





For the year ended 31st March 2020

Page 401

Contents		
Annual Fir	ancial Report	
Narrative F		4
	ry and Review of 2019/20	4
Risks		5
Review of t	he vear	6
	al performance	8
Looking to		9
	ial statements	10
Technical I	nformation	11
Independer	nt Auditor's Report	12
	of Responsibilities	15
	Approval of the Statement of Accounts	16
	of Accounts	
	nsive Income and Expenditure Statement (CIES)	17
	in Reserves Statement	18
Balance Sh		19
Cash Flow	Statement	20
Notes to the	e Accounts	
Note 1.	Accounting Policies	21
Note 2.	Accounting Standards that have been issued but have not yet been	36
1010 2.	adopted	00
Note 3.	Critical Judgements in Applying Accounting Policies	36
Note 4.	Assumptions Made About the Future and Other Major Sources of	37
itete ii	Estimation Uncertainty	0.
Note 5.	Expenditure and Funding Analysis (EFA)	38
Note 6.	Expenditure and Income Analysed by Nature	42
Note 7.	Adjustments between Accounting Basis and Funding Basis under	43
	Regulations	
Note 8.	Movements in Earmarked Reserves	46
Note 9.	Other Operating Expenditure included in the Comprehensive Income and	47
	Expenditure Statement	
Note 10.	Financing and Investment Income and Expenditure	47
Note 11.	Taxation and Non-Specific Grant Income	48
Note 12.	Property, Plant and Equipment	51
Note 13.	Investment Property	54
Note 14.	Intangible Assets	55
Note 15.	Financial Instruments	56
Note 16.	Debtors	57
Note 17.	Cash and Cash Equivalents	57
Note 18.	Creditors	58
Note 19.	Provisions	58
Note 20.	Useable Reserves	59
Note 21.	Unusable Reserves	60
	Capital Adjustment Account	61
	Revaluation Reserve	62
	Pensions Reserve	63
	Collection Fund Adjustment Account	64
Note 22.	Cash flow - Operating Activities	65
Note 23.	Cash flow - Investing Activities	66
Note 24.	Cash flow - Financing Activities	66

Note 25	Members allowances	
Note 26.	Senior Officer remuneration and staff over £50k 2019/20	67
Note 27.	Related Parties	67
Note 28.	External Audit Related Costs	68
Note 29.	Grant Income	69
Note 30.	Capital Expenditure and Capital Financing	70
Note 31.	Leases	71
Note 32.	Defined Benefit Pension Scheme	72
Note 33.	Contingent Assets and Liabilities	74
Note 34.	Events after the Balance Sheet Date	74
Collection	Fund	
1.	Purpose of Fund	
2.	Council Tax	
3.	Non-Domestic Rates (NDR)	
4.	Non-Domestic Rates Appeals	
Glossary o	of terms and abbreviations	

Narrative Report

By the Chief Finance Officer

As the Council's Responsible Financial Officer, I am pleased to present the Council's 2019/20 Annual Financial Report which outlines the Council's financial performance for the year ended 31 March 2020.

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 2019/20.
- The Financial Statements.
- Technical information.

Commentary and Review of 2019/20

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

Page 404

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 Jenny 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 has had a considerable impact on the Council. The Government's lockdown, announced on 20th March 2020, has meant that many of the businesses in Huntingdonshire have been forced to close – significantly impacting on the local economy, which in turn impacts on the Council's commercial income. Furthermore, the Council has had to put considerable resources into ensuring that rough sleepers are safe during this period and that the most vulnerable in our community are cared for. This comes with additional cost pressures.

Financial Impact

These additional costs have not had a dramatic impact on the financial outturn for 2019/20 as the pandemic only started to make a notable impact on the public's and businesses' behaviour in the last two weeks of March. However, the true scale of its impact on the Council's finances will be felt during 2020/21. The Council is expecting substantial losses across many of its largest streams of commercial

5

income. These include rental income, Leisure income, parking, commercial waste, licensing fees and planning fees. As with any recession, investment income is anticipated to reduce which will create further pressures on the Council's finances.

On the expenditure front some of the key areas of additional pressure will include accommodation and support for rough sleepers, additional costs in supporting our most vulnerable with food parcels and assistance in accessing medical provisions, some of whom may not have required our support previously.

It is difficult to quantify the impact of Covid-19 at this stage with any certainty, but the financial pressure on the Council will be substantial – even after the Government's emergency Covid-19 funding for local authorities is considered. Due to the Council's reliance on commercial income and fees and charges and consequently its exposure to the economic cycle, the Council has sought in recent years to build up the general fund balance to ensure the Council is financially resilient in a recession. The Council is therefore in a position to draw upon its general fund reserve balances in 2020/21 to balance its budget.

Moving forward, the Council will reset its Medium-Term Financial Plan (MTFP) in recognition of the impact of the pandemic and the Council's strategic objectives. The Covid-19 crisis has meant that the Council has had to review what its most critical services are, and which are required to still be operational even during a global pandemic. The changing environment and "new normal" in which we are likely to find ourselves will require the Council to review the services it provides, its delivery models and the outcomes that are of the highest priority. This will also require the Council to review the structural position of its budget and how that needs to change going forward.

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 2018/19:

- Achieved sustainable finances and a balanced budget set for 2019/20
- Rushden Lakes development has grown and is thriving
- Land purchased for the Enterprise Centre at Warth Park, Raunds
- Delivered a new waste contract, started in August 2018
- 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 attach
- 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 £12,955,904 for 2019/20, which included a council tax requirement of £4,576,725, as well as parish precepts and a number of technical accounting entries and adjustments. For monitoring purposes, the Finance and Performance Sub Committee is focussed on the collectable income and expenditure of this council. The original revenue budget for the net cost of services, before such adjustments and items, was £11,395,795. 2.2.

Since the budget setting in March 2019, the total budget at 31 March 2020 has been revised to £12,143,489. The net increase in budget relates to incorporating the net interest receivable budget to the service expenditure monitoring, net carry forwards from 2018/19 totalling £249,464, and supplementary estimates totalling £603,855 approved during the year,

Table 1

	£
Net cost of services	11,395,795
Net interest receivable	(105,625)
Carry forwards from 2018/19 (Policy & Resources 13/05/19)	249,464
Supplementary estimates approved in year:	
- LGA ICT Cyber Security Grant	10,700
- Paperless project	157,000
- Parks Improvement grant	14,619
- Asset management plan	84,000
- Paperless project transfer from capital	26,000
- LGR contribution	125,000
- ICT Office 16 licences	67,900
- Asset management works	68,636
- Facilities management	50,000
Revised budget as per Outturn report	12,143,489

Revenue Outturn

The estimated services outturn for the year is an under spend of £648k. This is mainly due to an increase in planning income, net housing benefit overpayments recovered of £101k not within the budget, the vacancy factor, which exceeded the budget of £200k by £104k, a saving on the corporate risk budget of £145k and interest received, which was £121k above the original budget of £105k due to higher cash balances held in year. 2.5. Table 2 below shows the actual expenditure against budget, as set out in Table 1, for 2019/20 by service:

Table 2

	Budget	Actual
	£000	£000
Corporate & Democratic	1,496	0
Customer & Community Services	1,997	3,229
Economic & Commercial Development	652	(1,070)
Environmental Services	3,533	5,768
ICT	929	16
Resources	1,808	2,845
Planning Services	1,726	23,93
Net Cost of Services	12,143	13,182

Significant Variances

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

Planning fees income £149.3k, pre planning application advice fees £20.1K	169
Planning consultants	(121)
income from Housing Benefit overpayments	101
Waste disposal charges	(135)
Corporate risk budget saving	145
Larger cash balances than budgeted resulting in increased investment income	121
Salary vacancy factor	104

Favourable/(unfavourable)

Capital Overview

Capital Expenditure 2019/20

A detailed breakdown of the capital programme is shown in Table 4, which shows that the draft outturn for 2019/20 is an underspend of £1.896m. This is mainly due to a delay in the completion of the Enterprise Centre build, which was completed in 2020/21.

	Budget	Actual
	£000	£000
Disabled facilities Grants	655	569
Commercial Property	6,433	4,914
Leisure & Tourism projects	234	234
Environmental projects	868	810
Corporate systems	733	502
	8,924	7,028

Non- Financial performance

Prompt Payment of Invoices (Invoices paid within 30 Days)

The cumulative position on prompt payment of invoices as at 31 March 2020 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 2020 is £407.7k, of this, £347.9k (85.3%) is current debt (less than 30 days old). The total debt is lower than at 31 March 2019 which was £550.2k

The council also monitors the amount of debt written off for sundry debtors. Sundry debts of £13.5k were written off in the period to 31March 2020. A review of sundry debts was undertaken at year end to identify any possible write offs and as a result 2 invoices were approved for write off in March 2020 in line with the Council's Financial Procedures

Housing Benefit Overpayments

Housing benefit overpayment collection as at 31 March 2020 was 69.0% which is higher than the performance for the same period last year when 58% was achieved.

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 which can be seen in chart 6 below. At 31 March 2020 a total of £26.4k was written off as irrecoverable. This can be compared to 2018/19 when £52.3k had been written off during the same period.

Council Tax Collection

The in-year collection of Council Tax at 31 March 2020 is 98.8%, which is 1.2% above target. The council also monitors the amount of debt written off for Council Tax. At 31 March 2020 a total of \pounds 204.3k had been written off as irrecoverable, which can be compared to £175.2k for the same period in 2018/19.

Business Rates Collection

5.1 The cumulative collection of business rates as at 31 March 2020 was 97.68%, which is under the target of 98% for the period. This is compared with the level collected for the same period in 2018/19 (99.25%).

The amount of debt written off for business rates is also monitored. At 31 March 2020 a total of £49.9k had been written off as irrecoverable in comparison to £80.4k which had been written off during the same period in 2018/19.

Looking to the Future

Going Concern

There is a high degree of uncertainty about future levels of funding for local government. The Council is awaiting the announcement from the Government on the Comprehensive Spending Review for 2021-22 to 2023-24. The other areas adding to the uncertainty are the postponement of the implementation of the Fair Funding Review, the future resetting of business rates baselines, the impact of the COVID19 pandemic on major income streams and the future of the New Homes Bonus scheme. Councils are lobbying Government for an extension into 2021/22, to the current 'income backed guarantee scheme' announced by the Government for losses on major income streams due to COVID.

Covid-19

The coronavirus pandemic has had a profound impact on all aspects of life in Northamptonshire. Through 2020/21 the Council will adopt a pro-active evidence-led approach to ensure that it responds to the emerging needs of residents and businesses. Anticipated impacts for example include an increased need for employment services, homelessness prevention, mental health, and business support services.

The Financial Statements

The Council's financial statements for 2019/20 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 2019/20 as prescribed by the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 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 polices applicable to the 2019/20 statement of accounts are, in the main, the same as those that were applied to the 2018/19.

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

13

Page 413

Page 414

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 at 31 March 2020 and its income and expenditure for the year ended 31 March 2020.

XXXXXX

Director of Finance - s.151 Officer

xx June 2021

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 Corporate Governance Committee of East Northamptonshire Council at its meeting on xx xxxx 2020 delegated authority to me as Chairman of the Panel to approve the Statement of Accounts.

Councillor XXXXX 31 xx 20xx

	2018/19			2019/20		
Gross Expenditure 000 3	Gross Income 000 3	Net Expenditure 0003		Gross Expenditure	Gross Income 000 7	Net Expenditure
0	0	0	Corporate and Democratic Core	458	(458)	0
20,684	(17,770)	2,914	Customer and Consumer Services	20,044	(16,815)	3,229
7,533	(3,225)	4,308	Environmental Services	9,183	(3,415)	5,768
707	(664)	43	ICT	1,963	(1,947)	16
2,723	(53)	2,670	Resources and Organisational Development	5,791	(2,583)	3,209
4,358	(2,209)	2,149	Planning Services	4,426	(2,033)	2,392
481	(427)	54	Economic and Commercial Development	1,425	(2,859)	(1,434)
36,486	(24,349)	12,137	Cost of Services	42,927	(30,109)	12,818
		2,773	Other Operating Expenditure/(Income) (note 11)			3,019
		431	Financing and Investment Income and Expenditure (note 12)			436
		(19,300)	Taxation and Non-specific Grant Income (note 13)			(20,243)
		(3,959)	(Surplus) / Deficit on provision of services			(3,587)
		1,659	(Surplus) or deficit in the revaluation of non- current assets			(5,530)
		3,591	Actuarial losses/(gains) on pension assets and liabilities			(5,168)
		5,250	Other comprehensive income and expenditure			(10,698)
		1,291	Total comprehensive income and expenditure			(14,285)

Comprehensive Income and Expenditure Statement (CIES)

Movement in Reserves Statement

	Balance	Barmarked Reserves	total General Fund	Capital receipts reserve	3 0006 Capital Grants Unapplied	B TOTAL B USEABLE RESERVES	# 000 Reserves	B TOTAL COUNCIL RESERVES
Movement in reserves during 2019/20								
BALANCE AT 31 MARCH 2019	1,500	18,251	19,751	564	296	20,611	5,707	26,318
Adjust to opening balances						0	64	64
Surplus/(Deficit) on	3,588		3,588			3,588	0	3,588
provision of services Other comprehensive income and expenditure						0	10,698	10,698
Total comprehensive	3,588	0	3,588	0	0	3,588	10,762	14,350
income and expenditure	(1 == 0)		(4 750)		(101)	(4,400)		
Adjustments between accounting basis and funding basis under regulations (Note 9)	(1,753)		(1,753)	745	(101)	(1,109)	1,109	0
Transfer to reserves	(1,835)	1,835	0			0	0	0
Net increase/(decrease) in year	0	1,835	(1,753)	745	(101)	(1,109)	1,109	14,286
BALANCE AT 31 MARCH 2020	1,500	20,085	21,585	1,309	195	23,090	17,578	40,668
BALANCE AT 31 MARCH 2019	1,500	18,250	19.750	564	296	20,610	5,708	26,318
BALANCE AT 31 MARCH 2018	1,500	11,548	13,048	4,151	332	17,531	10,078	27,609
Surplus/(Deficit) on provision of services	3,959	0	3,959	0	0	3,959	0	3,959
Other comprehensive income and expenditure	0	0	0	0	0	0	(5,250)	(5,250)
Total comprehensive income and expenditure	3,959	0	3,959	0	0	3,959	(5,250)	(1,291)
Adjustments between accounting basis and funding basis under regulations (Note 9)	2,743	0	2,743	(3,587)	(36)	(880)	880	0
Transfers to/from Reserves	(6,702)	6,702	0	0	0	0	0	0
Net increase/(decrease) in year	0	6,702	6,702	(3,587)	(36)	3.079	(4,370)	(1,291)
BALANCE AT 31 MARCH 2019	1,500	18,250	19.750	564	296	20,610	5,708	26,318

Balance Sheet

31 March 2019 £000		Notes	31 March 2020 £000
29,148	Property, Plant and Equipment	14	39,845
3,291	Investment Property	15	3,251
762	Intangible Assets	16	625
33,202	Long Term Assets	10 _	43,721
, -			-,
9,000	Short Term Investments	17	3,000
3,483	Short Term Debtors	19	3,755
15,271	Cash and Cash Equivalents	20	22,818
27,754	Current Assets	-	29,573
(4,786)	Short Term Creditors	22	(6,508)
(1,219)	Provisions	38	(1,496)
(6,005)	Current Liabilities	-	(8,004)
(27,774)	Net Pensions Liability	17	(23,727)
(861)	Capital Grants Receipts in Advance	37	(875)
(28,635)	Long Term Liabilities	_	(24,602)
26,317	Net Assets	-	40,668
20,609	Useable Reserves	23	23,090
5,708	Unusable Reserves	24	17,578
26,317	Total Reserves	-	40,668

I certify that the statement of accounts gives a true and fair view of the financial position of the authority at 31 March 2020 and its income and expenditure for the year ended 31 March 2020.

XXXXXX

Executive Director of Finance (Section 151 Officer) North Northamptonshire Council xx XXXXX 2021

Cash Flow Statement

2018/19			2019/20
£000		Notes	£000
	Cash flow from Operating Activities		
(3,959)	Net (Surplus) / Deficit on the provision of services		(3,588)
(6,731)	Adjustments to net surplus or deficit on the provision of services for non-cash movements		(4,021)
928	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		1,497
(9,761)	Net cash flows from Operating Activities	25	(6,112)
(29)	Investing Activities	26	1,077
5,323	Financing Activities	27	(362)
(4,467)	Net increase/(decrease) in cash and cash equivalents	-	(7,551)
(10,805)	Cash and cash equivalents at the beginning of the reporting period		(15,271)
(15,272)	Cash and cash equivalents at the end of the reporting period (Note 20)	-	(22,822)

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 2019/20 financial year and its position at the year-end of 31 March 2020. 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 (\pounds) 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.

The functions and services of East Northamptonshire Council will be transferred to North Northamptonshire Council on 1st 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 budget and financial position has 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 Budget
- Balance sheet (including reserves and balances)
- Capital Programme
- Dedicated Schools Grant
- Public Health Grant

The disaggregation work was overseen by a member led task and finish group which was supported by relevant senior officers including the Chief Financial Officer.

The budget formulation work was overseen by a separate member led task and finish group, as well as the shadow executive, which again were supported by senior officers.

A critical piece of work was to disaggregate the County Council budget and balance sheet to provide an indicative baseline of what the costs, assets and liabilities are of providing County Council services in 2020/21 had there been a split between the West and the North. The disaggregation was based on a number of agreed principles and provides for what the cost of services should be as a starting position for the West and North. A summary of these key principles is set out in the table below.

Revenue and Capital Disaggregation Principles	Balance Sheet Disaggregation Principles
- Place of ordinary residence	- Geographical location
- Geographical location	- Link to capital programme/
- Cost drivers	capital financing requirement
- Population	- Link to service disaggregation
- Funding formulae	- Caretaker authority
- Staff numbers	- District/borough areas

Whilst the majority of disaggregation principles have been agreed there are still some areas to be finalised in relation to the balance sheet, one of these is the County Council borrowing portfolio of £532m. Positive progress has been made since the budget was approved on the outstanding areas, and work continues to finalise the position.

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 and Medium-Term Financial Plans

The focus for establishing financial budgets and plans for the new council has been for a 'safe and legal' provision of services. A key requirement in formulating the 2021/22 budget has been to develop a process for allocating the existing Medium Term Financial Plans to the new organisation.

The existing sovereign council plans were carefully scrutinised and updated to reflect a North 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 the Council's 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 (equivalent of 7.5% of net revenue budget) and earmarked reserves of £124m, including £20m of HRA reserves, at 1st April 2021

In addition, the forecast liquidity position that the new council is due to inherit is positive, on 28th February 2021 the level of cash and investment held by sovereign councils and due to transfer to North Northamptonshire was around £191m.



In November 2020 the Northamptonshire Childrens 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 1st November 2020 and is a wholly owned subsidiary of the Northamptonshire County Council, who are responsible for its underwriting liabilities. From 1st April the ownership and responsibilities of the Trust will transfer to North and West Northamptonshire Council's. The Trust is expected to operate as a separate entity in its own right and within the terms of the contractual agreement.

Key Risks and Uncertainties

The financial position of the new council includes a number of risks and uncertainties. These include the impact of Covid-19 on services provision and the economy, potential changes to government funding arising from the Fair Funding, Business Rates Retention and New Homes Bonus reviews from 2022/23, agreement between North and West on the areas of disaggregation outstanding in relation to the balance sheet, the completion of the predecessor council's 2020/21 external audit process and the inherent risks of establishing a new organisation. These risks are actively being monitored, managed, and mitigated.

Further Information

For more information on the North Northamptonshire Council budget refer to the budget report approved by Shadow Authority on 25th February 2021 at the following web link:

https://cmis.northamptonshire.gov.uk/cmis5live/MeetingsCalendar/tabid/73/ctl/ViewMeetingPublic/mid/ 410/Meeting/3662/Committee/456/Default.aspx

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. The is based on the financial and liquidity position of North Northamptonshire Council, considering the balanced budget, positive assurance by North Northamptonshire Council's Chief Finance Officer on the robustness of budget estimates and adequacy of reserves of the new council and cash / investment balances of £191m at February 2021.

North Northamptonshire Council cannot be dissolved without statutory prescription and therefore the functions of East Northamptonshire Council will continue in the new council. 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 yearend, 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, except for vehicles, where the "reducing balance method" 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 bought 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 $\pounds10,000$) 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).

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.

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 2.4%.
 - 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 pensions liability is analysed into the following components:
 - Service cost comprising:
 - Current service cost the increase in liabilities as a result of years of service earned this year. 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 noncurrent 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 currents 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.

Page 3434

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 2019/20 has introduced some changes to the accounting policies which will be required from 1 April 2020 and will be adopted by the Council from this date.

The changes are related to:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015–2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

The first two changes will not impact on the Council, and it is unlikely that the last change will have any material impact on the Council's Statement of Accounts.

At the present time the deferral of implementation of IFRS 16 (Leases) to the 2021/22 Code of Practice has meant that the 2020/21 Code of Practice has not yet completed its full due process.

IFRS 16 Leases 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 2020/21 Code of Practice will confirm these for the 2019/20 financial year. Appendix C of the 2020/21 Code of Practice only includes standards adopted in the Code and therefore for 2019/20 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 2020/21 Code of Practice. The Council had already assessed the implications of the adoption of IFRS 16 for 2020/21 but will update this for the introduction in 2021/22.

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:

- The going concern assumption is a fundamental principle in the preparation of financial statements, under which an entity is ordinarily viewed as continuing in business for the foreseeable future and able to realise its assets and discharge its liabilities in the normal course of business. As a local authority the council's operation can only be discontinued by statute and, on this basis, must be viewed as a going concern (see Code 3.4.2.23). The Code (2.1.2.6) stipulates that transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern, and so this position is unaffected by the implications of the impending reorganisation of local government in Northamptonshire.
- There is a high degree of uncertainty about future levels of funding for local government. As part of the closure of accounts process the council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the council might be impaired as a result of a need to close facilities and reduce levels of service provision. The principal assumption is that the council will experience no significant changes in its operating levels beyond those approved as part of the budget setting process.
- Investment properties have been assessed using the identifiable criteria under the International Accounting Standards of being held for rental income or for capital appreciation. Properties have been assessed using these criteria, which is subject to interpretation to determine if there is an operational reason for holding the property such as regeneration.

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, considering, 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 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows

ltem	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 40.
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 £77 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 £113k 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.

	2019/20					
	Net Expenditure Chargeable to the General	Adjustments for Capital Purposes (Note	s between the Fun Net change for the Pensions Adjustments	ding and Accour Other Differences (Note c)	nting Basis Total Adjustments	Net Expenditure in the Comprehensive Income and Expenditure
	Fund Balance £000	a) £000	(Note b) £000	£000	£000	Statement £000
Corporate and Democratic Core	0	3,463	(133)		3,330	3,330
Customer and Consumer Services	3,229	(292)	(94)		(386)	2,843
Environmental Services	5,768	(1,144)	(99)		(1,243)	4,525
ICT	16	(306)	0		(306)	(290)
Resources and Organisational Development	3,209	(24)	(11)		(35)	3,174
Planning Services	2,393	(198)	(157)		(355)	2,038
Economic and Commercial Development	(1,434)	(83)	(17)		(100)	(1,534)
Cost of Services	13,181	1,416	(511)	0	905	14,086
Other income and expenditure	(16,769)	1,214	(674)	308	848	(15,921)
(Surplus) or Deficit	(3,588)	2,630	(1,185)	308	1,753	(1,835)

Opening General Fund and HRA Balances	(19,750)
(Includes Earmarked Reserves)	
Plus Surplus/(Deficit) on General Fund in Year	(1.835)
Closing General Fund and HRA Balances	(21,585)

		2018/19					
	Net	Adjustmen	ts between the Fun	iding and Accour	nting Basis	Net Expenditure in	
	Expenditure Chargeable to the General Fund Balance	Adjustments for Capital Purposes (Note a)	Net change for the Pensions Adjustments (Note b)	Other Differences (Note c)	Total Adjustments	the Comprehensive Income and Expenditure Statement	
	£000	£000	£000	£000	£000	£000	
Corporate and Democratic Core	0	0	0	172	172	172	
Customer and Consumer Services	2,914	(812)	(50)	(464)	(1,326)	(1,589)	
Environmental Services	4,308	(226)	(81)	(872)	(1,179)	(3,129)	
ICT	43	(287)	0	1,129	(842)	884	
Resources and Organisational Development	2,670	0	(223)	(75)	(298)	(2,371)	
Planning Services	2,149	0	(144)	(659)	(803)	(1,345)	
Economic and Commercial Development	54	(119)	(1)	374	254	(308)	
Cost of Services	12,137	(1,444)	(499)	(395)	(2,339)	(9,798)	
Other income and expenditure	(16,096)	677	(629)	(453)	(405)	16,500	
(Surplus) or Deficit	(3,859)	(767)	(1,128)	(848)	(2,743)	6,702	

Opening General Fund Balances (Includes Earmarked Reserves)	13,048
Plus Surplus/(Deficit) on General Fund in Year	6,702
Closing General Fund Balances	19,750

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

2018/19	Expenditure/Income	2019/20
£000s		£000s
	Expenditure	
8,315	Employee Benefits expenses	7,134
26,056	Other services expenses	33,712
0	Support services recharges	59
2,116	Depreciation, amortisation, impairment	1,155
0	REFCUS	892
9,516	Precepts and levies	3,723
629	Pension Interest Costs	886
46,632	Total expenditure	47,560
	Income	
(6,230)	Fees, charges, and other services income	(8,278)
(198)	Interest and investment income	(238)
(20,730)	Income from council tax, non-domestic rates, and Government grants	(17,977)
(14,457)	Non-Domestic rates redistribution	(8,500)
(7,759)	Demand on collection fund	(8,300)
(640)	Gain on the disposal of assets	(685)
(148)	Transfer to collection fund	(76)
(428)	Support Services Recharges	(7,095)
(50,590)	Total income	(51,148)
(3,959)	Surplus or Deficit on the Provision of Services	(3,588)

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

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.

2019/20

	Useable Reserves			
	General Fund	Capital receipts reserve	Capital Grants Unapplied	Movement Unusable Reserves
	£000	£000	£000	£000
Adjustment primarily involving the Capital Adjustment Account:				
Charges for depreciation and impairment of non-current assets	922			(922)
Amortisation of intangible fixed assets	228			(228)
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
Minimum revenue provision for capital funding				
Adjustment primarily involving the Capital Grants Unapplied Account:				
Application of grants to capital financing transferred to the Capital Adjustment Account			(614)	614
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(513)		513	0
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(745)	745		0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0		0
Adjustments primarily involving the Pensions Reserve:				
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
Total Adjustments	(1,753)	745	(101)	(1,109)

2018/19

	Useable Reserves			
	General Fund	Capital receipts reserve	Capital Grants Unapplied	Movement in unusable Reserves
	£000	£000	£000	£000
Adjustment primarily involving the Capital Adjustment Account:				
Charges for depreciation and impairment of non-current assets	1,159			(1,159)
Revaluation losses on Property, plant, and equipment	0			0
Movements in the market value of investment properties	55			(59)
Amortisation of intangible fixed assets	218			(218)
Capital grants and contributions applied	(619)			619
Revenue expenditure funded from capital under statute	684			(684)
Amount of non-current assets written off on disposal	54			(54)
Minimum revenue provision for capital funding	(52)			52
Adjustment primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(36)		36	
Transfer from Grants unapplied			(74)	74
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(694)	694		
Use of the Capital Receipts Reserve to finance new capital expenditure		(4,281)		4,281
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	2,864			2,864
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,736)			1,736
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	849			(849)
Total Adjustments	2,744	(3,587)	(36)	880

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).

	Balance 31.3.18 £000	Transfers in £000	Transfers out £000	Balance 31.3.19 £000	Transfers in £000	Transfers out £000	Balance 31.3.20 £000
BRR Reserve	2,850	4,519	(102)	7,267	4,696	0	11,963
Community Projects	4,024	1,162	(379)	4,807	1,098	(4,092)	1,813
Projects and Other Investment Opportunities	2,228	949	(522)	2,655	0	(595)	2,060
Devolution Options	361	946	(185)	1,122	568	(407)	1,283
Capital Financing Reserve	387	0	0	387	0	0	387
MTFS Savings	300	0	0	300	0	0	300
Property Investment - Advisers	250	0	0	250	0	0	250
Carry Forwards	72	249	(72)	249	0	(249)	(0)
Revenue Grants	100	142	0	242	66	(25)	283
Planning Reserve	167	20	(3)	184	0	0	184
Asset Management Plan	117	78	(33)	162	0	(153)	9
Personal Land Charges	154	0	0	154	0	(154)	0
Waste risk reserve	0		0		154		146
Election Reserve	92	24	0	116	30	0	112
Insurance Reserve	112	0	0	112	0	0	109
Legal Costs	109	24	(24)	109	0	0	51
Procurement Reserve	92	0	(41)	51	0	0	20
Women's Tour	20	0	0	20	0	0	154
IT Strategy	43	0	(43)	0			0
Enterprise centre				0	250	0	250
Covid risks				0	648	0	648
Other small reserves (below £20k)	70		(7)	63	0	0	63
Total Earmarked reserves	11,547	8,113	(1,411)	18,249	7,510	(5,675)	20,084

Projects and Other Investment Opportunities

Fund any project identified within the Efficiency Plan

MTFS Reserve

BRR Reserve

Fund any deficit as identified within the MTFS

Community Projects

Fund any shortfalls in business rates collected.

Fund project within the community

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

2018/19		2019/20
£000		£000
3,413	Parish Council precepts	3,723
(640)	(Gains)/losses on the disposal of non-current assets	(685)
2,773	Total	3,038

Note 10. Financing and Investment Income and Expenditure

2018/19 £000	·	2019/20 £000
629	Pensions interest cost and expected return on pensions assets	674
(198)	Interest and Investment income	(238)
431	Total	436

2018/19 £000		2019/20 £000
(2,493)	Central Government Grants	(2,991)
(7,759)	Council Tax Income	(8,300)
(148)	Transfer of Council tax surplus	(76)
36	Capital Grants and Contributions	(513)
	Collection Fund Deficit	
(13,346)	Retained business rates	(8,394)
5,386	Tariff payment	
775	Levy payment	759
(1,111)	Small business rate relief grant (S.31)	(728)
(414)	Revenue Support Grant	0
(225)	Transfer of business rates deficit	0
(19,300)	Total	(20,243)

Note 11. Taxation and Non-Specific Grant Income

Note 12. Property, Plant and Equipment

Movements in 2019/20	e Other Land and Buildings	r Vehicles, Plant, & O Equipment	# Infrastructure O Assets	e Surplus Assets	B Community Assets	B Assets Under O Construction	B Total Property, Plant and Equipment
Cost or Valuation							
Gross B'fwd	21,735	8,512	306	572	1,058	1,833	34,016
Additions	95	1,141			36	4,814	6,086
Revaluation to Revaluation Reserve	4,620			654			5,274
Disposal	(40)						(40)
Gross C'fwd	26,410	9,653	306	1,226	1,094	6,647	45,334
Depreciation							
Gross B'fwd	(93)	(4,703)	(72)				(4,869)
Depreciation charge	(324)	(589)	(9)				(922)
Depreciation to Revaluation Reserve	301						358
Disposal							0
Gross C'fwd	(116)	(5,292)	(81)				(5,490)
Net Book Value At 31 March 2020	26,293	4,360	225	1,226	1,094	6,647	39,844

Movements in 2018/19	Buildings	ლ Vehicles, Plant, & 6 Equipment	Description of the sector o	e Surplus Assets	B Community Assets	B Assets Under 00 Construction	B Total Property, Plant and Equipment
Cost or Valuation							
Gross B'fwd	23,913	6,670	306	626	1,058	17	32,490
Additions	73	2,081				1,816	3,970
Revaluation to Revaluation Reserve	(2,400)						(2,400)
Revaluation to CIES	0						0
Disposal	0			(54)			(54)
Transfer within Property, Plant and Equipment	150	(140)					10
Gross C'fwd	21,735	8,512	306	572	1,058	1,833	34,016
Depreciation							
Gross B'fwd	(77)	(4,294)	63				(4,434)
Depreciation charge	(375)	(409)	(9)				(793)
Depreciation to Revaluation Reserve	358						358
Revaluation to CIES	0						0
Disposal	0						0
Gross C'fwd	(93)	(4,703)	(72)	0	0	0	(4,869)
Net Book Value							
At 31 March 2019	21,642	3,809	234	572	1,058	1,833	29,147
At 31 March 2018	23,836	2,278	243	626	1,058	17	28,057

Capital Commitments

As at 31 March 2020 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.

Assets Held for Sale are valued at lower of carrying value and fair value.

	Other Land and Buildings	Surplus Assets
Revaluation Profile	£000	£000
Valued at Fair Value as at		
31 March 2020	24,010	1,129
31 March 2016	2,283	97
	26,293	1226

Page⁵450

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.

2018/19 £000		2019/20 £000
(286)	Rental income from investment property	(286)
0	Direct operating expenses arising from investment property	5
(286)		(281)
(38)	Revaluation Adjustment	44
(324)	Net (gain)/loss	(237)

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.

2018/19 £000		2019/20 £000
3,318 10	Balance at start of the year Additions in year	3,290 5
(38)	Net gain/(loss) for fair value	(44)
3,290	Balance at end of the year	3,251

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.

2018/19		2019/20
£000		£000
2,316	Gross carrying amounts	2,553
(1,573)	Accumulated amortisation	(1,791)
743	Net carrying amount at the start of the year	762
237	Additions	91
(218)	Amortisation for the period	(228)
762	Net carrying amount at the end of the year	625
2,553	Gross carrying amounts	2,644
(1,791)	Accumulated amortisation	(2,019)
762	Net carrying amount at end of the year	625

Note 14. Intangible Assets

Note 15. Financial Instruments

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

Current Financial Instruments	2018/19	2019/20
	£000	£000
Investments		
Short term investment	9,000	3,000
Total investments	9,000	3,000
Cash & Cash equivalents		
Short term deposits	14,000	18,004
Cash and bank balances	1,271	4,814
Total cash & cash equivalents	15,271	22,818
Debtors		
Trade receivables	3,481	1,668
Total Debtors	3,481	1,668
TOTAL FINANCIAL ASSETS		
Borrowings		
Financial liabilities at amortised cost	0	0
Total borrowings	0	0
Creditors		
Financial liabilities at amortised cost	4,786	1,904
Total creditors	4,786	1,904
TOTAL FINANCIAL LIABILITIES		

Gains and losses on income and expense

	Financial A	Financial Assets	
	(Loans and Receivables		
	2018/19 £000	2019/20 £000	
Interest expenses (Loans and liabilities)	0	0	
Interest income (Investments)	(102)	(238)	
Net gain/(loss) for the year	(102)	(238)	

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.

20	018/19	-	2019	/20
Carrying amount	Fair value		Carrying amount	Fair value
£000	£000		£000	£000
		Liabilities		
4,786	4,786	Financial liabilities	1,904	1,904
		Assets		
27,752	27,752	Investments and receivables	27,486	27,486

All the Council's Financial Instruments are Level 1

NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The authority's activities expose it to a variety of financial risks, including: n credit risk – the possibility that other parties might fail to pay amounts due to the authority n liquidity risk – the possibility that the authority might not have funds available to meet its commitments to make payments n 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 De	btors			
201	8/19	-	2019	9/20
Short term £000	Long term £000		Short term £000	Long term £000
481		Central government bodies	1,040	
837		Other local authorities	1,029	
2,405		Other entities and individuals	1,979	
(242)		Provision for bad debts	(293)	
3,481	0		3,755	0

Note 17. Cash and Cash Equivalents

2018/19 £000		2019/20 £000
1,279	Cash held by the Council	4,814
13,992	Short term deposits	18,004
15,271	Cash and Cash Equivalents	22,818

Note 18. Creditors

2018/19		-	201	9/20
Short term £000	Long term £000		Short term £000	Long term £000
1,832		Central government bodies	3,815	
1,795		Other local authorities	951	
1,158		Other entities and individuals	1,747	
4,786	0		6,508	0

Note 19. Provisions

	Balance as at 31 March 2019	Increase/(decrease) in provision	Utilised	Balance as at 31 March 2020
	£000	£000	£000	£000
Business rates appeal	1,360	479	366	1,473
Other	23	0	0	23
Total	1,383			1,496

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 £4.857m; of which £1.943m would have to be met by the Council, and £2.329m by other Collection Fund participants.

Note 20. Useable 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.

Restated 2018/19		2019/20
£000		£000
(27,791)	Capital Adjustment Account	(29,561)
(5,520)	Revaluation Reserve	(11,265)
29,774	Pensions Reserve	23,727
57	Accumulated absence account	57
(1)	Deferred capital receipts reserve	(1)
(227)	Collection Fund Adjustment Account	(537)
(3,708)	Total Unusable Reserves	(17,582)

Note 21. Unusable Reserves

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.

2018/19		Capital Adjustment Account	2019/20	
£000	£000		£000	£000
	(24,803)	Balance at 1 April		(27,791)
		Reversal of items relating to capital		
		expenditure debited or credited to the		
		Comprehensive Income and Expenditure Statement:		
1.176		Charges for depreciation of non-current assets	923	
38		Revaluation movement on investment properties	44	
218		Amortisation of intangible assets	228	
684		Revenue expenditure funded from capital under statue	892	
0		Other adjustments for assets disposed of or	252	
		transferred from the Revaluation reserve Difference between current value depreciation		
		and historical cost depreciation		
(132)		Amounts of non-current assets written off on disposal	(80)	
	2,038			2,299
	2,000	Capital financing applied in the year:		2,200
(4,281)		Use of the Capital Receipts Reserve to finance	0	
(74)		new capital expenditure Application of Grants to finance capital	(614)	
(74)		expenditure	(014)	
(619)		Capital grants & contributions credited to the	0	
		Comprehensive Income & Expenditure		
(50)		Statement	0	
(52)		Statutory provision for the financing of capital investment charged against the general fund	0	
		(MRP)		
0		Capital expenditure charged to General Fund	(3,454)	
	(5,026)			(4,068)
	(27,791)	Balance at 31 March		(29,560)

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.

2018/19	Revaluation Reserve	2019/20
£000		£000
(7,311)	Balance at 1 April	(5,520)
	Upward revaluation of assets	(5,739)
861	Downward revaluation of assets	
(98	Impairment losses not charged to the surplus/deficit on the provision of services	165
(5,652)	(Surplus) or deficit in the revaluation of non-current assets	(11,094)
0	Other adjustments for assets disposed of or transferred – Written off to the Capital Adjustment Account	(252)
132	Difference between fair value depreciation and historical cost depreciation - written off to Capital Adjustment Account	80
(5,520)	Balance at 31 March	(11,266)

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.

2018/19	Pensions Reserve	2019/20
£000		£000
(23,055)	Balance at 1 April	(27,774)
3,591	Remeasurement of net defined liability	5,168
(2,864)	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)
1,736	Employer's pensions contributions and direct payments to pensioners payable in the year	1,871
(27,774)	Balance at 31 March	(23,727)

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 2019/20 and previous years although it is only actually transferred from the Collection Fund in line with regulations.

2018/19	Collection Fund Adjustment Account	2019/20
£000		£000
(1,077)	Balance at 1 April	(228)
849	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	(308)
(228)	Balance at 31 March	(536)

Note 22. Operating Activities

The cash flows for operating activities include the following items:

2018/19	Interest Items	2019/20
£000		£000
198	Interest Received	238
36	Grants credited to services	514
694	Proceeds from sale of Property, plant, and equipment	725
928	Interest Paid	1,477

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

2018/19	Non-Cash Items	2019/20
£000		£000
(1,231)	Depreciation	(922)
0	Impairment and downward valuations	(44)
(218)	Amortisation	(228)
1,089	Increase/ (decrease) in creditors	(1,658)
(4,504)	Increase/ (decrease) in debtors	378
164	Increase/ (decrease) in provisions	(277)
(1,128)	Movement in pension liability	(1,185)
(54)	Carrying amount of non-current assets and non- current assets held for sale, sold,	(40)
	or derecognised	
(849)	Other non-cash items charged to the net surplus or deficit on the provision of	(45)
	services	
(6,731)		(4,021)

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

2018/19 £000	Investing and Financing Items	2019/20 £000
(949)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(263)
(9,798)	Any other items for which the cash effects are investing or financing cash flows	(12,393)
(10,747)		(12,656)

Note 23. Investing Activities

2018/19		2019/20
£000		£000
4,901	Purchase of property, plant and equipment, investment property and intangible assets	6,182
(4,000)	Disposals of short and long term investments	(6,000)
0	Capital grants received	(514)
(694)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(745)
(236)	Other receipts from investing activities	0
(29)	Net cash flows from investing activities	(1,077)

Note 24. Financing Activities

2018/19 £000		2019/20 £000
(285)	Finance lease payments	0
0	Interest received	(238)
4,925	Collection fund adjustment	(110)
683	Other payments for financing activities	(14)
5,323	Net cash flows from financing activities	(362)

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 less than £150,000 but equal to or more than £50,000 per year. There are five other employees whose annual remuneration, excluding employers pension contributions that exceeded £50,000 in 2019/20 and one for 2018/19. 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.

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
Head of Community and Customer Services (vii)	15	0	0	0	15	5	20
Head of Planning Services	67	0	0	1	68	22	90
Head of Economic & Commercial Development	67	0	0	1	68	22	90

(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.

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

2018/19	Salary including Fees & Allowances	Expenses Allowances**	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	109	2	0	1	112	37	149
Executive Director	87	1	0	1	90	29	119
Executive Director: Resources & Commercial	87	0	0	1	89	29	118
Head of Environmental Services	63	1	0	1	65	21	86
Head of Resources and Organisational Development	53	1	0	1	56	18	74
Head of Joint Planning Unit	63	1	0	1	65	21	86
Head of Planning Services	63	0	0	1	64	21	85
Head of Community and Customer Services	58	1	0	1	60	19	79
Head of Economic & Commercial Development	62	0	0	1	64	21	84

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

Remuneration Band	2019/20	2018/19
	Number of Employees	Number of Employees
£50,000 to £54,999	2	1
£55,000 to £59,999	2	0

Exit Packages

Exit package cost band (including special payments) £	Numł comp redund 2019/20	ulsory		of other es agreed 2018/19	ed packages			st of exit ages 2 2018/19
0 - 20,000	-	-	-	1	-	1	-	7,209
20,001 - 40,000	-	-	-	-	-	-	-	-
40,000 >	-	-	-	-	-	-	-	-

Note 26. Members' Allowances

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

2018/19		2019/20
£000		£000
329	Allowances	274
13	Expenses	13
342		366

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 2019/20 is shown in Note 27.

Officers

During 2019/20 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.

2018/19 £000		2019/20 £000
35	External audit	35
4	Grant claim certification	14
39		49

Note 29. Grant Income

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

2018/19		2019/20
£000		£000
	Credited to taxation and non-specific Grant income	
414	Revenue support grant	0
2,323	New Homes Bonus	2,196
1,111	Business rates S31 grant	1,433
112	Other Grants	90
3,960	Total	3,719
	Credited to Services	
16,133	Housing Benefits Rent allowances	13,804
188	Benefits administration	169
129	Housing Benefit Discretionary Housing	105
518	Disable facilities grant Grants	0
159	Homelessness grant	72
696	Other grants	354
17,823	Total	14,503
21,783	Taxation and grant income	18,222

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:

2018/19	Grants Receipts in Advance	2019/20
£000		£000
	Government grants	
887	Balance at 1 April 2019	861
(26)	Movement for year	14
861	_	875

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.

2018/19		2019/20
£000		£000
53	Opening Capital Financing Requirement	(73)
	Capital Investment	
3,969	Property, Plant and Equipment	6,086
237	Intangible Assets	91
684	Revenue Expenditure Funded from Capital Under Statue	892
10	Investment Property	4
4,900		6,873
(4,281)	Capital Receipts	0
(693)	Grants and Other Contributions	(614)
0	Revenue funding	(3,454)
(52)	Minimum Revenue Provision	Ó
5,026)		(4,068)
5,020)		(4,000)
(73)	Closing Capital Finance Requirement	2,732
0	Increase/(Decrease) in Underlying Need to Borrow	2.732

Note 31. Leases

Council as Lessee

Finance Leases

The Council has acquired some industrial units under finance leases. The assets acquired under these leases are carried as investment property in the Balance Sheet at the following amounts:

2018/19		2019/20
£000		£000
2,160	Investment Properties	2,225

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

2018/19 £000		2019/20 £000
	Finance lease liabilities (Net present value of minimum lease payments)	
544	Non-current	545
2,833	Finance costs payable in future years	2,793
3,377	Minimum lease payments	3,338

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

	Minimum lease payments		Finance leas	se payments
	2018/19 £000	2019/20 £000	2018/19 £000	2019/20 £000
Not later than 1 year	39	39	0	0
Later than 1 year and not later than 5 years	156	156	0	1
Later than 5 years	3,182	3,143	544	544
	3,377	3,338	544	545

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2019/20 £0.081m contingent rents were payable by the Council (2018/19; £0.081m).

Operating Leases

The Council has a number of operating leases for land which vary from 3 years to 125 years. The operating lease payments made in the year, are in the following tables.

The future minimum lease payments due under non-cancellable leases in future years are:

2018/19 £000		2019/20 £000
18	Not later than 1 year	16
21	Later than 1 year and not later than 5 years	6
39	—	22

The expenditure charged to the appropriate service in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

2018/19 £000		2019/20 £000
28	Minimum lease payments	13

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:

2018/19 £000		2019/20 £000
3,666	Not later than 1 year	4,829
8,752	Later than 1 year and not later than 5 years	10,209
23,969	Later than 5 years	26,382
36,387		41,420

The lease payments receivable do 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.

2018/19		2019/20
£'000		£'000
	Comprehensive Income & Expenditure Statement	
	Cost of Services:	
1,958	Current Service Cost	2,434
277	Past Service Cost	(116)
	Financing and Investment Income and Expenditure:	
629	Net interest expense	674
2,864	Total post-employment benefit charged to the deficit on the provision of services	2,992
	Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement:	
	Re-measurement of the net defined benefit liability comprising:	
(1,954)	Return on plan assets (Excluding the amount included in the net interest expense)	3,024
0	Actuarial gains and losses arising on changes in demographic assumptions	(2,451)
5,458	Actuarial gains and losses arising on changes in financial assumptions	(6,245)
23	Other experience	504
3,527	Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement	(5,168)
	Movement in Reserves Statement	
(2,864)	Net charges made to the (surplus)/deficit on the provision of services for post- employment benefits in accordance with the Code	(2,176)
2,864	Reversal of net charges made to the surplus/deficit on the provision of services	2,176
	Actual amount charged against the General Fund Balance for Pensions in the Year:	
1,791	Employer's contributions payable to the scheme	1,807
4,655	Total Movement in Reserves Statement	3,983

Assets and Liabilities in relation to Post-employment Benefits

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

31 March 2019		31 March 2020
£000		£000
41,287	Opening fair value of Scheme assets	44,733
1,119	Interest on assets	1,080
1,954	Return on assets less interest	-3,024
1,681	Contributions by employer	1,751
336	Contributions by scheme participants	360
-1,644	Estimated benefits paid plus unfunded net of transfers in	-1,721
44,733	Closing fair value of scheme assets	43,179

31 March 2019	·	31 March 2020
£000		£000
64,342	Opening defined benefit obligation	72,443
1,958	Current service cost	2,434
1,748	Interest Cost	1,754
5,458	Change in financial assumptions	-6,245
0	Change in demographic assumptions	-2,451
23	Experience loss/(gain) on defined benefit obligation	504
0	Liabilities assumed/(extinguished) on settlements	0
-1,644	Estimated benefits paid net of transfers in	-1,721
277	Past Service costs, including curtailments	-116
336	Contributions by Scheme participants	360
-55	Unfunded pension payments	-56
72,443	Closing defined benefit obligation	66,906

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:

2018/19 £000		2019/20 £000
44,733	Fair value of assets	43,179
(72,443)	Deficit in the scheme	(66,906)
(27,710)		(23,727)

The liabilities show the underlying commitments that the Council has in the long run to pay postemployment benefits. The total liability of £23.727m) 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 £4.31m into Cambridgeshire 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 2019/20 (2018/19; 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:

2018/19	County Fund – Main Assumptions	2019/20
2.00/	Data of increases in colorias	2.40/
2.8%	Rate of increase in salaries	2.4%
2.5%	Rate of increase in pensions	1.9%
2.4%	Rate of discounting scheme liabilities Mortality assumptions:	2.3%
	Longevity at 65 for current pensioners	
22.1 years	Men	21,5 years
24.2 years	Women	22.3 years
	Longevity at 65 for future pensioners	
23.9 years	Men	23.7 years
26.1 years	Women	25.1 years

Local Government Pension Scheme Assets Comprised:

	Period E	nded 31 M	arch 201	19	Period E	}		
	Quoted prices in active market s	Quoted prices not in active mar- kets	Total	% of Total Assets	Quoted prices in active market s	Quote d prices not in active mar- kets	Total	% of Total Assets
Asset category	£000	£000	£000	%	£000	£000	£000	%
Equity Securities:								
Consumer	1,072	0	1,072	2%	4,907	0	4,907	11%
Manufacturing	466	0	466	1%	1,721	0	1,721	4%
Energy and Utilities	292	0	292	1%	2,552	0	2,552	6%
Financial Institutions	427	0	427	1%	2,784	0	2,784	6%
Health and Care	294	0	294	1%	1,754	0	1,754	4%
Information Technology	324	0	324	1%	2,402	0	2,402	5%
Debt Securities:								
UK Government	0	4,659	4,659	11%	0	3,828	3,828	9%
Private Equity:								
All	0	945	945	2%	0	807	807	2%
Real Estate								
UK Property	0	3,248	0	8%	3,537	0	3,537	8%
Overseas Property	0	223	0	1%	112	0	112	0%
Investment Funds and Unit Trusts:								
Equities	0	24,786	24,78 6	57%	15,833	0	15,833	35%
Bonds	0	3,192	3,192	7%	3,247	0	3,247	7%
Infrastructure	0	2,594	2,594	6%	199	0	199	0%
Cash and Cash Equivalents:								
All	658	0	658	2%	1,050	0	1,050	2%
Totals	3,533	39,646	43,17 9	100%	40,098	4,635	44,733	100%

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

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2019/20 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2020.

Sensitivity analysis:

Increase in assumption 31 March 2019 £000	Impact on the defined benefit obligation in the scheme	Increase in assumption 31 March 2020 £000
3-5%	Longevity (increase or decrease in 1 year)	3-5%
3,263	Rate of increase in salaries (increase or decrease by 0.5%)	1,811
21,288	Rate of increase in pensions (increase or decrease by 0.5%)	18,059
(24,884)	Rate for discounting scheme liabilities (increase or decrease by 0.5%)	(20,029)

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 2020.

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 2020 will be approximately ± 1.751 m.

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. Contingent Liabilities

A contingent liability is recognised 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.

The information usually required by IAS37 is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of the litigation. The Council has therefore chosen not to provide for any estimate at this time as the timing, quantum and outcome of any potential payment are uncertain not withstanding that the Council is of the opinion that the claim can be successfully resisted.

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 xx xxxx 2021. Events taking place after this date are not reflected in the financial statements or notes. There were also no events taking place before this date that provided information about material conditions existing at 31st March 2020 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

2018/19	2018/19	2018/19	COLLECTION FUND	2019/20	2019/20	2019/20
£000	£000	£000		£000	£000	£000
Council Tax	NNDR	Total		Council Tax	NNDR	Total
			INCOME			
(54,410)		(54,410)	Council Taxpayers	(58,228)		(58,228)
	(32,992)	(32,992)	Income from Business Ratepayers		(34,647)	(34,647)
(54,410)	(32,992)	(87,402)	TOTAL INCOME	(58,228)	(34,647)	(92,874)
			EXPENDITURE			
			Precepts			
38,757		38,757	Northamptonshire County Council	39,382		39,382
6,929		6,929	The Police and Crime Commissioner for Northamptonshire	7,807		7,807
7,759		7,759	East Northamptonshire Council	8,300		8,300
1,100		1,100	Fire & Rescue Service	1,936		1,936
			Business Rates	1,000		1,000
	16.125	16,125	Payments to Government		8,286	8,286
	,		Payments to Northamptonshire County		0,200	
	3,225	3,225	Council		11,270	11,270
	12,900	12,900	Payments to East Northamptonshire Council		13,258	13,258
			Payments to PCCF		331	331
	101	101	Costs of Collection		107	107
	264	264	Transitional Protection payments		(61)	(61)
(= .)	(22.1)	(0)	Bad and Doubtful Debts			
(51)	(221)	(272)	Provisions	288	101	389
	(409)	(409)	Provision for Appeals		692	692
	440	440	Other Transfers		400	100
	446	446	Renewable Energy Contributions		429	429
601	2,426	3,027	Transfer / Payment of Surplus	938	(691)	247
53,996	34,857	88,853	TOTAL EXPENDITURE	58,651	33,722	92,373
	0.,001	,				,
(414)	1,865	1,450	Deficit/ (Surplus) for the year	424	(925)	(501)
			COLLECTION FUND BALANCE			
(737)	(2,023)	(2,760)	Balance brought forward at 1 April	(1,151)	(158)	(1,310)
(414)	1,865	1,450	Deficit/ (Surplus) for the year (as above)	424	(925)	(501)
(1,151)	(158)	(1,310)	Balance carried forward at 31 March	(727)	(1,083)	(1,811)
			Allocated to:			
(835)	(16)	(851)	Northamptonshire County Council	(498)	164	(328)
			The Police and Crime Commissioner for			
(149)		(149)	Northamptonshire	(100)	2	(98)
	(79)	(79)	Government		483	483
(167)	(63)	(231)	East Northamptonshire Council	(106)	433	329
			Northamptonshire Fire Authority	(25)		
(1,151)	(158)	(1,310)	-	(727)	(1,083)	1,811

Notes to the Collection Fund

1 Council tax

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 2018/19 are detailed below:

Tax Band	Band D Multiplier	Number of Domestic Properties 2018/19	Band D Equivalent 2018/19	Band D Equivalent 2017/18
Disabled	5/9	13	7	8
A	6/9	6,861	4,575	4,546
В	7/9	9,164	7,128	7,003
С	8/9	6,050	5,378	5,293
D	9/9	5,117	5,117	5,040
E	11/9	3,789	4,631	4,503
F	13/9	2,341	3,381	3,364
G	15/9	1,364	2,273	2,272
Н	18/9	128	256	250
Tot	tal	34,828	32,746	32,280

2 Income from business (non-domestic) rates

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 19/20 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 2020 was £80.7. The equivalent figure for 31st March 2019 was £80.7m.

The National Non-Domestic rate multiplier for 2019/20 was 50.4p. The equivalent figure for 2018/19 was 49.3p. The Small Business Rate Multiplier for 2019/20 was 49.1p. The equivalent figure for 2018/19 was 48.0p.

3 Council tax / NNDR bad debt provision

The Collection Fund account provides for bad debts on Council Tax arrears on the basis of prior years experience and current years collection rates.

Council Tax	2019/20	2018/19
	£000	£000
Balance at 1 April	475	701
Write offs during year for previous years	(204)	(175)
Net increase/(decrease) in provision	288	(51)
Balance at 31 March	559	475

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

NNDR	2019/20	2018/19
NNDR	£000	£000
Balance at 1 April	141	442
Write offs during year for previous years	(47)	(80)
Net increase/(decrease) in provision	101	(221)
Balance at 31 March	195	141

I

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 2020.

NNDR Anneala	2019/20	2018/19
NNDR Appeals	£000	£000
Balance at 1 April	2,990	3,400
Write offs during year for previous years		(37)
Net increase/(decrease) in provision	692	(372)
Balance at 31 March	3,681	2,990

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 1st 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

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

This page is intentionally left blank

Agenda Item 11



Item no: 11

AUDIT AND GOVERNANCE COMMITTEE

8th November 2021

Report Title	Future of External Audit								
Report Author	Claire Edwards – Assistant Director of Finance & Accountancy <u>Claire.Edwards@northnorthants.gov.uk</u>								
Contributors/Check	ers/Approvers								
North MO									
North S151									
Other Director/SME	N/a	N/a							

1. Purpose of Report

1.1. The Council's governance arrangements require the Audit and Governance Committee approve the recommendation to opt into the national sector-led arrangements and nominates Public Section Audit Appointments Limited (PSAA), to appoint external auditors on our behalf.

2. Executive Summary

2.1. This report asks the Committee to consider the options for appointing the external auditor and to endorse a recommendation to opt into the national sector-led arrangements.

3. Recommendations

- 3.1. It is recommended that the Committee;
 - a) endorses the opt into the national sector-led arrangements and nominates Public Sector Audit Appointments Limited (PSAA), to appoint the external auditor on its behalf.
- 3.2. Reason for Recommendations
 - It is important that the Council has appropriate external audit arrangements in place. Opting into the sector led approach is the preferred option.

- 4.1. In July 2016, the Secretary of State specified PSAA as an appointing person for principal local government and police bodies for audits from 2018/19, under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015.
- 4.2. The options to consider are:
 - undertake an individual auditor procurement and appointment exercise;
 - undertake a joint audit procurement and appointing exercise with other bodies, those in the same locality for example, or
 - join PSAA's sector led national scheme.
- 4.3. The Council is now faced with a similar decision and if it wishes to opt into the national scheme, it must do so by 11th March 2022. All the above options require a local auditor to be appointed not later than 31 December in the financial year preceding the financial year of the accounts to be audited. So, for the audit of the accounts of the 2023/24 financial year, there must be a local auditor appointed by 31 December 2022. The alternative options are explored in detail in Section 5.

4.4. External audit – what does the Council want?

- 4.5. In thinking about how the external auditor might be appointed officers have set out what the Council wants from its external audit service which one might consider when considering future appointment arrangements:
 - Value for money the Council wants a good quality service for a competitive fee. As a new Unitary Authority, one of the key benefits of the current national arrangements is that firms bid for a block of work rather than individual audits and this has been one of the main factors in reducing fees. However, based on the outcome of the Redmond Review and pressures on external auditors, it is unlikely that further savings can be made whichever option is chosen.
 - **High quality audit** the Council values its audit opinion as it is one assessment of how it is carrying out its public stewardship role. The Council would want to maintain high quality as a means of reassuring residents that they can have confidence in this opinion.
 - **Independence** the Council believes that the auditor must be independent and be seen to be independent. Whilst auditors are required to be independent under their own professional standards, the current arrangement whereby auditors have been appointed by a third party does add an extra layer of assurance e.g. the Section 151 Officer cannot simply terminate the contract of the auditor.



- **Minimal administration and procurement cost** the Council does not appoint its own auditor and hence does not incur any direct cost. It would be looking to keep the cost of any new process to a minimum.
- 4.6. The Committee might think there are other factors that should be considered, and these should be borne in mind in respect to any decision

5. Issues and Choices

5.1. **Option 1. Opt into national arrangements**

- 5.2. The Council could continue to opt into the sector lead procurement of the external audit service. Using Public Sector Audit Appointments as the Appointing Person has many benefits.
 - PSAA has considerable expertise and experience in the role of appointing person. The Government have appointed PSAA for a second five-year period – MHCLG's Spring statement refers to its "strong technical expertise and the proactive work...done to help to identify improvements"
 - It has a dedicated team who are very familiar at working within the context of the relevant regulations to appoint auditors, manage contracts with audit firms, and set and determine audit fees

 PSAA is a not-for-profit organisation whose costs are around 4% of the scheme with any surplus distributed back to scheme members – so it provides value for public money
 - It conducts local audit related research to raise awareness and successfully lobbies for change to address challenges, e.g. imminent legislation change to allow for a more streamlined and flexible fees setting regime which will increase the accuracy scale fee on a timelier basis
 - It provides a transparent and independent auditor appointment to bodies spending public money • It avoids the need to undertake an auditor procurement and ongoing contract management activities (such as fee variation management), saving local time and effort • It has delivered cost reduction in the audit market;
 - It provides the best opportunity to secure the appointment of a qualified, registered auditor - there are currently only eight suppliers accredited to undertake local audit - a local procurement would be "fishing in the same pool" of suppliers as PSAA's procurement
 - It avoids the necessity (as required by the Act) to establish an Auditor Panel with an independent chair to oversee the procurement and running of the contract. The Panel must have a minimum of three members of whom the majority are independent of the organisation



- It gives Free access to our Local Audit Quality Forum and other webinar events on relevant topics, whereas bodies making local arrangements can participate for a small fee.
- 5.3. This option would meet the Council's criteria above and is the preferred option. If the Council chooses not to join the sector lead route, there are two possible alternatives:

5.4. **Option 2. Undertake own procurement**

- 5.4.1. The Council could form its own auditor panel (see above) and undertake its own procurement arrangements. However, it should note that the specification of a local audit is fixed. It is determined by the requirements of the:
 - NAO's Code of Audit Practice which sets the scope of the audit;
 - the Code of Practice on Local Authority Accounting published by CIPFA which sets the format of the financial statements.
 - HM Treasury in respect of the arrangements for Whole of Government Accounts; and
 - FRC who regulate the work of auditor in the application of International Auditing Standards.
- 5.4.2. This approach also raises the question as to whether there is an available and willing source of independent members across Northamptonshire to appoint to the auditor panel, recognising that there will need to be a majority of independent members, including the chair on the panel. The panel will have limited responsibilities and in reality, will meet infrequently, and the role may not be seen as attractive. This option would require work, is likely to increase cost and offers little benefit.

5.5. **Option 3. Joint procurement**

- 5.5.1. The Council could seek to form a joint auditor panel and a joint procurement arrangement with neighbouring authorities (this could be within Northamptonshire or elsewhere) so that there is a single auditor panel and single external audit contract for the entire area (however defined). This would aim to take advantage of better purchasing power and provide a more attractive offer for the external auditor bidders. This is particularly important as local authority audit is a specialised activity. However, there has been no appetite for such an arrangement as most are intending to opt into the sector led arrangements.
- 5.5.2. There would still be some additional bureaucracy associated with creation and management of a joint auditor panel, although it would avoid the need for each body to source its own independent members. This approach would require delegations from (or feasibly to) this Council from other Councils to form a lead authority for the appointment of the panel and for future governance and



procurement purposes. There would also need to be joint arrangements in place to introduce and manage an allowance scheme for the panel. Whilst more attractive than option 2, it is only viable if the Council can find other Councils going down this route.

5.6. Summary

- 5.6.1. Option 1 effectively replicates existing arrangements for the Council, as existed within the sovereign authorities. Options 2 and 3 will require officer time to introduce these arrangements. There will be costs associated with advertising and then interviewing for the independent members and running a procurement exercise. Subsequently there could be the cost of an allowance scheme. Officers believe the existing national collective scheme that PSAA runs is the preferable route.
- 5.6.2. To assist Members in their deliberations PSAA have produced a set of FAQ's available on the link below.

https://www.psaa.co.uk/contact-us/frequently-asked-questions

6. Resources and Financial

6.1.1. The current estimated audit fees for 2021/22 audit are £256k (main fee). It is assumed that the fees to be set by PSAA will be similar, but this will not be known until the outcome of the procurement exercise. There is a risk that fees will increase but this risk is believed to be greater under options 2 and 3.

6.2. **Legal**

6.2.1. The authorities to whom the invitation is issued must then individually decide whether to accept the invitation. The decision to accept the invitation may only be accepted by Full Council as stated in Regulation 19 of the Local Authority (Appointing Person) Regulations 2015.

6.3. **Risk**

6.3.1. Should the Council undertake its own procurement, then additional costs would be incurred through the procurement exercise, setting up a panel including payments to members and dealing with contracts etc. It is difficult to estimate costs, but these could be significant.

6.4. Consultation

- 6.4.1. None specific to this report.
- 6.5. Consideration by Scrutiny
- 6.5.1. Not specific to this report.
- 6.6. Climate Impact



6.6.1. None specific to this report.

6.7. Community Impact

6.7.1. None specific to this report.

7. Background Papers

7.1. Invitation to opt into the National Scheme for Audit Appointments.

Agenda Item 12



Item no: 12

AUDIT AND GOVERNANCE COMMITTEE

8th November 2021

Report Title	Internal Audit progress report							
Report Author	Rachel Ashley-Caunt, Head of Internal Audit & Counter Fraud							
Contributors/Check	ers/Approvers							
North MO								
North S151								
Other Director/SME								

List of Appendices

Appendix 1: Internal Audit progress report

1. Purpose of Report

1.1 To provide the committee with a progress update on the work of the Internal Audit team and the key findings from audits completed to date.

2. Executive Summary

2.1 The Internal Audit service is delivering against the schedule of work presented to the Committee at the meeting in July 2021. This plan of work is subject to ongoing review and prioritisation to ensure it focuses on the Council's key risks. Good progress is being made on progressing planned audit work, with a focus on key risk areas. As noted at the last update some assignments have been delayed to co-ordinate with other developments and work underway in the respective service areas.

3. Recommendations

- 3.1 It is recommended that the Committee:
 - a) Note the progress report attached as Appendix 1.
- 3.2 Reason for Recommendations
 - For the Committee to exercise its duties and responsibilities within its Terms of Reference for receiving reports from the Internal Audit service and considering the main issues arising.

4. Report Background

- 4.1 The Internal Audit service is progressing work from the draft plans presented to the Audit and Governance Committee on 12th July 2021. The key findings of a further four audits completed during the year to date are provided within Appendix 1 for the committee's information.
- 4.2 A copy of the planned schedule of work for 2021/22 and the status of each assignment is provided. These assignments continue to be progressed and subject to re-prioritisation, as appropriate. No significant amendments to the audit plan coverage are proposed at this time. The Head of Internal Audit is meeting with senior management across the organisation to schedule audit work in advance and co-ordinate with staff availability, risk prioritisation and other sources of assurance.
- 4.3 Included within the progress report is an overview of the implementation of agreed management actions. At the July 2021 meeting, the Audit and Governance Committee received a paper on open audit actions inherited from the legacy authorities. These are now being included in monthly follow up work conducted by the Internal Audit service, which also monitors any actions arising from the audits delivered during the 2021/22 year to date. An update on actions implemented and those overdue is provided, along with full details of a high priority action which is more than three months overdue.
- 4.4 Also included is an update on counter fraud activity and the implementation of the Fraud Hub.
- 4.5 Further updates on the findings of assignments and progress made will be provided to the Committee at each meeting.

5. Issues and Choices

5.1 The report provides an update on delivery of the internal audit work for 2021/22. There are no alternative recommendations arising from this report.

6. Implications (including financial implications)

6.1 **Resources and Financial**

- 6.1.1 None specific to this report.
- 6.2 Legal
- 6.2.1 None specific to this report.
- 6.3 **Risk**
- 6.3.1 None specific to this report.
- 6.4 **Consultation**

6.4.1 None specific to this report.

6.5 **Consideration by Scrutiny**

6.5.1 Not required on this occasion.

6.6 Climate Impact

6.6.1 None specific to this report.

6.7 Community Impact

6.7.1 None specific to this report.

7. Background Papers

7.1 None.

This page is intentionally left blank



Appendix 1



Internal Audit Progress Report

November 2021

1. Introduction

1.1 The Public Sector Internal Audit Standards (the Standards) require the Audit & Governance Committee to scrutinise the performance of the Internal Audit Team and to satisfy itself that it is receiving appropriate assurance that the controls put in place by management address the identified risks to the Council. This report aims to provide the Committee with details on progress made in delivering planned work, the key findings of audit assignments completed since the last Committee meeting, updates on the implementation of actions arising from audit reports and an overview of the performance of the Internal Audit service.

2. Performance

2.1 The Internal Audit team is working on the delivery of the planned audit assignments for 2021/22, as agreed at the July 2021 meeting of the Audit and Governance Committee. The progress on delivery of assignments to date is summarised in Table 1:

Planned start date	% underway or complete	% at draft or final report stage	Comments			
Q1 (April 2021 – June 2021)	100%	81%	All assignments in advanced stages of delivery or complete.			
Q2 (July 2021 – September 2021)	75%	19%	Some assignments postponed to Q3/Q4 to align with service area requirements.			
Q3/Q4 (October 2021 – March 2022)	10%	-	Fieldwork progressing on two key assignments planned for Q3 and Q4.			

Table 1: Progress on delivery of audit plan assignments

2.2 A full copy of the current audit plan is provided as Table 3, on pages 9 to 14 of this report. As reported at the last meeting, the timing of some of the Q2 assignments has been delayed following initial discussions with senior management in order to co-ordinate with staff availability/resource pressures and when the audit would add the most value.

3. Key findings

3.1 The Internal Audit service has finalised reports in respect of three assignments from the 2021/22 Internal Audit Plan. The key findings arising from those audits are summarised as follows:

Treasury management

The Council has appropriate systems in place to support Treasury Management including:

- Whilst there are gaps in the current Treasury Management Strategy (as a result of the disaggregation of the County Council balance sheet not yet being finalised and the fact that key values cannot be formally agreed until the final statement of accounts for the legacy Councils are agreed), the strategy and practices are reflective of CIPFA recommended practice and clearly defines the goals of the Treasury Management Team and how it plans to achieve these.
- Arrangements are in place to ensure that cashflow forecasts are undertaken on a daily basis to identify surplus funds for investments. A review of forecasts has recently commenced as the intention is to use quarter one information to project cashflow going forward in 2021/22.
- Appropriate controls are in place to ensure investments are subject to approval by a designated officer with appropriate segregation of duties in place covering such activity.
- Member Committee reporting arrangements for Treasury Management have been defined although no reports have yet been issued. In addition, the Treasury Manager meets with the Assistant Director of Finance & Strategy and Group Accountant every two weeks to provide a detailed update on the Council's treasury management activity.

Given that the audit has covered only a small period in the early stages of the Council operating (the level of transactions is limited in number), it is not felt appropriate that an assurance level in respect of compliance can be provided at this stage. However, testing found good compliance with procedures highlighted, although some information in respect of borrowing activity has not been provided to allow Internal Audit to assess that such activity is been administered correctly.

Internal Audit Assurance Opinion										
Control Environment	Good Good									
Compliance	N/A									
Organisational Impact	Minor									

Based upon the fieldwork completed, the following assurance opinions have been given:

Accounts payable

Accounts Payable are administered on behalf of the Council by Cambridgeshire County Council. Whilst the arrangement has only been in operation at the Council since April 2021, the systems in place for administering payments have been in place for a number of years. Despite this, Accounts Payable have had to deal with a number of issues especially in the first few months' post vesting day



linked to activity originating from the sovereign Councils and the requirement for some officers to adapt to new ways of working in the Council.

Based on the audit findings, the assurance given over the system design is Good. The Council has appropriate systems in place to support payments including:

- A robust control environment has been set up in ERP Gold to oversee the raising of requisitions / orders. There is a fully automated process which has built in segregation of duties and workflow to ensure requisitions are approved in line with the requirements of the Council's Constitution.
- A defined process is in place to ensure for order related activity raised through ERP Gold that the invoice is only processed for payment when a three-way match occurs between the order, goods receipt note and invoice. Additionally, where this match does not take place, systems are in place to ensure the relevant officer is automatically notified through ERP Gold of the issue so they can take action to allow the invoice to be matched and processed for payment.
- A range of checks are undertaken by the Accounts Payable team as part of every payment run to ensure the accuracy of payments before they are paid by BACs or cheque.

The level of assurance reflects the fact that some issues were identified in respect of the supplier master-file, namely a number of officers have access to create and amend details on the supplier master-file despite this no longer being part of their role and responsibilities. It should be noted, however, that supervisory controls are operating in relation to daily management review of such amendments, which gives some assurance that any misuse of the access rights should be detected.

Whilst not within the scope of this audit's testing, it is acknowledged that 2020/21 audit work identified weaknesses in respect of spreadsheet interface payment files which continue to be in use and will be considered in a project which is currently in the planning stages.

Based upon the fieldwork completed, the following assurance opinions have been given:

Internal Audit Assurance Opinion										
Control Environment	Good Good									
Compliance	Good									
Organisational Impact	Minor									

Financial decision making / scheme of delegation

Financial decision making is included in various sections of the Council's Constitution, namely the Scheme of Delegation for Officers, Financial Procedure Rules and Contract Procedure Rules.

Based on the audit findings, the assurance given over the system design is **Good**. Overall, the review has found that the Council's Constitution covers the range of financial decisions that a Council makes and clearly defines officer / member responsibilities for such decisions. Furthermore, a range of

manual / automated systems are in place in the Council to ensure that financial decisions are considered and approved in line with the requirements of the Constitution.

Given the audit has covered only a small period in the early stages of the Council operating and there has been limited activity in some of the areas reviewed, it is not felt appropriate that an assurance level in respect of compliance can be provided at this stage. However, where appropriate, testing of arrangements in place found no issues at this stage in respect of compliance.

Based upon the fieldwork completed, the following assurance opinions have been given:

Internal Audit Assurance Opinion									
Control Environment	Good Good								
Compliance	N/A								
Organisational Impact	Minor								

General Ledger

The Council's General Ledger is administered using the ERP Gold system. This system is supported by a number of feeder systems which are regularly interfaced. The system is operated and monitored by the Finance Team which is responsible for statutory duties such as the preparation, monitoring and reporting of revenue and capital budgets and the closedown of the accounts each financial year.

The Council has appropriate systems in place to support general ledger activity including:

- A defined system is in place to administer changes to the chart of accounts;
- A robust process was in place to ensure that the budget approved by the Shadow Authority in February 2021 was accurately uploaded onto the general ledger;
- Effective arrangements in place to ensure the accuracy of data interfaced onto the general ledger of ERP Gold from Council feeder systems; and
- Robust arrangements in place to oversee control account reconciliations undertaken on behalf of the Council by West Northamptonshire Council and Cambridgeshire County Council.

The level of assurance reflects the fact the following issues identified that require action:

- No control account reconciliations have been completed in the first quarter of 2021-22 for legacy client systems and district / borough migrated balances.
- In respect of journals, auto-approval access has been granted to 67 ERP users, meaning they can process journals without approval by a designated officer. No review of such access has been carried out by the Council's Finance team to ensure this is appropriate and necessary.
- ERP Gold has been designed to allow budget managers to raise and approve the same journal. From an audit perspective, this is viewed as the equivalent to auto approval access. It should be noted that such access is limited to the cost centre that the budget manager is responsible for.
- Based on current arrangements, the majority of journals are processed either without any independent approval or without Finance oversight (i.e. budget manager approval).



Currently, no routine checks are undertaken to ensure that journals have been processed in line with agreed procedures.

Given the audit has covered a small period in the early stages of the Council operating and there has been limited activity in some of the areas reviewed, it is not felt appropriate that an assurance level in respect of compliance can be provided at this stage. However, testing of compliance with procedures highlighted some compliance issues, specifically in relation to journals. These areas will be re-visited by Internal Audit during the financial year.

Based upon the fieldwork completed, the following assurance opinions have been given:

Internal Audit Assurance Opinion									
Control Environment	Satisfactory								
Compliance	N/A								
Organisational Impact	Minor								

In addition to the planned audit assignments, the Internal Audit team have also been working on grant verification work in relation to a number of grants paid to Northamptonshire County Council for 2020/21 - these include Local Transport Capital Block Funding, Travel Demand Management and Home to School grants.

Support has also been provided to service areas and Corporate Leadership Team on the development of directorate risk registers.

4. Implementation of recommended actions

- 4.1 Where any weaknesses or opportunities for improvement are identified by audit testing, recommendations are made and an action plan agreed with management. These actions are subject to agreed timeframes and owners and implementation is followed up by Internal Audit on a monthly basis.
- As at 30th September 2021, 14 open actions have been confirmed as implemented since the last meeting of the Audit & Governance Committee an overview is provided in Table 4 of this report. There are currently 17 recommendations which are overdue for implementation. All of these actions were inherited from legacy authorities and one of these had been assigned a 'high' priority.
- 4.3 To provide the Committee with further detail on high risk actions which remain overdue for more than three months, full details are provided in Table 5, with latest updates from officers.

5. Investigation activity

- 5.1 The Counter Fraud team, led by the Council's Head of Internal Audit and Counter Fraud service, are set up to receive and handle referrals regarding allegations of fraud, misconduct and irregularities via a number of channels. There is a fraud reporting mailbox available to internal and external stakeholders, in addition to the whistleblowing procedures and general service referrals.
- 5.2 All referrals are logged, assessed and allocated to the relevant party for investigation, where appropriate. Included in Table 2 is a summary of referral activity within the service during the financial year to date. Whilst investigations are progressing, it is not appropriate for further details of allegations to be shared at the risk of jeopardising formal investigation outcomes.

Description	Since last update	Financial year to date	Comments
Referrals received to date	20	40	
Breakdown of referral type:			
- Blue badge	4	9	Referrals received via
- Housing	5	9	dedicated mailbox and
- Revenues discounts	2	7	internal intelligence.
- Benefits	4	6	
- Grants	-	2	
- Parking	5	6	
- Agency staff	1	1	
Referrals closed at time of	18	37	
reporting			
Breakdown of outcomes:			
- Referred to partner	6	15	All grant related frauds
agency			were attempts which had
- Property/monies	-	1	not been successful with
being recovered			no loss incurred,
- Advice to service	1	2	evidencing the robust
area on controls			fraud prevention controls
- No further action	11	19	in place. All attempts are
following initial			still reported to the
enquiries			national fraud authorities
			and central government.

Table 2: Investigation statistics to date



- 5.3 In addition to the reactive investigation work, the counter fraud officers have also continued working on the implementation of the new Fraud Hub for North Northamptonshire Council. This is a system provided by the Cabinet Office which enables real time matching of data sets and intelligence to identify potential indicators of fraud. The Council signed up to this service and the counter fraud team are prioritising use of the system for the Council's highest fraud risk areas.
- 5.4 Since the last Audit and Governance Committee meeting, this work has flagged a further 20 cases where it would appear that death notifications had not been received, payments were ongoing and overpayments are due. Such work thereby enables further loss to be prevented and recovery action to take place promptly. The counter fraud officers are supporting service areas on interpreting and processing the findings and appropriate action. Data matches due to commence this period are payroll, single person discounts and housing. The Counter Fraud officers are supporting service areas in preparing for this work.

Table 3: Progressing the Annual Internal Audit Plan

KEY

Current status of assignments is shown by shading

Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments
Governance		1	L	1	I	l				L	L
Risk Management strategy	Q1							Strategy ac workshc			
Key Governance Documents, Policies & Records	Q1							No assurance opinion given as no audit testing conducted – rather, gap analysis provided for prioritisation by management.			Reported at Sept 21 meeting
Assurance opinions and annual reporting for sovereign councils	Q1							Annual reports and opinions presented at July 2021 Audit and Governance Committee meeting			
Risk management – facilitation	Q1 - 4							Ongoing	throughout finar	icial year	
Risk management – audit coverage	Q2 - 4							Ongoing throughout financial year			
COVID-19 Restart grants	Q2							Grant certification provided to central government			
Financial Management	Q2										

Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments
Transformation	Q3/4										
Key Financial Systems systems with the highe			that the Co	uncil has ma	de arrangen	nents for the p	roper administra	ation of its financi	ial affairs, these sy	/stem audits foc	us on the
Legacy bank accounts	Q1							Limited	Limited	Moderate	Reported
								•	•	•	at Sept 21
											meeting
Bank reconciliations	Q1							Good	Satisfactory	Moderate	Reported
								•	•	•	at Sept 21 meeting
	Q1							Satisfactory	N/A	Minor	See
General ledger								•		•	section 3.1
Government	Q1							Satisfactory	N/A	Minor	Reported
Procurement Cards											at Sept 21
(GPCs)								-		•	meeting
Accounts payable	Q1							Good	Good	Minor	See
								•	•	•	section 3.1
Manual interface	Q1										Delays in
payments											project
Cashflow from	Q1										
sundry income											
Debt recovery	Q1										

Page 502

Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments
Payroll	Q1										Delays in obtaining info
Treasury management	Q1							Good	N/A	Minor	See section 3.1
IT financial controls	Q1										
Year end accruals	Q1										Delays in obtaining info
Financial decision making	Q1							Good	N/A	Minor	See section 3.1
Council tax	Q2										
Housing benefits	Q2										
Legacy debts	Q2										
Business rates	Q4										
Adults, Communities	and Wellbe	ing Service	s Priorities	and Risks		1					
Safeguarding vulnerable adults	Q2										

Page 503

Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments
Financial operations	Q2										
Procurement and contracts audit	Q3										
Housing allocations and rents	Q2										
Landlord Health and Safety	Q3/4										
Lettings and voids	Q3/4										
Rent arrears	Q3/4										
Homelessness and temporary accommodation	Q3/4										
Guardianship and Appointees	Q3/4										
Adult social care	Q3/4										
Place Services Prioritie	es and Risk	s						L	L	L	
S106 monitoring	Q2										
Asset / property management	Q2										
Parking income	Q2										

Page 504

Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments
Development control	Q3/4										
Leisure service contracts	Q3/4										
Taxi licensing	Q3/4										
Procurement and contracts audit	Q3/4										
Capital projects	Q3/4										
Children's services											
Schools thematic review	Q3/4										
Children's Trust commissioning	Q3/4										
Corporate and cross cu	itting revie	ws		1			L			I	
Procurement compliance	Q3/4										
ICT – Access controls	Q2										
ICT – Cyber security	Q2										
ICT – Disaster recovery	Q2										
ICT- Interfaces	Q3/4										

Page 505

Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments
Eclipse – social care system	Q3/4										
Pensions	Q3/4										
Health and safety	Q3/4										
Human resources	Q3/4										
Information governance	Q3/4										
Partnership assurances	Q3/4										
Customer services	Q3/4										
Grant certifications	-										

The Auditor's Opinion

At the completion of each assignment the Auditor will report on the level of assurance that can be taken from the work undertaken and the findings of that work. The table below provides an explanation of the various assurance statements that Members might expect to receive.

Level		Control environment assurance	Compliance assurance
Substantial	•	There are minimal control weaknesses that present very low risk to the control environment.	The control environment has substantially operated as intended either no, or only minor, errors have been detected
Good	•	There are minor control weaknesses that present low risk to the control environment.	The control environment has largely operated as intended although some errors have been detected.
Satisfactory	•	There are some control weaknesses that present a medium risk to the control environment.	The control environment has mainly operated as intended although errors have been detected.
Limited	•	There are significant control weaknesses that present a high risk to the control environment.	The control environment has not operated as intended. Significant errors have been detected.
No	•	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment.	The control environment has fundamentally broken down and is open to significant error or abuse.

Level	Definition
Major 🔶	The weaknesses identified during the review have left the Council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole.
Moderate 😑	The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a moderate impact upon the organisation as a whole.
Minor 🛛 🔵	The weaknesses identified during the review have left the Council open to low risk. This could have a minor impact on the organisation as a whole.

Table 4: Implementation of Audit Recommendations

	'High' priority recommendations			'Medium' priority recommendations		'Low' priority recommendations		Total	
	Number	% of total	Number	% of total	Number	% of total	Number	% of total	
Actions due and implemented since last Committee meeting	1	50%	9	75%	4	24%	14	45%	
Actions due within last 3 months, but not implemented	-	-	-	-	-	-	-	-	
Actions due over 3 months ago, but not implemented	1	100%	3	25%	13	76%	17	55%	
Totals	2	100%	12	100%	17	100%	31	100%	

Audit Title and Year	Service Area	Outstanding Action	Status Update	Officer Responsible	Original Date	Revised Date (if provided)
East Northamptonshire Council and Corby Borough Council - Bank Reconciliations (Inherited action)	Finance	To complete all outstanding bank reconciliations.	East Northamptonshire – Bank Reconciliation is completed for 2019/20 and Payments and Receipts bank accounts have been reconciled for each month for 2020/21. Unreconciled items are currently being investigated. Corby – Bank Reconciliation is completed for 2019/20. Payments and Receipts bank accounts are reconciled for each month for 2020/21. Unreconciled items are currently being investigated.	Assistant Director of Finance and Accounts	March 2021	November 2021

Table 5: 'High' priority actions overdue for more than three months

Limitations and Responsibilities

Limitations inherent to the internal auditor's work

Internal Audit is undertaking a programme of work agreed by the council's senior managers and approved by the Audit & Governance Committee subject to the limitations outlined below.

Opinion

Each audit assignment undertaken addresses the control objectives agreed with the relevant, responsible managers. There might be weaknesses in the system of internal control that Internal Audit are not aware of because they did not form part of the programme of work; were excluded from the scope of individual internal assignments; or were not brought to Internal Audit's attention. As a consequence, the Audit & Governance Committee should be aware that the Audit Opinion for each assignment might have differed if the scope of individual assignments was extended or other relevant matters were brought to Internal Audit's attention.

Internal Control

Internal control systems identified during audit assignments, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making; human error; control processes being deliberately circumvented by employees and others; management overriding controls; and unforeseeable circumstances.

Future Periods

The assessment of each audit area is relevant to the time that the audit was completed in. In other words, it is a snapshot of the control environment at that time. This evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulatory requirements or other factors; or
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management; internal control and governance; and for the prevention or detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems. Internal Audit endeavours to plan its work so that there is a reasonable expectation that significant control weaknesses will be detected. If weaknesses are detected additional work is undertaken to identify any consequent fraud or irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and its work should not be relied upon to disclose all fraud or other irregularities that might exist.

This page is intentionally left blank

Agenda Item 13



Item no: 13

AUDIT AND GOVERNANCE COMMITTEE

8th November 2021

Report Title	Strategic Risk Register update				
Report Author	Rachel Ashley-Caunt, Head	of Internal Audit & Counter			
Contributors/Check	ers/Approvers				
North MO					
North S151					
Other Director/SME					

List of Appendices

Appendix A: Strategic Risk Register Appendix B: Risk scoring methodology

1. Purpose of Report

1.1 To provide the committee with a quarterly update on the Council's Strategic Risk Register entries.

2. Executive Summary

2.1 The Council's Risk Management Strategy defines the Council's risk management approach and the practices required to make it work. The strategy includes quarterly updates on the Strategic Risk Register for the Audit & Governance Committee. An initial version of the Strategic Risk Register was presented to the Committee in July 2021 and this has been subject to review by the Council's Corporate Leadership Team to ensure it reflects the current risk environment and actions required. An updated register is provided for the Committee's consideration.

3. Recommendations

- 3.1 It is recommended that the Committee:
 - a) Note the update on the Strategic Risk Register.
- 3.2 Reason for Recommendations
 - For the Committee to exercise its duties and responsibilities within its Terms of Reference and provide independent assurance of the adequacy

of the risk management framework and the associated control environment.

4. Report Background

- 4.1 The Risk Management Strategy and the Council's first Strategic Risk Register were presented to the Audit & Governance Committee in July 2021.
- 4.2 In recent months, the Council's Corporate Leadership Team (CLT) have overseen development of directorate level risk registers. These have been collated and reviewed by CLT to ensure that the Strategic Risk Register suitably reflects any key/cross-cutting risks highlighted at the directorate level.
- 4.3 The Strategic Risk Register has been updated in light of those considerations and a copy is provided for the Committee's information, as Appendix A to this report. The amendments made to the risk entries since the last report to Audit and Governance Committee are summarised in Table 1.
- 4.4 It should be noted that whilst Internal Audit assist with the facilitation of risk management, CLT are responsible for defining all risk entries and scoring, and applying the Risk Management Strategy.

Risk entry	Update
1. Assurance the Children's Trust is delivering to the agreed standards (Intelligent Client)	This risk entry has been updated to reflect the latest progress reported in the July 2021 Ofsted visit and the governance arrangements in place. Risk score reduced from 5 for likelihood and 5 for impact (25 in total) to 3 for likelihood and 4 for impact (12 in total).
4. That key services have robust and effective resilience arrangements in place (including Emergency Planning and Business Continuity)	Updated to reflect the additional resources currently available to support the mitigating controls in this area. Risk score reduced from 5 for likelihood and 5 for impact (25 in total) to 5 for likelihood and 4 for impact (20 in total).
6. Safeguarding vulnerable people	Updated to reflect the key threats and uncertainties impacting upon this risk area at the current time.
	No amendment made to scoring, which remains at 4 for likelihood and 5 for impact (20 in total).
7. Sustainable Finances (medium Term)	Updated to reflect the controls operating, including budget challenges and savings proposals.

Table 1: Updates to Strategic Risk Register

Risk entry	Update				
	Risk score reduced from 5 for likelihood and 5 for impact (25 in total) to 3 for likelihood and 4 for impact (12 in total).				
8. Sustainable Finances (2021/22)	Updated to reflect the budgetary control processes that have been implemented and governance arrangements.				
	Risk score reduced from 5 for likelihood and 5 for impact (25 in total) to 2 for likelihood and 2 for impact (4 in total).				
10. Effective and robust contract	Updated to reflect the control environment, including enhanced due diligence arrangements.				
management	Risk score reduced from 4 for likelihood and 5 for impact (20 in total) to 2 for likelihood and 3 for impact (6 in total).				
16. Health and safety	New risk entry				
	The Council has a number of responsibilities for the health and safety of individuals, and these are noted in a number of the directorate level risk registers. It was considered appropriate to reflect this as an overall, cross cutting risk in the Strategic Risk Register.				
	Risk score set as 3 for likelihood and 5 for impact (15 in total).				
17. Good governance	New risk entry				
and lawful decision making within organisation	Reflects the risks arising whilst the new system of governance is being embedded. Whilst awareness and training is ongoing, there is an increased need for consistent compliance.				

- 4.5 A copy of the risk scoring methodology is provided as Appendix B to this report, for the Committee's information in reviewing the register. This is an extract from the Council's Risk Management Strategy.
- 4.6 It is recognised that the risk scoring remains relatively high in some areas even after further controls have been considered. It is anticipated that these will reduce as the Council works through a number of legacy issues and the detail of service arrangements moving forward, including any required structural changes. Similarly, once there is greater certainty on the finances following the Autumn Budget Statement and Spending Review it is expected that this risk will be amended, accepting that some longer-term risk remains with the uncertainty of the fair funding review and reform of business rates.

5. Issues and Choices

5.1 The report provides an update on the Strategic Risk Register. The Committee has the opportunity to review the entries and scoring within the register and obtain assurance that this suitably reflects the risk environment and the risk management process is effective.

6. Implications (including financial implications)

6.1 Resources and Financial

6.1.1 None specific to this report.

6.2 Legal

6.2.1 None specific to this report.

6.3 **Risk**

6.3.1 The maintenance of an effective risk management framework is crucial to managing risk effectively. The Strategic Risk Register is a key part of that framework. The report itself does not give rise to any specific risks for consideration.

6.4 **Consultation**

6.4.1 None specific to this report.

6.5 **Consideration by Scrutiny**

6.5.1 Not required on this occasion.

6.6 Climate Impact

6.6.1 None specific to this report.

6.7 **Community Impact**

6.7.1 None specific to this report.

7. Background Papers

7.1 None.

Strategic Risk Register – October 2021

			North Northamptonshire Council	
			5x5 Numerical	
			Likelihood x Impact	
	Risk / Aim Title	Score	Comments	Risk Owner
1	Assurance the Children's Trust is delivering to the agreed standards (Intelligent Client)	12 3x4	Intelligent Client Function (ICF) is in place and clear governance arrangements set out in the contract with monitoring of performance and financial plans via operations board and strategic board. OFSTED monitoring visit in July 2021 found tangible progress against improvement plan.	Director of Children's Services
			Score amended to reflect assessed residual risk level, based on controls operating in this area and actions completed to date.	
2	Statutory Compliance across all services	15 3x5	Assurances for statutory compliance across all services / activities and monitoring of legal action taken against the Council. Score reflects that services are experts in each area, supported by legal services, and the	Director of Legal and Democratic
			Unitary 'safe and legal' preparations.	
3	Robust protections in respect of Cyber Security Confidential Risk		This risk is confidential to protect system resilience. Its presence on the Register reflects the importance of this issue. It does NOT represent that weaknesses are evident. Controls in this area include critical software being kept up to date through regular patching and updates and acting quickly upon reports of issues and on feedback from specialist IT auditors / penetration testers.	
4	That key services have robust and effective resilience arrangements in place (including	20 5x4	Scoring reflects controls in place including Emergency Planning capability and capacity, which is currently mitigated by additional Covid-19 capacity, and the business continuity programme.	Executive Director of Place and Economy

Appendix

			North Northamptonshire Council	
			5x5 Numerical Likelihood x Impact	
	Risk / Aim Title	Score	Comments	Risk Owner
	Emergency Planning and Business Continuity)			
5	That Capital and Revenue projects apply good project management standards and practices.	16 4x4	Score reflects project management controls are long standing established concepts but not yet assessed as a single 'programme' of coordination.	Director of Transformation / Executive Director of Place and Economy
6	Safeguarding vulnerable people	20 4x5	(Linked to Children's Trust) but also those provisions that give assurance Council processes are effective in safeguarding all vulnerable people that are known to us. Overall score. There are a number of areas that impact on this risk:	Executive Director of Adults, Communities & Wellbeing
			Deprivation of liberty safeguards (DoLS) are a national challenge following the Cheshire West judgement that led to a 10-fold increase in the volume of DoLS referrals. Whilst this remains a challenge the service applies the Association of Directors of Adult Services risk prioritisation tool in order to prioritise how local referrals are dealt with.	
			The availability of Approved Mental Health Practitioners with the necessary qualifications that enable them to undertake Mental Health Act assessments is a national challenge that is replicated in North Northamptonshire. This creates challenges in ensuring that out of hours AMHP rotas are adequately covered. Availability of social care provision both as internal provision and externally commissioned provision is again a national challenge that has been well publicised but is	
			replicated locally. This lack of provider availability means that vulnerable people may spend time they do not need to in e.g. acute hospitals that places them at greater risk of exacerbated illness or increased frailty.	

			North Northamptonshire Council	
			5x5 Numerical Likelihood x Impact	
	Risk / Aim Title	Score	Comments	Risk Owner
			Score reflects the complexity and ability of the council to independently address these challenges. All of these challenges are recognised nationally as risks and require cross-party agreements to deliver a sustainable social care system.	
7	Sustainable Finances (medium Term)	12 3x4	Score reflects controls in place including ongoing intelligence and lobbying alongside working to ensure robustness of the budgets; financial planning and budget proposals and savings / income generation options based on prudent assumptions; and effective challenge of budget proposals. It also reflects the current uncertainty of the allocation of funding to the Council for future years and the impact of fair funding review and business rates reform. Once further detail emerges regarding the recent spending review then this risk will be re-considered. All work is linked to future transformation programme across all aspects of the Council. Transformation and specific working groups are operating to address specific budget areas e.g. fees and charges review. Also, review of potential external funding opportunities to meet service need.	Executive Director of Finance
8	Sustainable Finances (2021/22)	4 2x2	Score reflects the controls in place for ongoing monitoring and scrutiny; reserves and contingency to offset in year pressures; and robust governance arrangements for approval of any new/unplanned spend or proposals.	Executive Director of Finance
9	Effective Information Governance across the Council including compliance with all legislative requirements	16 4x4	Data Protection Act and GDPR provisions as well as security provisions regarding data processing, retention and disclosure (eg FOI). The collection, storage and retention of data is being considered particularly with regard to legacy contractual provisions and systems. Score reflects application of these concepts within individual councils and their consolidation within NNC for 2021/22.	Director of Legal and Democratic

			North Northamptonshire Council			
	5x5 Numerical					
	Likelihood x Impact					
	Risk / Aim Title	Score	Comments	Risk Owner		
10	Effective and robust contract management (including accurate contracts register, contract manager responsibilities and the procurement cycle)	6 2x3	Scoring reflects professional Procurement teams in place to support services in effective management of procurement lifecycle; including supplier due diligence. Includes involving all directorates. Control environment includes: contract management register and risk assessment in place; Bankruptcy / Liquidation Policy to enable consistent response to supplier failure; and enhanced due diligence arrangements developed and Due Diligence working group	Executive Director of Finance		
			in place. Risk reduced but maintained at medium due to wider risks of supplier resilience outside of control of the Council and acute given ongoing impacts of Covid19 and of agreeing post EU trade deals. Reporting to: Commercial Board, CLT and Resources and Governance Scrutiny Committee.			
11	Organisational Capacity	25 5x5	As a new authority, there is increased turnover of staff and skills audits highlight that the structures reflect predecessor authority needs/skill requirements rather than the new authority. An initial focus on effective HR provisions to recruit and retain needed skills across the Council as well as learning and development for current staff is required. The risk is however wider than simply HR issues e.g. enabling wider capacity – IT etc, transformation. The Council recognises that a pay and grading structure for the new authority will provide additional assurance to staff and will improve its recruitment and retention of staff and will also reduce the risk of legal challenge.	Director of Legal and Democratic		
			and in terms of the wider enabling capacity to deliver. Score reflects the strong HR presence and compliance needed to ensure organisational memory and skills are maintained in first few years.			

		North Northamptonshire Council				
	5x5 Numerical Likelihood x Impact					
	Risk / Aim Title	Score	Risk Owner			
12	The Council's dependency	25	Whilst there are contractual requirements in place between the Authorities, these need	Director of Legal and		
	on hosted and shared	5x5	to be robustly managed to ensure that services are delivered in an effective and efficient	Democratic		
	services provided to NNC		way. Control and oversight of services provided by another authority is important; the			
	by WNC.	y WNC. score reflects that the arrangements are new and untested, including those measures				
			allowing NNC to secure improvements if required.			
13	Legacy issues	25	Historic and Legal issues that the Council inherits from predecessor Councils.	Director of Legal and		
		5x5	Score reflects that some issues are already known (and being managed) with a	Democratic		
			probability that new issues will emerge within the first 1-3 years of the Council.			
14	Consolidation (and/or dis- 25		This risk reflects both the known consolidation and transformational work identified and	Chief Executive		
	aggregation) of all	5x5	also the migration over time to transform and improve services as a new Unitary Council.			
	services into the new					
	Unitary delivery.					
15	Pandemic Impacts across	20	A recognition that the impacts of the Pandemic across services managed by predecessor	CLT		
	all services	4x5	Councils and its continued impacts requires CLT oversight.			
			This is a 'place holder' risk for CLT to develop and manage this issue within the Risk cycle			
			to determine whether it needs to be a separate Strategic Risk or is better managed			
			within operational risk management in services.			
16	Health and safety	15	Reflects risks associated with health and safety of staff, tenants (housing and commercial	Executive Director of		
		3x5	leases) and high risk services, such as waste collection. The hybrid working arrangements	Place and Economy		
			as a result of the pandemic (whilst temporary at the current time) are being considered			
			in terms of health and safety moving forward.			
			Scoring reflects controls in place in those areas including inspection and audit regimes;			
			and safe methods of working.			
17	Good governance and	15	The authority has a new system of governance which many officers/members have not	Director of Legal and		
	lawful decision making	wful decision making 3x5 used before. The Council must ensure that all officers/members are aware of governance		Democratic		
	within organisation		requirements and the essentials to lawful decision making. Whilst training is ongoing and			

North Northamptonshire Council					
	5x5 Numerical Likelihood x Impact				
Risk / Aim Title Score Comments		Risk Owner			
		guidance/advice is being provided, there is increased need to ensure that processes are followed by the entire council.			
		Score reflects the impact of the risk and the ongoing challenge to raise awareness and knowledge.			

NEGLIGIBLE IMPACT LIKELIHOOD	1 VERY RARE	2 UNLIKELY	3 POSSIBLE	4 LIKELY	5 VERY LIKELY
LOW (L)	2	4	6	8	10
MEDIUM (M)	3	6	9	12	15
HIGH (H)	4	8	12	16	20
VERY HIGH (V)	5	10	15	20	25

Risk scoring matrix

Appendix

Appendix	В
----------	---

Impact Descriptors

	Negligible (1)	Low (2)	Medium (3)	High (4)	Very High (5)
Legal and Regulatory	Minor civil litigation or regulatory criticism	Minor regulator)y enforcement	Major civil litigation and/or local public enquiry	Major civil litigation setting precedent and/or national public enquiry	Section 151 or government intervention or criminal charges
Financial	<£0.5m	<£1m	<£5m	<£10m	>£10m
Service provision	Insignificant disruption to service delivery	Minor disruption to service delivery	Moderate direct effect on service delivery	Major disruption to service delivery	Critical long term disruption to service delivery
People and Safeguarding	No injuries	Low level of minor injuries	Significant level of minor injuries of employees and/or instances of mistreatment or abuse of individuals for whom the Council has a responsibility	Serious injury of an employee and/or serious mistreatment or abuse of an individual for whom the Council has a responsibility	Death of an employee or individual for whom the Council has a responsibility or serious mistreatment or abuse resulting in criminal charges