East Northamptonshire Council

Statement of Accounts

2010/2011

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Approval

Due consideration was given to the Statement of Accounts by the Policy and Resources Committee on 29th September 2011 and were duly approved.

Cllr Richard Lewis

Chairman of Policy and Resources Committee

29th September 2011

1 Introduction

This document sets out the Council's statutory accounts for the financial year ended 31 March 2011. The accounts have been prepared in accordance with the International Financial Reporting Standards or IFRS for short.

This is the first year that the accounts have been prepared in this format, which is the same format that most businesses also prepare their accounts. This change will not only make it easier for readers to compare the Council's accounts with other businesses but also with other local authorities from overseas. These changes required considerable effort and cost, but as we are now required by law to produce our accounts this way, making these changes was unavoidable. A summary of each statement and its purpose, together with a brief overview of the authority's financial position is detailed below.

The introduction to this explanatory foreword tries to give readers a brief overview of the most significant matters reported in the accounts and an explanation in overall terms of the authority's financial position. It also contains a commentary on the major influences affecting the authority's income and expenditure and cash flow, and information on the financial needs and resources of the authority.

The presentational changes resulting from preparing the accounts in the IFRS format means that the accounts look quite different to previous years. We have restated the 2009/10 accounts in the IFRS format so they can be compared year to year if desired. The main changes as a result of IFRS are how we treat and account for our assets, and our arrangements for any finance or operating leases. This is the second year that we have provided more detailed information of how much senior staff are paid and benefits they receive.

Financial Environment

The very slow recovery from the recession of 2008/09 continued to create significant pressures for the Council. Depression in the housing market has resulted in a significant reduction in income from the likes of planning applications, land searches and building control activity. We have managed additional cost pressures from an increased number of housing benefit applications and work to support the business community through these tough times has continued. The persistence of historically low levels of interest rates has also affected the Council's ability to earn investment income from the cash balances it holds.
Returns during 2010/11 were around £24k lower in the year than the original estimate, and low interest rates are set to continue for some time.

The Council recognised in 2009 that the recession would affect the finances of not only the local economy, but the wider economy as a whole, and eventually this would likely result in reduced grant funding from Central Government – especially if there was a change of Government in the 2010 general election. The Council established a Budget Review Group to examine options for identifying savings. Some staffing restructures took place, and changes have been made to the way services are delivered. Significant budget savings of over £1million have been identified over the past two years. The effort of officers to deliver continuous service improvements meant that East Northamptonshire was better prepared than some councils to withstand the outcomes of the Government's Comprehensive Spending Review (CSR).

Nationally the recession lead to an unprecedented deficit in the country's finances. The new Coalition Government instigated the CSR to tackle the huge national debt. Significant budget cuts were announced during 2010/11 which affected our budget setting process for 2011/12. The reduction in central government support for 2011/12 has meant that although the council does not need to apply a 'slash and burn' approach to meet the funding gap, the pressure remains high to continue to identify more savings going forward.

In setting the budget for 2011/12, far more stringent checks and balances have been implemented on the budgets being put forward for approval. This process not only ensures the correct level of budget is provided but also ensures that resources are allocated to the priorities of the Council and the residents of East Northamptonshire.

The Council's pension fund liability remains significant due to the market volatility over the past few years. There has been some recovery of fund value during 2010/11 but the most recent valuation has resulted in the need for a stabilisation mechanism and increased contributions from both staff and the council.

Activity During the Year

Due to withdrawal of central government grant funding, the main project reported in the previous year to combine Rushden's leisure provision into one new facility was postponed in June 2010. Capital grants for projects that had not commenced building were cut completely, although the grant money spent on the initial project evaluation was not recalled, and therefore no additional cost to local taxpayers resulted from postponing the project.

Significant work has been undertaken during the year to improve Rushden High Street as part of the Public Realm Project. This will be ongoing during 2011/12 and has been funded by the County Council.

The Rushden – Higham Ferrers stretch of the Greenway was opened during the year, encouraging local people to walk and cycle safely between the towns and on through the popular Stanwick Lakes site.

The major procurement exercise for a new waste management contract was concluded during 2010/11 and the contract was awarded to Kier Waste Management Services. The contract delivers a new method of collection and recycling, including the recycling of food waste. The specification of the contract meets the best practice standards in the industry, while delivering significant savings to the council through efficient collection methods, reduced land fill costs and higher recycling income. This is an example of how the Council has continued to provide high levels of service at a good cost.

The Council should be proud of its achievements during a period of change and the extreme budget pressures that are largely outside of its control. The Council's 2009/10 Annual Governance Report by the External Auditors provided an unqualified opinion on the accounts – i.e. no material issues - and that our arrangements for ensuring delivery of value for money services were sound.

Acknowledgement

The timetable for preparing the draft accounts for approval is very limited as they must be signed off by the Chief Finance Officer by the 30 June. The implementation of IFRS has made this all the more challenging this year. A change to the Accounts and Audit Regulations has however meant that approval by Councillors does not need to take place until the 30 September and the accounts have been audited.

I am extremely grateful for the continued dedication, effort and support of the shared financial services team in meeting the challenge of IFRS and maintaining a high standard of performance by delivering the completed Statement of Accounts by the planned date.

Rosanne Fleming
Finance Manager

2 The Statements

The Statement of Responsibilities for the Statement of Accounts - identifies the officer who is responsible for the proper administration of the Council's financial affairs.

The Accounting Statements:

Movement In Reserves Statement - This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'other reserves'. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Comprehensive Income and Expenditure Statement - This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement

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

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

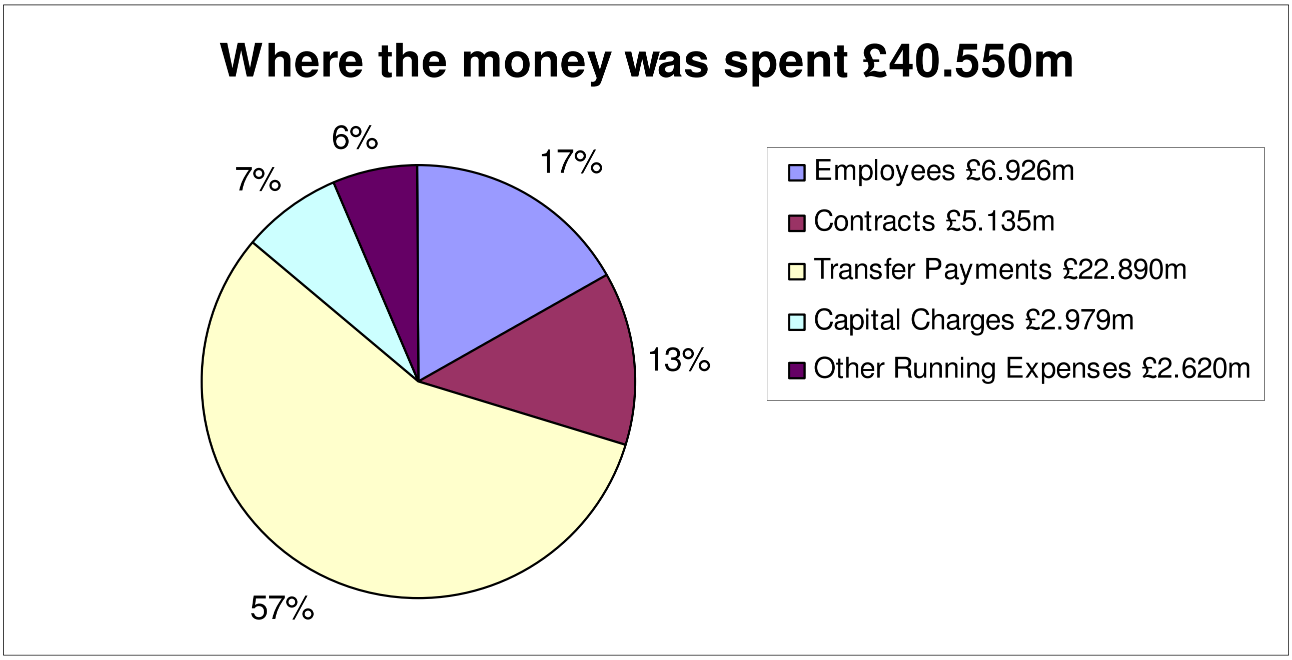
The Supplementary Financial Statements:

Collection Fund – this statement shows the transactions of the billing authority in relation to non-domestic rates and the council tax, together with illustrating the way these have been distributed to preceptors and the General Fund.

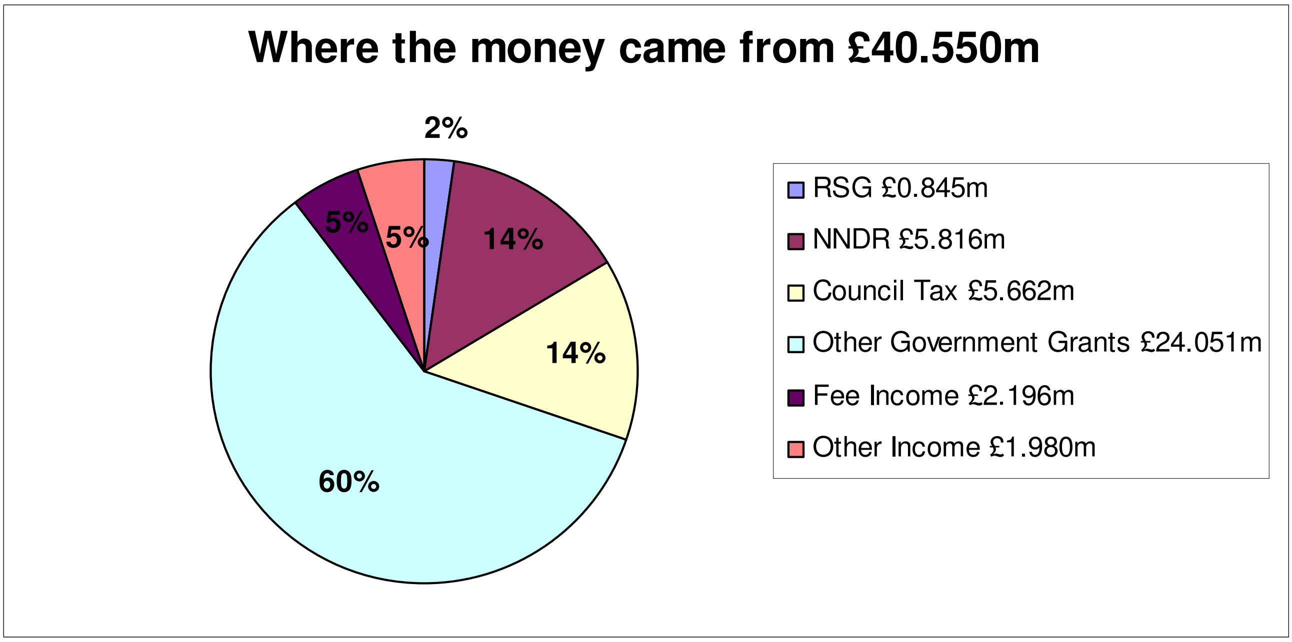
Annual Governance Statement – identifies the systems that the Council has in place to ensure that its business is conducted in accordance with the law and proper standards and that public money is safeguarded.

3 Revenue Expenditure

The Council incurred expenditure on its services of £40.55m. The charts detailed below illustrate the main elements of expenditure, together with how this expenditure was financed.



Employee costs include not only the salaries paid to staff but also the employer's overheads associated with National Insurance and Pensions. The staffing budget is a significant element of the Council's revenue budget.



Revenue Support Grant (RSG) is general grant funding provided by Central Government and National Non Domestic Rate Grant (NNDR) is the Council's share of the national Business Rate income distributed by Central Government.

The Council is responsible for the collection of business rates but is required to pay the sum collected into a national pool that is then distributed by Government. The Collection Fund shows the money collected and paid over to the national pool.

3 Revenue Expenditure Cont'd

The table detailed below illustrates the General Fund budget and how this compared to the actual expenditure. This table needs to be read in conjunction with the Comprehensive Income and Expenditure Account, which shows the Council's overall outturn position.

SERVICE EXPENDITURE	Restated 2009/10 Actual £'000	2010/11 Actual £'000	2010/11 Budget £'000	Variance Actual v Actual £'000	Variance Actual v Budget £'000
Central services to the public	1,499	1,353	1,419	(146)	(66)
Cultural, environmental and planning services	13,579	8,249	8,996	(5,330)	(747)
Highways, roads and transport services	1,243	402	536	(841)	(134)
Housing services	2,080	1,077	1,410	(1,003)	(333)
Corporate and democratic core	1,611	1,487	1,670	(124)	(183)
Non distributed costs	1	86	0	85	86
Past Service Gain	0	(4,065)	(470)	(4,065)	(3,595)
NET COST OF SERVICES	20,013	8,588	13,561	(11,425)	(4,973)

The reasons for the major variances against budget are as follows:

- £846k increase in the level of Revenue Expenditure Funded from Capital Under Statute (REFCUS) expensed to the Comprehensive Income and Expenditure Statement. As these entries are reversed out on the Movement in Reserves Statement this variance has no effect on the overall financial position of the authority.
- (£1,354k) increase in REFCUS grants credited to the Comprehensive Income and Expenditure Statement. As these entries are reversed out on the Movement in Reserves Statement this variance has no effect on the overall financial position of the authority.
- (£4,065k) increase in actuary gain on past service costs due to change in valuation method from Retail Price Index to Consumer Price Index. As these entries are reversed out on the Movement in Reserves Statement this variance has no effect on the overall financial position of the authority.
- £390k reduction due to the withdrawal of the Planning Delivery Grant funding
- (£633k) reduction in expenditure from efficiency savings.
- (£238k) reduction in expenditure on software licences.
- (£113k) reduction in expenditure on staff advertising, training, postage and other controllable costs.

The Revenue Outturn Report 2010/11 presented to our Finance Working Party on 30 June 2011 (available on our web site) provides further details of the variances between budget and actual expenditure.

The reasons for the major variances against 2010/11 actual are as follows:

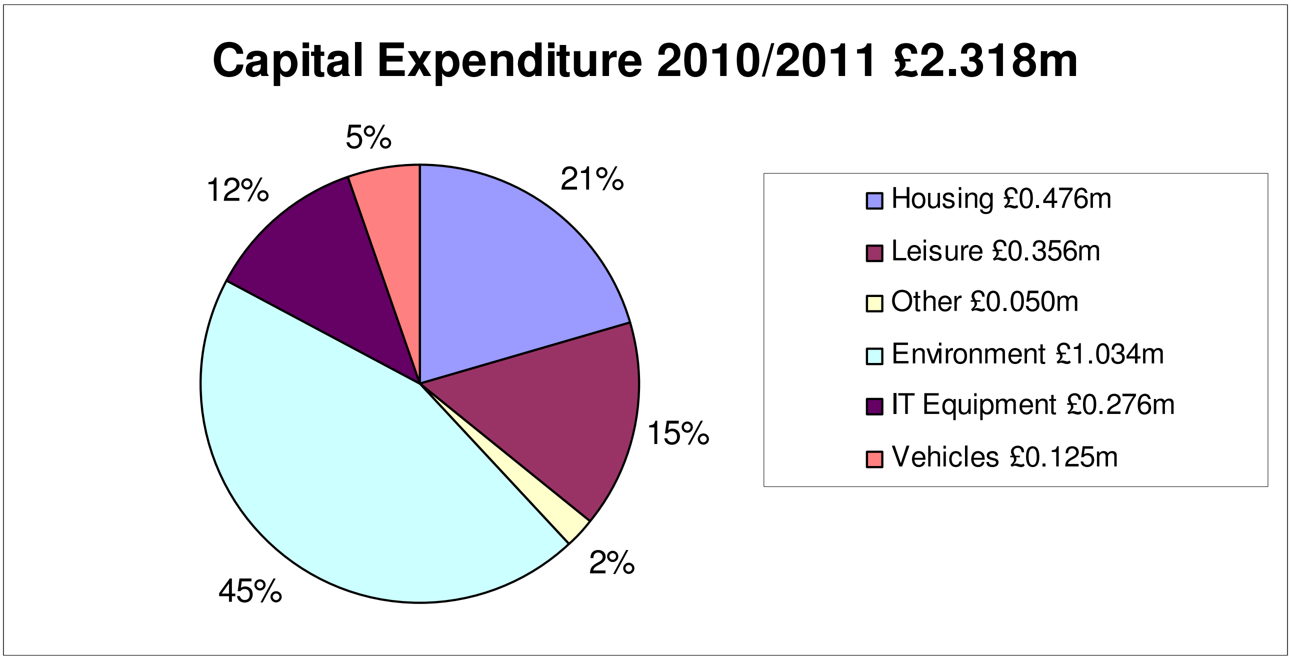
- (£6,900) decrease in the level of impairment as a result of valuation of non current assets in 2009/10.
- (£4,065) increase in actuary gain on past service costs due to change in valuation method from Retail Price Index to Consumer Price Index.

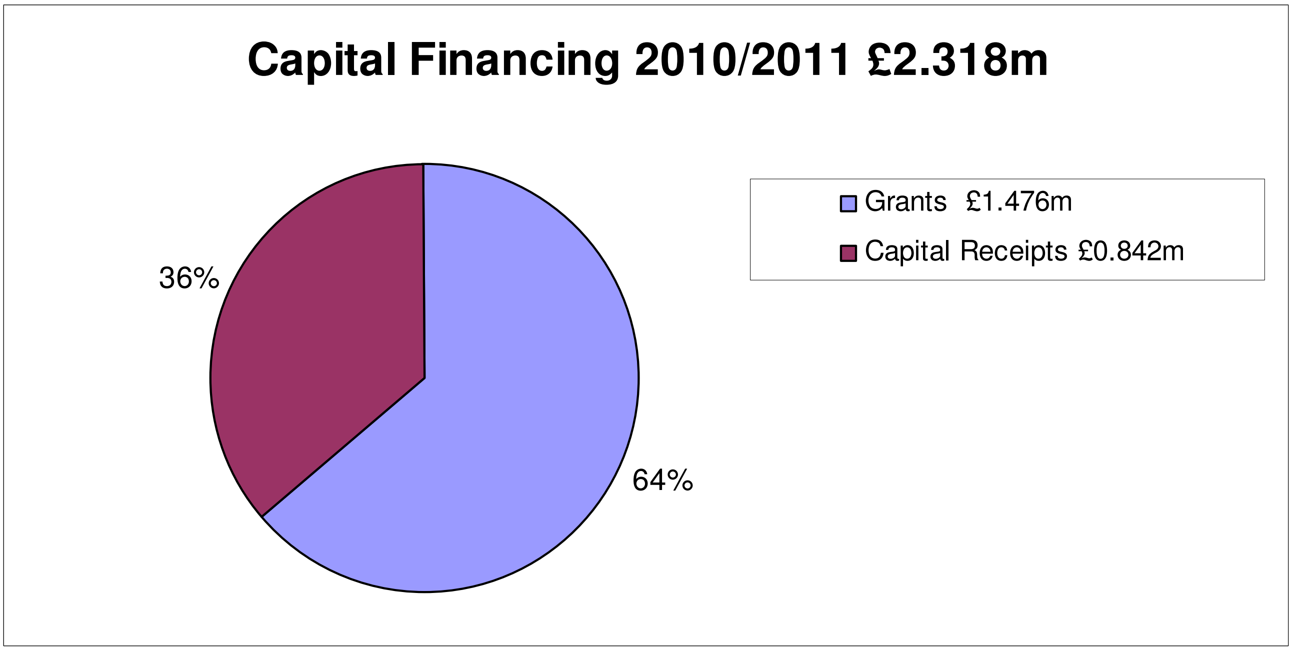
4 Reserves

The Council has revenue reserves of some £6.042m at 31 March 2011, this balance comprises a General Fund balance of £1.711m and earmarked revenue reserves of £4.331m. Full details of reserves are included within the accounts.

5 Capital Expenditure / Financing

The Council originally agreed to a capital programme of £3.414m but actual spending was £2.318m, £1.096m below budget. An analysis of capital expenditure in 2010/11 and the funding of this expenditure are illustrated in the charts below.





5 Capital Expenditure / Financing Cont'd

The slippage in spend was mainly associated with schemes such as Town Centre Regeneration, Environmental Improvements and Housing projects not coming on stream as soon as originally envisaged. For full details on variances please refer to the Capital Outturn Report 2010/11 reported to the Finance Working Party on 30 June 2011 (available on our website).

Capital expenditure is met from capital receipts and capital grants. The current capital programme which was approved by the Policy and Resources Committee on 22 February 2011 sets out spending plans for 2011/12 to 2017/18 totalling £13m. As at 31 March 2011 we have £3.4m in available resources to fund this plan and we are anticipating to receive a further £8.9m. This leaves a deficit of £0.7m which will have to be funded from either borrowing or the sale of additional assets. The Council is currently taking advice on the most advantageous way to fund its capital programme.

6 Further Information

Further information on the Council's accounts is available from the Head of Resources & OD, East Northamptonshire Council, Cedar Drive, Thrapston, Northamptonshire NN14 4LZ.

Members of the public have a statutory right to inspect the accounts. The dates available for the inspection of the accounts will be advertised in the Nene Valley News.

The Audit Commission have published a document titled "Councils' Accounts – Your Rights". This document contains details about the rights you have to inspect the accounts and the rights of electors whereby they may also ask questions about or challenge the accounts. This document is available on the Audit Commissions website at www.audit-commission.gov.uk or alternatively a copy can be obtained from the Head of Resources & OD, East Northamptonshire Council, Cedar Drive, Thrapston, Northamptonshire NN14 4LZ.

7 Other documents

The Council produces a number of reports and strategies which say how we intend to tackle local issues or provide local services. These are published on the Council's website, www.east-northamptonshire.gov.uk and should be read in conjunction with the Councils' accounts.

General Principles

The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11. It also complies with guidance notes issued by CIPFA on the application of Accounting Standards (Standard Statements of Accounting Practice and Financial Reporting Standards to local Authority Accounts).

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

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

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

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

a) Accruals of Income and Expenditure

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

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.

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

- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

An exception is made in respect of expenditure on electricity, gas and telephones where expenditure on four quarterly accounts has been taken as a proxy for actual expenditure in the year.

b) Cash and Cash Equivalent

Cash comprises cash on hand and demand deposits. 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.

c) Area Base Grant

Area Base Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ring fenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

d) Contingent assets and liabilities

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

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

e) Employee benefits

Post Employment Benefits

Local Government Pension Scheme

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

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

- Liabilities are discounted to their value at current prices using a discount rate of 5.5%

- The assets of the scheme attributable to the Council are included at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value.

- The change in the net pensions liability is analysed into 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 Account 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 Account.
- 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 Account.
- 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 Account 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 Comprehensive Income and Expenditure Statement.
- contributions paid to the pension fund – cash paid as employer's contributions to the pension fund.

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

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

Other long-term employee benefits

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

Termination benefits

Termination benefits are recognised as an expense when the Authority is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Authority has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Short-term employee benefits

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense on an undiscounted basis to the related service provided to the Council. An accrual is made for the cost of holiday entitlement earned by employees but not taken before the year-end which the employee can carry forward into the next financial year. The accrual is charged to the surplus or deficit on the provision of services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to the revenue in the financial year in which the holiday absence occurs.

f) Events after the Balance Sheet Date

An authority shall adjust the amounts in the financial statements to reflect adjusting events both favourable and unfavourable, which provide evidence of conditions that existed at the end of the reporting period and such events occur between the end of the reporting period and the date when the financial statements are authorised for issue.

g) Exceptional Items

Exceptional items are material items which derive from individual events that fall within the ordinary activities of the Council that are identified as exceptional items by virtue of their size, nature or incidence. The nature and amounts of such items are disclosed separately; either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts.

h) Financial Instruments

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

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

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

Financial assets are classified into two types; loans and receivables and available-for-sale assets. Loans and receivables are measured at fair value and appear in the Balance Sheet at the amortised cost. The Council does not have any available-for-sale Finance assets.

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

Financial assets are recognised on the balance sheet when the Council becomes party to the financial instrument contract or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred.

Financial assets are initially recognised at fair value.

Financial assets are classified into the following categories: financial assets ‘at fair value through profit and loss’; ‘held to maturity investments’; ‘available for sale’ financial assets, and ‘loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit and loss

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial assets at fair value through profit and loss. They are held at fair value, with any resultant gain or loss recognised in the income statement. The net gain or loss incorporates any interest earned on the financial asset.

Held to maturity investments

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

Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or that do not fall within any of the other three financial asset classifications. They are measured at fair value with changes in value taken to the revaluation reserve, with the exception of impairment losses. Accumulated gains or losses are recycled to the income statement on de-recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. After initial recognition, they are measured at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

Fair value is determined by reference to quoted market prices where possible, otherwise by discounted cash flows or other valuation techniques.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the net carrying amount of the financial asset.

At the balance sheet date, the Council assesses whether any financial assets, other than those held at 'fair value through profit and loss' are impaired. Financial assets are impaired and impairment losses recognised if there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in the income statement and the carrying amount of the asset is reduced directly, or through a provision for impairment of receivables.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the income statement to the extent that the carrying amount of the receivable at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities are recognised on the balance sheet when the Council becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been discharged, that is, the liability has been paid or has expired.

Financial liabilities are initially recognised at fair value.

Financial liabilities are classified as either financial liabilities 'at fair value through profit and loss' or other financial liabilities.

Financial liabilities at fair value through profit and loss

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial liabilities at fair value through profit and loss. They are held at fair value, with any resultant gain or loss recognised in the income statement. The net gain or loss incorporates any interest earned on the financial asset.

Other financial liabilities

After initial recognition, all other financial liabilities are measured at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the life of the asset, to the net carrying amount of the financial liability. Interest is recognised using the effective interest method.

Financial Instruments – Risks

The Council's activities expose it to a number of risks the main ones being:

Credit Risk – the possibility that other parties may fail to pay the amounts due
Liquidity Risk – the possibility that the Council cannot pay its commitments
Interest Risk – that changes in areas such as interest rates will affect the Council's revenue resources.

The Council reviews and agrees policies for managing each of these risks on a regular basis and they are summarised below:

Credit risk: to mitigate this risk the parties that owe money are sent timely reminders, defaulters are given reminders, warnings and ultimately legal action is taken where necessary.

Liquidity risk: to mitigate this risk the Council ensure that current working capital requirements are immediately available. At the period end, the longest dated deposit matures in December 2011. Short-term flexibility is achieved by overdraft facilities.

Interest rate risk: to mitigate this risk the Council monitors the available rates, and also consults with the Treasury Advisors Arlingclose and maintains fixed deposits when good rates are available. Fixed rate deposits are maintained to maximise interest receivable; variable rate deposits are maximised for working capital requirements.

In addition the Council has adopted the CIPFA Prudential Code and reviews and monitors the level of exposure to investments which mature beyond one year and the use of specified and non-specified investments.

However, the overall risk relating to financial instruments is very low for the Council because it is debt free.

i) Government Grants and Contributions

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

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

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

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

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

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

j) Intangible Assets

The Council capitalise purchased intangible assets at cost, where economic benefits are greater than 12 months. Once capitalised, the assets will be amortised on a systematic basis over their useful lives. The amortisation charge will be made to the relevant service lines in the Comprehensive Income and Expenditure Statement.

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

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

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

Other intangible assets are stated at cost less amortisation on a straight-line basis over the following periods:
Software 3 to 5 years
Licences 3 years or less if the licence term is shorter

k) Inventories

Stocks are shown in the Balance Sheet on an actual cost basis. This does not accord with the Code of Practice which recommends that stock is carried at the lower of cost and net realisable value. Cost is the price paid less any rebates, trade discounts or subsidies. It also includes delivery charges and import duties, but does not include value added taxes or advertising and administration costs. The amounts involved are not material. The stocks held by the Council range from IT consumables to souvenirs and maps, and therefore there is little or no wastage. As a result the Council does not maintain a provision for obsolete stock. Cost is based on the first-in, first-out (FIFO) principle.

l) Investment Properties

An investment property is one that is used solely to earn rentals or for capital appreciation or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet the definition of an investment property.

Investment properties are measured at fair value, with gains and losses recognised in Surplus or Deficit rather than through the revaluation reserve. Investment properties held at fair value are not depreciated.

Fair value is to be interpreted as the amount that would be paid for the asset in its highest and best use, i.e. market value. The fair value of investment property held under a lease is the lease interest.

m) Leases

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

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

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

The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

Operating Leases

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

n) Asset Held for Sale

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

Disposal groups are groups of assets and liabilities to be disposed of together as a group in a single transaction. They are recognised as held for sale at the reporting date and are separately disclosed as current assets and liabilities on the Balance Sheet.

The results of discontinued operations should be presented separately in Surplus or Deficit on the Provision of Services. Measurement differences arising between the carrying amount and fair value less cost of disposal are treated as impairment charges and separately disclosed.

o) Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2010/11 (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Cost of Services.

p) Property Plant and Equipment

Recognition

All expenditure on the acquisition, creation or enhancement of non current assets has been capitalised on an accruals basis, provided that it yields a benefit to the Council and the services that it provides for more than one financial year. This excludes expenditure on routine repairs and maintenance of non current assets, which is charged direct to service revenue accounts.

The estimated costs of dismantling and removing assets and restoring sites on which they are located are included in the cost of property, plant and equipment. The corresponding obligation is recognised as a provision.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits will flow to the Council and the cost can be measured reliably.

The Council has a general de-minimis limit of £5,000 for capital expenditure purposes which results in the capitalisation of expenditure above that limit as an asset in the balance sheet. Items below this limit are charged to revenue.

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

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

Measurement

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

Other Land and Buildings:	Existing Use Value
Vehicles, plant and equipment:	Historic Cost
Infrastructure:	Historic Cost
Community assets:	Historic Cost
Non-operation assets:	Open Market Value

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

Asset residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down to its recoverable amount if the carrying amount is greater than its recoverable amount through sale or use.

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

East Northamptonshire Councils Land and Building was last revalued as at 1 April 2009 by the Simon Layfield FRICS IRRV, Partner, Wilks Head and Eve LLP, Newlands House, 40 Berners Street, London, W1T 3NA. The valuations have been made in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual.

Impairment

Property, plant and equipment is subject to an impairment review if there are events or changes in circumstances which indicate that the carrying amount may not be recoverable. Those events and change in circumstances are listed under note 4 in the notes to the accounts.

The values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value.

Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

- where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account
- otherwise – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Comprehensive Income and Expenditure Statement but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Disposals

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet and the receipt from disposal are written off to the Comprehensive Income and Expenditure Statement as part of the loss or gain on disposal. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

Depreciation

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

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

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

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Assets Under Construction

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

q) Provisions

Provisions are liabilities of uncertain timing or amount. They are recognised when the Council has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

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

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

r) Reserves

The Council has established a number of reserves to allow specific future objectives to be financed. It also retains general balances to allow for contingencies and for cash flow management purposes. Details are shown in note 7.

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 Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure.

By law, the Council may use its Useable Capital Receipts Reserve only to finance capital expenditure. The Revaluation Reserve cannot be used to finance either revenue or capital expenditure.

s) Revenue Funded from Capital Expenditure Under Statute

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

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

The Council generally writes off revenue expenditure funded from capital under statute to revenue in the year in which it is created. Details are shown in note 34.

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 Statement of Movement on the General Fund Balance so there is no impact on the level of council tax.

t) Vat

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

u) Group Accounts

Local authorities are required to comply with the requirement that, where they have a controlling interest in subsidiaries, or a significant influence within associated companies or joint ventures, they must prepare the Revenue Account and Balance Sheet on a consolidated basis bringing together the financial results for the whole group.

The Council has determined that it has a Joint Venture relationship with the Joint Planning Unit; however the Council's share of costs were not considered to be material and have not reflected any consolidated results within the statement of accounts.

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

v) Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

Statement of Responsibilities for the Statement of Accounts

1 The Authority's Responsibilities

The authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Finance Officer.
- Manage its affairs to secure economic, efficient, and effective use of resources and safeguard its assets.
- Approve the statement of accounts.

2 The Chief Finance Officer's Responsibilities

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

In preparing this statement of accounts the Chief Finance Officer has:

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

The Chief Finance Officer has also:

- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities
- ensured that an effective system of internal financial control is maintained and operated

3 Certificate

I hereby certify that the statement of accounts presents true and fair view the financial position of East Northamptonshire Council as at 31 March 2011 and its income and expenditure for the year ended 31 March 2011.

The statement of accounts were authorised on 30th June 2011 and revised and recertified on 29th September 2011

East Northamptonshire Council
Cedar Drive
Thrapston
Northamptonshire
NN14 4LZ

Mike Baish *Chief Finance Officer*
Email:finance@east-northamptonshire.gov.uk

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and for council tax setting. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Movement in reserves during 2009/10	General Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Reserves £'000	Grants Unapplied £'000	**Total Usable Reserves £'000**	Unusable Reserves £'000	**Total Authority Reserves £'000**
Balance at 1 April 2009	3,013	4,686	3,802	165	11,666	20,906	32,572
Movement in reserve 09/10							
Surplus or (deficit) on provision of services	(7,757)				(7,757)	-	(7,757)
Other Comprehensive Expenditure and Income				-	-	(2,779)	(2,779)
Total Comprehensive Expenditure and Income	(7,757)	-	-	-	(7,757)	(2,779)	(10,536)
Adjustments between accounting basis & funding basis under regulations (8)	6,667		(496)	(63)	6,108	(6,108)	-
Net Increase / Decrease before Transfers to Earmarked Reserves	(1,090)	-	(496)	(63)	(1,649)	(8,887)	(10,536)
Transfers to / from Earmarked Reserves (7)	263	(263)			-	-	-
Increase / Decrease in Year	(827)	(263)	(496)	(63)	(1,649)	(8,887)	(10,536)
Balance at 31 March 2010	*2,186*	*4,423*	*3,306*	*102*	**10,017**	**12,019**	**22,036**

Movement in reserves during 2010/11	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Capital Receipts Reserves £'000	Grants Unapplied £'000	**Total Usable Reserves £'000**	Unusable Reserves £'000	**Total Authority Reserves £'000**
Balance at 1 April 2010	2,186	4,423	3,306	102	10,017	12,019	22,036
Movement in reserve 10/11							
Surplus or (deficit) on provision of services	2,675				2,675		2,675
Other Comprehensive Expenditure and Income					-	5,229	5,229
Total Comprehensive Expenditure and Income	2,675	-	-	-	2,675	5,229	7,904
Adjustments between accounting basis & funding basis under regulations (8)	(3,242)	-	124	329	(2,789)	2,789	-
Net Increase / Decrease before Transfers to Earmarked Reserves	(567)	-	124	329	(114)	8,018	7,904
Transfers to / from Earmarked Reserves (7)	92	(92)			-		-
Increase / Decrease in Year	(475)	(92)	124	329	(114)	8,018	7,904
Balance at 31 March 2011	*1,711*	*4,331*	*3,430*	*431*	***9,903***	*20,037*	***29,940***

This account summarises the resources that have been generated and consumed in providing services and managing the council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of non current assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

Restated 2009/10					2010/11		
Gross Expenditure	**Gross Income**	**Net Expenditure**		**Note**	**Gross Expenditure**	**Gross Income**	**Net Expenditure**
£'000	**£'000**	**£'000**			**£'000**	**£'000**	**£'000**
2,160	(661)	1,499	Central services to the public		2,001	(648)	1,353
16,206	(2,627)	13,579	Cultural, environmental and planning services		11,854	(3,606)	8,249
1,554	(311)	1,243	Highways, roads and transport services		840	(438)	402
23,894	(21,814)	2,080	Housing services		24,297	(23,220)	1,077
1,612	(1)	1,611	Corporate and democratic core		1,583	(96)	1,487
1	0	1	Non distributed costs		86	0	86
0	0	0	Past Service Gain	5	(4,065)	0	(4,065)
45,427	**(25,414)**	**20,013**	**Cost of Services**		**36,596**	**(28,008)**	**8,588**
1,965	(620)	1,345	Other operating income & expenditure	9	2,065	(895)	1,170
909	(472)	437	Financing and investment income and expenditure	10	669	(162)	507
40	(14,078)	(14,038)	Taxation and non-specific grant income	11	3	(12,943)	(12,940)
		7,757	**Surplus or Deficit on Provision of Services**				**(2,675)**
		(6,900)	(Surplus)/Deficit arising on revaluation of non current assets				29
			(Surplus)/Deficit arising on revaluation of available-for-sale financial assets				
		9,678	Actuarial Losses/(Gains) on pension fund asset and liabilities				(5,258)
		1	Any other gains and losses				
		2,779	**Other Income and Expenditure**				(5,229)
		10,536	**Total Comprehensive Income and Expenditure**				**(7,904)**

The Balance Sheet summarises the financial position of East Northamptonshire Council. It shows the value of the Council's assets and liabilities as at 31st March 2011.

Restated 1st April 2009 £'000	Restated 31st March 2010 £'000		Note	31st March 2011 £'000
30,276	31,395	Property, Plant & Equipment	12	30,749
534	538	Intangible Assets	13	457
2,000	0	Long Term Investments		0
96	83	Long Term Debtors	20	75
32,906	**32,016**	**Long Term Assets**		**31,281**
7,695	6,013	Short Term Investments	19	3,031
101	95	Inventories		48
3,433	5,141	Short Term Debtors	15	3,968
4,365	4,641	Cash and Cash Equivalents	16	9,197
0	0	Assets held for sale		0
15,594	**15,890**	**Current Assets**		**16,244**
0	(454)	Cash and Cash Equivalents	16	(948)
(1,751)	(1,989)	Short Term Creditors	18	(2,761)
(212)	(937)	Short Term Provisions	22	(23)
(1,963)	**(3,380)**	**Current Liabilities**		**(3,732)**
(937)	0	Long Term Provisions		0
(12,232)	(22,230)	Other Long Term Liabilities	24	(13,485)
(796)	(260)	Capital Grants receipts in Advance	32	(368)
(13,965)	**(22,490)**	**Long Term Liabilities**		**(13,853)**
32,572	**22,036**	**Net Assets**		**29,940**
11,666	10,017	Usable reserves	7,8	9,903
20,906	12,019	Unusable Reserves	24	20,037
32,572	**22,036**	**Total Reserves**		**29,940**

Cash Flow Statement

This consolidated statement summarises the inflows and outflows of revenue and capital cash arising from transactions with third parties.

Restated 2009/10 £'000		Note	2010/11 £'000
	Cash flow from operating activities		
8,095	Net (surplus) or deficit on the provision of services	25	(2,451)
(5,804)	Adjustments to net surplus or deficit on the provision of services for non-cash movements		6,168
697	Adjustments for items included in the net surplus or deficit for the provision of services that are investing and financing activities		482
2,988	**Net cash flows from Operating Activities**	25	**4,199**
(4,816)	Investing Activities	26	(4,572)
2,006	Financing Activities	27	(3,689)
178	**Net increase or decrease in cash and cash equivalents**		(4,062)
4,365	**Cash and cash equivalent at beginning of year**		4,187
4,187	**Cash and cash equivalent at end of year**	16	**8,249**

1 Transitions to IFRS

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

Short-term accumulating compensated absences

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Authority. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement for paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render service that increases their entitlement to future compensated absences. As a result, the Authority is required to accrue for any annual leave earned but not taken at 31 March each year.

Under the previous accounting arrangements, no such accrual was required.

The Government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

Government Grants

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable.

Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 balance sheet.

- Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.

- A specific grant was received in 2009/10 but not used. Previously, no income was recognised in respect of this grant, which was shown in the Grants Unapplied Account within the liabilities section of the balance sheet. Following the change in accounting policy, the grant has been recognised in full, and transferred to the Capital Grants Unapplied Account within the reserves section of the balance sheet.

Leases

Under the Code, leases are defined as a finance lease where the terms of the lease transfer substantially all the risk and rewards regardless of the ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

The Council has reviewed all lease contracts and has not been affected by this change in accounting policy.

1 Transitions to IFRS Cont'd

Cash and Cash Equivalents

Under the Code, the definition of cash has been extended to include cash equivalents, which are highly liquid investments that mature within three months and are readily convertible to known amounts within insignificant risks of change in value.

As a consequence of adopting the accounting policy as required by the code, the financial statements have been amended as follows:

- Deposits classified as Short-Term Investments which mature within 3 months without penalty as at 31st March 2009 and 31st March 2010 have been transferred to Cash and Cash Equivalents on the face of the balance sheet.

The following balance sheet explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements. Comparative notes incorporating balances from 2008/09 have been provided in the Statement for balances which were material.

		Restated 2008/2009	
	UK GAAP	**Effect of transition to Adopted IFRSs**	**Adopted IFRSs**
	£'000		**£'000**
Property, Plant & Equipment	30,276	0	30,276
Intangible Assets	534	0	534
Long Term Investments	2,000	0	2,000
Long Term Debtors	96	0	96
Long Term Assets	**32,906**	**0**	**32,906**
Short Term Investments	11,919	(4,224)	7,695
Inventories	101	0	101
Short Term Debtors	3,433	0	3,433
Cash and Cash Equivalents	141	4,224	4,365
Current Assets	**15,594**	**0**	**15,594**
Short Term Creditors	(1,712)	(39)	(1,751)
Short Term Provisions	0	(212)	(212)
Current Liabilities	**(1,712)**	**(251)**	**(1,963)**
Long term Provisions	(1,149)	212	(937)
Other Long Term Liabilities	(14,225)	1,993	(12,232)
Donated Asset Account			
Capital Grants receipts in Advance	0	(796)	(796)
Long Term Liabilities	**(15,374)**	**1,409**	**(13,965)**
Net Assets	**31,414**	**1,158**	**32,572**
Usable reserves	11,501	165	11,666
Unusable Reserves	19,913	993	20,906
Total Reserves	**31,414**	**1,158**	**32,572**

1 Transitions to IFRS Cont'd

	Restated 2009/2010		
	UK GAAP	Effect of transition to Adopted IFRSs	Adopted IFRSs
	£'000		**£'000**
Property, Plant & Equipment	31,395	0	31,395
Intangible Assets	538	0	538
Long Term Debtors	83	0	83
Long Term Assets	**32,016**	**0**	**32,016**
Short Term Investments	10,649	(4,636)	6,013
Inventories	95	0	95
Short Term Debtors	5,141	0	5,141
Cash and Cash Equivalents	5	4,636	4,641
Current Assets	**15,890**	**0**	**15,890**
Bank Overdraft	(454)	0	(454)
Short Term Creditors	(1,948)	(41)	(1,989)
Short Term Provisions	0	(937)	(937)
Current Liabilities	**(2,402)**	**(978)**	**(3,380)**
Long term Provisions	(937)	937	0
Other Long Term Liabilities	(24,155)	1,925	(22,230)
Capital Grants receipts in Advance	0	(260)	(260)
Long Term Liabilities	**(25,092)**	**2,602**	**(22,490)**
Net Assets	**20,412**	**1,624**	**22,036**
Usable reserves	9,915	102	10,017
Unusable Reserves	10,497	1,522	12,019
Total Reserves	**20,412**	**1,624**	**22,036**

2 Accounting Standards that have Been Issued but have not yet been adopted

FRS 30 Heritage Assets – These are assets with historical, artistic, scientific, technological, geophysical or environmental qualities held and maintained principally for their contribution to knowledge and culture. The assets are to be measured at cost or fair value.

East Northamptonshire Council holds Civic regalia in the form of pictures and mayoral chains. However the value of these assets are not material and will not be disclosed as a heritage assets in 11/12.

3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Statement of Accounting Policies, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

4 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

In the preparation of the consolidated Accounts, a number of estimates and assumptions have been made relating to the reporting of results of operations and the financial position of the Council. Results may differ significantly from those estimates under different assumptions and conditions. It is considered that the following addresses the Council's most critical accounting estimates and judgements, which are those that are most important to the presentation of its consolidated financial position and results. These particular policies require subjective and complex judgements, often as a result of the need to make estimates about the effect of matters that are uncertain.

Depreciation of property, plant and equipment

The Council assigns useful lives and residual values to property, plant and equipment based on periodic studies of actual asset lives and the intended use for those assets. Changes in circumstances such as technological advances, prospective economic utilisation and physical condition of the assets concerned could result in the actual useful lives or residual values differing from initial estimates.

Where the Council determines that the useful life of property, plant and equipment should be shortened or residual value reduced, it depreciates the net book value in excess of the residual value over the revised remaining useful life, thereby increasing depreciation expense. Any change in an asset's life or residual value is reflected in the Council's Accounts when the change in estimate is determined.

Impairment of property, plant and equipment and intangible assets

The Council assess the impairment of property, plant and equipment and intangible assets (excluding goodwill) whenever events or changes in circumstances indicate that the carrying value may not be recoverable or otherwise as required by accounting standards.

Factors that are considered important and which could trigger an impairment review include the following:

- obsolescence or physical damage;
- significant changes in technology and regulatory environments;
- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the use of its assets or the strategy of the overall business;
- significant negative industry or economic trends; and
- significant decline in the market capitalisation relative to net book value for a sustained period.

The identification of impairment indicators, the estimation of future cash flows and the determination of the recoverable amount for assets or cash generating units requires significant judgement which is determined by qualified external Valuer.

Revenue recognition

Judgement is required in assessing the application of revenue recognition principles and the specific guidance in respect of Council revenue. This includes the presentation of revenue as principal or as agent in respect of income received from transmission of content provided by third parties.

4 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty Cont'd

Impairment allowance for doubtful debt

The Impairment allowance for doubtful debt reflects the Council's estimates of losses arising from the failure or inability of the Council's customers to make required payments. The allowance is based on the ageing of customer accounts, customer credit worthiness and the Council's historical write-off experience. Changes to the allowance may be required if the financial condition of the Council's customers improves or deteriorates. An improvement in financial condition may result in lower actual write-offs.

Provisions

A provision is recognised when there is a present (legal or constructive) obligation in respect of a past event. Judgement is required to quantify such amounts.

Pensions

The Council provides a defined benefit pension scheme for its employees. The asset (or liability) recognised in the statement of financial position in respect of defined benefit pension plans represents the fair value of plan assets less the present value of the defined benefit obligations at the reporting date. The expected cost of providing these defined benefit pensions will depend on an assessment of such factors as:

- the life expectancy of the Officers;
- the length of service;
- the rate of salary progression;
- the rate of return earned on assets in the future;
- the rate used to discount future pension liabilities; and
- future inflation rates.

The assumptions used by the Council are set out in note 37 and estimates chosen from a range of possible actuarial assumptions which may not necessarily be borne out in practice but have been comparable to the median estimates in this regard used by other Councils. Changes to these assumptions could materially affect the size of the defined benefit schemes' liabilities and assets disclosed in note 37.

Fair value estimation

The nominal value of receivables (less any valuation allowance) and payables are assumed to approximate their fair values. Judgement is required in determining the appropriate assumptions underlying those inputs and forecasts.

The fair value of financial liabilities measured at amortised cost is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments. Discounted cash flows are used to determine the fair value for the majority of remaining financial instruments.

5 Material Items of Income and Expense

	2010/11 £'000	2009/10 £'000
Depreciation on tangible asset	1,104	1,125
Amortisation on intangible asset	287	165
Impairment	147	5,587
Reversals of provisions	886	232
Past Service Gains	(4,065)	0
Housing Benefit Administration Grant	(535)	(595)
Housing Benefit Rent Allowance	(17,138)	(16,465)
Council Tax Benefits	(4,600)	(4,368)
Profit and loss on non current asset disposal		
Property, Plant & Equipment	56	388

From 1 April 2011 public services pension has been up-rated in line with the Consumer Price Index (CPI) rather than the Retail Prices Index (RPI). This has reduced East Northamptonshire's liabilities in the Northamptonshire County Council Pension Fund by £4.065m and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. This item is not permitted to have an impact on the General Fund therefore it is posted out through the Movement in Reserves and posted to the Pension Reserve.

6 Events after the Balance Sheet Date

The Council's 2010/11 Statement of Accounts were authorised for issue on 30 June 2011 by Mike Baish, Chief Finance Officer and was done so after due consideration to any post balance sheet events at that point in time. There were no events that existed after the reporting date of 31 March 2011 and 30 June 2011 that needed to be reflected in the Statement of Accounts or any disclosure made in the notes.

7 Transfer to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in ear marked reserves to provide financing for the future expenditure plans and the amounts posted back from ear marked reserves to meet General Fund expenditure in 2010/11.

General Fund Reserve 2010/11	Balance 1 April 2010 £'000	Transfer out £'000	Transfer In £'000	Net Movement £'000	Balance 31 March 2011 £'000
Asset Management Repairs and Renewals Reserve	3,530	(119)	29	(90)	3,440
Concessionary Fares Reserve	69	(69)	-	(69)	0
Regeneration Reserve	504	(24)	-	(24)	480
Contingency Reserve	100	(50)	-	(50)	50
Elections Reserve	120	-	-	-	120
Insurance Reserve	100	-	-	-	100
Personal Land Charges Reserve	-	-	34	34	34
Environmental HI 4 EM Reserve	-	-	40	40	40
Empty Homes Reserve	-	-	34	34	34
ATLAS Reserve	-	-	33	33	33
Total	**4,423**	**(262)**	**170**	**(92)**	**4,331**

7 Transfer to/from Earmarked Reserves Cont'd

General Fund Reserve 2009/10	Balance 1 April 2009 £'000	Transfer out £'000	Transfer In £'000	Net Movement £'000	Balance 31 March 2010 £'000
Service Development Reserve	54	(54)	0	(54)	0
Asset Management Repairs and Renewals Reserve	3,576	(46)	0	(46)	3,530
Community Safety Fund Reserve	57	(56)	0	(56)	1
Planning Delivery Grant Reserve	35	(35)	0	(35)	0
Concessionary Fares Reserve	100	(31)	0	(31)	69
Regeneration Reserve	519	(15)	0	(15)	504
Contingency Reserve	100	(26)	26	0	100
Elections Reserve	120	0	0	0	120
Insurance Reserve	100	0	0	0	100
Youth Projects Reserve	25	(25)	0	(25)	0
Total	**4,686**	**(288)**	**26**	**(263)**	**4,423**

8 Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

	Usable Reserves			
2010/11	**General fund £'000**	**Capital Receipts Reserve £'000**	**Grant Unapplied £'000**	**Movement in unusable reserves £'000**
Adjustment primarily involving the capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	1,251			(1,251)
Revaluation losses on Property Plant and Equipment				0
Amortisation of intangible assets	287			(287)
Capital grants and contributions applied	(1,476)			1,476
Revenue expenditure funded from capital under statute	1,406			(1,406)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	71			(71)
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	16			(16)

8 Adjustments between Accounting Basis and Funding Basis under Regulations Cont'd

2010/11	General fund £'000	Capital Receipts Reserve £'000	Grant Unapplied £'000	Movement in unusable reserves £'000
Adjustment primarily involving the capital grants unapplied account				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(329)		329	0
Adjustment primarily involving the capital receipts reserve				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(966)	966		0
Use of the Capital Receipts Reserve to finance new capital expenditure		(842)		842
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(2,259)			2,259
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,228)			1,228
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(15)			15
Total Adjustments	(3,242)	124	329	2,789

8 Adjustments between Accounting Basis and Funding Basis under Regulations Cont'd

2009/10 comparative figures	**General fund £'000**	**Capital Receipts Reserve £'000**	**Grant Unapplied £'000**	**Movement in unusable reserves £'000**
Adjustment primarily involving the capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	1,125			(1,125)
Revaluation losses on Property Plant and Equipment	5,587			(5,587)
Amortisation of intangible assets	277			(277)
Capital grants and contributions applied	(1,020)			1,020
Revenue expenditure funded from capital under statute	1,452			(2,834)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	120			(120)
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	3			(3)

8 Adjustments between Accounting Basis and Funding Basis under Regulations Cont'd

2009/10	General fund £'000	Capital Receipts Reserve £'000	Grant Unapplied £'000	Movement in unusable reserves £'000
Adjustment primarily involving the capital grants unapplied account				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(468)		(63)	531
Application of grants to capital financing transferred to the Capital Adjustment Account Adjustments				
Adjustment primarily involving the capital receipts reserve				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(740)	740		0
Use of the Capital Receipts Reserve to finance new capital expenditure		(1,235)		1,235
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	1,521			(1,521)
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,201)			1,201
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	11			(11)
Total Adjustments	6,667	(495)	(63)	(6,109)

9 Other Operating Expenditure

	2010/11 £'000	2009/10 £'000
Loss / (Gain) on the disposal of non current assets	(895)	(620)
Other Operating Expenditure		3
Parish Council Precept	2,065	1,962
Total	**1,170**	**1,345**

10 Financing and Investment Income and Expenditure

	2010/11 £'000	2009/10 £'000
Interest and Investment Income	(162)	(472)
Interest expenses	1	4
Pension interest cost and expected return on pensions assets	668	905
Total	**507**	**437**

11 Taxation and Non Specific Grant Income

	2010/11 £'000	2009/10 £'000
General Government Grant	(1,199)	(1,865)
Non domestic rates	(5,816)	(5,267)
Demand on the collection fund	(5,662)	(5,458)
Capital grants and contributions	(266)	(1488)
Transfer from Collection Fund in respect of surpluses	3	40
Total	**(12,940)**	**(14,038)**

12 Property, Plant and Equipment

Movements in 2010/11	Other land & buildings	Vehicles, plants & equipment	Infra-structure	Community Assets	Assets Under Construction	Total PPE
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation						
At 1 April 2010	**33,434**	**5,531**	**297**	**452**	**862**	**40,577**
Additions	353	238			116	706
Derecognition-Disposals		(108)		(12)		(121)
Impairment	(140)					(140)
At 31 March 2011	**33,647**	**5,661**	**297**	**440**	**978**	**41,023**
Accumulated Depreciation and Impairment						
At 1 April 2010	(6,032)	(3,151)	0	0	0	(9,183)
Depreciation charge	(433)	(671)				(1,104)
Impairment Losses recognised in the Revaluation Reserve	(29)					(29)
Impairment Losses recognised in the Surplus/ Deficit on the Provision of Services	(8)					(8)
Derecognition - Disposals		50				50
At 31 March 2011	**(6,502)**	**(3,771)**	**0**	**0**	**0**	**(10,273)**
Net Book Value						
at 31 March 2011	**27,145**	**1,889**	**297**	**440**	**978**	**30,749**
at 31 March 2010	**27,403**	**2,380**	**297**	**452**	**862**	**31,395**
Assets Held at Historic Cost Value at 31 March 2011		1,889	297	440	978	**3,604**
Assets Held at Current Cost at 31 March 2011	27,145					**27,145**
Total	**27,145**	**1,889**	**297**	**440**	**978**	**30,749**
Assets Held at Historic Cost Value at 31 March 2010		2,380	297	452	862	**3,992**
Assets Held at Current Cost at 31 March 2010	27,403					**28,824**
Total	**27,403**	**2,380**	**297**	**452**	**862**	**31,395**

12 Property, Plant and Equipment Cont'd

Comparative Movements in Restated 2009/10	Other land & buildings	Vehicles, plants & equipment	Infra-structure	Community Assets	Assets Under Construction	Total PPE
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation						
At 1 April 2009	26,793	4,983	297	572	100	32,745
Additions	69	221	0	0	762	1,052
Revaluation increases / (decreases) recognised in the Revaluation Reserve	6,900					6,900
Derecognition - Disposals				(120)		(120)
Transfers	(328)	328				0
At 31 March 2010	**33,434**	**5,531**	**297**	**452**	**862**	**40,577**
Accumulated Depreciation and Impairment						
At 1 April 2009	0	(2,471)				(2,471)
Depreciation charge	(445)	(681)	0	0	0	(1,125)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(5,587)					(5,587)
At 31 March 2010	**(6,032)**	**(3,152)**	**0**	**0**	**0**	**(9,183)**

See Statement of Accounting Policies Note P, for Depreciation methods used and when assets were last revalued.

13 Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment.

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

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £287k charged to revenue in 2010/11 was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services.

13 Intangible Assets Cont'd

	2010/11 £'000	Restated 2009/10 £'000
Balance at start of year		
Gross Carrying Amount	1,207	1,037
Accumulated Amortisation	(669)	(503)
Net carrying amount at start of year	**538**	**534**
Purchases	206	170
Disposals	0	0
Amortisation for Period	(287)	(166)
Net carrying amount at end of year	**457**	**538**
Comprising:		
Gross Carrying Amount	**1,413**	**1,207**
Amortisation	**(956)**	**(669)**

14 Financial Instruments

International Accounting Standard (IAS) 23 on Financial Instruments was incorporated into the Local Government accounting regulations in 2007/08. This required organisations to set up two new reserves as shown below:

Available-for-Sale Financial Instruments Reserve: This records nominal changes in values on investments which have not yet been crystallised through sales. Currently no movements are shown on this reserve because the Authority has no investments meeting the definition of available for sale, examples of which include equity shareholdings and quoted investments.

Financial Instruments Adjustment Account: This is a balancing account which shows the difference between accounting practices and statutory requirements in Local Government for determining the General Fund balance. However, there were no transactions required by the Council to travel through these reserves.

IAS 23 defines financial instruments very broadly so that these cover any cash, debt, equity investments, debtors and creditors as well as complex instruments such as commodity contracts and derivatives. The precise definition is detailed below:

"any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity"

IAS 23 puts financial instruments into a number of different categories. Financial instruments that are liabilities and not held for trading can be defined as "Liabilities at amortised cost". Liabilities held for trading are classified as "Fair Value through Profit and Loss". The liabilities of this authority that are also financial instruments are all defined "Liabilities at amortised cost". The Council does not hold liabilities for trading purposes.

The Liabilities at amortised cost for East Northamptonshire Council are shown in the table below:

	2010/11 £'000	2009/10 £'000
Creditors	1,346	1,557
Cash and Cash Equivalents (Bank Overdraft)	948	454

14 Financial Instruments Cont'd

Financial instruments that are assets are defined as either "Loans and Receivables" or "Available for Sale assets".

"Available for Sale assets" are in effect securities that are quoted on an active market. The effective rate of interest is credited to the Income and Expenditure account and changes in value shown in the Available for Sale Financial Instruments Reserve. The Authority has no such financial instruments.

Loans and receivables are defined as financial assets that have fixed payments but are not quoted in an active market, such as debtors and bank deposits. These are carried at amortised cost and income in the Income and Expenditure account calculated using the effective rate of interest.
Loans and receivables for East Northamptonshire Council are shown in the table below:

	2010/10 £'000	**2009/10 £'000**
Debtors (including soft loans)	717	629
Cash and cash equivalents	8,248	4,635
Short-term investments	3,031	6,013

Local Authorities sometimes make loans to organisations at less than market rates where this supports their objectives. These are known as Soft Loans. IAS 23 and Local Government accounting practices requires that where material, the loss in interest is treated as an impairment in the value of the loan and the cost of the impairment is shown in the Comprehensive Income and Expenditure Statement. However, statutory rules are that until 2010/11, this cost is removed when calculating the General Fund balance. The cost is removed using the Financial Instruments Adjustment Account.

Soft Loans for East Northamptonshire Council total £104k, which is immaterial to the accounts so no adjustment is required through the Financial Instruments Adjustment Account.

Key Risks

As part of implementing IAS 23, Local Authorities should have due regard for the risks associated with the financial instruments that they hold.

Attention to risk by the Authority is enabled in a number of ways. The Authority adheres to the Local Government Act (2003) and supporting regulations in following the Prudential Code. This requires the Authority to publish Prudential Indicators which measure the level and affordability of its borrowing. These Prudential Indicators are agreed by Council and measure:

Ratio of financing costs to net revenue stream
Net borrowing requirement
Capital Financing Requirement
Authorised limit for external debt
Operational boundary for external debt

The authority has no actual borrowing in 2010/11 and future plans have been assessed as affordable under the Prudential Code.

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

14 Financial Instruments Cont'd

Credit Risk

The Authority always runs the risk that debtors do not make payments. Wherever possible, the authority provides services at the point of payment. Risk of non-payment is also reduced by procedures to monitor, measure debts and pursue debts on behalf of the authority. The Authority monitors debts using aged debtor reports, reviewing how long debt has been outstanding.

Another type of credit risk is the risk that the Authority deposits money with financial institutions that fail. The Treasury Management Strategy outlines procedures to minimise this risk when selecting Counter-parties.

Analysis of financial asset by credit rating at year end

Gross Credit Exposure by credit rating at year end (before collateral held or other credit enhancements)	**AAA or equivalent** £'000	**AA or equivalent** £'000	**A or equivalent** £'000	**Rated not strong** £'000	**Not rated** £'000	**Total** £'000
Cash and liquid deposits		11,248				11,248
Loans and receivables carried at amortised cost						-
Available-for-sale financial assets carried at fair value						-
Total financial assets	**-**	**11,248**	**-**	**-**	**-**	**11,248**

Analysis by geographical area at year end

Gross Credit Exposure by geographic area (before collateral held or other credit enhancements)	**UK** £'000	**Europe** £'000	**Africa** £'000	**Asia** £'000	**Other** £'000	**Total** £'000
Cash and liquid deposits	11,248					11,248
Loans and receivables carried at amortised cost						-
Available-for-sale financial assets carried at fair value						-
Total financial assets	**11,248**	**-**	**-**	**-**	**-**	**11,248**

Liquidity Risk

Liquidity risk is the risk that the Authority runs out of cash to manage its day to day cash-flow. To minimise this risk, the Authority monitors and anticipates future cash flows in order to plan for sufficient cash.

The Authority has debt collection procedures to ensure that it receives the money owing. Revenue and capital budgets are fully financed as per Local Government regulations and agreed by Council before the start of the financial year. The Authority also has an overdraft facility with its bank in order to manage any short-term timing differences.

14 Financial Instruments Cont'd

Refinancing Risk

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

Currently the Authority does not have any outstanding loans so this risk does not apply.

Market Risk

Market risk is the risk of financial loss arising from market movements, for example interest rate movements.

The low interest rate of 0.5% held by the Bank of England throughout 2010/11 has reduced interest income received by the Authority. This risk is mitigated for future years. Budgets have been set, taking low interest rates into consideration. Also interest rates are at the bottom of the cycle, which means in effect that they cannot fall much further.

Price Risk

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

Foreign Exchange Risk

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

15 Short-Term Debtors

The value of short term debtors as at 31 March 2011 is:

	2010/11 £000	2009/10 £000
Central government bodies	1,898	3,073
Other local authorities	514	691
Other entities and individuals	1,556	1,377
Net total	**3,968**	**5,141**

16 Cash and Cash Equivalents

The balance of Cash and cash equivalents is made up of the following elements:

	2010/11 £000	2009/10 £000	2008/09 £000
Cash held by the Authority	3	5	58
Bank current account	(949)	(454)	82
Short-term deposits with building societies and money market funds	9,194	4,635	4,225
Total	**8,248**	**4,186**	**4,365**

Cash and cash equivalents include cash at bank, short-term bank deposits and money market funds.

17 Assets Held for Sale

There have been no asset held for sale and acquired or discontinued operations during the year. There are also no outstanding liabilities in respect of previously discontinued operations.

18 Creditors

The value of short term creditors as at 31 March 2011 is:

	2010/11 £000	2009/10 £0000
Central government bodies	(1,681)	(588)
Other local authorities	(355)	(699)
Public Corporations and trading funds	0	(34)
Other entities and individuals	(725)	(668)
Total	**(2,761)**	**(1,989)**

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

19 Investments

The Council's investments are detailed below:

	2010/11 £'000	2009/10 £'000	2008/09 £'000
Short Term Investments < 1 year	3,031	6,013	7,695
Long Term Investments > 1 year	-	-	2,000
Total Investments	**3,031**	**6,013**	**9,695**

20 Long Term Debtors

The value of long term debtors as at 31 March 2011 is:

	2010/11 £'000	2009/10 £'000
Car Loans	16	41
Other	59	42
Total	**75**	**83**

21 Assets Under Construction

The Council was planning to undertake the construction of a new swimming pool in Rushden. Due to the Government spending review all funding has been suspended and the capital programme has been postponed until further notice.

These assets are non-operational as at 31 March 2011. Once they are complete they will be added to the relevant section of operational non current assets.

22 Provisions

	Other £000	LSVT £000	Total £000
At 1 April 2010	(51)	(886)	(937)
Used during the year	28		28
Reversed unused		886	886
At 31 March 2011	**(23)**	**0**	**(23)**
At 1 April 2009	(31)	(1,118)	(1,149)
Arising during the year	(27)		(27)
Used during the year	7	232	239
At 31 March 2010	**(51)**	**(886)**	**(937)**

Expected timing of cash flows	**2010/11 £000**	**2009/10 £000**
In the remainder of the spending review period to 31 March 2011	0	(921)
Between 1 April 2011 and 31 March 2016	(23)	(16)
Between 1 April 2016 and 31 March 2021	0	0
Thereafter	0	0
Total	**(23)**	**(937)**

Large Scale Voluntary Transfer (LSVT) - The Authority sold its housing stock in 2001 and made provisions within its accounts for a levy payable to Communities for Local Government (CLG). This provision has now been released in to the Capital Receipts Reserve after confirmation was received from CLG that this levy is not payable.

Conservation Grants Provision – a provision has been made for historic building grants that have been awarded but not claimed. This makes up the majority of the 'Other' provisions.

23 Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and in note 8.

24 Unusable Reserves

	2010/11 £000	**Restated 2009/10 £000**
Revaluation Reserve	6,784	6,851
Capital Adjustment Account	26,824	27,483
Deferred Capital Receipts Reserve	1	1
Pensions Reserve	(13,485)	(22,230)
Collection Fund Adjustment Account	(30)	(45)
Accumulated Absences Account	(57)	(41)
Total Unusable Reserves	**20,037**	**12,019**

Revaluation Reserve

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

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

24 Unusable Reserves Cont'd

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

Movement in Revaluation Reserve	**2010/11 £'000**	**2009/2010 £'000**
Upward revaluation of assets		6,900
Impairment Losses not charged to the Surplus/ Deficit on the Provision of Services	(29)	0
Difference between fair value depreciation and historical cost depreciation	(38)	(49)
Total movement of realised capital resources in year	**(67)**	**6,851**
Balance brought forward 1 April	**6,851**	**0**
Balance carried forward 31 March	**6,784**	**6,851**

Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 8 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Capital Adjustment Account in year movements	**2010/11 £000**	**Restated 2009/10 £000**
Balance at 1 April	27,483	33,210
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
Charges for depreciation and impairment of noncurrent assets	(1,251)	(1,125)
Revaluation losses on Property, Plant and Equipment		(5,586)
Amortisation of intangible assets	(287)	(277)
Revenue expenditure funded from capital under statute	(1,406)	(1,452)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(71)	(120)
	(3,015)	**(8,560)**
Difference between current value depreciation and historical cost depreciation	38	49
Net written out amount of the cost of non-current	**(2,977)**	**(8,511)**

24 Unusable Reserves Cont'd

Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	842	1,234
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,476	1,551
	2,318	**2,785**
Balance at 31 March	**26,824**	**27,483**

Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Pension Reserve in year movements	**2010/11 £000**	**2009/10 £000**
Balance at 1 April	(22,230)	(12,232)
Actuarial gains or losses on pensions assets and liabilities	5,258	(9,678)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	2,259	(1,521)
Employer's pensions contributions and direct payments to pensioners payable in the year	1,228	1,201
Balance at 31 March	**(13,485)**	**(22,230)**

Deferred Capital Receipt Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of noncurrent assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

As at 31 March 2011 the balance on this reserve is £1k and there has been no movement within the year.

Collection Fund Adjustment Account

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

24 Unusable Reserves Cont'd

Collection Fund Adjustments in year	**2010/11 £000**	**2009/10 £000**
Balance at 1 April	(45)	(34)
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	15	(11)
Balance at 31 March	**(30)**	**(45)**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

Movement in the year	**2010/11 £000**	**2009/10 £000**
Balance at 1 April	(41)	(39)
Settlement or cancellation of accrual made at the end of the preceding year	41	39
Amounts Accrued at the end of the current year	(57)	(41)
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	15	2
Balance at 31 March	**(57)**	**(41)**

25 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following:

Total (Surplus)/Deficit on all Revenue Accounts	**2010/11 £' 000**	**2009/10 £' 000**
Income and Expenditure Account (Surplus)/Deficit	(2,675)	7,757
Collection Fund (Surplus)/ Deficit	224	338
Net (Surplus) or deficit on the provision of services	**(2,451)**	**8,095**
Amortisation Charges	(287)	(277)
Depreciation Charges	(1,251)	(6,712)
Government Grants Applied	621	1488
Profit on Disposal of Non Current Assets	895	620
Collection fund adjustment	15	(11)
Net Changes made for Retirement Benefits in Accordance with IAS 19	2,259	(1,521)
Employers Contributions Payable to the Pension Fund and Retirement Benefits Payable Direct to Pensioners	1,228	1,201
Movement in Stock	(47)	(7)
Movement in Provision for Bad Debts	(1)	3
Movement in Other Provisions	914	212
Movement in Debtors	2,749	(487)
Movement in Creditors	(911)	(310)
Movement in Accumulated Absences	(16)	(3)
Adjustment to net surplus or deficit on the provision of services for non-cash movements	**6,168**	**(5,804)**

Net Interest Received	482	697
Adjustments for items included in the net surplus or deficit for the provision of services that are investing and financing activities	**482**	**697**
Net cash flows from operating activities	**4,199**	**2,988**

26 Cash Flow Statement – Investing Activities

Movement in the year	**2010/11 £'000**	**2009/10 £'000**
Purchase of property, plant and equipment, investment property and intangible assets	860	1,406
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(34)	(225)
Proceeds from short-term and long-term investments	(3,013)	(3,682)
Other receipts from investing activities	(2,385)	(2,315)
Net cash flows from investing activities	**(4,572)**	**(4,816)**

27 Cash Flow Statement – Financing Activities

Movement in the year	**2010/11 £'000**	**2009/10 £'000**
Receipts/payments from financing activities in relation to collection of Council Tax and NNDR	(3,689)	2,006
Net cash flows from financing activities	**(3,689)**	**2,006**

28 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice.

However, decisions about resource allocation are taken by the Authority on the basis of budget reports analysed across services. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement).
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.
- expenditure on some support services is budgeted for centrally and not charged to services.

28 Amounts Reported for Resource Allocation Decisions Cont'd

The income and expenditure of the Authority's principal Services recorded in the budget reports for the year is as follows:

2010/11	Central Services to the Public £`000	Cultural, Environmental and Planning Services £`000	Highways, Roads and Transport Services £`000	Housing Services £`000
Fees, charges & other service income	(639)	(2,656)	(178)	(22,159)
Government grants	(9)	(109)	(261)	(578)
Total Income	**(648)**	**(2,765)**	**(439)**	**(22,737)**
Employee expenses	497	2,275	9	743
Other service expenses	558	5,282	771	22,261
Support service recharges	0	0	0	0
Total Expenditure	**1,055**	**7,557**	**780**	**23,004**
Net Expenditure	**407**	**4,792**	**341**	**267**
	Corporate and Democratic Core £`000	**Non-Distributed Costs £`000**	**Other £`000**	**Total £`000**
Fees, charges & other service income	(96)	0	0	(25,728)
Government grants	0	0	0	(957)
Total Income	**(96)**	**0**	**0**	**(26,685)**
Employee expenses	9	138	0	3,586
Other service expenses	428	0	0	29,299
Support service recharges	0	0	4,869	4,869
Total Expenditure	**437**	**138**	**4,869**	**37,753**
Net Expenditure	**341**	**138**	**4,869**	**11,155**

28 Amounts Reported for Resource Allocation Decisions Cont'd

2009/10	Central Services to the Public £`000	Cultural, Environmental and Planning Services £`000	Highways, Roads and Transport Services £`000	Housing Services £`000
Fees, charges & other service income	(414)	(2,595)	(176)	(598)
Government grants	(4)	(628)	(135)	(21,459)
Total Income	**(418)**	**(3,224)**	**(311)**	**(22,057)**
Employee expenses	497	2,328	9	717
Other service expenses	409	5,568	803	21,508
Support service recharges	0	0	0	0
Total Expenditure	**905**	**7,896**	**812**	**22,225**
Net Expenditure	**487**	**4,672**	**501**	**168**
	Corporate and Democratic Core £`000	**Non-Distributed Costs £`000**	**Other £`000**	**Total £`000**
Fees, charges & other service income	(1)	0	0	(3,784)
Government grants	0	0	0	(22,226)
Total Income	**(1)**	**0**	**0**	**(26,010)**
Employee expenses	6	39	0	3,611
Other service expenses	477	0	0	28,763
Support service recharges	0	0	5,305	5,305
Total Expenditure	**483**	**54**	**5,305**	**37,679**
Net Expenditure	**482**	**54**	**5,305**	**11,669**

Reconciliation

Reconciliation of Service Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement.

This reconciliation shows how the figures in the analysis of Service income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2010/11 £000	**2009/10 £000**
Net expenditure in the Service Analysis	11,155	11,669
Net expenditure of services and support services not included in the Analysis	782	747
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	2,162	6,997
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(5,511)	600
Cost of Services in Comprehensive Income and Expenditure Statement	8,588	20,013

28 Amounts Reported for Resource Allocation Decisions Cont'd

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of Service income and expenditure relate to a subjective analysis of the surplus or deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2010/11	analysis £000	service and support not in analysis £000	amount not reported to management for decision making £000	Amount not included in I&E £000	Total £000
Fees, charges & other service income	(25,728)			30	(25,698)
Income from council tax Government grants and contributions	(957)		(1,199)	(1,354)	(3,510)
Gain on disposal of non current assets			(895)		(895)
Interest and investment income			(162)		(162)
Demand on Collection Fund			(5,662)		(5,662)
Capital Grant Contributions			(266)		(266)
Non-domestic rate redistribution			(5,816)		(5,816)
Total Income	**(26,685)**	**0**	**(14,000)**	**(1,324)**	**(42,008)**
Employee expenses	3,672	29		(4,181)	(480)
Other service expenses	29,299				29,299
Support Service recharges	4,869	753			5,622
Depreciation, amortisation and impairment			2,162		2,162
Provision for bad debts				(6)	(6)
Interest Payments			1		1
Pension Interest and Costs			668		668
Precepts & Levies			2,065		2,065
Transfer to Collection fund			3		3
Total expenditure	**37,840**	**782**	**4,899**	**(4,187)**	**39,334**
Surplus or deficit on the provision of services	**11,155**	**782**	**(9,101)**	**(5,511)**	**(2,675)**

28 Amounts Reported for Resource Allocation Decisions Cont'd

2009/10	analysis £000	service and support not in analysis £000	amount not reported to management for decision making £000	Amount not included in I&E £000	Total £000
Fees, charges & other service income	(3,784)				(3,784)
Income from council tax Government grants and contributions	(22,226)		(1,865)	597	(23,494)
Gain on disposal of non current assets			(620)		(620)
Interest and investment income			(472)		(472)
Demand on Collection Fund			(5,458)		(5,458)
Capital Grant Contributions			(1488)		(1488)
Non-domestic rate redistribution			(5,267)		(5,267)
Total Income	**(26,010)**	**0**	**(15,169)**	**597**	**(40,583)**
Employee expenses	3,611		(317)	3	3,296
Other service expenses	28,763				28,763
Support Service recharges	5,305	747			6,053
Depreciation, amortisation and impairment			7,314		7,314
Provision for bad debts			3		3
Interest Payments			4		4
Pension Interest and Costs			905		905
Precepts & Levies			1,962		1,962
Transfer to Collection fund			40		40
Total expenditure	**37,679**	**747**	**9,911**	**3**	**48,340**
Surplus or deficit on the provision of services	**11,669**	**747**	**(5,258)**	**600**	**7,757**

29 Members' Allowances

The total amount of allowances paid to elected members during 2010/2011 was £259k and £271k in 2009/10. Amounts actually paid to members for the year 2010/11 and 2009/10 are analysed below:

Nature of Expenditure	2010/2011 £'000	2009/2010 £'000
Basic Allowance	172	172
Special Responsibility	51	53
Travel & Subsistence/Others	12	16
Civic Duties	6	6
IT Provision	11	10
Provision of Car for Civic Duties	5	10
Conference Fees & expenses	2	4
Total	**259**	**271**

30 Officers' Emoluments

The following table summarises the remuneration for Senior Officers whose salary is less than £150,000 but equal to or more than £50,000 per year. Remuneration means all amounts paid to or receivable by an employee, and includes sums due by way of expenses allowances (as far as those sums are chargeable to United Kingdom income tax) and the estimated money value of any other benefits received by an employee otherwise than in cash.

2010/11	Salary including fees & allowances	Expense allowances	Benefits in kind	Compensation for Loss of Office	**Total remuneration excluding pension contributions**	Pension Contributions	**Total remuneration including pension contributions**
Post Title	**£**	**£**	**£**	**£**	**£**	**£**	**£**
Chief Executive	102,017	216	4,758		**106,991**	25,090	**132,081**
Executive Director (leave date 08/04/11)	81,766	1,496	123	28,910	**112,296**	19,566	**131,862**
Executive Director	75,585	1,308	123		**77,016**	18,479	**95,495**
Head of Environmental Services	56,159	259	4,766		**61,184**	13,778	**74,962**
Head of Planning Services	56,008	1,588	123		**57,719**	13,778	**71,497**
Head of ICT	56,134	264	5,591		**61,989**	13,778	**75,767**
Head of Resources and Organisational Development	53,729	325	4,929		**58,984**	13,187	**72,170**
Head of Community and Customer Services	56,130	300	4,398		**60,828**	13,778	**74,606**
Head of Revenue & Benefit Services (leave date 30/11/10)	40,320	1,077	123	35,800	**77,321**	9,919	**87,240**
Head of Resources (leave date 06/08/10)	18,865	105	1,947	28,139	**49,057**	4,641	**53,697**
Head of Customer Services (leave date 13/04/10	1,870	0	6		**1,875**	460	**2,335**

30 Officers' Emoluments Cont'd

2009/10	Salary including fees & allowances	Expense allowances	Benefits in kind	Compensation for Loss of Office	**Total remuneration excluding pension contributions**	Pension Contributions	**Total remuneration including pension contributions**
Post Title	**£**	**£**	**£**	**£**	**£**	**£**	**£**
Chief Executive	102,029	247	5,306		**107,582**	23,416	**130,998**
Executive Director	78,845	1,548	253		**80,646**	18,659	**99,305**
Executive Director *(start date 27/04/09)*	67,643	1,126	236		**69,005**	15,390	**84,395**
Head of Environmental Services	56,159	529	2,723		**59,411**	12,826	**72,237**
Head of Planning Services	56,314	1,261	253		**57,827**	12,826	**70,653**
Head of ICT	54,292	259	4,886		**59,438**	12,331	**71,769**
Head of Resources & Organisational Development	49,970	312	3,938		**54,220**	11,402	**65,622**
Head of Community & Customer Services	56,130	309	3,729		**60,167**	12,826	**72,993**
Head of Revenue & Benefit Services	50,046	1,360	253		**51,658**	11,402	**63,060**
Head of Resources	52,060	322	4,888		**57,270**	11,858	**69,128**
Head of Customer Services	49,789	336	2,591		**52,716**	11,402	**64,117**

There are no employees excluding senior officers whose annual remuneration, excluding employer's pension contributions which exceeded £50,000 in 2010/11 and 2009/10. Remuneration means all amounts paid to or receivable by an employee, and includes sums due by way of expenses, allowances (as far as those sums are chargeable to United Kingdom income tax) and the estimated money value of any other benefits received by an employee otherwise than in cash.

31 External Audit Costs

The in-year audit costs relating to external audit and inspection work for both 2010/11 and 2009/10 are detailed below. These figures show the amounts "chargeable" for each financial year rather than reflecting the "actual" amounts paid.

	2010/2011 £'000	**2009/2010 £'000**
Fees payable with regard to external audit services carried out by the appointed auditor	104	108
Fees payable for the certification of grant claims and returns	30	25
Fees payable in respect of other services provided by the appointed auditor	1	1
Total	**135**	**134**

32 Government Grant and Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/2011

	2010/11 £'000	2009/10 £'000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	(845)	(1,216)
Area Based Grant	(30)	(23)
Land Charges Grant	(34)	0
Recycling Receptacles Grant NCC	(184)	0
HI 4 EM Partnership Funding	(40)	0
Empty Homes Funding/CLG	(34)	0
Benefits training and software grants	(33)	0
Manor Park/NCC	(192)	(682)
Improvement Grants	(65)	0
Other Grants	(9)	(651)
S.106 Developer Contributions	(0)	(538)
Total	**(1,466)**	**(3,110)**
Credited to Services		
Housing Benefits Administration Grant	(535)	(595)
Housing Benefits Rent Allowance	(17,138)	(16,465)
Council Tax Benefits	(4,600)	(4,368)
Homelessness	(31)	(31)
Concessionary Fares	(261)	(135)
Planning Policy	(34)	(17)
Food Standards Agency	(21)	(8)
Housing Communities Grant	(50)	0
Decent Homes Grant/CLG	(484)	(437)
Youth/NCC	(25)	(45)
Greenway Projects/NCC	(841)	(185)
Other Grants	(27)	(179)
Total	**(24,047)**	**(22,465)**

Developers Contributions

The resources held within Developers Contributions have arisen mainly from Section 106 agreements. Section 106 receipts are monies paid to the Council by developers as a result of the grant of planning permission where works are required to be carried out or new facilities provided as a result of that permission. The sums are restricted to be spent only in accordance with the agreement concluded with the developer. If any outstanding conditions are not met then the money would need to be paid back to the developer. The major balances of section 106 receipts held by the Council during the year were as follows:

Capital Grants Receipted in Advance	01-Apr 2009 £'000	31-Mar 2010 £'000	Income £'000	Exp. £'000	31-Mar 2011 £'000
Open Space	(85)	(78)	(65)	75	(68)
Educational	(240)	11	(107)	7	(89)
Affordable Housing	(385)	(104)			(104)
Community Facilities - Rushden	(87)	(60)	(16)	16	(60)
Environmental Improvements		(29)	(19)		(48)
Total	**(796)**	**(260)**	**(207)**	**98**	**(369)**

33 Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. A 'related party' is defined as being an organisation with which the Authority has dealings and where either officers or members of the Authority have a controlling interest or influence in the activities of that organisation. Disclosure allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central government is responsible for providing the statutory framework within which the authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the authority has with other parties (e.g. council tax bills, housing benefits). Grants from governing departments are set out in the subjective analysis in note 28. Grant receipts outstanding at 31st March 2011 are shown in note 32 Grant Income.

Other Public Bodies

The Council has joint working arrangements with other local authorities for the delivery of the following services:

		2010/11 £'000	2009/10 £'000
Joint Planning Unit	Corby Borough Council Kettering Borough Council Borough Council of Wellingborough Northamptonshire County Council	80	90
Internal Audit	Welland Partnership	48	58
ICT	Borough Council of Wellingborough	(501)	(537)
Financial Services	Corby Borough Council	316	342

East Northamptonshire Council hosts the Licensing Unit which is a shared service with Corby Borough Council, Borough Council of Wellingborough, Kettering Borough Council and Daventry District Council. In 2010/11 expenditure of £174k was incurred and income of £194k recorded. In 2009/10 the expenditure incurred amounted to £266k with an income of £193k generated.

Assisted Organisations

The Council gave financial assistance to one organisation, in 2010/11, for which member interest was declared. A sum of £10.9k was granted to North Northants Development Company in 2010/11 down from £50k granted in 2009/10. There were no other declarations of significant member interest in 2010/11.

All grants in 2010/11 were awarded following proper consideration and declaration of interest made.

In February 2001 the Council successfully transferred its housing stock to Spire Homes, a Registered Social Landlord (RSL) Spire Homes are contracted to carry out Housing Services for the Council. The value of these contracts was £263k in 2010/11 and £246k in 2009/10.

Officers

No officers interests were reported in 2010/11

34 Capital Expenditure and Capital Financing

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

	2010/11 £'000	2009/10 £'000
Opening Capital Financing Requirement	(2,401)	(2,401)
Capital Expenditure		
Property, plant and equipment	590	397
Intangible Assets	206	170
Assets Under Construction	116	762
Revenue Expenditure Funded from Capital under Statute	1,406	1,345
Sources of Capital Finance		
Capital Receipts	842	1123
Capital Grants	1476	1550
Closing Capital Financing Requirement	**(2,401)**	**(2,401)**

Capital expenditure was incurred largely for new and improved leisure facilities and the refurbishment of dwellings in the form of disability facilities adaptations.

35 Leases

Authority as Lessee; Operating Leases

Vehicles, Plant and Equipment:

The Council provided cars to qualifying staff financed under terms of operating leases. The amount paid under these arrangements in 2010/11 was £221 (2009/10 £6k). All leases have now expired.

Other Land and Buildings

The Council occupied part of the Oundle Tourist Information Centre on a short-term lease, which has been accounted for as an operating lease. The lease commenced August 2007 for 5 years. Notice was given in 2010/11 and lease ended December 2010. The rent payable in 2010/11 was £10k (2009/10 £13k). The Council now sub-let space from Oundle International Festival from Dec 2010. The Rent payable in 2010/11 was £3k.

Land at St Osyths Lane, Oundle has been leased from Oundle Town Council for the use of Public Convenience on a peppercorn basis since 1992 for a duration of 99 years.

Authority as Lessor; Operating Leases

The Authority has granted leases on several land and buildings, which are accounted for as operating leases. They include:
The Pemberton Centre - leisure/conference centre.
Splash Leisure Pool - swimming pool.
Nene Community Centre - combined wet/dry leisure facility.

The above assets have been leased to Cultural Community Partnerships (CCP) for 15 years beginning on 1 January 2004. It is provided as part of the CCP's management contract of ENC's leisure activities and leased on a peppercorn basis.

Other Operating leases also let on a peppercorn basis include:

British Legion Hall, Spencer Parade, Stanwick - a building known as "The Shant", leased to Stanwick Parish Council for 99 years beginning on January 2002.

Riverside Park, Wharf Road, Higham Ferrers - land leased to Higham Ferrers Town Council for use as a Pocket Park for 25 years beginning in September 1982.

Rear of 1 to 12 Pound Close, Ringstead - land leased to Northamptonshire County Council Education Services for the sighting of portable classrooms and open space for 21 years beginning in September 1992.

Twywell Hills and Dales, adjacent to A14 junction 11 - land associated with a former quarry site currently leased to Rockingham Forest Trust on a 399-year lease beginning in May 1997 for recreational and educational purposes.

Stanwick Lakes - former sand and gravel works leased to Rockingham Forest Trust on a 125-year lease starting on October 2002 for recreational and educational purposes.

Other Operating Leases Include:

Dove Dale Herne Park - bungalow leased to the Trustees of Oundle Rural MIND on an annual renewal basis. Rentals received in 2010/11 was £3.5k (2009/10, £3.5k).

Industrial Units - 21 units at Enterprise Road, Raunds and Kingsmead, Kings Cliffe. Rentals received in 2010/11 was £100k (2009/10, £95K). *The minimum lease payment receivable for these industrial units is not material therefore no disclosure has been made.*

The Council has no finance leases.

36 Impairment Losses

ENC assesses the impairment of property, plant and equipment and intangible assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable or otherwise as required by accounting standards. Factors that are considered important, which could trigger an impairment review, are set out in note 4.

An impairment review was carried out by our Valuers Wilks Head & Eve at 31st March 2011. The reviewed showed no evidence to suggest that any Impairment had occurred during the year.

37 Defined Benefit Pension Scheme

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

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

The significant changes that have taken place during the year for a typical employer in the Fund are that:

- the deficit has reduced due to positive asset returns and falling long term inflation expectations;

- the deficit has fallen further due to the pension increase change from RPI to CPI.

37 Defined Benefit Pension Scheme Cont'd

• the projected pension expense for next year has also fallen for the same reasons.

The amounts in the financial statements at the 31 March 2011 are based on the last formal valuation of the Fund which was carried out as at 31 March 2010. The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March 2011 are as follows:

	2010/11 £000	2009/10 £000
Net Cost of Services		
Current Service (Cost)	(1,052)	(616)
Past Service (Cost)/Gain / Curtailment (Cost)/Gain	(86)	0
Net Operating Expenditure		
Interest (Cost)	(2,277)	(1,941)
Expected Return on Assets in the Scheme	1,609	1,036
Amount to be met from Government Grants and Local Taxation		
Movement on Pensions Reserve	3,487	320
Actual amount charged against Council Tax for Pensions in the year		
Employer's contributions payable to scheme	(1,228)	(1,201)

Notes to the Statement of Recognised Income and Expenses (SRIE)

	2010/11 £000	2009/10 £000
Actuarial Gains/(Losses)	5,258	(9,678)
Increase/(Decrease) in Irrecoverable Surplus from Membership		
Actuarial Gains/(Losses) recognised in SRIE	5,258	(9,678)
Cumulative Actuarial Gains and Losses	**(10,977)**	**(16,235)**

Amount Recognised in Balance Sheet

The assets values as at 31 March 2011 are at bid value as required under IAS 19

	2010/11 £000	2009/10 £000
Deficit in the Fund as at 1 April	(22,230)	(12,232)
Contributions paid	1,228	1,201
Current Service Cost	(1,052)	(616)
Past Service Gain	4,065	0
Curtailment Loss	(86)	0
Interest Cost	(668)	(905)
Actuarial Gain/(Loss)	5,258	(9,678)
Surplus/(deficit) in the Fund at 31 March	**(13,485)**	**(22,230)**

37 Defined Benefit Pension Scheme Cont'd

Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

Year Ended:	31-Mar-11 £000	31-Mar-10 £000
Opening Defined Benefit Obligation	**44,518**	**28,264**
Current Service Cost	1,052	616
Interest Cost	2,277	1,941
Contributions by Members	323	336
Actuarial Losses / (Gains)	(6,528)	14,574
Past Service Costs / (Gains)	(4,065)	
Losses / (Gains) on Curtailments	86	-
Estimated Unfunded Benefits Paid	(55)	(57)
Estimated Benefits Paid	(1,341)	(1,156)
Closing Defined Benefit Obligation	**36,267**	**44,518**

Reconciliation of fair value of the scheme assets:

Year Ended:	31-Mar-11 £000	31-Mar-10 £000
Opening Fair Value of Employer Assets	**22,288**	**16,032**
Expected Return on Assets	1,609	1,036
Contributions by Members	323	336
Contributions by the Employer	1,173	1,144
Contributions in respect of Unfunded Benefits	55	57
Actuarial Gains / (Losses)	(1,270)	4,896
Unfunded Benefits Paid	(55)	(57)
Benefits Paid	(1,341)	(1,156)
Closing Fair Value of Employer Assets	**22,782**	**22,288**

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

The actual return on the scheme assets in the year 2010/11 was £1.529m and in 2009/10 was £5.932m.

Scheme History

	2006/07 £'000	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000
Fair Value of Employer Asset	22,084	20,275	16,032	22,288	22,782
Present Value of Defined Benefit Obligation	(29,387)	(33,110)	(28,264)	(44,518)	(36,267)
Surplus/(Deficit)	(7,303)	(12,835)	(12,232)	(22,230)	(13,485)
Experienced Gains/(Losses) on Assets	(254)	(2,837)	(5,922)	4,896	(1,270)
Experienced Gains/(Losses) on Liabilities	-	(1,277)	(67)	(109)	3,916

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits.

The total contributions expected to be made to the scheme by the Council in the year to 31 March 2012 is £1.201m.

37 Defined Benefit Pension Scheme Cont'd

Actuarial Assumptions

Liabilities have been assessed on the actuarial basis using the project unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The scheme liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31 March 2010.

The actuarial assumptions used in the calculations are detailed in the tables below:

Financial Assumptions	**31-Mar-11 % p.a.**	**31-Mar-10 % p.a.**
Inflation / Pension Increase Rate	2.80%	3.80%
Salary Increase Rate	5.10%	5.30%
Expected Return on Assets	6.80%	7.20%
Discount Rate	5.50%	5.50%

Expected rate of return on assets	**31-Mar-11 % p.a.**	**31-Mar-10 % p.a.**
Equities	7.50%	7.80%
Bonds	4.90%	5.00%
Property	5.50%	5.80%
Cash	4.60%	4.80%

Mortality
The average future life expectancies at age 65 are summarised below:

	31-Mar-11		**31-Mar-10**	
	Males	**Females**	**Males**	**Females**
Current Pensioners	21.4	23.3	20.8	24.1
Future Pensioners	23.4	25.5	22.3	25.7

Split of assets between investment categories	**31-Mar-11 % p.a.**	**31-Mar-10 % p.a.**
Equities	72%	76
Bonds	20%	16
Property	6%	6
Cash	2%	2

37 Defined Benefit Pension Scheme Cont'd

History of Experienced Gains and Losses

The actuarial gain/(loss) identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories and measured as a percentage of assets and liabilities as at 31 March 2011:

Analysis of actuarial gain/(loss)	31-Mar-07 £'000	31-Mar-08 £'000	31-Mar-09 £'000	31-Mar-10 £'000	31-Mar-11 £'000
Difference gain/(loss) between the expected and actual rate of return on assets	(254)	(2,837)	(5,922)	4,896	(1,270)
% of assets	1.10%	14.00%	36.90%	22.00%	5.57%
Difference between actuarial assumptions about liabilities and actual experience	0	(1,277)	(67)	(109)	3,916
% of liabilities	0.00%	3.90%	0.20%	0.20%	10.70%
Changes in the demographic and financial assumptions used to estimate liabilities	1,462	(1,448)	7,013	(14,465)	2,612
% of liabilities	5.00%	4.40%	24.80%	32.50%	7.20%
Net Gain/(Loss)	1,208	(5,562)	1,024	(9,678)	5,258
% of liabilities	4.10%	16.80%	3.60%	21.70%	14.50%

The information included for all of the pension disclosure is provided by Hyman Robertson LLP, the Actuary for the Pension Fund. Further information can be found in The Annual Report of the Northamptonshire County Council Pension Fund and is available on request from the Pensions Manager, Northamptonshire County Council, PO Box No. 136, County Hall, Guildhall Road, Northampton NN1 1AT (telephone: 01604 236537).

38 Commitment, Guarantees and Contingent Liabilities

Contingent liabilities

The Nene Centre roof has experienced water damage over the past two years. The Council is involved in legal proceedings with the third parties responsible for designing and building the Centre in order to try establish the causes, and to recover compensation to cover the cost of remedial works required. Due to the complex nature of the legal case there is a risk that the Council will need to fund the repair before the outcome of the case is known. £500k has been included in the approved capital programme to meet this cost if required.

The Northamptonshire Local Government Pension Fund have been offered a guarantee in respect of any outstanding liabilities from CCP and the guarantee is estimated to cost £130k should CCP cease trading before August 2013.

The Council has been instructed by the Secretary Of State to pay the costs of a planning appeal with the potential cost estimated to be £100k.

39 Prior Period Adjustments

Stanwick Lake Visitors Centre

The accounting treatment of the costs incurred by East Northamptonshire Council in relation to the construction of the Stanwick Lakes Visitors Centre (SLVC) have been reviewed and amended. In 2008/09 the Council capitalised these costs and included them within property, plant and equipment. Based on the terms and conditions of the lease contract the Council has a revisionary freehold interest on the SLVC until the lease expires in 2127. On this basis the costs incurred by the Council should have been treated as Revenue Expenditure Funded by Capital Under Statute (REFCUS). The amendments are shown below:

Reversal of contribution made by the Council for the SLVC	**31 March 2009 £'000**	**Prior Period Adjustment £'000**	**Restated 31 March 2009 £'000**	**Prior Period Adjustment £'000**	**Restated 31 March 2010 £'000**
PPE – Other Land and Building (GBV)	28,175	(1,382)	26,793	(107)	26,686
Capital Adjustment Account		1,382		107	

Reversal of Depreciation	**31 March 2010 £'000**	**Prior Period Adjustment £'000**	**Restated 31 March 2010 £'000**
PPE – Other Land and Building – Accumulated Depreciation and Impairment	(6,100)	68	(6,032)
Capital Adjustment Account		(68)	

Expenditure on the SLVC to be treated as REFCUS	**31 March 2010 £'000**	**Prior Period Adjustment £'000**	**Restated 31 March 2010 £'000**
REFCUS			
Net Cost of Services - Cultural, Environmental & Planning		107	
MIRS - Adjustments between accounting basis and Funding Basis		(107)	
Reversal of Depreciation Charge			
Net Cost of Services - Cultural, Environmental & Planning		(68)	
MIRS - Adjustments between accounting basis and Funding Basis		68	
Net Cost of Services - Cultural, Environmental & Planning	**16,167**	**39**	**16,206**
MIRS - Adjustments between accounting basis and Funding Basis		**(39)**	

Property, Plant and Equipment and Intangible Assets

In reviewing the asset register for the Council there are numerous assets held at nil net book value. On further investigation it was established that the majority of these assets were obsolete and not used. These assets have been removed from the asset register, the impact of these adjustments are shown below:

Write off Nil Net Book Value Assets	**31 March 2010 £'000**	**Prior Period Adjustment £'000**	**Restated 31 March 2010 £'000**
PPE - Vehicle, Plant & Equipment (GBV)	5,908	(925)	4,983
PPE - Vehicle, Plant & Equipment Accumulated Depreciation & Impairment	(3,396)	925	(2,471)
Intangible Assets (GBV)	2,208	(1,171)	1,037
Intangible Assets Accumulated Depreciation & Impairment	(1,674)	1,171	(503)

This account reflects the statutory requirements of billing authorities, like East Northamptonshire Council, to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to non-domestic rates and the council tax, together with illustrating the way these have been distributed to preceptors and the General Fund. The Collection Fund is consolidated with other accounts of the billing authority.

2009/10 £000		2010/2011 £000	2010/2011 £000
£	**INCOME**	**£**	**£**
36,380	Net Council Tax Receivable	38,004	
4,320	Council Tax Benefit transferred from General Fund	4,535	42,539
21,075	Non Domestic Rates	18,459	18,459
61,775	**TOTAL INCOME**		60,998
	EXPENDITURE		
	Precepts and Demands		
29,800	Northamptonshire County Council	30,946	
5,600	Northamptonshire Police Authority	5,815	
5,458	East Northamptonshire Council	5,662	42,423
	Non Domestic Rates		
20,764	Payment to the National Pool	18,126	
103	Cost of Collection	99	18,225
	Contributions to Provisions for Bad and Doubtful Debts		
208	Non Domestic Rates	234	
142	Council Tax	135	
0	Community Charge	0	369
	Contributions		
(220)	Transfer / Payment of Surplus	(133)	(133)
61,855	**TOTAL EXPENDITURE**		60,884
80	**MOVEMENT ON FUND DURING YEAR**		(114)
258	**FUND BALANCE BROUGHT FORWARD (SURPLUS) / DEFICIT**		338
338	**FUND BALANCE YEAR END**		224

1 Council Tax Base

Domestic properties within the District are banded from A to H according to their value as at 31 March 1992. The numbers of properties in each banding are then converted into Band D equivalents using a multiplier and totalled to give a tax base. The Band D equivalents for 2010/11 are detailed below:

Tax Band	Band D Multiplier	Number of Domestic Properties	Band D Equivalent	Band D Equivalent
		2010/2011	**2010/2011**	**2009/2010**
Disabled	5/9	12	7	3
A	6/9	7,588	5,058	5,106
B	7/9	8,913	6,933	6,899
C	8/9	5,233	4,652	4,636
D	9/9	4,479	4,479	4,472
E	11/9	3,305	4,039	3,987
F	13/9	2,025	2,925	2,899
G	15/9	1,211	2,018	2,008
H	18/9	116	232	230
			30,341	**30,240**

2 Income from Business (Non-Domestic) Rates

The Council collects non-domestic rates for its area, which are based on local rateable values multiplied by a national uniform rate set by the Government, for industrial and commercial premises. The total amount, less certain reliefs and other deductions, is paid to a national central pool managed by the Government. The pool is then distributed to councils based on a standard amount per head of population. Although the Council paid over £18.126m as per treasury schedule into the pool for the year, the amount distributed to it was only £5.816m.

The total Non-Domestic rateable value at 31 March 2011 was £53.339m. The equivalent figure for 31 March 2010 was £52.855m.

The National Non-Domestic rate multiplier for 2010/2011 was 41.4p. The equivalent figure for 2009/2010 was 48.5p. The Small Business Rate Multiplier for 2010/11 was 40.7p. The equivalent figure for 2009/10 was 48.1p.

3 Precepts and Demands

Northamptonshire County Council and the Police Authority issue precepts to the Council that must be collected as part of the overall Council Tax. The Council itself also “demands” an amount to be collected. The amounts paid in 2010/2011 and 2009/2010 were as follows:

	2010/2011 £’000	2009/2010 £’000
Northamptonshire County Council	30,946	29,639
Northamptonshire Police Authority	5,815	5,570
East Northamptonshire Council	5,662	5,429
Total Precepts and Demands	**42,423**	**40,638**

4 Collection Fund Surpluses

The precepts detailed at note 3 are shown net of the previous years' surpluses/(deficits). The Council estimates the year end Collection Fund balance in January each year. The estimated balance is distributed in the following financial year between Northamptonshire County Council, Northamptonshire Police Authority and East Northamptonshire Council in proportion to the value of the respective precepts and demands made by the three Authorities on the Collection Fund. The estimated surpluses/(deficits) were distributed as follows:

Payment of surplus	2010/2011 £'000	2009/2010 £'000
Northamptonshire County Council	(97)	(161)
Northamptonshire Police Authority	(18)	(30)
East Northamptonshire Council – Council Tax	(18)	(29)
Total Surplus	**(133)**	**(220)**

5 Collection Fund Balance

The balance on the Collection Fund at the 31 March 2011 of £224k (2009 - £337k) only relates to Council Tax.

As a result of changes required within the 2006 SORP it is now a requirement for the billing authority to show only the Collection Fund balance which is attributable to the billing authority in the balance sheet. The remainder, associated with the precepting authorities, should be disclosed as either debtors or creditors within the other sections of the Balance Sheet. Previously, there was no requirement to disaggregate the year-end Collection Fund balance.

Billing authorities need to advise precepting authorities what the estimated year-end balance on their Collection Fund will be on the 15 January each year. Therefore, in calculating the year-end balance for 2010/11, the Council wrote to both Northamptonshire County Council and the Northamptonshire Police Authority on 15th January 2011 advising them that our estimated year-end balance for 2010/11 would be £267k . The actual balance at 31 March 2011 was £224k. The difference has been allocated between the authorities based on the demands placed on the Council's Collection Fund for 2010/11.

The allocation of the year-end balance is as follows:

	2010/11 £'000	2009/2010 £'000	Movement £'000
Northamptonshire County Council	163	246	(83)
Northamptonshire Police Authority	31	46	(15)
East Northamptonshire Council – Council Tax	30	45	(15)
Total Deficit	**224**	**337**	**(113)**

6 Provisions for Bad and Doubtful Debts

Provision has to be made for amounts due which become uncollectible and are subsequently written off in respect of Community Charge, Non Domestic Rates, and Council Tax. Details of the provisions for bad debts are shown below:

	2010/11 £'000	2009/2010 £'000
Council Tax	576	582
Business Rates	103	148
Total Provision	**680**	**730**

EAST NORTHAMPTONSHIRE COUNCIL
ANNUAL GOVERNANCE STATEMENT 2010/11

1. Scope of Responsibility

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

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk. The corporate governance framework devised in 2007/08 has been used to produce the Annual Governance Statement. A local code of governance was adopted in 2009.

This Annual Governance Statement explains how the Council currently complies with the good practice guidance provided by CIPFA/SOLACE and also how we meet the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

2. The Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled. It also comprises the activities through which the Council accounts to, engages with and leads the community. The governance framework enables the Council to monitor the achievement of its strategic outcomes and to consider whether they have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and outcomes and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to: identify and prioritise the risks to the achievement of the Council's policies, aims and outcomes; evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically.

The governance framework described below has been in place at the Council for the year ended 31 March 2011 and up to the date of approval of the statement of accounts.

3. The Governance Framework

The CIPFA/SOLACE guidance makes it clear that the governance framework should include six core principles identified in the 2004 publication “The Good Governance Standard for Public Services” produced by the Independent Commission on Good Governance in Public Services – a commission set up by the Chartered Institute Of Public Finance and Accountancy (CIPFA), and the Office for Public Management. The Commission utilised work done by, amongst others, Cadbury (1992), Nolan (1995) and CIPFA/SOLACE (2001). These principles were adapted for application to local authorities and published by CIPFA in 2007. The six core principles are:

1) Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;

2) Members and officers working together to achieve a common purpose with clearly defined functions and roles;

3) Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;

4) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;

5) Developing the capacity and capability of members and officers to be effective; and

6) Engaging with local people and other stakeholders to ensure robust public accountability.

The documented governance framework and local code of governance was put in place during 2008 and 2009. In addition, there is sound evidence of activities to support the six core principles identified in the CIPFA/SOLACE framework guidance. The evidence supporting each principle is outlined in the table below.

Principle 1:
Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area

	In order to deliver Principle 1 the Council should:	Evidence to support principle	Responsibility for monitoring and reviewing *(where applicable)*	Timescales *(where required)*	Areas for Improvement
1	Develop and promote the Council's purpose and vision.	**The Council had an existing Corporate Plan for 2008-11 and in March 2011 had developed a draft Corporate Plan for the period 2011-15. The new plan was approved by Full Council on the 27th April 2011.**	Chief Executive and Directors Full Council	Corporate Plan adoption early 2011/12, review in 2013	
2	Review on a regular basis the Council's vision for the local area and its impact on the Council's governance arrangements.	**As noted above, The Council had an existing Corporate Plan for 2008-11 and in March 2011 had developed a draft Corporate Plan for the period 2011-15.** **A local Governance Code was produced in March 2009 and remains in place. The Standards Board have reviewed the Code and are satisfied that it is still fit for purpose at present.**	Full Council & Strategic Management Team. Executive Director (MO) Standards Board	Code to be reviewed bi-annually; brief review in March 2011, a more detailed review as a result of the Localism Bill will take place in 2011/12.	A review of governance arrangements will take place as a result of the impact of the Localism Bill when it is enacted.
3	Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all parties.	**The Council's Partnership Protocol identifies the vision for each partnership which are linked to the outcomes identified in the Corporate Plan. This will be used to review the effectiveness of the Council's 8 key Partnerships.**	Chief Finance Officer		
4	Publish an annual report on a timely basis to communicate the Council's activities and achievements, its financial position and performance.	**The Council produced its annual financial statements for 2009/10 on time and with an unqualified opinion. Milestones are in place to ensure the 2010/11 financial statements are produced on time.** **Recent activities and achievements of the Council are included in the Nene Valley News fortnightly (NVN), and on the Council's website.** **Performance statistics for the National Indicators are published on the website and are in the Council Tax information leaflet sent to all households.**	Chief Finance Officer	Accounts signed off by CFO by 30 June.	

Principle 1:
Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area

	In order to deliver Principle 1 the Council should:	Evidence to support principle	Responsibility for monitoring and reviewing *(where applicable)*	Timescales *(where required)*	Areas for Improvement
5	Decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available.	**The Corporate Plan and the Medium Term Financial Strategy include information about how the Council measures performance. The Performance Management Framework is represented in diagram in Appendix 1. The Corporate Plan identifies high quality service delivery as a key corporate outcome. The Performance Panel has been removed as a separate committee, and a new performance reporting mechanism has been devised and implemented. This includes new Quarterly performance clinics whose outcomes are reported to Scrutiny Committee. A number of projects have been undertaken, led by the Business Analyst under the Continuous Service Improvement banner. The Council has also undertaken a major project 'Self-Serve' to improve the access to council services and information via the internet.**	Chief Executive and Leader		
6	Put in place effective arrangements to identify and deal with failure in service delivery.	**The Council has a policy on handling complaints, comments and compliments Significant work was done during 2009/10 collecting data for NI 14 regarding 'avoidable contact' and data collected was used to inform better service delivery where the data identifies problem areas. The Council has approved Customer Service Standards that are monitored through the performance framework. The Council uses its CRM system to record complaints, comments and compliments and makes use of GovMetrics data.**	CMT; Head of Customer Services Scrutiny Committee reviews performance data quarterly following performance clinics		
7	Decide how value for money is to be measured and make sure that the authority or partnership has the information needed to review value for money and performance effectively. Measure the environmental impact of policies, plans and decisions.	**All Service Plans are linked to the priority outcomes identified in the Corporate Plan. Value for money is identified as a specific outcome. The Council continues to look for opportunities to reduce cost and improve flexibility and resilience through exploring shared service delivery. The Council has shared services for Internal Audit, Procurement, Licensing, Financial Services and ICT Services. The Council continues to explore other partnerships that offer value for money. There are no specific environmental impact measures identified in the Service Plans.**	Strategic Management Team and Heads of Service	Annual review of service plans.	

Principle 2:
Members and Officers working together to achieve a common purpose with clearly defined functions and roles

	In order to deliver Principle 2 the Council should:	Evidence to support principle	Responsibility for monitoring and reviewing *(where applicable)*	Timescales *(where required)*	Areas for Improvement
1	Set out a clear statement of the respective roles and responsibilities of the executive and of the executive's members individually and the Council's approach towards putting this into practice. Set out a clear statement of the respective roles and responsibilities of other Council members, members generally and senior officers.	**The Constitution identifies the roles and responsibilities of each committee and includes an extensive scheme of delegated powers that is reviewed regularly (part 3.2). The Constitution clearly defines the roles and responsibilities including relationships of the Strategic Management Team, Members and Council Officers and the codes and protocols under which they should operate. Records of decisions are available on the Council website. All officers of the Council have a comprehensive job description. The Constitution Review Group has completed its review of the Constitution, the latest amendments being agreed by Policy & Resources Committee on the 11th April 2011. The Committee structure is outlined at Appendix 2**	Executive Director (MO); And as necessary in response to legislative changes	The scheme of delegation is maintained under review by the Executive Director (MO) and Democratic Services Manager	
2	Determine a scheme of delegation and reserve powers within the constitution, including a formal schedule of those matters specifically reserved for collective decision of the Council, taking account of relevant legislation, and ensure that it is monitored and updated when required.	**The Council's Scheme of Delegation identifies those who have powers to make decision on behalf of the Council. The Scheme has been reviewed in 2011 to take account of Constitutional changes and changes to the management structure.**	See 1 above	See 1 above	
3	Make a chief executive or equivalent responsible and accountable to the Council for all aspects of operational management.	**The Chief Executive is designated as the Head of Paid Service. The Constitution clearly documents the role and responsibilities of this post and is supplemented by an up to date job description.**			
4	Develop protocols to ensure that the leader and chief executive (or equivalent) negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained.	**The Chief Executive meets the Leader and Deputy Leader of the Council weekly. A recent internal audit review of leadership concluded that good levels of communication between the Chief Executive and lead Members existed.**	Chief Executive and Leader	At change of Leader or Chief Executive	

Principle 2:
Members and Officers working together to achieve a common purpose with clearly defined functions and roles

	In order to deliver Principle 2 the Council should:	Evidence to support principle	Responsibility for monitoring and reviewing *(where applicable)*	Timescales *(where required)*	Areas for Improvement
5	Make a senior officer (the S151 officer) responsible to the Council for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.	**Up to the 31st March 2011, one Executive Director acted as the Chief Finance Officer (CFO) and was the Council's Section 151 Officer. This officer had a statutory responsibility to ensure the Council's financial affairs were properly undertaken and suitably safeguarded from loss. All reports to committees were scrutinised and signed by the CFO before being presented to the appropriate committee.**	Chief Executive		
6	Make a senior officer (usually the monitoring officer) responsible to the Council for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.	**One Executive Director is the Council's Monitoring Officer (MO). This officer has a statutory responsibility to ensure the legality of transactions, activities and arrangements the Council enters into. All reports to committees are scrutinised and signed by the MO before being presented.**	Chief Executive		
7	Develop protocols to ensure effective communication between Members and Officers in their respective roles.	**The Constitution defines the protocols that operate between Members and Officers. Officer / Member groups and working parties exist to promote good communication on major projects. A lead Member has been assigned to each Head of Service to develop closer relationships between officers and Members. Members have been involved in the development of the Knowledge, Skills and Behaviours (KSB) framework for Members. The KSB framework for staff adopted in 2008 recognises the significance of the relationship between Members and staff.**	Executive Director (MO)		

Principle 2:
Members and Officers working together to achieve a common purpose with clearly defined functions and roles

	In order to deliver Principle 2 the Council should:	Evidence to support principle	Responsibility for monitoring and reviewing *(where applicable)*	Timescales *(where required)*	Areas for Improvement
8	Set out the terms and conditions for remuneration of Members and officers and an effective structure for managing the process, including an effective remuneration panel (if applicable). Ensure that effective mechanisms exist to monitor service delivery.	**The Council has a range of pay and conditions policies and practices such as car allowance scheme, maternity and paternity policies, flexible working, equal pay, training and development. Service delivery performance is monitored quarterly by officers through the performance clinic framework, and by Members through the Scrutiny Panel. Member allowances were reviewed in 2010 and decisions not to increase them for 2010/11 or for 2011/12 were made.**		Members' Allowances are due for review in 2012	
9	Ensure that the Council's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated.	**The Council's Corporate Plan links the corporate outcomes and vision to Service Plans. All staff have individual performance objectives which are linked to those service plans, and their performance is monitored through the appraisal process. See Appendix 1. The appraisal process (Performance & Development Review) and the Learning Needs Analysis is used to capture learning needs and disseminate information.**	Chief Executive with Head of Resources and OD		
10	When working in partnership ensure that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the Council. When working in partnership: - ensure that there is clarity about the legal status of the partnership - ensure that representatives or organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions.	**The Partnership Protocol includes a checklist to ensure that any new partnership arrangements include: - a clear statement of the partnership principles and objectives - clarity of each partner's role within the partnership - definition of roles of partnership board members - line management responsibilities for staff who support the partnership - a statement of funding sources for joint projects and clear accountability for proper financial administration - a protocol for dispute resolution within the partnership**	Executive Director	Partnership Protocol	

Principle 3: Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour

	In order to deliver Principle 3 the Council should:	Evidence to support principle	Responsibility for monitoring and reviewing *(where applicable)*	Timescales *(where required)*	Areas for Improvement
1	Ensure that the Council's leadership sets a tone for the organisation by creating a climate of openness, support and respect.	**The Internal Audit reviews in 2008 of arrangements for Counter-fraud and Corporate Governance concluded that the Council demonstrated a culture of high standards and conduct of behaviour through its policies and procedures. Creation of Standards Board and Audit & Risk Committees demonstrated compliance and themselves monitored the organisation's arrangements on an on-going basis. The Audit & Risk Committee was abolished in October 2010 and its responsibilities taken on by other committees. The Scrutiny Committee and Standards Board continue to monitor conduct and behaviour through the reporting frameworks.**	Audit & Risk Mgt Committee (up to October 2010); Scrutiny Committee Standards Board; Internal Audit Manager	Next Internal Audit review due by March 2012	Review effectiveness of committee structure to ensure governance arrangements are appropriate in line with Localism Act and any other emerging legislation such as the Bribery Act.
2	Ensure that standards of conduct and personal behaviour expected of Members and Officers, and of work between Members and officers and the Council, its partners and the community are defined and communicated through codes of conduct and protocols.	**The Constitution is available to all staff through the intranet and to the public through the Council's Internet site. The Constitution contains clear Codes of Conduct for both Members and Officers and a Protocol for Member/Officer relations. These cover a whole range of responsibilities, including those relating to conduct, standards, communication and declarations of interest, and Staff and Members' Registers of Gifts and Hospitality. The KSB framework clearly covers conduct and behaviour of officers. Monitoring Officer talks to all new staff about their roles and responsibilities as outlined in constitution**	Executive Director (MO) Standards Board	Review Protocols after Localism Bill enacted	
3	Put in place arrangements to ensure that members and employees of the Council are not influenced by prejudice, bias or conflicts or interest in dealing with different stakeholder and put in place appropriate processes to ensure that they continue to operate in practice.	**The Council's Constitution includes Codes of Conduct, Financial Regulations and Standing Orders to ensure that Officers and Members are aware of their responsibilities. Internal audit reviews test the awareness of and compliance with these processes and make recommendations for improvement where required. All Cllrs given training at Induction and thereafter if any significant changes on declarations of interest. The Monitoring Officer provides advice on individual cases to officers and Members.**	Executive Director (MO) Standards Board	Review arrangements after Localism Bill enacted	

Principle 3:
Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour

	In order to deliver Principle 3 the Council should:	Evidence to support principle	Responsibility for monitoring and reviewing *(where applicable)*	Timescales *(where required)*	Areas for Improvement
4	Develop and maintain shared values including leadership values for both the organisation and staff reflecting public expectations and communicate these with members, staff, the community and partners	**The Codes of Conduct for Members and Officers are properly communicated to all through awareness training on induction and are available on the Council's intranet.**	Executive Director (MO) Democratic Services Manager		
5	Put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice.	**The Knowledge, Skills and Behaviours framework was launched during 2008 and all staff attended facilitated training workshops to ensure they understood how the Framework should be used. The Framework includes reference to corporate governance matters. The KSB Framework for Members was completed during 2009/10.**	Head of Resources & O D	KSB review date June 2011	
6	Develop and maintain an effective Standards Committee.	**The Council has a Standards Board made up of 4 independent members 4 East Northamptonshire Councillors and 4 Town & Parish Councillors. The Board reviews all issues regarding standards and conduct and has operated best practice of being chaired by an independent member since its inception, before independent chairmanship was mandated in the Local Government and Public Involvement in Health (LGPIH) Act. The Board publishes an Annual Report and its minutes and reports are available on both the Council's intranet and Internet sites.**	Executive Director (MO)	Review after Localism Bill enacted	
7	Use the organisation's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the Council.	**The Council's Constitution sets out clearly how decisions have to be made and approved by the Council. All Council meetings are open to the public and all reports are available to them, unless they are deemed to contain confidential information that meets the exemption criteria set out in the Local Government Act 1972. The Council has developed and implemented the Knowledge, Skills and Behaviours' Frameworks for staff and Members.**	Executive Director (MO) Democratic Services Manager		

Principle 3: Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour

	In order to deliver Principle 3 the Council should:	Evidence to support principle	Responsibility for monitoring and reviewing *(where applicable)*	Timescales *(where required)*	Areas for Improvement
8	In pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively.	**Refer to section 10 under Principle 2, The Partnership Protocol Checklist identifies the decision making process. The KSB Framework includes reference to behaviour of staff in all aspects of their jobs, including working with partners.**			

Principle 4:
Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

	In order to deliver Principle 4 the Council should:	Evidence to support principle	Responsibility for monitoring and reviewing *(where applicable)*	Timescales *(where required)*	Areas for Improvement
1	Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the Council's performance overall and that of any organisation for which it is responsible.	**The Council has adopted the 'Fourth Option' Committee structure for decision making, in accordance with the Local Government Act 2000.** **The Council's Constitution is available to all Members, officers and the public and clearly shows how decisions at the Council have to be made. The Constitution also clearly defines the roles and responsibilities of the Scrutiny Committee.** **The Council has a number of committees that carry out regulatory or scrutiny roles to ensure decisions are made in a transparent way.** **See Appendix 2 for Committee Structure.**	Executive Director (MO) Policy & Resources Committee Full Council		
2	Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based.	**The Council uses a standard committee report template that contains a checklist to identify clearly to Members how the report links to the Council's corporate outcomes. It also provides for reference to relevant risk management, financial, legal and other matters. All agendas, reports and minutes are available on the Council's intranet and Internet sites. Council meetings are open to the public unless their content (or part thereof) meets the criteria for exemption under Part 1 of Schedule 12A of the Local Government Act 1972. Members of the public will then only be excluded for the exempt items.** **Appropriate records are maintained by the Democratic Services Manager of all exempt reports, the reasons for the exemptions and any comments. During 2010/11, 312 items were considered by the various panels and committees. Exclusions were applied for 15 items.** **There is ample evidence of the effective and accurate recording of decisions e.g. Licensing and Taxi Panels and all minutes of decisions are easy to find on the Council's website.**	Democratic Services Manager		
3	Put in place arrangements to safeguard members and employees against conflicts of interest and put in	**All Members of the Council are required to sign a standard register of interest at the start of their term of office and must notify the Monitoring Officer of any material changes within 28**	Executive Director (MO)	Ongoing for staff and Members, but	

Principle 4:
Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

	In order to deliver Principle 4 the Council should:	Evidence to support principle	Responsibility for monitoring and reviewing *(where applicable)*	Timescales *(where required)*	Areas for Improvement
	place appropriate processes to ensure that they continue to operate in practice.	**days of their occurrence. All Members received training on the Code of Conduct, which clearly defines what a personal interest is and how it must be declared. An annual reminder to review/update their register is sent out to all Members. The three members of SMT have completed standard declarations of interest in accordance with the Constitution and the Employee Code of Conduct. A number of other staff such as the Benefits Team and the Internal Audit Team also completed standard declaration of interest forms to demonstrate their objectivity and independence.**		always following election of new Members and at induction of new employees.	
4	Develop and maintain an effective audit committee (or equivalent) which is independent of the executive and scrutiny functions or make other appropriate arrangements for the discharge of the functions of such a committee.	**The Audit & Risk Management Committee was removed during 2010/11 as part of the efficiency review of the committee structure. The council is a 'fourth option' council and therefore does not have an executive. The roles and responsibilities of the audit committee were split between the Scrutiny Committee and the Policy & Resources Committee.**	Monitoring Officer Leader of the Council		
5	Ensure that effective, transparent and accessible arrangements are in place for dealing with complaints.	**As for Principle 1 – section 6, Customer Service Standards were revised and published in December 2009. The Local Government Ombudsman (LGO) annual letter for 2010/11 confirms that there were no LGO complaints upheld against the Council or findings of maladministration during the year. Nine enquiries were received, three were dealt with as advice, three were rules as being premature complaints and three were referred for investigation. Decisions were made on four cases during the year. The rulings on three cases were recorded as no case to answer; one case was ruled as 'outside jurisdiction'. The Standards Board reviews complaints against Councillors and has operated a local filter arrangements for handling such complaints.**	Head of Customer and Community Services for complaints about services Executive Director (MO) and Democratic Services Manager for complaints about Members.		
6	Ensure that those making decisions whether for the authority or the	**A comprehensive Member Induction programme was undertaken after the May 2007 election. Members received training in the law**	Democratic Services Manager and Executive	Following election in	

Principle 4:
Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

	In order to deliver Principle 4 the Council should:	Evidence to support principle	Responsibility for monitoring and reviewing *(where applicable)*	Timescales *(where required)*	Areas for Improvement
	partnership are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications.	**and procedures relating to local government, the principles of sound decision making, and on the different Committees of the Council. Note a Member induction programme is being developed for implementation post election in May 2011**	Director (MO)	2011	
7	Ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately.	**All committee reports use a standard template that identifies the legal and financial implications of any decision. The Monitoring Officer and Chief Finance Officer or the Deputy CFO review and sign each report (along with the Head of The Paid Service) before it is presented to the relevant committee.**	Executive Director (MO) Chief Finance Officer		
8	Ensure that risk management is embedded to the culture of the Council, with Members and managers at all levels recognising that risk management is part of their jobs.	**The Council has an established risk management framework, including a system to record risks, controls and assurance (4Risk), which forms a comprehensive Risk Register. Risks are now reviewed on a quarterly basis through the performance clinic framework. The Finance Manager leads the risk management process and has reviewed the content and categorisation of risks. The Enterprise Risk Management audit for 2009/10 concluded that the Council was "Risk Managed" (fourth highest level on a scale of 5) which means that consistent and effective application of appropriate Risk Management techniques across the entire organisation are in place. The conclusion indicates that there has been no marked changed in how well Risk Management is embedded.**	Head of Resources & OD		
9	Ensure that arrangements are in place for whistle-blowing to which staff and all those contracting with the authority have access.	**The Council reviewed its Whistle-blowing Policy in December 2008 and conducted a publicity exercise on its re-launch that included the Monitoring Officer attending team meetings to explain the Policy and encourage questions. A staff questionnaire was also used to assess the level of understanding after the training had taken place, over 100 staff completed (passed) the online test to demonstrate their understanding of the Policy. Awareness of the Whistle Blowing policy is raised with all new starters by Monitoring Officer**	Executive Director (MO)	Review in 2012 and raise awareness with staff	
10	Actively recognise the limits of lawful activity placed on them by, for	**The Constitution provides for joint arrangements for obtaining efficient, effective and economic service delivery. Clear examples**	Executive Director (MO)		

Principle 4:
Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

	In order to deliver Principle 4 the Council should:	Evidence to support principle	Responsibility for monitoring and reviewing *(where applicable)*	Timescales *(where required)*	Areas for Improvement
	example, the ultra vires doctrine but also strive to utilise powers to the full benefit of their communities.	**exist such as Finance (EnCor), Internal Audit (Welland), the Licensing Unit, and IT (joint arrangement with Wellingborough).** **All Councillors have training as part of Member induction about the law relating to Councils and covers the ultra vires issue.** **The committee report template requires the Executive Directors to sign off to cover Financial Regulations and legal issues and all draft reports are subject to review by the Solicitor to the Council and the Finance Manager for advice on these sections of the report.**	Democratic Services Manager		
11	Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on local authorities by public law.	**The committee reports also refer to Equalities Legislation, specific legislation relation to licensing and financial legislation.**			
12	Observe all specific legislative requirements placed upon them, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law – rationality, legality and natural justice – into their procedures and decision-making processes.	**Additional legal advice is obtained where needed, and a budget exists for this. Examples exist of Counsel advice sought during the year include specialise Planning advice, contract law and advice in relation to mediation and potential court cases.** **Protocols exist for licensing panels to ensure actions are legal.**	Executive Director (MO)		

Principle 5: Developing the capacity and capability of Members and Officers to be effective

	In order to deliver Principle 5 the Council should:	Evidence to support principle	Responsibility for monitoring and reviewing *(where applicable)*	Timescales *(where required)*	Areas for Improvement
1	Provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis.	**The Members' Induction Programme offers a wide range of training sessions varying from how the Council and its Committees work, through to IT, the internet and general skills such as speed reading and effective chairmanship of meetings. Other examples of training sessions were financial management, RIPA and web training. The induction programme was revised in March 2011 in readiness to follow the election in May 2011.** **The induction programme for staff was reviewed and updated with input from staff during 2010. There is no longer a generic induction day for staff as turnover has been at a low level. Each new starter has a bespoke induction following a checklist in the welcome pack.**	Executive Director (MO) and Democratic Services Manager; Head of Resources & OD		
2	Ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the authority.	**The job descriptions for the Strategic Management Team identify their role and responsibilities.** **The Constitution identifies their specific roles and responsibilities.** **The CFO is CIPFA qualified and maintains CPD; both Executive Directors attended appropriate CPD events annually.**			
3	Assess the skills required by officers and make a commitment to develop those skills to enable roles to be carried out effectively.	**The Council's Knowledge, Skills & Behaviours Framework was introduced in 2008 and helps the Council to identify skills gaps. The appraisal process is used alongside the Learning Management System to deliver appropriate training.** **The Council's Development and Training Policy for staff supports a wide range of different types of training and continuing professional development to provide better services.** **The appraisal process (Performance & Development Review) and a Council wide Learning Needs Assessment has been used to identify the learning needs across the organisation and feed into staff training programmes.**			

Principle 5: Developing the capacity and capability of Members and Officers to be effective

	In order to deliver Principle 5 the Council should:	Evidence to support principle	Responsibility for monitoring and reviewing *(where applicable)*	Timescales *(where required)*	Areas for Improvement
4	Develop members' skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.	**Refer to Section 1 of this Principle**			
5	Ensure that effective arrangements are in place for reviewing the performance of the executive as a whole and of individual members and agreeing an action plan which might, for example, aim to address any training or development needs.	**Members were actively involved in developing their own KSB framework which includes a self appraisal element. The Member induction programme identifies mandatory training sessions with regard to planning and development control, and other training on media, finance and the constitution is open to all Members.**			
6	Ensure that effective arrangements designed encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the Council.	**The Communications Strategy and the Sustainable Communities Strategy identify how the Council engages with sections of the community. Members are involved in various joint working groups across the District. A Residents' Panel made up of 900 volunteers across the District, takes part in the consultation process to give feedback on Council services. In 2010/11, the Residents' Panel were consulted on waste management services, feeling safe, access to information, getting involved in local decisions and issues, and health and well-being.**	Head of Customer and Community Services	SCS published for 2008-2015 in January 2009. Action Plan refreshed annually	
7	Ensure that career structures are in place for members and officers to encourage participation and development.	**Succession planning is not considered relevant for all Members. The Leader of the Council has recognised that he has a responsibility, and this is reflected in the Leader's KSBs. Chairmanship training has been recognised as a need and training has been made available.** **The Council is using the KSB Framework to help identify services where succession planning could be better utilised to provide more resilience and reduce staff turnover. Although it is recognised that in a small council there may be limited opportunities for measurable success.**			

Principle 6:
Engaging with local people and other stakeholders to ensure robust public accountability

	In order to deliver Principle 6 the Council should:	Evidence to support principle	Responsibility for monitoring and reviewing *(where applicable)*	Timescales *(where required)*	Areas for Improvement
1	Make clear to themselves, all staff and the community to whom they are accountable and for what. Consider those institutional stakeholders to whom the Council is accountable and assess the effectiveness of the relationships and any changes required.	**The Sustainable Communities Strategy sets out the following:** **Where do we want to be? *- our long-term vision and the outcomes we want to achieve*** **Where are we now? *- a profile of East Northamptonshire and its local communities, the strengths we have and the challenges we face*** **How will we get there? *– links to other plans & strategies , the priorities of Enable and making sure it happens*** **The Strategy is available on the Council's website.**	ENable Partnership Board		
2	Produce an annual report on the activity of the scrutiny function.	**The Scrutiny Committee produces an annual report, which is available, as with all other reports, on the Council's intranet and Internet site.** **The work of the Scrutiny Committee in 2010 included:** • **A review of the Annual Audit Letter** • **Monitoring of section 106 agreements** • **Review of the progress of the Rushden Hayden Area Based Initiative work** • **Monitoring of performance for all aspects of the Council via performance clinics**	Chair of Scrutiny Committee	Annual Report produced covering calendar year	
3	Ensure that clear channels of communication are in place with all sections of the community and other stakeholders, and put in place monitoring arrangements to ensure that they operate effectively. Hold meetings in public unless there are good reasons for confidentiality. Ensure that arrangements are in place to enable the Council to engage with all sections of the community effectively. These arrangements should recognise that	**The Council uses various media to communicate with its stakeholders, such as:** **Nene Valley News; local media; revised Council Tax leaflet; corporate leaflets; Council website; community portals; consultation; reports and other public documents; displays, exhibitions and roadshows; and the 'In House' newsletter.** **The Council also operates a Youth Council, where young people from local communities are elected to represent the views of their peers. This relates mostly to the issuing of grant money to youth organisations. They are also consulted**	Communications Manager		

Principle 6:
Engaging with local people and other stakeholders to ensure robust public accountability

	In order to deliver Principle 6 the Council should:	Evidence to support principle	Responsibility for monitoring and reviewing *(where applicable)*	Timescales *(where required)*	Areas for Improvement
	different sections of the community have different priorities and establish explicit processes for dealing with these competing demands.	**on wider issues that affect young people in the area and are introduced to the workings of Local Government to help them better understand the various tiers of responsibility.**			
4	Establish a clear policy on the types of issues they will meaningfully consult on or engage with the public and service users about including a feedback mechanism for those consultees to demonstrate what has changed as a result.	**The Communications Strategy and Public consultation Strategy identify how the Council can engage with its stakeholders. The Residents Panel consultation reports give useful information on how their views are translated into Council Policy. In 2010/11 the Residents' Panel was surveyed on the following topics:** • **waste management services** • **feeling safe, access to information** • **getting involved in local decisions and issue** • **health and well-being** **The feedback was mainly positive and is used to inform the focus for service improvements.** **Mosaic data continues to be used to help the Council better understand its customers' needs.**	Head of Customer and Community Services		
5	On an annual basis, publish a performance plan giving information on the Council's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period.	**The Council publishes its annual report and annual financial statements within the statutory requirements. Outcomes and achievements are publicised in Nene Valley News. The Residents' Panel survey results are also publicised which clearly show the level of customer satisfaction in the chosen areas. The Council publishes a calendar of its annual programme of meetings with the Parish and Town Councils and minutes of those meetings are produced.**			
6	Ensure that the Council as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships, subject only to the need to	**The Council's Constitution includes details of citizens' rights, the ways citizens can get involved in the Council's work and ways to contact the Council. The Constitution also states that Council meetings, agendas, reports and minutes are all open to and available to the public except if there are areas deemed to be exempt. Refer to Principle 3 section 7 and**	Executive Director (MO) Democratic Services Manager		

Principle 6:
Engaging with local people and other stakeholders to ensure robust public accountability

	In order to deliver Principle 6 the Council should:	Evidence to support principle	Responsibility for monitoring and reviewing *(where applicable)*	Timescales *(where required)*	Areas for Improvement
	preserve confidentiality in those specific circumstances where it is proper and appropriate to do so.	**Principle 4 section 2 for the occurrence of exemptions.** **Details of Council meetings and Councillors' surgeries are published in Nene Valley News.** **The Council has a published petitions scheme to reflect statute.** **The council publishes a range of information, including details of all expenditure over £500, on its website to enable scrutiny by local residents**			
7	Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making.	**Xchange is the Council's new employee communication and consultation group. It replaces the Joint Consultative Forum (JCF) and Staff Forum.** **The group keeps staff informed and gives them the opportunity to exchange views and ideas to influence decisions on issues such as:** • **the development and revision of policies and procedures affecting employees;** • **changes to terms and conditions of employment;** • **issues that will have an impact on Council employees e.g. significant change to the Council's organisational structure.** **Evidence of the results of consultation is available to staff on the Council's intranet – (EUNICE).** **The Council encourages staff to bring for ideas through its Bright Ideas scheme.**	Head of Resources & O D		

4. Review of Effectiveness

The Council is responsible for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the managers within the Council who have responsibility for the development and maintenance of the governance environment by the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

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

The Council's Corporate Management Team (CMT)

CMT consists of the Chief Executive, the two Executive Directors and the five Heads of Service. This was introduced following the management restructure in April 2010. They meet weekly and provide a forum for overall planning, performance monitoring and decision making in connection with Council services. CMT is therefore providing a management core to enable direction and control. All significant business proposals are brought to CMT for consideration and approval, and service plans are scrutinised individually to ensure they contribute to the delivery of the corporate outcomes. A formal project approval process exists where all significant projects are recorded and progress is regularly reported.

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

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

The Council's constitution places much of the responsibility for internal control on its Directors, though in practice this is largely delegated to the Heads of Service. Therefore, annually the Heads of Service are required to certify a 'Statement of Corporate Responsibilities'. This statement requires explicit confirmation that, as the senior managers within the Council responsible for the delivery of services, they have done so in accordance with the Council's policies, procedures and practices that underpin the internal control framework. Where exceptions exist there is a requirement to disclose these so that consideration can be given to the overall effect these may have on the effectiveness of the Council's internal control environment and the preparation of the Annual Governance Statement. Heads of Service are also required to review and identify any emerging risks that may threaten service delivery.

All Heads of Service completed a signed declaration to demonstrate their understanding of their responsibilities in relation to the internal control framework, risk management and overall good governance of the Council. No significant events have occurred during the year that threaten continued service delivery.

The Audit & Risk Management Committee

The Audit & Risk Management Committee was discontinued after September 2010 following an efficiency review of the committee structure. Up to that point in the year the Committee received reports in relation to countering Benefit fraud, monitoring of the risks categorised on the risk register, progress with internal audit delivery.

The Committee received and approved the Annual Governance Report for 2009/10 from External

Audit, and approved the draft annual statement of accounts in September 2010.

The Scrutiny Committee

The role of the Scrutiny Committee is to review and scrutinise decisions taken in the discharge of any of the Council's functions and to make reports and recommendations to the full Council and to the Policy & Resources Committee. The Committee receives the performance reporting from the new performance clinic framework and receives reports from internal audit. It refers any matters for concern to full Council or P& R Committee as appropriate.
The Scrutiny Committee helps to develop Council policy through in-depth investigations of local issues and may:

• consider any matter affecting the area or its inhabitants; and
• exercise the right to 'call in' decisions made but not yet implemented.

The Council's Scrutiny Committee met five times in 2010/11 (April, June, September, October and December 2010). An annual report was produced summarising the activities of the Scrutiny Committee for the year to December 2010 and setting out the Committee's programme of work for the forthcoming year. The issues considered during 2010 are noted under Principle 6 section 2 and included review of the Annual Audit Letter, Rushden's Area Based Initiative work and monitoring of section 106 agreements.

The Scrutiny Committee's work plan for 2010 will focus around areas of concern to local communities, reviews of services and performance of the Council as a whole. It will also focus on follow up work to monitor progress of reviews previously undertaken by the Committee. The work programme will be structured in a way that ensures priority is given to reviewing progress made towards achieving the Council's Priority Outcomes as set out in the Corporate Plan 2011-15.

The Standards Committee (East Northamptonshire Standards Board)

The Council has established the East Northamptonshire Standards Board to discharge the functions conferred by Part III of the Local Government Act 2000.

The key role and function of the Board is to promote and maintain high standards of conduct of Members, ensuring they observe the Member Code of Conduct, to provide training on the application of the code and to deal with any reports from the Monitoring Officer. The Board has responsibilities for the corporate governance of the 51 Town and Parish Councils in the District and for providing advice and training to their Councillors. The Board can also grant dispensation to Members to take part in Council business in certain circumstances where the Code of Conduct would otherwise prevent this.

The Board is also responsible for:

- Reviewing the arrangements for handling complaints against the Council;
- Reviewing the outcome of Ombudsman investigations;
- Promoting and maintaining the Member / Officer Protocol;
- Overseeing the operation of the whistle-blowing policy; and
- The maintenance of professional standards

The Board's remit also includes updating codes and protocols in line with guidance from the Standards Board for England.

The Board has established three sub-committees: Assessment, Review, and Hearing to reflect the adopted complaints handling procedure. Four complaints were assessed under the new arrangements and two have been concluded. No findings of fact were made but the result was an amendment to the Constitution and guidance to ensure clarity. There were no cases of maladministration reported. The future of the Board is uncertain, and it may not survive in its current form following the enactment of the Localism Bill. Board Members have expressed their desire to continue to play a role in assisting the Council through regime change to self regulation.

Internal Audit

Internal Audit is responsible for objectively reviewing the Council's internal systems of control with a view to reporting on and making recommendations to Council management with regard to their effectiveness for managing business risk. Internal Audit reviews are completed in accordance with the approved annual internal audit plan. This is a programme of reviews designed to assess the effectiveness of the internal controls on which the Council relies for managing risk.

In 2010/11, the Welland Internal Audit Consortium delivered 163 days of planned audit work and provided 25 days of advice and assistance to CMT as requested. Based on the work carried out by the Consortium in line with the approved audit plan, and additional information provided by relevant managers on their responses to audit recommendations, the audit opinion was that the Council's overall internal control arrangements provide a **Good Level of Assurance**. This represents the highest of the five levels of assurance within the model adopted by Consortium. A "**Good**" assurance rating indicates that the control environment can be relied upon. This level of assurance is the same as the opinion for 2009/10.

During the fourth year of service delivery, the Consortium has continued to make a positive contribution to the Council's control framework and has provided a robust challenge to the internal control framework and corporate governance arrangements of the Council. The Consortium has operated in compliance with the CIPFA Code of Practice and has delivered a high level of customer satisfaction. On that basis the Consortium was judged to be operating effectively.

External Audit

External Audit is responsible for providing an opinion in connection with the Council's financial statements. For the year ended 31 March 2010 an unqualified (or satisfactory) opinion was issued in September 2010 and reported to the Audit & Risk Committee.

The Council's External Auditors are the Audit Commission. The Annual Governance Report was presented to the Audit & Risk Management Committee on the 22nd September 2010. This document included reference to all the work carried out by the Audit Commission, including the work on grants and their Value For Money evaluation. The Annual Governance Report also confirmed that the Audit Commission did not identify any significant weaknesses in the Council's internal control arrangements.

Section 151 Officer and Monitoring Officer

One Executive Director (the Chief Finance Officer) is the Council's Section 151 Officer. The other Executive Director is the Council's Monitoring Officer (MO). Each officer also provides on-going advice in connection with both the financial and legal standing of Council business, and advice to Councillors on their responsibilities. Refer to sections 5 and 6 under Principle 2 of the tabulated framework where their roles and responsibilities have been identified. Both Executive Directors acknowledge and have demonstrated active management of their responsibilities for the governance arrangements.

Other Mechanisms or Sources of Assurance

A number of other external sources of assurance exist that demonstrate good management and support the overall good governance of the Council.

- The Revenues & Benefits Service maintained its accreditation to the Quality Standard ISO 9000
- The Council's IT systems are subject to external interrogation by an accredited organisation at least quarterly to confirm their resilience and security
- The Council has received quarterly reports in connection with its abilities to meet health and safety at work requirements and where necessary acted on these

5 Declaration

We have been advised on the implications of the result of the review of the effectiveness of the governance framework and a plan is in place to address weaknesses and ensure continuous improvement of the system.

Significant Governance Issues

The Council has considered the outcomes of the risk management and assurance processes referred to in this Governance Statement. Where considered appropriate, action plans have been developed to address weaknesses. No new significant issues were identified in 2010/11 following the annual assessment of the review of effectiveness and therefore no new action plan has been developed. However, actions identified in sections 1.2 and 3.1 both relate to committee structures and the impact of the enactment of the Localism Bill. When the Bill is enacted, the Monitoring Officer will advise Members on appropriate committee arrangements that meet the Council's commitment to sound governance and devise an action plan if required.

Table 1 indicates the progress against recommendations included in the previous two Annual Governance Statements.

Previous Recommendations - Table 1

	Previous Recommendation	**Responsible Officer**	**Implementation due date**	***Status* and Progress of action in 2010/11**
1	Complete a review of the Audit & Risk Committee to measure its effectiveness and how this can be further improved	Executive Director (Chief Finance Officer)	30 July 2009 ***Revised to 31st October 2010***	***Implemented*** Committees were restructured in October 2010 as part of an efficiency review and the Audit & Risk Committee was discontinued. The Localism Bill is likely to drive further changes to the committee structures in 2011/12
2	Although evidence exists to support the conclusion that the Council is well managed with an effective internal control framework and good governance arrangements, the Council does not have a fully developed and formally documented framework in keeping with the CIPFA/SOLACE guidance. The Council should develop and document the Governance framework to reflect the guidance, including roles, responsibilities, sources of evidence and a timetable for collecting and documenting the evidence to support the production of the AGS.	Executive Directors - Chief Finance Officer and Executive Director (MO)	December 2008 ***Revised to 31st December 2011***	***Partly Implemented*** The Framework has been incorporated into the format of the AGS to include the roles and responsibilities for producing the AGS. An officer group or arrangements to co-ordinate the gathering of evidence has not been formalised. Once the restructure is complete this will be examined again and will be designated to an appropriate officer. The framework will be developed in 2011/12 in response to the changes that will flow from the Localism Bill.

5 Declaration Cont'd

We propose over the coming year to take steps to address the above matters to further enhance our corporate governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

Date:

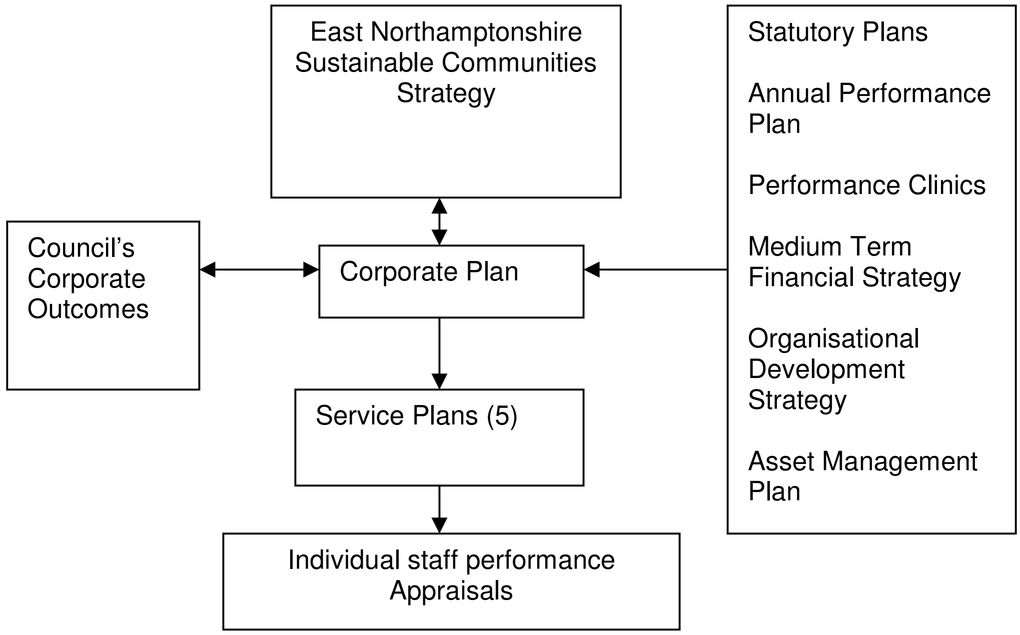
David Oliver
Chief Executive

Signed:

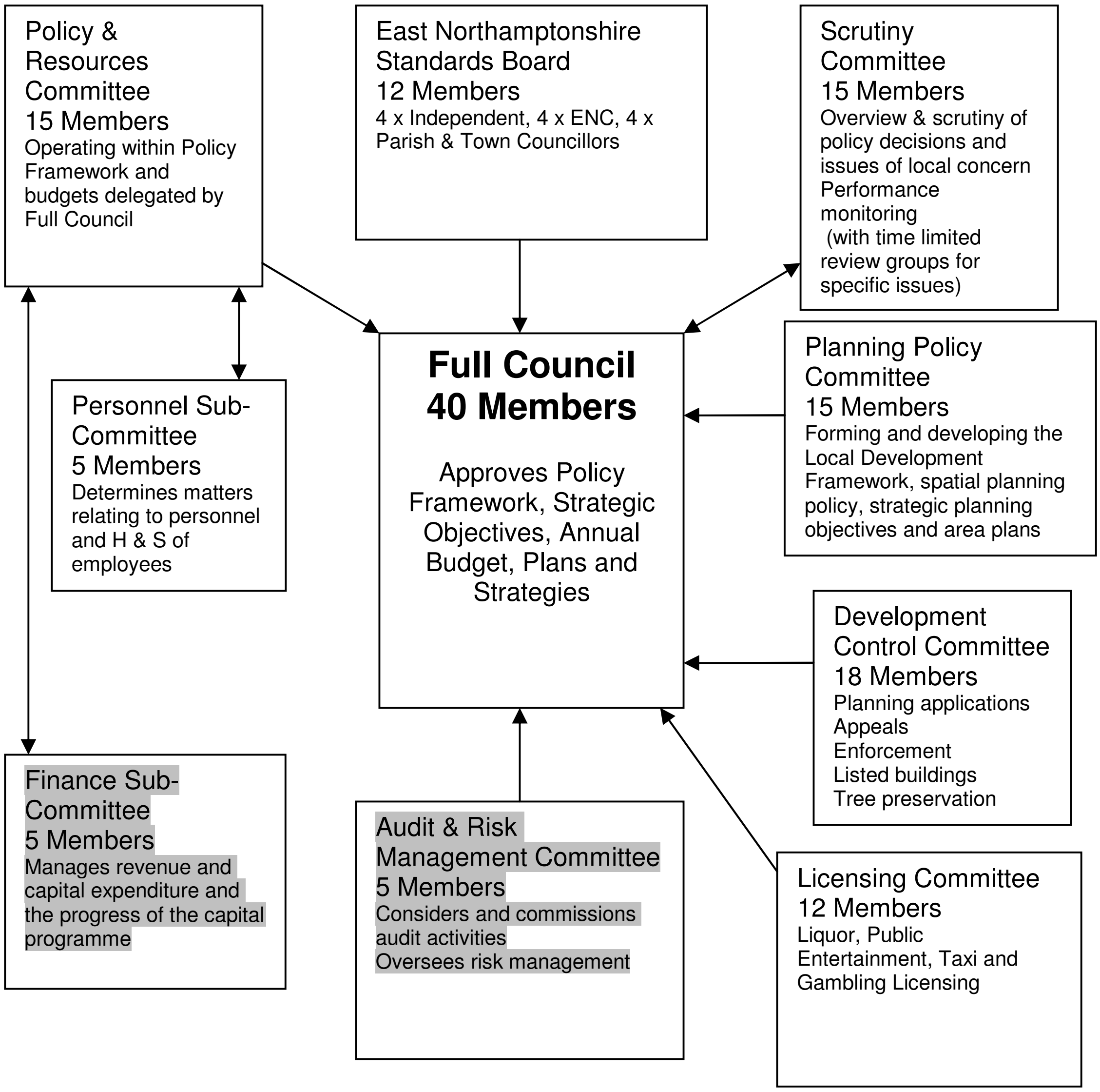
Date:

Cllr. Steven North
Leader of the Council

APPENDIX 1 - The Performance Management Framework



APPENDIX 2 - Committee Structure



Notes:
Finance Sub committee became the Finance Working Party in September 2010
Audit & Risk Management Committee ceased in September 2010, its responsibilities were absorbed by Scrutiny, P&R, and where required, Full Council.

Accounting Period
This is the length of time covered by the accounts. It is normally a period of twelve months commencing on 1 April. The end of the accounting period is the balance sheet date.

Accrual
Income or expenditure relating to goods or services received / provided during the accounting period where payment has not been made or received at the end of the accounting period.

Actuarial Assumptions
Assumptions made by the Pension Fund Actuary in valuing the funds assets and liabilities

Actuarial Gains and Losses
For a defined pension scheme, the changes in actuarial deficits or surpluses arise because:

- events have not coincided with the actuarial assumptions made at the last valuation or:
- the actuarial assumptions have changed.

Actuarial Valuation
An actuary undertakes a valuation by comparing the value of the pension schemes assets with its liabilities. The actuary then calculates how much needs to be paid into the scheme by the employer and members to ensure there will be adequate funds to pay the pensions when they become due.

Asset
An asset is something the Council owns. Assets can be either current or fixed.

- A **current asset** is one that will be used or cease to have a material value by the end of the next financial year.
- A **non current asset** provides a benefit to the Council for a period greater than one year.

Balance Sheet
A statement summarising the Council's financial position at the end of the accounting period. The statement shows the Council's assets and liabilities.

Billing Council
East Northamptonshire Council is classed as a billing Council as it has the responsibility of collecting the council tax and non-domestic rates. It collects the council tax on behalf of the County Council and Police Authority and the non domestic rates on behalf of central government.

Capital Adjustment Account
This account contains the amount that was required to be set aside from the capital receipts and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and the statutory minimum amount that must be set aside from revenue for the repayment of external debt, if applicable.

Capital Charges
Capital charges are charged to General Fund service revenue accounts for the use of non current assets.

Charges for the use of non current assets consist of an annual provision for depreciation, where appropriate. The calculation of these charges is based on the opening Net Book Value (NBV) of each of the assets.

Capital Expenditure
Expenditure on the acquisition or enhancement of a non current asset, which adds to and not merely maintains the value of existing assets.

Capital Financing
Sources of money that have been used to finance the capital programme. The Council uses various methods to finance its capital expenditure, including direct revenue financing, usable capital receipts, capital grants, revenue reserves and earmarked reserves.

Capital Financing Requirement
The capital financing requirement indicator is to measure an authority's underlying need to borrow to fund capital expenditure.

Capital Grants Unapplied
These are capital grants that the Council has received, that have not yet been used to finance capital expenditure.

Capital Programme
The planned capital schemes the Council intends to carry out over a specified period of time.

Capital Receipt
The Council can use the proceeds from the disposal of non current assets to finance new capital investments, the proceeds cannot be used to finance revenue expenditure.

Chartered Institute of Public Finance and Accountancy (CIPFA)
Professional accountancy body specialising in the public sector.

Collection Fund
A separate fund recording the income and expenditure relating to Council Tax, Business Rates and the residual Community Charge.

Contingent Liabilities
A contingent liability is either:

- a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control: or

- a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount cannot be measured with sufficient reliability.

Corporate / Democratic Core
The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

Creditor
Amounts owed by the Council for goods or services they have received for which payment has not been made.

Current Service Cost (Pensions)
The increase in the present value of a defined benefit schemes liabilities.

DCLG – LSVT Levy
This relates to amounts due to the Office of the Deputy Prime Minister (ODPM) as a result of the Right to Buy agreement negotiated at the time of the transfer of the housing stock between East Northamptonshire Council and East Northamptonshire Housing.

Debtor
Amounts owed to the Council for goods or services the Council has provided for which payment has not been received.

Depreciation
This is a charge made to the service revenue accounts each year to reflect the reduction in the value of the asset used in the delivery of services.

Finance Lease
A lease which transfers substantially all of the risks and rewards of ownership of a non current asset to the lessee.

Government Grants
Grants made by the government towards either revenue or capital expenditure to support the cost of the provision of services. These grants may be specifically towards the cost of particular schemes or to support the revenue spend of the Council.

Government Grants Deferred Account
Where a non current asset has been financed by a grant, the grant itself is written off to the relevant service over the expected useful life of the asset, the balance on the Government Grants Deferred Account, which contributes to the overall Government Grants/Contributions sum within the Balance Sheet, represents the amount to be written off to the relevant service.

Gross Book Value
The historical cost or the revalued amount of the asset before depreciation.

Impairment
Where the value of the non current asset reduces below its carrying amount on the balance sheet.

Liability
A liability is where the Council owes payment to an individual or an organisation.

Minimum Revenue Provision (MRP)
The minimum amount which must be charged to a council's revenue account each year.

Net Book Value
This is the value of an asset that is counted in the balance sheet. It represents its historical or revalued cost less the accumulated depreciation of the asset.

Net Worth
The total value of an organisation expressed as total assets less total liabilities.

National Non-Domestic Rate (NNDR)
A levy on businesses, based on a national rate in the pound set by the government multiplied by the rateable value of the premises they occupy. NNDR is collected by billing authorities on behalf of central government and then redistributed among all local authorities and police authorities on the basis of population.

Non Operational Asset
Non current assets held by the Council but are not directly occupied used or consumed in the delivery of services.

Operating Lease
A lease where the ownership of the asset remains with the lessor.

Operational Asset
Non current assets held and occupied, used or consumed by the Council in the direct delivery of services.

Precept
The levy made by precepting authorities on billing authorities, requiring the later to collect income from taxpayers on their behalf.

Provision
Provisions are for liabilities or losses which are likely or certain to be incurred, but the amounts or the dates on which they will arise are uncertain.

Prudential Code
The Prudential Code was developed by CIPFA, as a professional code of practice to support local authorities in making capital decisions. The key objectives of the Prudential Code are to ensure the capital investment plans of local authorities are affordable, prudent and sustainable. A further key objective is to ensure that treasury management decisions are taken in accordance with good professional practice and in a manner that supports prudence, affordability and sustainability.

Rateable Value (RV)
The annual assumed rental value of a property that is used for business purposes.

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

Reserves
Funds set aside for expenditure in future years. Certain reserves have constraints on how they can be spent.

Revenue Expenditure
Expenditure on the day-to-day costs of providing services.

Revenue Support Grant (RSG)
Grant from Central Government towards the cost of service provision.

Section 106
These are receipts received by the Council from developers for a specific purpose; they arise as a result of a planning agreement between the Council and developer.

Stocks
Items bought for consumption or resale, or raw materials, currently being held.

Tangible Non Current Assets
Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.

Useful Life
The period over which the local authority and the services it provides for a period of more than one year.

Independent auditor's report to Members of East Northamptonshire Council

Opinion on the Authority accounting statements

I have audited the accounting statements of East Northamptonshire Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of East Northamptonshire Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Section 151 Officer and auditor

As explained more fully in the Statement of the Section 151 Officer's responsibilities, the Section 151 Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of East Northamptonshire Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, East Northamptonshire Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate

I certify that I have completed the audit of the accounts of East Northamptonshire Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Neil Bellamy
Officer of the Audit Commission

Rivermead House
7 Lewis Court
Grove Park
Enderby
Leicestershire
LE19 1SU

30 September 2011