



Statement of Accounts

2009-10



Northamptonshire
County Council

Contents	Page
-----------------	-------------

Foreword by the Leader of Northamptonshire County Council	1
Explanatory Foreword	3
Statement of Responsibility	17
Independent Auditor’s Reports	19
Statement of Accounting Policies	23
The Core Financial Statements	33
Income and Expenditure Account	34
Statement of Movement on the General Fund Balance (SMGFB)	35
Statement of Total Recognised Gains and Losses (STRGL)	37
Balance Sheet	38
Cash Flow Statement	40
Notes to The Core Financial Statements	41
The Annual Governance Statement (AGS)	85
Firefighters’ Pension Fund Statement	99
Northamptonshire Local Government Pension Scheme Accounts	103
Glossary	117

Foreword by the Leader of Northamptonshire County Council

The financial year 2009-10 saw the County Council undertake a great deal of work to modernise and improve how it operates and delivers services. We have taken the tough decisions necessary to ensure that the Council will be well placed to meet the very real financial challenges that now lay ahead of us.

An important aspect of this new way of working will be the development of our Local Government Shared Services programme which will deliver improved back office services, but also significant future savings. It is clear that increasingly we are being asked to do more with less, a challenge that affects everyone across the public sector in Northamptonshire. By developing new ways of delivering services, along with better partnership working, we can continue to balance efficiencies with extra investment in key areas as we lay the foundations for the big challenges ahead.

As we look ahead, it is clear that we face reductions in public spending as the new government looks to reduce the nation's budget deficit. We have met previous financial and managerial challenges with imagination and discipline and we will continue to do so and be proud to make Northamptonshire a great place to live and work.



Jim Harker

Councillor Jim Harker
Leader of Northamptonshire County Council

Blank Page

Explanatory Foreword

The purpose of this foreword is to provide the reader with:

- An explanation of the accounting statements which follow.
- A review of the Council's performance in 2009-10.
- An indication of the Council's financial position as at 31st March 2010.

Explanatory Foreword

INTRODUCTION

1. Format

This document presents the statutory financial statements for Northamptonshire County Council (NCC) for the period 1 April 2009 to 31 March 2010 and gives a brief summary of the overall financial position of the County Council.

The accounts are presented in the format recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Under the CIPFA Best Value Accounting Code of Practice (BVACOP), local authorities have to present their accounts in a standardised format to make sure that all authorities are consistent, and to make their accounts easier to compare. Our Core Financial Statements use this format and meet the conditions of the code.

2. The 2009-10 Accounts

The Core Financial Statements are set out on pages 33-40. They include:

- The Income and Expenditure Account and the Statement of Movement on the General Fund Balance (SMGFB), which detail the income and expenditure for all services we have provided or funded during 2009-10.
- The Balance Sheet, which sets out our financial position as at 31 March 2010.
- The Statement of Total Recognised Gains and Losses (STRGL), which details all the gains and losses for the Council in 2009-10, including movements on fixed assets and pensions.
- The Cash Flow Statement, which details cash transactions during the year.

Also set out on pages 99-116 are:

- The Northamptonshire Local Government Pension Scheme accounts, which show income into the Pension Fund in 2009-10 and the benefits paid.
- The Northamptonshire Local Government Pension Fund Net Assets Statement, which sets out the Pension Fund's financial position as at 31 March 2010.
- Northamptonshire Fire & Rescue Service Pension Fund Statement and Net Assets Statement as at 31 March 2010.

The Core Financial Statements have been prepared on the basis of the Accounting Policies described on pages 23-31. Additionally, the figures within The Core Financial Statements are explained in more detail in the notes on pages 41-84.

POLICY REVIEW

3. Relevant Priority Outcomes

For 2009-10 budget was delivered against the vision "to make Northamptonshire a great place to live and work". To bring this to life the council targeted four specific outcomes to help deliver for people:

- safer and stronger communities.
- a prosperous county that is clean and green.
- a secure, healthy and independent.
- a smaller more enabling Council, focused on customers.

During the period under review the Council adopted a new Vision, Specific Outcomes and Core Purpose. In addition, as an organisation we have developed a set of principles which define what we are here for – our core purpose:

- We are here to help you help yourself.
- We are here to help you when you can't help yourself.
- We want you to see us as a trusted advocate.

For more information please visit our website at: www.northamptonshire.gov.uk

PERFORMANCE REVIEW

4. Performance

In 2009-10 we have maintained the momentum of our improvement journey. 63% of our key corporate indicators are on or exceeding target at the year end. This strong performance has resulted in real, tangible outcomes for our customers and communities.

In our Council Plan for 2009-10 we identified four corporate outcomes.

We said we wanted **Safer, freer and stronger communities**. Our achievements during 2009-10 include:

- A fall in the number of serious acquisitive crimes per 1,000 population from 18.52 to 14.84.
- A fall in the rate of proven re-offending by young offenders from 1.3 to 0.92.
- A reduction in the number of primary fires from 258 to 222 per 100,000 population.

We said we wanted a **Cleaner, greener and more prosperous county**. Our achievements during 2009-10 include:

- A reduction in the proportion of all waste sent to landfill.
- The creation or safeguarding of 1,765 jobs.

We said we wanted a **Secure, healthy & independent future for our children, young people and our adults**. Our achievements in 2009-10 include:

- Adult Social care services now judged to be 'performing well' by the Care Quality Commission.
- 2,342 clients and carers have been provided with self directed support or direct payments by Care service.
- The proportion of all our customers and carers who receive a service during the year, who choose to control their own care and support with a personal budget, more than doubled to 15.23% in 2009-10 from 6.40% in 2008-09.
- Support for carers increased during the year. The number of carers who have had carer's assessments that has led to carer's service, as a proportion of all customers and carers receiving services has increased to 25% this year compared to 17% last year.
- Maintaining our satisfactory rating for our safeguarding work following the successful outcome of Ofsted's unannounced inspection of our frontline social work practice in the summer.
- GCSE results improving faster than the national average – 48.9% of our young people achieved 5 GCSE's at A* to C including English and Maths, an increase of 6.3% over the last two years.
- The number of schools in special measures has reduced from 10 to 8 in the last year.

We said we wanted a **Smaller, more enabling council focused on our customers**. Our achievements in 2009-10 include:

- An expanded range of services available through our Customer Services Centre.
- The Customer Services Centre achieved its target for customer responsiveness.
- Our financial revenue outturn was within budget.

These positive outcomes have been underpinned by a much stronger culture of performance management, self awareness and transparency across the Council. At the end of 2008-09 data was unavailable for 7% of our corporate performance indicators and 18% of those reported did not have year end targets set. This year we are able to report on 98% of our indicators.

Our focus on performance improvement and delivery has already manifested itself in improved outcomes for our customers and communities. However, we are not complacent. We recognise that in some areas our performance is not at the levels we want it to be. We remain focused on ensuring we set sufficiently stretching targets and that we deliver.

Comprehensive Area Assessment

Comprehensive Area Assessment (CAA) came into operation from 1 April 2009. CAA assesses how well partners (including the County Council) collectively understand the needs of the communities they are serving, deliver outcomes and improvements that reflect these priorities, and have good prospects for future improvement. CAA also includes a scored organisational assessment for local authorities comprising *Use of Resources* and *Managing Performance*.

The first year of CAA results were published on 10th December 2009. The results were formally reported to Cabinet on 15th December 2009.

a) Comprehensive Area Assessment Results

Organisational Assessment

The Organisational Assessment of Northamptonshire County Council comprises Managing Performance and Use of Resources assessments. The County Council was assessed as **Performing Well** for Managing Performance and **Performing Adequately** for Use of Resources.

Overall the County Council has been assessed as **Performing Adequately**.

Area Assessment

The Area Assessment aims to focus on the quality of life for those living in an area and the prospects for improvement (in two tier areas the area is the County). The starting point is the Local Area Agreement and Sustainable Communities Strategy with a focus on local priorities as well as national themes.

The Area Assessment is not scored and is reported by way of a narrative with a system of red and green flags.

- Green flags are used to identify innovative practice or exceptional success. We have one **green flag** – denoting exceptional outcomes or innovation. This has been awarded for the recovery and rejuvenation in the north of the county.
- Red flags are used to indicate significant concerns about outcomes, performance or future prospects not being adequately addressed. We have one **red flag** – identifying that action

is needed. This has been given to reflect the need for partners to work more closely to combat the harm caused by alcohol.

b) Annual Performance Assessment of Adult Social Care Services

In April 2009 the Commission for Social Care Inspection, the Healthcare Commission and the Mental Health Act Commission were merged into the new Care Quality Commission (CQC). CQC is responsible for making an annual assessment of how the council promotes adult social care outcomes for people in Northamptonshire. Overall grade - **Performing Well**

c) Children's Services Annual Rating

Ofsted are responsible for providing an annual rating of council Children's services as part of the new CAA arrangements Children's services include the full and integrated range of services, from universal services such as education through to specialist services, for example those for looked after children. Overall grade - **Performing Adequately**

d) Fire and Rescue Service Organisational Assessment

Fire and Rescue services are subject to an Organisational Assessment on similar lines to councils as part of the CAA framework. This incorporates a Managing Performance and Use of Resources theme. Overall grade - **Performing Adequately**

FINANCIAL REVIEW

5. Revenue Budget and Outturn

The net revenue budget agreed by the County Council for 2009-10 was £417.5 million. This was an increase of £9.4 million (2.3%), on the 2008-09 budget of £408.1 million, and resulted in a council tax charge of £993.34 (an increase of 3.9%) for a Band D property. Total Council Tax income for 2009-10 was £228.2 million.

The delivery of this budget served to:

- Educate 106,000 children in 343 schools.
- Provide 6,000 people with adult education each year.
- Support the families of nearly 3,000 children in need.
- Provide foster and residential care for almost 800 children.
- Deliver services to over 1,300 people with learning difficulties.
- Provide day care, residential care and home care to more than 6,000 people.
- Maintain over 4,146 km of roads.
- Maintain 60,000 streetlights.
- Deal with 332,000 tonnes of household waste of which 150,000 tonnes are recycled and composted.
- Enable 3.2 million visits to 35 libraries.
- Run 22 fire stations.
- Manage 6 country parks which are visited 1.8 million times per year.

Spending against the budget has been monitored regularly throughout the year, and reports from Chief Officers have been received at each of the Council's Cabinet meetings. The final outturn position for the year against the revised budget is set out in the table below.

Directorate	Net Budget £000	Net Actual £000	Variance overspent / (underspent) £000	Note
Children & Young People's Service	99,074	105,062	5,988	(i)
Health & Adult Social Services	132,172	134,550	2,378	(ii)
Customer & Community Services	57,422	55,137	(2,285)	(iii)
Environment, Growth & Commissioning	74,587	73,944	(643)	(iv)
Finance & Commercial Management	21,520	21,281	(239)	
Policy and Partnerships	7,724	7,217	(507)	
Strategy and Business Administration	2,846	2,710	(136)	
Capital Financing and Other Services	22,177	17,507	(4,670)	(v)
Totals	417,522	417,408	(114)	
Net transfer (to) / from General Fund			1,435	
Net movement in General County Fund			1,321	

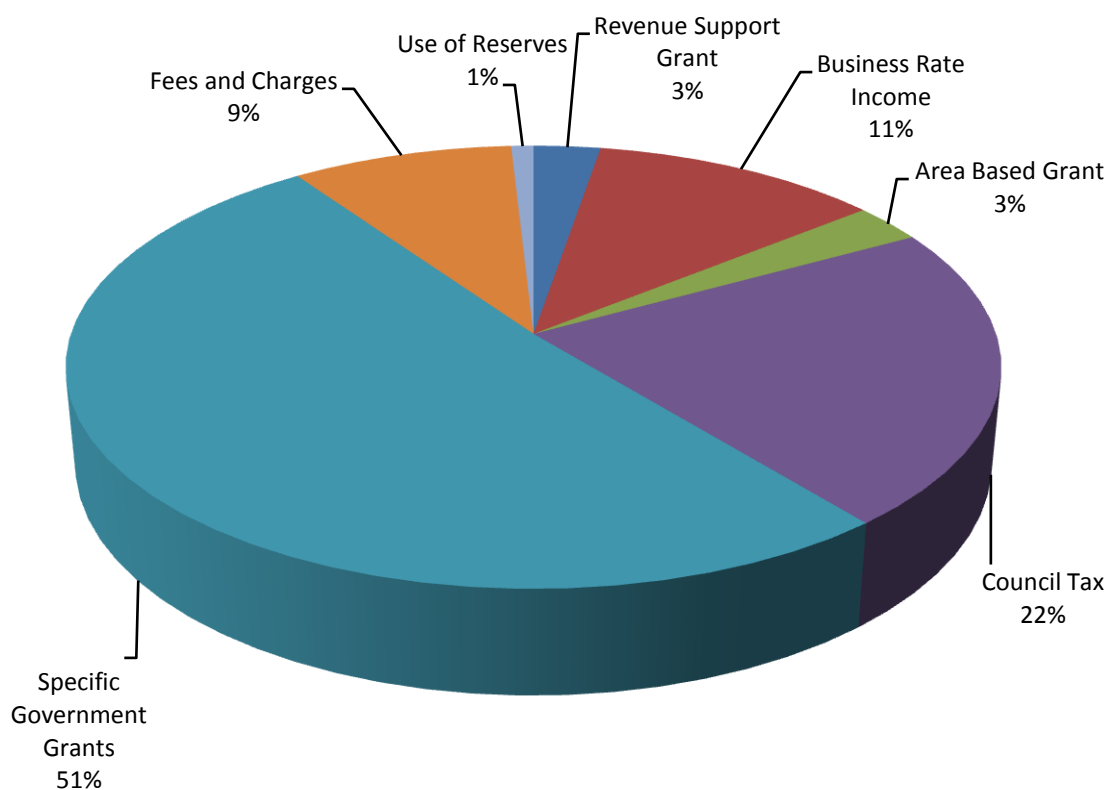
The main reasons for the variances from budget in 2009-10 were as follows:

- (i) Children & Young People's Service – an increase in the number of children looked after including Unaccompanied Asylum Seeking Children due to the media reporting of the Baby Peter case and also an increase in the number of serious local case reviews.
- (ii) Health & Adult Social Services – an increase in demand for community based care for all client groups. Factors that have had an effect on this overspend were a combination of older people living longer, significant increases in dementia clients, increased demand in the Physical Disability client service and increased pressure in transitions from children's services.
- (iii) Customer & Community Services – efficiency savings in Information Technology, Human Resources, Protective Services and the Library Service.
- (iv) Environment, Growth & Commissioning – an under spend on Waste Management due to reduced volume of waste being disposed of, has been offset by an over spend on Transport and Highways which was managed throughout the year.
- (v) Capital Financing and Other Services - the Treasury Management budget under spent by £2.5m due as a result of better than forecasted returns on our investments and proactive decision making on the Council's borrowing portfolio. £6m of the Council's earmarked reserves were used to pay a landfill compensation claim in favour of Rockingham Estates. These earmarked reserves will be replenished over the next 4 years. For further details of the Council's Earmarked Reserves see note 22(g) page 70.

Sources of revenue funding and services provided

The following charts show where the money received comes from, what we spend the money on and the services we provide:

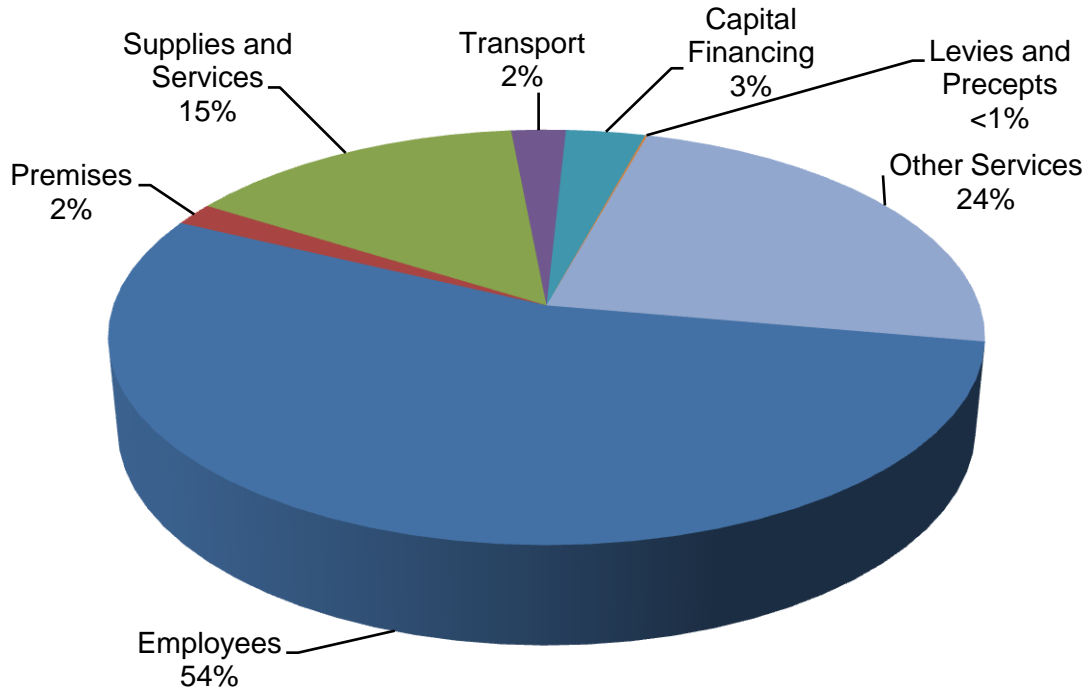
Where the money received comes from



The money received to finance the Council's spending comes from three main sources:

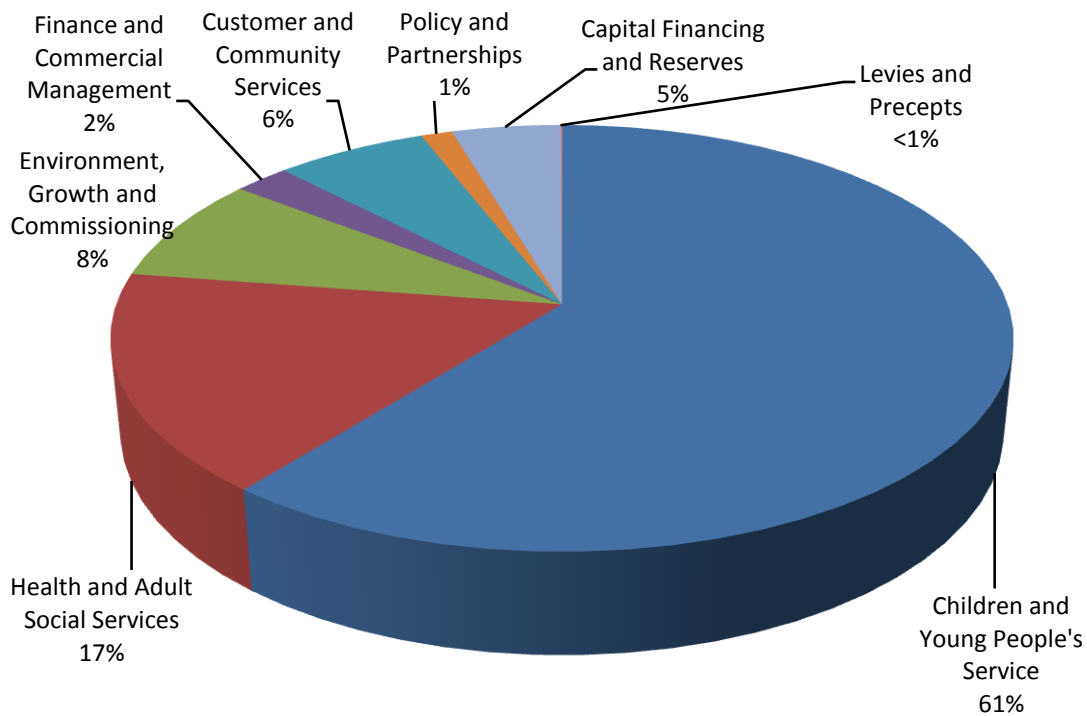
- The Government (68%); covering specific government grants, general government grants and business rates.
- The council tax payer (22%).
- Fees and charges for services provided and the Council's reserves (10%).

What we spend the money on



The money we receive is spent on paying the staff who work for the Council, the cost of providing services offered by the Council and servicing the borrowing required to finance the assets owned by the Council. These assets include school buildings and the transport infrastructure.

The services we provide



The chart above shows how the gross expenditure has been split over the different service areas.

6. Capital Spending

In 2009-10 we made capital payments of £119.6m.

Of the total payments, £13.7m (11%) was financed from loans, £6.7m (6%) from capital receipts and £99.2m (83%) from grants.

We take into account capital spending and income for work done by 31 March 2010, even though the money was not paid or received until after 31 March 2010.

The capital programme continues to be an amalgam of specific named schemes, and blocks of themed expenditure (i.e. maintenance of non principal roads, minor works budgets) from which a large number of schemes are funded. All expenditure is focused on delivering the outcomes of the Council.

There have been 113 schemes that have been completed in the current year which have enhanced Northamptonshire and the facilities for the residents. Some of the larger schemes include:

Scheme Name	Scheme Description	Amount £m
Devolved Capital Grants for schools	The formula based allocation to schools was spent on new buildings/facilities including Information Communication Technology and capital repairs in accordance with the priorities set in individual schools and in line with the asset management plan. In 2009-10 schools received Government instruction to bring forward 40% of the Devolved Formula Capital 2010-11 allocation.	12.5
Cross Valley Link Road	The Cross Valley Link Road (CVLR) was needed to serve development within Northampton South West District (SWD).	9.4
Corby North Orbital Road	The road comprises 3.5km of dual carriageway, part new build and part of an existing 'A' road, linking the infrastructure improvements completed as part of the North Northamptonshire programme linking the towns of Corby, Kettering and Wellingborough.	6.8
Snow Damage	The Council used Prudential borrowing to fund a capital project to improve the County's road infrastructure after the severe winter of 2008-09.	5.0
LTP Maintenance - Non Principle Roads (Secondary)	Structural maintenance of the County's secondary route network. Funds were used to reconstruct, resurface and patch.	5.0
North Northants Growth Fund	The Growth Fund invests in economic growth projects to assist in future economic development of the County and surrounding area.	5.6

12 Children's Centres	These children's centres have been built to engage and support families with children aged 0 to 5 in education, health and training matters.	4.2
Early Years Capital Grants	The Early Years and Child Care capital grants programme covered three main objectives as stipulated by the Department for Education - to improve the quality of the learning environment in early years settings to support delivery of the Early Years Foundation Stage, to ensure all children are able to access provision and to enable private, voluntary and independent providers to deliver the extension to the free offer for 3 and 4 year olds and to do so flexibly.	2.0
Northampton Public Realm	This funding is used to reconstruct Northampton's Public Realm as part of a wider strategy for regeneration and growth that seeks to attract new investment, improve the quality and create a sense of identity.	1.9
Highway Maintenance Capitalisation	Structural maintenance of the County's primary route network. Funds were used to reconstruct, resurface and patch.	1.8
Single Programme Funding	Grant funding from East Midlands Development Agency for Economic Development including town centre regeneration, transport and education.	1.8
New Deal for Schools Condition	The expenditure related to tackling priority 1 condition items in schools including boiler repairs, window replacements and roof repairs.	1.8
Local Transport Plan - Principal Road Maintenance	Maintenance of the County's road network.	1.6
Rightracks	The 'Rightracks' project identifies and prioritise rural road safety issues by evaluating data that underlies the casualty problem, in order to develop innovative strategies, interventions and solutions.	1.2
Information Technology Infrastructure Growth	This project funded upgrades to a number of NCC systems including Outlook Exchange, email archive, network virus checking and upgrading firewalls for network security.	1.2
Bridge Structural Maintenance	Structural maintenance of the County's bridges. Funds were used to reconstruct, repair and maintain.	1.1
Sessions House	The refurbishment and modernisation of office accommodation meeting the needs of employees and customers.	1.0
Total		£63.9m

During 2009-10 the Council introduced significant enhancements to the governance arrangements for progressing capital schemes through their project lifecycle and the process for monitoring spending on capital schemes. These changes have resulted in a project management approach to delivering capital schemes and greater control over affordability.

7. Investments and Borrowing

The level of investments held by the Council was £204.3m as at 31 March 2010. These investments are as a result of the Council's reserves and working capital surpluses. During the last 12 months there has been significant focus on local authority investment practices, particularly around governance following the Icelandic banking crisis. In November 2009 the Council revised its Investment Strategy to focus on lower risk investments.

The level of borrowing undertaken by the Council is £679.8m as at 31 March 2010. Of this, £282.1m (42%) is borrowed from the Public Works Loan Board (PWLB), £174.6m (26%) relates to Private Finance Initiative (PFI)/ Public Private Partnership (PPP) contracts, with the remainder being market borrowing.

The borrowing is used to finance capital investment (e.g. schools, highways & transportation) for the Council. During the year the Council has proactively managed its borrowing portfolio to deliver interest savings and one off cash benefits which are being re-invested in front line services. Total interest and similar charges payable during the year amounted to £31.3m. Of this, £17.5m relates to borrowing from the PWLB with the remainder £13.8m for PFI/PPP contracts.

The Council's net borrowing (borrowing less investments) is £475.5m.

8. Pension Fund

The Council is required to comply with the disclosure requirements of Financial Reporting Standard (FRS) 17 – Retirement Benefits. Under FRS17, the Council is required to reflect in the Core Financial Statements, the assets and liabilities of the Pension Fund attributable to the Council and the cost of pensions. These disclosures are reflected in the Income and Expenditure Account, the Balance Sheet and the Statement of Movement on the General Fund Balance.

Local Government Pension Scheme and Firefighters' Pension Scheme

The pension schemes' liabilities show the underlying commitments that the Council has in the long-run to pay retirement benefits. The total liabilities as at 31 March 2010 are £1.3 billion, an increase of £499m from 2008-09. This has a substantial impact on the net worth of the Council as recorded in the balance sheet, resulting in a negative overall balance of £196.1m. However, statutory arrangements for funding the deficit mean the financial position of the Council remains healthy. Accordingly, it has been considered appropriate to adopt a going concern basis for the preparation of this Statement of Accounts.

As per Hymans Robertson (Actuary) – Public Sector Briefing Note April 2010;
“The vast majority of employers will notice that the balance sheet has deteriorated from last year. This is principally due to the fact that the financial assumptions at 31 March 2010 are less favourable than they were at 31 March 2009 and the mortality assumptions have been strengthened to reflect improvements in life expectancy.”

For full details please refer to Note 21 on page 61.

9. Reserves

There was a general reserve balance of £12.6m as at 31 March 2010. A full review of all reserves and provisions was carried out and reported to Cabinet on 8th June 2010.

	March 2009	Movement	March 2010
	£000	£000	£000
Schools	45,909	12,493	58,402
Insurance	6,201	(1,202)	4,999
Other Earmarked	14,359	8,292	22,651
County Fund (General)	13,921	(1,321)	12,600
	80,390	18,262	98,652

Schools reserves include £49.8m of reserves held by individual schools at 31 March 2010 (£44.7m at 31 March 2009).

10. Significant Changes in Accounting Policies

In line with the new local authority reporting requirements outlined in the SORP 2009, the following changes have been made:

- (i) The accounting requirements for Private Finance Initiative (PFI) scheme and similar contracts are no longer based on the UK accounting standards FRS 5 but on International Financial Reporting Standard (IFRS).
- (ii) As a result of a change with the way that the Council Tax in England is accounted for, The Council, as a major preceptor is now required to reflect an appropriate share of the respective Council Tax debtor of each billing authority within its balance sheet.

The impact of these changes are described in further detail in Note 1 on page 42

11. The Next 12 Months

The expected reductions in Central Government funding, following the election, along with our position as the County Council with the lowest level of council tax over the next financial year means that the County Council will operate within a very tight financial environment over the medium term. The main cost pressures over this period continue to be within Children & Young People's Service and Health & Adult Social Services where demand for services is expected to be strong.

In order to balance the medium term financial position and at the same time delivering service improvements, the County Council will therefore need to deliver significant savings. These will be generated from a combination of efficiencies and disinvestment from lower priority services. Radical transformation is required in the way we operate and the way we manage and deliver our services. Difficult decisions will be required and many challenges, new and existing will need to be overcome.

In order to help us make these tough decisions, we have been engaging with the residents of Northamptonshire through the "You Choose Campaign" to get as many people as possible involved in the debate about the difficult decisions we will have to take to help us meet the current challenge in public spending.

Other initiatives adopted include our continuing effort to achieve value for money by delivering public services in the best possible way in line with priorities of local people using existing resources. Value for money is about ensuring that an appropriate balance is achieved between economy, efficiency and effectiveness.

Despite the challenges ahead, we will continue to make significant strides towards achieving government targets on sustainable development. As a County Council we are committed to reducing our own CO2 emissions through saving energy and hence saving money on fuel bills.

Our efforts in doing this have been externally recognised. The Council recently achieved The Carbon Trust Standard. This is the only independent award for organisations to verify they are cutting their carbon footprint and reducing their own direct impact on climate change year-on-year. We are the first council in the region to gain this award.

VALUE FOR MONEY STATEMENT

The council's Value for Money (VfM) strategy was presented to Cabinet in September 2009. The successful implementation of this strategy will mean:

- Services are fit for purpose, meeting statutory requirements and satisfying local needs.
- Expenditure on services compares favourably with comparable local authorities regardless of whether services are provided directly, in partnership or commissioned through a third party.
- We understand our cost drivers.
- Investment will be directed at improving the efficiency and quality of services and the customer experience.
- Improving outcomes and value for money for local people through a framework of strategic and local partnerships which co-operate effectively to meet shared goals.

We have also begun to review our services' performance against cost and comparing how we are delivering against other County Councils. This enables us to benchmark our services more precisely assisting us to identify areas that should be promptly reviewed.

We have identified resources to focus on developing and delivering VfM seminars for the Council. Initiatives include a service challenge on how services are currently delivered compared to other councils to identify areas where efficiencies can be achieved.

FURTHER INFORMATION

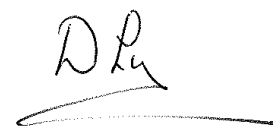
12. Further information

Further detail is available in the 8 June 2010 Cabinet reports available from <http://cmis.northamptonshire.gov.uk/cmiswebpublic/>

For information please contact:

Glenn Hammons
Northamptonshire County Council
PO Box 136, County Hall
Northampton, NN1 1AT.
Phone: 01604 236521
E-mail: ghammons@northamptonshire.gov.uk

You have the right to inspect our accounts each year before the external audit is completed. We advertise the dates during which you can inspect the accounts in the local press. Our accounts are audited by KPMG LLP. They are the auditors appointed by the Audit Commission and the audit opinion is set out on pages 19-22.



Damon Lawrenson
Assistant Chief Executive Finance & Commercial Management (Section 151 Officer)

Blank Page

Statement of Responsibilities

This is the statement by the Chief Finance Officer that states the accounts are presented fairly to reflect the financial position of the Council. Also in this section is the signature of the Audit Committee Chair when the Statement of Accounts was approved.

Statement of Responsibilities

The Council's responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Assistant Chief Executive Finance & Commercial Management.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

Following the delegation of responsibility by the Council to the Audit Committee, I confirm that the accounts were discussed by the Audit Committee at its meeting on 28 September 2010 and delegation was given to the Chair to approve the accounts.



David Watson
Chair of the Audit Committee

30 September 2010

Chief Finance Officer's responsibilities

The Chief Finance Officer is responsible for the preparation of the Council's Statement of Accounts including Pension Scheme Accounts, in accordance with proper practices as set out in The Chartered Institute of Public Finance and Accountancy (CIPFA)/Local Authority Scotland Accounts Advisory Committee (LASAAC) Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice'), and is required to present fairly the financial position of the Council at the accounting date and its income and expenditure for the year ending 31 March 2010.

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

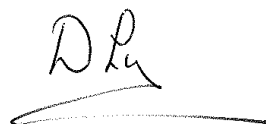
- Selected appropriate accounting policies and then applied them consistently,
- Made judgments and estimates that were reasonable and prudent, and
- Complied with the Code of Practice.

The Chief Finance Officer has also:

- Kept proper accounting records that were up to date, and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate of the Chief Finance Officer

I certify that the Statement of Accounts presents fairly the financial position of Northamptonshire County Council at 31 March 2010 and its income and expenditure for the year then ended.



Damon Lawrenson
Assistant Chief Executive Finance & Commercial Management

29 September 2010

Independent auditor's report to the Members of Northamptonshire County Council

We have audited the accounting statements, the firefighters' pension fund accounting statements, and related notes of Northamptonshire County Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement. The firefighters' pension fund accounting statements comprise the Fund Account and the Net Assets Statement. The accounting statements and the firefighters' pension fund accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to Northamptonshire County Council, 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 Northamptonshire County Council, as a body, those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Northamptonshire County Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Assistant Chief Executive – Finance and Commercial Management and auditors

The Assistant Chief Executive – Finance and Commercial Management's responsibilities for preparing the financial statements, including the firefighters' pension fund accounting statements and local government pension fund accounts, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009 are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the accounting statements, the firefighters' pension fund accounting statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounting statements, the firefighters' pension fund accounting statements and related notes give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009, of:

- the financial position of the Authority and its income and expenditure for the year;
- the financial transactions of the firefighters' pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

We review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

We read other information published with the accounting statement, the firefighters' pension fund accounting statements and related notes and consider whether it is consistent with the audited accounting statements, the firefighters' pension fund accounting statements and related notes. This other information comprises the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounting statements, the firefighters' pension fund accounting statements and related notes. Our responsibilities do not extend to any other information

Independent auditor's report to the Members of Northamptonshire County Council

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements, the firefighters' pension fund accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements, the firefighters' pension fund accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounting statements, the firefighters' pension fund accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounting statements, the firefighters' pension fund accounting statements and related notes.

Opinion

In our opinion:

- The accounting statements and related notes give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended; and
- The firefighters' pension fund accounting statements and related notes give a true and fair view, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009, of the financial transactions of the firefighters' pension fund during the year ended 31 March 2010 and the amount and disposition of the fund's assets and liabilities as at 31 March 2010, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Opinion on the pension fund accounts

We have audited the pension fund accounts for the year ended 31 March 2010 under the Audit Commission Act 1998. The pension fund accounts comprise the Fund Account, the Net Assets Statement and the related notes. The pension fund accounts have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to Northamptonshire County Council, 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 Northamptonshire County Council, as a body, those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Northamptonshire County Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Assistant Chief Executive – Finance and Commercial Management and auditors

The Assistant Chief Executive – Finance and Commercial Management's responsibilities for preparing the pension fund accounts in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009 are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the pension fund accounts and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the pension fund accounts give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local

Independent auditor's report to the Members of Northamptonshire County Council

Authority Accounting in the United Kingdom 2009, of the financial transactions of the pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year. We also report to you whether, in our opinion, the information which comprises the commentary on the financial performance included within the Pension Fund Annual Report, is consistent with the pension fund accounts.

We review whether the governance compliance statement published in the Pension Fund Annual Report reflects compliance with the requirements of Regulation 34(1) (e) of the Local Government Pension Scheme (Administration) Regulations 2008 and related guidance. We report if it does not meet the requirements specified by the Department of Communities and Local Government or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

We read other information published with the pension fund accounts and related notes and consider whether it is consistent with the audited pension fund accounts. This other information comprises the Explanatory Foreword published in the financial statements and. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund accounts and related notes. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the pension fund accounts and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the pension fund accounts and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the pension fund accounts and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the pension fund accounts and related notes.

Opinion

In our opinion the pension fund accounts and related notes give a true and fair view, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009, of the financial transactions of the Pension Fund during the year ended 31 March 2010, and the amount and disposition of the fund's assets and liabilities as at 31 March 2010, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Certificate

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



30 September 2010

Michael McDonagh (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants, Birmingham

Conclusion on 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 regularly to review the adequacy and effectiveness of these arrangements.

Auditors' Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority 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 in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities and fire and rescue authorities. We report if significant matters have come to our attention which prevent us from concluding that the Authority has made such proper arrangements. 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.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice. Having regard to the criteria for principal local authorities and fire and rescue authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, we are satisfied that, in all significant respects, Northamptonshire County Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2010.



30 September 2010

Michael McDonagh (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants, Birmingham

Statement of Accounting Policies

The purpose of the Statement of Accounting Policies is to explain the basis for the recognition, measurement and disclosure of transactions and other events in the accounts. In certain circumstances, where more than one accounting basis or estimation technique is acceptable, the accounting policy and/or estimation techniques followed can significantly affect an authority's reported results and financial position. The view presented in published accounts can only be appreciated properly if the policies that have been followed for material (large or significant) items and estimation techniques that have been used in applying those policies are explained and understood.

Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's financial transactions for the year ending 31 March 2010 and its financial position as at 31 March 2010.

The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom – Statement of Recommended Practice 2009 (the SORP). The accounting convention adopted is historical cost, and where appropriate, revalued regularly to reflect market value.

Account is also taken of the Best Value Accounting Code of Practice (BVACOP) on the definition of total cost and the revised service expenditure analysis.

2. Income and Expenditure

The Revenue Accounts are maintained in accordance with FRS18 on an accruals basis. Expenditure is charged to the revenue accounts in the period in which goods and services are received and, similarly, income is credited in the period to which it relates, regardless of the timing of cash payments or receipts.

An exception to the above is pension strain costs arising from redundancy/early retirement. Pension strain is the estimated cost to the Pension Fund of paying out benefits earlier than anticipated. This is treated on a cash basis over the three year period subsequent to the year in which the redundancy/early retirement takes place.

Where there is a delay between the date goods are received and their consumption, they are carried as stocks on the Balance Sheet. Stocks are valued at the lower of cost or net realisable value. Some stocks are not recognised on the Balance Sheet, such as library books.

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.

3. Council Tax Income

Up to 2008-09 the SORP required that the Council Tax income in the precept authorities income and expenditure account was shown as per Council Tax Regulations, and all Council Tax Debtors or Creditors were shown in the billing authorities' accounts.

The 2009 SORP now requires that the Council Tax income included in the precept authorities income and expenditure account is the accrued income for the year, and the difference between the accrued and regulation income included as a reconciling item in the statement of movement on the general fund balance.

In addition the precept authority must now show their share of the Council Tax debtors/creditors in the balance sheet.

The 2008-09 figures have been restated under 2009 SORP guidelines for comparison purposes in the 2009-10 Statement of Accounts; for full details please refer to Note 1 on page 42.

4. Provisions

Provisions are made to cover liabilities or losses where an event has taken place that gives the Council a likely or certain obligation to pay, but for which the timing is uncertain, such as court action.

Provisions are charged to the appropriate service revenue account in the year that the Council becomes aware of the obligation. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year; if the provision changes, the amount is charged or credited to the appropriate service revenue account.

5. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to protect against unexpected events. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year, to be recorded against the Net Cost of Services in the Income and Expenditure Account.

County Council Reserves include:

- Earmarked reserves, which are set aside for specific purposes.
- General reserves, which are set aside for unexpected events and cash-flow management.
- Revaluation Reserve, which records unrealised gains arising (since 1 April 2007) from holding fixed assets, and a
- Capital Adjustment Account, which provides a balancing mechanism between the different rates at which assets are depreciated.

6. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions are recognised as income at the date that the Council satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred.

Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the Income and Expenditure Account.

Capital grants used to purchase fixed assets with a finite useful life are credited to the Government Grant Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

7. Pensions

Northamptonshire County Council participates in three different pension schemes that meet the needs of employees in particular services. All the schemes provide members with defined benefits related to pay and service. The schemes are as follows:

Teachers

This is an unfunded scheme, administered by Capita Teachers' Pensions on behalf of the Department for Children, Schools and Families (Department for Education). In an unfunded defined benefit scheme, no assets are set aside and the benefits are paid for by the employer

or other pension sponsor as and when they are paid. It is classified as a 'single-employer defined benefit scheme' in which the assets and liabilities are not identifiable at individual employer level on a consistent and reasonable basis, however, the individual employer has to pay for the unfunded discretionary benefits awarded. The pension cost shown in our accounts is:

The contribution rate set by the DCSF paid to a notional fund; plus

- The cost of paying early retirement pensions (excluding ill health) after September 1997.

Uniformed firefighters'

Two pension schemes exist for uniformed firefighters'. The 1992 scheme for whole-time uniformed staff who were eligible to join pre April 2006 and the 2006 scheme, for whole-time staff joining after 1 April 2006 and retained firefighters' who were previously not eligible to join a fire-fighter pension scheme. The charge shown in the accounts represents the cost to the Council of employer contributions based on a nationally set percentage of pensionable pay.

Other Employees

Other employees are eligible to join the Local Government Pension Scheme which is accounted for as a funded defined benefits scheme. In a funded defined benefit scheme, surplus contributions from the employer and employees are invested in a fund towards meeting future liabilities. The liabilities 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 earnings for current employees. In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the Pension Fund.

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements on grounds of redundancy or efficiency. Any liabilities estimated to arise as a result of discretionary early retirement awards are accrued in the year the decision was made.

8. Value Added Tax (VAT)

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

9. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2009 (BVACOP). The total absorption costing principle is used, whereby the full cost of overheads and support services are shared between users in proportion to the benefits received.

Accounted for as separate headings in the Income and Expenditure Account, as part of Net Cost of Services are:

- Corporate and Democratic Core – costs relating to the council's status as a multi-functional, democratic organisation, and

- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early.

10. Intangible Assets

The Council's Intangible Assets consist of purchased software licences which have a useful economic life of at least three years. All Intangible Assets are included at historic cost and written down on a straight line basis over their economic lives from the year following acquisition. The useful economic lives are reviewed at the end of each reporting period and revised if necessary.

11. Tangible Fixed Assets

Tangible Fixed Assets are assets that have physical substance. They are held as non-operational and operational assets, the latter for use in the provision of services or for administrative purposes on a continuing basis.

Recognition: Expenditure on the acquisition, creation or enhancement of fixed assets with a value over £10,000 is capitalised, provided it yields benefits to the Council and the services that it provides exceed one financial year. This applies to either single items over £10,000 or to groups of similar items whose value collectively exceeds £10,000. Expenditure that secures or is routine repairs and maintenance is charged to revenue as it is incurred.

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 recorded in the Balance Sheet using the following measurement bases:

- Land and buildings, vehicles, plant and equipment, furniture and equipment- lower of net current replacement cost or net realisable value in existing use.
- Infrastructure assets (i.e. roads, roundabouts and bridges) – depreciated historical cost.
- Community assets – depreciated historical cost.

Assets included in the Balance Sheet at current value are re-valued as a minimum every five years. Increases in valuations are credited to the Revaluation Reserve to recognise unrealised gains, decreases in valuations are initially debited in the Revaluation Reserve up to existing credits, and the remainder charged to the Income and Expenditure Account as Fixed Asset Impairments.

Disposals: when an asset is disposed of or decommissioned, the net gain or loss on the disposal is written off to the Income and Expenditure Account.

Expenditure & income relating to capital projects is accounted for on an accruals basis to fully accord with CIPFA/LASAAC's Statement of Recommended Practice.

Depreciation is provided for on all assets with a determinable finite life (except for land, investment properties and community assets), by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use. We do not provide reductions in value for new assets in their first year or for assets being made or built until they are brought into use.

Depreciation is calculated on a straight line basis over the length of useful life:

Category	Useful Life in Years
IT Equipment	3
Infrastructure	40
Buildings	35 to 60
Vehicles - Cars	5
- Vans and Lorries	7
- Buses	10
- Fire Appliances	13

The useful life for buildings has been changed from '40 to 60 years' to '35 to 60' years in line with the Remainder Lives Formula used by our valuers.

12. Charges to Revenue for Fixed Assets

The Council's service revenue accounts, support services and trading accounts are charged with the following amounts to record the real cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off.

The Council is not required to raise council tax to cover depreciation or impairment losses. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (Minimum Revenue Provision – see Accounting Policy 19).

13. Revenue Expenditure Funded from Capital Under Statute

This represents expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of fixed assets belonging to the Council. This amount is charged to the relevant service revenue account in the year. This may include expenditure on assets not belonging to the Council such as service user homes and foundation schools. Where the Council has determined to meet the cost of this expenditure from existing capital resources or borrowings, a transfer to the capital adjustment account is made to reverse out the amount charged so there is no impact on the level of council tax.

14. Leases

Operating lease rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

15. 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.

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the

Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year on the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The reconciliation of amounts charged to the Income and Expenditure Account to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

The Council's financial assets are classified as loans and receivables or available-for-sale. Loans and receivables are assets that have fixed or determinable payments but are not quoted in an active market, and represent the majority of the Council's investments. These instruments are accounted for under amortised cost as described above. The Council also has a number of available-for-sale assets (£31.5m). These are assets that have a quoted market price and/or do not have fixed or determinable payments. They are carried on the balance sheet at fair value with realised gains/losses being posted to the I&E and unrealised gains/losses going to the available-for-sale reserve.

16. Stocks and Work in Progress

Stocks are included in the Balance Sheet at the lower of cost or net realisable value. Work in progress is recognised at cost and held in the Balance Sheet until the work has been completed.

17. Landfill Allowance Trading Scheme (LATS)

LATS became a statutory requirement on Waste Disposal authorities at the start of 2005-06. Authorities are granted annual allowances which can be traded until the end of 2009-10.

Allowances granted are recorded cumulatively in investments, waste disposal usage is cumulatively recorded in creditors and the surplus is held in earmarked reserves at the CIPFA / Department for Environment, Food and Rural Affairs (DEFRA) agreed rates.

18. Private Finance Initiative (PFI) transactions and similar contracts

The SORP requires these contracts to be accounted for in a manner consistent with the adaption of International Financial Reporting Interpretations Committee (IFRIC) 12 Service Concession Arrangements as contained in the government's Financial Reporting Manual (FrM). This is a new requirement for 2009-10 and will assist in the transition to International Financial Reporting Standards for 2010-11. The SORP has determined that the Council shall account for PFI schemes where the Council controls the use of the Tangible Fixed Assets and the residual interest in the asset at the end of the arrangement as service concession arrangements, following the principles of the requirements of IFRIC 12. The Council therefore recognises the PFI assets as Tangible Fixed Assets together with a liability to pay for it. The services received under the contract are recorded as operating expenses.

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:

- a) Payment for the value of services received;
- b) Payment for the PFI asset, including finance costs; and
- c) Payment for the replacement of components of the asset during the contract 'lifecycle replacement'.

Services received

The value of services received in the year is recorded under the relevant expenditure headings within 'operating expenses'.

PFI Asset

The PFI assets are recognised as Tangible Fixed Assets, when they come into use. The assets are measured at the lower of net current replacement cost or net realisable value in existing use.

PFI liability

A PFI liability is recognised at the same time as the PFI assets are recognised. It is measured initially at the same amount as the value of the PFI assets and is subsequently measured as a finance lease liability in accordance with IFRIC12.

An annual finance cost is calculated by applying the implicit interest rate in the lease to the opening lease liability for the period, and is included in Interest Payable & similar charges within the Income and Expenditure Account.

The element of the annual unitary payment that is allocated as a finance lease rental is applied to meet the annual finance cost and to repay the lease liability over the contract term.

An element of the annual unitary payment increase due to cumulative indexation is allocated to the finance lease. In accordance with IFRIC12, this amount is not included in the minimum lease payments, but is instead treated as contingent rent and is expensed as incurred. In substance, this amount is a finance cost in respect of the liability and the expense is included in Interest Payable & similar charges within the Income and Expenditure Account.

Lifecycle replacement

Components of the asset replaced by the operator during the contract ('lifecycle replacement') are capitalised where they meet the Council's criteria for capital expenditure. They are capitalised at the time they are provided by the operator and are measured initially at the lower of net current replacement cost or net realisable value in existing use.

The element of the annual unitary payment allocated to lifecycle replacement is pre-determined for each year of the contract from the operator's planned programme of lifecycle replacement. Where the lifecycle component is provided earlier or later than expected, a reserve is recognised respectively.

Where the value of the lifecycle component is less than the amount determined in the contract, the difference is recognised as an expense when the replacement is provided.

Assets contributed by the Council to the operator for use in the scheme

Assets contributed for use in the scheme continue to be recognised as Tangible Fixed Assets.

PFI credits

Government Grants received for PFI schemes, in excess of current levels of expenditure, are carried forward as an earmarked reserve to fund future contract expenditure and will be drawn down as required.

19. Minimum Revenue Provision (MRP)

The Council assess their Minimum Revenue Provision in accordance with the main recommendations contained within the Guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003.

The major proportion of the MRP will relate to the historic debt liability up to 31 March 2007 that will continue to be charged at the rate of 4%, in accordance with option 1 of the Guidance. This 'base' CFR position will be reduced by the MRP charged against it annually

From 2007-08 onwards expenditure on completed assets only will be subject to MRP charges. This is under option 3 of the guidance and will be based on the estimated useful life of the assets created, using the equal annual instalment method. For example, capital expenditure on new buildings, or on the refurbishment or enhancement of a building, will be related to the estimated life of the building.

Estimated life periods will be determined under delegated powers. To the extent that expenditures do not create an asset, and are of a type that are subject to estimated life periods that are referred to in the Guidance, these estimated life periods will generally be adopted by the Council. However, in the case of long term debtors arising from loans or other types of capital expenditure made by the Council which will be repaid under separate credit arrangements such as leasing and PFI, there will be no Minimum Revenue Provision made.

The Council are satisfied that a prudent provision will be achieved after exclusion of capital expenditure.

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

The determination as to which schemes shall be deemed to be financed from available resources, and those which will remain as an outstanding debt liability to be financed by borrowing or other means will be assessed under delegated powers.

The policy will be reviewed annually to ensure prudence is achieved from using the options available.

The option to delay charges until the year after the asset comes into operation (the MRP holiday) will be used where applicable.

Where it is considered prudent to do so, non-operational assets will be excluded from the MRP calculation.

Any under or over provisions that are identified for previous years; will be taken into consideration in the calculation of the current years provisions and adjusted accordingly.

Blank Page

The Core Statements

The core statements comprise:

- Income & Expenditure Account
- Statement of Movement on the General Fund Balance (SMGFB)
- Statement of Total Recognised Gains and Losses (STRGL)
- Balance Sheet
- Cash Flow Statement

These follow on the next pages.

The Core Financial Statements

Income and Expenditure Account

The Income and Expenditure Account summarises the resources that have been generated and consumed in providing services and managing the Council during the year. It includes all day to day expenses and related income, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

Restated Net Expenditure 2008-09 £000	Notes	Gross Expenditure 2009-10 £000	Gross Income 2009-10 £000	Net Expenditure 2009-10 £000
591	Central Services to the Public	2,980	(1,117)	1,863
930	Court Services	963	0	963
39,250	Cultural, Environmental, Regulatory and Planning Services	86,840	(37,350)	49,490
204,590	Education and Children's Services	929,198	(669,128)	260,070
23,817	Fire & Rescue Services	24,016	(817)	23,199
40,188	Highways and Transport Services	61,092	(23,012)	38,080
152,663	Adult Social Care	208,542	(59,616)	148,926
4,636	Corporate and Democratic Core	5,707	(37)	5,670
28,000	Non Distributed Costs	12,150	(2)	12,148
494,665	Net cost of services	1,331,488	(791,079)	540,409
	Other operating income and expenditure			
(1,421)	(Gain) / Loss on Disposal of Fixed Assets			2,083
554	Flood defence and land drainage charges			583
20,936	Pensions Interest costs and expected returns on pension assets	20		29,298
31,403	Interest Payable & similar charges			31,291
(12,056)	Interest and Investment Income			(3,503)
534,081	Net operating expenditure			600,161
	Sources of finance			
(218,703)	Council tax income			(228,225)
(46,365)	General government grants not attributable to a specific service	2		(57,947)
(126,174)	Business rates income			(120,928)
142,839	Deficit for the year			193,061

Statement of Movement on the General Fund Balance (SMGFB)

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources generated and consumed in the last 12 months. However, the authority is required to raise Council Tax on a different accounting basis, the main differences being:

- capital investment is accounted for as it is financed, rather than when the fixed assets are consumed, and
- retirement benefits are charged as amounts become payable to Pension Funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Council's spending against the Council Tax that it has raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance during the year.

Restated Net Expenditure 2008-09 £000		Net Expenditure 2009-10 £000
142,839	Deficit / (Surplus) for the year on the Income and Expenditure Account	193,061
(143,553)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(191,740)
<hr style="width: 100%; border: 0.5px solid black; margin-bottom: 5px;"/> (714)	(Increase) / Decrease in General Fund Balance for the year	<hr style="width: 100%; border: 0.5px solid black; margin-bottom: 5px;"/> 1,321
(13,207)	General Fund Balance brought forward	(13,921)
<hr style="width: 100%; border: 0.5px solid black; margin-bottom: 5px;"/> (13,921)	General Fund Balance carried forward	<hr style="width: 100%; border: 0.5px solid black; margin-bottom: 5px;"/> (12,600)

The net additional amount required by statute and non-statutory proper practices to be debited / (credited) to the general fund balance for the year is made up of the following:

Restated Net Expenditure 2008-09 £000		Notes	Net Expenditure 2009-10 £000
Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year:			
(145,667)	Depreciation and impairment of fixed assets	11,12a	(288,170)
43,143	Government grants deferred amortisation	16,18	116,972
(12,676)	Amounts treated as revenue expenditure in accordance with the SORP but which are classified as capital expenditure by statute (REFCUS)		(31,033)
1,484	Net gain or loss on sale of fixed assets		(3,313)
57	Deferred income PPP		0
2,601	Differences between amounts debited/credited to the Income and Expenditure Account and amounts recognised relating to financial instruments		1,420
(18,600)	Pay and Benefits		(14,000)
(2,140)	Adjustment for Council Tax income treated as revenue in accordance with the SORP but not under regulations		(1,565)
(56,958)	Net charges made for retirement benefits in accordance with FRS17	21d	(54,007)
(188,756)			(273,696)
Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund balance for the year:			
11,368	Minimum Revenue Provision for capital financing	19	19,128
4,402	Minimum Revenue Provision for PFI		4,560
32,804	Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	21d	38,685
48,574			62,373
Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance:			
(1,306)	Net transfer to schools reserves	22f	12,493
(2,065)	Net transfer to earmarked reserves	22g	7,090
(3,371)			19,583
(143,553)	Net additional amount required to be credited to the General Fund Balance for the year		(191,740)

Statement of Total Recognised Gains and Losses (STRGL)

This statement brings together all the Gains and Losses of the Council for the year and shows the aggregate increase in its net worth. In additions to surpluses generated on the Income and Expenditure Account, it includes gains and losses relating to revaluations of fixed assets and measurement of gains and losses on retirement benefits.

Restated		Notes	2009-10
2008-09			£000
£000			£000
142,839	Deficit on the Income and Expenditure Account for the year		193,061
(27,857)	(Surplus) / loss arising on the revaluation of fixed assets	22a	(71,534)
(489)	(Surplus)/loss arising on revaluation of available-for-sale financial assets	22	58
(36,551)	Actuarial (gains)/losses on Pension Fund assets and liabilities	21d	303,582
(2,398)	Other gains and losses required to be included in the Statement of Total Recognised Gains and Losses		(4,670)
<u>75,544</u>	Total recognised (gains) / losses for the year		<u>420,497</u>

Balance Sheet

The balance sheet provides an overall summary of the financial position and net worth of the Council as at 31 March 2010.

Restated Balance			31 March 2010	
31 March 2009		Notes	£000	£000
£000				
	Intangible Assets	11		
13,840	Software Licenses		10,777	
	Tangible Fixed Assets	12		
	Operational assets			
1,055,498	Land and Buildings		887,447	
17,124	Vehicles, plant, furniture and equipment		28,112	
282,477	Infrastructure assets		338,629	
898	Community assets		895	
	Non-operational assets			
95,036	Assets under construction		67,020	
3,576	Investment properties		18,245	
49,178	Surplus assets held for disposal		41,475	
1,517,627	Total Fixed Assets			1,392,600
10,690	Long-term investments		0	
1,772	Long-term debtors		1,983	
12,462	Total Long-Term Assets			1,983
	Current Assets			
545	Stock and work in progress	13	606	
45,059	Debtors and payments in advance	14	51,829	
169,313	Short-term investments		204,261	
3,154	Cash at bank and in hand	26	2,869	
218,071				259,565
1,748,160	Total Assets			1,654,148
	Current Liabilities			
(159,915)	Borrowing repayable on demand or within 12 months		(159,027)	
(147,880)	Creditors & Receipts in Advance	16	(173,610)	
(14,072)	Bank overdraft	26	(1,066)	
(321,867)				(333,703)
1,426,293	Total Assets less Current Liabilities			1,320,445
	Long Term Liabilities			
(479,687)	Long term borrowing		(520,820)	
(64,839)	Provisions	17	(60,210)	
(254,848)	Government grants and capital contributions deferred	18	(214,089)	
(2,502)	Deferred liabilities		(2,502)	
(399,936)	Liability related to defined benefit pension scheme	21h	(718,840)	
224,481	Total Assets less Total Liabilities			(196,016)

Financed by:		
70,044	Revaluation Reserve	22 51,495
477,296	Capital Adjustment Account	22 390,637
259	Collection Fund Adjustment Account	22 (1,565)
7,060	Financial Instruments Adjustment Account	22 7,606
489	Available for Sale Financial Instruments Reserve	22 431
7,279	Capital Receipts Reserve	22 3,518
(399,936)	Pension Reserves	22 (718,840)
(18,400)	Pay and Benefits Account	22 (27,950)
45,909	Schools Reserves	22 58,402
20,560	Earmarked Reserves	22 27,650
13,921	General County Fund	22 12,600
<hr/> 224,481 <hr/>		<hr/> (196,016) <hr/>

Cash Flow Statement

This statement summarises the inflows and outflows arising from transactions with third parties for revenue and capital purposes. Cash is defined for the purpose of this statement as cash in hand, deposits payable on demand less overdrafts repayable on demand.

Restated				
2008-09		Notes	£000	2009-10
£000				£000
(118,557)	Net cash Inflow/(Outflow) from operating activities	24		(54,976)
	Returns on investments and servicing of finance			
	Cash outflows			
30,113	Interest paid		31,680	
	Cash inflows			
<u>(12,039)</u>	Interest received		<u>(6,314)</u>	
18,074				25,366
	Capital activities			
	Cash outflows			
213,062	Purchase of fixed assets	12a	101,239	
35,466	Other capital cash payments		2,100	
	Cash inflows			
(4,789)	Sale of fixed assets		(7,109)	
<u>(50,723)</u>	Capital grants received		<u>(63,353)</u>	
193,016				32,877
92,533	Net cash (Inflow)/Outflow before financing			3,267
	Management of liquid resources			
34,291	Net (Inflow)/Outflow in short-term deposits	27	34,948	
<u>(35,388)</u>	Net (Inflow)/Outflow in other liquid resources	27	<u>(10,690)</u>	
(1,097)				24,258
	Financing			
	Cash outflows			
580,561	Repayments of amounts borrowed	25	392,033	
	Cash inflows			
<u>(662,623)</u>	New loans raised	25	<u>(432,279)</u>	
(82,062)				(40,246)
<u>9,374</u>	Net (Increase)/Decrease in cash	26		<u>(12,721)</u>

Notes to The Core Financial Statements

Notes to the Core Financial Statements

1 Change in Accounting Policy

Under the Statement of Recommended Practice (SORP) for Local Authority Accounting in the United Kingdom, the Council is required to introduce two major changes in accounting policy: Accounting for PFI schemes and similar contracts and Accounting for Council Tax. In addition, for comparator purposes, the SORP requires the Council to effect prior year adjustments and a re-statement of the 2008-09 published accounts, in relation to these changes in accounting policy.

The purpose of this note is to:

1. explain the nature of these two changes in accounting policy: Section 1a and 1b
2. demonstrate the impact of these two changes in accounting policy on the 2009-10 accounts and 2008-09 accounts: Section 1a and 1b
3. explain the movement between the 2008-09 published accounts and the 2008-09 restated amounts in these accounts, resulting from prior period adjustments: Section 1c

1a Accounting for PFI schemes and similar contracts

Accounting requirements for Private Finance Initiative (PFI) and similar contracts are no longer based on the UK accounting standard FRS 5, but on the International Financial Reporting Standards (IFRS). The accounting for contracts existing at 31 March 2009 and entered into in 2009-10 is now based on IFRIC 12 Service Concession Arrangements (which addresses concession operator accounting) interpreted for concession grantors.

The Council has three PFI contracts which meet the criteria set out in IFRIC 12: The Wooldale Centre; Residential Care Homes; and The Northampton Town Learning Partnership. In addition, the Council has one Public Private Partnership (PPP), which meets the criteria set out in IFRIC 12. As a result, the following changes have been made to comply with its requirements.

1. Assets and matching finance lease liabilities representing the financing provided by the PFI operator, have been included within the Council's Balance Sheet.
2. The unitary charge of £44.2m in 2009-10 (2008-09 £44.7m) has been split between a charge for services £24.7m, a financing and contingent rent charge £14.3m, a repayment of the finance lease liability £5.2m.
3. A depreciation charge for the year of £7.9m has been made.

Balance Sheet Item	2008-09		Restated
	Statement	Change	2008-09
	£000	£000	Statement
			£000
Land and Buildings	801,361	254,137	1,055,498
Deferred Considerations	144,178	(144,178)	0
Long Term Debtors	29,249	(27,477)	1,772
Deferred Liabilities	0	(2,502)	(2,502)
Short Term Borrowing	(153,348)	(6,567)	(159,915)
Long Term Borrowing	(314,778)	(164,909)	(479,687)
Revaluation Reserve	42,858	27,186	70,044
Capital Adjustment Account	595,977	(118,681)	477,296
Income and Expenditure Account			
Children's and Education Services	156,230	48,360	204,590
Adult Social Care	152,467	196	152,663
Interest Payable & similar charges	20,406	10,997	31,403
Statement of Recognised Gains and Losses	25,030	50,514	75,544
Statement of Movement on the General Fund Balance			
PFI Schemes		(59,553)	
Council Tax (See Note 1b)		(2,140)	
Total	(81,860)	(61,693)	(143,553)

1b Accounting for Council Tax

In England, the Council Tax billing authority (Districts and Borough Authorities) acts as the agent of the preceptor (County Council). Previous accounting practice did not reflect this agency relationship. Therefore, the 2009 SORP includes a requirement to include appropriate shares of Council Tax debtors in preceptors' Balance Sheets. Preceptors are also required to reflect appropriate shares of the Collection Fund surplus/deficit for the year within their income and expenditure accounts.

The Council's share of collection fund deficit is £1.6m in 2009-10. In addition, the Council's Balance Sheet also includes net Council Tax debtors of £2.5m (as a result of adjustments relating to council tax arrears, impairment of doubtful debts, overpayments and prepayments) and Local Authorities creditors of £4.1m. For comparative purposes, the Council's share of collection fund surplus was included in the restated income and expenditure account for 2008-09 of £259k. In addition, the Council's Balance Sheet also includes net Council Tax debtors of £3.5m and Local Authorities creditors of £3.2m.

Balance Sheet Item	2008-09 Statement £000	Change £000	Restated 2008-09 Statement £000
Debtors	36,661	8,398	45,059
Creditors	(139,741)	(8,139)	(147,880)
Collection Fund Adjustment Account	0	259	259
Income and Expenditure Account			
Council tax income	(220,843)	2,140	(218,703)
Statement of Movement on the General Fund Balance		(2,140)	

1c Prior Period Adjustments (PPAs)

The effect of Prior Period Adjustments is on the amounts disclosed for 2008-09. These restated amounts are disclosed on the Balance Sheet; the Reserves; the Income and Expenditure Account; the Statement of Movement on the General Fund Balance; the Statement of Recognised Gains and Losses and the Cash Flow Statement.

2 General Government Grants

General Government Grants are non-ring-fenced grants that are used to fund activities across the Council as set out in its annual budget. Details of specific grants are listed in Note 23.

2008-09 £000		2009-10 £000
(17,564)	Revenue Support Grant (RSG)	(27,912)
(28,280)	Area Based Grant (ABG)	(29,619)
(521)	Other Grants	(416)
<u>(46,365)</u>		<u>(57,947)</u>

3 Dedicated Schools Grant (DSG)

The Council's expenditure on schools is funded by grant monies provided by the Department for Children, Schools and Families, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on an Authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each school. Over and under spends on the two elements are required to be accounted for separately.

Details of the deployment of DSG in 2009-10 are as follows:

Total		Central	Individual	
2008-09		Expenditure	Schools	Total
£000		2009-10	Budget	2009-10
		£000	2009-10	£000
373,030	Final DSG for 2009-10	75,724	302,280	378,004
4,918	Brought forward from 2008-09	3,630		3,630
0	C/F to 2010-11 agreed in advance	0	0	0
377,948	Agreed budgeted distribution in 2009-10	79,354	302,280	381,634
(71,969)	Actual central expenditure	(71,430)	0	(71,430)
(302,349)	Actual ISB deployed to schools		(302,280)	(302,280)
(374,318)	Total Expenditure in the year	(71,430)	(302,280)	(373,710)
3,630	Carry forward to 2010-11	7,924	0	7,924

4 Insurance Account

The Council is insured against risks through a combination of self-insurance and insurance with other organisations. There is a total insurance fund of £10.3 million to meet the estimated outstanding claims under the excess clauses of the Council's insurance policies. Settlement of claims is likely to be spread over a number of years. The fund is made up of both a provision and reserve. The element of the fund relating to provisions represents obligations as at 31 March as a result of past claims and events where a reliable estimate can be made of the obligation. The reserve element is held in respect of obligations related to claims or events which have not yet been notified. Annual policy excesses are as follows:

Combined Liability (Public & Employers)

Individual excess (per claim)	10
Annual aggregate (total excess for year across all claims)	4,500

Property

Individual excess educational properties	250
Individual excess other properties	150
Annual aggregate	850

The Council charges premiums, claims paid and management costs to the insurance account and then recharges these costs to services. The Council's insurance brokers estimate the value of any outstanding claims and the Insurance Provision is adjusted accordingly. Details of Spending and Income are as follows:

2008-09		2009-10
£000		£000
	Spending	
2,124	Premiums paid	1,919
310	Management costs	503
1,967	Claims paid	1,600
530	Adjustment to provision (see note 17)	499
4,931		4,521
	Income	
(81)	Received from insurers/third parties	(282)
0	Write off of debtor	630
(5,360)	Charges to services	(4,860)
(5,441)		(4,512)
(510)	Net Income	9
0	Amount transferred to/from Earmark Reserve account	(9)
(510)	Balance in General funds	0

5 Officers Remuneration

a) The number of employees whose remuneration, taxable expenses and severance pay (if applicable), was £50,000 or more during the year is detailed below:

2008-09 Total	Pay Band	Staff in Schools	Other staff	2009-10 Total
212	£50,000 - £54,999	161	53	216
138	£55,000 - £59,999	86	49	135
57	£60,000 - £64,999	46	23	67
22	£65,000 - £69,999	16	12	28
16	£70,000 - £74,999	10	7	17
12	£75,000 - £79,999	7	3	10
13	£80,000 - £84,999	10	3	13
6	£85,000 - £89,999	5	1	6
10	£90,000 - £94,999	5	4	9
4	£95,000 - £99,999	3	1	4
6	£100,000 - £104,999	0	1	1
	£105,000 - £109,999	0	1	1
2	£110,000 - £114,999	1	0	1
2	£115,000 - £119,999	1	1	2
	£120,000 - £124,999	0	0	0
	£125,000 - £129,999	0	0	0
1	£130,000 - £134,999	0	4	4
	£135,000 - £139,999	0	0	0
	£140,000 - £144,999	0	0	0
	£145,000 - £149,999	0	1	1
	£150,000 - £154,999	0	0	0
1	£155,000 - £159,999	0	0	0
	£160,000 - £164,999	0	0	0
	£165,000 - £169,999	0	0	0
	£170,000 - £174,999	0	0	0
	£175,000 - £179,999	0	0	0
	£180,000 - £184,999	0	0	0
1	£185,000 - £189,999	0	0	0
	£190,000 - £194,999	0	0	0
	£195,000 - £199,999	0	1	1
503	Totals	351	165	516

- b) Disclosure of remuneration for senior employees. Senior employees are typically an authority's Chief Executive (or equivalent) and their direct reports (other than administration staff).

Post holder information (Post title and name)	Salary		Total		Total Remuneration including pension contributions 2009/10 £000
	(Including fees & allowances)	Expense allowances	Remuneration excluding pension contributions	Pension contributions	
	2009/10 £000	2009/10 £000	2009/10 £000	2009/10 £000	
Chief Executive - K Kerswell	198	2	200	37	237
Corporate Director of Children & Young People's Services - PR Burnett	134	0	134	25	159
Corporate Director of Customer & Community Services- P Blantern	134	1	135	25	160
Corporate Director of Health & Adult Social Services - CT MacNally	134	1	135	25	160
Corporate Director for Environment, Growth & Commissioning - A Ciaburro	133	1	134	25	159
Assistant Chief Executive Policy & Partnership	108	0	108	20	128
Assistant Chief Executive Finance & Commercial Management	* 11	0	11	0	11
Head of Corporate Governance & Monitoring Officer	44	0	44	8	52
	896	5	901	165	1,066

* The whole time equivalent salary of this post, which includes the statutory duties of the Chief Finance Officer for the Council, is £118,000 per annum. The remuneration paid in 2009-10 relates to the statutory element of the role only which has been undertaken by an interim officer since October 2009.

There has been no expenditure on Bonuses, Compensation for loss of Office or Benefits in kind.

6 Councillors' Allowances

The Council has 73 Councillors. During 2009-10 the Council paid Councillor's allowances of £1,149k which is a 0.9% decrease on last year's allowances (£1,159k in 2008-09). Allowances include basic, special responsibility, subsistence and mileage allowances.

7 Audit Fees

2008-09 £000		2009-10 £000
344	KPMG LLP – audit services carried out by the appointed auditor	339
15	KPMG LLP – certification of grant claims and returns	15
0	Fees payable in respect of other services provided by the appointed auditor	10
36	The Audit Commission – statutory inspections and initiatives	16
395		380

The fees for provision of audit services and certification of grants were based on budget in line with the Annual Audit Letter. A charge of £58k was incurred in year over and above the agreed audit fee for completion of the 2008-09 audit.

8 Pooled Budgets

Section 31 of the Health Act 1999, the NHS Bodies and Local Authorities Partnership Arrangements Regulations 2000 and the Community Care and Health enable establishment of joint working arrangements between NHS bodies and local authorities. Pooled funds enable health bodies and local authorities to work collaboratively to address specific local health issues. A key feature of the pool is that the use of resources contributed to the pool should be dictated by the needs of clients who meet the criteria established for the pool, rather than the respective contributions of the partners. Thus, it is to be expected that health service resources could be used to deliver local authority services and vice versa.

During the year the Council contributed to three pooled budgets:

- Drug and Alcohol Action Team (DAAT) – hosted by Northamptonshire County Council, this is a partnership of all public bodies across the county whose purpose is to deliver the National Drug Strategy locally.
- Community Equipment Services within Northamptonshire – hosted by Northamptonshire County Council, the equipment is allocated via an Occupational Therapy assessment to enable independent living. Community Equipment Services within North Northamptonshire and South Northamptonshire (as separately noted in previous financial years) have now merged to form Community Equipment Services within Northamptonshire.

As part of the Community Equipment pooled budget agreement between Northamptonshire County Council and Northamptonshire Teaching Primary Care Trust, the community equipment stock is held by Northamptonshire Teaching Primary Care Trust on behalf of the pool. The value of the stock as at 31st March 2010 is £243,914.

- Adult Mental Health Services – hosted by Northamptonshire Teaching Primary Care Trust, is used to provide high quality services to promote mental health, prevent mental distress and illness and to provide timely and holistic treatment of mental illness within the County.

A summary of the Pooled Budgets have been reviewed as part of the audit. However, these do not form part of the Council's Accounts, and are excluded from the Audit Opinion.

2008-09 £000		2009-10 £000
	Drug and Alcohol Action Team (DAAT)	
7,122	Funding	9,783
(6,719)	Expenditure	(9,467)
<u>403</u>	Net Funding / (Expenditure)	<u>316</u>
	Community Equipment Services within Northamptonshire	
1,150	Funding	1,299
(1,150)	Expenditure	(1,299)
<u>0</u>	Net Funding / (Expenditure)	<u>0</u>
	Adult Mental Health Services	
72,326	Funding	76,227
(72,325)	Expenditure	(77,519)
<u>1</u>	Net Funding / (Expenditure)	<u>(1,292)</u>
<u>404</u>	Net Funding / (Expenditure)	<u>(976)</u>

9 Private Finance Initiatives & Public Private Partnerships

9a Private Finance Initiatives (PFI)

The Council has entered into the following Private Finance Initiatives (PFI):

- The Wooldale Centre
- Residential Care Homes
- The Northampton Town Learning Partnership

The annual payments are subject to contract variations as defined by the contract agreement.

Wooldale Centre

On 28 March 2003 the Council entered into a PFI agreement with Wooldale Partnerships Ltd to build and operate the “Wooldale Centre for Learning”, which comprises the Caroline Chisholm secondary and primary school, a public library, and various pre-school and community facilities at Wootton Fields, Northamptonshire.

The contractor made the Wooldale Centre available from September 2004 and will operate it over the life of the agreement which ends on 31 August 2029.

Residential Care Homes

In January 2003 the Council entered into a PFI agreement with Shaw Healthcare to build and operate 4 specialist care centres located in Rushden, Corby, Daventry & Northampton. The facilities were completed between June and December 2004 and will be operated until December 2029, 25 years from the last unit opening date.

PFI credits to the value of £1.3m p.a. will be received over the 25 year period.

Northampton Town Learning Partnership

On 31 December 2005 the Council entered into a PFI agreement with Northampton Schools Ltd Partnership (Babcock & Brown Ltd), for a period of 32 years and one day; to build and refurbish 5 secondary schools and 36 primary schools in Northampton Town and to finance and operate them over the same period. The PFI completion date is 1 January 2038.

The building sub contractor, Galliford Try, has completed the building works to construct 5 new secondary and 6 new primary schools, with the remaining schools having extensions and/or refurbishments.

The facilities management services for the schools carried out by sub contractor Amey BPO Services Ltd also commenced on 31st December 2005.

9b Public Private Partnerships (PPP)

Shaw- Elderly Persons Homes (EPH)

The Shaw EPH scheme relates to a Public Private Partnership (PPP) with respect to a block contract involving 2 new builds and the transfer of 8 elderly person’s homes to Shaw Healthcare with financial close reached in May and October 2006 respectively.

The scheme involved:

- The refurbishment of two homes: Victoria Road in Rushden and Lancum House in Wellingborough (sold to Shaw Healthcare in 2008-09);
- The rebuild of two homes on existing sites: Ashfield House, Raunds and Abbott House, Oundle (transferred to Shaw Healthcare for consideration of £1 each);
- New builds of two homes on land acquired by the developer: Oakley Vale, Corby and Towells Land, Kettering;
- Improvement works on one home, Beech Close, to extend its life by up to eight years (leased to Shaw Healthcare over life of contract);
- Sale of three homes to finance contributions to Shaw's development costs: Thornton House, Maple House and Ferndale Lodge.

The Council has a 25 year contract with Shaw Healthcare under which the developer provides a specified number of beds at each home at a specified price to the Council.

The assets will be owned by the developer at the end of the contract.

The Authority is contributing the following assets to the scheme as set out in the project agreement:

Ashfield House, Raunds and Abbot House Oundle – transferred at financial close (May 2006) at a consideration of £1 each, and capital contributions over the life of the contract.

The capital contributions to date of £2,261k and asset contributions of £865k are reflected in the block fees paid to the developer.

9c Repayments of Liabilities resulting from PFI and similar contracts

	Wooldale Centre		Residential Care Homes		Northampton Town Learning Partnership		Shaw Elderly Person Homes		Total	
	31 March 2009	31 March 2010	31 March 2009	31 March 2010	31 March 2009	31 March 2010	31 March 2009	31 March 2010	31 March 2009	31 March 2010
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Less than 1 year	308	492	494	517	5,718	4,007	46	170	6,566	5,186
Between 2 and 5 years	2,383	2,622	2,068	2,138	15,833	15,720	1,446	1,819	21,730	22,299
Between 5 and 10 years	4,311	4,232	3,224	3,400	19,380	19,374	2,730	2,889	29,645	29,895
Between 10 and 15 years	4,605	5,363	3,632	3,740	19,634	19,770	3,909	4,151	31,780	33,024
Between 15 and 20 years	8,252	7,698	4,506	4,220	20,783	21,155	4,734	5,034	38,275	38,107
Between 20 and 25 years	856	0	583	0	23,130	23,769	6,197	6,344	30,766	30,113
Between 25 and 30 years	0	0	0	0	20,318	15,284	2,101	710	22,419	15,994
Total	20,715	20,407	14,507	14,015	124,796	119,079	21,163	21,117	181,181	174,618

Payment of Operating Charges and Lifecycle Replacement Costs resulting from PFI and similar contracts

	Wooldale Centre		Residential Care Homes		Northampton Town Learning Partnership		Shaw Elderly Person Homes		Total	
	31 March 2009 £000	31 March 2010 £000	31 March 2009 £000	31 March 2010 £000	31 March 2009 £000	31 March 2010 £000	31 March 2009 £000	31 March 2010 £000	31 March 2009 £000	31 March 2010 £000
Less than 1 year	1,160	1,117	6,024	5,933	10,774	11,371	6,345	6,300	24,303	24,721
Between 2 and 5 years	4,755	4,921	24,840	25,493	47,217	48,397	25,317	24,674	102,129	103,485
Between 5 and 10 years	6,806	7,573	34,600	35,424	65,972	67,622	29,587	30,202	136,965	140,821
Between 10 and 15 years	9,891	9,642	39,917	41,002	74,642	76,508	33,005	33,811	157,455	160,963
Between 15 and 20 years	9,649	8,717	45,180	41,385	84,450	86,561	38,345	39,274	177,624	175,937
Between 20 and 25 years	868	0	4,699	0	95,548	97,936	43,890	45,484	145,005	143,420
Between 25 and 30 years	0	0	0	0	79,926	59,360	14,562	4,962	94,488	64,322
Total	33,129	31,970	155,260	149,237	458,529	447,755	191,051	184,707	837,969	813,669

Payment of Finance Lease Interest costs and Contingent Rent resulting from PFI and similar contracts

	Wooldale Centre		Residential Care Homes		Northampton Town Learning Partnership		Shaw Elderly Person Homes		Total	
	31 March 2009 £000	31 March 2010 £000	31 March 2009 £000	31 March 2010 £000	31 March 2009 £000	31 March 2010 £000	31 March 2009 £000	31 March 2010 £000	31 March 2009 £000	31 March 2010 £000
Less than 1 year	1,793	1,789	975	989	9,478	9,813	1,603	1,665	13,849	14,256
Between 2 and 5 years	6,907	6,736	3,981	4,031	39,365	39,421	7,034	7,229	57,287	57,417
Between 5 and 10 years	7,474	7,011	5,335	5,416	49,283	49,223	9,411	9,548	71,503	71,198
Between 10 and 15 years	5,276	5,021	5,282	5,310	48,626	48,374	10,150	10,254	69,334	68,959
Between 15 and 20 years	3,206	2,420	5,563	5,079	46,980	46,520	10,143	10,243	65,892	64,262
Between 20 and 25 years	113	0	663	0	44,113	43,360	10,127	9,891	55,016	53,251
Between 25 and 30 years	0	0	0	0	31,133	22,788	2,929	967	34,062	23,755
Total	24,769	22,977	21,799	20,825	268,978	259,499	51,397	49,797	366,943	353,098

Total Payments due to be made under PFI and similar contracts

	Wooldale Centre		Residential Care Homes		Northampton Town Learning Partnership		Shaw Elderly Person Homes		Total	
	31 March 2009	31 March 2010	31 March 2009	31 March 2010	31 March 2009	31 March 2010	31 March 2009	31 March 2010	31 March 2009	31 March 2010
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Less than 1 year	3,261	3,398	7,493	7,439	25,970	25,191	7,994	8,135	44,718	44,163
Between 2 and 5 years	14,045	14,279	30,889	31,662	102,415	103,538	33,797	33,722	181,146	183,201
Between 5 and 10 years	18,591	18,816	43,159	44,240	134,635	136,219	41,728	42,639	238,113	241,914
Between 10 and 15 years	19,772	20,026	48,831	50,052	142,902	144,652	47,064	48,216	258,569	262,946
Between 15 and 20 years	21,107	18,835	55,249	50,684	152,213	154,236	53,222	54,551	281,791	278,306
Between 20 and 25 years	1,837	0	5,945	0	162,791	165,065	60,214	61,719	230,787	226,784
Between 25 and 30 years	0	0	0	0	131,377	97,432	19,592	6,639	150,969	104,071
Total	78,613	75,354	191,566	184,077	852,303	826,333	263,611	255,621	1,386,093	1,341,385
Scheme end dates	31-Aug-2029		30-Sept-2029		01-Jan-2038		31-May-2036			

10 Operating leases and contract hire agreements

Authority as Lessee

The Council has operating leases for a variety of buildings, vehicles, office and other equipment. The amount paid under these arrangements in 2009-10 was £4 million.

The Council is committed to making payments of £4.2 million under these leases in 2010-11 comprising the following elements:

	Land & Buildings £000	Vehicles Plant Equipment £000	Total £000
Leases expiring in 2010-11	332	499	831
Leases expiring between 2011-12 and 2014-2015	928	1,730	2,658
Leases expiring after 2014-2015	716	32	748
	1,976	2,261	4,237

Authority as Lessor

The total amounts receivable in respect of leases granted by the Authority in 2009-10 was £0.7 million.

The income the Council is expecting in 2010-11 for these leases is £0.7 million, categorised as follows:

	Land & Buildings £000
Leases expiring in 2010-11	(261)
Leases expiring between 2011-12 and 2014-2015	(66)
Leases expiring after 2014-2015	(376)
	(703)

The Council has granted a number of leases in respect of investment properties. These are included in Fixed Assets as follows:

	£000
Total gross value of assets held for use in operating leases	18,301
Accumulated depreciation at 31 March 2010	(56)
Total net value of assets held for use in operating leases	<u>18,245</u>

11 Intangible Assets

The costs of the intangible assets are set out in the table below:

	Purchased Software Licences £000	Licences Trademarks and Artistic Originals £000	Total £000
Original Cost at 1 April 2009	12,325	1,515	13,840
Amortisation at 1 April 2009	<u>0</u>	<u>0</u>	<u>0</u>
Balance at 1 April 2009	12,325	1,515	13,840
Transfer from Asset under Construction	1,096	0	1,096
Additions in 2009/10	<u>3</u>	<u>0</u>	<u>3</u>
Total Gross Value at 31 March 2010	13,424	1,515	14,939
Impairment in 2009/10	0	0	0
Amortised to revenue in 2009-10	<u>(4,011)</u>	<u>(151)</u>	<u>(4,162)</u>
Balance at 31 March 2010	<u>9,413</u>	<u>1,364</u>	<u>10,777</u>

Purchased Software Licences

The total gross value of Purchased Software is made up of £7,433k expenditure on Enterprise Resource Planning Software, £4,100k for Customer Service Centre, £418k on E business Suite and £1,473 on other software licences across the authority. Software will be written off over 3 financial years, with the exception of the E Business Suite that will be written off over 10 years.

Licences, Trademarks and Artistic Originals

Expenditure in 2008-09 of £1,515k relates to the intellectual property rights accumulating from the "Excellence for our Customers" project. This project is critical to securing the full operational benefits of the software licences and ICT platforms which will form part of the Council's new shared services function with Cambridgeshire County Council. This asset is to be written off over ten years.

It is the policy not to amortise or depreciate in the year of acquisition or in the year in which the asset becomes operational.

12 Tangible Fixed Assets

12a Movement on Assets	Land and	Vehicles, Plant Furniture	Infrastructure	Community	Total
	Buildings	Equipment	Assets	Assets	Operational
	£000	£000	£000	£000	Assets £000
Operational Assets					
Cost or Valuation At 1 April 2009	1,117,904	42,740	353,971	902	1,515,517
Additions	21,708	7,783	22,236	0	51,727
Disposals	(2,046)	(521)	0	0	(2,567)
Reclassifications	6,507	8,407	42,765	0	57,679
Revaluations	20,533	0	0	0	20,533
At 31 March 2010	1,164,606	58,409	418,972	902	1,642,889
Depreciation and Impairment					
At 1 April 2009	(62,406)	(25,616)	(71,494)	(4)	(159,520)
Charges for 2009-10	(243,964)	(5,042)	(8,849)	(3)	(257,858)
Disposals	269	361	0	0	630
Reclassifications	160	0	0	0	160
Revaluations	28,782	0	0	0	28,782
At 31 March 2010	(277,159)	(30,297)	(80,343)	(7)	(387,806)
Balance Sheet at 31 March 2010	887,447	28,112	338,629	895	1,255,083
Balance Sheet at 1 April 2009	1,055,498	17,124	282,477	898	1,355,997
Nature of asset holding					
Owned	582,495	28,112	338,629	895	950,131
Finance Lease	0	0	0	0	0
PFI	304,952	0	0	0	304,952
Balance at 31 March 2010	887,447	28,112	338,629	895	1,255,083
Non - Operational Assets					
	Investment	Surplus Assets Held For Disposal	Assets Under Construction		Total Non Operational Assets £000
	Property £000	£000	£000		
Cost or Valuation At 1 April 2009	3,597	51,228	95,036		149,861
Additions	0	0	50,269		50,269
Disposals	(14)	(9,755)	0		(9,769)
Reclassifications	0	2,438	(60,118)		(57,680)
Transfers to Intangible Assets	0	0	(1,096)		(1,096)
Other Reclassifications	0	0	0		0
Revaluations	14,718	7,501	0		22,219
At 31 March 2010	18,301	51,412	84,091		153,804
Depreciation and Impairment					
At 1 April 2009	(21)	(2,050)	0		(2,071)
Charges for 2009-10	(35)	(9,040)	(17,071)		(26,146)
Disposals	0	1,313	0		1,313
Reclassifications	0	(160)	0		(160)
Revaluations	0	0	0		0
At 31 March 2010	(56)	(9,937)	(17,071)		(27,064)
Balance Sheet at 31 March 2010	18,245	41,475	67,020		126,740
Balance Sheet at 1 April 2009	3,576	49,178	95,036		147,790
Nature of asset holding					
Owned	18,245	41,475	67,020		126,740
Finance Lease	0	0	0		0
PFI	0	0	0		0
Balance at 31 March 2010	18,245	41,475	67,020		126,740
Total Tangible Fixed Assets at 31 March 2010					1,381,823
Total Tangible Fixed Assets at 1 April 2009					1,503,787

The majority of the council's operational assets have been valued at depreciated replacement cost (DRC), with the remainder valued at existing use value (EUUV); non operational assets have been valued at market value (MV).

All valuations have been carried out in accordance with guidance issued by the Royal Institute of Chartered Surveyors (RICS) by our independent external valuers, Lambert Smith Hampton.

12b Financing of Fixed Assets and Revenue Expenditure Financed from Capital Under Statute

2008-09		2009-10
£000		£000
460,294	Opening Capital Financing requirement	534,258
	<u>Capital Investment</u>	
92,617	Operational assets & Non Operational Assets	96,132
12,676	Revenue Expenditure Funded From Capital Under Statute	31,033
35,466	PFI Bullet Payments	2,100
5,900	Single Status Capitalisation	4,450
	<u>Sources of Finance</u>	
(4,322)	Capital receipts	(10,870)
(57,005)	Government grants and other contributions applied	(76,213)
(11,368)	Sums set aside from revenue (includes direct revenue financing, MRP, and any voluntary set aside)	(19,128)
534,258	Closing Capital Financing Requirement	561,761
	<u>Explanation of movements in year</u>	
33,197	Increase in underlying need for borrowing (supported by government financial assistance)	34,710
40,767	Increase in underlying need to borrowing (unsupported by government financial assistance)	(7,206)
73,964	Increase /decrease in Capital Financing Requirement	27,503

12c Commitments under capital contracts

The Council allocates and controls its available resources for capital expenditure via an ongoing capital programme. Total value of capital expenditure programmes to be completed in 2010-11 and later is £312m.

Seven major contracts (exceeding £5m) entered into during 2009-10 and earlier, where significant payments remain to be made are identified below along with their purpose, approximate value and the period over which the investment will take place.

Project/Scheme Name	Main Contractor	Purpose	Expected completion	Approximate value £ 000's
Kingswood School	Interserve	New build secondary school	2010-11	25,862
Maplefields/Orchard School	Graham Construction	New build special school	2011-12	15,500
Sandy Lane Improvements	Carillion Civil Engineering Ltd	Road improvement	2011-12	8,842
Northampton Modal - Shift Measures	MGWSP	Bus Improvement works	2011-12	6,871
Northampton Bus Rapid transit	MGWSP and Birse	Bus Improvement works	2011-12	5,327

12d Fixed Asset Valuation

The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets. The valuations were carried out by strategic property partners Lambert Smith Hampton who are regulated by the Royal Institute of Chartered Surveyors (RICS). The basis for valuation is set out in the statement of accounting policies.

The current five year rolling programme of valuations was completed in March 2010.

The properties were valued in accordance with CIPFA recommendations.

	Valued at	2005-06	2006-07	2007-08	2008-09	2009-10	Total
	Historical						
	Cost	£000	£000	£000	£000	£000	£000
Operational Assets							
Land & Buildings	0	22,825	83,079	48,119	84,249	649,174	887,447
PVEQ	28,112	0	0	0	0	0	28,112
Infrastructure	338,629	0	0	0	0	0	338,629
Community	895	0	0	0	0	0	895
	<u>367,636</u>	<u>22,825</u>	<u>83,079</u>	<u>48,119</u>	<u>84,249</u>	<u>649,174</u>	<u>1,255,083</u>
Non Operational Assets							
Assets Under Construction	67,020	0	0	0	0	0	67,020
Investment Properties	0	1,347	0	0	1,717	15,181	18,245
Surplus Assets held for Disposal	0	4,041	3,319	0	13,136	20,979	41,475
	<u>67,020</u>	<u>5,388</u>	<u>3,319</u>	<u>0</u>	<u>14,853</u>	<u>36,160</u>	<u>126,740</u>
Total	<u>434,656</u>	<u>28,213</u>	<u>86,398</u>	<u>48,119</u>	<u>99,102</u>	<u>685,334</u>	<u>1,381,823</u>

Since the year end valuation the Council is not aware of any material change in value and therefore the valuations have not been updated.

12e Details of assets owned by the Authority

March 2009		March 2010	
Number	Operational Assets	Number	
351	Schools	343	
6	Children's Homes	5	
41	Elderly Persons Homes	35	
63	Day Centres	66	
36	Libraries	35	
14	Recycling Centres	11	
22	Fire Stations	21	
34	County Offices	48	*
Infrastructure Assets			
4,120 km	County Roads	4,146	km
Community Assets			
6	Country Parks	6	
2	Historic Documents	2	

*2009-10 increase is due to the inclusion of ex care taker homes as County Offices.

13 Stock and work in progress

March 2009		March 2010	
£000		£000	
214	Fire Brigade Stocks	297	
58	Library Publications	20	
109	Nordis Raw Materials & WIP	85	
59	Country Park Shops	65	
101	Archaeology Stock & WIP	104	
4	Various Food Stocks	5	
0	Highways Salt	30	
<u>545</u>		<u>606</u>	

14 Debtors and payments in advance

Restated March 2009		March 2010	
£000		£000	
6,165	Inland Revenue & Other Government debt	8,973	
5,037	Payments in advance	7,485	
14,723	Council Tax Debtors	16,044	
29,849	Other short-term debtors	32,950	
<u>55,774</u>	Gross Value	<u>65,452</u>	
	Bad Debt Provision:		
(4,390)	Sundry	(4,058)	
(6,325)	Council Tax	(9,565)	
<u>45,059</u>	Net Carrying Value	<u>51,829</u>	

15 Landfill Allowance Trading Scheme (LATS) Investments

The Council has received landfill allowances for the year of 146,969 tonnes. The estimated landfill usage is 134,367 tonnes leaving a remaining balance of 12,602. The Council did not buy or sell any allowances in the year or during the reconciliation period. DEFRA advised that the average weighted value for 2009-10 is £16.57. However, as the council has no agreements in place to sell their remaining allowances to be prudent the allowances have been valued at a net realisable value of £nil.

16 Creditors and receipts in advance

Restated March 2009 £000		March 2010 £000
(7,391)	Inland Revenue	(10,127)
(39,527)	Receipts in advance	(40,241)
(31,505)	Unapplied Capital Grants Receipts in Advance	(59,543)
(61,318)	Other Creditors	(55,655)
(4,926)	Council Tax Creditors	(3,945)
(3,213)	Other Local Authorities	(4,099)
(147,880)		(173,610)

March 2009 £000	Unapplied Capital Grants Receipts in Advance	March 2010 £000
(23,698)	Balance Brought Forward	(31,505)
(64,812)	Grants Received	(104,251)
42,082	Grants Applied to Government Grants Deferred	35,315
14,923	Amortised to Revenue – REFCUS Expenditure	40,898
(31,505)		(59,543)

17 Provisions

	March 2009 £000	Change in provision £000	March 2010 £000
Insurance	(4,847)	(499)	(5,346)
Pay and Benefits	(59,500)	5,600	(53,900)
Other	(492)	(472)	(964)
	(64,839)	4,629	(60,210)

Insurance Provision

The Insurance Provision is held to fund the payment of known estimated future insurance liability (public liability, employers liability and property) i.e. estimates against current open insurance claims.

Once a claim has been made, it can take three years for it to go through the court process. In addition to this, if the claim is of a medical nature, it can take many years to settle depending on the injury/illness concerned.

The balance held in the provision is based on estimates of liability of known claims provided by the Fund's appointed professional advisors (Marsh Ltd) and property specialists. This therefore represents the liability that NCC will be required to pay impacting in future years.

Pay and Benefits

This provision has been created to fund any potential costs for when the council implements its new Pay and Benefits package on the 1st April 2011. The provision has been decreased by £5.6m to reflect the decision not to backdate the new pay package and invest in the future pay structure. The council is in formal consultation from 1st October 2010 on the implementation of Pay and Benefits for all employees so the exact cost is not yet definitely known.

For schools based staff, the Schools Forum has agreed that part of the schools Pay and Benefits costs will be funded from the accumulated surplus on the Dedicated Schools Grant.

The provision made is in accordance with proper accounting practice and doesn't reflect the extent of the Council's liability, as it is unable at this stage to measure the degree of likelihood of any potential liability with any sufficient reliability.

18 Government grants and capital contributions deferred

This account represents grants and contributions received to finance (wholly or partly) the acquisition of fixed assets. Amounts are then amortised to the relevant service on the revenue accounts over the useful life of the asset to match depreciation charged on the asset to which it relates. If the grant is in respect of a non-depreciable asset, the whole sum of the grant is released to revenue accounts in the year received and then reversed to the Capital Adjustment Account through the Statement of Movement on the General Fund Balance.

Any grants received in advance of incurring expenditure are transferred to an unapplied grant account within creditors (see Note 16).

2008-09		2009-10
£000		£000
(240,998)	Balance Brought Forward	(254,848)
(42,082)	Grants applied to capital investment in the year excluding any REFCUS expenditure	(35,315)
28,232	Amounts amortised to the revenue accounts in the year excluding grants relating to REFCUS expenditure	76,074
<u>(254,848)</u>	Balance Carried Forward	<u>(214,089)</u>

19 Minimum Revenue Provision (MRP)

In line with the MRP policy adopted by the Council, the 2009-10 Statutory General Fund MRP provision of £19.1m on residual Capital Financing Requirement (CFR) as at 31 March 2009 has been reduced by the amount of assets under construction and then applied to the asset life methodology. This is in line with the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI20008/414) and the DCLG guidance option 3. MRP has been assessed from April 2007 in line with guidance.

20 Pension Costs

Pension Interest costs and expected returns on pension assets

March		March
2008-09		2009-10
£000		£000
(38,044)	Expected Return on Assets in NCC Pension Fund	(27,827)
50,080	Interest on Pensions Liability (NCC)	48,865
8,900	Interest on Pensions Liability (Fire Pensions)	8,260
<u>20,936</u>		<u>29,298</u>

Teachers

In 2009-10 the Council paid £28.8m to the Teachers Pensions Agency for teachers' pension costs. This represents 14.1% of teachers' pensionable pay. The Council are also responsible for payments to the Teachers Pension Agency in respect of the 'Premature Retirement Compensation', payable to those teachers that are made redundant and are

pensionable but below normal pension age. In 2009-10 these amounted to £1.6m (0.8% of pensionable pay).

The Scheme is a defined benefit scheme. Although the scheme is unfunded, Teacher's Pensions use a notional fund as the basis for calculating the employers' contribution rate paid by local education authorities. However, it is not possible for the authority to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purpose of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

Uniformed firefighters'

In 2009-10 the service cost paid into the pension fund for uniformed firefighters' was £1.9m. This represents 21.3% of pensionable pay in respect of employees in the 1992 scheme and 14.2% of pensionable pay in respect of employees in the 2006 scheme.

The fire-fighter pension regulations exempt certain charges relating to ill health and injury awards from the Firefighters' Pension Fund Account. In 2009-10 these costs totalled £336,679.

Please refer to page 97 for details of the Firefighters' Pension Fund Account.

Other employees

The pension liability generated by Council staff in 2009-10 was £20.6m. This represents 12.6% of pensionable pay of employees in the Local Government Pension Scheme.

The Council are also responsible for any pension payments relating to added years we have awarded together with the related increases. In 2009-10 these were £1.5m (0.9% of pensionable pay).

Capital cost of discretionary increases in pensions payments

The capital cost of discretionary increases in pension's payments that we agreed in 2009-10 was £0.1m.

The capital cost of discretionary increases in pensions payments that we agreed before 2009-10 was £26.6m.

The Fund's actuary bases our contribution rate on actuarial valuations every three years. (The review relating to contributions in 2009-10 took place on 31 March 2007, the results of which were applied to pension's contributions from 1 April for the financial years 2008-09 and 2009-10 and will be applied to 2010-11). Under pension scheme regulations these contribution rates should cover all the fund's liabilities.

There are more details on pension assets and liabilities in Note 21 below. Further information can be found in the County Council's Pension Fund's Annual Report, see page 100 for contact details.

21 Retirement benefits – FRS17 Disclosures for Defined Benefit Schemes:

21a Participation in pension schemes

The Local Government Pension Scheme and Firefighters' Pension Scheme are defined benefit schemes.

As part of the terms and conditions of employment of its officers and other employees, the authority offers retirement benefits. Although these benefits will not actually be payable until

employees retire, the authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The authority participates in two pension schemes that are subject to the requirements of FRS17:

- The Local Government Pension Scheme for civilian employees, administered by Northamptonshire County Council – this is a funded scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.
- The Firefighters' Pension Scheme for firefighters' – this is an unfunded scheme, meaning that there are no investment assets built up to meet actual pensions payments as they eventually fall due. Two pension schemes operate within the fund, the 1992 scheme and the 2006 scheme.

21b Reconciliation of defined benefit obligation

	Local Government		Firefighters'		Total	
	Pension Scheme		Pension Scheme			
	2008-09 £000	2009-10 £000	2008-09 £000	2009-10 £000	2008-09 £000	2009-10 £000
Opening Defined Benefit Obligation	812,601	704,110	128,980	120,460	941,581	824,570
Current Service Cost	29,047	20,605	4,230	3,400	33,277	24,005
Interest Cost	50,080	48,865	8,900	8,260	58,980	57,125
Contribution by Scheme Participants	9,715	10,365	0	0	9,715	10,365
Actuarial Gains and Losses	(176,748)	382,400	(17,080)	52,560	(193,828)	434,960
Benefits Paid	(22,148)	(23,330)	(4,570)	(4,920)	(26,718)	(28,250)
Pension Transfers in	0	0	0	40	0	40
Past Service Costs	24	44	0	0	24	44
Curtailments	2,691	620	0	0	2,691	620
Settlements	(1,152)	0	0	0	(1,152)	0
Closing Defined Benefit Obligation	704,110	1,143,679	120,460	179,800	824,570	1,323,479

21c Reconciliation of fair value of the scheme assets

	Local Government		Firefighters'		Total	
	Pension Scheme		Pension Scheme			
	2008-09 £000	2009-10 £000	2008-09 £000	2009-10 £000	2008-09 £000	2009-10 £000
Opening Fair Value of Employer Assets:	529,248	424,634	0	0	529,248	424,634
Expected Rate of Return on Scheme Assets	38,044	27,827	0	0	38,044	27,827
Gains and Losses	(157,277)	131,379	0	0	(157,277)	131,379
Assets Distributed on Settlements	(1,182)	0	0	0	(1,182)	0
Employer contributions	28,234	33,765	0	0	28,234	33,765
Contributions by scheme participants	9,715	10,365	0	0	9,715	10,365
Benefits Paid	(22,148)	(23,330)	0	0	(22,148)	(23,330)
Closing Fair Value of Employer Assets	424,634	604,640	0	0	424,634	604,640

21d Income and Expenditure Account & Statement of Movement on the General Fund Balance

The following transactions have been made in the Income and Expenditure Account and Statement of Movement on the General Fund Balance during the year:

	Local Government		Firefighters'		Total	
	Pension Scheme		Pension Scheme			
	2008-09 £000	2009-10 £000	2008-09 £000	2009-10 £000	2008-09 £000	2009-10 £000
Income and Expenditure Account						
Net Cost of Services						
Current Service Cost	29,047	20,605	4,230	3,400	33,277	24,005
Past Service Cost	24	44	0	0	24	44
Curtailments	2721	620	0	0	2721	620
Pension Transfers in	0	0	0	40	0	40
Net Operating Expenditure						
Interest Costs	50,080	48,865	8,900	8,260	58,980	57,125
Expected return on scheme assets	(38,044)	(27,827)	0	0	(38,044)	(27,827)
Net Charge to the Income and Expenditure Account	43,828	42,307	13,130	11,700	56,958	54,007
Statement of Movement on the General Fund Balance						
Reversal of net charges made for retirement benefits in accordance with FRS17	(15,594)	(8,542)	(8,560)	(6,780)	(24,154)	(15,322)
Employers' contribution payable to scheme (LGPS)/Retirement Benefits payable to pensioners (FPS)	28,234	33,765	4,570	4,920	32,804	38,685

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £303,582k were included in the Statement of Total Recognised Gains and Losses.

21e The major categories of plan assets as a percentage of total plan assets

The Firefighters' Pension Scheme has no assets to cover its liabilities. The fund balances to nil each year through the receipt or refund of a top up grant from the Central Government Sponsoring body. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	Local Government Pension Scheme		Firefighters' Pension Scheme	
	2008-09	2009-10	2008-09	2009-10
	%	%	%	%
Equity Investments	70	76	N/A	N/A
Bonds	19	16	N/A	N/A
Property	7	6	N/A	N/A
Cash	4	2	N/A	N/A

21f Expected return on assets

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e.1 April 2009).

Long Term expected rate of return on assets in the scheme:

	Local Government Pension Scheme		Firefighters' Pension Scheme	
	2008-09	2009-10	2008-09	2009-10
	%	%	%	%
Equity Investments	7.0	7.8	N/A	N/A
Bonds	5.4	5.0	N/A	N/A
Property	4.9	5.8	N/A	N/A
Cash	4.0	4.8	N/A	N/A

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Firefighters' Pension Scheme and the Local Government Pension Fund liabilities have been assessed by the Government Actuary's Department (GAD) and Hymen Robertson LLP respectively. The financial assumptions used for the Local Government Pension Fund were those from the beginning of the year (i.e.1 April 2009) and have not been changed during the year.

21g The main assumptions used in their calculations have been:

	Local Government Pension Scheme		Firefighters' Pension Scheme	
	March 2009	March 2010	March 2009	March 2010
	%	%	%	%
Rate of inflation	3.1	3.8	3.0	3.9
Rate of increase in salaries	4.6	5.3	4.5	5.4
Rate of increase in pensions	3.1	3.8	3.0	3.9
Rate for discounting scheme liabilities	6.9	5.5	6.9	5.8
Take-up of option to convert annual pre-April 2008 service pension into retirement grant	50.0	50.0	N/A	N/A
Take-up of option to convert annual post-April 2008 service pension into retirement grant	0.0	75.0	N/A	N/A

Mortality Assumptions

For the County Council Pension Fund life expectancy is based on the PFA92 and PMA92 year of birth tables with improvements from 2007 in line with the medium cohort and a 1%pa underpin.

For the Firefighters' Pension Fund life expectancy is based on PNA00-08 C = 2050 (X+1) for current pensioners and PA00-08 C=2050 for future pensioners.

	Local Government Pension Scheme		Firefighters' Pension Scheme	
	2008-09 Years	2009-10 Years	2008-09 Years	2009-10 Years
Longevity at 65 for current pensioners				
Male	21.1	20.8	23.1	23.3
Female	24.0	24.1	24.7	25.2
Longevity at 65 for future pensioners				
Male	22.2	22.3	25.8	26.2
Female	25.0	25.7	27.4	28.0

21h Scheme History

	2004-05 £000	2005-06 £000	2006-07 £000	2007-08 £000	2008-09 £000	2009-10 £000
<u>Present Value of Liabilities:</u>						
Local Government Pension Scheme	(606,202)	(715,260)	(731,048)	(812,601)	(704,110)	(1,143,679)
Firefighters' Pension Scheme	N/A	N/A	(150,130)	(129,210)	(120,460)	(179,800)
	(606,202)	(715,260)	(881,178)	(941,811)	(824,570)	(1,323,479)
<u>Fair Value of Assets:</u>						
Local Government Pension Scheme	407,253	522,403	557,625	527,061	424,634	604,640
Firefighters' Pension Scheme	0	0	0	0	0	0
	407,253	522,403	557,625	527,061	424,634	604,640
<u>Surplus/(deficit) in the scheme:</u>						
Local Government Pension Scheme	(198,949)	(192,857)	(173,423)	(285,540)	(279,476)	(539,040)
Firefighters' Pension Scheme	N/A	N/A	(150,650)	(129,210)	(120,460)	(179,800)
	(198,949)	(192,857)	(324,073)	(414,750)	(399,936)	(718,840)

Local Government Pension Scheme and Firefighters' Pension Scheme

The pension schemes liabilities show the underlying commitments that the Council has in the long-run to pay retirement benefits. The total liabilities as at 31 March 2010 are £1.3 billion, an increase of £499m from 2008-09. This has a substantial impact on the net worth of the Council as recorded in the balance sheet, resulting in a negative overall balance of £182.3m. However, statutory arrangements for funding the deficit mean the financial position of the Council

remains healthy. Accordingly, it has been considered appropriate to adopt a going concern basis for the preparation of this Statement of Accounts.

“The vast majority of employers will notice that the balance sheet has deteriorated from last year. This is principally due to the fact that the financial assumptions at 31 March 2010 are less favourable than they were at 31 March 2009 and the mortality assumptions have been strengthened to reflect improvements in life expectancy.”

Hymans Robertson (Actuary) – Public Sector Briefing Note April 2010.

Over the year from 2009 to 2010, AA-rated corporate bond yields have decreased from 6.9% to 5.5%. Likewise, the market expectations of long-term inflation have increased from 3.1% p.a. at 2009 to 3.8% p.a. at 2010. Therefore, the net discount rate (discount rate less inflation) has decreased massively from 3.8% p.a. to 1.7% p.a. at 2010. This means that each year liabilities are increasing by an additional 2.1% each year (3.7% minus 1.6%) more than we were anticipating them to at 2009. This had significant impact on the present value of scheme liabilities.

History experience of gains and losses – LGPS

Differences between expected and actual return on assets:	2005-06 £000	2006-07 £000	2007-08 £000	2008-09 £000	2009-10 £000
Asset Gain (Loss)	72,542	(6,371)	(69,796)	(155,090)	131,379
Present Value of Assets	520,244	555,321	527,061	424,634	604,639
Asset Gain (Loss) %	13.94%	(1.15%)	(13.24%)	(36.52%)	21.73%
Gains & Losses on Liabilities:					
Liability Gain (Loss)	(14,972)	0	3,381	(4,951)	(84)
Present Value of Liabilities	(715,260)	(731,048)	(812,601)	(704,110)	(1,143,679)
Liability Gain (Loss) %	(2.09%)	0.00%	0.43%	(0.70%)	(0.01%)

History experience of gains and losses – Firefighters'

	2005-06 £000	2006-07 £000	2007-08 £000	2008-09 £000	2009-10 £000
Experience Gains & Losses on Liabilities:					
Amount	0	0	(70)	80	10
Percentage of the liability at year end	0	0	(30.4%)	16.7%	0.6%
Total Actuarial Gains and Losses					
Amount	0	0	10	130	(800)
Percentage of the liability at year end	0	0	4.3%	27.1%	(46.2%)

21i Projected pension expense for the year to 31 March 2011 – LGPS

Analysis of the projected amount to be charged to operating expenditure for the year to 31 March 2011 for LGPS:

Year Ended:	March 2011	% of pay
	£'000	
Projected Current Service Cost	40,059	24.1%
Interest on Obligation	63,597	38.3%
Expected Return on Plan Assets	(44,184)	(26.6%)
Past Service Cost	-	-
Losses/(Gains) on Curtailments and Settlements	-	-
Total	59,472	35.8%

The estimated employer's contributions for the year to 31 March 2011 are £32.2million.

22 Movements on Financial Reserves in the Year

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

Reserve	Restated Balance April 2009 £000	Net Movement in Year £000	Balance March 2010 £000	Purpose of Reserve	Further Detail of Movements
Revaluation Reserve	(15,488)	66,983	51,495	Store of gains on the revaluation of fixed assets not yet realised through sales	See (a) below
Capital Adjustment Account	568,598	(177,961)	390,637	Store of capital resources set aside to meet past expenditure	See (b) below
Collection Fund Adjustment Account	259	(1,824)	(1,565)	Account to allow for Differences in collection fund	See (c) below
Financial Instruments Adjustment Account	7,060	546	7,606	Account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments	See note 33
Available for Sale Financial Instruments Reserve	489	(58)	431	Store of gains on revaluation of investments not yet realised through sales	
Capital Receipts Reserve	7,279	(3,761)	3,518	Capital Receipts not yet applied to capital schemes	See (d) below
Pensions Reserves	(399,936)	(318,904)	(718,840)	Account to allow inclusion of Pensions Liability in the Balance Sheet	See note 21h
Pay and Benefits	(18,400)	(9,550)	(27,950)	Account to allow for pay and benefit costs	See (e) below
Schools Reserves	45,909	12,493	58,402	Unused schools balances, plus balance on Dedicated Schools Grant	See (f) below
Earmarked Reserves	20,560	7,090	27,650	Includes the Insurance and PFI Reserves	See (g) below
General County Fund	13,921	(1,321)	12,600	Resources available to meet future running costs for council services	See Statement of Movement on the General Fund Balance
Total	230,251	(426,267)	(196,016)		

Note

The Revaluation Reserve and the Capital Adjustment Account restated balance sheet at 1 April 2009 include adjustments of -£94,334k and +£100,104k respectively that relate to prior year adjustments before 1 April 2008.

The movements in the year are explained below:

(a) **Revaluation Reserve**

Restated			2009-10	
2008-09				
£000				£000
27,857	Revaluation gains			71,534
(1,265)	Transfers to Capital Adjustment Account of accumulated gains upon disposal			(3,124)
(488)	Historic cost depreciation adjustment			(1,427)
26,104				66,983

(b) **Capital Adjustment Account**

Restated			2009-10	
2008-09				
£000				£000
43,143	Government grants deferred amortisation			116,972
11,368	Minimum revenue provision			19,128
4,402	Minimum revenue provision PFI			4,560
56	Deferred income Public Private Partnership			0
(6,205)	Book value of assets on disposal			(10,394)
4,322	Capital receipts posted out of the Capital Receipts Reserve			10,870
1,265	Transfers from Revaluation Reserve of accumulated gains upon disposal			3,124
488	Historic cost depreciation adjustment			1,427
(115,443)	Impairments			(248,239)
(30,224)	Depreciation			(39,927)
(12,676)	Revenue expenditure funded from capital expenditure under statute			(31,033)
(5,900)	Amortisation of deferred charge for Single Status			(4,449)
(105,404)				(177,961)

(c) **Collection Fund Adjustment Account**

Adjustment for precepting authorities share of district / borough surplus / deficit in the collection fund.

2008-09		2009-10
£000		£000
259	Movement in Collection Fund	(1,824)
259		(1,824)

(d) **Capital Receipts Reserve**

The balance left in the reserve has been earmarked as a contribution to future capital elements of the PFI unitary charge. Previously all capital receipts were used in year to fund capital expenditure.

2008-09		2009-10
£000		£000
7,690	Capital receipts received	7,109
(4,322)	Amounts transferred to Capital Adjustment Account to finance capital expenditure	(10,870)
3,368		(3,761)

(e) **Pay and Benefits Account**

2008-09		2009-10
£000		£000
(12,700)	Deferred from General Funds	(9,550)
(12,700)		(9,550)

(f) **Schools Reserves**

Amounts held in reserves and balances held by schools under delegated schemes are committed to be spent on the education service.

	Opening Balance	Transfers to Reserve	Transfers from Reserve	Closing Balance
	April 2009			March 2010
	£000	£000	£000	£000
Dedicated Schools Grant (DSG)	3,631	4,517	0	8,148
School future employee costs reserve	0	3,500	0	3,500
Unused schools balances	44,669	49,756	(44,669)	49,756
Asset purchase loans	(2,391)	888	(1,499)	(3,002)
Schools Reserves	45,909	58,661	(46,168)	58,402

(g) **Earmarked Reserves**

	Opening Balance	Transfers to Reserve	Transfers from Reserve	Closing Balance
	April 2009			March 2010
	£000	£000	£000	£000
Insurance reserve	6,201	0	(1,202)	4,999
PFI reserves	6,566	4,656	(4,429)	6,793
Capital reserve	4,125	0	(4,125)	0
Service Carry Forwards	1,589	0	(795)	794
Firefighters' Ill-Health Pension reserve	119	50	0	169
Future Employee Costs	0	20,882	(7,100)	13,782
Pen Green Research Centre reserve	724	0	(136)	588
Other earmarked reserves	1,236	523	(1,234)	525
Earmarked Reserves	20,560	26,111	(19,021)	27,650

Note 1

Included in the £7.1m transfer from the Future Employee Costs Reserve is a £6m payment to Rockingham Estates in respect of a landfill compensation claim. The report to Cabinet in May 2010 confirmed the use of this earmarked reserve for settling the Rockingham Estates compensation claim and established that this reserve would be replenished over 4 years.

23 Analysis of government grants (cash basis)

2008-09		2009-10
£000		£000
373,030	Dedicated Schools (DSG)	377,986
1,297	Drug/Alcohol Misuse	1,069
35,863	Learning and Skills Council	35,554
50	LAA	10
442	Parent Support Advisors	0
0	Performance Reward	1,942
12,058	PFI Credits	12,321
20,875	School Standards	20,916
2,691	Section 256	2,643
0	Specific Road Safety	51
34,302	Standards Fund	38,300
1,286	Supported Employment	1,320
14,257	Supporting People	14,272
10,656	Sure Start Early Years Childcare	20,369
591	Training Support Programme	814
1,193	Youth Justice Board	839
9,558	Other	17,371
518,149		545,777

24 Reconciliation between the net deficit on the Income and Expenditure Account and the net cash flow from revenue activities

Restated March 2009 £000		March 2010 £000
142,839	Surplus/(Deficit) for the year	193,061
	Non-cash transactions	
(145,667)	Depreciation & Impairment	(288,166)
0	Revenue Expenditure Funded from Capital under Statute	(31,033)
28,232	Government Grant Deferred Amortisation	76,213
1,421	Gain/(Loss) on sale of fixed assets	(3,313)
(31,925)	PFI deferred consideration	0
(24,154)	FRS17 retirement benefits	(15,322)
(8,669)	Long Term Debtors	0
(37,100)	(Increase)/Decrease in unequal pay back pay provision	5,600
(360)	(Increase)/Decrease in provisions	(971)
(680)	(Increase)/Decrease in deferred liabilities	0
0	(Gain)/Loss on derecognition of Financial Instruments	1,420
(2,140)	(Deficit)/Surplus on Collection Fund Income	(1,565)
(221,042)		(257,137)
	Adjustment for items reported separately on Cashflow	
12,057	Interest and investment income	(3,503)
(20,406)	Interest payable	17,442
(10,997)	Interest element of finance lease rental payments	13,849
(19,346)		27,788
	Items on an Accrual Basis	
(270)	Increase/(Decrease) in stock	61
(2,973)	Decrease in investments	
(23,594)	Increase/(Decrease) in debtors	6,981
5,829	(Increase)/Decrease in creditors	(25,730)
(21,008)		(18,688)
(118,557)	Net cash Inflow/(Outflow) from operating activities	(54,976)

25 Reconciliation of cash flows from financing to related balances

	Restated				Closing
	Opening	Repayments	New	Non Cash	Balances
	Balances	of Amounts	Loans	Movements	March 2010
	March 2009	Borrowed	Raised		March 2010
	£000	£000	£000	£000	£000
Short & Long Term Loans	(639,602)	392,033	(432,279)	0	(679,847)
	(639,602)	392,033	(432,279)	0	(679,847)

26 Movement in our cash balances

	Cash Balances March 2009 £000	Cash Balances March 2010 £000	Decrease/ (Increase) in Cash £000
Cash at bank and in hand	3,154	2,869	285
Bank Overdraft	(14,072)	(1,066)	(13,006)
	(10,918)	1,803	(12,721)

27 Explaining our liquid resources

Liquid resources include all short-term investments but exclude cash. Investments that are due to reach maturity in less than 365 days are classed as short term.

Reconciliation of cash flows from management of liquid resources to related balances:

	Opening Balances April 2009 £000	Cash Movements £000	Non Cash Movements £000	Closing Balances March 2010 £000
Short Term Deposits	169,313	34,948	0	204,261
Long Term Deposits	10,690	(10,690)	0	0
	180,003	24,258	0	204,261

28 Trust funds

We are the sole trustee for several legacies left for the benefit of education and the community in the County. We manage £20,124 of trust funds and other third-party funds. These amounts are not included in the Income & Expenditure account or Balance Sheet.

29 Contingent Liabilities & Assets

(a) Employment Tribunal Claims

The Council has 13 employment tribunal cases outstanding, but is unable at this stage to measure the degree of likelihood of any liabilities or the amounts of any potential obligations with sufficient reliability. Hence no amounts have been recognised within the accounts. Based on historic experience and the number of cases the estimated liability could be up to £100,000.

(b) Civil Cases

The Council has 16 civil cases currently outstanding, but is unable at this stage to measure the degree of likelihood of any liabilities or the amounts of any potential obligations with sufficient reliability. Hence no amounts have been recognised within the accounts. Based on historic experience and the number of cases the estimated liability could range between £260,000 and £500,000.

(c) Review of Major Contracts

Over a year ago, the Council was issued with proceedings for a claim on a contract for works on a Council property and this claim was recognised as a contingent liability in 2008-09. Still ongoing, it is again recognised in the 2009-10 accounts as a contingent liability. The Council continues to vigorously contest this case and is currently awaiting a pre-trial

hearing. The possible financial impact, if any, is uncertain but as a guide could be up to £580,000, including costs.

(d) Highway Status

As a result of a dispute over the status of a road, the Council has been unsuccessful in its attempts to agree a procedure for mediation with the claimants and is awaiting a trial date to be set by the High Court. Likely trial dates will be between April and June 2011 and the trial is predicted to last 9 days. This trial will enable the Council to go to court to pursue its defence that a road is a highway and not a private road. The financial impact is very uncertain, with costs against the Council if it loses being potentially as high as £1m, but if the Council wins, being as low as £130,000. With such uncertainty, no amounts have been recognised in the accounts.

(e) VAT Claim

As a result of a well known VAT litigation case – ‘the Fleming case’ – which meant that certain items previously deemed to be Standard rated were considered to be Outside the Scope of VAT, the Council submitted a claim for over paid VAT dating back to the early 1970’s.

Following detailed discussions with HMRC, HMRC has now acknowledged the validity of NCC’s claim and whilst it is unlikely NCC will receive less than £135,000 there continues to be uncertainty as to the full amount, with upper limit estimates ranging between £205,000 and £275,000, but these could be even higher depending on the final interest calculation method adopted by HMRC to settle the claim. As the final amount cannot be determined with any certainty and therefore the subsequent refund from HMRC can also not be determined with any certainty, to be prudent, this amount has been treated as a contingent asset.

30 Transactions with related parties

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

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates and provides the majority of its funding in the form of grants. Details of specific government grants can be found in Note 23.

Councillors

Members of the Council have direct control over the Council’s financial and operating policies. During 2009-10 the Council bought goods and services and gave grants to the value of £55,974 to organisations or companies in which three Councillors had an interest. The Council entered into contracts in line with standard procedures and made grants with proper consideration of declarations of interest.

During 2009-10 the Council received £5,620 of income from two organisations in which two councillors had an interest.

Officers

During 2009-10 the Council bought goods and services and gave grants to the value of £10,017 to three organisations or companies in which two officers had an interest. The Council entered into contracts in line with standard procedures and made grants with proper consideration of declarations of interest.

During 2009-10 the Council received £22,600 of income from one organisation in which one officer had an interest.

Northamptonshire Connexions Partnership Ltd

Connexions-Northamptonshire is an organisation that offers advice on education, careers, housing, money, health and relationships to 13-19 year olds in the County. Funding from the Department for Children, Schools and Families is incorporated into the Area Based Grant and distributed to Connexions-Northamptonshire via the Council.

During 2009-10 the Council paid grants to Connexions-Northamptonshire totalling £7,396,258.

During 2009-10 the Council received £155,102 from Connexions-Northamptonshire for services provided.

Northamptonshire Enterprise Ltd (NEL)

NEL was created in 2006 by the merger of the Council's economic development service with Northamptonshire Enterprise (the sub-regional arm of East Midlands Development Agency), Invest Northamptonshire, Explore Northamptonshire and Northamptonshire Observatory. Since then the Council has had a service level agreement in place with NEL for the management and delivery of the Council's economic development functions.

The Council paid fees totalling £747,000 directly to NEL for the management and delivery of the Council's economic development functions. A further £1,570,813 was paid to NEL as grants, the delivery of which is managed by NEL.

NEA Properties Ltd

NEA Properties Ltd is a company set up many years ago by the Council to stimulate and promote the creation and growth of business enterprise in Northamptonshire, so as to increase employment opportunities in the County.

During 2009-10 various Council projects were funded to the value of £76,750 by NEA Properties Ltd via Northamptonshire Enterprise Ltd who administered the projects on behalf of NCC.

The Lakes (Waterside) Management Company Ltd

The company was set up many years ago to manage the lakes in the vicinity of John Dryden House and the neighbouring properties. The Council contributed £8,578 to the running of the company in 2009-10.

East Midlands Broadband Consortium

The East Midlands Broadband Consortium (EMBC-PL) is a partnership of 8 authorities procuring broadband connectivity services from Asymetrix plc for its member authorities and principally schools. Northamptonshire owns approximately 16.3% of EMBC-PL and in 2009-10 made payments totalling £3,065,310 to the company. This expenditure is funded by a Standards Fund grant for broadband connectivity from the Department for Education.

Northamptonshire Local Government Pension Scheme

During 2009-10 the Council made payments totalling £33.7m to the Pension Fund. The Pension Fund paid us £1.8m for administration charges, including staff salaries.

Debtors and Creditors Balances

There were no balances due to or from related parties at 31 March 2010.

31 Related Parties with Significant Influence or Dominant Control

The council has an interest in two companies limited by Guarantee through board membership and significant influence. However, the maximum amount of liability borne by the Council in the event of insolvency is limited to £1 as both companies are limited by guarantee. The Council also has an interest in The Lakes (Waterside) Management Company Ltd through a 33.1% share holding and one director on the board of seven directors.

The Council has considered that group accounts will not be required as the net worth and exposure to risk is immaterial. Users of the Council accounts will be able to see the complete activities of the Council and its exposure to risk without producing group accounts.

The following information is extracted from the most recent unaudited Company Accounts. Copies of the Accounts are available from Companies House, Cardiff, CF14 3UZ once filed.

Business Entity	Connexions Northamptonshire	NEA Properties	Lakes Management	EMBC Procurement Ltd
Held %	Significant Influence	Significant Influence	33%	16.3%
Entity year end	March 2010	March 2009	March 2009	March 2010
	£000	£000	£000	£000
Profit before tax	(225)	(81)	(0)	(16)
Profit after tax	(225)	(81)	(0)	(15)
Total Assets	3,891	420	16	5,309
Total Liabilities	(3,267)	(43)	(2)	(5,281)
Net Assets	624	377	14	28
Dividend received by Council	N/A	N/A	N/A	N/A
Amounts due to/(from) Council	N/A	N/A	N/A	N/A

32 Trading Accounts

The council has three long established trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the authority or other organisations. The net deficit of £85k (2008-09 £260k) has been included in the net cost of services in the Income and Expenditure Account.

Archaeology – Undertakes various contracts throughout the country, with a view to making a surplus. It achieves this on a cash basis, without internal recharges of support services at the year end.

Nordis – The Council supported sign making business that sells to external companies. The employees are in the main disabled and it is considered a worthwhile

venture that is supported under the powers of Well Being as part of the budget.

Knuston Hall – is a residential adult education college and conference venue.

2008-09		2009-10
£000		£000
	Archaeology	
1,862	Turnover	1,401
<u>(1,775)</u>	Expenditure	<u>(1,411)</u>
<u>87</u>	Surplus/(Deficit)	<u>(10)</u>
	Nordis	
872	Turnover	959
<u>(1,252)</u>	Expenditure	<u>(1,056)</u>
<u>(380)</u>	(Deficit)	<u>(97)</u>
	Knuston Hall	
687	Turnover	702
<u>(654)</u>	Expenditure	<u>(680)</u>
<u>33</u>	Surplus	<u>22</u>
<u>(260)</u>	Net deficit on trading operations	<u>(85)</u>

33 Financial Instruments Disclosure Notes

Introduction – Accounting Policy

With effect from 1 April 2007, local authorities have had to adopt a major change of accounting policy in order to comply with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom – the Statement of Recommended Practice issued by the Chartered Institute of Public Finance and Accountancy / LASAAC Joint Committee. This has been based on major changes in international accounting standards which have resulted in this country in the introduction of new U.K. accounting standards for financial instruments - FRS25, 26 and 29.

This caused major changes in 2007/08 in the accounting treatment of financial instruments, soft loans and guarantees, which have been designed to present a higher quality of information on financial instruments, in line with the private sector. In addition, in order to help identify, quantify and inform on the exposure to and management of risk, new “fair value” disclosure requirements were also introduced. The need for this has arisen in recent years through the high profile failure of a number of financial institutions e.g. Barings, Enron, World Com etc.

For 2008/09 there have been some further, but more minor, modifications to accounting policy and these disclosure notes.

Amortised Cost

This change in accounting standards has meant that most financial instruments (whether borrowing or investment) have, to be valued on an amortised costs basis using the effective interest rate (EIR) method.

Fair Value

In these disclosure notes, financial instruments are also required to be shown at fair value. Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about

the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

Compliance

This authority has complied with the following: -

1. it has adopted the CIPFA's Treasury Management in the Public Services: Code of Practice
2. set treasury management indicators to control key financial instrument risks in accordance with CIPFA's Prudential Code

33a Types of Financial Instruments

Accounting regulations require the "financial instruments" (investment, lending and borrowing of the Council) shown on the balance sheet to be further analysed into various defined categories. The investments, lending & borrowing disclosed in the balance sheet are made up of the following categories of "financial instruments".

Table 1 – Financial Instrument Balances

	Long-Term		Current		Total	
	31 March 2009	31 March 2010	31 March 2009	31 March 2010	31 March 2009	31 March 2010
	£000	£000	£000	£000	£000	£000
Borrowings						
Financial liabilities at amortised cost	314,778	351,389	222,622	288,277	537,400	639,666
PPP/PFI	164,909	169,432	6,566	5,186	171,475	174,618
Total borrowings	479,687	520,821	229,188	293,463	708,875	814,284
Investments						
Loans and receivables	39,939	1,984	170,855	236,187	210,794	238,172
Available-for-sale financial assets	0	0	31,460	28,760	31,460	28,760
Total investments	39,939	1,984	202,315	264,948	242,254	266,932

Notes

1. LOBOs of £85m have been included in long term borrowing but have a call date in the next 12 months.

The above long term figures are based on paragraph B9 of SORP 2008 Guidance Notes which states that in undertaking EIR calculations the maturity period for a LOBO should usually be taken as being the contractual period to maturity unless there is a specific identifiable reason to determine otherwise.

33b Gains and Losses on Financial Instruments

The gains and losses recognised in the Income and Expenditure Account and STRGL in relation to financial instruments are made up as follows:

Table 2 – Financial Instruments Gains/Losses

	Financial Liabilities	Financial Assets		Total
	Carrying value Liabilities measured at amortised cost £000	Loans and receivables £000	Available for Sale Assets £000	2009-10 £000
Interest expense	(17,442)			(17,442)
Losses on derecognition PFI/PPP	(13,849)		(22)	(13,849)
Interest payable and similar charges	(31,291)	0	(22)	(31,313)
Interest income		2,569	855	3,424
Gains on derecognition	0	0	372	372
Interest and investment income	0	2,569	1,227	3,796
Net gain/(loss) for the year	(31,291)	2,569	1,205	(27,517)
Amounts recognised in the I&E to write off premiums and discounts in 2009-10	0	0	0	0
Net gain/(loss) for the year	(31,291)	2,569	1,205	(27,517)

33c Fair Value of Assets and Liabilities Carried at Amortised Cost

The fair value of each class of financial assets and liabilities which are carried in the balance sheet at amortised cost is disclosed below.

Methods and Assumptions in valuation technique

The fair value of an instrument is determined by calculating the Net Present Value of future cash flows, which provides an estimate of the value of payments in the future in today's terms. The discount rate used in the NPV calculation is the rate applicable in the market on the date of valuation for an instrument with the same structure, terms and remaining duration. For debt, this will be the new borrowing rate since premature repayment rates include a margin which represents the lender's profit as a result of rescheduling the loan; this is not included in the fair value calculation since any motivation other than securing a fair price should be ignored.

The rates quoted in this valuation were obtained by our treasury management consultants from the market on 31st March, using bid prices where applicable.

The calculations are made with the following assumptions:

- For PWLB debt, the discount rate used is the rate for new borrowing as per rate sheet number 063/10.
- For other market debt and investments the discount rate used is the rates available for an instrument with the same terms from a comparable lender.
- We have used interpolation techniques between available rates where the exact maturity period was not available.
- No early repayment or impairment is recognised.
- We have calculated fair values for all instruments in the portfolio, but only disclose those which are materially different from the carrying value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

Table 3 – Fair Value of Liabilities Carried at Amortised Cost

	31 March 2009		31 March 2010		31 March 2010	
	Carrying amount	Fair value	Carrying amount due within 12 months	Long term borrowing	Total Carrying amount	Fair value
PWLB - maturity	283,644	288,975	82,327	199,774	282,101	281,485
PWLB - EIP	3	3	0.00	2.00	2	2
LOBOs	141,454	146,962	1,185	150,000	151,185	173,928
Market borrowing	43,025	43,025	66,943	5,000	71,943	71,926
Financial liabilities	442,456	451,737	150,455	354,776	505,231	527,341

Fair value is more than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the rates available for similar loans at the Balance Sheet date. The commitment to pay interest below current market rates reduces the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans.

Table 4 – Fair Value of Assets Carried At Amortised Cost

	31 March 2009		31 March 2010	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Cash total	22	22	13,452	13,452
Total deposits with banks and building societies	144,965	147,456	161,546	161,779
Callable deposits	3,555	3,555	0	0
Snowballs	0	0	0	0
Other	0	0	0	0
Financial assets	148,542	151,033	174,998	175,231

The fair value is higher than the carrying amount because the Councils portfolio of investments includes a number of fixed rate loans where the interest rate receivable is lower than the rates available for similar loans at the Balance Sheet date.

33d Nature and Extent of Risks Arising from Financial Instruments

The Council's management of treasury risks actively works to minimise the Council's exposure to the effects of the unpredictability of financial markets and to protect the financial resources available to fund services. Risk management is carried out by a central treasury team under policies approved by the Council in the annual treasury management strategy report. The Council has fully adopted and implemented the CIPFA Code of Practice on Treasury Management. In particular, it has set up twelve treasury management practices covering all areas of treasury management. These specify in detail the policies of the council, the procedures on how these policies are to be put into effect and who is responsible for all aspects of treasury management. These policies cover such areas as credit risk, liquidity risk and market risk. The treasury management team have also fully implemented the national investment guidance (*English Authorities*) of the ODPM issued on 12 March 2004.

There has been no change in the risk profile for Credit, Market or Liquidity risk to the council in the financial year 2009-10.

1. Credit Risk

Credit risk is the possibility that other parties may not pay amounts due to the Council. This risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Council's customers.

It is the policy of the Council to place deposits only with a limited number of high quality banks and building societies whose credit rating is independently assessed as sufficiently secure by the Council's treasury advisers and to restrict lending to a prudent maximum amount for each institution. The Council also has a policy of limiting deposits with institutions to a maximum of £20m and a limit on the maximum size of one transaction in placing a deposit of £20m.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on past experience and current market conditions. No credit limits were exceeded during the financial year and the Council expects full repayment on the due date of deposits placed with its counterparties.

Table 5 – Credit Risk (A)

	Amounts at 31 March 2010 £000 A	Historical experience of default % B	Historical experience adjusted for market conditions at 31 March 2010 % C	Estimated maximum exposure to default and uncollectability £000 (A x C)	Estimated maximum exposure at 31 March 2010 £000
Deposits with banks and other financial institutions excl. Icelandic banks	204,261	0	0	0	0
Total	204,261	0	0	0	0

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

Table 6 – Credit Risk (B)

Maturity analysis of sums exposed to credit risk

	Investments 31 March 2010 £000
Less than three months	161,968
Three to six months	14,106
Six months to one year	28,188
More than one year	0
Total	204,261

2. Liquidity Risks

The Council has access to a facility to borrow from the Public Works Loans Board. As a result there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The Council's policy is to ensure that not more than 70% of loans are due to mature within any financial year.

The maturity structure of financial liabilities is as follows:

Table 7 – Liquidity Risk

	31 March 2009 £000	31 March 2010 £000
Loans outstanding		
Public Works Loans Board	283,647	282,103
PPP/PFI	171,475	174,618
Market debt / LOBOs	141,454	151,185
Temporary borrowing	43,025	71,943
Total	639,601	679,849
Less than 1 year	160,339	159,027
Between 1 and 2 years	45,498	28,913
Between 2 and 5 years	25,788	30,000
Between 5 and 10 years	27,910	59,895
More than 10 years	380,066	402,014
Total	639,601	679,849

In the more than 10 years category there are £90m of LOBOs which have a call date in the next 12 months.

3. Market Risk

Interest rate risk

The Council is exposed to interest rate risk in two different ways; the first being the uncertainty of interest paid/received on variable rate instruments, and the second being the affect of fluctuations in interest rates on the fair value of an instrument.

The current interest rate risk for the authority is summarised below:

- Decreases in interest rates will affect interest earned on variable rate investments, potentially reducing income credited to the Income and Expenditure Account.
- Increases in interest rates will affect interest paid on variable rate borrowings, potentially increasing interest expense charged to the Income and Expenditure Account.
- The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact on the Balance Sheet for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value. It would have a negative effect on the Balance Sheet for those assets held at fair value in the Balance Sheet, which would also be reflected in the STRGL.
- The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on the Balance Sheet for the majority of liabilities held at amortised cost, but will impact on the disclosure note for fair value.

The Council has a number of strategies for managing interest rate risk. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the authority's cost of borrowing and provides compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget

quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2010, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

Table 8 – Interest Rate Risk

	£000
Increase in interest payable on variable rate borrowings	850
Increase in interest receivable on variable rate investments	0
Impact on Income and Expenditure Account	850
Decrease in fair value of 'available for sale' investment assets	0
Impact on STRGL	0
Decrease in fair value of fixed rate borrowing liabilities (no impact on I&E account or STRGL)	(55,625)
Decrease in fair value of fixed rate investment assets (no impact on I&E account or STRGL)	(56)

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

4. Price risk

£28.7m of investments are classified as “available-for-sale”, meaning that all movements in price will impact on the gain and losses recognised in the STRGL.

This is a prescribed presentational requirement that has no impact on the taxpayer.

5. Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus have no exposure to loss arising from movements in exchange rates.

34 Charitable Donations

The Council does not have any material charitable donations in the year.

35 Events after the Balance Sheet date

a) Authorisation of Accounts for Issue

The audited Statement of Accounts was discussed by the Council’s Audit committee on 28 September 2010. Approval delegation was given to the Chair to approve the accounts which was signed by the Chair and Damon Lawrenson, Assistant Chief Executive Finance & Commercial Management (Section 151 Officer) on the 30 September 2010.

b) Public Sector Pension

The Chancellor of the Exchequer announced in his emergency Budget on 22 June 2010 that the consumer price index rather than the retail price index will be the basis for future public sector pension increases. In accordance with paragraph 21 of Financial Reporting Standard 21 (Events after the balance sheet date), this change is deemed to be non-adjusting post balance sheet events.

Events after balance sheet date have been considered up to authorised for Issue date.

The Annual Governance Statement (AGS)

Scope of Responsibility

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

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

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA / SOLACE Framework Delivering Good Governance in Local Government. This code is subject to regular review, a copy of the Code of Corporate Governance is available on our website at <http://www.northamptonshire.gov.uk/en/councilservices/Council/ppp/Pages/Code.aspx>, or can be obtained from Steve Tinkler, Head of Internal Audit and Risk Management on 01604 237055. The Code is currently being updated in line with guidance issued by CIPFA/SOLACE which incorporates key aspects of the CIPFA Statement on the Role of the Chief Financial Officer in Public Service Organisations.

This Annual Governance Statement explains how the Council has complied with the Code and also meets the requirements of regulation 4 (2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit [Amendment] [England] Regulations 2006 in relation to the publication of a statement on internal control. The Statement also explains how the Council has complied with the additional good governance practice in respect of the role of the Chief Financial Officer.

This statement will further explain the progress that the Council has made towards the achievement of the improvement actions outlined in the 2008-09 Annual Governance Statement.

The Purpose of the Governance Framework

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

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, core purpose and priority outcomes and can therefore only provide reasonable assurance of effectiveness. The system of internal control is based on an on-going process designed to:

- a) Identify and prioritise the risks to the achievement of the Council's policies, core purpose and priority outcomes.
- b) Evaluate the likelihood of those risks being realised.
- c) Evaluate the impact should they be realised.
- d) Manage them efficiently, effectively and economically.

The governance framework has been in place at Northamptonshire County Council for the year ended 31st March 2010 and up to the date of approval of the annual report and statement of accounts.

The Governance Framework

The key elements of the systems and processes that comprise the Council's governance arrangements are described below:

Creating and Implementing a Vision

Good governance means focusing on the purpose of the Council, on outcomes for the community while creating and implementing a vision for the local area. The following describes how the Council achieves this:

- The Sustainable Communities Strategy for Northamptonshire (NSCS) has been agreed by all our key partners. It is the key strategic document representing our collective vision until 2031. The NSCS sets out how public, private and voluntary organisations plan to work together to deliver benefit from the proposed growth of the County.
- The Northamptonshire Local Area Agreement (LAA2) is the key delivery plan for NSCS containing key targets and measures which will form the main focus for working with other public authorities and the voluntary and private sectors over the next 12 months. NSCS and LAA2 form the basis of a Northamptonshire 'business plan', the formal strategy and delivery agreement between central government and Northamptonshire's public sector, business sector and third sector partners that governs investment in, and delivery of, a significant part of the overall public service effort in Northamptonshire.
- The Council has defined its Core Purpose that will help to focus our work to deliver for local people. The Core Purpose has 3 elements to it:
 - Helping you to help yourself.
 - Helping you when you can't help yourself.
 - Trusted advocate.
- The Council's Vision and Core Purpose form part of the Council Plan. The Council Plan is a rolling four year plan which is reviewed and updated annually. The Plan is considered by Cabinet and formally approved by full Council and identifies a number of key outcomes, in respect of customers, finances, processes and learning and growth, which we will seek to deliver in pursuit of delivering our Vision and Core Purpose. The Council Plan can be seen at <http://www.northamptonshire.gov.uk/en/councilservices/Council/ppp/Pages/plans.aspx>
- The Council's performance management framework comprises:
 - The Council Plan, including the Corporate Strategy Map.
 - Directorate services plans, including strategy maps and balanced scorecards.
 - Divisional service plans, including strategy maps and balanced scorecards.
 - Personal performance and development plans for all staff.
 - Statements of Required Practice, which govern management practice in the Council, including the management of performance against plans.
- The Council has an Improvement Plan which is based on the 'Helping You to Help Yourself' Programme.
- Performance plans identify specific service improvements to be delivered within plan timescales.

- On a quarterly basis overall performance is reported to the Performance Board, the Scrutiny Finance and Improvement Working Group and the Cabinet. The full details are in the public domain and published on the County Council's website.
- Communication of the Council's vision has been achieved through proactive coverage in the media, including a 'You Choose' campaign which has sought to obtain the public's view on the prioritisation of Council services. The output from this campaign will be used to inform the next service planning round in respect of 2011-12. The Council held its annual Celebrating Success market place event in April 2010 for all staff to reinforce the Council Vision and encourage employees to act as one council.

Roles and Responsibilities of Members and Officers

Good governance means elected members and officers working together to achieve a common purpose with clearly defined functions and roles. The following describes how the Council achieves this:

- The Council is composed of 73 members elected every four years. All members meet together as the Council. The Council operates a Cabinet and elected Leader model of decision-making, supported by open and accountable working relationships between members and officers. The Council has an agreed Constitution which sets out how it operates, how decisions are made and the procedures which are to be followed to ensure that these are efficient, transparent and accountable to local people. This includes the defined responsibility for functions including the scheme of delegation, rules of procedure including financial regulations and contract procedure rules and Member and Officer Codes of Conduct. A fundamental review of the Council's governance arrangements, including drawing on good practice from a number of high performing councils, was undertaken during 2009-10, which was subject to supervision by a Queens Counsel. The updated Constitution was approved by the Council in February 2010. The full Council appoints a Leader of the Council for a four year term who then appoints a Cabinet as the Council's Executive. Overview and Scrutiny committees hold the Cabinet to account.
- The Council has an established Corporate Management Team (CMT), whose membership includes the Chief Executive, Assistant Chief Executives and Corporate Directors.
- The Council has in place policies and procedures to ensure that, as far as possible, its elected members and officers understand their respective responsibilities. New members and employees receive induction and continued training on key policies and procedures as these are developed within the Council.
- All Directors and Heads of Service have responsibility for maintaining a sound system of internal controls and management processes within their area of responsibility. Each has provided appropriate assurance that processes are in place to ensure that policies, procedures, laws and regulations are complied with.

Standards of Conduct and Behaviour

Good governance means promoting appropriate values for the Council and demonstrating the values of good governance by upholding high standards of conduct and behaviour. The following describes how the Council achieves this:

- A Standards Committee is in place to review any complaints regarding members and promote high standards of conduct and observance of the Members' Code of Conduct.
- The Council has a local Code of Corporate Governance. This code demonstrates a commitment to the principles of good governance and the importance of operating in an open and accountable manner while demonstrating high standards of conduct.

- Members are required to declare any interests at the start of every meeting, which are then recorded in a public register. Officers are also required to declare any conflicts of interest and/or gifts or hospitality, which are formally registered.
- The Council has Anti Fraud and Corruption and Whistle blowing policies in place.
- The Council's Code of Conduct for Officers has been in existence since 1995. It covers generic expectations about employees' behaviour, particularly in a local government setting. As the expectations about behaviour are generic, it is not a document that has required frequent updating. However, any change would be consulted on at a corporate level with the recognised Trade Unions.
- The Employee Code of Conduct sets out managers' responsibilities to bring the Code to the attention of their staff (through induction, training and instruction), and their responsibility to take appropriate action if an employee fails to follow the Code. The Code is also supplemented by clear guidance contained within the Human Resources Handbook which is available on the Council's intranet.
- The Head of Corporate Governance, being the Solicitor to the Council, is the Monitoring Officer. This role has responsibility for maintaining the Constitution and supports a Standards Committee.
- The Council's financial management is conducted in accordance with the Budget and Policy Framework Procedure Rules, Financial Procedure Rules, and Contract Procedure Rules. These rules set out the framework within which the Council conducts its financial affairs and ensures proper financial arrangements are in place. These rules were reviewed during 2009-10 as part of the review of the Council's Constitution.
- Full Council approves a balanced budget before the start of each financial year. This includes the Medium Term Financial Plan. During the year, financial management information is reported to the CMT, Directorate Management Teams, Cabinet and Scrutiny.
- The Assistant Chief Executive Finance and Commercial Management (ACEFCM) is designated as the Chief Financial Officer in accordance with Section 151 of the Local Government Act 1972 and other relevant legislation. The ACEFCM is responsible for the preparation and publication of the Council's Statement of Accounts and ensures that they conform to all statutory and professional requirements, codes of practice and deadlines.
- The ACEFCM as the Section 151 Officer is also responsible for ensuring that there is an adequate and effective system of internal audit of the Council's accounting records and of its systems of internal control.

Decision Making, Scrutiny and Risk Management

Good governance means taking informed and transparent decisions that are effectively scrutinised and manage risk. The following describes how the Council achieves this:

- The Leader and Cabinet are responsible both individually and collectively for all executive decisions. Operational matters requiring a decision are delegated to council officers as outlined in Part Three of the Constitution – Responsibility for Functions.
- Forthcoming key decisions by the Cabinet are published in the Cabinet's Forward Plan in so far as they can be anticipated. The Forward Plan is reviewed at each Cabinet Meeting.
- Overview and Scrutiny committees have the power to review and / or scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions.
- The Council maintains an Internal Audit and Risk Management division that operates in accordance with the Code of Practice for Internal Audit in Local Government in the United

Kingdom. The Head of Internal Audit and Risk Management reports directly to the Assistant Chief Executive Finance and Commercial Management and has direct access to the Chief Executive, CMT, members and the independent Chair of the Audit Committee.

- The independent Chair of the Audit Committee is a Chartered Accountant with vast experience in finance / financial scrutiny. The Chair also attends as an observer and on occasions as an active participant at meetings of the Council, Cabinet and Overview and Scrutiny.
- The Internal Audit Division plans and prioritises its work using a risk based auditing approach and seeks to programme in work based on risk, strength of control and materiality. Internal Audit makes recommendations for improving the internal control environment and part of its work includes monitoring agreed action plans. The remit of Internal Audit also includes ensuring compliance with established policies and procedures, particularly financial and contract procedures. Reports, including an assessment of the adequacy of control and action plans to address weaknesses, are submitted to Assistant Chief Executives and Corporate Directors, School Heads, Chairs of Governors, the Audit Committee and the Chief Executive.
- The Council has in place a risk management process underpinned by an approved Risk Management Policy and a Risk Management Statement of Required Practice (SORP). The Council maintains both Strategic and Operational Risk Registers which are subject to regular formal review as outlined within the Risk Management SORP. Significant corporate risks faced by the Council are presented to CMT as part of the quarterly Performance Report, for onward reporting to Cabinet. This document is then published as a public document. The Audit Committee also separately reviews significant corporate and directorate risks on a quarterly basis.

Developing Capacity and Capability of Members and Officers

Good governance means developing the capacity and capability of Members and Officers to be effective. The following describes how the Council achieves this:

- A Councillor Development Steering Group (CDSG) has been established with both member and officer representation to give consideration to the content of the training programme for members. The purpose of this is to ensure that members are kept fully up-to-date with matters of local concern to Northamptonshire County Council and to national changes and demands and to ensure that they are equipped with the necessary skills to carry out their role.
- The CDSG continues to be committed to working towards obtaining the East Midlands Regional Councillor Development Charter. A mid term assessment is due to be undertaken by the East Midlands Council to determine the remaining actions required to achieve the Charter.
- A formal performance appraisal and development programme operates within the organisation through which the development needs of staff are identified and met as appropriate. There are induction programmes for new councillors and staff.

Engaging with Local People and Stakeholders

Good governance means engaging with local people and other stakeholders to ensure robust public accountability. The following describes how the Council achieves this:

- The Council continuously consults and engages local people and communities in a wide range of ways on a wide range of important issues. Steps have been taken in recent years to make it easier for the public, councillors, staff and partners to find out at any one time

what the Council has been, is and plans to consult on, and how it is possible to get involved in consultations of interest.

- All service plans declare what consultation, communication and marketing activity is to be done in order that this activity can be better planned, costed and corporately co-ordinated as a major campaign if appropriate.
- During the past year the Council has continued to develop its engagement with local people. These have included:
 - The 'You Choose' campaign which is a major public consultation into priorities on public spending with the residents of Northamptonshire, with the aim of finding out what residents think about the future of County Council services and to get feedback on what services are most important to them. The campaign engaged people across the county through:
 - Road shows held in each district/borough area, giving local people the opportunity to discuss their thoughts and ideas with Cabinet Members and Directors, fill in comment cards, take part in a Video Cube to record their views, or write on our 'You Choose' message wall.
 - Over 650 DIY toolkits were distributed to groups across the county to enable them to have their own 'You Choose' debates.

The success of this campaign is indicated by in excess of 950 comment cards being received and over 35,000 visits to the 'You Choose' website.

- An enhanced approach was taken to the 2010-11 budget consultation where local people were asked for their views on spending priorities before the draft budget was set on the 1st December. Feedback received during this first phase of consultation was then used to shape the proposals detailed in the draft budget. Local people were then invited to give their views on the draft budget as part of the 8-week formal consultation. Key elements of this enhanced consultation approach were:
 - Joining up with public sector partners in the county to consult jointly with service users.
 - Publicising the Council's Budget Simulator more widely including sessions in local libraries. This led to over 1,600 responses (400 responses in 2008-09) identifying which services the Council should either increase or decrease spending on.
 - Weekly reports to key senior managers and councillors on public feedback.
 - The Council publication "Report to the People" was sent to all households in the county including details on the Council's finances and a form to feedback views. In total, the Council received over six thousand survey returns in response to the publication.
 - Enhanced scrutiny process with rigorous budget challenge through the Finance Improvement and Performance Working Group.
 - Continued involvement in initiatives to improve partnership working on consulting and engaging the people of Northamptonshire, including an ongoing project to develop a Northamptonshire Partnership consultation and engagement strategy.

- The Council has approved a partnership protocol which is designed to ensure effective governance arrangements operate in partnerships in which the council is engaged.
- A Consultation Register which is a database of the Council's current, past and future consultations is maintained. Relevant officers have undertaken training in how to use the register, and all services have been instructed to update their entries in the databases regularly to ensure that the public are accessing the most up to date and complete record of information on our consultations.
- A 'consultation alert' facility allows local people and community groups to sign up to be automatically notified by email when a new consultation is added to the register.
- The Council's website includes links to other local and national consultations so that local people can access as many details of consultations affecting the local area as possible from one place.
- An update on consultation feedback and planned and completed actions in response to consultation are reported as part of the quarterly report to the Performance Board and Heads of Service.

Review of Effectiveness

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

The key evidence to support the review of effectiveness is outlined below:

1. Planning

There is a clear vision of the outcomes which the Council wants to achieve for local people as a local authority and through the wider Northamptonshire Partnership. These are set out in the Sustainable Communities Strategy for Northamptonshire, the Council Plan, the LAA and through Directorate service plans.

2009-10 has been a year of continuing to develop the 'one' organisation approach started in 2008-09. The Council now operates a planning process which integrates all aspects of strategic, operational and financial planning which has the full involvement of the Cabinet and all senior managers of the Council. This has greatly enhanced the Council's ability to ensure its financial plans support the delivery of its priority outcomes and strategy obligations in the short and medium terms ensuring realistic ambitions are set having regard to resource availability.

The Council has introduced the concept of strategy maps which seeks to explain in visual form how and why the Council is going to refocus its business to deliver its Core Purpose, at both a corporate and a directorate level. The strategy maps outline how we need to learn and grow, the financial resources we need, the processes we need to be excellent at in order to deliver our customer outcomes.

The challenge process was strengthened in 2009-10 through the Star Chamber process and the introduction of a Cabinet Challenge Process led by senior Cabinet councillors.

2. Performance Management

The Performance Management approach ensures that performance within the Council is formally monitored through the quarterly Corporate Performance Report which is considered by the Corporate Management Team and subsequently Cabinet. The report contains actual performances against target performance indicator levels which are aligned to our corporate outcomes and partnership priorities and is cascaded into service and team plans and supporting scorecards. The report also tracks progress against our budget, major projects, risks, staffing matters and includes Health and Safety performance data.

Additionally there is a performance management process operating at all levels of the organisation including the management of personal performance through the Personal Performance and Development Plan process.

During 2009-10, the format of the Performance Board has been strengthened. Previously the Board comprised the Chief Executive, the assistant chief executives and representatives from the front line services, with reporting to Corporate Management Team. The Performance Board function is now undertaken directly by CMT.

3. Comprehensive Area Assessment (CAA) - Organisational Assessment

The Organisational Assessment focussed on two aspects of Council activity:

- Managing performance.
- Use of resources, consisting of three themes; managing finances, governing the business and managing resources.

In the 2009 Assessment, the Council achieved an overall score of 'performing adequately', based upon a performing well score for Performance and a performing adequately score for Use of Resources. The Council has implemented an action plan during 2009-10 and was hopeful that the Organisational Assessment would have improved to performing well for 2009-10. However the new coalition Government has decided to an immediate discontinuation of the CAA process.

4. The Cabinet

The Cabinet is responsible for key decisions. The Cabinet makes decisions that are in line with the Council's overall policies and budget. If it wishes to make a decision that is outside the budget or Policy Framework, this must be referred to the Council as a whole. The Cabinet receives regular monitoring reports on key aspects of control including performance, financial management and risk management.

5. Overview and Scrutiny Committees

The Council has appointed the Overview and Scrutiny committees (Scrutiny Committees) to discharge the functions conferred by section 21 of the Local Government Act 2000. Scrutiny Committees oversee and scrutinise the decisions made by the Cabinet and Cabinet members under delegated powers.

6. The Standards Committee

The Standards Committee promotes and seeks to maintain high standards of conduct by monitoring the operation of the Members Code of Conduct. A complaint made in 2008-09, as identified in the 2008-09 Annual Governance Statement, was considered by the Standards Committee in September 2009 and the Committee agreed with the Monitoring Officer's finding that there had been no failure to comply with the Code of Conduct. During 2009-10 two complaints were made regarding Councillors of this Council. Of these, one complaint was

withdrawn by the complainant and the other has been subject to a review by the Monitoring Officer which is scheduled to be considered by the Standards Committee in October 2010.

7. The Audit Committee

The Council has an Audit Committee that provides independent, effective assurance about the adequacy of the Council's governance environment. All major political parties are represented on the Audit Committee and it has an independent Chair who is an experienced Chartered Accountant.

The Audit Committee met regularly during 2009-10, considering reports from the Head of Internal Audit and Risk Management, the Assistant Chief Executive Finance and Commercial Management and the External Auditor.

8. Statutory Officers

The statutory functions undertaken by the Head of Paid Service, Monitoring Officer, S151 Officer, Corporate Director of Children and Young People's Services and Corporate Director of Health and Adult Social Services were effectively fulfilled during 2009-10 and up to the date of this report.

During 2009-10, the role of S151 Officer was transferred to the ACEFCM following the departure of the Head of Finance.

9. Management

Assistant Chief Executives and Corporate Directors have provided assurance through the Directors Assurance Certificates that:

- They fully understand their roles and responsibilities.
- They are aware of the principal statutory obligations and key priorities of the Council which impact on their services;
- They have made an assessment of the significant risks to the successful discharge of the Council's key priorities.
- They acknowledge the need to develop, maintain and operate effective control systems to manage risks.
- Heads of Service have provided their assurance on the key elements of risk and control.

They have confirmed that all significant internal control matters reported by Internal Audit have been appropriately addressed.

10. Internal Audit

The Council takes assurance about the effectiveness of the governance environment from the work of Internal Audit, which provides independent and objective assurance across the whole range of the Council's activities. It is the duty of the Head of Internal Audit to give an opinion, at least annually, on the adequacy and effectiveness of internal control within the Council. This opinion has been used to inform the Annual Governance Statement.

The Head of Internal Audit and Risk Management provided an annual report to the Audit Committee on 20th May 2010, which was further circulated to members of the Corporate Management Team. This report outlines the key findings of the audit work during the year including areas of significant weakness in the internal control environment.

An assurance scoring mechanism is used to reflect the effectiveness of the Council's internal control environment. The table below details all levels of assurance available.

Assurance Level	Assurance Criteria
Full	There is a sound system of control designed to address the relevant risks with controls being consistently applied.
Substantial	There is a sound system of control, designed to address the relevant risks, but there is evidence of non-compliance with some of the controls.
Moderate	Whilst there is basically a sound system of control, designed to address the relevant risks, there are weaknesses in the system, that leaves some risks not addressed and there is evidence of non-compliance with some controls.
Limited	The system of control is weak and there is evidence of non compliance with the controls that do exist which may result in the relevant risks not being managed.
None	There is no system of internal control. Risks are not being managed.

It is the opinion of the Head of Internal Audit and Risk Management that, taking into account all available evidence, the adequacy and effectiveness of the Council's overall internal control environment during the financial year 2009-10 remains between moderate and substantial. Whilst it is pleasing to report a general strengthening of the control environment relating to the key financial systems from the previous year, specific concerns are raised regarding the adequacy / maturity of the IT related control environment.

During the year, out of the 57 audit reviews performed, there were 22 reports where an assurance rating of moderate and below has been given. The audit reviews undertaken of the Council's key financial systems identified an improvement in the overall control environment from the previous year.

All audits where an assurance level of moderate or limited were subject to a detailed follow up review during May 2010. This review identified that managers had taken actions to reduce the number of reviews with an assurance rating of moderate/limited to 17. Managers are working to achieve improvements in the control environment, as agreed with Internal Audit, in the remaining areas. Internal Audit will follow up the implementation of agreed actions on a quarterly basis with reporting to the Performance Board and the Audit Committee.

11. Review of Internal Audit

The Council's External Auditor stated in its Interim Audit letter, as presented to the Audit Committee in May 2010, that Internal Audit was compliant with the 11 standards defined in the Code of Practice for Internal Audit in Local Government.

12. External Audit

KPMG LLP is currently the Council's appointed External Auditor. As well as an examination of the Council's financial statements, the work of the Council's External Auditor includes an assessment of the Council's CAA Organisational Assessment.

13. Risk Management

The Council managed its risks during 2009-10 in accordance with the approved Risk Management Policy and the Risk Management Statement of Required Practice (SORP). The Corporate Management Team and Directorate Management Teams formally considered risk on a quarterly basis. Details of corporate and directorate risks were considered as part of the Corporate Performance Report. Quarterly risk reports were submitted to the Audit Committee

which included key corporate and directorate risks. The Audit Committee has also continued with the cyclic review of full directorate risk registers.

A refresh of the corporate risks faced by the Council was undertaken in April 2010 at a Corporate Liaison Team (Cabinet and Corporate Management Team) risk workshop. This workshop was informed by the output of an earlier risk workshop undertaken by the Scrutiny Management Committee. This refresh process ensured an up to date view of the main risks faced by the Council and a common understanding of them by Cabinet and Corporate Management Team.

The indicative Internal Audit Plan for 2010-11 presented to the Audit Committee in February 2010 is based upon the key risks faced by the Council as identified in the Corporate and Directorate risk registers, such that Internal Audit will provide assurance on the effectiveness of the internal control framework during 2010-11.

Significant Governance Issues

Based on the Council's established risk management approach, the following issues have been assessed as being significant for the purpose of the 2009-10 Annual Governance Statement. We will over the coming year take appropriate steps to address these matters and 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.

Identified From	Issue	Description	Responsible Officer
Monitoring Officer report	Poor governance	The Council's revised Constitution was approved by Council in February 2010. Actions will be undertaken during the remainder of 2010 to ensure that the requirements of the Constitution are understood and complied with across the Council This will include: <ul style="list-style-type: none"> • Councillor and officer training and awareness • Review of Partnership Arrangements • Review of Meeting Procedural Rules Ethical Governance Review 	Head of Governance
Corporate Risk Register	Council representation on external bodies	A review will be undertaken by the Head of Corporate Governance to evaluate the Council's representation on external bodies. Post review the adequacy of the governance arrangements of these external bodies will be assessed.	Head of Corporate Governance
Director Assurance Statement	Anti-fraud and corruption	The Council's Anti-Fraud and Corruption and Whistle blowing policies will be refreshed	Head of Internal Audit
Internal Audit Report	Internal Control	A project to enhance case management systems will be undertaken	Corporate Director of Children and Young People
Internal Audit Report	Internal Control	An improvement plan will be completed in respect of the security of a number of software applications	Head of Information Technology

**PROGRESS AGAINST ACTIONS IDENTIFIED IN THE 2008-09 STATEMENT
(Including actions shown as ongoing in respect of the 2007-08 Statement)**

Northamptonshire County Council stated that it was committed to undertake 5 actions to improve its governance during the course of the 2008-09 financial year. Additionally 4 actions in respect of the 2007-08 Annual Governance Statement were shown as ongoing in the 2008-09 Statement. The specific actions stated and the progress made by the Council against these actions is as identified within the table below.

Annual Governance Statement Action	Current Status
1. The Council's medium term plan will be updated during 2008-09 to ensure it fully integrates with the Northamptonshire Communities Strategy and that it is achievable within the resources available to the Council.	Action completed : Approved by Cabinet in February 2010.
2. Corporate standards for contract management will be introduced and training provided to staff managing key contracts.	Action completed: Following the completion of the Procurement and Contract Management Project an internet contract register has been established and a contract management training programme implemented. Additionally a Procurement Statement of Required Practice has been approved and implemented.
3. The Council will develop and implement a combined public engagement and external communication strategy.	Action completed: A Public Participation Strategy and a Corporate Communications Strategy have been introduced.
4. Partnership arrangements will be enhanced through the introduction of a new partnership protocol, establishing a statement of partnership and collaborative principles, which will be applied to all key partnerships to ensure effective working and high standards of governance, operate in all key partnerships in which the Council is involved.	Action completed: The Partnership Protocol was approved by Cabinet in December 2009. However its implementation will now be integrated into the review of external bodies being undertaken by the Head of Corporate Governance as identified under 'Significant Governance' issues above.
5. A review of the Council's entire Governance arrangements including the corporate governance culture and practice within the Council will be undertaken.	Action Completed: The new Constitution was approved by Council in February 2010.
6. An Internal Audit review will be undertaken of the decision making in the letting of the Property and Facilities Management contract in 2007.	Action completed: The Internal Audit report was presented to Council in November 2009.
7. A follow up audit review of the adequacy of internal controls in the Council's key financial systems will be undertaken in June 2009.	Action completed: The follow up review was undertaken. Additionally the annual Internal Audit review of the key financial systems has been undertaken for the 2009-10 financial year. This has identified an improvement in the overall control environment from 2008-09.

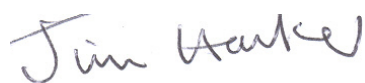
<p>8. Recommendations arising from reviews within Environment, Commissioning and Growth will be implemented in 2009-10</p>	<p>Action ongoing:</p> <p>Casualty Reduction – implemented.</p> <p>Integrated Transport Management Unit – substantially implemented.</p> <p>NORDIS – a proposal has been determined and will be subject to formal decision making in 2010.</p>
<p>9. Directors and Heads of Service to be reminded of the need to maintain vigilance and ensure that an appropriate control environment exists within their areas</p>	<p>Action completed:</p> <p>The Head of Internal Audit and Risk Management has reminded senior managers through:</p> <ul style="list-style-type: none"> • A presentation to the Operational Management Team, and • Meetings with directorate management teams.

Conclusion and Evaluation

As Leader and Chief Executive, we have been advised of the implications of the results of the review of the effectiveness of the Council's governance framework.

Our overall assessment is that this Annual Governance Statement is a balanced reflection of the governance environment and that an adequate framework exists within Northamptonshire County Council to ensure effective internal control is maintained.

We are also satisfied that there are appropriate plans in place to address the weaknesses and ensure continuous improvement in the system of internal control.



Leader of the Council
Date: 30 September 2010



Chief Executive
Date: 30 September 2010

**Northamptonshire
Fire & Rescue Services
Firefighters' Pension Fund
Statement**

Northamptonshire Fire & Rescue Service
Firefighters' Pension Fund Statement for year ending 31 March 2010

Fund Account

March 2009 £		Note	March 2010 £	
	Income to the Fund:-			
	Contributions receivable:-			
	From Employer			
1,901,337	Normal	7	1,898,478	
0	Early Retirements		0	
0	Ill Health	8	0	
1,023,165	From Members	9	<u>1,019,308</u>	2,917,785
	Transfers in:-			
0	Individual transfers in from other schemes		<u>39,664</u>	39,664
	Other income:-			
	Benefits payable:-			
(3,491,180)	Pensions including ill health		(3,755,619)	
(1,187,924)	Commutations and lump sum retirement benefits		<u>(1,121,209)</u>	(4,876,827)
	Payments to and on account of leavers:-			
0	Individual transfers out to other schemes			0
(1,754,602)	Net amount payable for the year			(1,919,377)
1,754,602	Top up grant receivable from Central Government	10		1,919,377
<u>0</u>				<u>0</u>

Net Assets Statement

March 2009 £		Note	March 2010 £	
	Net current assets and liabilities:-			
555,860	Top up grant receivable from Central Government	10	843,133	
(379,512)	Unpaid pension benefits		0	
0	Amount payable to Central Government	11	(146,422)	
(176,348)	Amount owing to NCC General Fund		<u>(696,711)</u>	
<u>0</u>				<u>0</u>

Notes to the Firefighters' Pension Fund Statement

- 1 This statement has been prepared in accordance with the Code of Practice on Local Authority Accounting in Great Britain.
- 2 Two pension schemes operate within the fund, the 1992 scheme and the 2006 scheme.
- 3 The fund is administered and managed according to the statutory requirements set out in the 1992 and 2006 scheme legislation.
- 4 The Firefighters' Pension Schemes are unfunded and as such have no investment assets. They are funded through employee and employer contributions and Government grant.
- 5 All fire-fighter pension related benefits are charged to the Firefighters' Pension Fund Account with the exception of costs relating to non member retirement on ill health grounds and all costs relating to injury pensions, which are charged to the Fire Service Operating Account (revenue). The exceptions are shown in note 20 of the notes to the NCC Revenue Account. "Pension Costs".
- 6 The Fund Account captures income and liabilities relevant to the period shown and therefore does not take account of liabilities to pay pensions and other benefits after the period end.
- 7 Normal employer contributions are made as follows:
 - 1992 scheme 21.3% of pensionable pay.
 - 2006 scheme 11.0% of pensionable pay.
- 8 For any retirement on ill health grounds the Fire Service is required to make a payment to the Pension Fund from its revenue account. This is payable over 3 years.

There were no retirements of scheme members on ill health grounds in 2009-10 therefore no charge applies.
- 9 Members contributions are made as follows:
 - 1992 scheme 11.0% of pensionable pay.
 - 2006 scheme 8.5% of pensionable pay.
- 10 The surplus/deficit on this account is refunded to or received from the Government Sponsoring Body (Central Government). We received top up grant of £1,076,244 in 2009-10 and are due a further £843,134.
- 11 We received a duplicate payment of grant in respect of backdated commutation payments in 2008-09. This is still to be repaid to Central Government and the accounts have been adjusted to reflect this.
- 12 From 2008-09 these accounts have been prepared on an accruals basis. They have previously been prepared on a receipts and payments basis.

Blank Page

Northamptonshire Local Government Pension Scheme Accounts

Northamptonshire Local Government Pension Scheme Accounts

Introduction

These accounts report on the financial transactions of the Fund from 1st April 2009 to 31st March 2010 and the position of its assets at the end of that period.

The accounts aim to give the general reader a summary of these activities. If you have a specialist interest in this area, you will find more information about these accounts in the Northamptonshire County Council Pension Scheme Annual Report.

The report is available from:

Paul Tysoe, Group Accountant - Pensions

John Dryden House

8-10 The Lakes

Northampton

NN4 7YD

Phone: 01604 236481

E-mail: phtysoe@northamptonshire.gov.uk

Alternatively go to:-

<http://www.northamptonshire.gov.uk/pensions>

The Pension Fund financial statements provide information about the financial position, performance and financial adaptability of the Fund. They are intended to show the results of the stewardship and management, that is the accountability of management for the resources entrusted to it, and of the disposition of its assets at the period end. The only items that are required to be excluded by regulations are liabilities to pay pensions and other benefits in the future, which are reported upon in the actuary's statement.

These accounts have been prepared with the Code of Practice for Local Authority Accounting in Great Britain and with the guidelines set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes" (SORP) (Revised November 2002); except for additional voluntary contributions.

It should be noted that the Northamptonshire Local Government Pension Scheme covers eligible employees in the County Council, the Police Authority, District and Borough Councils and a number of other bodies. Hence, the "other employees" pension figures shown in the County Council's accounts form only one element of those figures shown in the Pension Fund accounts.

The Fund Account disclosed the magnitude and character of financial transactions and changes in the value of the Fund during the period. These transactions are identified as being other Contributions and Benefits or Returns on Investments (including investment income and profit and losses investment). The net Fund increase or decrease is reconciled to the net assets of the scheme.

The Net Asset Statement discloses the size and distribution of the net assets of the Fund at the end of the financial year.

The notes to the Accounts provide further explanation and breakdown of the figures included in the Fund Account and the Net Asset Statement.

There are more details in the Statement of Accounting policies (pages 23 to 31) and Note 20 within the Notes to the Core Financial Statements (page 60).

Investments are shown in the Statement of Net Assets at Market Values. The investments were managed by ten fund managers.

At 31 March 2010 the fund manager structure was:

	 Holding
UK Equity Managers	34.5%
• UBS	
• Majedie	
Overseas Equities	34.5%
• Alliance Bernstein	
• Newton	
Fixed Interest	18%
• Aberdeen	
• UBS	
Property	8%
• RREEF	
• CBRE	
• UBS	
Hedge Funds	5%
• Fauchier	
• Partners	

The fund manager structure reflects a diversified portfolio of managers and asset classes as recommended by best practice.

Fund Account and Net Asset Statement

2008-09 £000		Note	2009-10 £000	2009-10 £000	2009-10 £000
	Contributions				
60,169	Employers' contributions	(3)	69,169		
18,825	Employees' contributions		19,883		
360	Employees' added years for additional benefit		345		
519	Employers' augmentation		205		
	Transfers in				
<u>10,483</u>	Individual transfers in		<u>13,433</u>		
90,356				103,035	
	Benefits payable				
(1,933)	Death benefits		(1,284)		
(13,110)	Lump sums		(14,514)		
(43,441)	Pensions		(47,361)		
	Payments to and for leavers				
(1)	Return of contributions		(19)		
(2,723)	Individual transfers out	(4)	(10,792)		
<u>(2,746)</u>	Administration expenses	(5)	<u>(2,875)</u>		
(63,954)				(76,845)	
26,402	Net additions from dealing with Members				26,190
	Returns on investments				
(86,282)	Net gain/(loss) on sales		52,485		
(170,260)	Net increase/(decrease) in unrealised gain/loss	(6)	<u>225,424</u>		
(256,542)	Change in market value of investments			277,909	
	Investment income				
37,670	Investment income	(7)	31,340		
(3,237)	Investment Managers' Fees	(5)	(3,824)		
34,433				27,516	
(222,109)	Net returns on investments				305,425
(195,707)	Net increase/(decrease) in the Fund				331,614
1,064,197	Net assets of the Fund at the start of the year				868,490
868,490	Net assets of the Fund at the end of the year				1,200,104

Net Asset Statement as at 31st March 2010

2008-09			2009-10	2009-10
£000		Note	£000	£000
	Investments at market value			
53,046	Fixed-interest securities	(11)	56,229	
16,736	Index-linked securities	(11)	39,382	
545,987	Equities	(11)	625,832	
222,810	Pooled Investment Vehicles	(11)	431,458	
(11)	Derivatives	(11)	(200)	
16,584	Cash deposits	(11)	60,071	
<u>(1,058)</u>	Other Investment Balances		<u>(20,935)</u>	
854,094				1,191,837
	Current assets			
	Debtor			
4,142	Contribution due from employers	(13)	9,047	
3,393	Others		2,850	
9,060	Cash with Northamptonshire Council	(12)	<u>88</u>	
16,595				11,985
	Current liabilities			
	Creditors			
(1,571)	Unpaid Benefit	(13)	(2,818)	
<u>(628)</u>	Others		<u>(900)</u>	
(2,199)				(3,718)
14,396	Net current assets			8,267
<u>868,490</u>	Net assets			<u>1,200,104</u>

The accounts summarise the transactions of the Scheme and deal with the net assets at the disposal of the Pension Fund Committee members. The accounts do not take account of the obligation to pay future benefits which fall due after year end. The actuarial position of the Scheme which takes into account these obligations is available on Northamptonshire County Council's website, <http://www.northamptonshire.gov.uk/pensions>

These accounts present fairly the financial position of the Local Government Pension Fund at 31 March 2010.



Damon Lawrenson
Assistant Chief Executive Finance & Commercial Management (Section 151 Officer)

29 September 2010

NOTES TO THE ACCOUNTS

The Assistant Chief Executive Finance & Commercial Management (Section 151 Officer) is responsible for:

- The preparation of the accounts for Northamptonshire Pension Fund to present fairly the financial position at the accounting date and its income and expenditure for the year.
- Making reasonable and prudent judgements and estimates.
- Complying in all material aspects with the Code of Practice on Local Authority Accounting in Great Britain Pension Fund and applying accounting policies consistently.
- Keeping proper, up to date, accounting records.
- Taking reasonable steps for the prevention and detection of fraud and other irregularities.
- The administration of pension benefits.

The new Pensions SORP (The Financial Reports of Pension Schemes – A Statement of Recommended Practice (2007)) has been incorporated into the 2008 edition of the Code of Practice on Local Authority Accounting. The Pension Fund financial statements have been prepared in accordance with the provisions of Chapter 2 Recommended Accounting Practice of the Pension SORP 2007. As a result amendments to disclosures and presentation have been made and where appropriate prior year comparatives have been amended.

1. Accounting Policies

The accounts have been prepared in conjunction with all relevant sections of the Pensions SORP.

- (a) Contributions and benefits are included in the accounts on an accruals basis.
- (b) Transfer values have been recorded on the basis of amounts receivable or payable as at 31 March.
- (c) Interest and dividends are included in the accounts on an accruals basis.
- (d) Investments including listed securities, property and unit trusts are included in the accounts at market value (Bid price). These prices are determined by the custodian using several sources including Exshare, Telekurs, Reuters, FT Interactive Data and Bloomberg.
- (e) Unquoted securities are valued having due regard to the latest dealings, professional valuation, asset values and other appropriate financial information.
- (f) Fixed interest securities are stated at their clean prices. Accrued income is accounted for within investment income.
- (g) Pooled Investment Vehicles are stated at bid price for funds with bid/offer spreads, or single price where there are no bid/offer spreads, as advised by investment managers.
- (h) Additional Voluntary Contributions (AVC) investment valuations are provided by the AVC providers Prudential Assurance and Standard Life.
- (i) **Taxation**
The fund pays VAT collected on income in excess of VAT payable on expenditure to HM Customs and Excise. The accounts are shown exclusive of VAT.

The fund is exempt from tax on capital gains and from income tax on interest receipts.

The fund is liable to tax at a rate of 20% on small pensions that have been compounded into a lump sum.

The fund is exempt from US withholding tax.

The Fund receives interest on its overseas bond gross, but a variety of arrangements apply for the taxation of dividends on overseas equities in the various markets.

Where relief is available, it may be either in full at sources, or partial relief by claim.

In some markets (Finland, Japan, Canada, Italy, Norway and Sweden) tax is deducted at the treaty rate so that no further adjustment is required, and there are also markets (Malaysia and Singapore) where no double taxation agreements exist and the full amount is payable.

j) **Invest Management Expenses**

The investment managers are paid quarterly fees in arrears based on the market value of the investments managed at the end of each quarter. Performance fees are payable to Majedie Asset Management, Fauchier and Partners based upon the performance of their mandate.

k) **Gains and Losses**

Gains and losses are reflected on an average calculation basis.

l) **Administrative Expenses**

There is a dedicated Pensions Admin team, whose costs are recharged to the Fund.

m) **Foreign Currency Translation**

Investments held in foreign currency are translated into sterling at the exchange rate as at the date of valuation.

n) The **Statement of Investment Principles** is available on the Northamptonshire County Council's website, <http://www.northamptonshire.gov.uk/pensions>.

2. Long Term Liabilities

The accounts summarise the transactions of the scheme and deal with the net assets at the disposal of the trustees. The accounts do not take account of the liabilities to pay future benefits. They should therefore be read in conjunction with the Report of the Actuary which takes such liabilities into account, available on the Northamptonshire County Council's website, <http://www.northamptonshire.gov.uk/pensions>.

3. Contributions

All accruals for contributions owed by employers have subsequently been received.

The 14.2% increase in employers' contributions from 2008-09 to 2009-10, relates to a circa 4% increase in employers contributions, new employers into the Scheme during 2009-10 and pension strain costs.

Employees' additional contributions also include strike contributions and Additional Regular Contributions (£349k) as at 31st March 2010, unlike Additional Voluntary Contribution's (AVC's) which are disclosed separately in note 15.

Employers' augmentation as at 31st March 2010 (£205k) has decreased over 31st March 2009 (£519k). This is due to the reducing trend of employers giving additional service due to changes in policy and legislation.

The following tables show the breakdown of contributions and benefit payments by Administering Authority, Admitted Bodies and Scheduled bodies.

Analysis of Contributions – 2008-09

	Employers contributions £'000	Employees contributions £'000	Employees additional contributions £'000	Total £'000
NCC	25,946	8,013	149	34,108
Admitted Bodies	2,863	1,245	14	4,122
Scheduled Bodies	31,360	9,567	197	41,124
Total	60,169	18,825	360	79,354

Analysis of Contributions – 2009-10

	Employers contributions £'000	Employees contributions £'000	Employees additional contributions £'000	Total £'000
NCC	27,384	7,999	114	35,497
Admitted Bodies	3,399	1,180	17	4,596
Scheduled Bodies	38,386	10,704	214	49,304
Total	69,169	19,883	345	89,397

Analysis of Benefits – 2008-09

	Death Grants £'000	Lump Sums £'000	Pensions £'000	Total £'000
NCC	1,028	7,351	20,347	28,726
Admitted Bodies	232	908	1,615	2,755
Scheduled Bodies	672	4,851	21,479	27,002
Total	1,932	13,110	43,441	58,483

Analysis of Benefits – 2009-10

	Death Grants £'000	Lump Sums £'000	Pensions £'000	Total £'000
NCC	836	6,178	21,625	28,639
Admitted Bodies	103	811	1,376	2,290
Scheduled Bodies	345	7,525	24,360	32,230
Total	1,284	14,514	47,361	63,159

The increase in benefits payments from 2008-09 to 2009-10 reflects individuals taking the opportunity to retire before the new regulations come into force on 1st April 2010.

4. Individual Transfers Out

New transfer factors supporting the new scheme effective from April 2008 were delayed resulting in the majority of transfers being stockpiled for most of 2008. Whilst some actuarial tables were provided, the process of identifying actual transfer amounts based on the new actuarial tables took some time to accurately calculate the liability. 2009-10 has returned to normal levels.

5. Administration Expenses and Investment Managers' Fees

	2009-10 £000	2008-09 £000
Administration Expenses		
Pensions administration	1,941	1,547
Actuarial services and investments	270	144
Investment expenses	488	923
Audit fees	141	0
Other costs	35	132
	<u>2,875</u>	<u>2,746</u>
Investment managers' fees:	3,824	3,237
Total	<u>6,699</u>	<u>5,983</u>

Pension's administration costs in 2009-10 reflect a full year of costs in respect of the increase in the Pensions Administration team, and include additional professional and developmental training.

Investment Manager fees are dependant on the value of assets held and performance. In 2009-10, performance significantly improved compared to 2008-09, hence the increase in fees, which are anticipated to continue into 2010-11.

2009-10 includes audit fees for 2008-09 and 2009-10.

Fund Manager Fees Not Shown in the Accounts

Fund managers that work through pooled arrangements take their fees at source from the pooled fund and therefore the fees don't go through the Fund's accounts. The nominal values of fees are:

	£000
Partners Group	53
Fauchier	304
RREEF UK Core Property Fund	100
RREEF UK Ventures Property Fund No. 2 Exempt Unit Trust	<u>5</u>
	<u>462</u>

6. Increase in value of unrealised profits

	£000	£000
Market value of investments at 31.3.10	1,191,837	
Investments at cost at 31.3.10	<u>1,119,300</u>	
Unrealised gain		72,537
Market value of investments at 31.3.09	854,094	
Investments at cost at 31.3.09	<u>1,006,979</u>	
Unrealised loss		(152,885)
Increase in value of unrealised gain		(225,422)

The increase in value of unrealised gain of £225,424k represents the change in the unrealised gain between the opening and closing position of the market value of investments and the cost of these investments.

Unrealised gain reflects assets held by the Fund, however gains are only realised when actually sold. This reflects the investment performance of the Fund in the 2009-10 financial year.

7. Analysis of investment Income

Investment Income for the years ended 31st March was received from the following sectors.

2008-09		2009-10
Interest and Dividend £000		Interest and Dividend £000
2,583	Interest from fixed-interest securities	3,127
24,519	Dividend from equities	20,961
642	Income from Index-linked securities	542
	Income from Pooled Investment Vehicles	
2,397	Unit Trust Fixed Interest	2,937
3,120	Property Unit Trusts	2,555
5,517		5,492
3,986	Interest from Cash deposits	929
342	Stock Lending	232
8	Commission Recapture	5
73	Venture Capital	52
37,670		31,340

8. Stock Lending

Income of £232,120 was earned from stock lending activities, undertaken on behalf of the Fund by Northern Trust, the Fund's global custodian. This income is the premium paid by third parties who borrow stock held by this Fund. Collateral stock is held to safeguard the Fund's assets. Lending is limited to 35% of the stock held by the Fund, although actual activity in 2009-10 averaged 11.9%.

As at 31 March 2010 the value of stock loaned to third parties was £23.22m against collateral held of £24.50m, more information on this is shown below.

Analysis by Asset Class of securities on loan:		
31-Mar-2009 £000		31-Mar-2010 £000
	Investments at market value	
12,009	Fixed-interest securities	7,390
49,341	Equities	15,835
61,350	Total Securities on loan	23,225
Analysis of Collateral:		
31-Mar-2009 £000		31-Mar-2010 £000
	Investments at market value	
0	Certificates of Deposit	0
4,919	Delivery-By-Value Gilts	2,248
17,324	Equities	2,035
43,071	Government Fixed	20,219
0	Letters of Credit	0
1,114	UK Gilt	1
66,428	Total value of Collateral	24,503

9. Commission Recapture

Income of £5,473 was earned from Commission recapture activities, undertaken on behalf of the Fund by Lynch Jones and Ryan, specifically appointed by the Fund to undertake this role. This relates to “recapturing” commission regarding research and development costs paid to third party brokers, whose sole role is to buy and sell stock on behalf of the Fund manager.

10. Venture Capital Income

The income of £51,903 reflects the fourth tranche of income from the East Midlands Regional Capital Fund No1 LP.

The Fund holds two Venture Capital investments both with Catapult Venture Managers, being:

	£
East Midlands Regional Venture Capital Fund No1LP.	1,360,000
Catapult Growth Fund LP	<u>730,263</u>
Total	<u>2,090,263</u>

These funds are small private equity commitments with a total potential drawdown of £4m. Feedback from Catapult Venture Managers indicates an Internal Rate of Return (IRR) of 10%.

11. Investment transactions during the year

	Bid Market Value as at 31 Mar 2009	Purchases and derivative payments	Sales and derivative receipts	Capital Change (Corporate Action)	Security Transfers at Book Cost	Realised Gain/ Loss	Change in Unrealised Gain/ Loss	Bid Market Value as at 31 Mar 2010
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fixed Interest Securities								
Fixed Interest Govt – UK	34,668	48,833	-50,690	0	0	268	406	33,485
Fixed Interest Other – Overseas	1,703	0	0	0	0	0	1,185	2,888
Fixed Interest Other – UK (Unlisted)	16,675	67,210	-69,022	0	0	283	4,711	19,857
	53,046	116,043	-119,712	0	0	551	6,302	56,230
Index Linked Securities								
Index Linked Bonds Public Sector – UK	0	19,563	0	0	0	0	90	19,653
Index Linked Bonds - UK	16,736	68,694	-69,416	0	0	85	3,630	19,729
	16,736	88,257	-69,416	0	0	85	3,720	39,382
Equities								
Equities – UK	277,338	142,347	-246,840	8,790	-15,766	17,290	110,504	293,663
Equities – UK (Unlisted)	6,931	322	0	0	0	0	-612	6,641
Equities – Overseas	261,718	252,994	-266,916	-904	-18,189	26,780	70,045	325,528
	545,987	395,663	-513,756	7,886	-33,955	44,070	179,937	625,832
Managed Funds								
Managed Funds Property	49,697	15,240	-5,597	0	0	-113	2,088	61,315
Managed Funds Equity – UK	10,402	33,756	-14,680	0	32,513	477	6,794	69,262
Managed Funds Equity – Overseas	13,563	126,391	-22,653	0	1,442	6,147	7,278	132,168
Managed Funds Fixed Income – UK	95,957	4,950	-5,176	0	0	-490	16,052	111,293
Managed Funds Fixed Income - Overseas	2,191	1,452	-1,435	0	0	499	275	2,982
Managed Funds Hedge Funds	50,999	138	-12	0	0	12	3,300	54,437
	222,809	181,927	-49,553	0	33,955	6,532	35,787	431,457
Derivatives								
Futures – <i>Exchange Traded</i>	-11	2,393	-2,343	0	0	-50	-189	-200
	-11	2,393	-2,343	0	0	-50	-189	-200
Cash Deposits and Other Investments								
Cash & Short Term Deposits – UK	14,069	45,263	-2,224	0	0	0	0	57,108
Cash & Short Term Deposits – Overseas	2,516	758	-238	0	0	-72	0	2,964
Mark-to- Markets	0	0	-57	0	0	57	0	0
	16,585	46,021	-2,519	0	0	-15	0	60,072
Other Investment Balances								
Pending Spot FX contracts	11	798	-864	0	0	66	16	27
Pending Trade Purchases	-7,334	5,093	-162,329	0	0	0	42	-164,528
Pending Trade Sales	6,265	140,082	-2,589	0	0	0	-193	143,565
	-1,058	145,973	-165,782	0	0	66	-135	-20,936
Total Investments by Fund Managers	854,094	976,277	-923,081	7,886	0	51,239	225,422	1,191,837

- Included within the above purchases and sales figures are transaction costs of £1.7m.
- 'Equities – UK (Unlisted)' includes Venture Capital holdings.

12. Cash

The cash balance forms part of the bank balances of Northamptonshire County Council, attributable to the Pension Fund, but does not represent a separate balance in the name of the Fund.

The value of cash held at 31 March 2010 (£0.09m) has decreased over 2008-09 (£10.4m). This is due to surplus cash, being distributed to Fund Managers as part of a rebalancing exercise, following the appointment of two new Fund Managers (Wellington for Fixed Interest and UBS for Passive Overseas Equity).

13. Debtors and Creditors

The 2009-10 debtors balance reflects accrued contributions and transfers in as at 31st March 2010.

The 2009-10 creditors balance reflects accrued transfers out and investment manager fees as at 31st March 2010. Contributions due from employers at 31st March 2010 (£9.0m) has increased over 31st March 2009 (£4.1m), as CIPFA guidance has now determined that pension strain costs should be identified immediately and not spread over a longer duration.

14. Employer-related investments and related party transactions

There are no employer-related investments. Northamptonshire County Council [NCC] is responsible for managing the Pension Fund's finances, and therefore is a related party. NCC made payments of £33.8m to and recovered costs of £1.8m against the pension fund in the 2009-10 financial year. Payments relate to employer contributions into the fund in respect of NCC and receipts relate to administration costs incurred by the NCC on behalf of the Pension Fund.

On 31 March 2010 NCC held cash on behalf of the Pension Fund of £0.09m (see Note 12 to the accounts), which had not been distributed to Fund managers

In 2009-10 the NCC paid net interest of £72,980 to the Pension Fund, whilst in 2008-09 the NCC paid net interest of £347,140 to the Pension Fund on balances held. The decrease in interest was due to a fall in interest rates from 2-3% to 0.35%.

15. AVC Investments

Additional voluntary contributions (AVC's) are not included in the Pension Fund Accounts in accordance with regulation 5(2) (c) of the Pension Scheme (Management and Investment of Funds) Regulations 1998. AVC's are assets invested separately from the main Fund in the form of individual building society accounts and insurance policies, securing additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions.

Members participating in this arrangement each receive an annual statement, confirming the amounts held to their account and the movements in the year.

The movement during the year March 2009 to March 2010 reflects Investment performance, withdrawals and additional contributions.

The aggregate amounts of AVCs are as follows:

	Value March 2009	Purchases	Sales	Change in Market Value	Value March 2010
Prudential Assurance	1,989	219	(208)	56	2,056
Standard Life *	477	23	(14)	80	566
Total	2,466	242	(222)	136	2,622

- The Standard Life valuation is as at the 5 February 2009.

Top Ten Holdings as at 31 March 2010

Value of the Fund's Top Ten Holdings	£'000	%
UBS GBL ASSET LIFE LIFE WORLD EX UK EQTYTRK A	104960010.9	8.67%
ABERDEEN GBL V FXD INC ALPHA 20Y Z2 ACC	43523119.14	3.59%
ABERDEEN INTER FD GLOBAL II GL STR CDT Z2 GBP	43385795.5	3.58%
JUBILEE ABSOLUTE CLASS B	31168685.65	2.57%
UBS GBL ASSET LIFE USA EQUITY TRACKER A	24925226.28	2.06%
PARTNERS GR ALTERN .STR.-EQ.MKT NEU.GBP I	23268120	1.92%
UBS GBL ASSET MGT GBL EMG MARKETS EQTY JACC	20700000.01	1.71%
UBS GBL ASSET MGT CORP BD UK PLUS J GROSS ACC	19856556.85	1.64%
UBS GBL ASSET MGT INFL LKD BD UK PLUS GRJ	19728591.63	1.63%
UBS GBL ASSET LIFE 350 TRACKER FUND A	15491690.35	1.28%

Glossary

Accrual An accrual is a sum included in our accounts to cover income or spending which belongs to the period covered by our accounts, but which was unpaid at the accounting date.

Accrued liabilities This is a sum entered in our accounts for a liability relating to and charged for in the current accounting period but unpaid at the accounting date.

Actuarial valuation An actuary undertakes valuations by checking what a pension scheme's assets are worth compared to its liabilities. The actuary then works out how much needs to be paid into the scheme by the employer and the members to make sure that there will be enough money to pay the pensions when they are due.

Actuary An actuary is an expert on pension scheme assets and liabilities.

Agency services These are services we provide for other organisations, or services other organisations provide for us.

Amortisation Spreading the value of an asset or liability over its useful life.

Area Based Grant A non-ring fenced general grant with full local control over how the money is spent.

Available-for-sale Financial Instruments Reserve This reserve holds gains on revaluation of investments not yet realised through sales.

Balance sheet A balance sheet is a summary of an organisation's financial position. It lists the values, in the books of account on a particular date, of all the organisation's assets and liabilities.

Callable Deposit A deposit placed in the money market which is available at call, i.e. with little advance notice.

Capital adjustment account This account accumulates the write-down of the historical cost of fixed assets as they are consumed by depreciation and impairment, or written off on disposal. It also accumulates the resources that have been set aside to finance capital expenditure.

Capital receipts These are the proceeds from selling fixed assets such as land or vehicles.

Capital receipts unapplied These are proceeds from selling fixed assets which we can use for capital spending or to repay loans, but which we cannot use for revenue (day-to-day) spending.

Carry forward Amounts that are to be carried forward into the new financial year.

Corporate and Democratic Core The costs associated with the Corporate management and democratic processes of the Council.

Cost recovery basis If we charge other organisations on this basis for services we have provided, we only charge them what the service has cost us. We do not put anything extra on to give us a profit.

Creditor This is someone we owe money to.

Current assets These are short-term assets, which constantly change in value such as stocks, **debtors** and bank balances.

Current liabilities These are short-term liabilities which are due to be paid in less than one year such as bank overdrafts, PAYE and money owed to suppliers.

Debtor This is someone who owes us money.

Delegated (budgets) Budgets for which schools have complete autonomy in spending decisions.

Depreciation Spreading the cost of wear and tear of an asset over its useful life.

Devolved (budgets) Budgets transferred to schools that have total responsibility for their spending within defined limits / scope / range.

Earmarked reserve An earmarked reserve is money set aside for a specific purpose.

Equities Equities are ordinary shares in companies.

Financial Instruments Financial instruments are contracts which give rise to a financial asset of one entity and a financial liability or equity instrument of another.

Financial Instruments Adjustment Account This account acts as a balancing mechanism for differences in statutory requirements and proper accounting practices for borrowings and investments.

Finance lease When we lease goods using a finance lease we have most of the rights of ownership and take any profits and suffer any losses of ownership.

Fixed asset A fixed asset is an asset which is intended to be in use for several years such as a building or a vehicle.

General reserves These are amounts set aside for use in future years, not earmarked for any specific purpose.

GMPs Guaranteed Minimum Pensions.

Impairment A reduction in the value of an asset from its previous value in the accounts.

Infrastructure The infrastructure is made up of fixed assets such as roads and bridges.

LASAAC Local Authority Scotland Accounts Advisory Committee.

LOBO Lender Option Borrower Option (Loans at market rates).

Minimum Revenue Provision This is the amount we have to set aside out of our revenue to repay loans.

Net book value The value of an asset after depreciation.

Net operating expenditure The net costs of services less net surplus on statutory direct-service organisations (organisations that have to follow special rules to provide our services), interest and investment income and transfers to and from the asset management revenue account.

Non-operational assets These are assets we hold but do not use to provide services. Examples are investments, and assets which are not yet in use.

Non-distributable costs Costs that cannot be specifically applied to a service or services and so are held centrally.

Notional fund This is where amounts that are transferred into a fund are done so for illustration only and do not actually involve incurring expenditure.

Operating lease When we lease goods using this type of lease, ownership of the goods remains with the lessor (the company leasing the goods to us) and the lessor takes the profits and suffers the risks of ownership.

Operational asset These are assets we use to run our services such as buildings and vehicles.

Payment in advance A charge taken into account when preparing the financial statements, which are for benefits to be received in a period after the accounting date.

Precept This is an amount we receive from district and borough councils in Northamptonshire (for Council Tax collected on our behalf) so that we can cover our expenses less our income. We also pay precepts to authorities such as the Environment Agency.

Private Finance Initiative A means of securing new assets and associated services, such as a new school or care home, from the private sector.

Provision Money set aside in a set of accounts for liabilities, which are known to exist, but which cannot be measured accurately at the date of the accounts.

Public Private Partnership A government service or private business venture funded and operated through a partnership of government and one or more private sector companies.

Public Works Loan Board A government body set up specifically to lend money to local authorities.

Related party/parties This is a person or an organisation which has influence over another person or organisation.

Reserves These are amounts set aside in one year's accounts, which can be spent in later years. Some types of reserve can only be spent if certain conditions are met.

Residual Pension Liabilities The outstanding cost of pension liabilities for employees that have left the Council.

Revaluation Reserve This reserve records the accumulated gains on the fixed assets held by the authority arising from increases in value.

Revenue Ongoing spending or income relating to the day to day activities of the organisation.

Self-insurance We set aside money each year to provide a fund to pay for loss and damage.

Service revenue account These are the services' individual revenue accounts.

Snowball A deposit placed in the money market which is available at call, i.e. with little advance notice.

SORP Statement of Recommended Practice.

Straight line basis The reduction in the value of assets by an equal amount each year applied over the assumed life of the asset.

Stock This is a term used for goods bought but which have not yet been used.

Surplus The remainder after taking away all expenses from income.

Transfer value When a pension scheme member moves their pension to another scheme, the transfer value is the amount of money transferred to the new scheme.

Unitising Applying to the individual units (relating to members of the pension fund).

Unrealised profit This is the anticipated profit that would be generated from selling the asset.