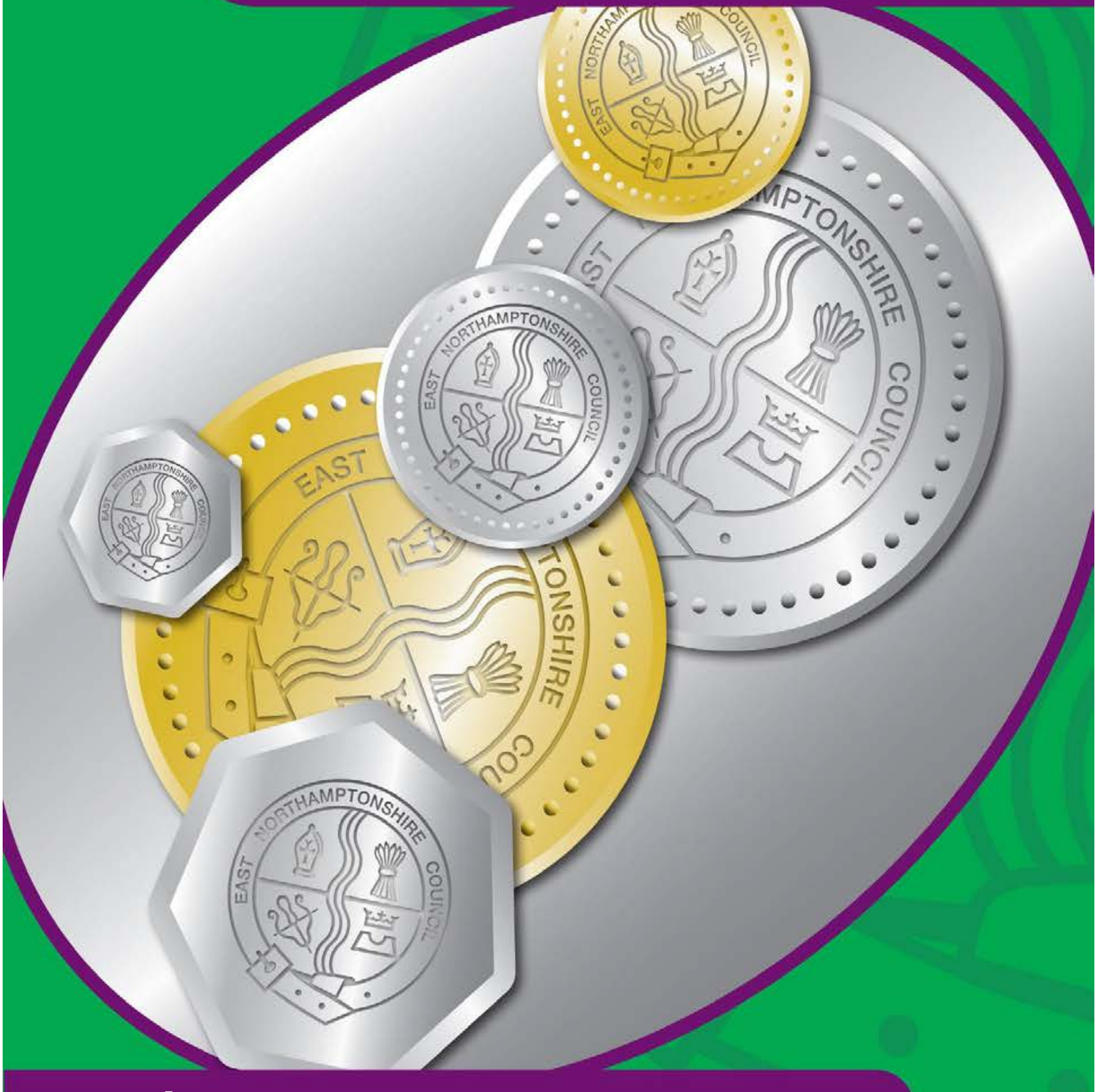
East
Northamptonshire
Council

Statement of Accounts



2012/2013

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East Northamptonshire Council

Statement of Accounts 2012/2013

Approval

Due consideration was given to the Statement of Accounts by the Policy and Resources Committee on 26th September 2013 and were duly approved.

Cllr Richard Lewis

Chairman of Policy and Resources Committee

26th September 2013

1. Introduction

This document sets out the Council's statutory accounts for the financial year ended 31 March 2013. The accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS).

The Council's accounts have been prepared in a way that ensures it is easier for readers to compare the Council’s accounts with other businesses, but also with other local authorities from overseas. 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 provides readers with 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.

Financial Environment

The Council has been operating in an uncertain financial environment during the financial year 2012/13. It has faced, and continues to face, significant challenges. In broad terms these can be split into 3 categories; economic, local government and local challenges. Each of these challenges are explored below:

Economic challenges

The UK economy, along with the rest of the developed world, has continued to see little or no growth during the financial year following a period of contraction. The UK economy experienced a small amount of growth largely as a result of the successful Olympics and increased economic activity during this time.

In response to this the Government announced stringent austerity measures to reduce the unprecedented deficit in the country's finances and boost the economy towards consistent and maintained growth in the future.

Local Government Challenges

As a result of the Government's austerity measures Local Government in the UK is working in an environment of delivering significant savings. This follows the Spending Review 2010 and subsequent announcements which identified a 33% reduction in real terms for local government funding over a four year period. The Government gave councils a two year settlement, the second year of which was 2012/13. East Northamptonshire Council's funding from government fell by £551k (10%) between 2011/12 and 2012/13 and is forecast to reduce further in future years.

In addition to uncertainty around future funding allocations the Government is implementing policy changes, including re-localisation of business rates, localisation of council tax discounts, localisation of council tax benefit and the introduction of universal credit. The council spent considerable time and effort during the financial year implementing the changes which came into effect from April 2013. The Council will continue to assess the impact of these changes on its future financial position.

East Northamptonshire Challenges

As noted above the Council has faced significant external challenges during the year. Specific challenges the Council has dealt with during the year include the continued delivery of efficiency savings which have amounted to over £3m since 2009, managing the pension fund deficit and managing the large scale refurbishment of buildings used for leisure provision. Whilst the focus has been on the council being more efficient, it has achieved this without reducing service provision to the community.

1. Introduction Continued

To counter these challenges the Council has reviewed its Medium Term Financial Strategy (MTFS). The enhanced MTFS was adopted by Council in February 2013 and is predicated upon:

"Ensuring the financial position is stable and sustainable with resources focussed on its priorities"

The MTFS and associated budgets set out a plan for dealing with each of these challenges. However, it is only a plan. The biggest challenge will be for the Council to deliver it.

Financial Performance

The highlights of the Council's financial performance during the 2012/13 financial year were as follows:

Revenue Spending

The Council spent £9.346m (net) on its services in 2012/13.

Capital Investment

During the financial year the Council commenced a 2 year, £3.842m, investment programme at its Nene and Pemberton Leisure Centres. The investment improves the structure of the buildings to ensure they are fit for purpose and provides additional floor area for leisure activities, as well as new fitness equipment. This investment is to meet the additional demand for leisure services. The anticipated additional income generated will assist the Council in managing its medium term financial pressures by reducing the annual contribution (£575k in 2012/13, £596k in 2011/12) to CCP, the trust who run the leisure centres on behalf of the Council. Due to the nature of the structural works at the Nene Centre the building had to be closed to the public for a period of time. The impact of the closure on the Council’s revenue budget was managed within the annual contribution to CCP.

The Council spent £2.6m improving the infrastructure and assets in the district, including:

£845k of improvements to Nene Centre Roof.
£487k of improvements to citizens homes by providing disabled facilities grants to enable them to live in their own homes.
£401k of investment in the Council's information technology infrastructure to enable it to be more efficient and provide more online services to customers.
£337k investment in the Greenway project.

Legal Proceedings

During financial year 2010/11 East Northamptonshire Council entered into arbitration (legal proceedings) against contractors for the original construction of the Nene Centre Roof (Leisure Facility). The legal proceedings were on-going until an agreement was reached at mediation during May 2013. As a result of the settlement at mediation East Northamptonshire Council received a one-off income receipt. This receipt is included within the 2012/13 Statement of Accounts as the one-off income substantially relates to the legal proceedings undertaken during the financial year.

Reserves

The Council's reserve levels are £6.662m at 31 March 2013

The minimum levels of general fund reserves has been set at £2m to reflect the risks and uncertainties facing the Council over the medium term.

Further details on the financial performance of the Council are shown below.

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.

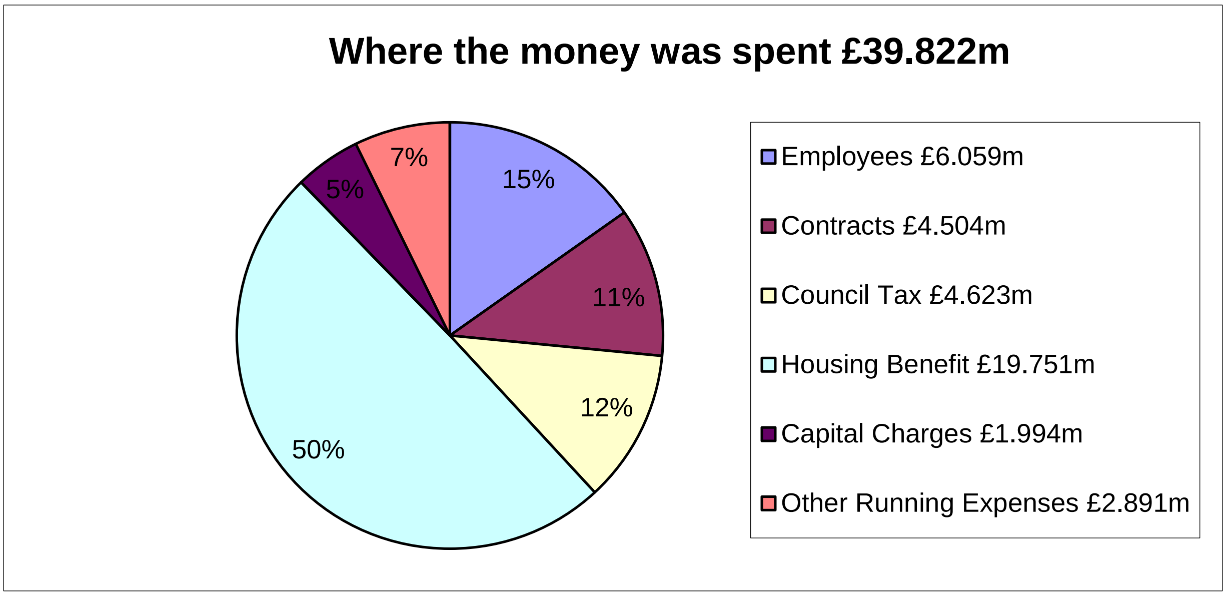
The Supplementary Financial Statements:

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.

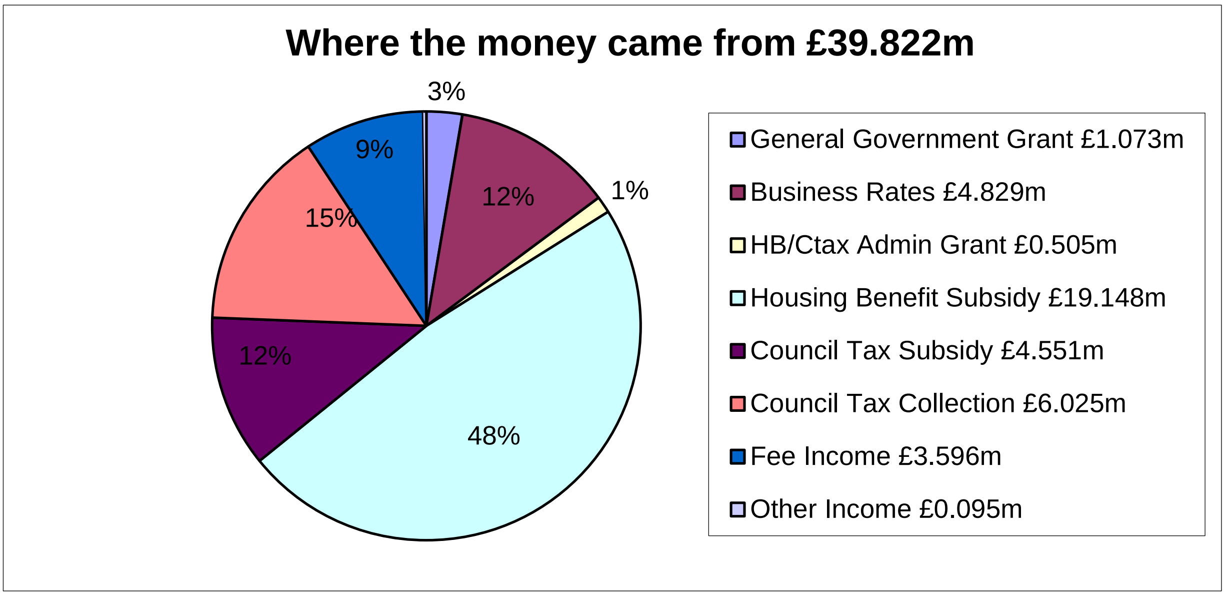
Annual Governance Statement – identifies the systems that the Council has in place to ensure that its business is conducted in accordance with the law and proper standards; and that public money is safeguarded.

3. Revenue Expenditure

The Council incurred expenditure on its services of £39.822m. The charts detailed below illustrate the main elements of expenditure, together with how this expenditure was financed.



Employee costs include the salaries paid to staff and the employer's overheads associated with national insurance and pensions. The staffing budget is a significant element of the Council's revenue budget. Contract payments are the payments made to entities for work carried out or service provided. The majority of contract payments are for environmental services including refuse collection, recycling and street cleaning. Other significant contract payments are for leisure management, financial management, licensing and audit services.



Business rates income is the re-distribution of business rates from the national pool. 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 re-distributed by Government. The Collection Fund shows the money collected and paid over to the National Pool. Council Tax and Housing Benefits Subsidy is received from Central Government and then paid to local residents who are entitled to such benefits. Majority of fee income is generated from planning, licensing and ICT management services. Other income is made up of any further grants received from Government as well as contributions from County Council and other entities.

3. Revenue Expenditure Continued

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	2012/13 Actual £000	2012/13 Budget £000	2011/12 Actual £000	Variance Actual v Actual £000	Variance Actual v Budget £000
Central services to the public	856	1,507	714	142	(651)
Cultural and related services	342	1,253	2,732	(2,390)	(911)
Environment and regulatory services	3,048	3,693	3,549	(501)	(645)
Planning services	1,860	2,481	2,212	(352)	(621)
Highways, roads and transport services	107	120	105	2	(13)
Housing services	1,714	1,590	1,934	(220)	124
Corporate and democratic core	1,359	1,472	1,225	134	(113)
Departmental central support	0	136	0	(0)	(136)
Non distributed costs	60	105	0	60	(45)
Net Cost of Services	**9,346**	**12,357**	**12,471**	**(3,125)**	**(3,011)**

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

- (£1,150k) income receivable to fund Nene Centre roof works.
- (£161k) reduction due to an embedded lease on refuse vehicles not included in budget .
- (£260k) revenue contribution to capital included in budget under net cost of services but not reported this way in actual net cost of services.
- (£395k) reduction in expenditure from salary savings.
- (£43k) reduction in expenditure on electricity, gas and building maintenance costs.
- (£71k) reduction in expenditure on supplies and services.
- (£466k) reduction in support services.
- (£579k) income received from grants not included in budget.

The Revenue Outturn Report 2012/13 presented to our Finance Sub Committee on 24 June 2013 (available on our web site) provides further details of the variances between budget and actual expenditure.

The reasons for the major variances against 2011/12 actual are as follows:

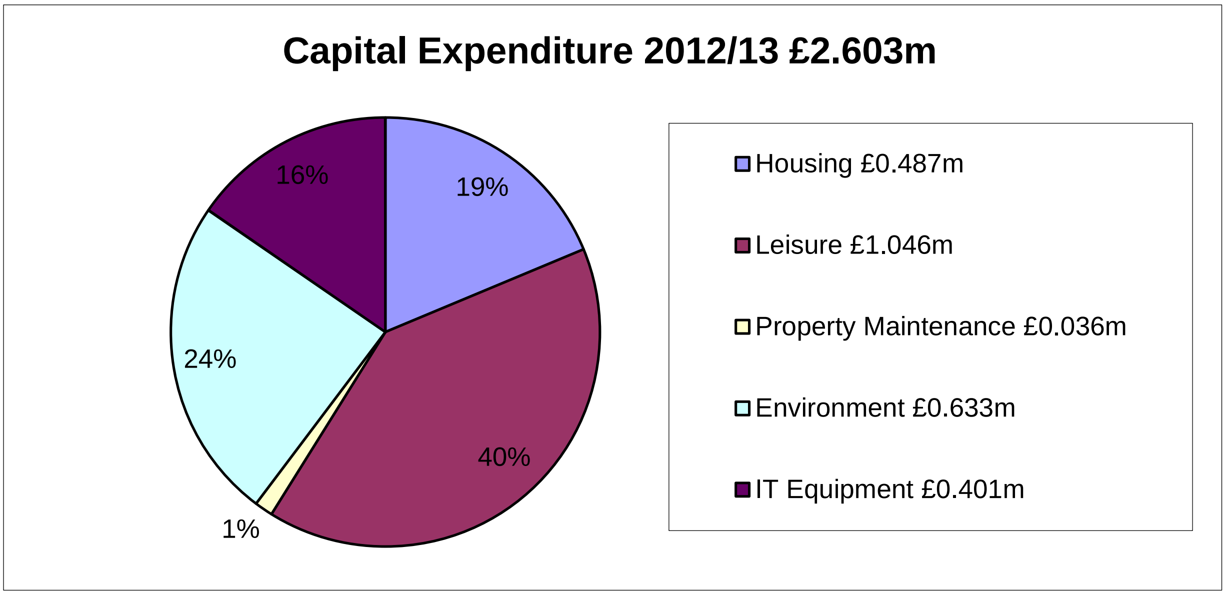
- (£1,150k) income received in 12/13 due to mediation settlement.
- (£246k) reduction in expenditure from salary savings.
- (£80k) savings on transport related expenses.
- (£430k) savings on support services.
- (£1,315k) reduction in capital charges mainly due to less expenditure on Revenue Expenditure Funded from Capital Under Statute (REFCUS).

4. Reserves

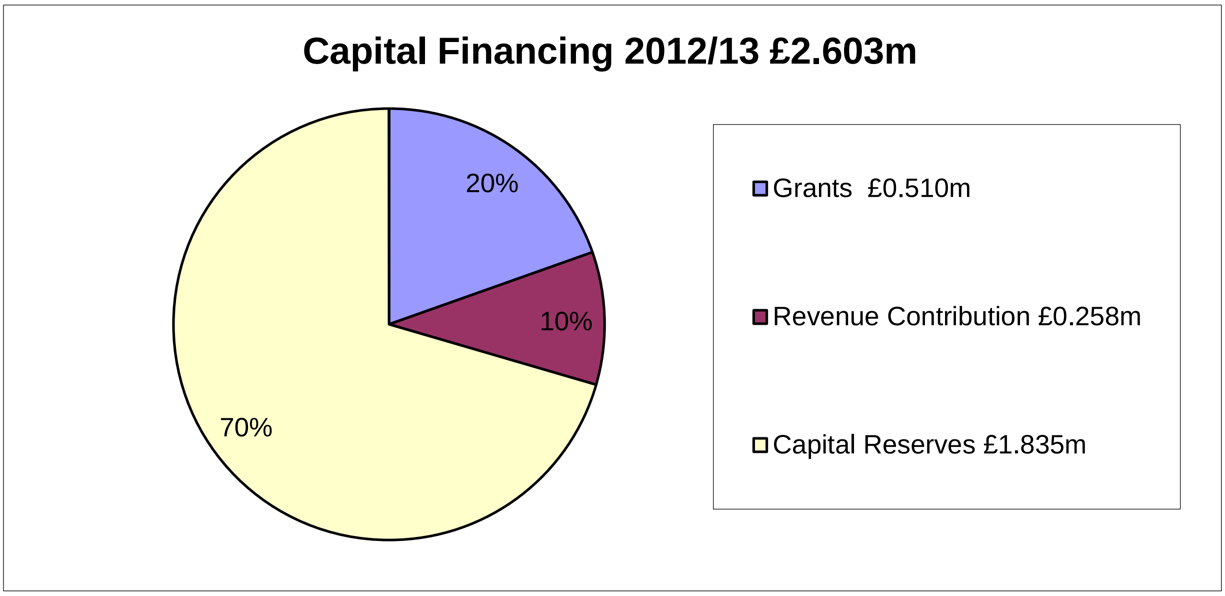
The Council has Revenue Reserves of £6.662m at 31 March 2013. This balance comprises a General Fund balance of £2.000m and Earmarked Revenue Reserves of £4.662m. Full details of Reserves are included within the accounts.

5. Capital Expenditure/ Financing

The Council agreed a revised capital programme of £5.347m but actual spending was £2.603m, £2.744m below budget. An analysis of capital expenditure in 2012/13 and the funding of this expenditure are illustrated in the charts below.



Housing expenditure relates to the cost of providing disabled facilities to local residents such as the installation of stair lifts and ramps in their homes. Leisure expenditure includes mainly the refurbishment of the Nene Centre as well as minor improvements made to the Pemberton Centre and development of village halls as well as an annual payment made for the up keeping of Stanwick Lakes. The majority of environmental expenditure was on the Greenway project in Irthlingborough and purchases of recycling receptacles.



Grants that have been received within 2012/13 or held in reserve from prior years were used to finance capital expenditure. Improvement grants were used to finance the expenditure on providing disabled facilities. Revenue contribution was required to pay the balance outstanding on the purchases of the recycling receptacles. All other expenditure was financed from capital reserves that had been accumulated from disposal of Council assets.

5. Capital Expenditure/ Financing Cont'd

The spend on the capital programme was lower than budgeted following a review of the Council's capital programme to ensure it was focussed on priorities and was fully funded in light of the Government funding reductions and financial risks facing the Council. In addition expenditure on leisure facilities were delayed to future years as the business case was reviewed to ensure the schemes offered value for money. For full details on variances please refer to the Capital Outturn Report 2012/13 reported to the Finance Sub Committee on 24 June 2013 (available on our website).

Capital expenditure is met from capital receipts and capital grants. The current capital programme which was approved by Council on 27 February 2013 sets out spending plans for 2013/14 to 2022/23 totalling **£11.479m**. As at 31 March 2013 the Council has **£0.175m** in available resources to fund this plan and is anticipating to receive a further **£6.425m** over the next 10 years through a combination of the sale of Council land and property as well as Government grants. This leaves a deficit of **£4.879m** which will be funded from borrowing until further sale of assets are identified.

6. Further Information

Further information on the Council's accounts is available from the Chief Finance Officer, 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.

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 Council's accounts.

8. Acknowledgement

I am extremely grateful for the assistance of staff at East Northamptonshire Council and the continued dedication, effort and support of the shared financial services team for maintaining a high standard of performance by delivering the completed Statement of Accounts to timetable.

Glenn Hammons
Chief Finance Officer

28th June 2013

General Principles

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (The Code). It also complies with guidance notes issued by CIPFA on the application of Accounting Standards (Standard Statements of Accounting Practice and Financial Reporting Standards to Local Authority Accounts).

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

The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible 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 Accounts have been prepared in accordance with The Code. This requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are considered to be reasonable under the circumstances. They form the basis of judgements about the carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on a continuing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Critical judgements and areas where the use of estimates is significant are discussed in note 2 of the Notes to the Accounts.

a) Accruals of Income and Expenditure

Purchases and sales are accounted for in the year that they take 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 of goods are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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

b) Cash and Cash Equivalents

Cash comprises cash in hand and on 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) 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.

d) 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 4.5%.

- 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 a result of years of service earned this year. It is recorded in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked.

    - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. It is debited to the Net Cost of Services in the Comprehensive Income and Expenditure Account as part of Non Distributed Costs.

    - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid. It is debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Account.

    - expected return on assets – the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return. It is credited to Net Operating Expenditure in the Comprehensive Income and Expenditure Account.

    - 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. It is 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. It is debited to the Comprehensive Income and Expenditure Statement.

- contributions paid to the pension fund – cash paid as employer’s contributions to the pension fund.

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

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

Other long-term employee benefits

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

Termination benefits

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

Short-term employee benefits

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees. These are recognised as an expense in the Comprehensive Income and Expenditure Statement on an undiscounted basis to the related service provided to the Council.

An accrual is made for the cost of holiday entitlement earned by employees but not taken before the year-end which the employee can carry forward into the next financial year. The accrual is charged to the surplus or deficit on the provision of services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to the revenue in the financial year in which the holiday absence occurs. Based on data collected over a 3 year period between 2009 and 2011 the accrual for short term employee benefits did not change much year on year. Therefore the council has adopted to only carry out a review of the accrual on a three year period.

e) 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 that occur between the end of the reporting period and the date when the financial statements are authorised for issue.

f) 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.

g) 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

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 Comprehensive Income and Expenditure 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 Available for Sale Reserve, with the exception of impairment losses. Accumulated gains or losses are recycled to the Comprehensive Income and Expenditure 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

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 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. 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 its 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.

h) 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.

i) Intangible Assets

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

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

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

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

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

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

j) Inventories

Inventory are shown in the Balance Sheet on an actual cost basis. This does not accord with the Code of Practice which recommends that inventory is carried at the lower of cost and net realisable value. Cost is the price paid less any rebates, trade discounts or subsidies. It also includes delivery charges and import duties, but does not include value added taxes or advertising and administration costs. The amounts involved are not material. The inventory 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 inventory. Cost is based on the first-in, first-out (FIFO) principle.

k) 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.

l) Assets held for Sale

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

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

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

m) 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 Service Reporting Code of Practice 2012/13 (SeRCOP). 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 SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Cost of Services.

n) 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
- Heritage Assets - Open Market Value or Insurance Value
- Infrastructure - Historic Cost
- Community Assets - Historic Cost
- Non-operation Assets:- Open Market Value

Assets included in the Balance Sheet at current value are re-valued 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 Comprehensive Income and Expenditure Statement 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 Council's Land and Buildings was last revalued as at 1 April 2009 by 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 3 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 indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated. If this recoverable amount is less than the carrying amount of the asset then an impairment loss is recognised for the shortfall.

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance with any excess charged to the relevant service line in the Comprehensive Income and Expenditure Statement.

- where there is no balance in the Revaluation Reserve for the impaired asset the carrying amount of the asset is written down straight away against the relevant service line in the Comprehensive Income and Expenditure Statement.

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

- where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss with an adjustment made for the depreciation that would have been charged had the impairment loss not been recognised in the first instance.

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
- Infrastructure Assets: Up to 35 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.

o) Heritage Assets

Heritage Assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. They are held by the Council in pursuit of its overall objective in relation to the maintenance of heritage. Heritage Assets held by the Council include Civic regalia in the form of pictures and mayoral chains. These assets have a collective value of less than £10,000 and have never been capitalised. Any subsequent purchases of heritage assets will be measured initially at cost (in line with the Councils accounting policies on property plant and equipment) and then carried at open market value or insurance value.

p) Provisions

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

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

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

q) 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 6.

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

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

r) Revenue Expenditure Funded from Capital Under Statute

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

This also includes exceptional revenue expenditure for which a capitalisation direction can be granted to allow this expenditure to be funded from capital. 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 31.

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

s) Value Added Tax (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.

t) 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 Comprehensive Income and Expenditure Statement 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 (JPU); 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.

u) 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 Responsibility

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 2013 and its income and expenditure for the year ended 31 March 2013.

The draft statement of accounts were authorised on 28th June 2013 and revised and recertified on 26th September 2013.

East Northamptonshire Council
Cedar Drive
Thrapston
Northamptonshire
NN14 4LZ

Glenn Hammons
Chief Finance Officer
Email:ghammons@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 2012/13	**General Fund Balance £000**	**Earmarked Reserve £000**	**Capital Receipts Reserve £000**	**Grants Unapplied £000**	**Total Useable Reserves £000**	**Unusable Reserves £000**	**Total Authority Reserves £000**
Balance at 1 April 2012	**2,000**	**3,550**	**1,902**	**112**	**7,564**	**14,683**	**22,247**
Movement in Reserve 12/13							
Surplus or (deficit) on provision of services	(1,184)				(1,184)		(1,184)
Other Comprehensive Income and Expenditure					0	(2,180)	(2,180)
Total Comprehensive Income and Expenditure	**(1,184)**				**(1,184)**	**(2,180)**	**(3,364)**
Adjustments between accounting basis & funding basis under regulations (note 6)	2,295		(1,727)	(22)	547	(547)	0
Net increase / decrease before transfers to Earmarked Reserves	**1,112**		**(1,727)**	**(22)**	**(637)**	**(2,727)**	**(3,364)**
Transfers to / from Earmarked Reserves (note 7)	(1,112)	1,112			0	0	0
Increase / decrease in year	**0**	**1,112**	**(1,727)**	**(22)**	**(637)**	**(2,727)**	**(3,364)**
Balance at 31 March 2013	**2,000**	**4,662**	**175**	**90**	**6,927**	**11,956**	**18,883**

Movement in Reserves During 2011/12	General Fund Balance £000	Earmarked Reserve £000	Capital Receipts Reserve £000	Grants Unapplied £000	Total Useable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 1 April 2011	**1,711**	**4,331**	**3,430**	**431**	**9,903**	**20,037**	**29,940**
Movement in Reserve 11/12							
Surplus or (deficit) on provision of services	(4,999)				(4,999)	0	(4,999)
Other Comprehensive Income and Expenditure					0	(2,694)	(2,694)
Total Comprehensive Income and Expenditure	**(4,999)**				**(4,999)**	**(2,694)**	**(7,693)**
Adjustments between accounting basis & funding basis under regulations (note 6)	4,507		(1,528)	(319)	2,660	(2,660)	0
Net increase / decrease before transfers to Earmarked Reserves	**(492)**		**(1,528)**	**(319)**	**(2,339)**	**(5,354)**	**(7,693)**
Transfers to / from Earmarked Reserves (note 7)	781	(781)			0	0	0
Increase / decrease in year	**289**	**(781)**	**(1,528)**	**(319)**	**(2,339)**	**(5,354)**	**(7,693)**
Balance at 31 March 2012	**2,000**	**3,550**	**1,902**	**112**	**7,564**	**14,683**	**22,247**

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.

2011/12 Gross Expenditure	2011/12 Gross Income Restated	2011/12 Net Expenditure		Note	2012/13 Gross Expenditure	2012/13 Gross Income	2012/13 Net Expenditure
£000	£000	£000			£000	£000	£000
6,460	(5,746)	714	Central services to the public		6,474	(5,618)	856
3,332	(600)	2,732	Cultural and related services	36	2,109	(1,767)	342
5,127	(1,578)	3,549	Environment and regulatory services		4,633	(1,585)	3,048
3,222	(1,010)	2,212	Planning services		3,160	(1,300)	1,860
195	(90)	105	Highways, roads and transport services		108	(1)	107
20,592	(18,658)	1,934	Housing services		21,902	(20,188)	1,714
1,243	(18)	1,225	Corporate and democratic core		1,376	(17)	1,359
0	0	0	Non distributed costs		60	0	60
40,171	**(27,700)**	**12,471**	**Cost of Services**		**39,822**	**(30,476)**	**9,346**
3,880	0	3,880	Other operating income & expenditure	8	3,243		3,243
434	(130)	304	Financing and investment income and expenditure	9	630	(85)	545
85	(11,741)	(11,656)	Taxation and non-specific grant income	10	18	(11,968)	(11,950)
		4,999	**Surplus or Deficit on Provision of Services**				**1,184**
		230	(Surplus)/deficit arising on revaluation of non current assets				(152)
		0	(Surplus)/deficit arising on revaluation of available-for-sale financial assets				0
		2,464	Actuarial losses/(gains) on pension fund asset and liabilities				2,332
		0	Any other gains and losses				0
		2,694	**Other Income and Expenditure**				2,180
		7,693	**Total Comprehensive Income and Expenditure**				**3,364**

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 2013.

31st March 2012 £000		Note	31st March 2013 £000
28,879	Property, Plant & Equipment	11	24,841
387	Intangible Assets	13	415
60	Long Term Debtors	15	789
29,326	**Long Term Assets**		**26,045**
3,004	Short Term Investments		0
34	Inventories		27
3,013	Short Term Debtors	15	3,155
6,888	Cash and Cash Equivalents	16	9,262
0	Assets Held for Sale	17	3,648
12,939	**Current Assets**		**16,092**
(149)	Bank Overdraft	16	(661)
(2,448)	Short Term Creditors	18	(2,744)
(23)	Short Term Provisions	19	(23)
(2,620)	**Current Liabilities**		**(3,428)**
(799)	Long Term Creditors	32	(659)
(15,971)	Other Long Term Liabilities	34	(18,497)
(628)	Capital Grants Receipts in Advance	29	(670)
(17,398)	**Long Term Liabilities**		**(19,826)**
22,247	**Net Assets**		**18,883**
7,564	Usable Reserves	7	6,927
14,683	Unusable Reserves	21	11,956
22,247	**Total Reserves**		**18,883**

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

2011/12 £000		Note	2012/13 £000
	Cash flow from Operating Activities		
4,999	Net (surplus) or deficit on the provision of services	22	1,184
(5,536)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	22	(1,226)
601	Adjustments for items included in the net surplus or deficit for the provision of services that are investing and financing activities	22	741
64	**Net cash flows from Operating Activities**		**699**
(55)	Investing Activities	23	(2,239)
1,501	Financing Activities	24	(322)
1,510	**Net (increase) or decrease in Cash and Cash Equivalents**		**(1,862)**
(8,249)	Cash and Cash Equivalent at beginning of year		(6,739)
(6,739)	**Cash and Cash Equivalent at end of year**		**(8,601)**

**Cash and Cash equivalents is different from the amount stated on the Balance Sheet as it includes bank overdraft. See note 16 for further details*

1 Accounting standards that have been issued but have not yet been adopted

Amendments have been made to:

- IAS 1 Presentation of financial statements (other comprehensive income),
- IAS 12 Income taxes: deferred taxes (recovery of underlying assets),
- IAS 19 Employee benefits (it is estimated that that this will have an effect on the CIES of £163k in 2013/14).
- IFRS 7 Financial instruments: disclosures (offsetting financial assets and liabilities),
- IFRS 13 Fair value measurements.

However these changes are not effective until the earliest of 1st April 2013 and therefore shall be adopted in 2013/14 onwards.

2 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.
- Recognising an embedded finance lease included in the service contract for waste management as in line with the Code 2012/13 and IAS 17.

3 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. The actual results may differ 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 assesses 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:

- 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 decline in the market capitalisation relative to net book value for a sustained period.

3 Assumptions made about the future and other major sources of estimation uncertainty continued

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 a 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.

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 age of customers debts, 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 Balance Sheet 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 34 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 34.

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.

4 Material items of income and expenses

	2012/13 £000	2011/12 £000
Depreciation on tangible assets	880	917
Amortisation on intangible assets	213	315
Impairment loss / (revaluation gain)	(152)	529
Housing benefit payments	19,751	18,436
Council tax benefit payments	4,507	4,497
Housing benefit administration grant	(505)	(530)
Housing benefit rent allowance	(19,148)	(17,987)
Council tax benefits	(4,551)	(4,550)
Nene Centre works receipt	(1,150)	0
Profit and loss on non current asset disposal		
Property, plant & equipment	866	1,743

5 Events after the balance sheet date

The Council's 2012/13 Statement of Accounts were authorised for issue on 28 June 2013 by Glenn Hammons, Chief Finance Officer and was done so after due consideration to any post balance sheet events at that point in time. There was one event that existed after the reporting date of 31 March 2013 and 28 June 2013 that has been reflected in the Statement of Accounts together with the relevant disclosures. The Council received income of £1,150k, from mediation settlement as compensation for the faulty Nene centre roof, in May 2013. All of the receipt was in relation to activities that had occurred throughout the financial year 12/13.

6 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.

2012/13	Usable Reserves			Movement in Unusable Reserves £000
	General Fund £000	Capital Receipts £000	Grants Unapplied £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	880			(880)
Amortisation of intangible assets	213			(213)
Capital grants and contributions applied	(510)			510
Revenue expenditure funded from capital under statute	901			(901)
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	974			(974)
Capital Expenditure charged against the General Fund	(258)			258
Statutory provision for the financing of capital investment	(140)			140
Movement in the value of assets held for sale	148			(148)

6 Adjustments between accounting basis and funding basis under regulations continued

2012/13	Usable Reserves General Fund £000	Usable Reserves Capital Receipts £000	Usable Reserves Grants 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	(40)		40	0
Transfer from Grants Unapplied	62		(62)	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	(108)	108		0
Use of the Capital Receipts Reserve to finance new capital expenditure		(1,835)		1,835
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	1,482			(1,482)
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,288)			1,288
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	(21)			21
Total Adjustments	**2,295**	**(1,727)**	**(22)**	**(547)**

6 Adjustments between accounting basis and funding basis under regulations continued

2011/12	Usable Reserves			Movement in
	General Fund £000	Capital Receipts £000	Grants Unapplied £000	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	1,446			(1,446)
Amortisation of intangible assets	315			(315)
Capital grants and contributions applied	(236)		(249)	485
Revenue expenditure funded from capital under statute	1,549			(1,549)
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	1,946			(1,946)
Capital Expenditure charged against the General Fund	(225)			225
Statutory provision for the financing of capital investment	(91)			91
Adjustment primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(5)		5	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	(203)	203		0
Use of the Capital Receipts Reserve to finance new capital expenditure		(1,806)		1,806
Transfer from Grants Unapplied		75	(75)	0
Adjustment primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	1,259			(1,259)
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,237)			1,237
Adjustment 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	**4,507**	**(1,528)**	**(319)**	**(2,660)**

7 Transfer to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in Earmarked Reserves to provide financing for the future expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund expenditure in 2012/13.

General Fund Earmarked Reserves 2012/13	Balance 1 April 2012 £000	Transfer Out £000	Transfer In £000	Net Movement £000	Balance 31 March 2013 £000
Asset Management Repairs and Renewals	2,383	(435)	175	(260)	2,123
Regeneration Reserve	480			0	480
Contingency Reserve	50			0	50
Elections Reserve	120			0	120
Insurance Reserve	100			0	100
Personal Land Charges Reserve	34		166	166	200
Environmental HI 4 EM Reserve	40			0	40
Empty Homes Reserve	24			0	24
Planning Reserve	85		165	165	250
2011/12 Carry Forwards	134	(134)		(134)	0
2012/13 Carry Forwards	0		104	104	104
Community Projects	100	(82)	181	99	199
Leisure Facilities Reserve	0		885	885	885
Capital Financing Reserve	0		87	87	87
Total	**3,550**	**(651)**	**1,763**	**1,112**	**4,662**

General Fund Earmarked Reserves 2011/12	Balance 1 April 2011 £000	Transfer Out £000	Transfer In £000	Net Movement £000	Balance 31 March 2012 £000
Asset Management Repairs and Renewals	3,440	(1,057)		(1,057)	2,383
Regeneration Reserve	480			0	480
Contingency Reserve	50			0	50
Elections Reserve	120			0	120
Insurance Reserve	100			0	100
Personal Land Charges Reserve	34			0	34
Environmental HI 4 EM Reserve	40			0	40
Empty Homes Reserve	34	(10)		(10)	24
ATLAS Reserve	33	(33)		(33)	0
Planning Reserve	0		85	85	85
2011/12 Carry Forwards	0		134	134	134
Community Projects	0		100	100	100
Total	**4,331**	**(1,100)**	**319**	**(781)**	**3,550**

7 Transfer to/from Earmarked Reserves continued

Reserve	Purpose
Asset Management Repairs and Renewals	Fund major repair renovation and adaptation of existing assets that will fall upon the General Fund.
Regeneration	Fund regeneration works throughout the District.
Contingency	Fund additional service department items that may arise during the financial year.
Elections	Fund additional costs that may arise during future elections.
Insurance	Pay for the excess on insurance in the event of a major disaster.
Personal Land Charges	Pay for any claims made for a refund of land charges.
Environmental HI 4 EM	Pay for consultancy fees to carry out decent home surveys.
Empty Homes	Fund any additional cost incurred in relation to empty properties.
ATLAS	Fund any additional revenue and benefits software required by legislation.
Planning	Fund any additional planning expenditure.
Carry Forwards	Fund additional General Fund expenditure in future years.
Community Projects	Fund community projects in accordance with MTFS.
Leisure Facilities	Fund any additional costs on leisure facilities.
Capital Financing	Fund any fluctuation in interest rates for future borrowing.

8 Other operating expenditure

	2012/13 £000	2011/12 £000
Loss/ (gain) on the disposal of non current assets	866	1,743
Parish council precepts	2,229	2,137
Movement in value of assets held for sale	148	0
Total	**3,243**	**3,880**

9 Financing and investment income and expenditure

	2012/13 £000	2011/12 £000
Interest and investment income	(85)	(130)
Interest expenses	21	0
Pension interest cost and expected return on pension assets	609	434
Total	**545**	**304**

10 Taxation and non specific grant income

	2012/13 £000	2011/12 £000
General government grant	(1,074)	(1,778)
Non domestic rates	(4,829)	(4,181)
Demand on the collection fund	(6,025)	(5,781)
Capital grants and contributions	(40)	60
Transfers from collection fund in respect of surpluses	18	25
Total	**(11,950)**	**(11,656)**

11 Property, plant and equipment

Movements in 2012/13	Other land & buildings	Vehicles, plant & equipment	Infra-structure	Community assets	Assets under construction	Total PPE
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
At 1 April 2012	**31,898**	**4,712**	**552**	**440**	**0**	**37,602**
Additions	1,033	418	10			1,461
Derecognition - disposals	(1,100)					(1,100)
Revaluation gain	152					152
Assets re-classified to held for sale	(3,796)					(3,796)
At 31 March 2013	**28,187**	**5,130**	**562**	**440**	**0**	**34,319**
Accumulated Depreciation and Impairment						
At 1 April 2012	**(6,863)**	**(1,844)**	**(16)**	**0**	**0**	**(8,723)**
Depreciation charge	(401)	(463)	(16)			(880)
Derecognition - disposals	125					125
At 31 March 2013	**(7,139)**	**(2,307)**	**(32)**	**0**	**0**	**(9,478)**
Net book value						
At 31 March 2013	**21,048**	**2,823**	**530**	**440**	**0**	**24,841**
At 31 March 2012	**25,035**	**2,868**	**536**	**440**	**0**	**28,879**
Assets held at historic cost value at 31 March 2013		2,823	530	440	0	**3,793**
Assets held at current cost at 31 March 2013	21,048					**21,048**
Total	**21,048**	**2,823**	**530**	**440**	**0**	**24,841**
Assets held at historic cost value at 31 March 2012		2,868	536	440	0	**3,844**
Assets held at current cost at 31 March 2012	25,035					**25,035**
Total	**25,035**	**2,868**	**536**	**440**	**0**	**28,879**

11 Property, plant and equipment continued

Movements in 2011/12	Other land & buildings	Vehicles, plant & equipment	Infra-structure	Community assets	Assets under construction	Total PPE
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
At 1 April 2011	**33,647**	**5,661**	**297**	**440**	**978**	**41,023**
Additions	52	1,699				1,751
Derecognition - disposals	(788)	(2,648)			(978)	(4,413)
Impairment	(759)					(759)
Transfers	(255)		255			0
At 31 March 2012	**31,898**	**4,712**	**552**	**440**	**0**	**37,602**
Accumulated Depreciation and Impairment						
At 1 April 2011	**(6,502)**	**(3,771)**	**0**	**0**	**0**	**(10,273)**
Depreciation charge	(415)	(486)	(16)			(917)
Derecognition - disposals	54	2,413				2,467
At 31 March 2012	**(6,863)**	**(1,844)**	**(16)**	**0**	**0**	**(8,723)**

See Statement of Accounting Policies Note N Property plant and equipment, for Depreciation methods used and when assets were last revalued.

Capital Commitments

As of 31 March 2013 the Authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment and future years. The major commitments are:

	Value of Contracts £000	Outstanding Value £000
Nene Centre (roof & improvements)	1,902	1,028
Pemberton Centre	1,600	1,467
Leisure Equipment	340	340
Total	**3,842**	**2,835**

12 Heritage Assets

East Northamptonshire Council holds Civic regalia in the form of pictures and mayoral chains. The insurance value of these are £6,500. As this is not a material amount, they have not been capitalised and remain off the Balance Sheet.

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 £213k charged to revenue in 2012/13 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 continued

	2012/13 £000	2011/12 £000
Balance at 1 April		
Gross carrying amount	1,149	1,413
Accumulated amortisation	(762)	(956)
Net carrying amount at 1 April	**387**	**457**
Purchases	241	245
Amortisation for period	(213)	(315)
Other changes: de-recognition of assets (gross book value)	(90)	(509)
Other changes: de-recognition of assets (amortisation)	90	509
Net carrying amount at 31 March	**415**	**387**
Comprising:		
Gross carrying amount	**1,300**	**1,149**
Amortisation	**(885)**	**(762)**

14 Financial Instruments

International Accounting Standard (IAS) 32 and 39 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 32 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 32 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:

	2012/13 £000	2011/12 £000
Creditors - short term	1,207	1,658
Creditors - long term	659	799
Bank overdraft	661	149
Total	**2,527**	**2,606**

14 Financial Instruments continued

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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement, calculated using the effective rate of interest.

Loans and receivables for East Northamptonshire Council are shown in the table below:

	2012/13 £000	2011/12 £000
Debtors (including soft loans)	1,986	949
Cash and cash equivalents	9,253	6,888
Short-term investments	0	3,004
Total	**11,239**	**10,841**

Local Authorities sometimes make loans to organisations at less than market rates where this supports their objectives. These are known as “soft loans”. IAS 32 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. The cost is removed from the General Fund balance by using the Financial Instruments Adjustment Account.

Soft loans for East Northamptonshire Council total £87k, which is considered immaterial to the accounts so no adjustment is required through the Financial Instruments Adjustment Account.

The Council has also offered a guarantee to The Northamptonshire Local Government Pension Fund in respect of any outstanding liabilities from Cultural Community Partnership (CCP) and the guarantee is estimated to cost £130k should CCP cease trading before August 2013.

Key Risks

As part of implementing IAS 32, 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 2012/13 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 continued

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	Not rated £000	Total £000
Cash and liquid deposits	3		9,250		9,253
Loans and receivables carried at amortised cost					0
Available-for-sale financial assets carried at fair value					0
Total financial assets	**3**	**0**	**9,250**	**0**	**9,253**

Analysis by geographical area at year end

Financial assets by geographical area at year end	UK £000	Europe £000	Asia £000	Other £000	Total £000
Cash and liquid deposits	9,253				9,253
Loans and receivables carried at amortised cost					0
Available-for-sale financial assets carried at fair value					0
Total financial assets	**9,253**	**0**	**0**	**0**	**9,253**

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.

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 2012/13 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.

14 Financial Instruments continued

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.

Investments

The Council's investments are detailed below:

	2012/13 £000	2011/12 £000
Short term investments < 1 year	0	3,004
Short term investments > 1 year	0	0
Total investments	**0**	**3,004**

The council does not hold any short term investments as at 31st March 2013. Towards the end of 2012/13 financial year the Council invested its surplus monies in liquid instant access accounts, reducing the inherent interest rate risk and increasing security of capital in an uncertain economic environment. The interest rates available for instant access accounts have also been more favourable than short term investments during the period. The Council continually monitors money market activity and will invest its surplus cash in line with the approved Treasury Management Strategy.

15 Debtors

The value of short term debtors as at 31 March 2013 is:

	2012/13 £000	2011/12 £000
Central government bodies	168	505
Other local authorities	707	791
NHS bodies	1	1
Other entities and individuals	2,279	1,716
Total	**3,155**	**3,013**

The value of long term debtors as at 31 March 2013 is:

	2012/13 £000	2011/12 £000
Car loans	20	7
Other	769	53
Total	**789**	**60**

16 Cash and cash equivalents

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

	2012/13 £000	2011/12 £000
Cash held by the authority	0	0
Short-term deposit with building societies and money market funds	9,262	6,888
Cash and cash equivalents on Balance Sheet	**9,262**	**6,888**
Bank overdraft	(661)	(149)
Total cash and cash equivalents	**8,601**	**6,739**

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

17 Assets held for sale

The value of assets held for sale as at 31 March 2013 is::

	2012/13 £000	2011/12 £000
Balance outstanding at start of year	**0**	**0**
Assets newly classified as held for sale:		
Other land and buildings	3,796	0
Revaluation losses	(148)	0
Balance outstanding at end of year	**3,648**	**0**

18 Creditors

The value of short term creditors as at 31 March 2013 is:

	2012/13 £000	2011/12 £000
Central government bodies	(1,522)	(1,219)
Other local authorities	(283)	(344)
NHS bodies	0	(41)
Other entities and individuals	(939)	(844)
Total	**(2,744)**	**(2,448)**

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

19 Provisions

	Other £000	Total £000
At April 2012	**(23)**	**(23)**
Arising during the year		0
Used during the year		0
At 31 March 2013	**(23)**	**(23)**
At April 2011	**(23)**	**(23)**
Arising during the year		0
Used during the year		0
At 31 March 2012	**(23)**	**(23)**

Expected timing of cash flows	2012/13 £000	2011/12 £000
Between 1 April 2013 and 31 March 2018	(23)	(23)
Total	**(23)**	**(23)**

19 Provisions continued

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.

20 Usable reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and in note 7.

21 Unusable reserves

	2012/13 £000	2011/12 £000
Revaluation reserve	6,494	6,372
Capital adjustment account	24,013	24,356
Deferred capital receipts reserve	1	1
Pensions reserve	(18,497)	(15,971)
Collection fund adjustment account	2	(19)
Accumulated absence account	(57)	(57)
Total unusable reserves	**11,956**	**14,683**

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.

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	2012/13 £000	2011/12 £000
Upward revaluation of assets	152	0
Impairment losses not charged to the surplus/deficit on the provision of services	0	(230)
Difference between fair value depreciation and historical cost depreciation	(30)	(35)
Accumulated gains on assets sold or scrapped	0	(147)
Total movement of realised capital resources in year	**122**	**(412)**
Balance at 1 April	**6,372**	**6,784**
Balance at 31 March	**6,494**	**6,372**

21 Unusable reserves continued

Capital Adjustment Account

The Capital Adjustment Account recognises 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 6 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	**2012/13 £000**	**2011/12 £000**
Balance at 1 April	**24,356**	**26,824**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non current assets	(880)	(1,446)
Revaluation losses on property, plant and equipment	(148)	0
Amortisation of intangible assets	(213)	(315)
Revenue expenditure funded from capital under statute	(901)	(1,549)
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	(974)	(1,799)
	(3,116)	**(5,109)**
Difference between current value depreciation and historical cost depreciation	30	34
Net written out amount of the cost of non-current	**(3,086)**	**(5,075)**
Capital financing applied in the year:		
Use of the Capital Receipts reserve to finance new capital expenditure	1,835	1,806
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	510	485
Statutory provision for the financing of capital investments charged against the General Fund	140	91
Capital expenditure charged against the General Fund	258	225
	2,743	**2,607**
Balance at 31 March	**24,013**	**24,356**

21 Unusable reserves continued

Pension Reserve

The Pensions reserve recognises 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	2012/13 £000	2011/12 £000
Balance at 1 April	**(15,971)**	**(13,485)**
Actuarial gains or losses on pensions assets and liabilities	(2,332)	(2,464)
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	(1,482)	(1,259)
Employer's pensions contributions and direct payments to pensioners payable in the year	1,288	1,237
Balance at 31 March	**(18,497)**	**(15,971)**

Deferred Capital Receipt Reserve

The Deferred Capital receipts reserve holds the gains recognised on the disposal of non current assets but for which cash settlement has yet to take place. Under statutory arrangements, the 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 2013 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.

Collection fund adjustments in year	2012/13 £000	2011/12 £000
Balance at 1 April	**(19)**	**(30)**
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	21	11
Balance at 31 March	**2**	**(19)**

21 Unusable reserves continued

Accumulated Absences Account

The Accumulated Absences Account recognises 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.

Accumulated absences account in year movements	2012/13 £000	2011/12 £000
Balance at 1 April	**(57)**	**(57)**
Settlement or cancellation of accrual made at the end of the preceding year	57	57
Amounts Accrued at the end of the current year	(57)	(57)
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	0	0
Balance at 31 March	**(57)**	**(57)**

22 Cash flow statement - operating activities

Total (surplus)/deficit on all revenue accounts	2012/13 £000	2011/12 £000
Comprehensive income and expenditure account (surplus)/ deficit	1,184	4,999
Net (surplus) or deficit on provision of services	**1,184**	**4,999**
Amortisation charges	(213)	(315)
Depreciation and impairment	(880)	(1,446)
Carrying amount of non-current assets sold	(974)	(1,946)
Movement in value of assets held for sale	(148)	0
Collection fund adjustment	18	36
Net changes made for retirement benefits in accordance with IAS 19	(1,482)	(1,259)
Employers contributions payable to the pension fund and retirement benefits payable direct to pensioners	1,288	1,237
Movement in stock	(7)	(14)
Movement in provision for bad debts	26	6
Movement in other provisions	0	0
Movement in debtors	(636)	(2,291)
Movement in creditors	1,782	456
Adjustment to net surplus or deficit on the provision of services for non-cash movements	**(1,226)**	**(5,536)**
Capital grants credited to surplus or deficit on the provision of services	550	235
Net interest received	83	163
Proceeds from sale of property plant and equipment	108	203
Adjustments for items included in the net surplus/deficit for the provision of services that are investing and financing activities	**741**	**601**
Net cash flows from operating activities	**699**	**64**

23 Cash flow statement - investing activities

	2012/13 £000	2011/12 £000
Purchase of property, plant and equipment, investment property and intangible assets	1,702	844
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(108)	(137)
Proceeds from short-term and long-term investments	(3,004)	(27)
Other receipts from investing activities	(829)	(735)
Net cash flows from investing activities	**(2,239)**	**(55)**

24 Cash flow statement - financing activities

	2012/13 £000	2011/12 £000
Cash payment for the reduction of the outstanding liabilities relating to finance leases	140	91
Receipts/ payments from financing activities in relation to collection of Council Tax and NNDR	(450)	1,271
Other receipts from financing activities	(12)	139
Net cash flows from financing activities	**(322)**	**1,501**

25 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 Service Reporting Code of Practice 12/13.

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.

25 Amounts reported for resource allocation decisions continued

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

2012/13	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	(399)	(2,668)	(1)	(811)
Government grants	(5,057)	(2)	0	(19,280)
Total income	**(5,456)**	**(2,670)**	**(1)**	**(20,091)**
Employee expenses	521	2,071	4	703
Other service expenses	320	4,477	55	24,734
Support service recharges	0	0	0	0
Total expenditure	**841**	**6,548**	**59**	**25,437**
Net expenditure	**(4,615)**	**3,878**	**58**	**5,346**

	Corporate and Democratic Core £000	Non-Distributed Costs £000	Other £000	Total £000
Fees, charges & other service income	(17)	0	0	(3,896)
Government grants	0	0	0	(24,339)
Total income	**(17)**	**0**	**0**	**(28,235)**
Employee expenses	3	73	0	3,375
Other service expenses	376	0	0	29,962
Support service recharges	0	0	4,475	4,475
Total expenditure	**379**	**73**	**4,475**	**37,812**
Net expenditure	**362**	**73**	**4,475**	**9,577**

25 Amounts reported for resource allocation decisions continued

2011/12 Restated	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	(420)	(3,865)	(90)	(660)
Government grants	(5,613)	(2)	0	(17,449)
Total income	**(6,033)**	**(3,867)**	**(90)**	**(18,109)**
Employee expenses	456	1,982	3	650
Other service expenses	4,845	6,160	130	18,796
Support service recharges	0	0	0	0
Total expenditure	**5,301**	**8,142**	**133**	**19,446**
Net expenditure	**(732)**	**4,275**	**43**	**1,337**

	Corporate and Democratic Core £000	Non-Distributed Costs £000	Other £000	Total £000
Fees, charges & other service income	(18)	0	0	(5,053)
Government grants	0	0	0	(23,065)
Total income	**(18)**	**0**	**0**	**(28,118)**
Employee expenses	5	693	0	3,789
Other service expenses	404	0	0	30,335
Support service recharges	0	0	4,178	4,178
Total expenditure	**409**	**693**	**4,178**	**38,302**
Net expenditure	**391**	**693**	**4,178**	**10,184**

Reconciliation

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.

	2012/13 £000	2011/12 £000
Net expenditure in the service analysis	9,577	10,184
Net expenditure of services and support services not included in the analysis	297	667
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	(528)	1,620
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	0	0
Cost of Services in Comprehensive Income and Expenditure Statement	**9,346**	**12,471**

25 Amounts reported for resource allocation decisions continued

Reconciliation to Subjective Analysis

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

2012/13	Analysis £000	Service and support not in analysis £000	Amount not reported to management for decision making £000	Amount not included in CIES £000	Total £000
Fees, charges & other service income	(3,896)		(1,150)		(5,046)
Income from council tax, government grants and contributions	(24,339)		(1,584)		(25,923)
Gain on disposal of non current assets			866		866
Interest and investment income			(85)		(85)
Demand on collection fund			(6,025)		(6,025)
Capital grant contributions			1,460		1,460
Non-domestic rate redistribution			(4,829)		(4,829)
Total income	**(28,235)**	**0**	**(11,347)**	**0**	**(39,582)**
Employee expenses	3,375				3,375
Other service expenses	29,962		(149)		29,813
Support service recharges	4,475	297			4,772
Depreciation, amortisation and impairment			148		148
Interest payments			21		21
Pension interest and costs			390		390
Precepts & levies			2,229		2,229
Transfer to collection fund			18		18
Total expenditure	**37,812**	**297**	**2,657**	**0**	**40,766**
Surplus or deficit on the provision of services	**9,577**	**297**	**(8,690)**	**0**	**1,184**

25 Amounts reported for resource allocation decisions continued

2011/12 Restated	Analysis £000	Service and support not in analysis £000	Amount not reported to management for decision making £000	Amount not included in CIES £000	Total £000
Fees, charges & other service income	(5,053)				(5,053)
Income from council tax, government grants and contributions	(23,065)		(2,079)		(25,144)
Gain on disposal of non current assets			1,743		1,743
Interest and investment income			(130)		(130)
Demand on collection fund			(5,781)		(5,781)
Capital grant contributions			(166)		(166)
Non-domestic rate redistribution			(4,181)		(4,181)
Total income	**(28,118)**	**0**	**(10,594)**	**0**	**(38,712)**
Employee expenses	3,789		(348)		3,441
Other service expenses	30,335		484		30,819
Support service recharges	4,178	667			4,845
Depreciation, amortisation and impairment			1,994		1,994
Interest payments			16		16
Pension interest and costs			434		434
Precepts & levies			2,137		2,137
Transfer to collection fund			25		25
Total expenditure	**38,302**	**667**	**4,742**	**0**	**43,711**
Surplus or deficit on the provision of services	**10,184**	**667**	**(5,852)**	**0**	**4,999**

26 Members allowances

The total amount of allowances paid to elected members during 2012/13 was £242k and £250k in 2011/12. Amounts actually paid to members for the year 2012/13 and 2011/12 are analysed below:

Nature of Expenditure	2012/13 £000	2011/12 £000
Basic allowance	170	172
Special responsibility	43	51
Travel & subsistence/ others	10	12
Civic duties	6	6
IT provision	10	6
Provision of car for civic duties	2	2
Conference fees & expenses	1	1
Total	**242**	**250**

27 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. There are no other employees* whose annual remuneration, excluding employer's pension contributions, exceeded £50,000 in 2012/13 and 2011/12. 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.

2012/13	Salary including fees & allowances	Expense** allowances	Benefits in kind	Total remuneration excluding pension contributions	Pension Contributions	Total remuneration including pension contributions
Post Title	**£**	**£**	**£**	**£**	**£**	**£**
Chief Executive	102,557	267	4,398	**107,222**	30,792	**138,014**
Executive Director	78,800	0	1,557	**80,357**	23,684	**104,041**
Head of Environmental	56,164	460	5,649	**62,273**	16,931	**79,204**
Head of Planning (02/07/12-03/03/13)	33,705	833	0	**34,538**	10,115	**44,653**
Head of ICT	56,337	0	6,566	**62,903**	16,931	**79,834**
Head of Resources & Organisational Development	56,152	0	4,393	**60,545**	16,931	**77,476**
Head of Community & Customer Service	56,158	338	4,134	**60,630**	16,931	**77,561**

2011/12	Salary including fees & allowances	Expense** allowances	Benefits in kind	Total remuneration excluding pension contributions	Pension Contributions	Total remuneration including pension contributions
Post Title	**£**	**£**	**£**	**£**	**£**	**£**
Chief Executive	102,547	265	3,363	**106,175**	25,567	**131,742**
Executive Director (leave date 8/4/12)	1,811	0	0	**1,811**	454	**2,265**
Executive Director	78,582	0	1,575	**80,157**	19,610	**99,767**
Head of Environmental	56,159	875	4,848	**61,882**	14,058	**75,940**
Head of Planning (left 31/03/12)	56,326	1,512	0	**57,838**	14,058	**71,896**
Head of ICT	56,414	0	5,833	**62,247**	14,058	**76,305**
Head of Resources & Organisational Development	56,148	0	3,878	**60,026**	14,058	**74,084**
Head of Community & Customer Service	56,130	166	3,685	**59,981**	14,058	**74,039**

***Expense allowance are primarily the reimbursement of business mileage expenses.*

<u>*Chief Finance (S151) Officer</u>

The Councils Chief Finance Officer is contracted out from Northamptonshire County Council (NCC) and currently carries out their S151 duties on a part time basis working for East Northamptonshire Council 2 days a week. The Officers remuneration has not been included in the above tables as they are fully remunerated by NCC and will be included in NCC's Statement of Accounts.

27 Officers emoluments continued

Exit Packages

The Council undertook one voluntary redundancy in 2012/13 and four compulsory redundancies as well as three voluntary redundancies in 2011/12. The exit packages for those redundancies are shown below.

Exit package cost band	Number of compulsory redundancies		Number of voluntary redundancies		Total number of exit packages		Total cost of exit packages (£)	
£	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
0-20,000		4		3		7		63,570
20,001-40,000			1		1		27,837	

28 External audit costs

The in-year audit costs relating to external audit and inspection work for both 2012/13 and 2011/12 are detailed below. These figures show the amounts "chargeable" for each financial year rather than reflecting the "actual" amounts paid.

	2012/13 £000	2011/12 £000
Fees payable with regard to external audit services carried out by the appointed auditor	59	91
Fees payable for the certification of grant claims and returns	10	20
Fees payable in respect of other services provided by the appointed auditor	0	1
Total	**69**	**112**

29 Grant income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement.

	2012/13 £000	2011/12 £000
Credited to Taxation and Non Specific Grant Income		
Revenue support grant	(94)	(1,292)
New homes bonus	(906)	(355)
Council tax freeze	0	(91)
LSS grant	(50)	(40)
Other grants	(24)	(5)
Total	**(1,074)**	**(1,783)**
Credited to Services		
Housing benefits administration grant	(505)	(530)
Housing benefits rents allowance	(19,148)	(17,987)
Council tax benefit	(4,551)	(4,550)
Homelessness	0	(10)
Disabled facility grant	(259)	(197)
NCC youth grant	0	(8)
NCC greenway project grant	(227)	(9)
Council tax support	(84)	0
Preventing repossession grant	0	(30)
Other grants	(39)	(48)
Total	**(24,813)**	**(23,369)**

29 Grant income continued

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-12 £000	Income £000	Expenditure £000	31-Mar-13 £000
Open space	(71)	0	69	(2)
Educational	(155)	(82)	99	(138)
Affordable housing	(103)	(376)	104	(375)
Community facility	(243)	(35)	250	(28)
Environmental improvements	(56)	(131)	60	(127)
Total	**(628)**	**(624)**	**582**	**(670)**

30 Related parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. A 'related party' is defined as being an organisation with which the 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 25. Grant receipts outstanding at 31st March 2013 are shown in note 29 Grant Income.

Other Public Bodies

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

		2012/13 £000	2011/12 £000
Joint Planning Unit	Corby Borough Council Kettering Borough Council Borough Council of Wellingborough Northamptonshire County Council	97	102
Internal Audit	Welland Partnership	43	48
ICT	Borough Council of Wellingborough	(451)	(470)
Financial Services	Corby Borough Council	279	324
Legal Services	Northampton Borough Council	71	0
Procurement	Welland Partnership	17	27
Central Admin Unit	Corby Borough Council Kettering Borough Council Borough Council of Wellingborough Daventry District Council	(163)	(172)

30 Related parties continued

Assisted Organisations

The council gave financial assistance to two organisations, in 2012/13, for which member interest was declared. A sum of £27k was granted to North Northants Development Company and a sum of £2k was granted to Raunds Art Group. There were no other declarations of significant member interest in 2012/13.

All grants in 2012/13 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 were £314k in 2012/13 and £263k in 2011/12.

Officers

No material officers interests were reported in 2012/13.

31 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.

	2012/13 £000	2011/12 £000
Opening capital financing requirement	**(1,462)**	**(2,401)**
Capital investment		
Property, plant and equipment	1,451	1,751
Intangible assets	241	245
Infrastructure assets	10	0
Revenue expenditure funded from capital under statute	901	1,549
Sources of capital finance		
Capital receipts	1,835	1,805
Capital grants	510	485
Contribution from general fund	258	225
Repayment of finance lease	0	91
Closing capital financing requirement	**(1,462)**	**(1,462)**
Explanation of movements in year		
Assets acquired under finance lease	0	939
Increase/(decrease) in capital financing requirement	**0**	**939**

Capital expenditure was incurred largely on the refurbishment of the Nene Community Centre, refurbishment of dwellings in the form of disability facilities adaptations, purchases of recycling receptacles and I.T Licenses.

32 Leases

Authority as Lessee; Operating Leases

Other Land and Buildings

The Council sub-let space from Oundle International Festival since December 2010. The Rent payable in 2012/13 was £9k (2011/12, £9k). The Council has a commitment to make a further payment of £6k in 2013/14.

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 where no payments are received.

Other operating leases also let on a peppercorn basis where no payments are received or where annual payments received are less than £100 include:

- Allotments at Crouch Road, Irthlingborough - land leased to Irthlingborough Town Council for the use of allotments.

- 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 which generate an income of greater than £100 Include:

- Dove Dale Herne Park - bungalow leased to the Trustees of Oundle Rural MIND on an annual renewal basis. Rentals received in 2012/13 was £3k (2011/12, £3.5k).

- Industrial Units - 21 units at Enterprise Road, Raunds and Kingsmead, Kings Cliffe. Rentals received in 2012/13 was £92k (2011/12, £103K). The minimum lease payment receivable for these industrial units is not material therefore no disclosure has been made.

Authority as Lessee; Finance Leases

The Council has entered into a service contract for the provision of environmental services such as refuse collection and street cleansing. A review of the arrangement has indicated that there is a embedded finance lease included in the contract in relation to the assets being used to carry out the service. As a result the Authority is required to include these assets (refuse collection vehicles) on its Balance Sheet and recognise a liability which in essence will be a payment for the acquisition of the vehicles over the term of the contract. The service contract was entered into on August 2011 for a period of 7 years.

32 Leases continued

The assets acquired under the lease are carried as property, plant and equipment in the Balance Sheet at the following net amounts:

	2012/13 £000	2011/12 £000
Vehicles, plant & equipment	883	1,030
Total	**883**	**1,030**

The Authority is committed to making minimum payments under this embedded lease comprising settlement of the long-term liability for the interest in the vehicles acquired by the Authority and finance costs (based on a 7 year Public Works Loan Boards loan rate of 2.27%) that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

Finance lease liabilities (net present value of minimum lease payments)	**2012/13 £000**	**2011/12 £000**
Current liability	136	136
Non current liability	591	727
Finance costs payable in future years	54	75
Minimum lease payments	**781**	**938**

The minimum lease payments will be payable over the following periods:

	Minimum lease payments		**Finance lease liabilities**	
	2012/13 £000	**2011/12 £000**	**2012/13 £000**	**2011/12 £000**
Not later than one year	154	157	161	160
Later than one year and not later than five years	627	735	697	804
Later than five years	0	46	0	54
	781	**938**	**858**	**1,018**

33 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 3.

An impairment review was carried out by our Valuers Wilks Head & Eve as at 31st March 2013. The reviewed showed no evidence to suggest that any Impairment had occurred during the year.

However the assets valued in 2009/10 under the Depreciated Replacement Cost (DRC) method were impaired in 2011/12 as the finance cost relating to the assets are no longer allowed to be capitalised under International Financial Reporting Standards (IFRS).

34 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 increased due to falling real bond yields;
- the deficit has been partially offset by strong asset returns;
- the projected pension expense for next year has also risen due to falling bond yields and the expected return of assets assumptions for 2013/14 has reduced to the changes in IAS 19 that come into effect next year.

The amounts in the financial statements at the 31 March 2013 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 2013 are as follows:

	2012/13 £000	**2011/12 £000**
Net cost of services		
Current service (cost)	(813)	(825)
Past service (cost)/ gain and curtailment (cost)/ gain	(60)	0
Net operating expenditure		
Interest (cost)	(1,892)	(1,987)
Expected return on assets in the scheme	1,283	1,553
Amount to be met from government grants and local taxation		
Movement on pensions reserve	194	22
Actual amount charged against council tax for pensions in the year		
Employer’s contributions payable to the scheme	(1,288)	(1,237)

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

	2012/13 £000	**2011/12 £000**
Actuarial gains/ (losses)	(2,332)	(2,464)
Increase/ (decrease) in irrecoverable surplus from membership		
Actuarial gains/ (losses) recognised in SRIE	(2,332)	(2,464)
Cumulative actuarial gains and losses	**(15,773)**	**(13,441)**

34 Defined benefit pension scheme continued

Amount recognised in Balance Sheet

The assets values as at 31 March 2013 are at bid value as required under IAS 19:

	2012/13 £000	2011/12 £000
Surplus/ (deficit) in the fund at 1 April	**(15,971)**	**(13,485)**
Contributions paid	1,288	1,237
Current service cost	(813)	(825)
Curtailment loss 2011/12 adjustment	(29)	0
Curtailment loss	(31)	0
Interest cost	(609)	(434)
Actuarial gain/ (loss) 2011/12 adjustment	(291)	0
Actuarial gain/ (loss)	(2,041)	(2,464)
Surplus/ (deficit) in the fund at 31 March	**(18,497)**	**(15,971)**

Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

	2012/13 £000	2011/12 £000
Opening defined benefit obligation	**39,579**	**36,267**
Current service cost	813	825
Interest cost	1,892	1,987
Contributions by members	281	300
Actuarial losses / (gains)	4,128	1,616
Losses / (gains) on curtailments 2011/12 adjustment	29	0
Losses / (gains) on curtailments	31	0
Estimated unfunded benefits paid	(57)	(57)
Estimated benefits paid	(1,497)	(1,359)
Closing defined benefit obligation	**45,199**	**39,579**

Reconciliation of fair value of the scheme assets:

	2012/13 £000	2011/12 £000
Opening fair value of employer assets	**23,608**	**22,782**
Expected return on assets	1,283	1,553
Contributions by members	281	300
Contributions by the employer	1,231	1,180
Contributions in respect of unfunded benefits	57	57
Actuarial gains / (losses) 2011/12	(291)	0
Actuarial gains / (losses)	2,087	(848)
Unfunded benefits paid	(57)	(57)
Benefits paid	(1,497)	(1,359)
Closing fair value of employer assets	**26,702**	**23,608**

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 2012/13 was £3.376m and in 2011/12 was £0.711m.

34 Defined benefit pension scheme continued

Scheme History

	2012/13 £000	2011/12 £000	2010/11 £000	2009/10 £000	2008/09 £000
Fair value of employer asset	26,702	23,608	22,782	22,288	16,032
Present value of defined benefit obligation	(45,199)	(39,579)	(36,267)	(44,518)	(28,264)
Surplus/(deficit)	(18,497)	(15,971)	(13,485)	(22,230)	(12,232)
Experienced gains/ (losses) on assets	2,087	(848)	(1,270)	4,896	(5,922)
Experienced gains/ (losses) on liabilities	30	(537)	3,916	(109)	(67)

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 2013 is £1.221m.

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	2012/13 % p.a	2011/12 % p.a
Inflation / Pension Increase Rate	2.80	2.50
Salary Increase Rate	5.10	4.80
Expected Return on Assets	4.50	5.90
Discount Rate	4.50	4.80

Expected rate of return on assets	2012/13 % p.a	2011/12 % p.a
Equities	4.50	6.30
Bonds	4.50	4.00
Property	4.50	4.40
Cash	4.50	3.50

Split of assets between investment categories	2012/13 % p.a	2011/12 % p.a
Equities	73	82
Bonds	22	10
Property	5	6
Cash	0	2

34 Defined benefit pension scheme continued

Mortality

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

	2012/13		2011/12	
	Years		Years	
	Males	Females	Males	Females
Current pensioners	21.4	23.3	21.4	23.3
Future pensioners	23.4	23.5	23.4	25.5

History of Experienced Gains and Losses

The actuarial gain/(loss) identified as movements on the pensions reserve in 2012/13 can be analysed into the following categories and measured as a percentage of assets and liabilities as at 31 March 2013:

Analysis of actuarial gain/(loss)	2012/13 £000	2011/12 £000	2010/11 £000	2009/10 £000	2008/09 £000
Difference gain/(loss) between the expected and actual rate of return on assets	2,087	(848)	(1,270)	4,896	(5,922)
% of assets	7.82%	3.59%	5.57%	22.00%	36.90%
Difference between actuarial assumptions about liabilities and actual experience	30	(537)	3,916	(109)	(67)
% of liabilities	0.07%	1.36%	10.70%	0.20%	0.20%
Changes in the demographic and financial assumptions used to estimate liabilities	(4,158)	(1,079)	2,612	(14,465)	7,013
% of liabilities	9.20%	2.73%	7.20%	32.50%	24.80%
Net gain/(loss)	(2,041)	(2,464)	5,258	(9,678)	1,024
% of liabilities	4.52%	6.23%	14.50%	21.70%	3.60%

The information included for all of the pension disclosure is provided by Hyman Robertson LLP, the Actuary for the Pension Fund. Further information can be found in The Annual Report of the Northamptonshire County Council Pension Fund and is available on request from the Pensions Manager, LGSS Pensions Service, Northamptonshire County Council, John Dryden House, 8-10 The Lakes, Northampton NN4 7YD (Telephone: 01604 366537).

35 Commitment, guarantees and contingent liabilities

East Northamptonshire Council is a defendant in proceedings brought by a group of Property search companies for refunds of fees paid to the Council to access Land Charges data. A second group of property search companies are also seeking refunds of Land Charges search fees and may also bring a claim against the Council for alleged anti-competitive behaviour. Presently the value of both the groups claims cannot be quantified. It is also possible that additional claimants may come forward to submit refund claims but none have come forward at present.

36 Exceptional item

Income of £1,150k was received as compensation for the defective Nene Centre roof. This was a one off payment and falls outside the normal activities of income which is generated from cultural and related services.

37 Prior period adjustment

Council Tax Benefit payments and subsidy have been reclassified from other housing services to central services to the public which is in line with the requirements of the Service Reporting Code of Practice (SeRCOP).

Reclassification of Council Tax Benefit	**31st March 2012 £000**	**Prior Period Adjustment £000**	**Restated 31st March 2012 £000**
Other Housing Services - CIES Net Cost of Services (Gross Expenditure)	25,089	(4,497)	20,592
Other Housing Services - CIES Net Cost of Services (Gross Income)	(23,738)	5,080	(18,658)
Central Services to the Public - CIES Net Cost of Services (Gross Expenditure)	1,963	4,497	6,460
Central Services to the Public - CIES Net Cost of Services (Gross Income)	(666)	(5,080)	(5,746)

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.

2011/12 £000		Note	2012/13 £000	£000
	INCOME			
(38,320)	Net council tax receivable		(39,005)	
(4,497)	Council tax benefit transferred from general fund		(4,508)	
				(43,513)
(20,355)	Non domestic rates		(20,508)	
				(20,508)
(63,172)	**TOTAL INCOME**			(64,021)
	Precepts and demands	3		
31,357	Northamptonshire County Council		31,563	
5,893	The Police and Crime Commissioner for Northamptonshire		5,931	
5,781	East Northamptonshire Council		6,025	
				43,519
	Non domestic rates	2		
19,914	Payment to the national pool		20,353	
98	Cost of collection		98	
				20,451
	Contributions to provisions for bad and doubtful debts			
343	Non domestic rates		58	
(32)	Council tax		129	
				187
	Contributions			
(267)	Transfer / payment of surplus	4	(287)	
				(287)
63,087	**TOTAL EXPENDITURE**			63,870
(85)	**MOVEMENT ON FUND DURING YEAR**			(151)
224	**FUND BALANCE BROUGHT FORWARD (SURPLUS) / DEFICIT**			139
139	**FUND BALANCE YEAR END**	5		(12)

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 2012/13 are detailed below:

Tax Band	Band D Multiplier	Number of Domestic Properties 2012/13	Band D Equivalent 2012/13	Band D Equivalent 2011/12
Disabled	5/9	14	8	7
A	6/9	7,742	5,162	5,196
B	7/9	9,076	7,059	6,975
C	8/9	5,375	4,778	4,741
D	9/9	4,614	4,614	4,530
E	11/9	3,304	4,039	4,040
F	13/9	2,077	3,000	2,983
G	15/9	1,228	2,047	2,035
H	18/9	120	240	238
Total		**33,550**	**30,947**	**30,745**

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 amount of £20.353m was payable by the Council into the pool for the year, the amount distributed to it was only £4.829m.

The total Non-Domestic rateable value at 31 March 2013 was £54.576m. The equivalent figure for 31 March 2012 was £55.137m.

The National Non-Domestic rate multiplier for 2012/13 was 45.8p. The equivalent figure for 2011/12 was 43.3p. The Small Business Rate Multiplier for 2012/13 was 45.0p. The equivalent figure for 2011/12 was 42.6p.

3 Precepts and demands

Northamptonshire County Council and the Police and Crime Commissioner for Northamptonshire 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 2012/13 and 2011/12 were as follows:

	2012/13 £000	2011/12 £000
Northamptonshire County Council	31,563	31,357
The Police and Crime Commissioner for Northamptonshire	5,931	5,893
East Northamptonshire Council	6,025	5,781
Total precepts and demands	**43,519**	**43,031**

4 Collection fund surplus/ deficit

The precepts detailed on 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, The Police and Crime Commissioner for Northamptonshire 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:

Payments of surplus	2012/13 £000	2011/12 £000
Northamptonshire County Council	(209)	(194)
The Police and Crime Commissioner for Northamptonshire	(39)	(37)
East Northamptonshire Council - council tax	(39)	(36)
Total surplus	**(287)**	**(267)**

5 Collection fund balance

The balance on the Collection Fund at the 31 March 2013, a surplus of £12k (31 March 2012 - £139k deficit), 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 2012/13, the Council wrote to both Northamptonshire County Council and the Police and Crime Commissioner for Northamptonshire advising them that our estimated year-end balance for 2012/13 would be a £1k surplus. The actual balance at 31 March 2013 was a surplus of £12k. The difference has been allocated between the Authorities based on the demands placed on the Council's Collection Fund for 2012/13.

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

	2012/13 £000	2011/12 £000	Movement £000
Northamptonshire County Council	(8)	101	(109)
The Police and Crime Commissioner for Northamptonshire	(2)	19	(21)
East Northamptonshire Council - council tax	(2)	19	(21)
Total deficit	**(12)**	**139**	**(151)**

6 Provision 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:

	2012/13 £000	2011/12 £000
Council tax	481	445
Business rates	70	220
Total provision	**551**	**665**

EAST NORTHAMPTONSHIRE COUNCIL
ANNUAL GOVERNANCE STATEMENT 2012/13

1 Scope of responsibility

East Northamptonshire Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

East Northamptonshire Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

East Northamptonshire Council has approved and adopted a local code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the authority's code is on our website at http://www.east-northamptonshire.gov.uk/codeofgovernance or can be obtained from the council's Democratic Services.

This statement explains how East Northamptonshire Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

2 The purpose of the governance framework

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

The budgetary process continues to challenge the value for money and performance of all services to deliver a robust and sustainable budget. Members work jointly with officers to scrutinise the process and help shape the financial future of the Council.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the authority's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at East Northamptonshire Council for the year ended 31 March 2013 and up to the date of approval of the statement of accounts.

3 The governance framework

Communicating the Authorities vision

East Northamptonshire Council communicates its vision and objectives through the Corporate Plan for 2011 – 2015. This document is available on the Councils website. The plan has been developed in consultation with strategic partners and sets out how the Council will work with its communities to sustain a thriving district.

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

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

The Council will assess whether it has achieved the outcomes each year to ensure that it continues to strive for a thriving district. The Council monitors and assesses its achievement of the outcomes through routine performance monitoring.

It is able to achieve this through the Corporate Plan links to Service plans, Team plans and objectives as well an individuals performance development reviews.

The outcome of performance monitoring is reported to Scrutiny Committee on a regular basis.

Reviewing and translating the vision

The Corporate Plan covers the period 2011 to 2015. A review is planned to take place during 2014, which will include analysis of he on-going relevance of the priorities and outcomes, plus effectiveness at facilitating accountability to the public.

Any implications for the Council's governance arrangements arising from this review will be addressed and incorporated into updates of the Constitution, Corporate Plan and individual Service Plans developed to support the achievement of corporate outcomes.

A corporate governance review is well underway, including the local code of governance. This review will take into account legislative changes including the Localism Act. Any revisions will be considered by Scrutiny Committee/Policy & Resources Committee before adoption by full Council.

The Council's partnership protocol identifies the vision for each partnership, which is linked to the outcomes identified in the Corporate Plan. This protocol is being used to review the effectiveness of the Councils 8 key partnerships.

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

- Council Website
- Nene Valley News
- Local Media
- Council Tax Leaflet
- Corporate Leaflets
- Consultation
- Reports & public documents
- Displays, exhibitions & road shows
- "In House" Newsletter
- Social Media (Twitter, Facebook)

The Council holds an Annual East Northamptonshire Youth Conference, which allows the Council to communicate and deal with issues raised by young people. It allows for issues to be debated and discussed.

Quality of Service

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

The Corporate Plan identifies High Quality Service Delivery as a key corporate outcome. Individual Service Plans set out how the outcomes are translated into lower-level outcomes, measures and targets. A Performance Management Framework has been implemented to monitor and measure the council's performance against the targets. The output of quarterly performance clinics is reported to Scrutiny Committee.

Two Councillors from Scrutiny Committee have special responsibility for Performance and Risk Management and work with officers to monitor and improve the performance reporting.

A Residents Panel made up of 900 volunteers across the District takes part in a consultation process to give feedback on the Council's services. In 2012/13, Panel members were surveyed and consulted on their preferences for receiving information from and communication with the Council. The feedback included the public perception of their feeling of safety within the district, perceptions on how they can influence decision making and participation in leisure and health activity.

Roles and responsibilities

The constitution sets out the roles and responsibilities of each committee and includes an extensive scheme of delegation that is reviewed periodically.

The constitution clearly defines the roles and responsibilities including relationships of the statutory officers (Chief Executive, Chief Finance Officer and Monitoring Officer), Members and Council officers and the codes and protocols under which they should operate.

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

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

The 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, ensuring compliance with relevant laws and regulations, internal policies and procedures. All reports to committees are scrutinised and signed by the MO (or, in her absence, the Deputy MO) before being presented.

The Chief Finance Officer (S151 Officer) has a statutory responsibility to ensure that Council's financial affairs are properly undertaken and that the Council is suitably safeguarded from loss. The authority's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

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

The Welland Internal Audit Consortium delivers this role to the Council. This is now the sixth year of service delivery and the consortium continues to make a positive contribution to the Council's control framework. The authority's assurance arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010).

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 Scrutiny Committee and Policy & Resources Committee. The Policy & Resources Committee is considered to be "those charged with governance" and receives reports from the External Auditor. Further review of this arrangement is currently being undertaken with Member involvement.

Standards of behaviour

The constitution is available to all staff through the intranet and to the public on the Council's website. The constitution contains clear Codes of Conduct for both Members and officers and a protocol for Member/Officer relations.

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

The Personal Development Review (PDR) process is in place to support employees across the organisation. Through this, regular line management meetings and team meetings, employees are updated and reminded about the standards of behaviour expected by the Council.

Responses by Members and officers to the Corporate Governance Survey undertaken by Internal Audit in 2012 demonstrate a good understanding of the standards of behaviour and conduct

Decision making

A comprehensive Member induction programme was undertaken after the May 2011 election. Members received training in the law and procedures relating to local government, the principles of sound decision making and the different Committees of the Council.

The Members Induction Programme and subsequent training and development activity, offers a wide range of training sessions. These vary from how the Council and its Committees work to IT, the internet, financial management and general skills such as speed reading and effective chairmanship.

Where complex decisions are required, e.g. discussions on the future Medium Term Financial Strategy or issues relating to housing policies, Member working parties have been set up or seminars have been held to facilitate understanding by Members.

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 reference to risk management, financial, legal, equalities and other matters. This allows the Council to demonstrate where it is meeting all relevant legislation and guidance and provides consistency for Members when providing challenge and scrutiny.

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 of the Council have to be made.

Counter Fraud & Risk Management

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 formally reviewed on a quarterly basis through the performance clinics within the performance management framework.

The risk management process is overseen by the Finance Manager, who ensures the content and categorisation of risks is regularly reviewed.

The Council has a Counter Fraud & Corruption Strategy, which is regularly reviewed.

The Council's Counter Fraud and Corruption Strategy is based on a series of comprehensive and inter-related procedures designed to deter, frustrate, or take effective action against any attempted fraudulent or corrupt acts affecting the Council.

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

- An Anti-Fraud & Corruption Policy Statement which emphasises the importance of probity to all concerned
- Member support and codes of conduct for Members and Officers
- Confidential Reporting code i.e. "Whistleblowing" policy
- Complaints Procedures
- Procedural Rules for staffing, financial and procurement matters
- Sound internal control systems, procedures and reliable records
- Effective internal audit arrangements
- Professional Fraud Investigators
- Effective recruitment procedures
- Staff Disciplinary Procedure
- Commitment to ensure compliance with external standards
- Induction and training, clear responsibilities, accountabilities and standards.

The Council reviewed its Whistle-blowing Policy in 2011, and has included the names of two Councillors as additional points of contact. Awareness of the Whistle-blowing Policy is raised with all new starters by the Monitoring Officer. The Policy is available to all staff on the Council's intranet.

The Council continues to monitor feedback and complaints from the public, including the ombudsman. The Council reviews complaints about Councillors in accordance with the procedures outlined in the Constitution.

4 Review of effectiveness

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

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 Executive Director/Monitoring Officer, the Chief Finance Officer and Heads of Service. They meet weekly and provide a forum for overall planning, performance monitoring and decision making in connection with Council services. CMT is 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 it has 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 Executive Director and Chief Finance Officer, though in practice this is largely delegated to the Heads of Service. Therefore, annually the Heads of Service are required to certify a '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 which underpin the internal control framework. Where exceptions exist, there is a requirement to disclose these so that consideration can be given to the overall effect they may have on the effectiveness of the Council's internal control environment and the preparation of the Annual Governance Statement. Heads of Service are also required to review and identify any emerging risks that may threaten service delivery.

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 (P&R) Committee. The Committee receives performance reports from the new performance clinic framework and 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.

An annual report is produced for consideration at the meeting of Scrutiny Committee. This report will summarise the activities of the Scrutiny Committee for the year 2012/13 and set out its programme of work for the forthcoming year.

The Scrutiny Committee's work plan for 2013 will focus around the importance of engagement with partners, reviews of services and performance of the Council as a whole. It will also focus on work to monitor progress following reviews previously undertaken by the Committee. The work programme will be structured in a way that ensures priority is given to progress made towards achieving the Council's Priority Outcomes as set out in the Corporate Plan 2011-15.

Standards Arrangements

The Council established the East Northamptonshire Standards Board in 2007 to discharge the functions conferred by Part III of the Local Government Act 2000.The key role and function of the Board was 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 had 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.

Under the Localism Act 2011, the arrangements for Standards, including the Code of Conduct for Councillors, the process for handling complaints against Councillors and the format of the Standards Board, changed on 1 July 2012. Significant work was been undertaken by councillors, in consultation Town and Parish Councils, to develop future arrangements for the area.

A Joint Standards Complaint Committee was created, comprising seven ENC Councillors and seven Town and Parish Councillors, to enable the maintenance of a high quality of member conduct. The constitution was also updated to reflect the new arrangements.

In line with the Localism Act, an Independent Person and Reserve were appointed by the council to support the assessment of complaints against councillors. Training in the new arrangements was provided to Councillors and all signed up to abide by the Constitution which includes the new Code of Conduct for Councillors. Other functions previously carried out by the Standards Board were transferred in July to the Scrutiny Committee:

- 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.

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 2012/13, the Welland Internal Audit Consortium delivered 230 days of audit work and advice to CMT as requested.

External Audit

External Audit is responsible for providing an opinion in connection with the Council's financial statements. For the year ended 31 March 2012 an unqualified (or satisfactory) opinion was issued in September 2012 and presented to the Policy & Resources Committee for approval.

For 2012/13, the Council's External Auditors have changed from the Audit Commission to KPMG.

The Annual Governance Report was presented to the Policy & Resources Committee in September 2012. 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 "important weaknesses" in the Council's internal control arrangements.

Section 151 Officer and Monitoring Officer

The Council's Section 151 Officer and Monitoring Officer roles are provided by the Chief Finance Officer and Executive Director respectively. As part of their statutory roles, 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.

The Chief Finance Officer and Executive Director acknowledge and have demonstrated active management of their responsibilities for the governance.

During the 2012/13 financial year the Council's Section 151 Officer role has been undertaken by one officer. Following a review of its management structure the Council decided that the optimum way of accessing strategic financial advice was to buy in Chief Finance Officer (and Section 151 Officer) support from another council. Since November 2011 this has been provided by Northamptonshire County Council through its shared service, LGSS.

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 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 reports in connection with its abilities to meet health and safety at work requirements and, where necessary, acted on these.

Financial Management Arrangements

The Council continues to go through a period of great change, as it delivers the Council's objectives with fewer resources and through new mechanisms for delivery. The Council believes that it is even more important to ensure that strong governance continues throughout the organisation.

The Council's MTFS covers a four year period. Such an approach to financial planning provides the platform by which the Council can look to deliver public services in accordance with local priorities. Moreover, through 'scanning the horizon' and anticipating necessary change at the earliest opportunity, the Council can plan and react accordingly both to secure its financial position and to protect services.

The MTFS was updated throughout 2012/13. The updated MTFS, following the Local Government Settlement, was presented to Council on 27 February 2013 as part of the budget setting process for 2013/14. Members have up-to-date financial information about not only the current but also the medium term outlook for decision making purposes.

The Council has a set of Financial Procedure Rules and Contract Procedure Rules within its Constitution, which govern the way in which financial matters are conducted. The Contract Procedure Rules are under review currently. The Financial Procedure Rules are considered to be fit for purpose, but will be reviewed during 2013/14.

The financial statements have been prepared on a going concern basis. The Council believes that the functions and services delivered by the Council will continue in operational existence for the foreseeable future.

Declaration

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

The overall assessment is that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. We are satisfied that there are appropriate plans in place to address any weaknesses and ensure continuous improvement in the system of internal control.

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 significant new issues were identified in 2012/13 following the annual assessment of the review of effectiveness and therefore no new action plan has been developed.

During 2012/13 Internal Audit have made a number of recommendations which will build upon and improve the internal control systems in place across the Council. Plans are being developed to implement the internal audit recommendations during the next financial year.

We propose over the coming year to take steps to address the outstanding matters to further enhance our 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.

6 Signed

Signed:

Date:

David Oliver
Chief Executive

Signed:

Date:

Cllr. Steven North
Leader of the 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 non current.

- 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.

Council Tax
The main source of local taxation to local authorities. Council tax is levied on households within its area by the billing authority and the proceeds are paid into its Collection Fund for distribution to precepting authorities and use by its own General Fund.

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.

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.

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.

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.

SORP (Statement of Recommended Practice)
The SORP is a code of practice that has been developed by the CIPFA/LASAAC Joint Committee in accordance with the Accounting Standards Board (ASB) code of practice for the development of Statements of Recommended Practice in accounting.

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 the members of East Northamptonshire Council

We have audited the financial statements of East Northamptonshire Council for the year ended 31 March 2013 on pages 9 to 22 and 24 to 65. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of the Authority, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the members of the Authority, as a body,those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices 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 financial statements sufficient to give reasonable assurance that the financial 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 Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31March 2013 and of the Authority's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Matters on which we are required to report by exception

The Code of Audit Practice 2010 for Local Government Bodies requires us to report to you if:

- the annual governance statement set out on pages 66 to 74 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the explanatory foreword for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under section 11 of the Audit Commission Act 1998; or
- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

We have nothing to report in respect of these matters

Conclusion on East Northamptonshire Council'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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves 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 us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, 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 us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31March 2013.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we 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 our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are 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 31March 2013.

Certificate

We certify that we have completed the audit of the financial statements of East Northamptonshire Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice 2010 for Local Government Bodies issued by the Audit Commission.

Neil Bellamy

for and on behalf of KPMG LLP, Appointed Auditor

Chartered Accountants

1Waterloo Way
Leicester
LE16LP
27 September 2013