



East  
Northamptonshire  
Council

# Draft Annual Financial Report



For the year ended 31<sup>st</sup> March 2020

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## **Narrative Report**

### **By the Chief Finance Officer**

As the Council's Responsible Financial Officer, I am pleased to present the Council's 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

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

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
<b>Revised budget as per Outturn report</b>	<b>12,143,489</b>

### 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

	<b>Budget</b>	<b>Actual</b>
	<b>£000</b>	<b>£000</b>
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
<b>Net Cost of Services</b>	<b>12,143</b>	<b>13,182</b>

### 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)

In addition, we have recognised the settlement of a legal case that has been settled against the Council in respect of an historic environmental action taken by the Council. The decision was settled in January 2022 in the sum of £4m.

### 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.

	<b>Budget</b>	<b>Actual</b>
	<b>£000</b>	<b>£000</b>
Disabled facilities Grants	655	569
Commercial Property	6,433	4,914
Leisure & Tourism projects	234	234
Environmental projects	868	810
Corporate systems	733	502
	<b>8,924</b>	<b>7,028</b>

### 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 31 March 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 £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.

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## **Technical Information**

### **International Financial Reporting Standards**

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

### **Statement of Accounting Policies**

The accounting policies applicable to the 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”.

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**Independent Auditor’s Report to the Members of North Northamptonshire Council**  
**INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF NORTH NORTHAMPTONSHIRE COUNCIL**





## **Statement of Responsibilities**

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

The Authority is required to:

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

### **The Chief Finance Officer's Responsibilities**

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

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

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

The Chief Finance Officer has also:

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

I certify that, to the best of my knowledge, the Statement of Accounts presents a true and fair view of the financial position of East Northamptonshire Council at 31 March 2020 and its income and expenditure for the year ended 31 March 2020.

**Janice Gott**

Director of Finance - **s.151 Officer**

31<sup>st</sup> March 2022

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

This is the Annual Financial Report, incorporating the Statement of Accounts with all audit activities completed. The Audit Governance Committee of North Northamptonshire Council at its meeting on 31<sup>st</sup> January 2021 delegated authority to me as Chairman of the Panel to approve the Statement of Accounts.

Councillor Weatherall

31 January 2022



## Comprehensive Income and Expenditure Statement (CIES)

2018/19			2019/20			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
0	0	0	Corporate and Democratic Core	0	(0)	0
20,684	(17,770)	2,914	Customer and Consumer Services	18,717	(15,488)	3,229
7,533	(3,225)	4,308	Environmental Services	8,734	(2,966)	5,768
707	(664)	43	ICT	626	(610)	16
2,723	(53)	2,670	Resources and Organisational Development	3,288	(79)	3,209
4,358	(2,209)	2,149	Planning Services	4,019	(1,626)	2,392
481	(427)	54	Economic and Commercial Development	811	(2,245)	(1,434)
0	0	0	Exceptional item (note 33)	4,000	0	4,000
<b>36,486</b>	<b>(24,349)</b>	<b>12,137</b>	<b>Cost of Services</b>	<b>40,196</b>	<b>(23,014)</b>	<b>17,182</b>
		2,773	Other Operating Expenditure/(Income) (note 9)			3,017
		431	Financing and Investment Income and Expenditure (note 10)			436
		(19,300)	Taxation and Non-specific Grant Income (note 11)			(20,243)
		<b>(3,959)</b>	<b>(Surplus) / Deficit on provision of services</b>			<b>392</b>
		1,659	(Surplus) or deficit in the revaluation of non-current assets			(1,625)
		3,591	Actuarial losses/(gains) on pension assets and liabilities			(5,168)
		<b>5,250</b>	<b>Other comprehensive income and expenditure</b>			<b>(2,793)</b>
		<b>1,291</b>	<b>Total comprehensive income and expenditure</b>			<b>(6,401)</b>

## Movement in Reserves Statement

	General Fund Balance	Earmarked Reserves	Total General Fund	Capital receipts reserve	Capital Grants Unapplied	TOTAL USEABLE RESERVES	Unusable Reserves	TOTAL COUNCIL RESERVES
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Movement in reserves during 2019/20</b>								
<b>BALANCE AT 31 MARCH 2019</b>	1,500	18,251	19,751	564	296	20,611	5,707	26,318
Adjust to opening balances						0	64	64
Surplus/(Deficit) on provision of services	(392)		(392)			(392)	0	(392)
Other comprehensive income and expenditure						0	6,793	6,793
<b>Total comprehensive income and expenditure</b>	<b>(392)</b>	<b>0</b>	<b>(392)</b>	<b>0</b>	<b>0</b>	<b>(392)</b>	<b>6,793</b>	<b>6,793</b>
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	2,145	(2,145)	0			0	0	0
<b>Net increase/(decrease) in year</b>	<b>(0)</b>	<b>(2,145)</b>	<b>(2,145)</b>	<b>745</b>	<b>(101)</b>	<b>(1,501)</b>	<b>7,902</b>	<b>6,793</b>
<b>BALANCE AT 31 MARCH 2020</b>	<b>1,500</b>	<b>16,106</b>	<b>17,606</b>	<b>1,309</b>	<b>195</b>	<b>19,110</b>	<b>13,673</b>	<b>32,784</b>
<b>BALANCE AT 31 MARCH 2019</b>	<b>1,500</b>	<b>18,250</b>	<b>19,750</b>	<b>564</b>	<b>296</b>	<b>20,610</b>	<b>5,708</b>	<b>26,318</b>
<b>BALANCE AT 31 MARCH 2018</b>	<b>1,500</b>	<b>11,548</b>	<b>13,048</b>	<b>4,151</b>	<b>332</b>	<b>17,531</b>	<b>10,078</b>	<b>27,609</b>
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)
<b>Total comprehensive income and expenditure</b>	<b>3,959</b>	<b>0</b>	<b>3,959</b>	<b>0</b>	<b>0</b>	<b>3,959</b>	<b>(5,250)</b>	<b>(1,291)</b>
Adjustments between accounting basis and funding basis under regulations (Note 9)	2,743	0	2,743	(3,587)	(36)	(880)	880	0
<b>Transfers to/from Reserves</b>	<b>(6,702)</b>	<b>6,702</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net increase/(decrease) in year</b>	<b>0</b>	<b>6,702</b>	<b>6,702</b>	<b>(3,587)</b>	<b>(36)</b>	<b>3,079</b>	<b>(4,370)</b>	<b>(1,291)</b>
<b>BALANCE AT 31 MARCH 2019</b>	<b>1,500</b>	<b>18,250</b>	<b>19,750</b>	<b>564</b>	<b>296</b>	<b>20,610</b>	<b>5,708</b>	<b>26,318</b>

## Balance Sheet

31 March 2019 £000		Notes	31 March 2020 £000
29,148	Property, Plant and Equipment	12	35,941
3,291	Investment Property	13	3,251
762	Intangible Assets	14	625
<b>33,202</b>	<b>Long Term Assets</b>		<b>39,817</b>
9,000	Short Term Investments	15	3,000
3,483	Short Term Debtors	16	3,755
15,271	Cash and Cash Equivalents	17	22,818
<b>27,754</b>	<b>Current Assets</b>		<b>29,573</b>
(4,786)	Short Term Creditors	18	(6,508)
(1,219)	Provisions	19	(1,496)
<b>(6,005)</b>	<b>Current Liabilities</b>		<b>(8,004)</b>
0	Long term Creditors	18	(4,000)
(27,774)	Net Pensions Liability	17	(23,727)
(861)	Capital Grants Receipts in Advance	29	(875)
<b>(28,635)</b>	<b>Long Term Liabilities</b>		<b>(28,602)</b>
<b>26,317</b>	<b>Net Assets</b>		<b>32,784</b>
20,609	Useable Reserves	20	19,110
5,708	Unusable Reserves	21	13,674
<b>26,317</b>	<b>Total Reserves</b>		<b>32,784</b>

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.

### Janice Gott

Executive Director of Finance (Section 151 Officer)

North Northamptonshire Council

xx XXXXX 2021

## Cash Flow Statement

2018/19		Notes	2019/20
£000			£000
	<b>Cash flow from Operating Activities</b>		
(3,959)	Net (Surplus) / Deficit on the provision of services		392
(6,731)	Adjustments to net surplus or deficit on the provision of services for non-cash movements		(8,017)
928	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		1,497
<b>(9,761)</b>	<b>Net cash flows from Operating Activities</b>	<b>22</b>	<b>(6,128)</b>
(29)	Investing Activities	23	(1,057)
5,323	Financing Activities	24	(362)
<b>(4,467)</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(7,547)</b>
(10,805)	Cash and cash equivalents at the beginning of the reporting period		(15,271)
<b>(15,272)</b>	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>(22,818)</b>
	<b>(Note 20)</b>		

## **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 (£) 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 1<sup>st</sup> 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.

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

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 1<sup>st</sup> April 2021

In addition, the forecast liquidity position that the new council is due to inherit is positive, on 28<sup>th</sup> 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 25<sup>th</sup> February 2021 at the following web link:

<https://cmis.northamptonshire.gov.uk/cm5live/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, 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 year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. [Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.]

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

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

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

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

- **Fair Valuation**

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

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

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

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

- Level 1 – quoted prices in an active market for identical assets [or liability] that the Council can access at the measurable date
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset [or liability], either directly or indirectly.
- Level 3 – unobservable inputs for the asset [or liability].

- ***Impairment***

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

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

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

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

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

- ***Disposals and Non-Current Assets Held for Sale***

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

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a loss in fair value, the loss is recognised in Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount previously lost in the Surplus and Deficit on Provision of services. Depreciation is not charged on assets held for sale.

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

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

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

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

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

- **Depreciation**

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

Depreciation is calculated over the expected life of each asset. The “straight-line method” of calculation is used, 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 £10,000) the capital receipts reserve.

## **h) Intangible Assets**

The council capitalise purchased intangible assets at cost, where economic benefits are greater than 12 months. Once capitalised, the assets will be amortised on a systematic basis over their useful lives. The assets are also tested for impairment when there is an indication that the asset might be impaired. The amortisation and impairment charge will be made to the relevant service lines in the Comprehensive Income and Expenditure Statement. Any gain or loss arising from the disposal or abandonment of an intangible asset is charged to the Other Operating Expenditure line in the Comprehensive Income and expenditure Statement.

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

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

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

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 non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

#### ***Operating Leases***

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

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

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

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

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

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

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

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

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

#### **r) Contingent Assets and Liabilities**

##### **Contingent Assets**

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

##### **Contingent Liabilities**

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

#### **s) Joint Operations**

A Joint Operation is an arrangement by which the parties that have joint control of the arrangement and have the rights to the assets and obligations for the liabilities relating to the arrangement. All parties have joint control with decisions of the activities of the arrangement requiring unanimous consent from all parties. The council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

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

#### **t) Collection Fund**

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

### ***Non-Domestic Rates (NDR)***

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

### ***Council Tax***

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

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

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom 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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment valuations and Investment property valuations	The valuations have been provided amidst the economic uncertainty created as a result of the Novel Coronavirus (COVID-19) and thus valuations have been reported subject to a Material Valuation Uncertainty clause. The inclusion of the 'material valuation uncertainty' declaration, however, does not mean that the valuation cannot be relied upon, rather that the declaration has been included to ensure transparency of the fact that, in the current extraordinary circumstances, less certainty can be attached to the valuation than would otherwise be the case.	If market conditions are impacted by the COVID-19 pandemic, for every 1% change in value, would be equal to  Land & Buildings                      £263k Investment Properties                      £33k
Pensions Liability	Estimations of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. This information is provided to the authority by the actuaries.	The effects on the net pension liability of changes in individual assumptions can be measured, these changes are detailed within Note 40.
<b>Depreciation of Property, Plant and Equipment</b>	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 Fund Balance £000
	Net Expenditure in the Comprehensive Income and Expenditure Statement £000	Adjustments between the Funding and Accounting Basis			Total Adjustments £000	
		Adjustments for Capital Purposes (Note a) £000	Net change for the Pensions Adjustments (Note b) £000	Other Differences (Note c) £000		
Corporate and Democratic Core	0	3,457	(133)	0	3,324	3,324
Customer and Consumer Services	3,229	(292)	(94)	0	(386)	2,843
Environmental Services	5,768	(1,144)	(99)	0	(1,243)	4,525
ICT	16	(306)	0	0	(306)	(290)
Resources and Organisational Development	3,209	(24)	(11)	0	(35)	3,174
Planning Services	2,393	(198)	(157)	0	(355)	2,038
Economic and Commercial Development	(1,434)	(83)	(17)	0	(100)	(1,534)
Exceptional item	4,000	0	0	0	0	4,000
<b>Cost of Services</b>	17181	1,410	(511)	0	905	18,080
Other income and expenditure	(16,789)	1,219	(674)	308	853	(15,936)
<b>(Surplus) or Deficit</b>	392	2,629	(1,185)	308	1,758	2,144

<b>Opening General Fund (Includes Earmarked Reserves)</b>	<b>(19,750)</b>
Plus Surplus/(Deficit) on General Fund in Year	2,144
<b>Closing General Fund</b>	<b>(17,606)</b>

	2018/19					Net Expenditure Chargeable to the General Fund Balance £000
	Net Expenditure in the Comprehensive Income and Expenditure Statement £000	Adjustments between the Funding and Accounting Basis			Total Adjustments £000	
		Adjustments for Capital Purposes (Note a) £000	Net change for the Pensions Adjustments (Note b) £000	Other Differences (Note c) £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)
<b>Cost of Services</b>	<b>12,137</b>	<b>(1,444)</b>	<b>(499)</b>	<b>(395)</b>	<b>(2,339)</b>	<b>(9,798)</b>
Other income and expenditure	(16,096)	677	(629)	(453)	(405)	16,500
<b>(Surplus) or Deficit</b>	<b>(3,859)</b>	<b>(767)</b>	<b>(1,128)</b>	<b>(848)</b>	<b>(2,743)</b>	<b>6,702</b>
<b>Opening General Fund Balances (Includes Earmarked Reserves)</b>	<b>13,048</b>					
Plus Surplus/(Deficit) on General Fund in Year	6,702					
<b>Closing General Fund Balances</b>	<b>19,750</b>					



## Notes to the EFA

### *A Adjustments for Capital Purposes*

Adjustments for capital purposes – this column adds in depreciation, impairment, revaluation gains and losses in the services line and for:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure - capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

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

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

### *C Other Differences*

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

- For Financing and investment income and expenditure – the other differences column recognises adjustments to the general fund for the timing differences for premiums and discounts.
- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

### *D Segmental Analysis*

The table above shows Net Expenditure on a segmental basis.

## Note 6. Expenditure and Income Analysed by Nature

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

2018/19	Expenditure/Income	2019/20
£000s		£000s
	<b>Expenditure</b>	
8,315	Employee Benefits expenses	7,134
26,056	Other services expenses	26,617
0	Exceptional item (note 33)	4,000
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
<b>46,632</b>	<b>Total expenditure</b>	<b>44,466</b>
	<b>Income</b>	
(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	(705)
(148)	Transfer to collection fund	(76)
(428)	Support Services Recharges	0
<b>(50,590)</b>	<b>Total income</b>	<b>(44,074)</b>
<b>(3,959)</b>	<b>Surplus or Deficit on the Provision of Services</b>	<b>392</b>

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

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

### **General Fund Balance**

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

### **Capital Receipts Reserve**

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

### **Capital Grants Unapplied**

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

2019/20

	Useable Reserves			
	General Fund	Capital receipts reserve	Capital Grants Unapplied	Movement Unusable Reserves
	£000	£000	£000	£000
<b>Adjustment primarily involving the Capital Adjustment Account:</b>				
Charges for depreciation and impairment of non-current assets	922			(922)
Amortisation of intangible fixed assets	228			(228)
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				
<b>Adjustment primarily involving the Capital Grants Unapplied Account:</b>				
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
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(745)	745		0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0		0
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	2,992			(2,992)
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,807)			1,807
Amount by which council tax and non-domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with statutory requirements	(308)			308
<b>Total Adjustments</b>	<b>(1,753)</b>	<b>745</b>	<b>(101)</b>	<b>(1,109)</b>

2018/19

	Useable Reserves			
	General Fund	Capital receipts reserve	Capital Grants Unapplied	Movement in unusable Reserves
	£000	£000	£000	£000
<b>Adjustment primarily involving the Capital Adjustment Account:</b>				
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
<b>Adjustment primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(36)		36	
Transfer from Grants unapplied			(74)	74
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(694)	694		
Use of the Capital Receipts Reserve to finance new capital expenditure		(4,281)		4,281
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	2,864			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)
<b>Total Adjustments</b>	<b>2,744</b>	<b>(3,587)</b>	<b>(36)</b>	<b>880</b>

## Note 8. Movements in Earmarked Reserves

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

	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	6	(1,505)	5,768
Projects and Other Investment Opportunities	2,228	949	(522)	2,655	2102	(481)	4,276
Community Projects	4,024	1,162	(379)	4,807	848	(3,842)	1,813
Devolution Options	361	946	(185)	1,122	318	(407)	1,033
Covid risks				0	648	0	648
MTFS Savings	300	0	0	300	250	0	550
Capital Financing Reserve	387	0	0	387	0	0	387
Revenue Grants	100	142	0	242	66	(25)	283
Property Investment - Advisers	250	0	0	250	0	0	250
Enterprise centre				0	250	0	250
Asset Management Plan	117	78	(33)	162	0	0	162
Waste risk reserve	0		0		154	0	154
Election Reserve	92	24	0	116	30	0	146
Insurance Reserve	112	0	0	112	0	0	112
Legal Costs	109	24	(24)	109	4,000	(4,000)	109
Other small reserves (below £20k)	70		(7)	63	0	0	63
Procurement Reserve	92	0	(41)	51	0	0	51
Planning Reserve	167	20	(3)	184	0	(153)	31
Women's Tour	20	0	0	20	0	0	20
Carry Forwards	72	249	(72)	249	0	(249)	0
Personal Land Charges	154	0	0	154	0	(154)	0
<b>Total Earmarked reserves</b>	<b>11,547</b>	<b>8,113</b>	<b>(1,411)</b>	<b>18,250</b>	<b>8,672</b>	<b>(10,816)</b>	<b>16,106</b>

Projects and Other Investment Opportunities Fund any project identified within the Efficiency Plan

MTFS Reserve Fund any deficit as identified within the MTFS

Community Projects Fund project within the community

BRR Reserve Fund any shortfalls in business rates collected.

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

2018/19 £000		2019/20 £000
3,413	Parish Council precepts	3,723
(640)	(Gains)/losses on the disposal of non-current assets	(705)
<b>2,773</b>	<b>Total</b>	<b>3,018</b>

**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)
<b>431</b>	<b>Total</b>	<b>436</b>

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

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
<b>(19,300)</b>	<b>Total</b>	<b>(20,243)</b>

## Note 12. Property, Plant and Equipment

Movements in 2019/20	Other Land and Buildings £000	Vehicles, Plant, & Equipment £000	Infrastructure Assets £000	Surplus Assets £000	Community Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
<b>Cost or Valuation</b>							
<b>Gross B'fwd</b>	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	715			654			1,369
Disposal	(40)						(40)
<b>Gross C'fwd</b>	<b>22,505</b>	<b>9,653</b>	<b>306</b>	<b>1,226</b>	<b>1,094</b>	<b>6,647</b>	<b>41,430</b>
<b>Depreciation</b>							
<b>Gross B'fwd</b>	(93)	(4,703)	(72)				(4,869)
Depreciation charge	(324)	(589)	(9)				(922)
Depreciation to Revaluation Reserve	301						358
Disposal							0
<b>Gross C'fwd</b>	<b>(116)</b>	<b>(5,292)</b>	<b>(81)</b>				<b>(5,490)</b>
<b>Net Book Value</b>							
<b>At 31 March 2020</b>	<b>22,389</b>	<b>4,360</b>	<b>225</b>	<b>1,226</b>	<b>1,094</b>	<b>6,647</b>	<b>35,940</b>



	Other Land and Buildings	Vehicles, Plant, & Equipment	Infrastructure Assets	Surplus Assets	Community Assets	Assets Under Construction	Total Property, Plant and Equipment
Movements in 2018/19	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>							
<b>Gross B'fwd</b>	<b>23,913</b>	<b>6,670</b>	<b>306</b>	<b>626</b>	<b>1,058</b>	<b>17</b>	<b>32,490</b>
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
<b>Gross C'fwd</b>	<b>21,735</b>	<b>8,512</b>	<b>306</b>	<b>572</b>	<b>1,058</b>	<b>1,833</b>	<b>34,016</b>
<b>Depreciation</b>							
<b>Gross B'fwd</b>	<b>(77)</b>	<b>(4,294)</b>	<b>63</b>				<b>(4,434)</b>
Depreciation charge	(375)	(409)	(9)				(793)
Depreciation to Revaluation Reserve	358						358
Revaluation to CIES	0						0
Disposal	0						0
<b>Gross C'fwd</b>	<b>(93)</b>	<b>(4,703)</b>	<b>(72)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(4,869)</b>
<b>Net Book Value</b>							
<b>At 31 March 2019</b>	<b>21,642</b>	<b>3,809</b>	<b>234</b>	<b>572</b>	<b>1,058</b>	<b>1,833</b>	<b>29,147</b>
<b>At 31 March 2018</b>	<b>23,836</b>	<b>2,278</b>	<b>243</b>	<b>626</b>	<b>1,058</b>	<b>17</b>	<b>28,057</b>

### 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.

Revaluation Profile	Other Land and Buildings	Surplus Assets
	£000	£000
Valued at Fair Value as at		
31 March 2020	21,106	1,129
31 March 2016	2,283	97
	<b>22,389</b>	<b>1,226</b>

## Note 13. Investment Property

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

2018/19 £000		2019/20 £000
(286)	Rental income from investment property	(286)
0	Direct operating expenses arising from investment property	5
<b>(286)</b>		<b>(281)</b>
(38)	Revaluation Adjustment	44
<b>(324)</b>	<b>Net (gain)/loss</b>	<b>(237)</b>

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

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

2018/19 £000		2019/20 £000
<b>3,318</b>	<b>Balance at start of the year</b>	<b>3,290</b>
10	Additions in year	5
(38)	Net gain/(loss) for fair value	(44)
<b>3,290</b>	<b>Balance at end of the year</b>	<b>3,251</b>

### Fair Value Hierarchy

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

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

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

### Highest and best use of investment properties

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

### Valuers

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

## Note 14. Intangible Assets

2018/19		2019/20
£000		£000
2,316	Gross carrying amounts	2,553
(1,573)	Accumulated amortisation	(1,791)
<b>743</b>	<b>Net carrying amount at the start of the year</b>	<b>762</b>
237	Additions	91
(218)	Amortisation for the period	(228)
<b>762</b>	<b>Net carrying amount at the end of the year</b>	<b>625</b>
<hr/>		
2,553	Gross carrying amounts	2,644
(1,791)	Accumulated amortisation	(2,019)
<b>762</b>	<b>Net carrying amount at end of the year</b>	<b>625</b>

## Note 15. Financial Instruments

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

Current Financial Instruments	2018/19	2019/20
	£000	£000
<b>Investments</b>		
Short term investment	9,000	3,000
<b>Total investments</b>	<b>9,000</b>	<b>3,000</b>
<b>Cash &amp; Cash equivalents</b>		
Short term deposits	14,000	18,004
Cash and bank balances	1,271	4,814
<b>Total cash &amp; cash equivalents</b>	<b>15,271</b>	<b>22,818</b>
<b>Debtors</b>		
Trade receivables	3,481	1,668
<b>Total Debtors</b>	<b>3,481</b>	<b>1,668</b>
<b>TOTAL FINANCIAL ASSETS</b>		
<b>Borrowings</b>		
Financial liabilities at amortised cost	0	0
<b>Total borrowings</b>	<b>0</b>	<b>0</b>
<b>Creditors</b>		
Financial liabilities at amortised cost	4,786	1,904
<b>Total creditors</b>	<b>4,786</b>	<b>1,904</b>
<b>TOTAL FINANCIAL LIABILITIES</b>		

### Gains and losses on income and expense

	Financial Assets (Loans and Receivables)	
	2018/19 £000	2019/20 £000
Interest expenses (Loans and liabilities)	0	0
Interest income (Investments)	(102)	(238)
<b>Net gain/(loss) for the year</b>	<b>(102)</b>	<b>(238)</b>

Fair value of assets and liabilities carried at amortised cost

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

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

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

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

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

All the Council's Financial Instruments are Level 1

2018/19		2019/20	
Carrying amount	Fair value	Carrying amount	Fair value
£000	£000	£000	£000
<b>Liabilities</b>			
4,786	4,786	1,904	1,904
<b>Assets</b>			
27,752	27,752	27,486	27,486

### 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 Debtors*

2018/19			2019/20	
Short term £000	Long term £000		Short term £000	Long term £000
481	0	Central government bodies	1,040	0
837	0	Other local authorities	1,029	0
2,405	0	Other entities and individuals	1,979	0
(242)	0	Provision for bad debts	(293)	0
<b>3,481</b>	<b>0</b>		<b>3,755</b>	<b>0</b>

## **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
<b>15,271</b>	<b>Cash and Cash Equivalents</b>		<b>22,818</b>

**Note 18. Creditors**

2018/19			2019/20	
Short term £000	Long term £000		Short term £000	Long term £000
1,832	0	Central government bodies	3,815	0
1,795	0	Other local authorities	951	0
1,158	0	Other entities and individuals	1,747	4,000
<b>4,786</b>	<b>0</b>		<b>6,508</b>	<b>4,000</b>

**Note 19. Provisions**

	Balance as at 31 March 2019	Increase/(dec rease) 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
<b>Total</b>	<b>1,383</b>			<b>1,496</b>

*NDR Appeals Provision*

As a consequence of the Government initiative in the localisation of Non-Domestic Rates (NDR), the Government transferred the risk of appeals against Rateable Values to local authorities. Following a review which included taking external expert advice a provision for appeals outstanding was estimated to be £4.857m; 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.

## Note 21. Unusable Reserves

2018/19		2019/20
£000		£000
(27,791)	Capital Adjustment Account	(29,560)
(5,520)	Revaluation Reserve	(7,362)
29,774	Pensions Reserve	23,727
57	Accumulated absence account	57
(1)	Deferred capital receipts reserve	(1)
(227)	Collection Fund Adjustment Account	(538)
<b>(3,708)</b>	<b>Total Unusable Reserves</b>	<b>(13,675)</b>

### *Capital Adjustment Account*

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

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

2018/19		Capital Adjustment Account		2019/20	
£000	£000			£000	£000
	(24,803)	<b>Balance at 1 April</b>			(27,791)
		<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>			
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 transferred from the Revaluation reserve		252	
(132)		Difference between current value depreciation and historical cost depreciation		(80)	
54		Amounts of non-current assets written off on disposal		40	
	2,038				2,299
		<b>Capital financing applied in the year:</b>			
(4,281)		Use of the Capital Receipts Reserve to finance new capital expenditure		0	
(74)		Application of Grants to finance capital expenditure		(614)	
(619)		Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement		0	
(52)		Statutory provision for the financing of capital investment charged against the general fund (MRP)		0	
0		Capital expenditure charged to General Fund		(3,454)	
	(5,026)				(4,068)
	<b>(27,791)</b>	<b>Balance at 31 March</b>			<b>(29,560)</b>

### Revaluation Reserve

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

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

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



2018/19 £000	Revaluation Reserve	2019/20 £000
(7,311)	<b>Balance at 1 April</b>	(5,520)
0	Upward revaluation of assets	(1,835)
861	Downward revaluation of assets	0
(98)	Impairment losses not charged to the surplus/deficit on the provision of services	165
<b>(5,652)</b>	<b>(Surplus) or deficit in the revaluation of non-current assets</b>	<b>(7,190)</b>
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
<b>(5,520)</b>	<b>Balance at 31 March</b>	<b>(7,362)</b>

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

#### *Pensions Reserve*

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

However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pay any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. Further information is found in Note 38 in respect of Defined Benefit Pension Scheme.

2018/19 £000	Pensions Reserve	2019/20 £000
(23,055)	<b>Balance at 1 April</b>	(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
<b>(27,774)</b>	<b>Balance at 31 March</b>	<b>(23,727)</b>

### Collection Fund Adjustment Account

The Collection Fund Adjustment Account identifies the element of the Collection Fund balance that is due to this Council. It is included in the Comprehensive Income and Expenditure Statement as it relates to 2019/20 and previous years although it is only actually transferred from the Collection Fund in line with regulations.

2018/19 £000	Collection Fund Adjustment Account	2019/20 £000
(1,077)	<b>Balance at 1 April</b>	(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)
<b>(228)</b>	<b>Balance at 31 March</b>	<b>(536)</b>

### Note 22. Operating Activities

The cash flows for operating activities include the following items:

2018/19 £000	Interest Items	2019/20 £000
198	Interest Received	238
36	Grants credited to services	514
694	Proceeds from sale of Property, plant, and equipment	745
<b>928</b>		<b>1,497</b>

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

2018/19 £000	Non-Cash Items	2019/20 £000
(1,231)	Depreciation	(922)
0	Impairment and downward valuations	(44)
(218)	Amortisation	(228)
1,089	Increase/ (decrease) in creditors	2,346
(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, or derecognised	(40)
(849)	Other non-cash items charged to the net surplus or deficit on the provision of services	(45)
<b>(6,731)</b>		<b>(17)</b>

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)
<b>(10,747)</b>		<b>(12,656)</b>

### Note 23. Investing Activities

2018/19 £000		2019/20 £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	(725)
(236)	Other receipts from investing activities	0
<b>(29)</b>	<b>Net cash flows from investing activities</b>	<b>(1,057)</b>

### 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)
<b>5,323</b>	<b>Net cash flows from financing activities</b>	<b>(362)</b>

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

### Remuneration of Senior Officers

The following table summarises the remuneration for Senior Officers whose salary is 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.

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

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

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

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

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)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages		Total cost of exit packages £	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	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 £000	2019/20 £000
329 Allowances	274
13 Expenses	13
<b>342</b>	<b>366</b>

## Note 27. Related Parties

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

### Central Government

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

### Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 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
<b>39</b>	<b>49</b>

## Note 29. Grant Income

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

2018/19 £000		2019/20 £000
	<b>Credited to taxation and non-specific Grant income</b>	
414	Revenue support grant	0
2,323	New Homes Bonus	2,196
1,111	Business rates S31 grant	1,433
112	Other Grants	90
<b>3,960</b>	<b>Total</b>	<b>3,719</b>
	<b>Credited to Services</b>	
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
<b>17,823</b>	<b>Total</b>	<b>14,504</b>
<b>21,783</b>	<b>Taxation and grant income</b>	<b>18,223</b>

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

2018/19 £000	Grants Receipts in Advance	2019/20 £000
	<b>Government grants</b>	
887	Balance at 1 April 2019	861
(26)	Movement for year	14
<b>861</b>		<b>875</b>

## Note 30. Capital Expenditure and Capital Financing

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

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

2018/19 £000		2019/20 £000
<b>53</b>	<b>Opening Capital Financing Requirement</b>	<b>(73)</b>
	<b>Capital Investment</b>	
3,969	Property, Plant and Equipment	6,086
237	Intangible Assets	91
684	Revenue Expenditure Funded from Capital Under Statute	892
10	Investment Property	5
<b>4,900</b>		<b>7,074</b>
	<b>Capital Financing</b>	
(4,281)	Capital Receipts	0
(693)	Grants and Other Contributions	(614)
0	Revenue funding	(3,454)
(52)	Minimum Revenue Provision	0
<b>5,026</b>		<b>(4,068)</b>
<b>(73)</b>	<b>Closing Capital Finance Requirement</b>	<b>2,933</b>
<b>0</b>	<b>Increase/(Decrease) in Underlying Need to Borrow</b>	<b>2,933</b>

The Council remains debt free

## Note 31. Leases

### Council as Lessee

#### Finance Leases

The Council has not entered into any finance leases.

#### Service Concessions

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



## Council as Lessor

### Finance leases

The Council has no finance leases as lessor.

### Operating Leases

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

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

2018/19 £000		2019/20 £000
48	Not later than 1 year	482
384	Later than 1 year and not later than 5 years	262
0	Later than 5 years	0
<b>432</b>		<b>744</b>

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 £'000		2019/20 £'000
	<b>Comprehensive Income &amp; Expenditure Statement</b>	
	<b>Cost of Services:</b>	
1,958	Current Service Cost	2,434
277	Past Service Cost	(116)
	<b>Financing and Investment Income and Expenditure:</b>	
629	Net interest expense	674
<b>2,864</b>	<b>Total post-employment benefit charged to the deficit on the provision of services</b>	<b>2,992</b>
	<b>Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement:</b>	
	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
<b>3,527</b>	<b>Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>(5,168)</b>
	<b>Movement in Reserves Statement</b>	
(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
	<b>Actual amount charged against the General Fund Balance for Pensions in the Year:</b>	
1,791	Employer's contributions payable to the scheme	1,807
<b>4,655</b>	<b>Total Movement in Reserves Statement</b>	<b>3,983</b>

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

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

31 March 2019 £000		31 March 2020 £000
<b>41,287</b>	<b>Opening fair value of Scheme assets</b>	<b>44,733</b>
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)
<b>44,733</b>	<b>Closing fair value of scheme assets</b>	<b>43,179</b>

31 March 2019 £000		31 March 2020 £000
<b>64,342</b>	<b>Opening defined benefit obligation</b>	<b>72,443</b>
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)
<b>72,443</b>	<b>Closing defined benefit obligation</b>	<b>66,906</b>

### Pensions Assets and Liabilities Recognised in the Balance Sheet

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

2018/19 £000		2019/20 £000
44,733	Fair value of assets	43,179
(72,443)	Deficit in the scheme	(66,906)
<b>(27,710)</b>		<b>(23,727)</b>

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment 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
2.8%	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%
	<i>Mortality assumptions:</i>	
	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:*

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

	Period Ended 31 March 2019				Period Ended 31 March 2018			
	Quoted prices in active markets	Quoted prices not in active markets	Total	% of Total Assets	Quoted prices in active markets	Quoted prices not in active markets	Total	% of Total Assets
Asset category	£000	£000	£000	%	£000	£000	£000	%
<b>Equity Securities:</b>								
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%
<b>Debt Securities:</b>								
UK Government	0	4,659	4,659	11%	0	3,828	3,828	9%
<b>Private Equity:</b>								
All	0	945	945	2%	0	807	807	2%
<b>Real Estate</b>								
UK Property	0	3,248	0	8%	3,537	0	3,537	8%
Overseas Property	0	223	0	1%	112	0	112	0%
<b>Investment Funds and Unit Trusts:</b>								
Equities	0	24,786	24,786	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%
<b>Cash and Cash Equivalents:</b>								
All	658	0	658	2%	1,050	0	1,050	2%
<b>Totals</b>	<b>3,533</b>	<b>39,646</b>	<b>43,179</b>	<b>100%</b>	<b>40,098</b>	<b>4,635</b>	<b>44,733</b>	<b>100%</b>

*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 £1.751m.

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).

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**Note 33. Exceptional item**

During November 2021, North Northamptonshire Council engaged in mediation proceedings in relation to an environmental health claim, the outcome of which is shown within the Net Cost of Services as an exceptional cost. The total cost of the settlement was £4.0m.

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

The Statement of Accounts was authorised for issue by the Councils appointed statutory Finance Officer on 31<sup>st</sup> January 2022. Events taking place after this date are not reflected in the financial statements or notes. There were also no events taking place before this date that provided information about material conditions existing at 31st March 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 £000 Council Tax	2018/19 £000 NNDR	2018/19 £000 Total	COLLECTION FUND	2019/20 £000 Council Tax	2019/20 £000 NNDR	2019/20 £000 Total
(54,410)		(54,410)	<b>INCOME</b>			
	(32,992)	(32,992)	Council Taxpayers	(58,228)		(58,228)
			Income from Business Ratepayers		(34,647)	(34,647)
<b>(54,410)</b>	<b>(32,992)</b>	<b>(87,402)</b>	<b>TOTAL INCOME</b>	<b>(58,228)</b>	<b>(34,647)</b>	<b>(92,874)</b>
			<b>EXPENDITURE</b>			
			<b>Precepts</b>			
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
			Fire & Rescue Service	1,936		1,936
			<b>Business Rates</b>			
	16,125	16,125	Payments to Government		8,286	8,286
	3,225	3,225	Payments to Northamptonshire County 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)
			<b>Bad and Doubtful Debts</b>			
(51)	(221)	(272)	Provisions	288	101	389
	(409)	(409)	Provision for Appeals		692	692
			<b>Other Transfers</b>			
	446	446	Renewable Energy		429	429
			<b>Contributions</b>			
601	2,426	3,027	Transfer / Payment of Surplus	938	(691)	247
<b>53,996</b>	<b>34,857</b>	<b>88,853</b>	<b>TOTAL EXPENDITURE</b>	<b>58,651</b>	<b>33,722</b>	<b>92,373</b>
			-			
<b>(414)</b>	<b>1,865</b>	<b>1,450</b>	<b>Deficit/ (Surplus) for the year</b>	<b>424</b>	<b>(925)</b>	<b>(501)</b>
			<b>COLLECTION FUND BALANCE</b>			
(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)
<b>(1,151)</b>	<b>(158)</b>	<b>(1,310)</b>	<b>Balance carried forward at 31 March</b>	<b>(727)</b>	<b>(1,083)</b>	<b>(1,811)</b>
			Allocated to:			
(835)	(16)	(851)	Northamptonshire County Council	(498)	164	(328)
(149)		(149)	The Police and Crime Commissioner for Northamptonshire	(100)	2	(98)
	(79)	(79)	Government		483	483
(167)	(63)	(231)	East Northamptonshire Council	(106)	433	329
			Northamptonshire Fire Authority	(25)		
<b>(1,151)</b>	<b>(158)</b>	<b>(1,310)</b>	-	<b>(727)</b>	<b>(1,083)</b>	<b>1,811</b>



## 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 2019/20	Band D Equivalent 2019/20	Band D Equivalent 2018/19
Disabled	5/9	13	7	8
A	6/9	6,861	4,575	4,546
B	7/9	9,164	7,128	7,003
C	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
H	18/9	128	256	250
<b>Total</b>		<b>34,828</b>	<b>32,746</b>	<b>32,280</b>

### 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 £83.4m. 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.

<b>Council Tax</b>	<b>2019/20</b>	<b>2018/19</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 April	475	701
Write offs during year for previous years	(204)	(175)
Net increase/(decrease) in provision	288	(51)
<b>Balance at 31 March</b>	<b>559</b>	<b>475</b>

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

<b>NNDR</b>	<b>2019/20</b>	<b>2018/19</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 April	141	442
Write offs during year for previous years	(47)	(80)
Net increase/(decrease) in provision	101	(221)
<b>Balance at 31 March</b>	<b>195</b>	<b>141</b>

The Collection Fund account also provides for provision for appeals against the rateable valuation set by the Valuation Office Agency (VOA) not settled as at 31st March 2020.

<b>NNDR Appeals</b>	<b>2019/20</b>	<b>2018/19</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 April	2,990	3,400
Write offs during year for previous years		(37)
Net increase/(decrease) in provision	692	(372)
<b>Balance at 31 March</b>	<b>3,681</b>	<b>2,990</b>

## **GLOSSARY OF TERMS AND ABBREVIATIONS**

### **GLOSSARY OF TERMS**

#### **Accrual**

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

#### **Actuarial Assumptions**

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

#### **Amortisation**

The gradual write-off of initial costs of assets.

#### **Asset**

An item having value to the Council in monetary terms.

#### **Balance**

Unallocated reserves held to resource unpredictable expenditure demands.

#### **Capital Charges**

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

#### **Capital Expenditure**

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

#### **Capital Financing Charges**

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

#### **Capital Adjustment Account**

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

#### **Capital Receipts**

Income received from selling non-current assets.

#### **Carrying amount**

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

#### **CIPFA**

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

#### **Collection Fund**

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

#### **Community Infrastructure Levy**

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

#### **Contingent Liabilities**

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

#### **Council Tax**

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

#### **Creditors**

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

### **Current Assets**

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

### **Debtors**

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

### **Depreciation**

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

### **Earmarked Reserves**

Money set aside for a specific purpose.

### **Exceptional Item**

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

### **Fair Value**

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

### **Finance Lease**

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

### **Impairment**

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

### **Impairment of Debts**

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

### **Intangible Assets**

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

### **Liabilities**

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

### **Liquid Resources**

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

### **Non-Domestic Rates**

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

### **Operating Leases**

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

### **Precept**

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

### **Prior Year Adjustments**

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

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

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

### **Provisions**

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

### **Reclassification**

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

### **Responsible Financial Officer**

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

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

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

### **Revaluation Reserve**

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

### **Revenue Expenditure**

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

### **Revenue Support Grant**

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

### **Safety Net**

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

### **Section 106**

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

### **Tariff**

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

### **True and Fair View Override**

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

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financial position, the Responsible Financial Officer is permitted to provide alternative figures providing such divergence from the “true and fair view” is appropriately acknowledged in the notes to the accounts.

## **ABBREVIATIONS**

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