NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE

Your attendance is requested at a meeting to be held in the

The Guildhall, St. Giles Square, Northampton, NN1 1DE.

on Monday, 14 March 2016

at 6:00 pm.

D Kennedy
Chief Executive

AGENDA

1. APOLOGIES

Please contact Democratic Services on 01604 837722 or democratic services@northampton.gov.uk when submitting apologies for absence.

2. MINUTES

(Copy herewith)

3. DEPUTATIONS / PUBLIC ADDRESSES

4. DECLARATIONS OF INTEREST

5. MATTERS OF URGENCY WHICH BY REASON OF SPECIAL CIRCUMSTANCES THE CHAIR IS OF THE OPINION SHOULD BE CONSIDERED

6. SIXFIELDS INTERNAL AUDIT REVIEW- VERBAL PROGRESS UPDATE

(Verbal update)

7. FINANCIAL MONITORING REPORT

(Copy herewith)

8. ACCOUNTING POLICIES 2015/16

(Copy herewith)

9. EXTERNAL AUDIT UPDATE

(Copy herewith)

10. INTERNAL AUDIT UPDATE

(Copy herewith)

11. EXCLUSION OF PUBLIC AND PRESS

THE CHAIR TO MOVE:
"THAT THE PUBLIC AND PRESS BE EXCLUDED FROM THE REMAINDER OF THE MEETING ON THE GROUNDS THAT THERE IS LIKELY TO BE DISCLOSURE TO THEM OF SUCH CATEGORIES OF EXEMPT INFORMATION AS DEFINED BY SECTION 100(1) OF THE LOCAL GOVERNMENT ACT 1972 AS LISTED AGAINST SUCH ITEMS OF BUSINESS BY REFERENCE TO THE APPROPRIATE PARAGRAPH OF SCHEDULE 12A TO SUCH ACT."

SUPPLEMENTARY AGENDA

Exempted Under Schedule, 12A of L.Govt Act 1972, Para No: -

<TRAILER_SECTION>
A7982

Public Participation
Members of the public may address the Committee on any non-procedural matter listed on this agenda. Addresses shall not last longer than three minutes. Committee members may then ask questions of the speaker. No prior notice is required prior to the commencement of the meeting of a request to address the Committee.

NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE

Monday, 18 January 2016

PRESENT: Councillor Nunn (Chair); Councillor Golby (Deputy Chair); Councillors Lynch, Chunga, Kilbride, Marriott and Stone

1. APOLOGIES

None.

2. MINUTES

The Minutes of the meeting held on 9th November were agreed and signed by the Chair with the amendment ISO260 to ISA260 in 8.1

3. DEPUTATIONS / PUBLIC ADDRESSES

There were none.

4. DECLARATIONS OF INTEREST

Councillor Kilbride declared a personal non pecuniary interest in item 6 as had completed a print job for the cobblers in the past.

Councillor Marriot declared a personal non pecuniary interest in item 10 as an employee of BT.

5. MATTERS OF URGENCY WHICH BY REASON OF SPECIAL CIRCUMSTANCES THE CHAIR IS OF THE OPINION SHOULD BE CONSIDERED

None.

6. AUDIT COMMITTEE REVIEW OF LOAN TO NTFC AND DEVELOPMENT AT SIXFIELDS

Councillor Meredith addressed the Committee on behalf of the people of Talavera. He advised they were angry with the prospect of the situation the Council is in and want to see the money returned.

Councillor Beardsworth addressed the Committee. She asked what advice was given to the Cabinet regarding the loan and if the advice given to Councillor David Macintosh during Cabinet on the 17th July 2013 was taken on board. She also asked how long it would take to complete the audit of NTFC and can the public be assured that papers, reports and documents regarding the audit would be published for transparency. She advised that it was rumoured that when First Land LTD went to the site they were advised by NTFC that only warehouses can be built on the site.

The Chief Finance Officer began by elaborating on the report. He stated that the report covers both the chronology of events and the background work PWC have completed. A number of issues were highlighted to the committee

1) This review is one of a number of reviews alongside KPMG and the police.
2) An internal review is taking place reviewing Council’s policy and procedure.

4.2.2 of the report was alluded to outlining the risks in relation to the Audit Committee review.

Senior Audit Manager from PWC elaborated on the report further. He advised the Audit Committee had asked Internal Audit to conduct a review into the circumstances surrounding the loan to the Football Club and in particular to consider the relevant policies and procedures that are applicable to a transaction of this nature. This review will focus on whether the current policies and procedures are adequate and whether they were adhered to in this instance.

It was advised that a report for the Audit Committee would be produced on the adequacy and effectiveness of the existing policies and procedures and any that were in place at the time of this agreement. Lessons learned will also be considered that should be incorporated into policies and procedures going forward.

The Senior Audit Manager referred to the scope of the Audit in Appendix 2 of the report.

Councillor Stone stated that she felt it would be best to have an independent Chair for neutrality purposes. She also advised that while scoping is good the committee is in danger of missing the tensions between Officers and Members and the roles of Officers and Members need to be understood.

The Senior Audit Manager advised that the review is designed to look at Council policies and procedures and ensure internal mechanisms are adequate. He also stated that the review is to ensure the Council have adequate Safe guards in place.

The Chair stated that residents of his Ward are also concerned with the NTFC loan and that he voted with the rest of the council for the Internal Auditors to investigate this matter fully, and so chairing will remain as is.

In response to questions regarding a risk assessment the Senior Audit Manager referred the Committee to Risk Management in Appendix 2 of the report.

In response to questions regarding a credit assessment on the football club the Senior Audit Manager stated that it would depend on what is stated in Council procedure regarding credit ratings and if not in there this may be one of the recommendations from PWC.

The Senior Audit Manager stated that PWC have capacity and don't expect the report to take more than 9 or 12 months.

The Chair proposed that this agenda item be a rolling agenda item at every Committee.

Councillor Marriot stated that this item needed to be discussed in far greater detail and that a separate meeting be held.

The Chair advised that if a great deal of information is uncovered at any particular point then he is happy to hold a separate meeting and would rely on ongoing contact with PWC regarding this.

In response to questions regarding debt recovery strategy and collateral The Senior Audit Manager referred the Committee to Financial controls in Appendix 2 of the report.

RESOLVED
The Committee **AGREED** the proposed scope by the Council's internal auditors Price Waterhouse Coopers, of the review by the audit committee into the internal processes and procedures of the loan to NTFC, and, development of land at Sixfields.

The Council's internal auditors **AGREED** to support the review to be undertaken by the Audit committee.

7. DEBT ANALYSIS REPORT

Head of Revenues and Benefits and Revenues Manager presented the report and elaborated thereon.

It was advised that the chair of the audit committee had requested a report to be provided to each audit committee that shows analysis of debt and the age of outstanding debt across Northampton Borough Council (NBC)

The corporate debt recovery team, part of LGSS Revenues and Benefits, is responsible for the recovery of all overdue debt across the Council. Initially requests for payment should be requested from individual service areas to ensure income is collected as soon as possible. Where this has been completed and debts are still outstanding the debt is then passed to the Councils recovery team in order to seek payment of the debt. The recovery team have responsibility for recovery of overdue debt as follows:

- Council Tax
- Business Rates (NNDR)
- Business improvement district levy (NNDR)
- Council Tenants but not current rent arrears
- Former Council Tenants
- Service Charges for leaseholders
- Re-chargeable repairs – current tenants
- Re-chargeable repairs – former tenants
- Housing benefit overpayments
- Sundry debts (i.e. Council services)

It was reported that the amount of unmanaged debt is a corporate KPI currently no more than 4.5%.

The Revenues Manager advised that debt is harder to collect than ever, with more long term arrangements being made, and there is a need to look at a customer's total indebtedness

It was advised that there is a need to balance the recovery action as being appropriate, whilst not raising unnecessary recovery costs, which add to the debt and unnecessary stress for customers.

In response to questions from the Committee it was advised that

Impact of the Council Tax Reduction Scheme, (CTRS), was outlined in a paper completed with consultation which was sent out in October.
A quality impact assessment is completed each year on CTRS
The Council used to benchmark against similar authorities but this is increasingly difficult as

measuring against different objectives. However research is completed to see what the best practice is. The Council do not have the most aggressive debt recovery timetable however aggressive where they need to be. Bankruptcy and charging orders are still options that are made use of.
Full Council determine what the priorities are.

RESOLVED
That the report be noted

8. TREASURY MANAGEMENT STRATEGY MID YEAR UPDATE 2015-16

The LGSS Finance Manager presented the report and elaborated thereon. It was advised that this report was put before Audit Committee for scrutiny and also to advise Audit Committee of plans for treasury management training for members to be delivered in the new financial year.

The Council's Treasury Management Mid-Year Report for 2015-16 attached at Appendix 1 was outlined by the Finance Manager and it was advised that this report was presented to Cabinet on 9 December 2015 and to Council on 14 December 2015.

The Finance Manager stated that Audit Committee are asked to review the report and to make comments or recommendations as they think appropriate.

It was also noted that it is planned to offer treasury management training early in the new financial year, to be delivered by Capita, the Council's treasury management advisers, Training will be offered initially to Cabinet and Audit Committee members, as they have specific governance responsibilities in respect of treasury management, but may be extended to other members if there is sufficient demand.

In response to a question on loan funding to the University of Northampton (3.2.15 of appendix 1) the Chief Finance Officer advised that the loan will be paid in a single tranche and will be funded by PWLB project rate borrowing, applied for by SEMLEP.

The Chief Finance Officer advised the committee, in response to a question, that discussions are taking place regarding a mechanism local authorities can use to pool their money together however it is very early in the process.

RESOLVED

The Audit Committee reviewed the Treasury Management Mid-Year Report for 2015-16.

9. DRAFT TREASURY MANAGEMENT STRATEGY 2016-17

LGSS Finance Manager presented the report and elaborated thereon. It was advised that the draft Treasury Management Strategy for 2016-17 was put before Audit Committee for review and to invite Audit Committee to put forward any recommendations that they think appropriate. P.50 of the report was referred to outlining the main changes.

- Updates to Prudential and Treasury Indicators
- Updates to interest rate forecasts
- Updates to debt financing budget forecasts
- Updates to the MRP policy
- Expansion of the Council's counterparty policy to include appropriate counterparties

with a sovereign rating of AA.
- Re-wording of the 50% restriction on overseas counterparties to take out Money Market Funds and instant access deposit accounts

It was also advised that the investment counterparty limits were set out on P.91 of the report.

In response to questions from the Committee regarding the possibility of adding human rights records as a sovereign counterparty criteria alongside credit ratings and financial risk the Chief Finance Officer responded by explaining that proceeding down the ethical route would be a large shift in the policy determining which counterparties the Council invest with, but the committee are welcome to make recommendations to be considered by Council and Cabinet.

The Finance Manager advised that, aside from the UK, at very few investments had been made during the current year with the AA+ countries listed on p.88 of the report.

RESOLVED

That Audit Committee reviewed the draft Treasury Management Strategy for 2016-17.

10. RISK REVIEW OF 2015/16 BUDGET OPTIONS

Strategic Finance Manager elaborated on a report submitted by the Chief Finance Officer.

It was advised that the risk assessment of the budget proposals was brought to Audit Committee for consideration and that any feedback for consultation process will be taken to Cabinet and Council.

In response to questions from the Committee the Strategic Finance Manager confirmed that the New Build – Dallington in the table on p.104 of the report was for 100 new Council houses.
The Chief Finance Officer advised that the Little Cross Street project is part of the draft Housing Revenue Account capital programme within the Major Works category. He stated that there are 2 aspects to disabled adaptations referring to p.100 of the report on general fund making adaptations to private dwellings stating that proportion of that is funded by government grant.

In response to questions regarding funding for town centre improvements the Chief Finance Officer advised that funding for this in first 4 years has been redirected to St Giles street scheme.
It was advised that the funding towards broadband is the Borough's contribution to a County Council scheme. Details of what this scheme was made up of could be provided to the Committee.

The Chief Finance Officer also advised that there are a number of different funding sources for the Delapre scheme.

RESOLVED

The Audit Committee considered issues in relation to risk within the budget proposals for 2016/17

11. FINANCIAL MONITORING REPORT (PERIOD 6)

Strategic Finance Manager presented the report. The report presented the financial position to the end of September 2015 for the General Fund and HRA revenue and Capital budgets. It also presented the car parking income and usage to the end of November. It was advised that the GF Capital Programme is currently forecasting no significant variances to the end of September

Car parking graphs at page 117 and 118 were talked to. The income from daily ticket sales showed more than the profiled budget to date with the ticket usage graph also showed the higher usage over previous years of the car parks.

In response to questions from the Committee the Chief Finance Officer advised that Hardingstone and Collingtree were the 2 planning appeals referred to in the report and the estimated costs associated with them is the Council's element only.

The Chief Finance Officer advised the Committee that a significant saving has been made since transferring back office services to LGSS.

The Head of Revenues and Benefits stated that a large saving would be made over a 5 year period built into the original LGSS base case had been delayed so that benefits would be realised a little later that envisaged..

The Chief Finance Officer stated that a minimum level of general reserves is set and maintained by the Borough Council.

RESOLVED

The Committee considered the contents of the following finance reports:

- General Fund Revenue Monitoring (Appendix 1);
- General Fund Capital Monitoring (Appendix 2);
- HRA Revenue Monitoring (Appendix 3);
- HRA Capital Monitoring (Appendix 4).

The Committee noted the position on car parking income and usage as at 30 November (Appendix 5A and 5B).

The Committee noted the latest position in relation to the Council's outstanding debts as at 30 November (Separate agenda item and report)

The Committee considered whether they require any additional information in order to fulfil its governance role.

12. EXTERNAL AUDIT UPDATE - CERTIFICATION OF CLAIMS AND RETURNS - ANNUAL REPORT 2014/15

KPMG Director submitted a report and elaborated thereon. The report was supplied to the Committee at the meeting. It was advised that the report summarised the results of work KPMG have carried out on the Council's 2014/15 grant claims and returns.

It was advised that KMPG's work on the Council's Housing Benefit Subsidy claim was subject to a qualification letter and one adjustment was necessary to Pooling of Housing

Capital Receipts return as a result of their certification work this year.

It was reported that the indicative fee for KPMG's work on the Council's 2014/15 Housing Benefit Subsidy was set by Public Sector Audit Appointments but the actual fee for this work will be higher than the indicative fee set due to additional work and training being undertaken by the audit team due to an unexpected and long term sickness absence of the key member of staff responsible for assisting with this work. Plus additional testing was required in 2014/15 in respect of the assessment of job seeker allowance (JSA) end dates for non-housing revenue claimants and the calculation of child care costs for private tenant claimants. We are currently discussing the additional fee with the S151 Officer and when agreed the final fee will be subject to approval by the PSAA.

Cllr Marriot stated that the issue surrounding the long term absence highlights that no risk assessment has been completed on internal staff knowledge.

RESOLVED

That the report be noted

13. INTERNAL AUDIT UPDATE

The Internal Audit Senior Manager submitted the report and elaborated thereon.
It was reported that The 2015/16 internal audit plan was approved by the Audit Committee on 7 September 2015 and since then PWC have undertaken work in accordance with the plan.

It was advised that Work is progressing on LGSS Contract and Governance and risk and that this is a non-assurance review to support the Council in re-designing risk management arrangements, ensuring these are fit for purpose, fully integrated into Council business activities and that consideration of risk is integral to decision making going forward.

A workshop is planned for January 2016 with the Senior Management Team to identify risks and existing sources of assurance and/or gaps and determine the appetite to risk, in order to ensure that the Council can deliver its services in a cost effective and efficient manner.

In response to questions from the Committee the Internal Audit Senior Manager stated that one of PWC's concerns is that the Council has attained full ownership of the activities within the Council and how the Council's relationship sits with LGSS.
It was also explained that PWC look at how Council retains its governance.
In response to further questioning from the Committee the Chief Finance Officer advised that majority of LGSS staff area ahead of living wage threshold but cannot say for certain.

RESOLVED

That the report be noted

14. RISK BASED VERIFICATION (RBV) POLICY

The Head of Revenue and Benefits presented the report. It was advised that the report was brought to the audit committee to advise them of the new approach to verifying claims for Housing Benefit and Council Tax Reduction and to seek approval of the Risk Based Verification (RBV) Policy. The Committee were advised Risk Based Verification (RBV) is a method of applying different levels of verification checks to benefit claims according to the predicted risk associated with those claims. The main benefits associated with the RBV approach are twofold:

- In low risk cases enables to ‘fast track’ HB/CTR applications which deliver significant customer service improvements and service efficiencies
- In high risk cases enables to ‘more accurately’ detect fraud and error at the point of data entry

RESOLVED
The Audit committee **APPROVED** the Risk Based Verification Policy (Appendix A).

15. EXCLUSION OF PUBLIC AND PRESS

The Chair moved that the Public and Press be excluded from the remainder of the meeting on the grounds that there was likely to be disclosure to them of such categories of exempt information as defined by Section 100(1) of the Local Government Act 1972 as listed against such items of business by reference to the appropriate paragraph of Schedule 12A to such Act.

The Motion was not Carried.

The meeting concluded at 20:15

Appendices: 6

NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	Financial Monitoring Report

AGENDA STATUS: **PUBLIC**

Audit Committee Meeting Date:	14 March 2016
Policy Document:	No
Directorate:	Finance Directorate LGSS
Accountable Cabinet Member:	Cllr Mike Hallam

1. Purpose

1.1 To present Committee with the financial position to 31 December.

1.2 To update Committee on car parking income and usage to 31 January.

1.3 To update Committee on the position regarding the Council's outstanding debts as at 31 January.

2. Recommendations

2.1 To consider the contents of the following finance reports:

- General Fund Revenue Monitoring (Appendix 1);
- General Fund Capital Monitoring (Appendix 2);
- HRA Revenue Monitoring (Appendix 3);
- HRA Capital Monitoring (Appendix 4).

2.2 To note the position on car parking income and usage as at 31 January (Appendix 5A and 5B).

2.3 To note the latest position in relation to the Council's outstanding debts as at 31 January (Appendix 6)

2.4 To consider whether Committee requires any additional information in order to fulfil its governance role.

3. Issues and Choices

3.1 Report Background

3.1.1 A Finance and Performance report is presented to Cabinet quarterly (including the outturn report).

3.1.2 Committee has asked to receive these reports which are brought to the first available meeting following their production.

3.1.3 Committee has also asked for more detailed information regarding car parking income and usage, and debt recovery.

3.2 Issues

3.2.1 The Council's revenue and capital position as at 31 December 2015 (Period 9) is set out in Appendices 1-4.

3.2.2 Significant variances at this point in the year are as follows:

3.2.3 General Fund Revenue – (£722k) favourable

Note: for ease of understanding adverse variations (i.e. additional costs or reductions on income) are shown without brackets, while favourable variations (increased income or cost savings) are shown within them.

	£000
Controllable Budgets	253
Debt Financing & HRA Recharges	(319)
Contribution From Reserves	(656)
General Fund Revenue	**(722)**

The major variations are detailed below.

3.2.3.1 Controllable Budgets

Planning £523k adverse - The Council is currently subject to two planning appeals, one in Hardingstone, the other in Collingtree. At present, the final total costs associated with these appeals are uncertain. Current estimates place the value at £656k, with the Council actively working to limit the final total cost. Committee is asked to note this position to date, and to note that these appeals will be funded from in year underspends and reserves, once full costs have been substantiated.

Borough Secretary £138k adverse - overspend mainly relates to additional cost of increased resources being supplied by the Association of Electoral Administrators and additional cost of the Duston and Upton parish elections offset by vacancy savings.

Director of Customers and Communities £403k favourable - overall forecast saving reflecting additional deductions made through the Environmental Services Contract, additional income for grounds maintenance to accurately reflect work carried out on HRA land, savings in budgets for NNDR, Utilities and rent offset by forecast overspends reflecting additional costs in relation to new cleaning contract and electrical works.

Local Government Shared Services £116k adverse - forecast overspend relates to the underachievement of budgeted savings for Revenues and Benefits offset by a saving due to the pension auto enrolment not starting in 2015/16.

3.2.3.2 Debt Financing & HRA Recharges

Debt Financing (£319k) favourable - forecast saving reflecting lower interest on new borrowing and additional investment interest due to investment balances being higher than budgeted

3.2.4 HRA Revenue – (£1,293k) favourable

	£000
Controllable Budgets	(1,265)
Debt Financing & General Fund Recharges	(28)
General Fund Revenue	**(1.293)**

The major variations are detailed below.

3.2.4.1 Controllable Budgets

The forecast underspend position on the HRA relates mainly to continued good performance of arrears management resulting in lower arrears than anticipated leading to a reduction in the required contribution to the Bad Debt Provision. Repair and Maintenance costs are lower as a result of the transfer of costs to capital schemes. In addition to this staff savings as a result of vacant posts across the service are reflected in the forecast underspend.

3.2.4.2 Debt Financing & General Fund Recharges

The forecast underspend relates mainly to investment interest, arising from significantly higher levels of HRA cash balances compared to budget, offset by additional grounds maintenance recharge.

3.2.5 Capital Programme

3.2.5.1 General Fund Capital Programme

Additions, totalling £740k, are predominantly funded from self-funded borrowing and Section 106 contributions. The £3.25m budget for further loan to NTFC has been removed, giving a net reduction of £2.51m. In line with approved processes, the Capital Programme Board has approved changes to the General Fund capital programme as set out in Appendix 3. These changes have been reported to Cabinet. The General Fund Capital Programme now stands at £68.3m.

3.2.5.2 HRA Capital Programme

The HRA Capital Programme is managed by Northampton Partnership Homes (NPH) via a managed budget arrangement. Overall expenditure on the HRA Capital Programme in 2015/16 is forecast to be below budget by around £1.5m as at the end of December. This sum is expected to be carried forward to 2016/17 to complete the programme of works.

The most significant area of expected carry forward is in relation to NPH's ICT improvement programme. Consultants have been employed to support these projects, which are expected to complete in June 2016, resulting in an expected carry forward of £788k.

The majority of the HRA Capital Programme is for improvements to Council Dwellings and their surrounding environments. The overall position in relation to these schemes has improved to a forecast carry forward of £732k, compared to a forecast £3.1m in September 2015. Following a review of priorities in the early part of the year, work has now accelerated and expenditure in 2015/16 will be maximised. The capital programme budgets for individual schemes will need to be aligned to the new priorities in line with approved virement rules. The HRA Capital Programme now stands at £36.1m.

3.2.6 Appendix 5 shows the monthly levels of car parking usage and income to 31 January.

3.2.7 Corporate debt including managed debt analysis and commentary to 31 January are shown at Appendix 6.

3.3 Choices (Options)

3.3.1 None

4. Implications (including financial implications)

4.1 Policy

4.1.1 There are no specific policy implications arising from this report.

4.2 Resources and Risk

4.2.1 Ongoing monitoring of the Council's budget and capital programme enables early intervention and appropriate remedial action, thus mitigating risks to the Council's financial viability and to its reputation.

4.3 Legal

4.3.1 There are no specific legal implications arising from this report.

4.4 Equality

4.4.1 There are no specific equalities implications arising from this report.

4.5 Consultees (Internal and External)

4.5.1 None at this stage.

4.6 How the Proposals deliver Priority Outcomes

4.6.1 Regular reporting of the Council's financial position helps to ensure the proper stewardship of the Council's resources. Active financial management contributes to the delivery of value for money services, enabling public money to be used to maximum benefit.

4.7 Other Implications

4.7.1 Not applicable

5. Background Papers

None

Glenn Hammons
Chief Finance Officer, Telephone 01604 366521

NB General Fund

Revenue Budget Forecasts 2015/16

December 2015

Key to BRAG where Forecast variance is:

Greater than £(100k)
Between £50k and £(100)k
Between £51k and £100k
Greater than £100k

Division	Ksa	Service Area	Revised Budget £000's	Forecast £000's	Forecast Variance £000's	RAG Status	Notes on Forecast Variances
	FA01	Asset Management	1,016	993	(22)	G	Forecast overspends due to late implementation of a restructure and interim cover of vacant posts £86k, in addition to £29k on Lift Maintenance due to unplanned works and breakdowns. This is offset by savings of £139k on NNDR Rebates which is planned at present to help towards predicted overspend on Planning Appeals against KSA PE03
	FA06	Other Buildings & Land	(1,496)	(1,562)	(66)	G	Forecast overachievement of rental income.
Asset Management			**(480)**	**(569)**	**(88)**	**G**	
	DR02	Director of Regeneration, Enterprise and Planning	221	244	23	G	
Director of Regeneration, Enterprise & Planning			**221**	**244**	**23**	**G**	
	RG01	Head of Economic Development and Regeneration	97	112	15	G	
	RG02	Programmes & Enterprise	1,683	1,713	30	G	
Economic Development and Regeneration			**1,780**	**1,825**	**44**	**G**	
	PE02	Building Control	(53)	(38)	16	G	
	PE03	Development Control	160	717	557	R	The Council is currently subject to two planning appeals, one in Hardingstone, the other in Collingtree. The majority of these invoices have been paid now so the expected cost is lower than first anticipated at £656k. These appeals will be funded (from in year underspends and reserves). At present nothing has been forecast for any claimant costs that NBC could incur if the claim is successful.
	PE06	Head of Planning	110	135	25	G	
	PE15	Joint Planning Unit	132	132	0	G	
	PE17	Planning & Regn Project Support	47	52	6	G	
	RG04	Planning Policy & Heritage	629	548	(80)	G	Mainly relates to Holding Senior Planning Officer Post vacant for the remainder of the year and other smaller salary savings on other vacancies within the area
Head of Planning			**1,024**	**1,546**	**523**	**R**	
Director of Regeneration, Enterprise & Planning			**2,545**	**3,047**	**502**		
	HS05	Housing Options & Advice	735	834	99	A	Mainly due to additional cost for Agency Staff £76k offset by savings in Housing Strategy and Wellbeing.
	HS13	Head of Housing and Wellbeing	126	141	15	G	
	PE09	Travellers Sites	33	33	0	G	

Division	Ksa	Service Area	Revised Budget	Forecast	Forecast Variance	RAG Status	Notes on Forecast
	PE12	Private Sector Housing	96	122	26	G	
	RG03	Housing Strategy & Wellbeing	145	63	(82)	G	Mainly due to savings made on Agency Staff costs of (£94k) to offset additional costs in Housing Options Team.
Head of Housing and Wellbeing			**1,135**	**1,194**	**59**	**A**	
Housing			**1,135**	**1,194**	**59**		
	GC08	Communications	249	271	23	G	
	GC15	Emergency Planning	52	52	0	G	
	PI20	Performance and change	97	67	(30)	G	
Business Change			**398**	**390**	**(7)**	**G**	
	CX01	Chief Executive	179	191	11	G	
	GC02	Civic and Mayoral Expenses	88	105	17	G	
	GC05	Overview & Scrutiny	43	46	3	G	
	GC06	Councillor & Managerial Support	530	520	(10)	G	
	LD02	Electoral Services	314	452	138	R	Forecast overspend due to increased resources being supplied by the Association of Electoral Administrators £47k; and additional cost of the Duston and Upton parish elections due in March £42k.
	LD03	Land Charges	0	0	0	G	
	LD04	Legal	120	197	77	A	Restructure savings only effective part-year. Other areas within Borough Secretary (Democratic Services) have also been restructured and have resulted in savings that off-set this pressure.
	LD08	Democratic Services	277	186	(91)	G	Reduction in staffing costs resulting from restructure.
Borough Secretary			**1,552**	**1,697**	**145**	**R**	
Borough Secretary			**1,949**	**2,087**	**138**		
	DR01	Director of Customers & Communities	184	221	37	G	
Director of Customers & Communities			**184**	**221**	**37**	**G**	
	CE03	Events	271	354	83	A	Restructure savings only effective part-year. Additional pressures from events including Firework Display, Christmas market, Christmas entertainment and Delapre Concert.
	CE06	Museums and Arts	685	683	(2)	G	
	CE23	Town Centre Management	9	39	30	G	
	CE24	Car Parking	(897)	(1,004)	(107)	B	Savings on NNDR (£47k), Utilities (£41k) and reduced rent costs on St Peters Way Car Park reflecting lower usage (£84k). £60k costs in relation to new cleaning contract, (£30k) additional income on contract parking and £36k on additional electrical works and CCTV enhancements.
	CE26	Bus Station	111	131	20	G	
	CS02	Call Care	(71)	(45)	25	G	
	CS03	Head of Customer & Cultural Services	87	89	2	G	
	CS04	Customer Services	464	497	32	G	
	CS05	Print Unit	1	2	1	G	
	FA08	Facilities Management	830	779	(51)	G	Forecast savings on utility costs.

Division	Ksa	Service Area	Revised Budget	Forecast	Forecast Variance	RAG Status	Notes on Forecast
	FA09	Markets	(48)	(51)	(3)	G	
Head of Customer & Cultural Services			**1,443**	**1,473**	**31**	**G**	
	CE02	Community Safety	293	337	43	G	
	CE04	Leisure Contract	322	322	0	G	
	GC04	Policy	5	5	0	G	
	GC09	Community and Other Grants	1,130	1,226	96	A	Forecast shortfall on the MTP savings option (information and advice) It is intended to offset this balance within this Directorate by savings achieved in other services.
	GC10	Community Developments	71	90	19	G	
	GC11	Community Centres	97	100	3	G	
	LD05	Licensing	(281)	(254)	27	G	
	PE07	Pest Control	7	4	(3)	G	
	PE10	Commercial Services	223	258	36	G	
	PE11	Environmental Protection	1,048	1,007	(41)	G	
	PE16	Head of Public Protection	(20)	1	21	G	
	SS09	Environmental Services Contract	6,782	6,414	(368)	B	Due to deductions made to the monthly core contract payment.
	SS20	Environmental Services	(265)	(569)	(303)	B	Additional Recharge income forecast as a result of grounds maintenance review.
Head of Communities and Environment			**9,411**	**8,941**	**(470)**	**B**	
Director of Customers & Communities			**11,038**	**10,635**	**(403)**		
	FA03	Audit	160	160	0	G	
	FA04	Non Distributed Costs	5,142	5,072	(70)	G	Underspend on Carbon Tax budget as NBC no longer falls within the scope of the scheme. Budget to be adjusted for 2016/17.
	FA19	Exchequer Services	0	0	0	G	
	FA20	Corporate Finance	115	26	(89)	G	£89k forecast for Pay increments released to offset costs now included within Services. Budget virement to Services will be completed in Period 10.
	HS01	Benefits	(1,609)	(1,609)	0	G	
	HS03	Revenues	(731)	(731)	0	G	
Corporate			**3,078**	**2,919**	**(159)**	**B**	
	LGSS	Local Government Shared Service	9,469	9,585	116	R	Underachievement of budgeted savings for Revenues and Benefits £231k offset by (£115k) pension auto enrolment not starting in 2015/16.
LGSSX			**9,469**	**9,585**	**116**	**R**	
Total Service Budgets			**29,214**	**29,466**	**253**		

Division	Ksa	Service Area	Revised Budget	Forecast	Forecast Variance	RAG Status	Notes on Forecast
Item 01		Debt Financing	1,780	1,461	(319)	B	Interest on borrowing (£295k) – No new external borrowing planned for 2015-16, compared with £7.5m at 4.25% from 1 April 15 budgeted. This is offset in part by £32k interest on LIF funding not budgeted. Investment interest (net of HRA recharge) (£153k) - Investment balances higher than budgeted. MRP (£26k) - Lower level of funding by borrowing in 2014-15 due to carry forwards in the capital programme, partially offset by budget adjustments relating to self-funded borrowing. Income from third party loans (£95k)- Interest earned on third party loans to Cosworth and Unity Leisure (not budgeted) Loan to NTFC £240k – Loss of interest from the cancellation of the NTFC loan agreement. Other arrangements for the recovery of the monies are being put in place. Other £10k
Item 04		Contribution to/(from) GF Balances	0	(656)	(656)	B	
Total Corporate Budgets			**1,780**	**805**	(975)		
Total General Fund			**30,994**	**30,271**	(722)		

NB Capital Monitoring

Capital GF Budget Forecasts 2015/16

December 2015

Head of Service	Scheme Code	Scheme Description	Original Budget £000's	Approved Changes In Year £000's	Latest Approved Budget £000's	YTD Actual Expenditure £000's	Committed Expenditure £000's	Forecast Year End Spend £000's	Expected Carry Forward £000's	Forecast Under/Overspend £000's	Summarised Transaction Description
	BA217	Northampton Leisure Trust Loan	300	0	300	0	0	300	0	0	
Francis Fernandes (FF1)			**300**	**0**	**300**	**0**	**0**	**300**	**0**	**0**	
	BA662	University of Northampton Loan	46,000	0	46,000	0	0	46,000	0	0	
Glen Hammons (GH11)			**46,000**	**0**	**46,000**	**0**	**0**	**46,000**	**0**	**0**	
	BA186	Improvement to Parks Infrastructure	0	60	60	46	0	60	0	0	
	BA220	St Crispins Community Centre	0	750	750	91	14	750	0	0	
	BA221	Vulcan Works	650	210	860	123	2	150	710	0	
	BA230	St. Crispins Allotments	0	65	65	0	0	65	0	0	Forecast to match budget
	BA673	Parks / Allotments / Cemeteries Enhancements	201	(100)	101	27	29	101	0	0	
Julie Seddon (JS14)			**851**	**985**	**1,837**	**287**	**46**	**1,127**	**710**	**0**	
	BA145	Cliftonville Move; New ways of working	0	0	0	(10)	0	0	0	0	
	BA165	Corporate EDRMS	0	57	57	0	0	17	40	0	
	BA207	ICT Improvement / Refresh	150	151	301	16	2	301	0	0	Variation of £65k is approved for Desktop review and refresh
	BA216	Central Museum Development	0	132	132	0	0	132	0	0	
	BA225	Car Park Pay Machines	0	300	300	212	159	300	0	0	
	BA659	Call Care Project (part of prevention programme)	0	9	9	0	0	9	0	0	
	BA893	Microsoft Office 2010 Upgrade	0	70	70	62	0	70	0	0	
Marion Goodman (MG3)			**150**	**719**	**869**	**280**	**161**	**829**	**40**	**0**	
	BK015	DFG's Owner Occupiers	1,875	250	2,125	1,114	311	1,500	400	(225)	Underspend on DFG works
Phil Harris (PH8)			**1,875**	**250**	**2,125**	**1,114**	**311**	**1,500**	**400**	**(225)**	
	BA180	Strategic Property Investment	0	2,675	2,675	2,777	0	2,777	0	102	Forecast adjustment Stamp duty paid twice
	BA188	Royal and Derngate Roof Replacement Works	0	0	0	8	0	0	0	0	
	BA197	Delapre Abbey Restoration Minor Projects	0	0	0	(12)	0	0	0	0	
	BA211	Extension of Duston Cemetery	0	41	41	36	0	39	0	(2)	
	BA214	St Johns MSCP Storage Facilities Upgrade & Construction	100	30	130	114	9	130	0	0	
	BA215	Moulton Athletic Track	900	556	1,456	580	459	1,456	0	(0)	
	BA218	Milverton Crescent Common Pathway	0	64	64	61	0	61	0	(3)	
	BA219	Standens Barn Community Centre Security Improvements	0	10	10	10	0	10	0	0	
	BA222	Octagon Centre Kings Park Enhanced Conference Facilities	0	70	70	70	0	70	0	0	
	BA223	Eastfield Park Additional Play Equipment	0	47	47	0	0	0	47	0	
	BA224	Delapre Abbey and Parklands Infrastructure	0	300	300	0	0	200	100	0	Previous forecast entered incorrectly
	BA226	Purchase of National Grid Land	0	1,500	1,500	0	0	1,500	0	0	
	BA227	Duston Arts Project	0	10	10	9	39	10	0	0	
	BA229	Weston Favell Improvement Project	0	40	40	0	6	25	0	(15)	Estimates originally made quotes now received
	BA368	Upton Park Pedestrian & Cycle Bridge	0	0	0	(3)	0	0	0	0	
	BA645	S106 Contributions to Other Local Authorities	0	66	66	40	25	66	0	0	
	BA649	Skate Park Toilet & Kiosk	55	48	103	97	1	97	0	(6)	
	BA652	Visitor Signage in Town Centre	0	74	74	4	0	74	0	0	
	BA653	Delapre Abbey Restoration	3,877	887	4,765	1,627	40	4,765	0	0	Costs to increase
	BA656	Victoria Street Bus Shelters	0	0	0	9	0	0	0	0	

Head of	Scheme Code	Scheme Description	Original Budget	Approved Changes In Year	Latest Approved Budget	YTD Actual Expenditure	Committed Expenditure	Forecast Year End Spend	Expected Carry Forward	Forecast Under/Overspend	Summarised Transaction
	BA663	Duston Wetlands Development & Implementation	0	217	217	15	0	17	200	0	
	BA666	Greyfriars Bus Station Demolition	1,050	399	1,449	1,277	11	1,365	0	(84)	
	BA668	Abington Street - Opening Up to Traffic	0	4	4	0	1	0	0	(3)	Completed no further expenditure due
	BA669	Town Centre Realm Improvements	750	(26)	724	87	6	724	0	0	
	BA670	Waterside Improvements (Southbridge)	0	40	40	0	0	40	0	0	
	BA671	Heritage Gateway	250	30	280	62	27	280	0	0	Variation approved to transfer £40k to BA229 Weston Favell Improvement Project
	BA672	Capital Improvements - Regeneration Areas	250	20	270	17	0	270	0	0	
	BA674	Operational Buildings - Enhancements	400	79	479	202	90	479	0	0	
	BA675	Commercial Landlord Responsibilities	270	136	406	10	43	336	70	0	
	BA681	Site 11 Construction	0	0	0	2	0	0	0	0	
	BA682	St Peters Way Improvements	1,400	(1,400)	0	0	0	0	0	0	
	BA683	St James Mill Way - Electricity Substation Upgrade	0	463	463	208	0	463	0	0	Expect to spend full budget
	BA684	Superfast Broadband	250	(162)	88	0	412	88	0	0	
	BA685	Northampton Bike Hire Scheme	0	55	55	13	45	55	0	0	
	BA687	St Peters Waterside	1,000	83	1,083	63	19	1,083	0	0	
	BA695	East Hunsbury and Wootton Greenspace Capital Works	34	(23)	11	11	0	11	0	0	
	BA696	Pig & Whistle Refurbishment Works	0	0	0	(5)	0	(0)	0	(0)	
	BA698	Delapre Abbey New Tea Room & Pony Club Office	150	(76)	74	42	54	74	0	0	
	BA883	Planning IT Improvements (HPDG)	25	26	50	36	0	50	0	0	
	BA889	Mayorhold Car Park - Drainage Works	0	77	77	0	0	77	0	0	
	BA891	Bus Interchange	0	22	22	7	0	22	0	0	
	BA892	Urgent Lift Renewals	0	0	0	(3)	0	0	0	0	
Richard Lawrence (RL3)			**10,760**	**6,382**	**17,143**	**7,470**	**1,286**	**16,715**	**417**	**(11)**	
Total Scheme Budgets			**59,937**	**8,336**	**68,273**	**9,152**	**1,804**	**66,470**	**1,567**	**(236)**	

Sources of Funding

Grants	4,898	(48)	4,850			4,790	60	0
Section 106	34	1,400	1,434			1,185	247	(2)
Revenue/Reserves	631	2,749	3,380			3,380		0
Self-funded Borrowing	47,905	(738)	47,167			47,161		(6)
Corporate Borrowing	1,298	1,429	2,727			2,643		(84)
Capital Receipts	5,371	3,344	8,715			7,311	1,260	(144)
Total Financing	**60,137**	**8,136**	**68,273**			**66,470**	**1,567**	**(236)**

Housing Revenue Account

Revenue Budget Forecasts 2015/16

December 2015

Key to BRAG where Forecast variance is:

Greater than £(100k)
Between £50k and £(100)k
Between £51k and £100k
Greater than £100k

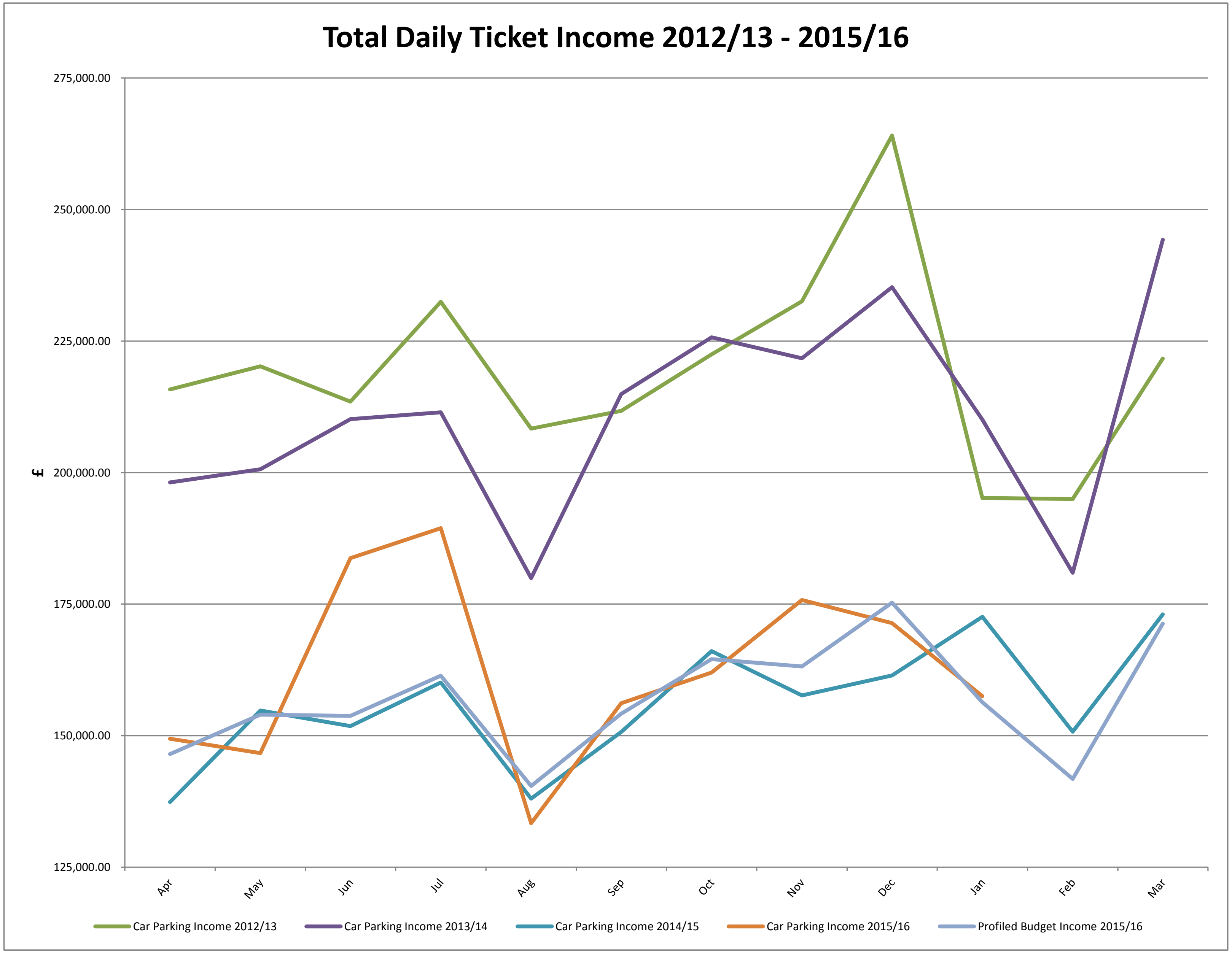
Type	SEADIV	Service Area	TOTAL Current Budget £000's	NPH Managed Budget £000's	Actuals £000's	Forecast Outturn £000's	Forecast Variance £000's	BRAG Status	Notes on Forecast Variances
INCOME									
	H1	Dwelling Rents	(51,371)	0	(37,526)	(51,405)	(34)	G	
	H2	Non-Dwelling Rents	(1,100)	0	(859)	(1,103)	(3)	G	
	H3	Other Charges for Services	(2,064)	0	(1,526)	(2,035)	29	G	
	H4	Contibution To Expenditure	(85)	0	(7)	(35)	50	G	
Total Income			**(54,620)**	**0**	**(39,918)**	**(54,578)**	**42**	**G**	
EXPENDITURE									
	H10	Repairs & Maintenance	14,765	14,453	8,316	14,349	(416)	B	Capitalisation of Decent Homes expenditure and lower spend on staffing across the Service.
	H8	General Management	6,994	6,586	7,842	6,650	(344)	B	Savings largely as a result of vacant posts across the service.
	H9	Special Services	3,949	3,849	1,837	3,877	(72)	G	Primarily reflects staff savings within the Sheltered Accommodation Team
	H7	Rents, Rates, Taxes	279	0	127	279	(0)	G	
	H13	Provision for Bad Debts	750	0	206	275	(475)	B	Lower arrears than anticipated resulting in a reduction in the required contribution to the Bad Debt Provision.
Total Expenditure			**26,737**	**24,888**	**18,328**	**25,429**	**(1,308)**	**B**	
Net Cost of Services			**(27,883)**	**24,888**	**(21,590)**	**(29,148)**	**(1,265)**	**B**	
		Net Recharges from the General Fund	6,583		5,152	6,869	286	R	Review of Grounds Maintenance costs
		Interest & Financing Costs	6,250		4,452	5,936	(314)	B	The variance relates to investment interest, arising from significantly higher levels of HRA cash balances compared to budget.
		Depreciation/MRA	12,610		9,458	12,610	0	G	
		Revenue Contributions to Capital	12,540		9,405	12,540	0	G	
		Net Contribution (from) / to Earmarked Reserves	(10,100)		(6,605)	(8,807)	1,294	R	Lower contribution required from Reserves
Net Transfer From / (To) Working Balance			**0**		**271**	**0**	**0**	**G**	
		Working Balance b/f	(5,000)		(5,000)	(5,000)	0		
Working Balance Outturn			**(5,000)**		**(4,729)**	**(5,000)**	**0**	**G**	

NB Capital Monitoring

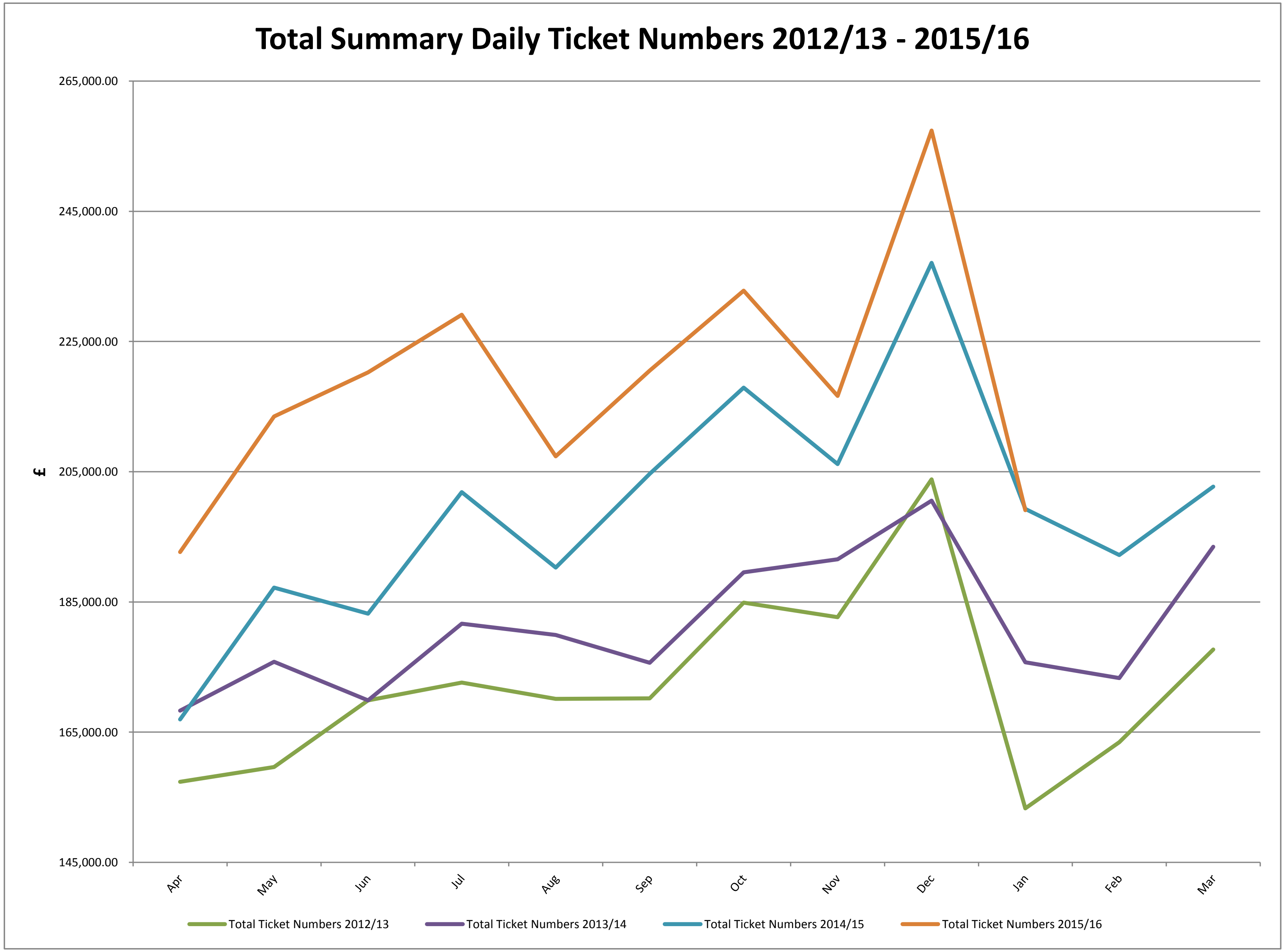
Capital HRA Budget Forecasts 2015/16

December 2015

Head of Service	Scheme Code (NBC)	Scheme Description	Original Budget £000's	Approved Changes In Year £000's	Latest Approved Budget £000's	YTD Actual Expenditure £000's	Committed Expenditure £000's	Forecast Year End Spend £000's	Expected Carry Forward £000's	Forecast Under/Overspend £000's	Summarised Transaction Description
P Harris	BH003	Garages Roofs & Doors Replacement	0	0	0	12	0	0	0	0	
P Harris	BH302	Minor Adaptations for People with Disabilities	0	0	0	4	0	0	0	0	
P Harris	BH317	Decent Homes	0	0	0	(5)	0	0	0	0	
P Harris	BH325	Gas Appliance Replacement - Responsive	0	0	0	12	0	0	0	0	
P Harris	BH351	Door Entry Updates	0	0	0	5	0	0	0	0	
S Boyes	BH370	Repurchase of Former Council Houses	414	730	1,144	355	0	1,144	0	0	
P Harris	BH373	Lakeview	0	769	769	778	0	769	0	0	Purchase of Lakeview House incl SDLT
NPH	BH383	Sotheby Rise and Dallington Haven Car Park Improvements	0	62	62	22	0	29	0	(33)	Final retention payments and final construction costs, works not as extensive as expected
P Harris	BH384	New Build - Dallington	9,306	(8,706)	600	0	0	600	0	0	Variation approved by September Cabinet
NBC Retained Capital Schemes			**9,720**	**(7,146)**	**2,574**	**1,182**	**0**	**2,541**	**0**	**(33)**	
NPH	BH801	NPH Capital - Managed Budget Improvement to Homes	24,002	6,200	30,202	18,149	11,065	30,694	732	1,224	Various, including forecast overspends on Major Projects, Void properties and Fire Risk Works.
NPH	BH802	NPH Capital - Managed Budget Improvement to Environment	1,991	335	2,326	345	35	1,102	0	(1,224)	Primarily relates to lower expenditure on general environmental works such as paving and fencing (£1.1m) and the SCATE Project (£102k)
NPH	BH803	NPH Capital - ITC	600	446	1,046	116	2	258	788	(0)	
NPH Managed Capital Schemes			**26,593**	**6,981**	**33,574**	**18,610**	**11,103**	**32,054**	**1,520**	**0**	
Total Scheme Budgets			**36,313**	**(165)**	**36,148**	**19,793**	**11,103**	**34,596**	**1,520**	**(33)**	



Income to the end of January was £56k greater than budgeted for the first 10 months of 2015/16



The volume of tickets issued up to and including the end of period 10 was 195k higher than for the same period in 2014/15.

Appendix 6

AUDIT COMMITTEE REPORT

Report Title	Corporate debt – Progress and Age debt analysis

1. Progress

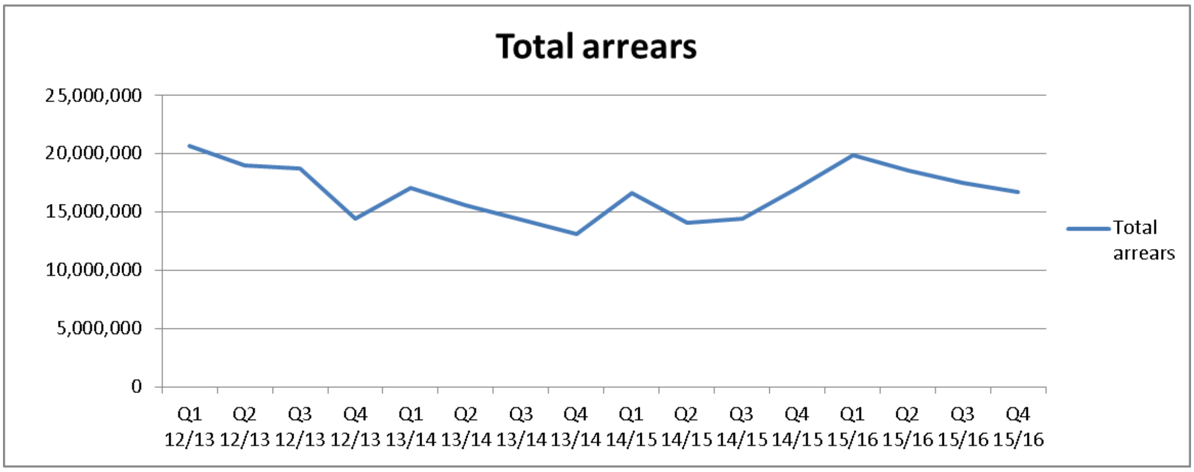
1.1 We have compiled a corporate debt matrix that monitors the % of debt not currently managed within the Council. This offers "at a glance" view of all debt across the Council, along with the current status of debt. This has improved the way our Cabinet Member and management board review our position on debt.

1.2 Quarterly performance for 12/13 and 13/14 can be found at Appendix A)

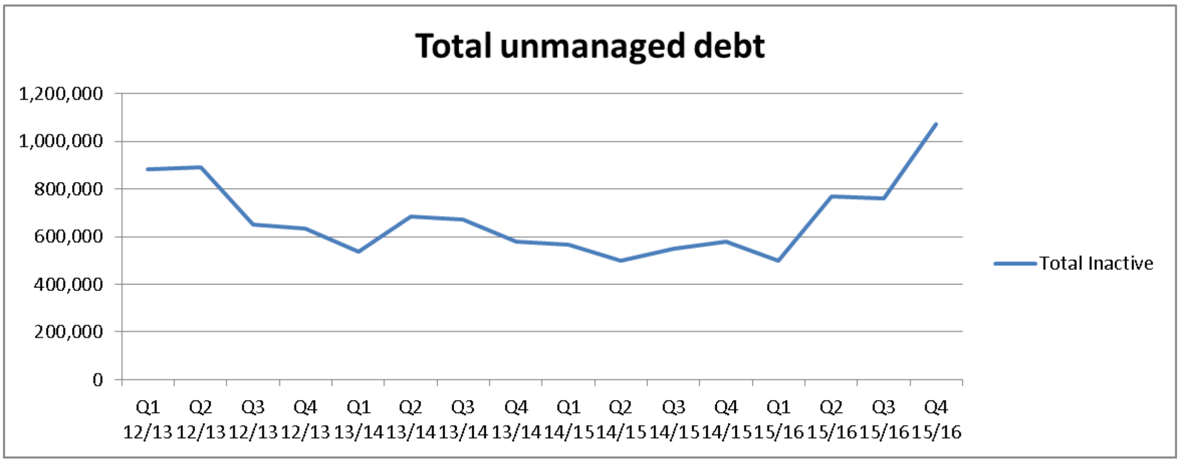
1.3 Quarterly performance for 14/15 and 15/16 to date can be found at Appendix B)

1.4 A Rolling 12 month comparative performance illustration can be found at Appendix C

1.5 Overall debt levels as at 31st January 2016

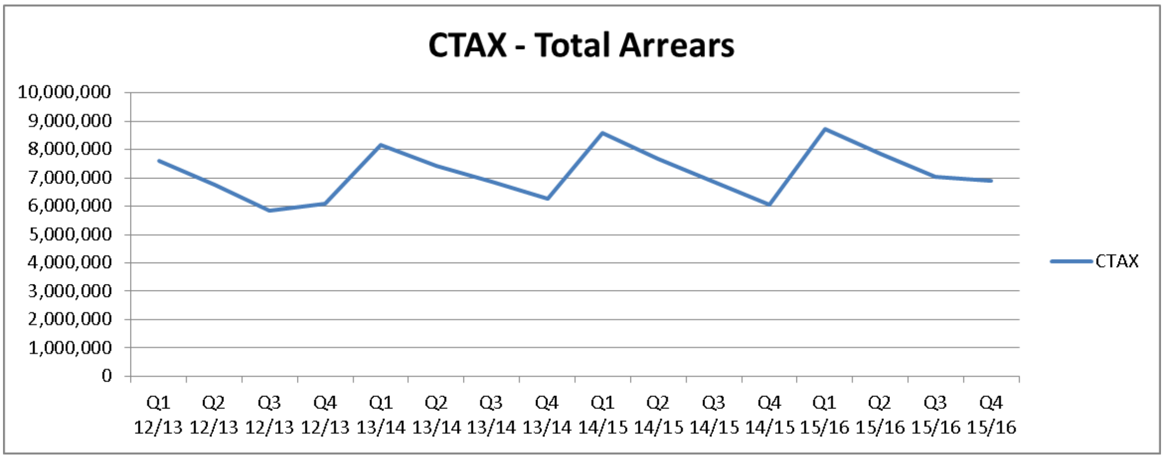


The overall outstanding arrears have increased by £ 2,030,514 compared to the same point last year. Please see individual debt types for explanation of increase.

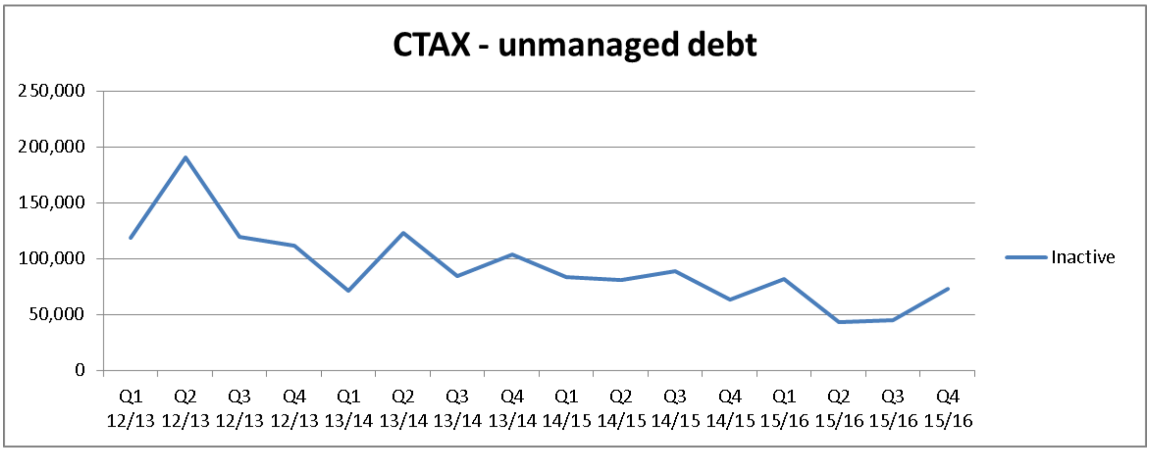


Unmanaged debt is £599,283 more than the same time last year. A specific issue has been identified within sundry the debt figures. Once this has been addressed the proportion of unmanaged debt against the overall arrears will have increased by 0.03%, demonstrating that overall the Council is still working hard to maximise its income.

1.6 Council Tax as at 31st January 2106



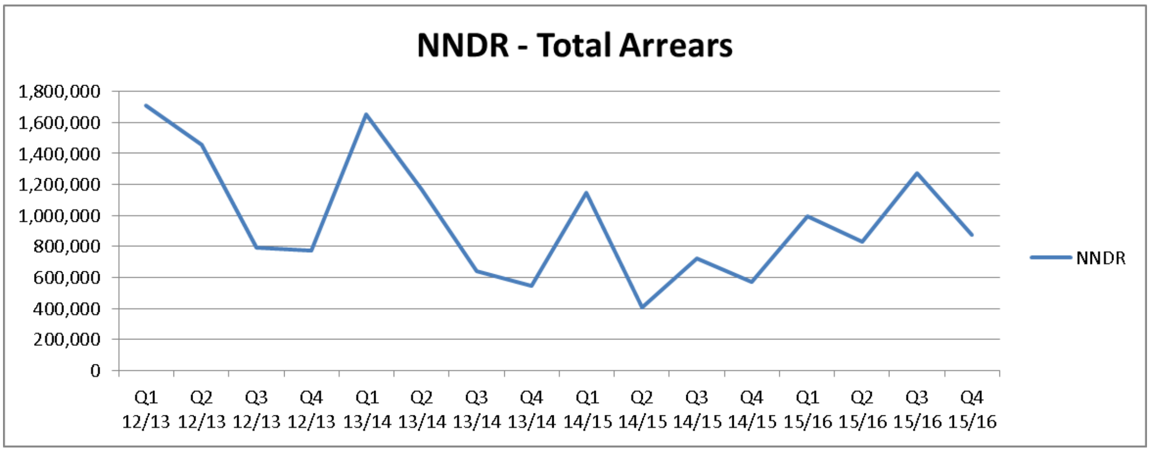
The overall outstanding arrears are £374,016 more than at the same point last year, which is due to an increase in the Council Tax charge in 2014/15 and a reduction in the 2014/15 Council Tax Reduction Scheme.



Unmanaged debt is £20,518 greater than the same time last year, however the amount of debt collected is £127,661 higher during this financial year. .

The continued introduction of Welfare Reforms continue to increase the pressure on those liable for Council Tax and on a low income., There has also been a significant rise in the number of attachment of benefits orders.

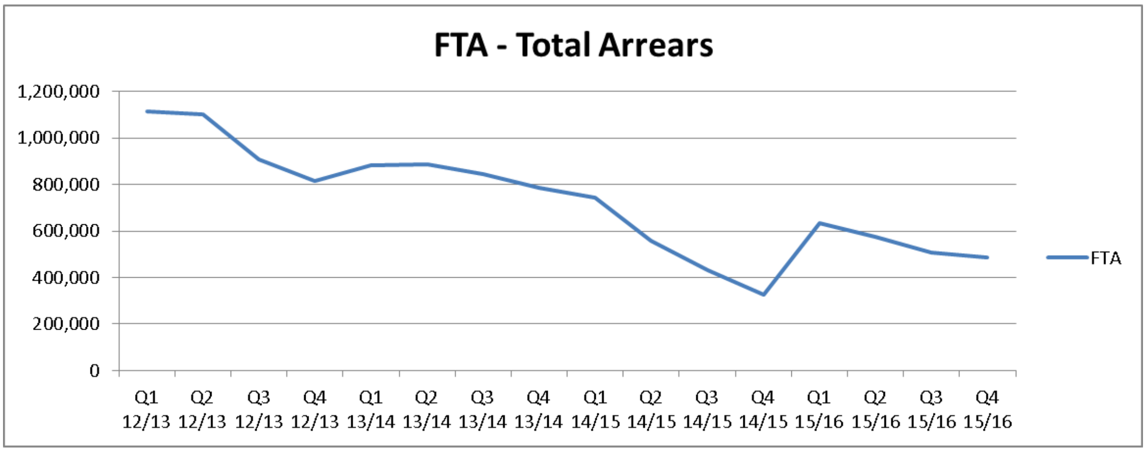
1.7 <u>Business Rates (NNDR) as at 31st January 2016</u>



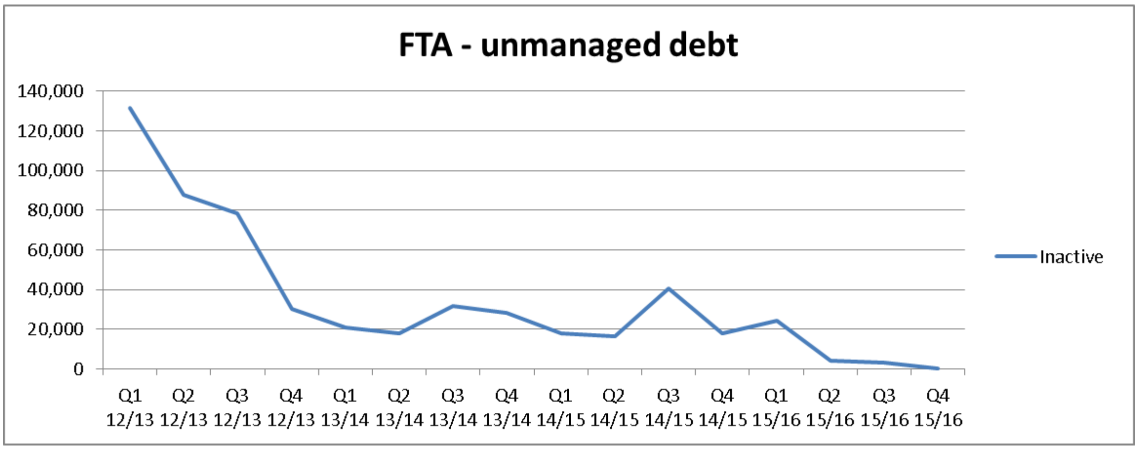
The overall outstanding arrears are £102,256 more than at the same point last year. This is primarily due to increased rateable values being backdated into 2014/15. This is expected to be paid by the end of March 2016.

Unmanaged debt remains unchanged in NNDR as all accounts continue to be monitored on a monthly basis, due to the low number and high value of cases.

1.8 Former Tenant Arrears as at 31st January 2016

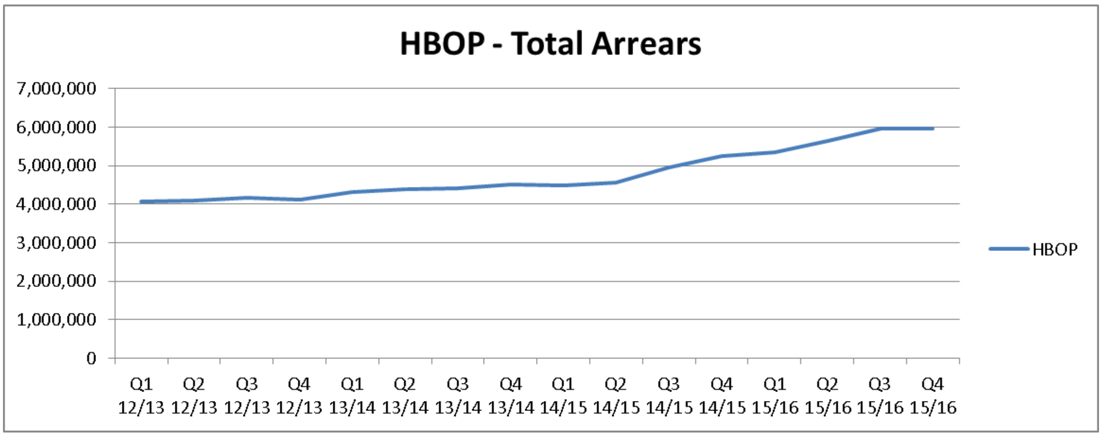


The overall outstanding arrears are £76,511 more than at the same point last year. This is due to a rise in the number of evictions, absconders and other terminations of tenancy.



Unmanaged debt is £11,493 less than the same time last year, and is the lowest amount of unmanaged debt to date, which demonstrates that despite the increase in arrears, officers collecting the debt continue to focus on managing the position.

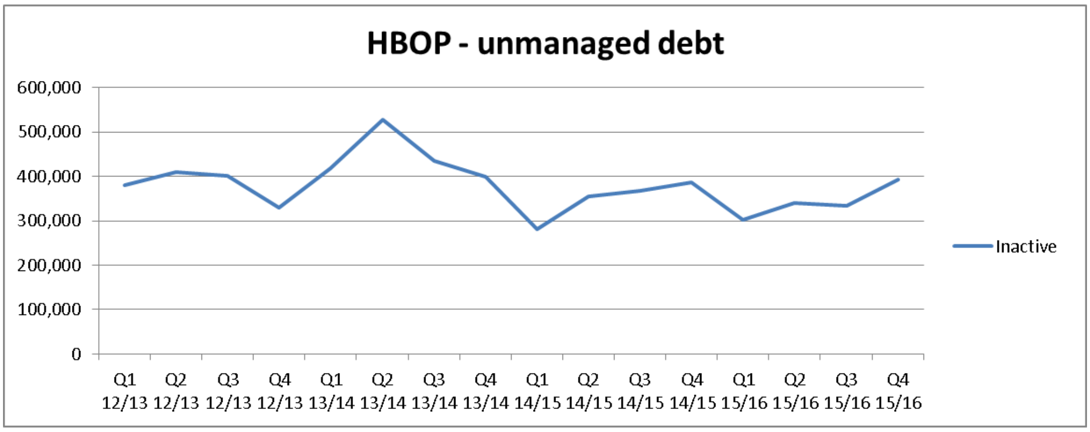
1.9 Housing Benefit Overpayments Payments as at 31st January 2016



The overall outstanding arrears are £850,195 more than at the same point last year. This is a national trend as the DWP has introduced two major initiatives, being "Real Time Information" and "Fraud and Error Reduction Incentive Scheme", which the Council is fully supporting.

These are designed to drive error and fraud out of the benefit system, however the consequence is that it creates overpayments that need collecting.

The current benefit team's performance has reduced the impact on the Council. Focusing resource on this debt has also supported better outcomes, which can be demonstrated by the reduction in the percentage of unmanaged debt. These debts remain very difficult to collect due to the limited recovery methods available to us, and the economic climate.

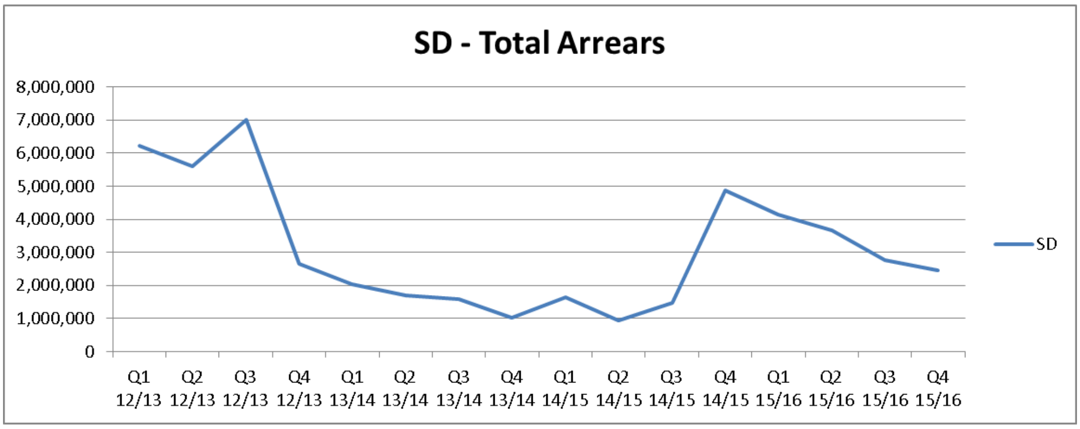


Unmanaged debt is £39,652 more than the same time last year, but as a proportion of the outstanding balance it has reduced by 0.32% over the same period.

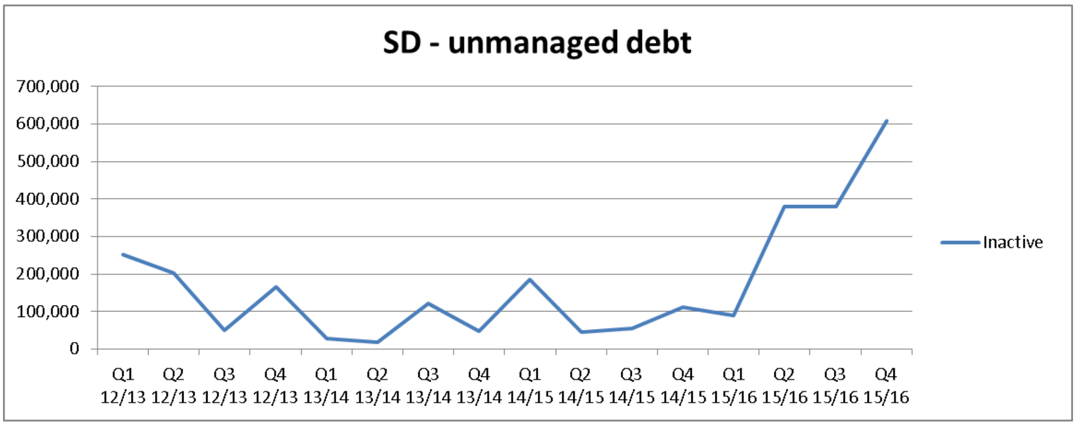
The Welfare Reform measures are increasing the pressure on these individuals clearing the debt. Housing benefit overpayments are deemed as a lower priority, when compared to other debt types, and arrangements tend to be small amounts over a long period of time.

We have also seen an increase in direct debit payers for this type of debt, but once again small amounts over a longer period of time.

1.10 Sundry Debts as at 31st January 2016



The overall outstanding arrears are £627,256 more than at the same point last year.



The unmanaged debt is £550,607 more than the same time last year. All of this controlled recovery activity is undertaken within the individual service areas in the Council. Around £528k lies within Asset Management, who are aware of this recent spike and are taking measures to address this in the coming months. The unmanaged debt controlled by the Revenues and Benefits Service 0%.

Appendix A

YEAR on YEAR PERFORMANCE	2012/13				2013/14			
	JUN	SEP	DEC	MAR	JUN	SEP	DEC	MAR
TOTAL ARREARS	**20,686,484**	**18,990,764**	**18,708,429**	**14,448,119**	**17,025,467**	**15,552,879**	**14,348,298**	**13,133,970**
Total Awaiting Action	882,816	889,537	650,088	635,627	538,313	686,348	672,446	578,997
Managed Debt	19,803,668	18,101,227	18,058,341	13,812,492	16,466,850	14,866,531	13,675,852	14,052,291
% unmanaged debt [PI]	**4.27%**	**4.68%**	**3.47%**	**4.40%**	**3.16%**	**4.41%**	**4.69%**	**4.41%**
CTAX	7,590,716	6,748,461	5,851,338	6,090,189	8,149,267	7,430,390	6,857,434	6,281,511
unmanaged debt	118,927	190,988	119,645	111,528	71,102	123,521	84,934	103,752
managed debt	7,471,789	6,557,474	5,731,693	5,978,660	8,078,165	7,306,869	6,772,500	6,177,759
unmanaged debt	**1.57%**	**2.83%**	**2.04%**	**1.83%**	**0.87%**	**1.66%**	**1.24%**	**1.65%**
NNDR	1,709,394	1,454,169	792,303	776,782	1,650,440	1,162,504	639,286	543,491
unmanaged debt	0	0	0	0	0	0	0	0
managed debt	1,709,394	1,454,169	792,303	776,782	1,630,136	1,162,504	639,286	543,491
unmanaged debt	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
FTA	1,112,712	1,101,424	907,131	814,503	883,694	886,670	845,330	784,750
unmanaged debt	131,638	87,568	78,244	30,016	20,639	17,649	31,602	28,324
managed debt	981,074	1,013,856	828,887	784,487	863,054	869,021	813,728	756,426
unmanaged debt	**11.83%**	**7.95%**	**8.63%**	**3.69%**	**2.34%**	**1.99%**	**3.74%**	**3.61%**
HBOP	4,062,784	4,090,115	4,152,394	4,122,698	4,313,173	4,381,953	4,413,462	4,515,411
unmanaged debt	380,956	409,456	402,007	328,701	418,400	528,023	434,249	399,861
managed debt	3,681,828	3,680,659	3,750,387	3,793,997	3,894,773	3,853,930	3,979,213	4,115,550
unmanaged debt	**9.38%**	**10.01%**	**9.68%**	**7.97%**	**9.70%**	**12.05%**	**9.84%**	**8.86%**
Sundry Debt	6,210,878	5,596,594	7,005,263	2,643,948	2,028,893	1,691,362	1,592,786	1,008,807
unmanaged debt	251,296	201,526	50,191	165,382	28,172	17,155	121,661	47,060
managed debt	5,959,582	5,395,068	6,955,072	2,478,566	2,000,722	1,674,207	1,471,125	961,747
unmanaged debt	**4.05%**	**3.60%**	**0.72%**	**6.26%**	**1.40%**	**1.01%**	**7.64%**	**4.66%**

Appendix B

YEAR on YEAR PERFORMANCE	2014/15				2015/16			
	JUN	**SEP**	**DEC**	**MAR**	**JUN**	**SEP**	**DEC**	**JAN**
TOTAL ARREARS	**18,208,120**	**14,124,390**	**14,440,723**	**17,079,190**	**19,855,282**	**22,074,394**	**17,509,123**	**16,675,241**
Total Awaiting Action	567,258	499,008	550,951	580,064	498,052	552,182	761,254	1,073,843
Managed Debt	17,640,862	13,625,382	13,889,772	16,499,126	19,357,231	21,522,212	16,747,869	15,601,398
% unmanaged debt [PI]	**3.12%**	**3.53%**	**3.82%**	**3.40%**	**2.51%**	**2.50%**	**4.35%**	**6.44%**
CTAX	8,597,465	7,664,327	6,851,511	6,053,552	8,739,169	7,857,713	7,021,084	6,896,031
unmanaged debt	83,329.16	81,410	89,457	63,263	81,903	43,391	44,952	73,160
managed debt	8,514,136	7,582,917	6,762,054	5,990,289	8,657,265	7,814,322	6,976,133	6,822,871
unmanaged debt	**0.97%**	**1.06%**	**1.31%**	**1.05%**	**0.94%**	**0.55%**	**0.64%**	**1.06%**
NNDR	1,148,540	407,858	721,649	568,644	991,831	830,958	1,275,782	876,890
unmanaged debt	0	0	0	0	0	0	0	0
managed debt	1,148,540	407,858	721,649	568,644	991,831	830,958	1,275,782	876,890
unmanaged debt	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
FTA	742,327	557,708	429,510	328,049	635,801	573,762	507,991	484,431
unmanaged debt	18,007	16,431	40,378	17,761	24,097	4,015	3,245	262
managed debt	724,320	541,277	389,132	310,288	611,704	569,747	504,746	484,168
unmanaged debt	**2.43%**	**2.95%**	**9.40%**	**5.41%**	**3.79%**	**0.70%**	**0.64%**	**0.05%**
HBOP	4,489,715	4,555,039	4,960,760	5,243,926	5,356,015	5,645,801	5,950,555	5,958,315
unmanaged debt	280,033	355,323.49	366,800	386,239	302,154	340,936	334,247	392,096
managed debt	4,209,682	4,199,716	4,593,960	4,857,687	5,053,861	5,304,865	5,616,308	5,616,308
unmanaged debt	**6.24%**	**7.80%**	**7.39%**	**7.37%**	**5.64%**	**6.04%**	**5.62%**	**6.58%**
Sundry Debt	1,645,384	939,457.37	1,477,293	4,885,020	4,132,467	7,166,160	2,753,711	2,459,575
unmanaged debt	185,889	45,844.00	54,316	112,802	89,897	163,839	378,810	608,326
managed debt	1,459,495	893,613	1,422,977	4,772,218	4,042,570	7,002,321	2,374,900	1,851,249
unmanaged debt	**11.30%**	**4.88%**	**3.68%**	**2.31%**	**2.18%**	**2.29%**	**13.76%**	**24.73%**

Appendix C

Rolling Year	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16
TOTAL ARREARS	14,644,727	15,079,585	17,079,191	20,082,983	19,036,952	19,855,283	18,778,191	19,509,096	22,074,394	17,558,291	18,642,332	17,509,046	16,675,241
unmanaged debt	474,560	594,959	580,065	447,272	528,392	498,052	634,254	972,351	552,182	642,253	954,877	761,254	1,073,843
Debt in Progress	14,170,165	14,484,626	16,499,126	19,635,711	18,508,560	19,357,231	18,143,937	18,536,745	21,522,213	16,916,038	17,687,455	16,747,792	15,601,398
% unmanaged debt [PI]	3.24%	3.95%	3.40%	2.23%	2.78%	2.51%	3.38%	4.98%	2.50%	3.66%	5.12%	4.35%	6.44%
CTAX	6,522,015	4,942,578	6,053,552	9,287,298	8,955,238	8,739,169	8,257,344	8,030,662	7,857,713	7,481,719	7,342,207	7,021,084	6,896,031
unmanaged debt	52,642	85,331	63,263	84,246	108,172	81,903	100,483	114,602	43,391	67,135	53,786	44,952	73,160
managed debt	6,469,373	4,857,247	5,990,289	9,203,051	8,847,066	8,657,265	8,156,861	7,916,060	7,814,322	7,414,584	7,288,422	6,976,133	6,822,871
unmanaged debt	0.81%	1.73%	1.05%	0.91%	1.21%	0.94%	1.22%	1.43%	0.55%	0.90%	0.73%	0.64%	1.06%
NNDR	774,634	1,047,581	568,644	1,293,525	906,635	991,831	1,165,951	1,104,323	830,958	821,547	1,688,848	1,275,782	876,890
unmanaged debt	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
managed debt	774,634	1,047,581	568,644	1,293,525	906,635	991,831	1,165,951	1,104,323	830,958	821,547	1,688,848	1,275,782	876,890
unmanaged debt	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
FTA	407,920	334,727	328,049	734,540	689,855	635,801	630,916	625,536	573,762	542,714	518,318	507,914	484,431
unmanaged debt	11,755	6,896	17,761	4,757	11,404	24,097	22,356	39,267	4,015	2,732	933	3,245	262
managed debt	396,164	327,831	310,288	729,782	678,451	611,704	608,560	586,269	569,747	539,981	517,385	504,669	484,168
unmanaged debt	2.88%	2.06%	5.41%	0.65%	1.65%	3.79%	3.54%	6.28%	0.70%	0.50%	0.18%	0.64%	0.05%
HBOP	5,108,120	5,208,681	5,243,926	5,341,081	5,324,474	5,356,015	5,400,878	5,563,545	5,645,801	5,664,808	5,805,170	5,950,555	5,958,315
unmanaged debt	352,444	445,013	386,239	313,673	338,524	302,154	371,648	651,923	340,936	425,958	418,648	334,247	392,096
managed debt	4,755,676	4,763,668	4,857,687	5,027,408	4,985,951	5,053,861	5,029,230	4,911,622	5,304,865	5,238,850	5,386,522	5,616,308	5,566,220
unmanaged debt	6.90%	8.54%	7.37%	5.87%	6.36%	5.64%	6.88%	11.72%	6.04%	7.52%	7.21%	5.62%	6.58%
Sundry Debt	1,832,038	3,546,018	4,885,020	3,426,540	3,160,750	4,132,467	3,323,102	4,185,029	7,166,160	3,047,503	3,287,789	2,753,711	2,459,575
unmanaged debt	57,719	57,719	112,802	44,595	70,293	89,897	139,767	166,559	163,839	146,428	481,509	378,810	608,326
managed debt	1,774,318	3,488,299	4,772,218	3,381,945	3,090,457	4,042,570	3,183,335	4,018,470	7,002,321	2,901,075	2,806,280	2,374,900	1,851,249
unmanaged debt	3.15%	1.63%	2.31%	1.30%	2.22%	2.18%	4.21%	3.98%	2.29%	4.80%	14.65%	13.76%	24.73%

Appendices
1

Agenda Item 8

NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	Accounting Policies

AGENDA STATUS: **PUBLIC**

Audit Committee Meeting Date:	12th March 2016
Policy Document:	Yes
Directorate:	LGSS Finance
Accountable Cabinet Member:	Cllr M Hallam

1. Purpose

1.1 The purpose of the report is to bring the Accounting Policies to Audit Committee for approval.

2. Recommendations

2.1 It is recommended that Audit Committee approve the Accounting Policies for the 2015/16 Statement of Accounts, as set out at Appendix 1.

3. Issues and Choices

3.1 Report Background

3.1.1 The accounting policies outline how Northampton Borough Council will account for all income, expenditure, assets and liabilities held and incurred during the financial year.

3.1.2 It is good practice to bring these policies to those charged with governance for approval each year.

3.1.3 The accounting policies for the Authority have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code for Local Authority Accounting. Where there is no specific guidance in the CIPFA Code, the Authority has developed its own accounting policy, which is aimed at creating information, which is:

- Relevant to the decision making needs of users; and
- Reliable, in that the financial statements:
- Represent faithfully the financial position, financial performance and cash flows of the entity;
- Reflect the economic substance of transactions, other events and conditions and not merely the legal form;
- Are neutral i.e. free from bias;
- Are prudent; and
- Are complete in all material respects.

3.1.4 The accounting policies of the Authority are updated annually to reflect any changes in IFRS, including changes in International Public Sector Accounting Standards (IPSAS), HM Treasury guidance, CIPFA guidance or any other change in statute, guidance or framework impacting on the authorities accounts.

3.1.5 The accounting policies of the Authority as far as possible have been developed to ensure that the accounts of the Authority are understandable, relevant, reliable and comparable, and free from material error or misstatement.

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

3.2 Issues

3.2.1 There is a change to the underlying accounting policies from the policies approved and included in the audited Statement of Accounts 2014/15. IFRS 13 Fair value measurement will be adopted in 2015-16 prescribing the methodology of valuation of assets and liabilities, which is set out in policy L.

3.2.2 There are some minor amendments: slight change to wording within section Ag Revenue Reserves with reference to where the value of General Fund Balance can be located; further changes are where '2014/15' has been updated to show '2015/16'.

3.2.3 In the unlikely event that any changes to these accounting policies are identified as part of the creation of the 2015/16 accounts process, these will be brought back to the Audit Committee within the 2015/16 Draft Statement of Accounts at the July meeting.

3.3 Choices (Options)

3.3.1 The Committee can approve the 2015/16 accounting policies as appended.

3.3.2 The Committee can not approve the 2015/16 accounting policies as appended.

4. Implications (including financial implications)

4.1 Policy

4.1.1 The report agrees the accounting policies for Northampton Borough Council.

4.2 Resources and Risk

4.2.1 The Accounting Policies outline how the Council will account for all income, expenditure, assets and liabilities held and incurred during the financial year.

4.2.2 If the Council does not comply with the required standards there is a risk that its Statement of Accounts could receive an adverse audit opinion.

4.2.3 There are no resource requirements.

4.3 Legal

4.3.1 There are no legal implications arising from this report.

4.4 Equality

4.4.1 There are no equalities implications arising from this report.

4.5 Consultees (Internal and External)

4.5.1 These policies have been discussed with the Council's auditors, KPMG, who have confirmed they are in line with their expectations.

4.6 Other Implications

4.6.1 There are no other implications.

5. Background Papers

5.1 Statement of Accounts for Northampton Borough Council 2014/15.

5.2 Code of Practice for Local Authority Accounting in the United Kingdom 2015/16 Accounts.

5.3 Code of Practice for Local Authority Accounting in the United Kingdom 2015/16 Accounts – Guidance notes.

5.4 Service Reporting Code of Practice for Local Authorities 2015/16.

Amy Eyles, Strategic Finance Manager, LGSS
01604 367514

Appendix 1 – Accounting Policies 2015/16 (changes highlighted)

1.1 INTRODUCTION

The accounting policies for the Authority have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code for Local Authority Accounting. Where there is no specific guidance in the CIPFA Code, the Authority has developed its own accounting policy, which is aimed at creating information, which is:

- Relevant to the decision making needs of users; and
- Reliable, in that the financial statements:
  - Represent faithfully the financial position, financial performance and cash flows of the entity;
  - Reflect the economic substance of transactions, other events and conditions and not merely the legal form;
  - Are neutral i.e. free from bias;
  - Are prudent; and
  - Are complete in all material respects.

This document outlines how Northampton Borough Council (the Council) will account for all income, expenditure, assets and liabilities held and incurred during the 2015/16 financial year.

The accounting policies of the Authority are updated annually to reflect any changes in IFRS, including changes in International Public Sector Accounting Standards (IPSAS), HM Treasury guidance, CIPFA guidance or any other change in statute, guidance or framework impacting on the authorities accounts.

The accounting policies of the Authority as far as possible have been developed to ensure that the accounts of the Authority are understandable, relevant, reliable and comparable, and free from material error or misstatement.

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

A **Glossary of Terms** can be found in section I.

1.2 ACCOUNTING PRINCIPLES

a Going Concern

The Authority prepares its accounts on the basis that the Authority is a going concern; that is that there is the assumption that the functions of the Authority will continue in operational existence. In the case of a pending local government reorganisation, where assets and liabilities are due to be redistributed, the Authority would still account on the basis of going concern as the provision of services would continue in another authority.

b Accruals Concept

The Authority accounts for income and expenditure in the period to which the service to which it relates has taken place, rather than when cash payments are received or made.

Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet respectively. Equally, where cash has been received or paid which is not yet recognised as income or expenditure, a creditor (income in advance) or debtor (payment in advance) is recorded in the Balance Sheet respectively and the Comprehensive Income and Expenditure Statement adjusted accordingly.

c Cost of Services

Internal service costs (e.g. Human Resources) are apportioned across the core service areas to represent the total cost of delivering that service to the public.

This is in accordance with the costing principals of the CIPFA Service Reporting Code of Practice 2015/16 (SERCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-democratic organisation.
- Non-Distributed Costs – the costs of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

These two cost categories are accounted for as separate headings in the Income and Expenditure Account as part of the Net Cost of Services.

d Value Added Tax

Income and expenditure treated as either capital or revenue, excludes any amounts related to VAT. All VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from it. Any amounts outstanding (payment or receipt) at the year-end date is held as a creditor or debtor after netting off the amounts due / owed.

e Changes in Accounting Policy

Where there is a known future change in accounting policy required by the CIPFA

Code, the Authority will disclose in the notes to the accounts:

- The nature of the change in accounting policy;
- The reasons why applying the new accounting policy provides reliable and more relevant information;
- For both the current reporting period, and the previous year comparatives reported, the extent to which the change in accounting policy would have impacted on the financial statements if it had been adopted in that year;

- The amount of adjustment relating to years previous to those reported in the set of financial statements, had the proposed policy been adopted retrospectively;
- If retrospective application is impracticable for a particular period, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

The Authority will also disclose information relating to an accounting standard, which has been issued but not yet adopted.

f Previous Year Adjustments

Omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

i) Was available when financial statements for those periods were authorised for issue; and

ii) Could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights, or misinterpretations of facts, and fraud.

Where those errors are thought to be material, an adjustment will be entered into the financial statements comparative year balances, and the columns headed restated. In addition full disclosure as to the nature, circumstance, and value of the adjustment will be disclosed in the notes to the accounts.

g Events after the Balance Sheet date

Where there is a material post balance sheet event, a disclosure in the notes to the accounts will be included. If this event provides additional evidence of conditions that existed at the Balance Sheet date, and materially affects the amounts to be included in the accounts; adjusting items will have been shown in the accounts.

h Exceptional and extraordinary items and prior period adjustments

Exceptional and extraordinary items will have been disclosed separately on the face of the Comprehensive Income and Expenditure Statement and details will be disclosed in the notes to the accounts.

i Contingent assets and liabilities

Where the Council has a contingent asset or liability this will be disclosed as a note to the accounts.

<u>Capital Accounting</u>

j Recognition of Capital Expenditure (de-minimis Policy)

In accordance with International Accounting Standard 16 (IAS 16), the Council recognises non-current assets when all four of the following tests are met:

- Assets held for use in the production or supply of goods or services, rental to others, or for administrative purposes.

- Assets expected to be used for more than one financial period.
- Assets where it is expected that future economic benefit will flow to the Authority.
- Assets where the cost can be measured reliably.

The capital cost of an asset is recognised to be:

- Purchase price, construction cost, minimum lease payments or equivalent including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.
- Costs associated with bringing the asset to the location and condition necessary for it to be capable of operating in the manner required by management.
- Initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located, the obligation for which the Authority incurred either when the asset was acquired or as a consequence of having used the asset during a particular period for purposes other than producing inventories during that period.
- Subsequent expenditure that will substantially increase the market value of the asset.
- Subsequent expenditure that will substantially increase the extent to which the Authority can use the asset for the purpose, or in conjunction with the functions of the Authority.

The Authority has a general de-minimis level of £6,000 for capital expenditure purposes. Where an asset has been acquired for less than £6,000 but has been funded by ring fenced capital funding, this will be treated as capital.

Capital Assets are held on the balance sheet as non-current assets, unless otherwise stated.

k Non-Current Asset Classification

The Authority manages its assets in the following categories:

- **Intangible Assets.**

  In line with International Accounting Standard 38 (IAS 38), the Authority recognises intangible assets as non-monetary assets without physical substance, where that asset meets the capital expenditure criteria set out in accounting policy j.

- **Property, Plant and Equipment Assets**

  Property Plant and Equipment Assets are subcategorised into Operational Land and Building, Community Assets, Vehicles Plant and Equipment, Infrastructure Assets, Assets Under Construction and Non-Operational Assets.

  - **Land and/or Buildings Assets**, in line with IAS 16, are recorded, valued and accounted for based on their significant components.

- **Community Assets** are assets that have no determinable useful life and which may, in addition, have restrictions on their disposal. There is little prospect for sale or change of use.

  If the asset is used for a specific operational purpose, it does not qualify as a community asset and should be valued accordingly.

  Test for Community Assets:

  - Is the intent to hold the asset forever?
  - Does the asset have an indeterminable useful life?
  - Are there restrictions on disposal?

  The answers for the first two questions have to be yes, while an affirmative answer to the third question is not obligatory but may help determine the correct classification.

- **Infrastructure Assets**, include all tangible (physical) assets required within the authorities land drainage system, and cemetery roadways. There is no prospect for sale of infrastructure assets; expenditure is only recoverable through continued use of the asset.

- **Vehicles, Plant and Equipment Assets and Assets under Construction** are also classified as Property Plant and Equipment where they do not meet the criteria for Investment Property Assets or Assets Held for Sale.

- **Surplus Assets** are assets, which the Authority no longer operates from, however do not meet the definition of held for sale. All surplus assets are treated in the same way as operational assets of the same type (valuation, depreciation, recognition etc).

- **Heritage Assets** are assets with historical, artistic, scientific, technological, geophysical or environmental qualities that make it important to ensure that they are preserved for future generations. They may be any kind of asset including buildings, works of art, furniture, exhibits, artefacts, etc. or intangible assets such as recordings of significant historical events.

  As such, assets in this category are held principally for their contribution to knowledge and/or culture.

- **Investment Property Assets** are items of land and / or buildings held by the Authority solely for the purpose of rental income generation or capital appreciation or both.

  Therefore, where there is a service of the Authority being delivered from the property, this is not classified as Investment Property Assets. This includes where the intention of the asset is to generate economic growth to an area such as below market value rental.

  Some Assets Under Construction will also be classified as Investment Property Assets where the intended eventual use is rental income generation or capital appreciation.

- **Assets Held for Sale**

  The Authority will classify assets as held for sale where:

  - The asset is in the condition required for sale and is vacant.
  - The assets sale is highly probable.
  - The asset has been advertised for sale and a buyer sought.
  - The completion of the sale is expected within 12 months.

  Assets which become non-operational / surplus which do not meet all of the requirements set out as assets held for sale continue to be classified and accounted for as their previous category. In addition, if the asset later no longer meets the criteria, it is restored to its previous classification and all transactions, which would have occurred, shall be retrospectively applied as though the asset had never been held for sale. Investment properties, which become available for sale, remain as Investment Properties.

  Assets meeting the criteria as held for sale are held as current assets on the balance sheet as income is expected within 12 months.

  It is possible that assets meet the criteria to be held for sale; however a change in circumstance beyond the control of the Authority means that the sale is delayed beyond 12 months. In these instances the Authority follows the policies outlined for assets held for sale; however disclosure of the value for these assets is within non-current assets.

l Non-Current Asset Valuation Methodology

The various classifications of assets as outlined in accounting policy k are valued on differing basis. Where not explicitly stated otherwise, property revaluations are completed by an RICS qualified valuer, on a 5 year rolling programme i.e. 20% of the Council's assets are revalued each year. Valuations are carried out in accordance with IFRS Fair Value Measurement.

Where there is an upward revaluation, the carrying value is increased and the associated credit charged directly to the revaluation reserve. This is then reflected in the MIRS as a revaluation gain. Where there is a revaluation, which results in a lower than carrying amount valuation, this is treated in line with accounting policy m impairment of assets. Exceptionally, gains might be credited to the Surplus/Deficit on Provision of Services where they arise from the reversal of a loss previously charged to a service.

Valuations are completed as follows:

- **Intangible Assets -** the Authority recognises Intangible Assets at cost. The Authority will revalue intangible assets annually where there is determinable market value for the asset.
- **Property Plant and Equipment -** Property Assets are held at fair value, which is the amount that would be paid for the asset in its existing use. This requirement is met by providing a valuation on the basis of exiting use value (EUV) in accordance with IFRS 13. As a matter of last resort, where

no other valuation method can be used, depreciated replacement cost is used.

  - **Council Dwellings –** Land and building structure are valued at EUV for Social Housing, being 34% of market value. Individual components are valued at Depreciated Historic Cost.
  - **Vehicles and Assets under construction** within PPE are held at fair value.
  - **Community Assets -** the Authority recognises Community Assets at depreciated historic cost (not revalued).
  - **Infrastructure Assets -** the Authority recognises Infrastructure Assets at depreciated historic cost (not revalued).

- **Investment Property Assets -** Investment Properties are annually revalued at fair value, which is to be interpreted as the amount that would be paid for the asset in its highest and best use, i.e. market value. This includes investment property under construction. The fair value of investment property held under a lease is the lease interest.
- **Assets Held for Sale -** Assets held for sale are held at fair value.
- **Heritage Assets –** Heritage Assets are held at valuation where practicable (and at depreciated historic cost where it is not practicable to obtain a valuation).

m Impairment of Non-Current Assets

The accounting policy has been created in accordance with IAS 36.

Impairment is the amount to which the carrying amount of an asset exceeds the recoverable amount.

At the end of each reporting period the Authority assesses whether there is any indication that an asset may be impaired

The Authority recognises impairment as:

- A significant decline (i.e. more than expected as a result of the passage of time or normal use) in an assets market value during the period;
- Evidence of obsolescence or physical damage of an asset;
- A commitment by the Authority to undertake a significant reorganisation; and
- A significant adverse change in the statutory or other regulatory environment in which the Authority operates.

Where there has been a previous revaluation taken to the revaluation reserve, an impairment up to that value would reverse the previous revaluation. Any further impairment or if there has been no previous revaluation, the impairment is charged to revenue. This is then reversed through the movement in reserves statement and charged to the capital adjustment account.

n Disposal of Non-Current Assets

Where an asset is identified as surplus to requirements, and meets the definition of an asset held for sale (see note k) it will be accounted for in accordance with note k, where an asset does not meet the classification of available for sale it will be tested for impairment, prior to being made available for disposal. There will be no impairments at the point of disposal. When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the Comprehensive Income and Expenditure Statement 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 in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Sale proceeds in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts are credited to the Useable Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are transferred to the Reserve from the movement in reserves statement. The value of the asset is transferred to the capital adjustment account via the movement in reserves statement.

Sale proceeds below £10k are below de-minimis and are credited straight to the Comprehensive Income and Expenditure Statement.

o Depreciation / Amortisation Methodology

Depreciation is provided for on all completed assets with a determinable finite life (except for investment properties), by allocating the value of the asset in the balance sheet over the periods expected to benefit from their use.

Depreciation is calculated using the Straight-Line method over the determined life of the asset. The Council depreciates assets in the year of acquisition and disposal. This is in accordance with regulations. Where an asset has major components with different estimated useful lives, these are depreciated separately.

Residual values

Asset Type	**Assumed Residual Value**
Property Assets	Land Value only
Vehicles, Plant and Equipment	Nil
Intangible Assets	Nil

Useful Economic Lives of assets are:

Asset Group	Useful economic Lives (UELs)
Council Dwellings	50 years
Housing Buildings	10-70 years*
Other Buildings	4-69 years*
Land	Not depreciated
Community Assets	15-50 years*
Heritage Assets	Not depreciated*
Infrastructure Assets	25 years
Intangible Assets	3-10 years*
Vehicles, Plant and Equipment	3-25 years*
Investment Properties	Not depreciated
Assets Held for Sale	Not depreciated
Surplus Assets	5-60 years*

* Depending on the nature of the specific asset

In the Year of acquisition and disposal, the Authority charges a quarter of the annual depreciation where the asset is owned on the first day of each financial quarter.

Individual components within Council Dwellings are depreciated separately from the building structure, using the following lives:

Asset Group	Useful Economic Lives (UELs)
Kitchens	20 years
Bathrooms	30 years
Windows and Doors	30 years
Heating Systems	20 years
Lights and Electric	25 years

p Component Accounting

For **Council Dwellings** the following components are valued, enhanced and depreciated separately – Kitchen, Bathroom, Windows and Doors, Heating

Systems and Lights and Electrics. No other components are material and are therefore treated as part of the building structure. The separately identified components will be depreciated over their useful lives. They will be derecognised when replaced by new components.

For **all other assets**, components will only be shown separately in the asset register if they are significant i.e. if they cost more than £250,000 and their cost amounts to more than 25% of the total cost of the asset. Where the value of an asset is not known, Gross Book Value will be used as a proxy for the determination of significant components.

Land and buildings will be separately valued. The building component will be fully depreciated over its useful life, the residual value of the whole asset being the land component.

The nature of property assets is such that any revaluation relates mainly to the land and structure so will not be passed down to any individual components that have been identified.

Non-dwelling assets will be considered for componentisation if they are material, i.e. have a total building valuation in excess of £1m. Components will only be separately valued if they are significant, i.e. above the de-minimis level of 25% detailed above.

Components will only be separately valued if they are significant, i.e. above the de-minimis level detailed above.

Components will be derecognised if their replacement is deemed to be significant under this policy, i.e. if the cost of it is more than £250,000 and amounts to more than 25% of the total cost of the asset.

Where significant components, as defined above, have been separately recorded on the Asset Register they will be depreciated over their useful lives.

q Leases

In line with the interpretation IFRIC 4, the Authority recognises a lease to be any agreement, which transfers the right to use an asset for an agreed period in exchange for payment, or a series of payments.

This includes; leases, hire purchase, rental, contracts of service, service level agreements and any other arrangement where the ability to use an asset is conveyed.

r Defining a Finance Lease

A finance lease is where substantially all of the risks and rewards incidental to ownership transfer to the lessee.

Tests to give an indication of the transfer of risk and reward are:

- If the lessee will gain ownership of the asset at the end of the lease term (e.g. hire purchase).

- If the lessee has an option to purchase the asset at a sufficiently favourable price that it is reasonably certain, at the inception of the lease, that it will be exercised.
- If the lease term is for the major part of the economic life of the asset even if title is not transferred.
    - The economic life of the asset is deemed to be that which is consistent with the class of asset in the depreciation policy.
    - The Authority recognises major part to be 75% of the life of the asset, unless on an individual case basis this would not give a true representation of the substance of the transaction.
- At the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset.
    - The present value of the minimum lease payments is calculated by discounting at the rate inherent in the lease.
    - If this rate cannot be determined the incremental borrowing rate applicable for that year is used.
    - The Authority recognises “substantially all” to mean 90% of the value of the asset. In some circumstances, a level of 75% can be used if the Council believes that using this level will give a result that better reflects the underlying transaction.
- The leased assets are of such a specialised nature that only the lessee can use them without major modifications.
- If the lessee cancels the lease, the losses of the lessor, associated with the cancellation are borne by the lessee.
- Gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (e.g. in the form of a rent rebate equalling most of the sales proceeds at the end of the lease).
- The lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

A suitably experienced accountant, with assistance from qualified valuers, will make a judgement based on the level of risk and reward held by the Authority as to whether an asset is operating or finance.

s Defining an Operating Lease

Any lease which is not a finance lease is recognised by the Authority to be an operating lease.

t Lessee Accounting for a Finance Lease

Where the Authority is tenant in a property, or is, by definition of IFRIC 4, leasing an asset which is deemed under IAS 17 to be a finance lease the Authority will recognise that asset within the asset register, and account for that asset as though it were an owned asset.

The initial recognition of the asset is at the fair value of the asset, or if lower, the present value of the minimum lease payments. A liability is also recognised at this value, which is reduced as lease payments are made. Lease payments made to the lessor, are split between the repayment of borrowings, and interest, which is charged to the Income and Expenditure account.

u Lessor Accounting for a Finance Lease

Where the Authority is the lessor for a finance lease, the asset is not recognised in the asset register; however a long-term debtor at the present value of minimum lease payments is recognised. Income received is split between capital - credited against the debtor, and finance income credited to the Comprehensive Income and Expenditure Statement as interest receivable.

v Lessor Accounting for an Operating Lease

Where the Authority is the lessor for an operating lease, normally the asset is classified as an investment property. Any rental income is credited to the relevant service income.

w Lessee Accounting for an Operating Lease

Costs associated with operating leased assets where the Authority is the lessor are charged immediately to the relevant revenue service expenditure within the net cost of services on an accruals basis.

x Service Concession Agreements (PFI and other similar contracts)

PFI and similar arrangements are usually agreements with the private sector for the construction or enhancement of fixed assets needed to provide services to a public sector body. PFI and similar contracts are assessed against criteria within IFRIC 12 (Service Concession Arrangements) to determine whether the risks and rewards incidental to ownership lie with the Authority or the contractor.

Where these lie with the contractor, all payments made during the life of the contract are chargeable to revenue as incurred.

Where these lie with the Authority, the Authority shall assess them against two tests:

a) The local authority controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price;

   and where

b) The local authority controls – through ownership, beneficial entitlement or otherwise – any significant residual interest in the infrastructure at the end of the term of the arrangement.

Where test a) is met but not test b) the arrangement is reviewed to see if it contains an embedded lease, in which case this will be accounted for in accordance with the Authority’s leasing policies.

Where test b) is met but not test a) the Authority will recognise the difference between the expected value of the fixed assets at the end of the arrangement and the amount (if any) it will have to pay the contractor then.

Where both tests are met the Authority will recognise a Property, Plant or Equipment asset in the Balance Sheet for value of the construction costs. Once recognised this asset is treated in line with the Authority's other PPE assets. A corresponding long-term liability of equal value is also recognised.

Payments made during the life of the contract are split into finance costs, capital costs and service costs. The split of payments is calculated at the inception of the contract and is based on the inherent interest rate within the original agreement. Finance costs are chargeable to the Comprehensive Income and Expenditure Statement as Interest payable. Capital Costs reduce the level of liability in the Balance Sheet. Service costs are chargeable to the relevant revenue service expenditure. Pre-payments or Dowry payments reduce the level of liability at the start of the contract.

PFI Credits are treated as general revenue government grants.

y Capital Grants and Contributions

The Authority recognises capital grants and contributions as being related to capital assets and uses them to fund capital expenditure on those assets. Grants, contributions, and donations are recognised as income at the date that the Authority has satisfied the conditions of entitlement, and there is reasonable assurance that the monies will be received.

Any grant received before these recognition criteria were satisfied would be held as a capital grant received in advance. Any grant, which had met the recognition criteria but had not been received, would be shown in the Comprehensive Income and Expenditure Account with a corresponding debtor. This is in line with the accruals concept policy.

Once the recognition criteria above have been satisfied, capital grants are recognised as income in the relevant service revenue account within the net cost of services.

In order to not impact on the level of Council Tax, the Authority removes the credit from the General Reserves through the Movement in Reserves Statement, and crediting to the Capital Grants Unapplied Reserve.

Once expenditure has been incurred on the related asset, the credit is removed from the Capital Grants Unapplied Reserve and credited to the Capital Adjustment Account.

Relevant Government Grants are treated in accordance with this policy.

z Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions or that is capital in nature but does not result in the creation of non-current assets has been charged as expenditure to the relevant service revenue account in the year. 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.

aa Minimum Revenue Provision (MRP)

The Council has implemented the 2012 CLG Minimum Revenue Provision (MRP) guidance, and assessed their MRP in accordance with the main recommendations contained within the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003.

Where a historical debt liability was created prior to 1st April 2008, MRP will be charged at the rate of 4% on the reducing balance, in accordance with Option 1 of the guidance, the "regulatory method".

The debt liability relating to capital expenditure incurred from 2008-09 onwards is subject to MRP under option 3, the "asset life method", and is charged over a period that is reasonably commensurate with the estimated useful life applicable to the nature of expenditure, using the equal annual instalment method. For example, capital expenditure on a new building, or on the refurbishment or enhancement of a building, is related to the estimated life of that building.

Estimated life periods are determined in line with accounting guidance and regulations. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the guidance, the Council generally adopts these periods. However, the Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives are assessed on a basis that most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it is grouped together in a manner that reflects the nature of the main component of expenditure and is only be divided up in cases where there are two or more major components with substantially different useful economic lives.

The Council seeks to spread MRP charges prudently in relation to asset lives, and with regard to the revenue impact of MRP charges. Where prudent to do so, capital receipts are used to repay borrowing previously taken out in relation to assets with a short life. MRP on residual debt is based on the lives of the remaining asset for which borrowing was undertaken.

MRP is charged from the financial year after the asset comes into use. In cases where the Council has approved the use of capital receipts to fund the asset, this funding is assumed when the receipt is contractually certain, even if not actually received. In such cases no MRP charge is made.

Where finance leases are held on the balance sheet, the MRP is set at a charge equivalent to the element of the annual lease charge that goes to write down the balance sheet liability, thereby applying Option 3 in a modified form.

The Council has taken advantage of any transitional arrangements introduced to minimise or negate the impact of retrospective accounting adjustments as a result of the transfer to the balance sheet of finance leases previously treated as operating leases under the introduction of IFRS.

ab Capital Reserves

The Authority holds capital reserves for the purpose of financing capital expenditure. Reserves will be disclosed as either usable (available to fund capital expenditure) or unusable (reserves held as a result of timing differences associated with recognition of capital expenditure and related financing).

Movements in capital reserves are accounted for through the Movement in Reserves Statement.

Revenue Accounting

ac Recognition of Revenue Expenditure.

The Authority recognises revenue expenditure as expenditure, which is not capital.

ad Employee Costs

In accordance with IAS 19, the Authority accounts for the total benefit earned by employees during the financial year.

Employee Costs are split into 3 categories; short term benefits, termination benefits and pensions costs.

Short-term employee benefits:

- **Salaries and Wages -** The total salary and wages earned by employees within the financial year have been charged to the revenue expenditure account. Where the amount accrued exceeds the amount paid at the 31st March, a creditor will be reflected in the accounts.
- **Leave Owed -** The Authority allows employees to earn time off in one period and carry forward amounts of accrued leave into the following period, such as annual leave, flexi-time and time off in lieu. The cost associated with this leave is attributable to the period in which it is earned, rather than when it is exercised. As such a charge has been made to the service revenue account and a creditor accrual has been reflected in the Balance Sheet.
- **Maternity/Paternity Leave -** The obligation upon the Authority to allow maternity leave and pay maternity pay occurs in mid stages of pregnancy. The cost associated with this leave is attributable to the period in which the obligation is created, rather than when it is exercised. As such a charge has been made to the service revenue account and a creditor accrual has been reflected in the Balance Sheet for time off owed at the 31st March.

Termination Benefits

- **Redundancy Costs -** The obligation to pay redundancy costs occurs when there is a formal plan to create redundancies, which has been approved. The plan would include the location, function and approximate number of employees affected; the termination benefits offered; and the time of implementation. When these recognition criteria have been met the Authority recognises the costs associated with this in the service revenue expenditure and create a creditor in the Balance Sheet.

In the case of an offer to encourage voluntary redundancy, the Authority has recognised the estimated cost based on the expected number of employees taking the offer.

- **Pensions Costs**

  Employees of the Council are members of the Local Government Pension Scheme administered by Northamptonshire County Council. The Scheme provides benefits to members (retirement lump sums and pensions) earned as employees of the Council.

  The Local Government Pension Scheme is a defined benefit scheme. The liabilities of the scheme attributable to the Authority 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 earnings for current employees.

  Pension liabilities are measured using the projected unit method and discounted at the balance sheet date rate of return on high quality corporate bonds of equivalent term to the liabilities. The discount rate is the weighted average of spot yields on AA rated corporate bonds.

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

  - Current service cost - the increase in liabilities as result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked.
  - Past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
  - Interest cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement.
  - Expected return on assets - the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return - credited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement.
  - Gains/losses on settlements and curtailments the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
  - Actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their

assumptions - debited to the Statement of Comprehensive Income and expenditure.

  - Contributions paid to the Northamptonshire County Council Pension Fund – cash paid as employers contributions to the Pension Fund.

  In relation to retirement benefits, statutory provisions require the General Reserves to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. Adjustments are therefore made in the Movement in Reserves Statement.

- **Early Retirement, Discretionary Payments -** the Authority has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

ae Revenue Grants and Contributions

Grants, contributions, and donations are recognised as income at the date that the Authority has satisfied the conditions of entitlement, and there is reasonable assurance that the monies will be received. Any grant received before these recognition criteria were satisfied would be held as a creditor (receipts in advance). Any grant, which had met the recognition criteria but had not been received, would be shown as a debtor. This is in line with the accruals concept policy.

Revenue grants will either be received to be used only for a specific purpose, or can be used for general purpose. Those for a specific purpose are recognised as income in the relevant service revenue account (wherever the related expenditure is incurred) within the net cost of services. Those, which are for general purpose, are shown in the foot of the Comprehensive Expenditure and Income Statement, before the net surplus or deficit.

af Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged to the appropriate service revenue account in the year that the Authority recognises an obligation, based on the best estimate of the likely settlement. When payments are eventually made, it is charged to the provision.

Estimated settlements are reviewed at the end of each financial year and adjustments with the service revenue account are made as required.

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

ag Revenue Reserves

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

The Council maintains earmarked reserves for a number of reasons including: -

- Setting aside money for future policy initiatives;
- To finance expenditure on future projects;
- To mitigate the impact between financial years of expenditure and income on general working balances;
- To mitigate the effect of specifically identified significant risks; and
- To protect the Authority against unexpected events and change in legislation.

The Council's risk-based assessment of the required level of General Fund working balance is shown within the Movement in Reserves Statement. The level of general working balance is considered reasonable due to the mitigation of some risks through the holding of earmarked reserves.

Certain reserves are kept to manage the accounting processes for tangible fixed assets, retirement benefits, and financial instruments and these reserves do not represent usable resources for the Council. The usable Earmarked Reserves are set out in the notes to the Statement of Accounts.

ah Council Tax Recognition

Council Tax income included in the Comprehensive Income and Expenditure Statement for the year shall be the accrued income for the year. The Authority's share of the accrued Council Tax income is obtained from the information that is required by billing authorities in the production of the Collection Fund Statements.

If the net cash paid to the Authority in the year is more than its proportionate share of net cash collected from Council Tax debtors in the year the Authority will recognise a credit adjustment for the same amount in creditors after adjusting for the previous year brought forward and vice versa if net cash paid is less than the proportionate share.

The Cash Flow Statement includes within operating activities the net Council Tax cash received from the Collection Fund in the year (i.e. the precept for the year plus its share of Collection Fund surplus for the previous year, or less the amount paid to the Collection Fund in respect of its share of the previous year's Collection Fund deficit). The difference between the net cash received from the

Collection Fund and the Authority's share of cash collected from Council Tax debtors by the billing authority in the year is included within financing activities in the Cash Flow Statement.

The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund shall be taken to the Collection Fund Adjustment Account and reported in the Movement in Reserves Statement.

ai Inventories and long-term contracts

Inventories include goods held for future use. Inventories are included in the Balance Sheet at the lower of cost and net realisable value. Inventories are recorded in terms of average cost. Work in progress on long term contracts is subject to an interim valuation at the year-end and recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works. The Council currently does not have any contracts that fulfil this criterion.

aj Provisions for bad and doubtful debts

In order to suitably reflect the varied nature of debtors within the Council, the basis for providing for bad debts is specific to the circumstances in each individual department. The general policy followed is:

- No public sector debt is provided for (other Local Authorities, NHS, or Central Government).
- Aged debt is reviewed and a reasonable percentage provided for.

Significant individual invoices are reviewed and wholly provided for where it is thought to be necessary.

Treasury Management

ak Definition of Treasury Management Activities

The Authority has adopted the following definition of Treasury Management activities:

The management of the Authority's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The Authority regards the successful identification, monitoring, and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Authority.

The Authority acknowledges that effective treasury management will provide support towards the achievement of its service objectives. It is therefore committed to the principals of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

al Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost.

Annual charges to 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. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus any interest accrued to 31st March and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate. Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Reserves to be spread over future years.

The Authority has a policy of spreading the gain/loss over the term of the replacement loan subject to a minimum period of 10 years with the case of discounts. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Reserves is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

am Financial Assets

Financial assets are classified into two types:

- **Loans and receivables -** assets that have fixed or determinable payments but are not quoted in an active market.

  Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable plus any interest accrued to 31st March and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement. However, the Council could make loans to organisations or individuals at less than market rates (soft loans).

  When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement 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. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Reserves is the interest receivable for the financial year. The reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Reserves is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement. Any gains and losses that arise on the derecognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement.

- **Available-for-sale assets -** assets that have a quoted market price and/or do not have fixed or determinable payments.

  Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument.

  Values are based on the following principles:

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

  Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Movement in Reserves Statement. The exception is where impairment losses have been incurred these are debited to the Comprehensive Income and Expenditure Statement, along with any net gain/loss for the asset accumulated in the Reserve. Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement. Any gains and losses that arise on the derecognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement, along with any accumulated gains/losses. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

- **Financial assets at fair value through income and expenditure** – The council does not generally deal in derivatives but may take out forward loans from time to time as part of its overall Treasury Management Strategy.

an Interests in Companies and Other Entities

The Council owns one subsidiary, Northampton Partnership Homes, and has prepared Group Accounts, see policy ar. The Council has one Joint Arrangements that is Not an Entity (JANEs), the Joint Planning Unit (JPU): this is not material to the accounts.

ao Business Improvement Districts

The Council collects Business Rates in respect of two Business Improvement Districts (BIDs), the first based on the Brackmills Industrial Estate geographic area, and the second based on the Town Centre geographic area. For both of these BIDs, the Council collects the business rates and pays the amount collected over to the BID on a monthly basis. The money collected is treated as a creditor in the Council's accounts to reflect the fact that the cash received will be paid to the BID and any balances are only there because of a timing issue.

ap Cash and Cash Equivalents

Cash is represented by notes and coins held by the Authority and deposits available on demand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts only arise as part of the Council's cash management and are therefore netted off against Cash and Cash Equivalents.

Bank overdrafts will only be shown separately as liabilities in the Balance Sheet where they are not an integral part of the Council's cash management; no such instances currently exist that would require separate disclosure from cash and cash equivalents.

aq General Government Grants

General government grants and contributions in the form of Revenue Support Grant, Retained Business Rates, New Homes Bonus, etc. are disclosed on the face of the Comprehensive Income and Expenditure Statement in the line Taxation and Non-Specific Grant Income.

ar Group Accounts

The Council is required to produce Group Accounts alongside its own financial statements where it has material interests in subsidiaries, associates and/or joint ventures. The Council has involvement with a company, and has concluded that the requirement to produce Group Accounts applies in relation to its interest in Northampton Partnership Homes. In the Council's single-entity accounts, the interest in the company is recorded as financial assets at cost less any provisions for losses.

External Audit Plan 2015/2016

Northampton
Borough Council

MARCH 2016

Headlines

Financial Statement Audit

There are no significant changes to the Code of Practice on Local Authority Accounting in 2015/16, which provides stability in terms of the accounting standards the Authority need to comply with.

Materiality

Materiality for planning purposes has been based on last year's expenditure and set at **£2.7 million.**

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance and this has been set at **£135k.**

Significant risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error have been identified as:

- NNDR system change; and
- Loans.

Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding have been identified as:

- IFRS 13 valuation of surplus assets; and
- Payroll.

See pages 3 to 5 for more details.

Value for Money Arrangements work

The National Audit Office has issued new guidance for the VFM audit which applies from the 2015/16 audit year. The approach is broadly similar in concept to the previous VFM audit regime, but there are some notable changes:

- There is a new overall criterion on which the auditor's VFM conclusion is based; and
- This overall criterion is supported by three new sub-criteria.

Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks:

- Northampton Town Football Club Loan
- Financial resilience in the local and national economy

See pages 6 to 10 for more details.

Logistics

Our team is:

- Andrew Cardoza – Director
- Daniel Hayward – Manager
- Laura Bedford – Assistant Manager
- Joseph Seliong – Support Assistant Manager

More details are on **page 13.**

Our work will be completed in four phases from December to September and our key deliverables are this Audit Plan and a Report to those charged with Governance as outlined on **page 12.**

Our fee for the audit is £80,775 (£**107,700** 2014/2015) see **page 11.**

Introduction

Background and Statutory responsibilities

This document supplements our Audit Fee Letter 2015/16 presented to you in April 2015, which also sets out details of our appointment by Public Sector Audit Appointments Ltd (PSAA).

Our statutory responsibilities and powers are set out in the Local Audit and Accountability Act 2014 and the National Audit Office's Code of Audit Practice.

Our audit has two key objectives, requiring us to audit/review and report on your:

- *Financial statements (including the Annual Governance Statement):* Providing an opinion on your accounts; and
- *Use of resources:* Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

Financial Statements Audit

Our financial statements audit work follows a four stage audit process which is identified below. Appendix 1 provides more detail on the activities that this includes. This report concentrates on the Financial Statements Audit Planning stage of the Financial Statements Audit.

Financial Statements Audit Planning → Control Evaluation → Substantive Procedures → Completion

Value for Money Arrangements Work

Our Value for Money (VFM) Arrangements work follows a five stage process which is identified below. Page 6 provides more detail on the activities that this includes. This report concentrates on explaining the VFM approach for 2015/16 and the findings of our VFM risk assessment..

Risk Assessment → Identification of significant VFM risks → VFM audit work → Conclude → Reporting

Financial statements audit planning

Financial Statements Audit Planning

Our planning work takes place during December to February 2016. This involves the following key aspects:

- Risk assessment;
- Determining our materiality level; and
- Issuing this audit plan to communicate our audit strategy.

Risk assessment

Professional standards require us to consider two standard risks for all organisations. We are not elaborating on these standard risks in this plan but consider them as a matter of course in our audit and will include any findings arising from our work in our ISA 260 Report.

- Management override of controls – Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.
- Fraudulent revenue recognition – We do not consider this to be a significant risk for local authorities as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.

The diagram opposite identifies, significant risks and other areas of audit focus, which we expand on overleaf. The diagram also identifies a range of other areas considered by our audit approach.

Keys: • Significant risk • Other area of audit focus • Example other areas considered by our approach

Financial statements audit planning (cont.)

Significant Audit Risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error.

Change in NNDR System

- In March 2016, the Authority will return the business operation of the NNDR system to Northampton Borough Council from the previous consortium arrangement with the Borough Council of Wellingborough. This will involve the migration of the NNDR database to the Authority and include the re-design of system processes and protocols to ensure that the controls within the system are fit for purpose.
- As part of our audit planning and interim visit, we will meet with the NNDR Manager to discuss and understand the project plan and the key deadlines for data migration.
- Our IT Specialists will further liaise with the Authority and complete testing as necessary to obtain assurance that the NNDR data has been transferred completely and accurately, and to ensure that the new system operates effective and appropriate controls and processes to reduce any material risks.

Loans System

- The Authority have a number of material loans with community organisations. The recent issue identified in respect of the Northampton Town Football Club has highlighted the loans system as a risk area which therefore requires audit focus in 2015/16.
- We will perform substantive testing procedures on all material loans held. This will include agreement of the loan value to underlying source data, plus reviewing the terms and conditions of the loan to ensure full compliance of these loans with the Authority's Treasury Management Strategy.
- We will review how loan agreements are monitored over the life of the loan and evaluate the appropriateness of this.
- We will review the accounting treatment and transactions arising in relation to the on-going issues identified in relation to the Football Club. We will also ensure that appropriate disclosures are made within the financial statements.

Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding.

Payroll

- The Authority have been made aware of some discrepancies reported within the payroll system in 2015/16. Internal Audit are reviewing the issue identified as part of their testing on the payroll system. As payroll is a material balance in the financial statements and a sensitive area, we consider this to be an audit risk.
- We will undertake data analytics procedures as part of our interim audit on payroll transactions up until period 9.
- We will produce an interim report outlining the results of this testing which will allow a clear understanding of the underlying processes in the system, highlight any key areas of risk and identify data patterns and causes of any issues and exceptions.
- At our final accounts visit, we will top up this testing to cover the whole accounting period. Plus perform additional substantive procedures on the payroll disclosures made in your financial statements.

IFRS 13 Valuation of surplus assets

- Due to the inherent risk associated with the estimation of assets and the implementation of IFRS 13 which require surplus assets to be measured at fair value for 2015/16, we consider this to be an area of audit focus.
- We will undertake the following procedures over this significant risk:
  - Review the terms of engagement with the valuer to ensure compliance with the Authority's accounting policies.
  - Review the revaluation basis and consider its appropriateness with CIPFA Code of Practice and the underlying IFRS accounting standards.
  - Undertake appropriate work to understand the basis upon which any impairments have been calculated.

Financial statements audit planning (cont.)

Materiality

We are required to plan our audit to determine with reasonable confidence whether or not the financial statements are free from material misstatement. An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements. This therefore involves an assessment of the qualitative and quantitative nature of omissions and misstatements.

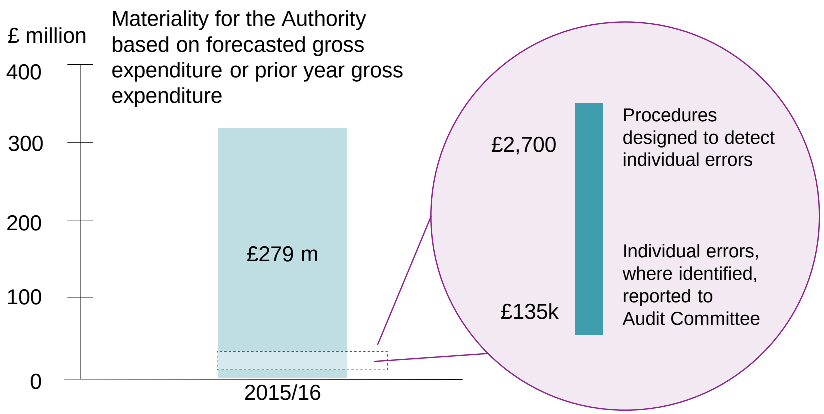
Generally, we would not consider differences in opinion in respect of areas of judgement to represent 'misstatements' unless the application of that judgement results in a financial amount falling outside of a range which we consider to be acceptable.

Materiality for planning purposes has been set at £2.7 million for the Authority's standalone accounts, and at £2.7 million for the group accounts, which in both cases equates to just below 1 percent of gross expenditure.

We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.



Under ISA 260(UK&I) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK&I) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £135k.

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

Group audit

In addition to the Authority we deem Northampton Partnership Homes to be significant in the context of the group audit: .

To support our audit work on the Authority's group accounts, we seek to place reliance on the work of Grant Thornton who are the auditors to this subsidiary. We will liaise with them in order to confirm that their programme of work is adequate for our purposes and they satisfy professional requirements.

We will report the following matters in our Report to those charged with Governance:

- Any deficiencies in the system of internal controls or instances of fraud which the subsidiary auditors identify;
- Any limitations on the group audit, for example, where the our access to information may have been restricted; and
- Any instances where our evaluation of the work the subsidiary auditors gives rise to concern about the quality of that auditor's work.

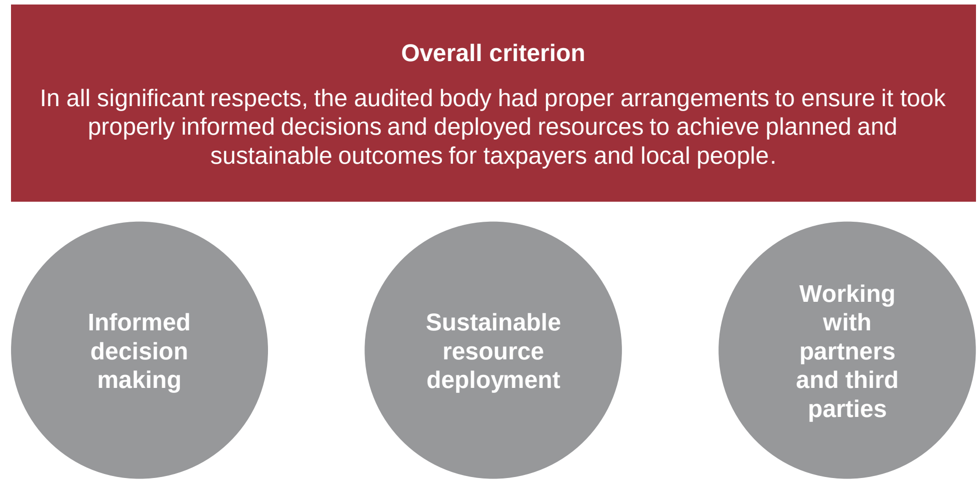
Value for money arrangements work

Background to approach to VFM work

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

The VFM approach is fundamentally unchanged from that adopted in 2014/2015 and the process is shown in the diagram below. However, the previous two specified reporting criteria (financial resilience and economy, efficiency and effectiveness) have been replaced with a single criteria supported by three sub-criteria. These sub-criteria provide a focus to our VFM work at the Authority. The diagram to the right shows the details of this criteria.



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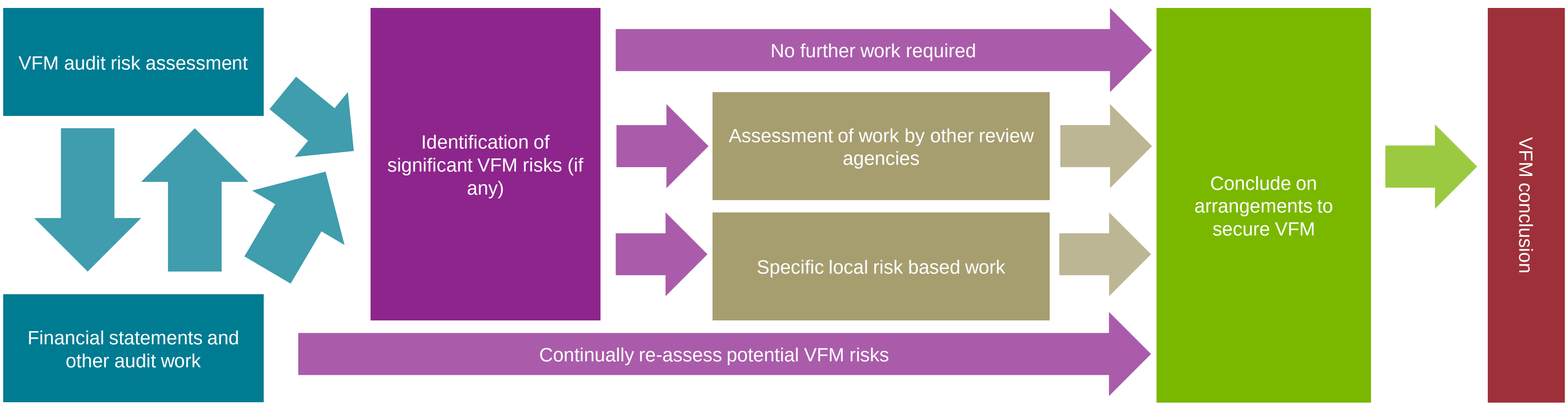

Value for money arrangements work (cont.)

VFM audit stage	Audit approach
VFM audit risk assessment	We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Authority. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the *Code of Audit Practice.* In doing so we consider: ■ The Authority's own assessment of the risks it faces, and its arrangements to manage and address its risks; ■ Information from the Public Sector Auditor Appointments Limited VFM profile tool; ■ Evidence gained from previous audit work, including the response to that work; and ■ The work of other inspectorates and review agencies.
Linkages with financial statements and other audit work	There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Authority's organisational control environment, including the Authority's financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities. We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.
Identification of significant risks	The Code identifies a matter as significant *'if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.'* If we identify significant VFM risks, then we will highlight the risk to the Authority and consider the most appropriate audit response in each case, including: ■ Considering the results of work by the Authority, inspectorates and other review agencies; and ■ Carrying out local risk-based work to form a view on the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

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Value for money arrangements work (cont.)

VFM audit stage	Audit approach
Assessment of work by other review agencies **and** **Delivery of local risk based work**	Depending on the nature of the significant VFM risk identified, we may be able to draw on the work of other inspectorates, review agencies and other relevant bodies to provide us with the necessary evidence to reach our conclusion on the risk. If such evidence is not available, we will instead need to consider what additional work we will be required to undertake to satisfy ourselves that we have reasonable evidence to support the conclusion that we will draw. Such work may include: ■ Meeting with senior managers across the Authority; ■ Review of minutes and internal reports; ■ Examination of financial models for reasonableness, using our own experience and benchmarking data from within and without the sector.
Concluding on VFM arrangements 66	At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources. If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.
Reporting	On the following page, we report the results of our initial risk assessment. We will report on the results of the VFM audit through our ISA 260 Report. This will summarise any specific matters arising, and the basis for our overall conclusion. If considered appropriate, we may produce a separate report on the VFM audit, either overall or for any specific reviews that we may undertake. The key output from the work will be the VFM conclusion (i.e. our opinion on the Authority's arrangements for securing VFM), which forms part of our audit report.

Value for money arrangements work Planning

Significant VFM Risks

Those risks requiring specific audit attention and procedures to address the likelihood that proper arrangements are not in place to deliver value for money.

Northampton Town Football Club Loan

- The Authority advanced a loan of £10.25 million to Northampton Town Football Club (NTFC) to carry out works to improve stadium facilities and develop a hotel.
- The loans were to due be repaid through the provision of a first return to the Authority on the development of land adjacent to the stadium combined with some land previously leased to NTFC, and then through enhanced revenue streams available to NTFC through the hotel and stadium development.
- Arrangements were made between NTFC and 1st Land Limited, a company established specifically for this purpose, which have resulted in a position whereby the work for which the Authority advanced the funds is only partially complete. The funds which were advanced to NTFC by the Authority as provided for by the Facility agreements. NTFC unilaterally passed these funds to 1st Land Limited. This latter company was placed in Administration after failing to pay its contractor, Buckingham Group Contracting Limited.
- In September 2015 NTFC failed to pay due payments on the loans and indicated that it was uncertain when it would be able to pay. Discussions between NTFC and potential purchasers of a controlling interest in NTFC did not progress with any urgency. An examination of NTFC finances at the time indicated that the club was unlikely to be able to meet its outgoings in the near future. In addition it became known that Buckingham had petitioned for liquidation of CDNL.

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- The loan made to NTFC and the financial management concerns around it have been widely publicised. A separate independent review is currently considering the impact on the Authority's financial statements and value for money position. The Audit Committee has also committed to review the Authority's policies and procedures, as well as its governance.
- We will continue to meet with key management, internal audit and committee members to obtain an update on the Authority position. We will also liaise with our KPMG colleagues undertaking the separate inquiry and consider the implications of this upon our VFM conclusion.
- The results of the on-going inquiry may lead to a qualification of our VFM conclusion.
- We will also consider the general value for money risks of any other community loans made by the Authority. We will discuss the terms of these agreements with key officers to consider the financial management of these and review source underlying data to vouch for the existence of these loans.

Value for money arrangements work Planning

Significant VFM Risks

Those risks requiring specific audit attention and procedures to address the likelihood that proper arrangements are not in place to deliver value for money.

Financial Resilience in the local and national economy

- The Government's Autumn Statement and Spending Review confirmed their intention to move to a different funding system over the next few years – with less reliance on Revenue Support Grant and an increasing dependence on business rate income as a major source of income. That, together with likely significant reductions in New Homes Bonus funding from 2017/18 means that the Authority, like most of local government, faces a challenging future. The Authority has been modelling for significant reductions in Government funding in its budget forecasts, nevertheless it will need to ensure that it continues to deliver efficiencies and moves forward its policy for generating income through investments and commercial activities. It is against this backdrop that we will asses the arrangements the Authority has in place to maintain its strong record of meeting efficiency savings against a worsening national picture.
- At a local level, Northamptonshire County Council is currently reporting a predicted £8.7 million overspend, in the context of a requirement to achieve in year cost saving plans of £68 million. As part of our VFM work we will review how partnership working with the County Council and other local authorities has been affected by the local cost pressures, and assess the overall impact on the Authority.
- We will rely on our accounts audit work where relevant, underpinned by review of the Authority's budget setting process, financial management processes, and discussions with the senior management team.

Other matters

Whole of government accounts (WGA)

We are required to review your WGA consolidation and undertake the work specified under the approach that is agreed with HM Treasury and the National Audit Office. Deadlines for production of the pack and the specified approach for 2015/16 have not yet been confirmed.

Elector challenge

The Local Audit and Accountability Act 2014 gives electors certain rights. These are:

- The right to inspect the accounts;
- The right to ask the auditor questions about the accounts; and
- The right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised.

The costs incurred in responding to specific questions or objections raised by electors is not part of the fee. This work will be charged in accordance with the PSAA's fee scales.

Our audit team

Our audit team will be led by Andrew Cardoza. This is the second year that Andrew has led the audit team providing continuity and consistency. Appendix 2 provides more details on specific roles and contact details of the team.

Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the finance team and the Audit Committee. Our communication outputs are included in Appendix 1.

Independence and Objectivity

Auditors are also required to be independent and objective. Appendix 3 provides more details of our confirmation of independence and objectivity.

Audit fee

Our Audit Fee Letter 2015/2016 presented to you in April 2015 first set out our fees for the 2015/2016 audit. This letter also sets out our assumptions. We have not considered it necessary to make any changes to the agreed fees at this stage.

The planned audit fee for 2015/16 is £80,775. This is a reduction in audit fee, compared to 2014/2015, of £26,925 (25%). We anticipate that additional audit fees will be charged in relation to the specific risks we have identified as part of our audit plan, particularly around the VFM work.

Our audit fee includes our work on the VFM conclusion and our audit of the Authority’s financial statements.

Appendix 1: Key elements of our financial statements audit approach

Communication

Continuous communication involving regular meetings between Audit Committee, Senior Management and audit team

- Audit strategy and plan (Mar)
- Interim report (if required) (May)
- ISA 260 (UK&I) Report (Sep)
- Annual Audit Letter (Nov)

Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec

Audit workflow

- Initial planning meetings and risk assessment (Jan)
- Interim audit (Mar)
- Year end audit of financial statements and annual report (Jul)
- Sign audit opinion (Sep)

Planning

- Perform risk assessment procedures and identify risks
- Determine audit strategy
- Determine planned audit approach

Control evaluation

- Understand accounting and reporting activities
- Evaluate design and implementation of selected controls
- Test operating effectiveness of selected controls
- Assess control risk and risk of the accounts being misstated

Substantive testing

- Plan substantive procedures
- Perform substantive procedures
- Consider if audit evidence is sufficient and appropriate

Completion

- Perform completion procedures
- Perform overall evaluation
- Form an audit opinion
- Audit Committee reporting

Driving more value from the audit through data and analytics

Technology is embedded throughout our audit approach to deliver a high quality audit opinion. Use of Data and Analytics (D&A) to analyse large populations of transactions in order to identify key areas for our audit focus is just one element. We strive to deliver new quality insight into your operations that enhances our and your preparedness and improves your collective 'business intelligence.' Data and Analytics allows us to:

- Obtain greater understanding of your processes, to automatically extract control configurations and to obtain higher levels assurance.
- Focus manual procedures on key areas of risk and on transactional exceptions.
- Identify data patterns and the root cause of issues to increase forward-looking insight.

We anticipate using data and analytics in our work around key areas such as accounts payable, payroll and journals. We also expect to provide insights from our analysis of these tranches of data in our reporting to add further value from our audit.

Appendix 2: Audit team

Your audit team has been drawn from our specialist public sector assurance department. Our audit team were all part of the Northampton Borough Council audit last year.

Name	Andrew Cardoza
Position	Director
	'My role is to lead our team and ensure the delivery of a high quality, valued added external audit opinion. I will be the main point of contact for the Audit Committee and Chief Executive.'

Andrew Cardoza

Director

Telephone: 07711 869957

Email: andrew.cardoza@kpmg.co.uk

Name	Daniel Hayward
Position	Manager
	'I provide quality assurance for the audit work and specifically any technical accounting and risk areas. I will work closely with director to ensure we add value and will liaise with the Chief Finance Officer and Head of Internal Audit.

Daniel Hayward

Manager

Telephone: 07776 101412

Email: daniel.hayward@kpmg.co.uk

Name	Laura Bedford
Position	Assistant Manager
	'I will be responsible for the on-site delivery of our work and will supervise the work of our audit assistants.'

Laura Bedford

Assistant Manager

Telephone: 07920 502249

Email: laura.bedford@kpmg.co.uk

Name	Joseph Seliong
Position	Assistant Manager
	'After Laura goes on maternity leave, I will be responsible for the on-site delivery of our work and will supervise the work of our audit assistants.'

Joseph Seliong

Assistant Manager

Telephone: 07818 588751

Email: jospeh.seliong@kpmg.co.uk

Appendix 3: Independence and objectivity requirements

Independence and objectivity

Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff. The standards also place requirements on auditors in relation to integrity, objectivity and independence.

The standards define 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case this is the Audit Committee.

KPMG LLP is committed to being and being seen to be independent. APB Ethical Standard 1 Integrity, Objectivity and Independence requires us to communicate to you in writing all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

Further to this auditors are required by the National Audit Office's Code of Audit Practice to:

- Carry out their work with integrity, independence and objectivity;
- Be transparent and report publicly as required;
- Be professional and proportional in conducting work;
- Be mindful of the activities of inspectorates to prevent duplication;
- Take a constructive and positive approach to their work;
- Comply with data statutory and other relevant requirements relating to the security, transfer, holding, disclosure and disposal of information.

PSAA's Terms of Appointment includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- Auditors and senior members of their staff who are directly involved in the management, supervision or delivery of PSAA audit work should not take part in political activity.
- No member or employee of the firm should accept or hold an appointment as a member of an audited body whose auditor is, or is proposed to be, from the same firm. In addition, no member or employee of the firm should accept or hold such appointments at related bodies, such as those linked to the audited body through a strategic partnership.
- Audit staff are expected not to accept appointments as Governors at certain types of schools within the local authority.
- Auditors and their staff should not be employed in any capacity (whether paid or unpaid) by an audited body or other organisation providing services to an audited body whilst being employed by the firm.
- Auditors appointed by the PSAA should not accept engagements which involve commenting on the performance of other PSAA auditors on PSAA work without first consulting PSAA.
- Auditors are expected to comply with the Terms of Appointment policy for the Engagement Lead to be changed on a periodic basis.
- Audit suppliers are required to obtain the PSAA's written approval prior to changing any Engagement Lead in respect of each audited body.
- Certain other staff changes or appointments require positive action to be taken by Firms as set out in the Terms of Appointment.

Confirmation statement

We confirm that as of March 2016 in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.

This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact […], the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to Andrew.Sayers@kpmg.co.uk After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

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Internal Audit Progress Report

March 2016

Northampton Borough Council

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Distribution list	Audit Committee
Background and scope	The purpose of this report is to provide a progress update on the agreed 2015/16 internal audit plan.

Plan outturn

2015/16 Audit Plan

The 2015/16 internal audit plan was approved by the Audit Committee on 7 September 2015 and since then we have undertaken work in accordance with the plan.

A statement tracking assignments undertaken and planned activity is shown in Appendix One. At the time of writing this report we have completed 119 days (60%) of the planned audit days. Work is ongoing and we will continue to keep members informed of progress.

Activity and Progress

Draft reports and ongoing fieldwork

LGSS review – draft report issued

In line with our agreed terms of reference, we have completed our review of processes and controls within the Council and LGSS to manage and oversee the delivery of back office services to the Council, specifically HR/payroll and legal services. A draft report setting out our observations and recommendations has been shared with the Council for their consideration.

This review follows on from our 2014/15 review of contract management activities within the Council around this agreement and considers how activities in the Council have changed since that time. It also considers the processes in LGSS to manage the financial and service delivery of the contracted activities.

This review highlights that whilst the Council has made progress against previous recommendations, a number of issues continue to impact the effective delivery of this contract including robust processes to review and validate contract cost and service information. We also found a number of areas where processes in LGSS could be improved to provide more transparency to the Council over the services they are receiving. We have summarised these points below.

- ***Monitoring of financial performance of the contract by the Council*** – there is opportunity to increase the level of scrutiny, challenge and validation of the month end and year end contract cost information provided by LGSS to give greater visibility of how the service is being delivered and provide comfort that any savings over and above those built into the contract are accurately identified and shared in line with the partnership agreement.

- ***Tracking of staff costs within LGSS*** – LGSS report the cost of service delivery to the Council each month and at the year end. Any over/underspend against budget is shared with the Council in line with the sharing mechanisms agreed. We understand there is no regular monitoring of these costs to ensure they accurately reflect the costs incurred by LGSS and form a robust basis to identify any additional savings.

- ***Monitoring of savings -*** Amounts payable by the Council under the contract incorporate the annual savings agreed in the initial Business Case. Progress against the savings target, whether original savings schemes have been achieved, or replaced by alternative schemes is monitored regularly by LGSS and shared with the Council at the year end. For further transparency, this information should be provided on a more regular basis and the Council should request support from LGSS for the savings achieved to ensure that all efficiencies have been shared appropriately.

- ***Monitoring of activity levels within LGSS -*** LGSS does not use a time tracking system and does not routinely capture or report the amount of time spent delivering Council services. The Council has no means of assessing whether demand for LGSS's services is changing or whether additional services are being provided. Without regular monitoring by LGSS of time spent on NBC activities and what this time has been spent on, it is not transparent to NBC what they are receiving. One off exercises have been completed by LGSS eg the analysis recently provided to the Council of the split of activity levels between NBC and Northampton Partnership Homes.

Services provided by LGSS Legal operate under a different model with a cap set for business as usual legal support at a pre-determined annual fee. Actual hours delivered during the contract have reduced to significantly below this cap and consideration should be given to usage of this service to determine whether a reduction (and potentially a refund) is warranted.

- ***Monitoring of service levels within LGSS and NBC -*** KPIs have been agreed for each activity to define acceptable service levels. The Council is provided with monthly and quarterly performance reports including performance against these KPIs. Current service issues are being picked up outside of these KPIs which indicates that they are not the right KPIs for the Council at this time and do not focus on areas of service delivery which are of concern. KPIs can be amended annually. The Council should review and update the existing KPIs to reflect more relevant service indicators.
- ***Contract variations -*** NBC and LGSS can, and have, requested variations to the agreement and service specification. Costs and savings arising from these changes are shared in accordance with the agreed contract sharing mechanism. Since the PDA was entered into, the Council has been through a period of change and current needs are unlikely to be the same. A review should be undertaken of the current service specification to determine whether further changes are needed.

While the above provides the Council with the means of increasing its understanding of the contract and improving its monitoring of the service going forward, in order to support the Council's wider assessment of value for money around the LGSS contract, we have agreed a Phase 2 to this work. Phase 2 will focus specifically on reviewing the actual resources in place within LGSS to deliver the full range of contracted services, comparing that to the Council's understanding of the services being received and the resource committed to their activities. In addition, Phase 2 will consider non-staff costs invoiced to the Council. We are in the process of agreeing the Terms of Reference for this review with the Council.

Our observations and recommendations from both Phase 1 (a review of processes and controls supporting the delivery of specified LGSS services) and Phase 2 (a focused review of actual staff and non-staff levels within LGSS to deliver services across the full range of the contracted services) will be incorporated into one report which will be presented to the Audit Committee at its May 2016 meeting.

Review of Section 151 Officer role – draft report issued

We have completed our review of the Section 151 Officer role and are currently awaiting management responses. We anticipate reporting our findings from this review at the next Audit Committee meeting.

Work is also progressing in the following areas:

Governance and risk

This is a non-assurance review to support the Council in re-designing risk management arrangements, ensuring these are fit for purpose, fully integrated into Council business activities and that consideration of risk is integral to decision making going forward.

In February we facilitated a workshop with the Senior Management Team to identify risks and existing sources of assurance and/or gaps and determine the appetite to risk, in order to ensure that the Council can deliver its services in a cost effective and efficient manner. We have also shared guidance and best practice risk management and recommendations where the Councils existing policy can be updated.

A further workshop is planned in March to continue the risk identification and assurance mapping exercise.

Changes to the Internal Audit Plan

We have continued to review our Audit Plan on an ongoing basis to ensure that it considers your risks. On that basis, we have made the following revisions to our audit plan as outlined below:

- Our original plan included 10 days for a review of the Borough Secretary Directorate. Due to changes in the Borough Secretary Directorate's structure this review will be of more value in 2016/17, allowing time for new roles to be embedded.
- The days released from the Borough Secretary review have been applied to support the work relating the Northampton Football Club Loan.

Appendix 1 - Internal audit detailed progress tracker

Ref	*Auditable unit*	*Indicative number of days**	*Actual audit days to date*	*Scoping meeting date*	*Proposed fieldwork dates*	*Proposed final report date*	*Audit Committee reporting date*
A1	Governance and risk	75	25	June 2015	Q4	March 2016	May 2016
A2	LGSS contract	75	50	September 2016	Q2 – Q4	February 2016	May 2016
A3	Directorate governance: Borough Secretary	10	-	January 2016	Deferred	n/a	n/a
A4	Review of Section 151 Officer role	10	12	During 2014/15	Q1 & Q2	February 2016	May 2016
M1	Audit Management	30	22	n/a	n/a	n/a	n/a
	Review of Football club loan	-	10	January 2016	Q4		
	Total days	**200**	**119**				

* *Where appropriate and in agreement with client management, we are able to flex our audit service to include more senior or specialist staff to respond to the risks generated by audit reviews. Where we do this we effectively agree a fixed fee for the audit work which is derived from the combined fees of the planned audit days allocated to this audit review during the annual planning process.*

Appendix 2 – Thought leadership publications

As part of the regular reporting to you we plan to keep you up to date with emerging thought leadership published by PwC. The PwC Public Sector Research Centre produces a range of research and is a leading centre for insights, opinion and research on best practice in government and the public sector.

All publications can be read in full at ***www.psrc.pwc.com/*** . You can also read our blogs on Public Sector Matters Globally ***http://pwc.blogs.com/psm_globally/***.

Government and the Global CEO – Feb 2016

Each year, PwC's Annual Global CEO Survey captures the issues at the top of the agenda for the world's business community. As in past years, we have deepened the research for PwC's 19th Annual Global CEO Survey by including a range of interviews with senior decision makers in governmental organisations across the world. Our aim in doing this is to compare and contrast the views of business and government, and understand the policy and delivery responses for the challenging conditions of today, and tomorrow.