STATEMENT OF ACCOUNTS

2012/13

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Statement by the Chairman of the Corporate Governance Committee

I confirm that these accounts were approved by the Corporate Governance Committee at the meeting of the Committee held on the 26th September 2013.

Signed, on behalf of Daventry District Council

Councillor John Shephard

Chairman of the meeting approving the accounts Date: 26th September 2013

Explanatory Foreword

1. Introduction

This Statement of Accounts summarises Daventry District Council's financial affairs for the 2012/13 financial year. The statements present an overview of expenditure and income incurred by the Council during 2012/13 on the provision of services, acquisition and disposal of assets, and gains or losses resulting from asset valuation changes. The statements also present the Council's balance sheet at the 31st March 2013, summarising the value of assets, liabilities, balances and reserves held at the end of the year, and the changes in those balance sheet items compared to the end of the previous financial year.

As required by law the financial statements have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in Great Britain', commonly known as the 'The Code', published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code ensures that all local authorities produce their accounts on a consistent basis, enabling comparison.

The Code reconciles accounting standards in general use within the UK with the statutory local government finance framework. There are material differences between what accounting rules state should be included in the accounts and what legislation states should be financed by a local Council and local council taxpayers.

Accordingly there are many entries, particularly within the Comprehensive Income & Expenditure Statements, which are included as notional items for presentational purposes, so that accounting standards are fulfilled, and then "reversed out" so that the bottom line financial performance is consistent with statutory requirements.

The Explanatory Foreword sets out the key issues experienced by the Council during 2012/13 and also the financial performance against budget, in a way that the financial statement's themselves may not do.

2. Group Structure

In the financial year 2011/12 group accounts were prepared to incorporate Daventry Active Ltd (DAL), which was a "controlled" company under the terms of the Local Government and Housing Act, 1989 and the Local Authorities (Companies) Order 1995. DAL ceased trading in June 2012 and a contract was entered in to with a private company (SLM Ltd) to continue running the Daventry Leisure Centre, Daventry Sports Park and various sports pitches around Daventry town. As such, due to the length of time that DAL were trading in 2012/13 and the amounts involved being not material, DDC are no longer required to prepare group accounts incorporating DAL. The final accounts for DAL have been submitted to Companies House.

In November 2012, The Daventry Estates Company Ltd, which again is a "controlled" company under the terms of the Local Government and Housing Act, 1989 and the Local Authorities (Companies) Order 1995, was set up to manage new homes for rent. As the company has yet to start trading the amounts involved are not material and therefore there is no requirement to prepare group accounts.

3. Order of the Statement of Accounts

The Code designates certain "core" financial statements which must be accompanied by a set of notes. Supplementary statements then follow with their own notes, as appropriate. In addition, the Statement of Accounts includes 'The Statement of Responsibilities for the Statement of Accounts' and 'The Statement of Accounting Policies' which provide the context and main principles within which the core financial statements have been prepared. The order in which the main statements are presented is as follows:

- The Statement of Accounting Policies
- The Statement of Responsibilities for the Statement of Accounts
- Movement in Reserves Statement
- Comprehensive Income and Expenditure Statement
- Balance Sheet
- Cash Flow Statement
- The Collection Fund

A brief description of each of the above statements is provided below.

- **The Statement of Accounting Policies**
  This explains the basis for the recognition, measurement and disclosure of transactions and other events in the accounts.

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

- **Movement in Reserves Statement**
  This shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

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

- **The Balance Sheet**
  This presents the overall financial position of the organisation as a single entity, showing the balances, reserves, any long-term indebtedness (if appropriate) and the fixed and net currents assets employed in our operations, together with summarised information on the fixed assets held.

- **The Cash Flow Statement**
  This summarises the inflows and outflows of revenue and capital cash arising from Council transactions with third parties during the financial year.

- **The Collection Fund**
  This accounts for the council taxes and business rates collected from local residents and businesses in the district of Daventry. It shows how this money is then allocated between the relevant precepting authorities delivering services within the district.

4 Financial Overview 2012/13

The Council incurs revenue and capital expenditure during the course of any given year. The Local Government and Housing Act, 1989, requires all expenditure incurred by the Council to be charged to a revenue account of the authority unless it can be legitimately classified as capital spending in accordance with the definitions contained within the relevant legislation. For most operational and accounting purposes, the definitions of revenue and capital expenditure are summarised below:

Revenue Expenditure - covers most day-to-day, on-going, spending on goods and services that are provided and consumed within the financial year. Revenue spending is financed from council tax income; rents; fees and charges; interest income, government grants and other miscellaneous income.

Capital Expenditure - relates to spending providing benefits of a more lasting nature, such as the purchase of an asset, which has a useful life beyond one year. Capital spending is financed mainly from useable capital receipts generated from the sale of Council assets; government grants, external funding contributions from other agencies and revenue contributions.

4.1 Financial Performance

A summary of the Council's financial performance during 2012/13, showing actual spending for the year compared to the approved budget, together with an overview of the resultant year-end balance sheet position, is presented below for the following main accounts:

- **General Fund Revenue Account**
- **Capital Expenditure**
- **Capital Receipts**
- **Treasury Management**
- **Balance Sheet**

4.2 General Fund Revenue Account Outturn 2012/13

The General Fund revenue account covers all net spending by the Council on services. For the avoidance of doubt it excludes receipts and payments incurred in respect of parish councils, local special expense accounts and capital accounting transactions.

The approved General Fund 'Net Operational Costs' budget for 2012/13 was £8.992m. This budget covers the net cost of providing services. After allowing for planned drawdown from non-earmarked general reserves of £0.009m and contribution to earmarked reserves of £0.046m, the total 'Net General Fund Budget Requirement' for 2012/13 was £9.029m.

Service Expenditure	Revised Budget £'000	Outturn £'000	Variance £'000'
Environmental and Regulatory Services	2,891	2,520	(371)
Housing Services	2,132	1,481	(651)
Planning and Development Services	1,047	1,576	529
Highways, Roads and Transport Services	417	432	15
Cultural and Related Services	926	627	(299)
Central Services to the Public	861	735	(126)
Corporate and Democratic Core	2,214	1,828	(386)
Centrally-held, non-distributed costs	167	162	(5)
Icelandic Impairment	0	(15)	(15)
Total Cost of Services	**10,655**	**9,346**	**(1,309)**
Less			
Interest and Investment Income	(189)	(500)	(311)
Capital Charges	(1,667)	(1,687)	(20)
Investment Losses Reversal	0	0	0
Non Specific Government Grants	0	0	0
Central Contingencies	319	0	(319)
Appropriation to Pension Fund Liability Reserve	(126)	(126)	0
Net Operational Costs	**8,992**	**7,033**	**(1,959)**
Contribution to G.F. Earmarked Reserves	46	1,700	1,654
Contribution to (+) / drawing from (-) General Reserves	(9)	296	305
Net General Fund Budget Requirement	**9,029**	**9,029**	**0**

Funded by:		
General Government Grant	1,024	1,024
Contribution from non-domestic rate pool	4,387	4,387
Council Tax Surplus	85	85
Precept demanded from the Council Taxpayer	3,533	3,533
Total Funding	**9,029**	**9,029**

Actual 'Net Operational Costs' of services for the financial year 2012/13 were £7.033m, compared to the approved budget of £8.992m, as shown in the table below, representing an operational variance of £1.959m. This position has been reported, as part of the comprehensive budget monitoring cycle, throughout the year and enabled £1.700m to be transferred to earmarked reserves and £0.296m transferred to non-earmarked general reserves.

The operational variance of £1.959m reflects the following unplanned expenditure and income factors:

Significant Revenue Budget Variations	Variance £'000
Additional Government Grants and Misc Asset Sales	193
Increased Investment Interest	310
Reduced Environmental Services Contract costs	272
Additional Legal Fees	(203)
Reduced Bad Debt requirement	100
Recovery of Legal Fees from DDH	62
Unused contingencies	319
Additional Planning fee income	250
Improved Housing Benefit/Council Tax Benefit subsidy recovery	300
Vacancies and associated costs	151
Miscellaneous	205

4.3 Capital Expenditure

The original 'Capital Spending Programme' budget for the 2012/13 financial year was £11.758m. Following a detailed review during the year of planned schemes, progress and revised project timescales, the 2012/13 budget was reduced to £6.277m. Actual total capital spending in 2012/13 amounted to £5.159m, which represents a net variance of £1.118m. The 2012/13 capital spending and funding position is summarised below:

2012/13 Capital Spending Outturn Team	Original Approved Budget £'000	Revised Budget £'000	Actual Outturn £'000	Variance (Actual – Revised) £'000
Resources	111	226	180	(46)
Business	10,357	4,993	4,286	(707)
Community	866	1,013	684	(329)
Chief Executive (including capital salaries spread out against schemes in the Revised Budget)	424	45	9	(36)
Capital Spending	**11,758**	**6,277**	**5,159**	**(1,118)**

Funded by:				
Use of Capital Receipts	10,065	5,489	4,507	(982)
Use of External Contributions	1,693	788	436	(353)
Contribution from Revenue	0	0	216	216
Total Capital Financing	**11,758**	**6,277**	**5,159**	**1,118**

The major spending on schemes included within this programme was:

Leisure Facilities Contract	£0.530m
Royal Oak Development	£1.616m
Housing for Rent	£0.974m
Disabled Facilities Grant (DFG)	£0.516m

The aggregate year-end "Capital Spending" variance of £1.118m largely represents programme slippage in respect of which the associated committed project costs and unspent approved budget will slip into the 2013/14 programme to allow completion of the projects.

The above programme was funded from usable capital receipts, external contributions and revenue funding.

4.4 Capital Receipts

The budget for capital receipts was £4.081m; actual receipts were £5.906m, a variance of £1.825m. The budget comprised £3.525m for the sale of land at Middlemore, and £0.556m for LSVT VAT shelter receipts. The land at Middlemore was sold for £4.668m, which included a contribution from the developer of £0.920m for recreational facilities and education. Only the receipt net of the contribution was budgeted for, the contribution being immediately put into an earmarked reserve for the future works. In addition there was an unbudgeted receipt of £0.085m from the sale of various small parcels of land. There was also an unbudgeted £0.653m receipt from Daventry District Housing representing the Authority's share of their Right-to-Buy (RTB) receipts. This is a particularly difficult area to budget for, given the demand led nature of the sale, and reflects the Governments change in RTB discounts increasing from £0.025m to a potential £0.075m, depending on tenants circumstances.

4.5 Treasury Management

Treasury management is defined as the management of the authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those transactions; and the pursuit of optimum performance consistent with those risks.

For the Council this involves managing our cash flow on a daily basis and placing investments with approved counterparties that optimise security, liquidity (meaning the funds are available when we need them) and the yield (how much we earn in interest).

As at the 31st March 2013 we had a total of £31m invested (excluding the £1.434m yet to be recovered from the original £8m invested with the failed Icelandic banks). Interest earnings ended the 2012/13 financial year with a favourable variance of £0.311m. This favourable variance was as a result of reduced capital spend; higher than planned for balances; and the decision part way through the year to include part and nationalised banks to the portfolio of acceptable counterparties (resulting in an improved return on investments).

Further details of the outstanding investment recovery from the failed Icelandic banks can be found at note 12, on page 45.

4.6 Balance Sheet

4.6.1 Reserves and Balances

The Balance Sheet as at the 31st March 2013 incorporates the following levels of revenue reserves and capital balances available to this Council:

Reserves and Balances	£'000	£'000
Revenue Reserves:		
Earmarked reserves (not including Daventry Special Expenses)	**6,584**	
Non-earmarked general reserves	**3,765**	
Total Daventry DC Revenue Reserves		**10,349**
Capital Balances:		
Capital Receipts Reserve		**21,746**

At the 31st March 2013, the Council held £10.349m of General Fund revenue reserves, comprising £6.584m earmarked reserves (to cover identified specific, potential financial risks and liabilities) and £3.765m non-earmarked general reserves. This latter balance represents 41.7% of our 2013/14 annual 'Net Operational Costs' service budget and provides an adequate level of reserves to cover unforeseen financial risks. Nevertheless, the adequacy of this current level of revenue reserves will depend on the Council successfully delivering a challenging and ambitious capital programme and addressing the medium-term financial challenges, as summarised in the section headed 'Current and Future Challenges' on page 9.

At the 31st March 2013, the Council held capital reserves ("Capital Receipts Unapplied") of £21.746m.

4.6.2 Pension Fund Liability

The Balance Sheet presents an increase in the estimated Pension Fund Reserve net liability over the 2012/13 year of £2.774m, up from £20.516m at the 1st April 2012 to £23.290m at the 31st March 2013. The statutory arrangements for funding the remaining liability of £23.290m means that this deficit will be made good by the increased level of annual employer contributions payable to the Pension Fund over the remaining estimated average work life of our employees in the Pension Scheme. The most recent triennial review of the Pension Fund was undertaken as at the 31st March 2010 and future revisions to our annual contributions were effective from 1st April 2011.

The IAS19 deficit is larger in monetary terms and the funding level (the ratio of assets to liabilities) is lower. In other words, the funding position for the employer's share of the pension scheme is worse this year on an IAS19 basis than it was a year ago. This is principally due to the fact that the financial assumptions at 31 March 2013 are less favourable than they were at 31 March 2012 and this is mainly down to a lower discount rate and lower asset returns. These factors serve to increase the value of the liabilities and lower the value of the assets and thus have a negative impact on the IAS19 position.

Financial assumptions - LGPS benefits are linked to price inflation and salary inflation. Therefore, we need to compare the *real* discount rate (i.e. net of price inflation) from year to year. The real discount rate has reduced from 2.3% p.a. as at 31 March 2012 to 1.7% p.a. as at 31 March 2013. This is due to an expectation of a falling long-term inflation rate. All else being equal, a lower real discount rate leads to a higher value being placed on the liabilities. Therefore the change in real discount rate between March 2012 and March 2013 has had a negative impact on the IAS19 balance sheet, increasing the value of the liabilities.

Investment returns - The asset side of the equation has been lower than expected from this time last year.
Mortality assumptions - Evidence suggests that not only are people living longer today but that life expectancy will continue to increase even further in future years. Improved life expectancy has an adverse effect on the funding position of pension schemes, as they face the prospect of having to pay retirement benefits to pensioners who are living longer into the future.

5. Issues Affecting Daventry District Council with an Impact in Future Years

5.1 Future Changes in Local Government Finance

5.1.1 Universal Credit

Universal Credit (UC) is one of the key benefit changes introduced in the Welfare Reform Act 2012. This will see the introduction of a single benefit to replace six benefits currently paid by DWP, HMRC and local authorities. This includes housing Benefit currently paid by local authorities. The introduction of UC will have a significant impact on the residents of the district as they will need to adjust to receiving a single monthly benefit payment which will include an element to cover their housing costs. They will manage their finances on a monthly basis, pay their rent to their landlord and apply and manage their benefit claim online.

UC will have an impact on the Council as it will no longer be responsible for the payment of Housing Benefit, on partners such as DDH who will no longer receive Housing Benefit paid directly to them and on advice services who are likely to see a significant increase in enquiries from residents affected by the introduction of UC and other welfare reforms.

With regard to Housing Benefit these changes start to take affect for new claimants in October 2013 with a rollout for the remaining claimants up to 2017. The financial implications for the Council, who administer the Housing Benefit on behalf of the Department for Works and Pensions, will become clearer as the detailed proposals are developed.

5.1.2 Local Government Resource Review

In March 2011, the Government announced the Local Government Resource Review (LGRR). The review was to "consider the way in which Local Authorities are funded, with a view to giving Local Authorities greater financial autonomy and strengthening the incentives to support growth in the private sector and regeneration of local economies." A consultation process took place during the summer/autumn of 2011.

The Government published the results of the consultation in December 2011 along with the Local Government Finance Bill to introduce legislation through 2012 to effect the changes, although some issues are still to be fully clarified.

The Government abolished the previous Local Government finance system, and with the aim of allowing Councils to keep elements of their business rates. The changes focussed on the distribution of business rate tax revenues, rather than changes to the system of business rate taxation. Some of the key changes are:

- Abolition of the current system, whereby Government allocates resources via a Total Formula Grant (TFG);
- Establishment by the Government of a baseline from which future level of funding via the system will be calculated, this was clarified in the Final Local Government Finance Settlement in January 2013;
- Continued collection of business rates by Councils in their respective areas but this will be subject to either a top up if this sum is below the calculated baseline or a tariff if it is above the baseline. Daventry is a tariff authority; although this tariff is somewhat reduced as a result of the authority being a member of the Northampton Pool for Business Rates;
- Establishment of a safety net to protect authorities where there are substantial downward movements in the business rate base due to changes in the local economy (set at 7.5% of the baseline figure); and
- Imposition of levies on 'disproportionate' gains which will be specific to each Authority and will fund the safety net. Daventry has joined the Northampton Pool which helps to reduce the levy rate which would otherwise have been applied.

These changes will introduce a range of volatility in funding that has not been experienced previously.

5.1.3 Non-Domestic Rate Income

As detailed above, from 1 April 2013 the regime around the income that Local Authorities collect form National Non Domestic or Business Rates (NNDR) changes from one where the Authority collects purely on behalf of Central Government to one where this income is shared between Central Government, Local Authorities and major precepting bodies (NCC and the PCC in Daventry's case). This change affects the retention of that income collected and also carries a risk to the Council for the failure to collect rates in comparison with a pre-determined 'Start-UP' funding assessment.

Risks of non-collection include rates billed from 1 April, but also those not yet collected from prior years and also appeals that were not resolved before that date.

In relation to Daventry's NNDR there is a general risk of non-collection and also the potential losses on appeal was estimated at £1.5m for prior appeals as at 31 March 2013. Daventry's share of these potential losses is approximately £0.6m or 40%. These are potential losses at the point of change and if these losses are exceeded then the Council will further bear its share of that excess. Daventry's 'Start-Up' funding assessment is well below the current level of NNDR collected so any losses on collection or from appeals should be offset by the excess collected.

5.1.4 Council Tax Localisation

The comprehensive Spending Review (CSR) 2010 included proposals to localise support for Council Tax from the beginning of the financial year 2013/14. The Government issued a consultation Paper in August 2011 setting out proposals for the changes.

The DCLG has issued a formal response to the consultation process. This outlined the intention to introduce the requirement that billing Authorities introduce a Council Tax Discount Scheme to replace Council Tax Benefit. In May and June 2012, a range of further papers were issued by the DCLG relating to the new arrangements. The main change for the Council is that a grant will be paid to the General Fund to replace the current Council Tax Benefit paid in to the Collection Fund. The major change for recipients is that the new grant will only cover around 90% of the current benefits and Local Authorities were expected to introduce revised local benefit schemes that in total reduces the benefits by 10% overall, or alternatively fund the reductions through other means. This will not be a uniform reduction as certain recipients (pensioners) will be legally excluded from the reduction. Therefore some current benefit recipients will be required to pay a higher contribution towards their Council Tax Bill.

A scheme was designed and adopted by Council for the statutory deadline of 31 January 2013, with processes ready to operate from the implementation date of 1 April 2013. There was a wide consultation process exercise with stakeholders in order that theirs views be taken in to account in designing the final scheme. Council tax bills have now been sent to residents based on the agreed local scheme.

5.1.5 Technical Reforms of Council Tax

The DCLG issued a consultation paper in October 2011 outlining some reforms to Council Tax. These changes were included within the Local Government Finance Bill and will give the Council local discretion form April 2013, as follows:

- To abolish the second homes discount;
- Changes to the level of discounts and exemption's for certain categories, including empty properties; and
- To introduce an empty homes premium.

The Council approved its Local Scheme in December 2012 to apply form 1 April 2013 which took advantage of some of those changes which will increase the level of Council Tax that is raised and mitigate some of the potential effects of the Localisation changes.

5.2 2013/14 Council Budget and Medium Term Financial Plan

The approved General Fund revenue budget for 2013/14 represents a planned budget surplus of £0.180m, with annual deficits thereafter, apart from a small surplus in 2015/16, projected over the period of the Medium Term Plan to 2016/2017. The Council have proved to have an excellent track record in responding to the financial impact of the current economic recession, in terms of maintaining and improving services in the face of reduced levels of income from investments, service fees and charges and reduced Government funding. Whilst a certain number of assumptions have been made about the future level of income streams and the level of future Government funding cuts there will no doubt be changes to these assumptions, depending on the recovery rate of the economy.

The projected levels of General Fund revenue reserves available to the Council, based on the Medium-Term Financial Plan approved by Council in February 2013 and updated to reflect the latest information contained in these 2012/13 Statement of Accounts, are as follows:

G.F. Revenue Reserves	2012/13	2013/14	2014/15	2015/16	2016/17
	£'000	£'000	£'000	£'000	£'000
Revised projections per Statement of Accounts 2012/13					
G.F. General Reserves					
Opening Balances @ 1st April	3,468	3,765	3,945	3,879	3,910
add					
Budget Surplus/(Deficit) for year	297	180	(66)	31	(18)
G.F. General Reserves	**3,765**	**3,945**	**3,879**	**3,910**	**3,892**
Earmarked Reserves	**6,061**	**5,961**	**5,861**	**5,761**	**5,216**
Interest Reserve	**523**	**589**	**721**	**919**	**1,107**
Total G.F. Reserves c/fwd	**10,349**	**10,495**	**10,461**	**10,590**	**10,215**

5.3 Capital Investment Plans

The Council's approved capital spending programme for the three-year period 2013-2016 represents planned investment in service assets and the infrastructure of £23.109m, of which £4.650m is anticipated will be met by external funding from government agencies and private sector developers, leaving £18.459m to be funded from the Council's own resources.

The programme and its proposed funding is summarised in the table below:

Future Approved Capital Spending and Funding	2013/14 £'000	2014/15 £'000	2015/16 £'000	Total £'000
Approved Programme Spending	**14,160**	**5,326**	**3,623**	**23,109**
funded by:				
Capital Receipts	(10,174)	(4,803)	(3,482)	(18,459)
Government Grants	(141)	(141)	(141)	(423)
Other External Contributions	(3,845)	(382)	0	(4,227)
Total Funding	**(14,160)**	**(5,326)**	**(3,623)**	**(23,109)**

Of the total planned spend of £23.109m, approximately £13.5m is required to replace existing assets or invest in assets to maintain the current range and level of services. £3.9m planned spending relates to investment in the regeneration of Daventry town and the balance of just over £5.7m relates to the building of the new Crematorium and Cemetery in Rugby for which part of the costs will be recovered from Rugby Borough Council. The Council's regeneration plans include the redevelopment of the town centre to provide new retail, leisure, educational and business facilities; and investment in the re-development of one of our industrial estates to maintain and generate additional income and will encourage continued economic development within the business sector and maintain employment prospects for our residents.

The projected levels of capital receipts and contributions, available to the Council, based on the Capital Programme approved by Council in February 2013 and updated to reflect the latest information contained in this 2012/13 Statement of Accounts, are as follows:

Capital Receipts and Contributions	2013/14 £'000	2014/15 £'000	2015/16 £'000
Capital Reserves balances b/f :-	20,824	15,116	15,041
Land and Asset Sales	150	3,875	0
VAT Shelter	330	330	330
Transfer to Ear-marked Reserves	0	0	0
External Funding	3,986	523	141
Use of capital resources	(10,174)	(4,803)	(3,482)
Capital Reserves balances c/f :-	**15,116**	**15,041**	**12,030**

6. Audit

These accounts are scheduled to go to the Governance Committee for approval on 26th September 2013

7. FURTHER INFORMATION

If you require further information concerning the Statement of Accounts, please contact:

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NN11 4FP

Statement of Accounting Policies

1. General Principles

The Statement of Accounts (SOA) summarises the Council's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. They have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13. This means that the relevant accounting policies adopted have been reviewed to ensure that the Statement of Accounts can be relied upon to give a true and fair view of the Council's financial performance and position. It also ensures that all legislative requirements have been correctly applied and that finally, the accounts have been prepared on a going concern basis. That is, the Council will continue in operational existence for the foreseeable future.

The SOA also comply with guidance notes issued by CIPFA on the application of accounting standards (International Financial Reporting Standards and International Public Sector Financial Standards and Financial Reporting Standard 30) to local authority accounts.

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

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

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

2. Main Changes to Accounting Policies since Code 2011

There have been no significant changes to the accounting policies this year.

3. Critical Accounting Estimate and Judgements

In applying the accounting policies set out note 1, the authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision. This is complemented by the current level of general fund reserves which would allow for sufficient time to plan for any major changes required.
- Icelandic Investments Losses - The potential losses have been calculated in accordance with CIPFA Local Authority Accounting Panel (LAAP) Bulletin 82 Update Number 7, which estimate the likely recovery for each institution from the appointed administrators or resolution committee. Please see note 12 on page 43.

4. Interest in Companies and Other Entities

The Authority has material interests in two subsidiaries; Daventry Active Ltd (DAL) that has since ceased trading and The Daventry Estates Trading Company Ltd (TDECL) that has yet to start trading. As such group accounts have not been prepared.

5. Accruals of Expenditure and Income

With the exception of utility bills, where a full four quarters are accounted for, and a number of annual charges, where a full year is charged, activity is accounted for in the year it takes place, not simply when cash payments are made or received. In particular:

- Fees, charges and rents due from customers are accounted for as income at the date the council provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date the supplies are received and their consumption; they are carried as stocks on the balance sheet.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

6. Business Improvement District (BIDS)

Business Improvement District (BID) projects are projects for the benefit of a particular area that are financed (in whole or in part) by a BID levy paid by the non-domestic ratepayers, or a class of such ratepayers, in the BID area. There are two key participants – the billing authority for the area and the BID body. There is no IFRS, IPSAS or UK GAAP covering BID schemes. The appropriate accounting treatment for the billing authority, who act as an agent, in accordance with section 2.6 of the Code, are as follows:.

- A contribution made by the billing authority to the BID project (ie grant-in-aid), which would be shown as service expenditure under the relevant service in the Comprehensive Income and Expenditure Statement.
- BID levy collection costs and associated (reimbursement) income, which would be shown in Net Cost of Continuing Operations under the relevant service in the Comprehensive Income and Expenditure Statement.
- Income from services supplied by the billing authority to the BID project on a paid basis, which would usually be accounted for as a trading activity as part of Net Operating Costs in the Comprehensive Income and Expenditure Statement.
- However, where the service supplied for charge is a function of the authority, eg a planning application, it is accounted for in the same way as other income of that function.

For the financial year 2013/14 there will be no BIDS following an unsuccessful vote to continue the scheme for a further five years.

7. Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. There are no strict criteria to follow relating to the nature and maturity of items treated as cash equivalents and as such an authority shall disclose the policy that it adopts in determining the composition of cash equivalents.

In most cases, the consideration receivable for goods or services is in the form of cash and cash equivalents and the amount of revenue is the amount of cash and cash equivalents receivable. However, if payment is on deferred terms (i.e. beyond normal credit terms), the consideration receivable is recognised initially at the cash price equivalent (that is, the discounted amount). The difference between this amount and the total payments received is recognised as interest revenue in Surplus or Deficit on the Provision of Services.

There is no difference between the delivery and payment dates for non-contractual, on- exchange transactions, i.e. revenue relating to council tax and general rates and therefore these transactions shall be measured at their full amount receivable.

Our definition of cash and cash equivalents is:-

- Petty cash;
- Cash in hand or transit;
- Monies in the call account;
- Monies in the Santander call account;
- Any bank overdraft;
- Any deposits on call, 2 or 7 day notice periods; and
- Any other deposits, whose ‘acquisition date to maturity date’ is less than 3 months.

8. Contingent Assets

A contingent asset is: **-**
A possible asset that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events, not wholly within the entity’s control. They are only disclosed where they are considered ‘probable’. These are also not recognised within the accounts but disclosed as a note to the Accounts.

9. Contingent Liabilities

A contingent liability is: -

a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the organisation's control; or
b) A present obligation that arises from past events but is not recognised because it is not probable that a transfer of economic benefit will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.
c) A contingent liability is not recognised within the accounts but disclosed as a note to the Accounts.

10. Discontinued Operations

The reporting authority’s share of any discontinued operations of associates shall be separately disclosed. The reporting authority’s share of changes recognised directly in the associate’s other comprehensive income and expenditure shall be recognised directly in other comprehensive income and expenditure by the reporting authority.

11. Employee Benefits

There are four types of employee benefits. These are:-

- Benefits payable during employment;
- Termination benefits;
- Post-employment benefits (life insurance and medical care not relevant for DDC); and
- Pension fund accounts. (not relevant to DDC).

Benefits payable during employment
Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (eg cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, eg time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits
Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer’s employment before the normal retirement date or an officer’s decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Post Employment Benefits

Employees of the Council are Management of the Local Government Pension Scheme, which is accounted for as a defined benefits scheme:

- The liabilities of the pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.8% (based on the gross redemption yield on the iboxx Sterling Corporates Index, AA over 15 years).
- The assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:
    - Quoted securities – current bid price
    - Unquoted securities – professional estimate
    - Unitised securities – current bid price
    - Property – market value.
- The change in the net pensions liability is analysed into seven components:
    - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the Revenue Accounts of Services for which the employees worked;
    - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Continuing Operations in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
    - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement;
    - Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement;
    - Gains/losses on settlements and curtailments – the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Continuing Operations in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
    - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to Pension Reserve;
    - Contributions paid to the pension fund – cash paid as employer's contributions to the pension fund.

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

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

The assumptions used by the Council are set out in note 39 and are estimates chosen from a range of possible actuarial assumptions, which may not necessarily be borne out in practice but have been comparable to the median estimates in this regard used by other Councils. Changes to these assumptions could materially affect the size of the defined benefit schemes' liabilities and assets disclosed in notes 1 and 39.

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 in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

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

12. Events after the reporting period (the Balance Sheet date)

Where an event after the Balance Sheet date, favourable or unfavourable, that occurs between the end of the reporting period and the date when the financial statements are authorised for issue, provides evidence of conditions that existed at the Balance Sheet date, this is an adjusting event.

The amounts recognised in the Statement of Accounts are adjusted, e.g. the settlement of a court case that confirms the entity had a present obligation at the Balance Sheet date. Any disclosures affected by the new information about the adjusting event are updated in the light of the new information.

Where an event that occurs after the Balance Sheet date, i.e. between the end of the reporting period and the date when the financial statements are authorised for issue, and the event is indicative of conditions that arose after the Balance Sheet date the amounts recognised in the Statement of Accounts are not adjusted (non-adjusting event), e.g. a decline in market value of investments after the Balance Sheet date.

Events after the Balance Sheet date are reflected up to the date when the Statement of Accounts is authorised for issue. The date the financial statements are authorised for issue is defined in the Code, based on legislative requirements.

13. Exceptional items and prior period adjustments

Prior Period Adjustments are made when there are material prior period errors or changes in accounting policy.

Prior period errors are material omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that: a) was available when financial statements for those periods were authorised for issue, and b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements. Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Where an authority changes an accounting policy, it shall apply the changes retrospectively unless the Code specifies transitional provisions that shall be followed. A change in accounting policy shall be applied retrospectively by adjusting the opening balance of each affected component of net worth for the earliest period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied, except to the extent that it is impracticable to determine either the period specific effects or the cumulative effect of the change.

The Code, in line with IAS 8 and IPSAS 3, requires restatement for material errors, which may lead to restatements being required more frequently. The Code requires disclosure of future changes to accounting policies.

Exceptional items are included within the cost of the service to which they relate, on the face of the Comprehensive Income and Expenditure Statement, if that degree of prominence is necessary to give a fair presentation of the accounts.

14. Financial Instruments

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

Financial Asset	A right to future economic benefits controlled by the authority that is represented by: • Cash. • An equity instrument of another entity. • A contractual right to receive cash (or another financial asset) from another entity. • A contractual right to exchange financial assets/liabilities with another entity under conditions that are potentially favourable to the authority. For example: bank deposits, trade debtors, loans receivable, investments, other debtors and advances
Financial Liability	An obligation to transfer economic benefits controlled by the authority that is represented by: • A contractual obligation to deliver cash (or another financial asset) to another entity. • A contractual obligation to exchange financial assets/liabilities with another entity under conditions that are potentially unfavourable to the authority. • For example: trade and other creditors, borrowings, financial guarantees
Equity Instrument	A contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities (such as an equity share in a company) – will only apply to investments in other entities held by the authority. For example: Embedded derivatives

Financial Liabilities are initially measured at fair value and are carried in the Balance Sheet at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the Balance Sheet value of the liability, multiplied by the effective rate of interest for the instrument.

Financial Assets are classified into:

- Loans and receivables - fixed and determinable payments not quoted in an active market – such as trade debtors;
- Available for-sale-assets - such as quoted market price investments and securities;
- Assets held-for-trading - financial assets held at fair value in the balance sheet with any adjustments made through the Comprehensive Income & Expenditure Statement, these are normally funds actively managed by banks/institutions;
- Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, and there is a positive intention and ability to hold to maturity. After initial recognition, they are held at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable, and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

The Council had regard to the DCLG's 'Guidance on Local Government Investments' ("The Guidance"), issued in March 2004, and CIPFA's "Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes" ("the CIPFA TM Code"). We have also considered Local Authority Accounting Panel (LAAP) Bulletins 81 & 82 and Statutory Instrument (SI) number 321 (2009).

The Council's investment priorities are:-

1) The security of capital; and
2) The liquidity of its investments.

Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement.

Financial Instruments – Risks

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

- Credit Risk – the possibility that other parties may fail to pay the amounts due;
- Liquidity Risk – the possibility that the Council cannot pay its commitments;

- Market Risk – that changes in areas such as interest rates will affect the Council's revenue resources;
- Foreign Exchange Risk – The possibility that the Council may incur losses on any exchange rates.

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

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

Liquidity risk: to mitigate this risk the Council ensures that current working capital requirements are immediately available. At the period end, the longest dated deposit matures in January 2014.

Market Risk: to mitigate this risk the Council monitors the available rates, and also consults with the treasury advisors (Sector) and maintains fixed deposits when good rates are available. Fixed rate deposits are maintained to maximise interest receivable; variable rate deposits are maximised for working capital requirements.

Exchange Rate Risk: As a rule the Council does not deal in any foreign exchange. In 2012/13 due to the repayment of monies from the Icelandic domicile banks there was a loss on foreign exchange due to the use of escrow accounts by both Landsbanki and Glitnir Banks.
In addition the Council has adopted the CIPFA Prudential Code and reviews and monitors the level of exposure to investments, which mature beyond one year, and the use of specified and non-specified investments. However, the overall risk relating to financial instruments is very low for the Council because it is debt free.

Investments
Investments are included at their market value at the date of the net assets statement, where such a value is available. Where market value cannot be readily ascertained, an estimate of fair value and basis of estimation is used, this fact being disclosed and the reason for using an estimate explained. Fair value is the amount for which an asset could be exchanged, or a liability settled, between unrelated willing knowledgeable parties in an arm's-length transaction.
Interest Income
Interest payable and interest income is accrued and accounted for in the accounts in the period to which they relate, on a basis which reflects the overall economic benefits. The figure quoted in the Comprehensive Income and Expenditure Statement is principally due to the investment of capital receipts and revenue balances.

15. Government grants and other contributions

Specific Government grants are credited to the service where the related expenditure is charged, whatever their basis of payment. They are accounted for on an accruals basis and recognised in the accounts once the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

General grants and contributions, e.g. Revenue Support Grant, NNDR redistribution, are required to be disclosed as one or more items on the face of the Comprehensive Income and Expenditure Statement after Net Cost of Services.

Under the IFRS Code the treatment changes so that once the grants terms and conditions have been met, the grant is recognised in full in the service revenue account at the point in time that the asset becomes in use.

Grants and contributions for capital purposes shall be recognised immediately, unless any conditions have not been met; an authority shall not include grants and contributions deferred in the Balance Sheet. The IAS 20 option of deducting the grant from the carrying amount of the asset(s) is not permitted (International Public Sector Accounting Standard 23 – revenue from non-exchange transactions (taxes and transfers).

Donated Assets
If the authority receives a donated asset, the circumstances will be reviewed to ascertain whether there are any conditions attached to the donated asset. Where there is no such condition, the donated asset shall be recognised in the Comprehensive Income and Expenditure Statement and transferred to the Capital Adjustment Account. Where there is an unsatisfied condition, the creditor shall be transferred to the Donated Assets Account.

16. Intangible Assets

An intangible asset is an identifiable non-monetary asset without physical substance. It must be controlled by the authority as a result of past events, and future economic or service benefits must be expected to flow from the intangible asset to the authority. The most common class of intangible asset in local authorities is computer software. An intangible asset shall be measured initially at cost.

An authority shall assess whether the useful life of an intangible asset is finite or indefinite, and, if finite, the length of that life. The useful life of an intangible asset that arises from contractual or other legal rights shall not exceed the period of these rights (unless they can be renewed, when the useful life shall include the renewal period only if there is evidence to support renewal by the authority).

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

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

Intangible assets are amortised on a straight-line basis over their useful lives, which is normally three years, except annual software licences.

17. Inventories and long-term contracts

Inventories are shown in the Balance Sheet on an actual cost basis. This does not accord with the Code of Practice, which recommends that inventories are carried at the lower of cost and net realisable value. Cost is the price paid less any rebates, trade discounts or subsidies. It also includes delivery charges and import duties, but does not include value added taxes or advertising and administration costs. The amounts involved are not material. The inventories held by the Council range from cleaning and catering stocks to fuel, protective work wear and bus tokens, and, therefore, there is little or no wastage. As a result the Council does not maintain a provision for obsolete inventory. Cost is based on the first-in, first-out (FIFO) principle. A review in 2012/13 has been carried out and the value of the catering, cleaning and bus token stock is now immaterial and are now charged to the Comprehensive Income and Expenditure Statement as a consumable item.

18. Investment Property

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

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

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

19. Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

An operating lease is a lease other than a finance lease.

Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. Examples of situations that individually or in combination would normally lead to a lease being classified as a finance lease are:

1) The lease transfers ownership of the asset to the lessee by the end of the lease term;
2) The lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value so as to make it reasonably certain the option will be exercised;
3) The lease term is for the major part of the economic life of the asset;

4) The present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and,
5) The leased assets are of such a specialised nature that only the lessee can use them without major modifications.

The examples above are not always conclusive. If it is clear from other features that the lease does not transfer substantially all risks and rewards incidental to ownership, the lease is classified as an operating lease.

Land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. When the land has an indefinite economic life, the land element is normally classified as an operating lease unless title is expected to pass to the lessee by the end of the lease term.

When accounting for a lease of land and buildings, the minimum lease payments are allocated between the land and the buildings elements in proportion to their relative fair values. Where the amount that would initially be recognised for the land element is immaterial, the land and buildings may be treated as a single unit for lease classification.

Finance leases are recognised as assets and liabilities at amounts equal to the fair value of the property or, if lower, the present value of the minimum lease payments. The discount rate that shall be used is the rate implicit in the lease or, if it is not practicable to determine, the authority's incremental borrowing rate. Any initial direct costs of the authority are added to the value of the asset. Minimum lease payments shall be apportioned between the finance charge (interest) and the reduction of the outstanding liability. Assets recognised under a finance lease shall be depreciated in accordance with the depreciation policy for owned assets.

20. Overheads

The costs of support services are fully allocated to those that benefit from the supply or service in accordance with the costing principles of the *CIPFA Service Reporting Code of Practice 2012/13 (SERCOP)*. The basis of allocation is continually being refined and developed to reflect more accurately where support service costs are originated. The allocation basis for relevant support services is shown below:

Civic Offices	-	Floor Area (m2)
Personnel	-	Establishment
Information Technology	-	Employees & Members with PC's
Payroll	-	Employees & Members
Accounting	-	Managers & Chief Executive
Accounts Payable	-	Number of Invoices Paid
Cash Office	-	Actual Usage
Sundry Debtors	-	Number of Invoices Raised
OSS Contact Centre	-	Actual Usage
Business Transformation	-	Employees & Members with PC's
Communications	-	Managers & Chief Executive
Post Room	-	Number of Copies
Internal Audit	-	Audit Plan

The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

These two costs are accounted for as separate headings in the Comprehensive Income and Expenditure Statement as part of the Net Cost of Continuing Operations.

21. Property, plant and equipment (PP&E)

Recognition

All expenditure of £1,000 or over on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts, provided that:

a) The asset yields benefits to the Authority and service users for a period of more than one year from the date of the expenditure incurred, and
b) The expenditure secures and extends the previously assessed standards of performance of the asset.

Exceptions to the above policy will only be allowed in the case where expenditure incurred on individual assets is less than £1,000 but where all of the following conditions are met:
i) The individual assets have a useful life of more than one year.
ii) The expenditure incurred is in respect of periodical, recurring spending on the acquisition, replacement or enhancement of assets necessary to maintain or improve on going delivery of services, and
iii) The aggregate expenditure incurred on the acquisition, replacement or enhancement of all such assets is in excess of £1,000 within the financial year.

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.

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Assets Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS). The balances have been restated on the following basis: -
a) Land, operational properties and other operational assets are included in the balance sheet on the basis of fair value on existing use value;
b) Non-operational assets, including investment properties and assets that are surplus to requirements, are included in the balance sheet on the basis of fair value on market value;
c) Infrastructure assets are included in the balance sheet at depreciated historical cost. Heritage assets and community assets are included in the balance sheet at historical cost.

Revaluations and Impairment
Where an asset is included in the balance sheet at current value it is formally revalued at intervals not exceeding five years and the revised amount included in the balance sheet.

Where there is an increase in the value of an asset, the increase is credited to the Revaluation Reserve, except where the increase reverses a revaluation decrease on the same asset that was charged to the surplus and deficit of Provision of Service.
Where an impairment loss on a fixed asset occurs, the loss is recognised in the service account if the loss is caused by clear consumption of economic benefit (e.g. physical damage or deterioration in the quality of the service provided by the asset). Other downwards revaluations (e.g. reflecting a general reduction in value) are recognised first in the Revaluation Reserve, but only if there is a balance there for the asset concerned, and then only up to the that balance. Any remaining loss is debited to the Surplus and Deficit of Provision of Service.

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

Factors that are considered important and which could trigger an impairment review include the following:
- obsolescence or physical damage;
- significant changes in technology and regulatory environments;
- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the use of its assets or the strategy of the overall business;
- significant negative industry or economic trends; and
- significant decline in the market capitalisation relative to net book value for a sustained period.

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

Disposals and Non-current Assets Held for Sale
When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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

Amounts received for a disposal in excess of £10k are categorised as capital receipts. Receipts are required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

Receipts from the sale of capital assets that are less than £10k are not recognised as capital receipts, they are taken to the Comprehensive Income and Expenditure Statement instead.

Depreciation

Excluding investment properties, depreciation is provided for on all fixed assets with a finite useful life (which can be determined at the time of acquisition or revaluation) according to the following policy:

a) Under Financial Reporting Standard 15 (FRS 15) the authority is now required to depreciate operational buildings over an estimated useful life;
b) Newly acquired assets are depreciated from the year following acquisition, although assets in the course of construction are not depreciated until they are brought into use;
c) A full year’s depreciation is charged in the year of disposal;
d) Depreciation is calculated using the straight-line method on the opening balance;
e) Depreciation is based upon the following asset lives:

- Operational buildings	20 – 60 years
- Council dwellings	100 years
- Infrastructure	50 years
- Vehicles and plant	5 – 10 years
- Other equipment	3 – 10 years

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

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

Revaluation gains are also depreciated. An amount equal to the Revaluation Reserve balance for each asset divided by that assets life is transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Component Accounting

Subject to the rules listed below, the carrying amount of a replaced or restored part of an asset is derecognised, with the carrying amount of the new component being recognised subject to the recognition principles as set out above. This recognition and derecognition takes place regardless of whether the replaced part had been depreciated separately.

1) Assets valued below £500,000 will not be componentised.
2) Individual assets that are above the de-minimis level require consideration of whether they contain significant components that have different useful lives and/or methods of depreciation to the overall asset.

3) A component will be deemed to be significant if its cost is 20% or more than the cost of the total asset, or £100,000, whichever is greater.
4) Where there is more than one significant part of the same asset that have the same useful life and depreciation method, such parts will be grouped in determining the depreciation charge.
5) Where it is not possible to determine the carrying amount of the replaced part of an item of PP&E, the cost of the new part will be used to estimate what the cost of the replaced part was at the time it was acquired or constructed.
6) Land and buildings are separate assets and will always be accounted for separately, even when they are acquired together.
7) If the difference between the sum of depreciation post componentization and depreciation without componentization will be less than twenty percent of the latter, then there is no need to componentise.
8) Valuers, or other professionals, will assess the individual useful lives of the significant components in each asset or asset group within PP&E in line with the agreed de-minimis thresholds.
9) The method of depreciation that best suits the significant component will be consistently applied.
10) Where a new component is added to an item of PP&E and it qualifies for separate recognition, the cost will be added to the carrying value of the existing asset. The component will then be depreciated over its useful life.
11) When an asset has been revalued, the revalued amount will be apportioned over the significant components already recognised for separate depreciation.

22. Provisions

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

Provisions are charged to the appropriate service revenue account in the year that the authority becomes aware of the obligation, based on the best estimate of likely settlement.

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 year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

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

23. Reserves

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

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits, and that do not represent usable resources for the council – these reserves are explained in the relevant polices

24. Revenue Expenditure funded from capital under statue (REFCUS)

This is expenditure incurred during the year that may be capitalised under statutory provisions, but does not result in the creation of fixed assets and has been charged as expenditure to the relevant service revenue account in the year. Where the council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Movement in Reserves Statement so there is no impact on the level of council tax. As Revenue Expenditure Funded from Capital under Statute is included in the Comprehensive Income and Expenditure Statement it will now be included in the revenue activities section of the Cash Flow statement.

25. 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 it.

26. Segmental Reporting

The aim of segment reporting is to disclose information to enable users of a local authority's financial statements to evaluate the nature and financial effects of the activities in which it engages and the economic environments in which it operates.

An authority shall present information on reportable segments within the notes. Reportable segments shall be based on an authority's internal management reporting. For ourselves, this is based upon the teams managed by the managers.

27. Charges to Revenue for Non-current assets

Service revenue accounts, support services and trading accounts are debited 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;
- Amortisation of intangible fixed assets attributable to the service.
  The council is not required to raise council tax to cover depreciation, impairment losses or amortisations. Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Movement in Reserves Statement, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

28. Accounting Standards that have been issued but have not yet been adopted

The code of Practice on Local Authority Accounting in the United Kingdom 2012/13 has introduced some changes to the accounting policies which will be required from 1st April 2013, the changes are not considered to have a significant impact on the Statement of Account.

IAS 19 Employee Benefits and IFRS 13 Fair Value Measurement: - The figures in the Statement of Accounts are based on the current version of IAS 19. The changes come into effect for the financial year to 31 March 2014. The changes will be adopted retrospectively for the prior year in accordance with IAS 8. The effect of this change on the Comprehensive Income and Expenditure Statement to 31 March 2013 will be an increase in expenditure of £0.252m. This will be reversed through the Movement in Reserves Statement and have no impact on the bottom line.

29. Construction Contracts

Construction contracts are accounted for using the 'cost plus' method; that is the Council is reimbursed for allowable or otherwise defined costs. A single contract may cover the construction of a number of assets. The construction of each asset is treated as a separate contract where separate proposals have been submitted for each asset, each asset has been subject to separate negotiation and the Council and client have been able to accept or reject that part of the contract relating to each asset, and the costs and revenues of each asset can be identified. Contract revenue comprises the initial amount of revenue agreed in the contract, variations in contract work, and claims and incentive payments to the extent that it is probable that they will result in revenue, and that they are capable of being reliably measured. Contract costs comprise costs that relate directly to the specific contract, costs that are attributable to contract activity in general and can be allocated to the contract on a systematic and rational basis, and such other costs as are specifically chargeable to the client under the terms of the contract.

30. Foreign Currency Translation

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. For this Authority that officer is Audra Statham (Section 151 Chief Financial Officer).
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- To approve the Statement of Accounts.

The Chief Financial Officer's Responsibilities

Audra Statham (Section 151 Chief Financial Officer) is responsible for the preparation of the authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (The Code).

In preparing this statement of accounts, the Section 151 Chief Financial Officer has:

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

The Chief Financial Officer has also:

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

I certify that the Statement of Accounts present a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31st March 2013.

A.Statham

Audra Statham A.C.M.A.
Section 151 Chief Financial Officer

Date: 26th September 2013

Movement in Reserves Statement

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

See table on next page.

Movement in Reserves Statement

Movement in Reserves Statement 2011/12 & 2012/13	General Fund Revenue Balance £'000	Earmarked Revenue Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Receipts in Advance £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Total Unusable Reserve £'000	Total Authority Reserves £'000
Balance at 31 March 2011	3,167	4,082	19,259	0	687	27,195	39,070	66,265
Movement in reserves during 2011/12								
Surplus or (deficit) on provision of services	(290)	0	0	0	0	(290)	0	(290)
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	(2,505)	(2,505)
Total Comprehensive Expenditure and Income	(290)	0	0	0	0	(290)	(2,505)	(2,795)
Adjustments between accounting basis & funding basis under regulations (see note 4)	1,179	0	1,105	0	(420)	1,864	(1,864)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	889	0	1,105	0	(420)	1,574	(4,369)	(2,795)
Transfers (to)/from Earmarked Reserves	(588)	588	0	0	0	0	0	0
Increase/(Decrease) movement in Year	301	588	1,105	0	(420)	1,574	(4,369)	(2,795)
Balance at 31 March 2012 carried forward	3,468	4,670	20,364	0	267	28,769	34,701	63,470
Movement in reserves during 2012/13								
Surplus or (deficit) on provision of services	2,186	0	0	0	0	2,186	0	2,186
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	(2,191)	(2,191)
Total Comprehensive Expenditure and Income	2,186	0	0	0	0	2,186	(2,191)	(5)
Adjustments between accounting basis & funding basis under regulations (see note 4)	307	0	1,382	0	(95)	1,594	(1,594)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	2,493	0	1,382	0	(95)	3,780	(3,785)	(5)
Transfers (to)/from Earmarked Reserves	(2,196)	2,196	0	0	0	0	0	0
Increase/(Decrease) in Year	297	2,196	1,382	0	(95)	3,780	(3,785)	(5)
Balance at 31 March 2013 carried forward	3,765	6,866	21,746	0	172	32,549	30,916	63,465

Comprehensive Income and Expenditure Statement

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

DDC CIES	Note	2012/13 Gross Exp'ture £'000	2012/13 Income £'000	2012/13 Net Exp'ture £'000	2011/12 Gross Exp'ture £'000	2011/12 Income £'000	2011/12 Net Exp'ture £'000
Continuing Services							
Environment and Regulatory Services		3,687	(868)	2,819	5,914	(2,501)	3,413
Housing Services		17,652	(16,186)	1,466	16,972	(15,598)	1,374
Planning Services		4,110	(2,138)	1,972	5,623	(2,151)	3,472
Highways, Roads & Transport Services		487	(430)	57	516	(75)	441
Cultural & Related Services		1,217	(148)	1,069	2,506	(1,004)	1,502
Central Services to the Public		4,826	(4,026)	800	4,756	(4,034)	722
Corporate & Democratic Core		2,162	(470)	1,692	3,124	(931)	2,193
Non Distributable Costs		45	0	45	305	0	305
Pension past service costs					0	0	0
Impairment of Icelandic Investment Losses	2	(15)	0	(15)	(1,936)	0	(1,936)
Net Cost of Continuing Operations		34,171	(24,266)	9,905	37,780	(26,294)	11,486
Transferred Operations		0	0	0	0	0	0
Net Cost of Services		34,171	(24,266)	9,905	37,780	(26,294)	11,486
Other operating expenditure	6	2,069	(1,155)	914	2,129	(896)	1,233
Financing and investment income & expenditure	7	2,234	(4,129)	(1,895)	2,987	(4,149)	(1,162)
Profit or loss on discontinued Operations		0	0	0	0	0	0
Taxation and Non-Specific Grant Income	8	0	(11,110)	(11,110)	0	(11,267)	(11,267)
(Surplus) or Deficit on Provision of Services		**38,474**	**(40,660)**	**(2,186)**	**42,896**	**(42,606)**	**290**
(Surplus)/Deficit arising on revaluation of fixed assets				(658)			580
(Surplus)/Deficit arising on revaluation of available-for-sale financial assets				0			0
Actuarial Losses/(Gains) on pension fund asset and liabilities	39			2,782			1,859
Any other gains and losses required in the CIES				67			66
Other Comprehensive Income and Expenditure				**2,191**			**2,505**
Total Comprehensive Income and Expenditure				**5**			**2,795**

The Balance Sheet

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

DDC BALANCE SHEET	Note	2012/13 as at 31/3 £'000	2011/12 as at 31/3 £'000
Property, Plant & Equipment	9	28,808	27,416
Investment Property	10	24,759	27,176
Intangible Assets	11	287	280
Long Term Investments	12	1,109	3,673
Investments in Associates and Joint Ventures	12	1	0
Long Term Debtors	14	63	161
Long Term Assets		**55,027**	**58,706**
Short Term Investments	12/16	19,986	13,161
Inventories	13	0	0
Short Term Debtors	15	2,632	2,570
Cash and Cash Equivalents	16	16,586	13,027
Assets held for sale	17	0	0
Current Assets		**39,204**	**28,758**
Bank Overdraft		0	0
Short Term Borrowing	36	(9)	(17)
Short Term Creditors	18	(7,129)	(3,179)
Short term provision	19	(61)	(62)
Current Liabilities		**(7,199)**	**(3,258)**
Long Term Creditors	38	(57)	0
Provisions	19	(220)	(211)
Long Term Borrowing	36	0	(9)
Government Grant In Advance	42	0	0
Pension liability	39	(23,290)	(20,516)
Long Term Liabilities		**(23,567)**	**(20,736)**
Net Assets		**63,465**	**63,470**
Usable reserves	MIRS	32,549	28,769
Unusable Reserves	21	30,916	34,701
Total Reserves		**63,465**	**63,470**

Cash Flow Statement

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

Cash Flow Statement (Indirect Method) As at 31st March	Note	31 March 2013 £'000	31 March 2012 £'000
Net surplus or (deficit) on the provision of services		2,186	(290)
Adjust net surplus or deficit on the provision of services for noncash movements		9,523	10,777
Adjust for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities		(6,229)	(12,304)
		5,480	**(1,817)**
Net cash flows from Operating Activities	22	484	193
Investing Activities	23	(2,361)	10,960
Financing Activities	24	(45)	(467)
Net increase or (decrease) in cash and cash equivalents		**3,559**	**8,869**
Cash and cash equivalents at the beginning of the reporting period		13,027	4,158
Cash and cash equivalents at the end of the reporting period		16,586	13,027

The cashflow adjustments from the net surplus or (deficit) on the provision of services to the net cash flows from operating activities are shown below:-

Cashflow adjustments from surplus or (deficit) on the provision of services to net cash flows from operating activities	2012/13 £'000	2011/12 £'000
Adjust net surplus or deficit on the provision of services for noncash movements		
-depreciation and amorisation of non-current assets	817	1,318
-impairment and downward valuations	773	1,085
-Icelandic Impairment	(15)	(1,935)
-Icelandic Deferral of Repayment	(614)	0
-Increase/(Decrease) in creditors	4,046	1,062
-Increase/(Decrease) in interest and dividend debtors	(14)	(45)
-(Increase)/Decrease in debtors	448	(1,773)
-(Increase)/Decrease in inventories	0	32
-Increase/(Decrease) in holiday pay accrual	(1)	(19)
-Pension Liability	(8)	34
-Contribution to/(from) provisions	9	(68)
-Carrying amount of non-current assets sold	4,083	1,016
-Carrying amount of short and long term investments sold	0	10,070
	9,523	**10,777**
Adjust net surplus or deficit on the provision of services for noncash movements		
-capital grant credited to surplus or deficit on the provision of services	(341)	(643)
-proceeds from the sale of short and long term investments	0	(10,070)
-proceeds from the sale of property, plant and equipment	(5,888)	(1,591)
	(6,229)	**(12,304)**

Notes to the Accounts

1. Assumptions made about the future and other major sources of estimation

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2013 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect If Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is decreased, depreciation increase and the carrying amount of the assets reduce. For example, if an asset with a GBV of £5m with a life of 50 years, was re-lifed to 45 years in total at year 11, the annual depreciation charge would increase by 14%.
Pension Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £6.188m, a 1 year increase in member life expectancy would result in an increase in the pension liability of £1.931m and a 0.5% increase in the pension increase rate would result in an increase in the pension liability of £4.791m. However, the assumptions interact in complex ways. (Note 39 shows the DDC element of the pension fund).
Arrears	At 31 March 2013, the Authority had a balance of sundry debtors for £0.683m. A review of significant balances suggested that an impairment of doubtful debts of 87.97% (£0.609m) was appropriate.	If collection rates were to deteriorate, an increase in the amount of the impairment of doubtful debts would be required and every 5% increase would require an additional £0.035m to set aside as an allowance.

2. Material Items of Income and Expense

In 2011/12, the authority reviewed its potential Icelandic losses in accordance with LAAP 82 Update 6 and this has resulted in the overall loss being reduced by £1.936m and this has been credited back to the Comprehensive Income and Expenditure Statement and reversed out through the Movement In Reserves Statement. In 2012/13, the losses in accordance with LAAP 82 Update 7 resulted in the overall loss being reduced by £0.015m.

Further details can be found in pages 43-46 of these accounts.

3. Events after balance sheet date

The Statement of Accounts were authorised for issue by Audra Statham ACMA, Section 151 Chief Financial Officer on 26th September 2013. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31st March 2013, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

4. Adjustments between Accounting Basis and Funding Basis under regulation

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

2012/13 MIRS RECONCILIATION	General Fund Balance £'000	Earmarked GF Revenue Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Receipts In Advance £'000	Capital Grants Unapplied £'000	Movement in Usable Reserves £'000
<u>Adjustments primarily involving the Capital Adjustment Account</u>						
Reversal of Items debited or credited to the CIES:-						
Charges for depreciation and impairment of non-current assets	660	0	0	0	0	660
Revaluation losses on Property, Plant and Equipment	350	0	0	0	0	350
Movement in the market value of Investment Properties and disposals	4,002	0	0	0	0	4,002
Amortisation of intangible assets	157	0	0	0	0	157
Capital grants and contributions applied	0	0	0	0	0	0
Statutory mitigation re finance leases	2	0	0	0	0	2
Revenue expenditure funded from capital under statute	1,151	0	0	0	0	1,151
Amounts of non-current assets written off on disposal as part of the gain/loss on disposal to the CIES	500	0	0	0	0	500
Insertion of items not debited or credited to the CIES						
Statutory provision for the financing of capital investment	0	0	0	0	0	0
Capital expenditure charged against the General Fund balance	(216)	0	0	0	0	(216)
<u>Adjustments primarily involving the Capital Grants Unapplied Account</u>						
Capital grants and contributions unapplied credited to the CIES	(341)	0	0	0	341	0
Application of grants to capital financing transferred to the Capital Adjustment Account		0	0	0	(436)	(436)
<u>Adjustments primarily involving the Capital Receipts Reserve</u>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	(5,889)	0	5,889	0	0	0
Use of Capital Receipts Reserve to finance new capital expenditure	0	0	(4,507)	0	0	(4,507)
Contribution from the Capital Receipt Reserve towards the administration costs of non-current asset disposals	0	0	0	0	0	0
Contribution from the Capital Receipt Reserve to finance the payments to the Government capital receipts pool	0	0	0	0	0	0
Transfer from Deferred Capital Receipts upon receipt of cash	0	0	0	0	0	0
<u>Adjustments primarily involving the Deferred Capital Receipts Reserve</u>						
Transfer of deferred sale proceeds credited as part of the gain/loss on the disposal to the CIES	7	0	0	0	0	7
<u>Adjustments primarily involving the Financial Instrument Adjustment Account</u>						
Transfer of deferred sale proceeds credited as part of the gain/loss on the disposal to the CIES	2	0	0	0	0	2
<u>Adjustments primarily involving the Pension Reserve</u>						
Reversal of items relating to retirement benefits debited or credited to the CIES (See Note 39)	1,516	0	0	0	0	1,516
Employer's Pension contributions and direct payments to pensioners in the year	(1,524)	0	0	0	0	(1,524)
<u>Adjustments primarily involving the Collection Fund Adjustment Account</u>						
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	(68)	0	0	0	0	(68)
<u>Adjustments primarily involving the Accumulated Absence Account</u>						
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(2)	0	0	0	0	(2)
Total Adjustments	**307**	**0**	**1,382**	**0**	**(95)**	**1,594**

2011/12 MIRS RECONCILIATION	General Fund Balance £'000	Earmarked GF Revenue Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Receipts In Advance £'000	Capital Grants Unapplied £'000	Movement in Usable Reserves £'000
<u>Adjustments primarily involving the Capital Adjustment Account</u>						
Reversal of Items debited or credited to the CIES:-						
Charges for depreciation and impairment of non-current assets	1,078	0	0	0	0	1,078
Revaluation losses on Property, Plant and Equipment	1,016	0	0	0	0	1,016
Movement in the market value of Investment Properties and Disposals	235	0	0	0	0	235
Amortisation of intangible assets	241	0	0	0	0	241
Capital grants and contributions applied	0	0	0	0	0	0
Statutory mitigation re finance leases	0	0	0	0	0	0
Revenue expenditure funded from capital under statute	(715)	0	0	0	0	(715)
Amounts of non-current assets written off on disposal as part of the gain/loss on disposal to the CIES	1,016	0	0	0	0	1,016
Insertion of items not debited or credited to the CIES						
Statutory provision for the financing of capital investment	0	0	0	0	0	0
Capital expenditure charged against the General Fund balance	(18)	0	0	0	0	(18)
<u>Adjustments primarily involving the Capital Grants Unapplied Account</u>						
Capital grants and contributions unapplied credited to the CIES	(30)	0	0	0	30	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	(450)	(450)
<u>Adjustments primarily involving the Capital Receipts Reserve</u>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	(1,591)	0	1,591	0	0	0
Use of Capital Receipts Reserve to finance new capital expenditure	0	0	(486)	0	0	(486)
Contribution from the Capital Receipt Reserve towards the administration costs of non-current asset disposals	0	0	0	0	0	0
Contribution from the Capital Receipt Reserve to finance the payments to the Government capital receipts pool	0	0	0	0	0	0
Transfer from Deferred Capital Receipts upon receipt of cash	0	0	0	0	0	0
<u>Adjustments primarily involving the Deferred Capital Receipts Reserve</u>						
Transfer of deferred sale proceeds credited as part of the gain/loss on the disposal to the CIES	0	0	0	0	0	0
<u>Adjustments primarily involving the Financial Instrument Adjustment Account</u>						
Transfer of deferred sale proceeds credited as part of the gain/loss on the disposal to the CIES	0	0	0	0	0	0
<u>Adjustments primarily involving the Pension Reserve</u>						
Reversal of items relating to retirement benefits debited or credited to the CIES (See Note 39)	1,706	0	0	0	0	1,706
Employer's Pension contributions and direct payments to pensioners in the year	(1,672)	0	0	0	0	(1,672)
<u>Adjustments primarily involving the Collection Fund Adjustment Account</u>						
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	(68)	0	0	0	0	(68)
<u>Adjustments primarily involving the Accumulated Absence Account</u>						
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(19)	0	0	0	0	(19)
Total Adjustments	**1,179**	**0**	**1,105**	**0**	**(420)**	**1,864**

5. Transfer to/(from) Earmarked Reserves

The authority has made the following earmarked reserves and the information regarding them is detailed below:

Earmarked Reserves	Balance 31/3/12 £'000	Surplus/ (Deficit) In Year £'000	Contri-bution To £'000	Transfer Out Reserve £'000	Net Move-ment In Year £'000	Balance 31/3/13 £'000
Motor & Public Liability Access Insurance	379	0	40	(132)	(92)	287
Legal Fees and Redress	252	0	107	(9)	98	350
Business Re-engineering	500	0	0	0	0	500
Planning Delivery Grant/Sustainable Communities	233	0	0	(68)	(68)	165
Town Centre Implementation	1,200	0	800	0	800	2,000
Homelessness	74	0	0	(20)	(20)	54
Housing Benefit Administration	178	0	0	0	0	178
Energy Efficiency and Renewables	68	0	58	(68)	(10)	58
Planning Policy/Housing Strategy	178	0	383	(178)	205	383
Grounds Maintenance and Landscaping	399	0	281	(399)	(118)	281
Public Offices Rent	458	0	0	(20)	(20)	438
Leisure Centre	134	0	200	(117)	83	217
Planning Development Control	25	0	370	0	370	395
Interest	132	0	391	0	391	523
Second Homes	26	0	150	(45)	105	131
S106's	11	0	394	(7)	387	398
Other	132	0	197	(103)	94	226
Sub-Total GF Earmarked Reserves	**4,379**	**0**	**3,371**	**(1,166)**	**2,205**	**6,584**
Daventry Special Expenses	290	(9)	0	0	(9)	281
Total Earmarked Reserves	**4,669**	**(9)**	**3,371**	**(1,166)**	**2,196**	**6,865**

Earmarked Reserves	Balance 31/3/11 £'000	Surplus/ (Deficit) In Year £'000	Contri-bution To £'000	Transfer Out Reserve £'000	Net Move-ment In Year £'000	Balance 31/3/12 £'000
Motor & Public Liability Access Insurance	350	0	75	(46)	29	379
Legal Fees and Redress	250	0	170	(168)	2	252
Business Re-engineering	765	0	430	(695)	(265)	500
Planning Delivery Grant/Sustainable Communities	308	0	0	(75)	(75)	233
Town Centre Implementation	410	0	790	0	790	1,200
Homelessness	109	0	0	(35)	(35)	74
Housing Benefit Administration	181	0	0	(3)	(3)	178
Energy Efficiency and Renewables	194	0	68	(194)	(126)	68
Planning Policy/Housing Strategy	39	0	178	(39)	139	178
Grounds Maintenance and Landscaping	93	0	399	(93)	306	399
Public Offices Rent	478	0	0	(20)	(20)	458
Leisure Centre	196	0	0	(62)	(62)	134
Planning Development Control	25	0	0	0	0	25
Interest	66	0	66	0	66	132
Second Homes	7	0	22	(3)	19	26
S106's	29	0	0	(18)	(18)	11
Other	166	0	29	(63)	(34)	132
Sub-Total GF Earmarked Reserves	**3,666**	**0**	**2,227**	**(1,514)**	**713**	**4,379**
Daventry Special Expenses	416	(126)	0	0	(126)	290
Total Earmarked Reserves	**4,082**	**(126)**	**2,227**	**(1,514)**	**587**	**4,669**

a) The Motor Insurance & Public Liability Access Earmarked Reserve - used to self-fund motor insurance claims and insurance excesses;
b) Legal Fees and Redress - This earmarked reserve has been created to cover any future legal cases that the Council may have to withstand.
c) Business Re-Engineering Reserve - This earmarked reserve has been created to cover the cost of council restructuring.
d) Planning Delivery Grant/Sustainable Communities Earmarked Reserves - This earmarked reserve represents the PDG that has been specified to be spent, but has not yet been commissioned.
e) Town Centre Implementation Reserve - This earmarked reserve has been created to cover any cost of de-capitalisation of projects previously classified as capital spend.
f) Homelessness - This earmarked reserve represents grant that will be spent in future years on homelessness.
g) Housing Benefit Administration Earmarked Reserve – This earmarked reserve represents grant that is to be spent in future years.
h) Planning Policy & Housing Strategy Earmarked Reserve – This earmarked reserve represents grant that is to be spent in future years.
i) Grounds Maintenance and Landscaping Earmarked Reserve – represents monies received to cover the current growth of Daventry.
j) Energy Efficiency and Renewables Earmarked Reserve – represents monies received be spent in future years on energy saving measures.
k) Public Offices Rent Earmarked Reserve – represents monies received in advance to provide accommodation to NCC in the public offices.
l) Leisure Centre Earmarked Reserve – represents monies to cover some repairs at the Leisure Centre.
m) Planning development control – represents monies set aside to cover the cost of additional resources from increased planning applications.
n) Interest – To cover future costs of capital spend when capital reserves are no longer available.
o) Second Homes – represents monies set aside to cover the cost of initiatives within the district in line with Council's corporate objectives.
p) S106's - This earmarked reserve represents monies that is to be spent in future years.
q) Other Earmarked Reserve - The Council has set aside reserves for a variety of reasons involving anticipated one-off costs in future, which cannot ordinarily be funded from annual base budgets.
r) The Daventry Special Expenses - balances held on behalf of the Special Expense area of Daventry Town Council Tax levied on that area only (also see Note 43).

6. Other Operating Expenditure

Other Operating expenditure	2012/13 £'000	2011/12 £'000
Net Loss/(Gain) on the disposal of fixed assets	507	624
Unattached capital receipts	(1,153)	(877)
Capital Receipts	0	0
Holiday pay	(2)	(19)
Parish Council Precept	1,562	1,505
Contribution of housing capital receipts to Government Pool	0	0
Total	**914**	**1,233**

7. Financing and Investment Income and Expenditure

Interest and Investment Income and Expenses	2012/13 £'000	2011/12 £'000
Interest and Investment Income	(500)	(242)
Interest on obligations under finance leases	2	4
Pensions interest cost and expected return from pension assets	715	579
Income and expenditure in relation to Investment Properties and changes in their fair value	(2,112)	(1,503)
Total	**(1,895)**	**(1,162)**

8. Taxation and Non-specific grant income

Taxation and Non-specific grant income	Awarding Body	2012/13 £'000	2011/12 £'000
Non-domestic rate distribution	DCLG	4,387	3,826
Collection Fund Surplus	DCLG	152	83
Demand on the Collection Fund	DCLG	5,480	5,402
Revenue Support Grant	DCLG	85	1,183
Local Services Support Grant	DCLG	55	55
Homelessness Prevention	DCLG	0	30
Council Tax Freeze	DCLG	98	99
Housing Benefit Administration	DSS	397	419
New Homes Bonus	DCLG	389	170
Others	DCLG	67	0
Total		**11,110**	**11,267**

9. Property, Plant and Equipment

Contractual Commitments

At 31st March 2013 the Authority has entered into a number of contracts for the construction or enhancement of Property Plant and Equipment in 2013/14 and future years budgeted to cost £5.498m. The major commitments are:

Scheme	£'000
Royal Oak Redevelopment (Prospect Way Phase 2) Morris Road	416
Housing for Rent	2,297
Rugby and Daventry Crematorium	2,785

Movement in fixed assets during the year were as follows:

Movement on Balances 2012/13	Council Dwellings	Assets Under Construct-ion	Other Land & Buildings	Vehicles, Plant & Equipment	Infrast-ructure Assets	Community Assets	Surplus Assets	Heritage Assets	Total PP&E
As at 31 March 2013	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost or Valuation									
At 1 April 2012 *	1,415	459	19,309	2,275	916	4,256	0	6	**28,636**
Adjustments between cost/value & depn/impairment	0	0	0	0	0	0	0	0	**0**
Adjusted 1 April 2012 balance	1,415	459	19,309	2,275	916	4,256	0	6	**28,636**
Additions *	0	1,135	503	462	50	5	7	0	**2,162**
Revaluation Increases/(decreases) to RR *	83	0	39	15	0	0	0	16	**153**
Revaluation Increases /(decreases) to SDPS *	4	0	0	0	(25)	0	(336)	0	**(357)**
Derecognition-Disposals	0	0	0	(728)	0	(5)	(61)	0	**(794)**
Derecognitions-Other	0	0	0	0	0	0	0	0	**0**
Reclassified to/from Held for Sale	0	0	0	0	0	0	0	0	**0**
Reclassifications	0	0	(3,252)	(31)	0	102	3,252	0	**71**
At 31 March 2013 *	**1,502**	**1,594**	**16,599**	**1,993**	**941**	**4,358**	**2,862**	**22**	**29,871**
Depreciation and Impairment									
At 1 April 2012 *	(18)	0	(417)	(744)	(41)	0	0	0	**(1,220)**
Adjustments between cost/value & depn/impairment	0	0	0	0	0	0	0	0	**0**
Adjusted 1 April 2012 balance	(18)	0	(417)	(744)	(41)	0	0	0	**(1,220)**
Depreciation Charge *	(10)	0	(383)	(261)	(18)	0	0	0	**(672)**
Depreciation written out to RR	19	0	486	0	0	0	0	0	**505**
Depreciation written out to SDPS	1	0	5	0	2	0	0	0	**8**
Impairment losses/(reversals) to RR *	0	0	0	0	0	0	0	0	**0**
Impairment losses/(reversals) to SDPS *	0	0	0	0	0	0	0	0	**0**
Derecognition-Disposals	0	0	0	293	0	0	0	0	**293**
Derecognitions-Other	0	0	0	0	0	0	0	0	**0**
Eliminated on reclassification to Held for Sale	0	0	0	0	0	0	0	0	**0**
Reclassifications	0	0	0	23	0	0	0	0	**23**
At 31 March 2013 *	**(8)**	**0**	**(309)**	**(689)**	**(57)**	**0**	**0**	**0**	**(1,063)**
Net Book Value									
At 31 March 2013	**1,494**	**1,594**	**16,290**	**1,304**	**884**	**4,358**	**2,862**	**22**	**28,808**
At 31 March 2012	**1,397**	**459**	**18,892**	**1,531**	**875**	**4,256**	**0**	**6**	**27,416**

Movement on Balances 2011/12	Property, Plant & Equipment								
	Council Dwellings	Assets Under Construct-ion	Other Land & Buildings	Vehicles, Plant & Equipment	Infrast-ructure Assets	Community Assets	Surplus Assets	Heritage Assets	Total PP&E
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation									
At 1 April 2011 *	1,442	14	20,946	4,681	754	4,181	0	6	**32,024**
Adjustments between cost/value & depn/impairment	0	0	0	0	0	0	0	0	**0**
Adjusted 1 April 2011 balance	1,442	14	20,946	4,681	754	4,181	0	6	**32,024**
Additions *	0	405	429	319	162	76	0	0	**1,391**
Revaluation Increases/(decreases) to RR *	(5)	0	(633)	23	0	0	0	0	**(615)**
Revaluation Increases/(decreases) to SDPS *	(22)	0	(1,084)	(7)	0	0	0	0	**(1,113)**
Derecognition-Disposals	0	0	0	(2,741)	0	(1)	0	0	**(2,742)**
Derecognitions-Other	0	0	0	0	0	0	0	0	**0**
Reclassified to/from Held for Sale	0	0	0	0	0	0	0	0	**0**
Reclassifications	0	40	(349)	0	0	0	0	0	**(309)**
At 31 March 2012 *	**1,415**	**459**	**19,309**	**2,275**	**916**	**4,256**	**0**	**6**	28,636
Depreciation and Impairment									
At 1 April 2011 *	(9)	0	(139)	(1,838)	(26)	0	0	0	**(2,012)**
Adjustments between cost/value & depn/impairment	0	0	0	0	0	0	0	0	**0**
Adjusted 1 April 2011 balance	(9)	0	(139)	(1,838)	(26)	0	0	0	**(2,012)**
Depreciation Charge *	(11)	0	(403)	(664)	(15)	0	0	0	**(1,093)**
Depreciation written out to RR	0	0	38	7	0	0	0	0	**45**
Depreciation written out to SDPS	2	0	81	39	0	0	0	0	**122**
Impairment losses/(reversals) to RR *	0	0	0	0	0	0	0	0	**0**
Impairment losses/(reversals) to SDPS *	0	0	0	0	0	0	0	0	**0**
Derecognition-Disposals	0	0	0	1,712	0	0	0	0	**1,712**
Derecognitions-Other	0	0	0	0	0	0	0	0	**0**
Eliminated on reclassification to Held for Sale	0	0	0	0	0	0	0	0	**0**
Reclassifications	0	0	6	0	0	0	0	0	**6**
At 31 March 2012 *	**(18)**	**0**	**(417)**	**(744)**	**(41)**	**0**	**0**	**0**	(1,220)
Net Book Value									
At 31 March 2012	**1,397**	**459**	**18,892**	**1,531**	**875**	**4,256**	**0**	**6**	**27,416**
At 31 March 2011	**1,433**	**14**	**20,807**	**2,843**	**728**	**4,181**	**0**	**6**	**30,012**

The following tables shows whether assets held by the authority are owned or leased:

Ownership of Assets	2012/13		
	Net Book Value	Nature of Asset Holding	
		Finance Lease	Owned
	£'000	£'000	£'000
Council Dwellings	1,494	0	1,494
Other Land & Buildings	16,290	0	16,290
Vehicles & Plant	1,304	7	1,297
Infrastructure	884	0	884
Community Assets	4,358	0	4,358
Assets Under Construction	1,594	0	1,594
Heritage Asset	22	0	22
Surplus Asset	2,862	0	2,862
Total	**28,808**	**7**	**28,801**

Heritage Assets
Heritage assets are tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained for their contribution to knowledge and culture. The authority owns a painting currently on display in the Council Offices, with an insurance value of £22k. The authority also maintains a climate controlled archaeological store containing boxes of artefacts (pottery, bones, coins, etc), documents, and photographic material belonging to a number of nearby local authorities. Daventry has 758 boxes of these items. There is a list of the boxes and their contents in the store. These assets have not been valued.

Valuation of Assets
A revaluation exercise was carried out by R Saunders MRICS, D Pink MRICS, Wendy Thompson MRICS and J Low MRICS, the council's own internal valuation officers, to revalue the council's freehold and leasehold properties as at 31st March 2013. These valuations were carried out in accordance with the RICS guidance.

Properties regarded by the Authority as operational were valued on the basis of fair value or where this could not be assessed because there was no market for the subject asset, the depreciated replacement cost.
The following table shows the progress of the Council's rolling programme for the revaluation of fixed assets.

Method and year of Asset valuations	Council Dwellings	Other Land & Bldgs including surplus assets	Vehicle Plant & Equipment	Infrastructure	Community	Assets under construction	Heritage	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Valued at Historic Cost	0	64	1,845	932	4,358	1,594	0	**8,794**
Valued at fair value as at:								
2012/2013	1,004	9,404	140	8	0	0	22	**10,578**
2011/2012	195	3,675	8	0	0	0	0	**3,878**
2010/2011	102	3,196	0	0	0	0	0	**3,298**
2009/2010	200	67	0	0	0	0	0	**267**
2008/2009	0	3,056	0	0	0	0	0	**3,056**
Total	**1,501**	**19,462**	**1,993**	**940**	**4,358**	**1,594**	**22**	**29,870**

The basis for valuations is set out on page 21 in the statement of accounting policies, number 21.

Construction Contracts

The Council has two construction contracts with Rugby Borough Council. One is for the construction of a crematorium, the other for a cemetery.

The crematorium is a joint undertaking between Daventry District Council and Rugby Borough Council. Only the part relating to Rugby Borough Council is accounted for as a construction contract, the rest is accounted for as an 'asset under construction' in the 'Property Plant & Equipment' section of the balance sheet. The cemetery will be wholly owned by Rugby Borough Council.

Construction Contract	Rugby BC		Total
	Crematoria	Cemetery	
	£'000	£'000	£'000
Costs incurred to date	176	98	274
Revenue recognised:			
Before 1/4/2012	(96)	(58)	(154)
during 2012/13	(80)	(40)	(120)
Profit/(loss)	0	0	0
Advances received			0
Gross amount due	0	0	0
Comprising:			
Amounts not billed	0	0	0
Retentions	0	0	0

10. Investment Properties

Investment Properties	2012/13 £'000	2011/12 £'000
Balance at start of the year	**27,176**	**26,968**
Additions :		
Purchases	0	0
Construction	1,680	60
Subsequent expenditure	0	74
Disposals	(3,580)	(354)
Net gains/(losses) from fair value adjustments	(423)	119
Transfers:	0	
To/from inventories	0	0
To/from Property, Plant and Equipment	(94)	309
Other changes	0	0
Balance at the end of the year	**24,759**	**27,176**

Direct operating expenditure and income	2012/13 £'000	2011/12 £'000
Rental income from investment property	(1,646)	(1,659)
Direct operating expenditure arising from investment property	266	226
Net (gain)/loss	**(1,380)**	**(1,433)**

(Direct operating expenses arising from properties that did not generate rental income was £161k in 2012/13 (£98k in 2011/12)).

11. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and internally generally software. The carrying amount of intangible assets is amortised on a straight-line basis.

Intangible Assets	2012/13 Software £'000	2012/13 Licences £'000	2012/13 Total £'000	2011/12 Software £'000	2011/12 Licences £'000	2011/12 Total £'000
Cost						
Balance at 1st April	**1,893**	**75**	**1,968**	**1,788**	**37**	**1,825**
Additions	121	43	**164**	105	38	**143**
Disposals	0	0	**0**	0	0	**0**
Revaluations	0	0	**0**	0	0	**0**
Transfers	0	0	**0**	0	0	**0**
Balance at 31st March	**2,014**	**118**	**2,132**	**1,893**	**75**	**1,968**
Dep'n & Impairment						
Balance at 1st April	**1,613**	**75**	**1,688**	**1,411**	**37**	**1,448**
Amortisation for the Year	114	43	**157**	202	38	**240**
Impairment Charge	0	0	**0**	0	0	**0**
Impairment Losses	0	0	**0**	0	0	**0**
Disposal	0	0	**0**	0	0	**0**
Balance at 31st March	**1,727**	**118**	**1,845**	**1,613**	**75**	**1,688**
Net Value	**287**	**0**	**287**	**280**	**0**	**280**

12. Financial Instruments

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The authority had £8m deposited across 4 of these institutions.

Monies within three of these institutions are currently subject to the respective administration and receivership processes with Glitnir having now repaid. The amounts and timing of payments to depositors such as the authority will be determined by the administrators / receivers.

The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest information available the authority considers that it is appropriate to consider an impairment adjustment for the deposits, and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators / receivers, it is likely that further adjustments will be made to the accounts in future years.

Heritable Bank

Heritable bank is a UK registered bank under Scottish law. The company was placed in administration on 7th October 2008. The current position on actual payments received and estimated future payouts have been used to calculate the impairment based on the council recovering in total 88p in the £. As at the 31st March 2013 Daventry District Council has received 77.26p of the monies totalling £786,055.

Recoveries are expressed as a percentage of the authority's claim in an administration, which includes interest accrued up to 6th October 2008.

Kaupthing Singer and Friedlander Ltd

The current position on actual payments received and estimated future payouts have been recognised and impairment has been based on recovering 85.25p in the £. As at the 31st March 2013 Daventry District Council had received 76p of the monies totalling £1,551,982.

Recoveries are expressed as a percentage of the authority's claim in the administration, which includes interest accrued up to 7th October 2008.

Iceland – domiciled banks

Landsbanki

Landsbanki Islands hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (new Landsbanki) with the management of the affairs of Old Landsbanki being placed in the hands of a resolution committee.

From the distribution in February 2012 an element was paid in Icelandic Kroner, which was placed in an escrow account in Iceland and is earning interest of between 3.35% and 4.17%. This element of the distribution has been retained in Iceland due to currency controls currently operating in Iceland and as a result is subject to exchange rate risk, over which the Council has no control.

The current position on estimated future payouts have been used by the council to calculate the impairment based on recovering 100p in the £. As at the 31st March 2013 Daventry District Council had received 47.1p of the monies totalling £3,219,385.

Recovery is subject to the following uncertainties and risks:

- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the authority's claim, which may be denominated wholly or partly in currencies other than sterling.
- Recoveries are expressed as a percentage of the authority's claim in the administration, which it is expected may validly include interest accrued up to 22 April 2009 [or maturity date if earlier].

Glitnir Bank hf

The distribution has been made in full settlement, representing 100% of the claim. An element of this distribution, in Icelandic Kroner, has been placed in an escrow account in Iceland and is earning interest of between 3.4% and 4.20%. This element of the distribution has been retained in Iceland due to currency controls currently operating in Iceland and as a result is subject to exchange rate risk, over which the Council has no control.

Summary

Investments included in current assets figure in the Balance Sheet include the following investments that have been impaired because of the financial difficulties being experienced by Icelandic Banks for the current financial year and the previous financial year.

Bank	Date Invested	Maturity Date	Amount Invested	Rate	Recover-able Amount	Impair-ment	Amortised Value	Repay-ments as at 31/03/2013
2012/13			£'000	%	£'000	£'000	£'000	£'000
Landsbanki	15/06/2007	15/06/2011	1,000	6.00	457	307	764	(532)
Landsbanki	15/06/2007	15/06/2011	1,000	6.00	435	284	719	(497)
KSF	15/05/2008	27/10/2008	2,000	6.00	146	541	686	(1,552)
Landsbanki	02/06/2008	20/10/2008	1,000	6.05	432	294	726	(485)
Heritable	03/07/2008	02/07/2009	1,000	6.52	105	248	353	(786)
Total			**6,000**		**1,575**	**1,674**	**3,248**	**(3,852)**

Bank	Date Invested	Maturity Date	Amount Invested	Rate	Recover-able Amount	Impair-ment	Amortised Value	Repay-ments as at 31/03/2012
2011/12			£'000	%	£'000	£'000	£'000	£'000
Landsbanki	15/06/2007	15/06/2011	1,000	6.00	605	324	928	(331)
Glitnir	15/06/2007	15/06/2011	1,000	5.97	0	0	0	(1,078)
Glitnir	15/06/2007	15/06/2011	1,000	6.41	0	0	0	(1,043)
Landsbanki	12/03/2008	11/03/2009	1,000	6.00	575	291	865	(315)
KSF	15/05/2008	27/10/2008	2,000	6.00	400	539	939	(1,287)
Landsbanki	02/06/2008	20/10/2008	1,000	6.05	571	291	862	(314)
Heritable	03/07/2008	02/07/2009	1,000	6.52	196	244	441	(691)
Total			**8,000**		**2,347**	**1,688**	**4,035**	**(5,059)**

The carrying amounts of the investments included in the balance sheet have been calculated using the present value of the expected repayments, discounted using the investment's original interest rate.

The expected repayments have been estimated as follows, based on the statements made by the administrator, CIPFA guidance, and professional judgement:

Year 2012/13	Heritable Bank Recovery		Kaupthing & Friedlander Ltd Recovery		Landsbanki Recovery		Total Repay-ments	Discounted Amount 31/3/2013
	%	£'000	%	£'000	%	£'000	£'000	£'000
2013/2014	10.74	109	7.50	153	7.00	225	487	466
2014/2015	0.00	0	0.00	0	7.00	225	225	203
2015/2016	0.00	0	0.00	0	7.00	225	225	191
2016/2017	0.00	0	0.00	0	7.00	225	225	180
2017/2018	0.00	0	0.00	0	7.00	225	225	169
2018/2019	0.00	0	0.00	0	7.00	225	225	160
2019/2020	0.00	0	0.00	0	9.57	308	308	205
Total	**10.74**	**109**	**7.50**	**153**	**51.57**	**1,658**	**1,920**	**1,574**

Year 2011/12	Heritable Bank Recovery		Kaupthing & Friedlander Ltd Recovery		Landsbanki Recovery		Total Repay-ments	Discounted Amount 31/3/2012
	%	£'000	%	£'000	%	£'000	£'000	£'000
2012/2013	14.29	145	15.00	306	8.00	258	709	687
2013/2014	5.81	59	5.50	112	8.00	258	429	388
2014/2015	0.00	0	0.00	0	8.00	258	258	218
2015/2016	0.00	0	0.00	0	8.00	258	258	206
2016/2017	0.00	0	0.00	0	8.00	258	258	194
2017/2018	0.00	0	0.00	0	8.00	258	258	182
2018/2019	0.00	0	0.00	0	22.00	225	245	472
Total	**20.10**	**205**	**20.50**	**418**	**70.00**	**1,773**	**2,415**	**2,347**

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long Term		Current	
Investments	**31/3/13 £'000**	**31/3/12 £'000**	**31/3/13 £'000**	**31/3/12 £'000**
Financial Liabilites (principal amount)		0		0
Total Borrowings	**0**	**0**	**0**	**0**
Loans & Receivables	1,108	3,673	31,997	25,973
Total Investments	**1,108**	**3,673**	**31,997**	**25,973**

The current loans and receivables monies is further broken down into short term investments (less than 1 year) and cash and cash equivalents (note 16) and shown in the table below:

	Current	
Investments	**31/3/13 £'000**	**31/3/12 £'000**
Short Term Investments	19,986	13,161
Cash and Cash Equivalents (see note 16)	12,012	9,018
Total Current Investments	**31,998**	**22,179**

The principal amounts for financial liabilities (loans) and loans and receivables (investments) have been included in the table above to show the actual figures borrowed and invested.

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans and receivables prevailing benchmark rates have been used to provide the fair value.
- The fair value of both financial liabilities and receivables exclude statutory creditors and debtors such as NNDR, Council Tax, Income Tax and VAT.

The fair values are calculated are as follows:

Fair Values of assets & Liabilities	31st March 2013		31st March 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Total Debt (see note 36)	9	9	26	26
Long Term Creditor (see note 38)	(57)	(57)	0	0
Total Financial Liabilities	**(48)**	**(48)**	**26**	**26**
Money Market Investments	33,105	33,282	29,646	29,646
Long Term Debtors (see note 14)	63	63	161	161
Total Loans and Receivables	**33,168**	**33,345**	**29,807**	**29,807**

In addition to the above, as part of the transfer of the Council's housing stock, two environmental warranties have been given to Daventry and District Housing. The fair value of both these warranties has been assessed at nil.

The Council approved treasury and investment strategies address the main risk and the central treasury team addresses the operational risks within the approved parameters. The maturity analysis of the financial assets as at 31st March 2013 and 31st March 2012 are as follows:

Maturity profile 2012/13	Investments	Icelandic Investments	2012/13
	£'000	£'000	£'000
Less than one year	31,531	466	31,997
One to two years	0	203	203
Two to three years	0	191	191
Three to four years	0	180	180
Four to five years	0	169	169
More than five years	0	365	365
Total	**31,531**	**1,574**	**33,105**

Maturity profile 2011/12	Investments	Icelandic Investments	2011/12
	£'000	£'000	£'000
Less than one year	21,492	687	22,179
One to two years	2,013	388	2,401
Two to three years	0	218	218
Three to four years	0	206	206
Four to five years	0	194	194
More than five years	0	655	655
Total	**23,505**	**2,348**	**25,853**

Investments in Associates and Joint Ventures

The Authority created a company called 'The Daventry Estate Company Ltd' to manage houses for rent. The £1,000 invested by the Authority in the company is the sum of the company's share capital, and as such it is a wholly owned subsidiary.

13. Inventories

Inventories	Consumerables		Catering/Cleaning		Total	
	2012/13 £'000	2011/12 £'000	2012/13 £'000	2011/12 £'000	2012/13 £'000	2011/12 £'000
Balance at start of year	0	32	0	0	0	32
Purchases	0	65	0	0	0	65
Recognised as an expense in the year	0	(97)	0	0	0	(97)
Written off	0	0		0	0	0
Reversals of write-offs in previous year end	0	0	0	0	0	0
Balance at year end	**0**	**0**	**0**	**0**	**0**	**0**

14. Long Term Debtors

These are debts that have a repayment period of greater than 1 year.

Long term Debtors	2012/13 £'000	2011/12 £'000
RTB Mortgages	0	7
Deferred Repayment from Parish Councils	35	41
Collection Fund deficit	0	107
Others	28	6
Total	**63**	**161**

15. Short Term Debtors

Gross Debtors	31st March 2013 £'000	31st March 2012 £'000
Central Government bodies	440	277
Other Local Authorities	270	113
NHS Bodies	0	0
Public corporations and trading funds	0	0
Other entities and individuals	2,940	3,165
Total	**3,650**	**3,555**

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

Bad Debts Impairment	31st March 2013 £'000	31st March 2012 £'000
General	(661)	(652)
Council Tax (including court costs)	(353)	(327)
NNDR court costs	(4)	(6)
Total	**(1,018)**	**(985)**

Net Debtors after Bad Debt Impairment	31st March 2013 £'000	31st March 2012 £'000
Total	**2,632**	**2,570**

16. Cash and Cash equivalents

The Council's definition of cash and cash equivalents can be found in accounting policy number 7 on page 14. The Council has a Special Interest Bearing Account with its bank. This used to be classified as a 'cash equivalent'. As there are no restrictions on access to the account it is deemed more appropriate to classify it as cash. The 2011/12 figures below have been adjusted to take account of this change.

Cash and Cash Equivalent	2012/13 £'000	2011/12 £'000
Cash equivalent (see page 45)	12,012	9,018
Cash	4,574	4,009
Cash and Cash Equivalents	**16,586**	**13,027**

17. Assets Held for Sale

The council has recognised the following surplus assets as held for sale.

Assets held for sale	Current		Non Current	
	2012/13 £'000	2011/12 £'000	2012/13 £'000	2011/12 £'000
Balance outstanding at start of year	0	0	0	0
Assets newly classified as held for sale:				
- Plant, Property and Equipment	0	25	0	0
- Intangible Assets	0	0	0	0
- Other assets/liabilities in disposal groups	0	0	0	0
Revaluation losses	0	0	0	0
Revaluation gains	0	0	0	0
Impairment losses	0	0	0	0
Assets declassified as held for sale:				
- Plant, Property and Equipment	0	0	0	0
- Intangible Assets	0	0	0	0
- Other assets/liabilities in disposal groups	0	0	0	0
Assets sold	0	(25)	0	0
Transfers from non-current to current	0	0	0	0
Other movements	0	0	0	0
Balance at year end	**0**	**0**	**0**	**0**

18. Short Term Creditors

Creditors	31st March 2013 £'000	31st March 2012 £'000
Central Government bodies	(4,238)	(238)
Other Local Authorities	(1,487)	(1,421)
NHS Bodies	0	0
Public corporations and trading funds	0	0
Other entities and individuals	(1,404)	(1,520)
Total	**(7,129)**	**(3,179)**

19. Provisions

The authority has made the following provisions and the information regarding them is detailed below.

Provisions	Holiday Pay	Legal Costs	Pavilions	Staff Restructuring	Land Charges	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2011	81	260	0	0	0	0	341
Arising during the year	62	0	110	78	0	23	273
Used during the year	0	0	0	0	0	0	0
Reversed unused	(81)	(260)	0	0	0	0	(341)
Unwinding of discount	0	0	0	0	0	0	0
At 31 March 2012	**62**	**0**	**110**	**78**	**0**	**23**	**273**
Current Provision	62	0	0	0	0	0	62
Non - current Provision	0	0	110	78	0	23	211
	62	**0**	**110**	**78**	**0**	**23**	**273**
At 1 April 2012	62	0	110	78	0	23	273
Arising during the year	61	0	0	0	107	5	173
Used during the year	0	0	(2)	(57)	0	(2)	(61)
Reversed unused	(62)	0	0	(21)	0	(21)	(104)
Unwinding of discount	0	0	0	0	0	0	0
At 31 March 2013	**61**	**0**	**108**	**0**	**107**	**5**	**281**
Current Provision	61	0	0	0	0	0	61
Non - current Provision	0	0	108	0	107	5	220
	61	**0**	**108**	**0**	**107**	**5**	**281**

Expected timing of cash flows:	2012/13 £'000	2011/12 £'000
In the remainder of the spending review period to 31 March 2014 (2013)	281	273
Between 1 April 2014 (2013) and 31 March 2019 (2018)	0	0
Between 1 April 2019 (2018) and 31 March 2024 (2023)	0	0
Thereafter	0	0
Total	**281**	**273**

The holiday pay provision made is our best estimate of the unavoidable costs with untaken holidays. The provision is expected to be used by the end of the next period as no holiday pay can be carried forward for more than 1 year. This is explained further in note 21 'accumulated absences account' on page 53 and is shown in the Balance Sheet as a short-term provision.

The legal costs provision related to a dispute which has now been resolved and the provision is no longer required.

The pavilions provision relates to the agreed demolition of obsolete sports pavilions that will be undertaken in the summer of 2013. This provision is shown in the balance sheet as long-term provisions.

The staff restructuring provision related to the remaining elements of the council restructuring that took place in 2011 and was finalised in March 2013.

A group of Property Search Companies are seeking to claim refunds of fees paid to the Council to access land charges data. Proceedings have not yet been issued. The Council has been informed that the value of those claims at present is £107k plus interest and costs. The claimants have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be as against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present. This provision is shown in the balance sheet as long-term provisions.

20. Usable Reserves

The Movement in Reserves Statement on page 27 shows the summary of Usable Reserves.

21. Unusable Reserves

The table below shows the summary of the Unusable Reserves that are then further described and analysed in detail.

Unusable Reserves	31st March 2013 £'000	31st March 2012 £'000
Revaluation Reserve	4,247	3,671
Capital Adjustment Account	49,951	51,533
Pensions Reserve	(23,290)	(20,516)
Deferred Capital Receipts Reserve	0	7
Collection Fund Adjustment Account	68	68
Accumulated Absences Account	(60)	(62)
Total Unusable Reserves	**30,916**	**34,701**

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

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

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

Revaluation Reserve	31st March 2013 £'000	31st March 2012 £'000
Balance brought forward 1/4	3,671	4,526
Upward revaluation of assets	665	21
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(7)	(600)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	658	(579)
Difference between fair value depreciation and historical cost depreciation	(82)	(87)
Accumulated gains on assets sold or scrapped	0	(189)
Amount written off to the Capital Adjustment Account	(82)	(276)
Balance carried forward 31/3	**4,247**	**3,671**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 4 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Capital Adjustment Account	31st March 2013	31st March 2012
	£'000	£'000
Balance brought forward 1/4	51,533	53,178
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of noncurrent assets	(660)	(1,078)
Revaluation losses on Property, Plant and Equipment	(350)	(1,017)
Amortisation of intangible assets	(156)	(241)
Revenue expenditure funded from capital under statute	(1,151)	715
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(500)	(1,016)
	(2,817)	(2,637)
Adjusting amounts written out of the Revaluation Reserves	82	273
Net written out amount of the cost of non-current assets consumed in the year	(2,735)	(2,364)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	4,507	486
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	331	337
Application of grants to capital financing from the Capital Grants Unapplied Account	104	113
Statutory provision for the financing of capital investment charged against the General Fund Balance	0	0
Capital expenditure charged against the General Fund Balance	216	18
	5,158	954
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(4,003)	(235)
SI454 2010 The Local Authority (Capital Finance and Accounting) (Amendment)(England) Regulations 2010 - Statutory mitigation of leases	(3)	1
Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		0
Balance carried forward 31/3	**49,951**	**51,533**

Pensions Reserve

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

Pension Reserve	31st March 2013 £'000	31st March 2012 £'000
Balance brought forward 1/4	(20,516)	(18,623)
Actuarial gains or losses on pensions assets and liabilities	(2,782)	(1,859)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(1,516)	(1,706)
Employer's pensions contributions and direct payments to pensioners payable in the year	1,524	1,672
Balance carried forward 31/3	**(23,290)**	**(20,516)**

Deferred Capital Receipts Reserve (England and Wales)

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

Deferred Capital Receipts	31st March 2013 £'000	31st March 2012 £'000
Balance brought forward 1/4	7	7
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(7)	0
Transfer to the Capital Receipts Reserve upon receipt of cash	0	0
Balance carried forward 31/3	**0**	**7**

Collection Fund Adjustment Account

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

Collection Fund Adjustment Account	31st March 2013 £'000	31st March 2012 £'000
Balance brought forward 1/4	68	62
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	0	6
Balance carried forward 31/3	**68**	**68**

Accumulated Absences Account

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

Accumulated Absences Account	£'000	31st March 2013 £'000	31st March 2012 £'000
Balance brought forward 1/4		(62)	(81)
Settlement or cancellation of accrual made at the end of the preceding year	62		81
Amounts accrued at the end of the current year	(60)		(62)
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		2	19
Balance carried forward 31/3		**(60)**	**(62)**

22. Operating Activities of the cashflow statement

Operating Activities	2012/13 £'000	2011/12 £'000
Net cash flows from Operating Activities		
- Interest Received	486	197
- Interest paid	0	0
- Finance lease interest paid	(2)	(4)
- Dividends Received	0	0
	484	**193**

23. Investing Activities of the cashflow statement

Investing Activities	2012/13 £'000	2011/12 £'000
Investing Activities		
- Purchase of property, plant and equipment, investment property and intangible assets	(3,844)	(1,525)
- Purchase of short-term and long-term investments	(4,106)	0
- Other payments for investing activities	(38)	(230)
- Proceeds from the sale of property, plant and equipment, investment property and intangible assets	5,235	1,591
- Capital grants	392	1,054
- Proceeds from short-term and long-term investments	0	10,070
- Other receipts from investing activities	0	0
	(2,361)	**10,960**

24. Financing Activities of the cashflow statement

Financing Activities	2012/13 £'000	2011/12 £'000
Financing Activities		
- Cash receipts of short- and long-term borrowing	0	0
- Other receipts to/(from) financing activities	(45)	(467)
- Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts (Principal)	0	0
- Repayments of short- and long-term borrowing	0	0
- Other payments for financing activities	0	0
	(45)	**(467)**

25. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice*. However, decisions about resource allocation are taken by the Authority's Council on the basis of budget reports analysed across teams. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

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

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

Income & Expenditure 2012/13	Chief Executives £'000	Public Space £'000	Resources £'000	Business £'000	Community £'000	Interest £'000	Total £'000
Fees, charges & other service income	(249)	0	(554)	(2,779)	(1,425)	(499)	**(5,506)**
Government grants	(47)	0	(19,359)	0	(107)	0	**(19,513)**
Total Income	**(296)**	**0**	**(19,913)**	**(2,779)**	**(1,532)**	**(499)**	**(25,019)**
Employee expenses	315	(1)	2,432	1,559	2,601	0	**6,906**
Other operating expenses	1,404	0	21,224	3,934	1,068	0	**27,630**
Support Service Recharges	0	0	0	0	0	0	**0**
Total operating expenses	**1,719**	**(1)**	**23,656**	**5,493**	**3,669**	**0**	**34,536**
Net Expenditure	**1,423**	**(1)**	**3,743**	**2,714**	**2,137**	**(499)**	**9,517**

Income & Expenditure 2011/12	Chief Executives £'000	Public Space £'000	Resources £'000	Business £'000	Community £'000	Interest £'000	Total £'000
Fees, charges & other service income	(1,235)	(276)	(890)	(3,823)	(1,702)	(537)	**(8,463)**
Government grants	(30)	0	(18,248)	6	(114)	0	**(18,386)**
Total Income	**(1,265)**	**(276)**	**(19,138)**	**(3,817)**	**(1,816)**	**(537)**	**(26,849)**
Employee expenses	555	513	2,556	1,998	2,803	0	**8,425**
Other operating expenses	2,218	346	20,007	4,715	1,400	0	**28,686**
Support Service Recharges	0	0	0	0	0	0	**0**
Total operating expenses	**2,773**	**859**	**22,563**	**6,713**	**4,203**	**0**	**37,111**
Net	**1,508**	**583**	**3,425**	**2,896**	**2,387**	**(537)**	**10,262**

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

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

Surplus or deficit on the provision of services	2012/13 £'000	2011/12 £'000
Net Expenditure in the Team analysis	9,517	10,262
Net expenditure of services and support services not included in the analysis		0
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	(11,318)	(9,605)
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	(385)	(367)
(Surplus) or deficit on the provision of services	**(2,186)**	**290**

Reconciliation to Subjective Analysis

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

Reconciliation to Subjective Analysis 2012/13	Service Analysis £'000	Reclassification £'000	Services not in analysis £'000	Not reported to management £'000	Not included in CIES £'000	Allocation of Recharges £'000	Corporate Amount £'000	Net Cost of Services £'000
Fees, charges & other service income	(5,506)	500	0	0	330	3,354	0	(1,322)
Surplus/deficit on associates and joint ventures	0	0	0	0	0	0	0	0
Interest and investment income	0	(500)	0	0	0	0	0	(500)
Income from council tax	0	0	0	(11,111)	0	0	0	(11,111)
Other Income	0	0	0	(5,890)	0	0	(1,983)	(7,873)
Government grants and contributions	(19,513)	0	0	(341)	0	0	0	(19,854)
Total Income	(25,019)	0	0	(17,342)	330	3,354	(1,983)	(40,660)
Employee expenses	6,906	0	0	(723)	0	0	0	6,183
Other service expenses	27,630	0	0	0	(1,956)	0	0	25,674
Support Service recharges	0	0	0	0	(385)	(3,354)	0	(3,739)
Depreciation, amortisation and impairment	0	0	0	1,968	0	0	0	1,968
Interest Payments	0	0	0	2	0	0	0	2
Precepts & Levies	0	0	0	1,562	0	0	0	1,562
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	0	0
Other Expenditure	0	0	0	3,619	0	0	2,698	6,317
Gain or Loss on Disposal of Fixed Assets	0	0	0	507	0	0	0	507
Total operating expenses	34,536	0	0	6,935	(2,341)	(3,354)	2,698	38,474
(Surplus)/deficit on the provision of services	**9,517**	**0**	**0**	**(10,407)**	**(2,011)**	**0**	**715**	**(2,186)**

Reconciliation to Subjective Analysis 2011/12	Service Analysis £'000	Reclassification £'000	Services not in analysis £'000	Not reported to management £'000	Not included in CIES £'000	Allocation of Recharges £'000	Corporate Amount £'000	Net Cost of Services £'000
Fees, charges & other service income	(8,463)	242	0	0	0	(2,919)	0	(11,140)
Surplus/deficit on associates and joint ventures	0	0	0	0	0	0	0	0
Interest and investment income	0	(242)	0	0	0	0	0	(242)
Income from council tax	0	0	0	(11,267)	68	0	0	(11,199)
Other Income	0	0	0	(1,609)	0	0	0	(1,609)
Government grants and contributions	(18,386)	0	0	(30)	0	0	0	(18,416)
Total Income	(26,849)	0	0	(12,906)	68	(2,919)	0	(42,606)
Employee expenses	8,425	0	0	0	0	0	0	8,425
Other service expenses	28,686	0	0	(1,902)	(17)	0	587	27,354
Support Service recharges	0	0	0	0	(367)	2,919	0	2,552
Depreciation, amortisation and impairment	0	0	0	603	0	0	0	603
Interest Payments	0	0	0	4	0	0	0	4
Precepts & Levies	0	0	0	1,505	0	0	0	1,505
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	0	0
Other Expenditure	0	0	0	1,250	0	0	579	1,829
Gain or Loss on Disposal of Fixed Assets	0	0	0	624	0	0	0	624
Total operating expenses	37,111	0	0	2,084	(384)	2,919	1,166	42,896
(Surplus)/deficit on the provision of services	**10,262**	**0**	**0**	**(10,822)**	**(316)**	**0**	**1,166**	**290**

26. Acquired and discontinued operations

There were none in 2011/12 and 2012/13.

27. Trading Operations

There are no significant trading undertakings operated by the Council.

28. Agency Services

The Council undertook no agency work for the financial years 2011/12 and 2012/13.

29. Pooled Budgets

The Council had no pooled budgets for the financial years 2011/12 and 2012/13.

30. Members' Allowances

The amount paid out in Members' Allowances is summarised below and the full breakdown can be found on our website at www.daventrydc.gov.uk.

Member Allowances	2012/13 £	2011/12 £
Chairman's Allowance	2,000	2,000
Basic Allowances	155,091	163,447
Special Responsibility & Attendance Allowances	83,470	88,147
Subsistence Expenses	11,090	9,906
Total	**251,651**	**263,500**

31. Officers' Remuneration

The number of employees whose remuneration, including employer's pension contributions, was £50,000 or more in bands of £5,000 was:

Salary Band £'000	Number 2012/13	Left During Year 2012/13	Number 2011/12	Left During Year 2011/12
50,000 - 54,999	5	0	3	1
55,000 - 59,999	0	0	2	1
60,000 - 64,999	0	0	1	1
65,000 - 69,999	1	0	5	2
70,000 - 74,999	3	0	1	1
75,000 - 79,999	0	0	0	0
80,000 - 84,999	0	0	0	0
85,000 - 89,999	0	0	1	1
90,000 - 94,999	1	1	0	0
95,000 - 99,999	1	0	2	1
100,000 - 104,999	0	0	0	0
105,000 - 109,999	0	0	0	0
110,000 - 114,999	0	0	0	0
115,000 - 119,999	0	0	0	0
120,000 - 124,999	0	0	0	0
125,000 - 129,999	0	0	0	0
130,000 - 134,999	1	0	1	0
135,000 - 139,999	0	0	0	0
140,000 - 144,999	0	0	0	0

Please refer to note 19 on provisions for details on the staff restructuring.

Post Holder Information 2012/13		Salary (Including Fees & Allowances) £	Bonus £	Compensation for loss of office £	Expenses Allowances £	Benefit in Kind £	Total Remuneration (Excluding Pension Contributions) 2012/13 £	Pension Contributions (Note 1) £	Total Remuneration (Including Pension Contributions) 2012/13 £
Chief Executive (Head of Paid Service)		112,700	0	0	975	6,124	119,799	13,315	133,114
Deputy Chief Executive		85,000	0	0	2,249	0	87,249	9,775	97,024
Chief Financial Officer (Section 151 Officer)		56,168	0	0	291	4,460	60,919	6,488	67,407
Business Manager		61,000	0	0	1,763	3,026	65,789	7,015	72,804
Community Manager		61,000	0	0	0	4,455	65,455	7,015	72,470
Resources Manager		61,000	0	0	105	2,281	63,386	7,015	70,401
		436,868	**0**	**0**	**5,383**	**20,346**	**462,597**	**50,623**	**513,220**

Note 1: The pension contribution figures exclude the fixed pension amount payable to NCC to fund the pension deficit.

Post Holder Information 2011/12	Note	Salary (Including Fees & Allowances) £	Bonus £	Compensation for loss of office £	Expenses Allowances £	Benefit in Kind £	Total Remuneration (Excluding Pension Contributions) 2011/12 £	Pension Contributions (Note 3) £	Total Remuneration (Including Pension Contributions) 2011/12 £
Chief Executive (Head of Paid Service)		111,447	0	0	797	9,117	121,361	12,816	134,177
Deputy Chief Executive		85,000	0	0	2,424	0	87,424	9,775	97,199
Corporate Manager (Section 151 Officer)	1	36,443	0	31,221	890	0	68,554	4,191	72,745
Chief Financial Officer (Section 151 Officer)	2	46,633	0	0	0	4,216	50,849	5,296	56,145
Business Manager		54,885	0	0	102	4,982	59,969	6,556	66,525
Community Manager		57,010	0	0	0	4,119	61,129	6,556	67,685
Resources Manager		57,010	0	0	204	1,544	58,758	6,556	65,314
		448,428	**0**	**31,221**	**4,417**	**23,978**	**508,044**	**51,746**	**559,790**

Note 1: The Corporate Manager and Section 151 Officer was made redundant on the 31st of October 2011.

Note 2: The Accountancy Manager replaced the redundant Corporate Manager as Chief Financial Officer /Section 151 Officer.

Note 3: The pension contribution figures exclude the fixed pension amount payable to NCC to fund the pension deficit.

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit Package cost band	Number of Compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13 £	2011/12 £
0 -20,000	0	0	3	13	3	13	30,153	129,748
20,001 - 40,000	0	0	1	8	1	8	25,496	202,485
40,001 - 60,000	0	0	1	6	1	6	53,083	303,406
60,001 - 80,000	0	0	0	1	0	1	0	63,755
80,001 - 100,000	0	0	0	0	0	0	0	0
100,001 - 150,000	0	0	0	2	0	2	0	249,533
Total	**0**	**0**	**5**	**30**	**5**	**30**	**108,732**	**948,927**

The total cost of £108,732 in the table above is for exit packages that have been agreed, accrued for and charged to the authority's Comprehensive Income and Expenditure Statement in the current year.

32. External Audit Costs

Daventry District Council incurred the following fees relating to external audit and inspection.

Audit Costs	2012/13 £	2011/12 £
Fees payable to our external auditors with regard to external audit services carried out by the appointed auditor	65,933	94,532
Fees payable to our external auditors in respect of statutory inspection	0	0
Fees payable to our external auditors for the certification of grant claims and returns	31,883	18,548
Fees payable in respect of other services provided by the auditor	0	0
Total	**97,816**	**113,080**

33. Grant Income

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

Grant Income credited to services	2012/13 £'000	2011/12 £'000
Credited to Taxation and Non Specific Grant Income (see note 8)	11,110	11,267
Credited to Services as part of the Net Cost of Continuing Operations		
Disabled Facilities Grant / Adaptation monies	292	242
Council Tax / Housing Benefit Reform	70	0
Big Lottery Fund	0	40
Section 106 Agreements	0	21
Energy Efficiency / Daventry Renewables	37	113
Second Homes Grant	39	70
Other	35	51
Total	**473**	**537**

Please refer to note 42 for any Government Grants received in advance.

34. Related Parties

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

Central UK Government
The Central UK Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 33 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2013 are shown in Note 33.

Members
Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2012/13 is shown in Note 30. During 2012/13:

- One member was on the board of Daventry Active Ltd (at the time a group member) to which the Authority paid £143k.
- Two members were involved with the Citizens Advice charity that received grants totalling £75k, and from which the Authority received income of £23k for the use of accommodation.
- Nine members were also members of parish or town councils.
- Four members were on the board of Daventry District Housing (DDH), from whom the Authority received or accrued £173k for the LSVT VAT shelter sharing agreement, and £653k for the Authority's share of Right To Buy receipts.
- One member was a partner in Hewitsons to whom the Authority paid £2k.
- One member is the leader of the South East Midlands Local Enterprise Partnership to whom the Authority paid £7k in subscriptions.
- One member was a member of the West Northants Joint Planning Unit to whom the Authority paid £2k.
- One member was on the board of Enterprise Managed Services Ltd to whom the authority paid £48k for trade waste (Lodge Road and the Abbey) and arboricultural work, and received £149k for commercial property trade waste and rental income for the Material Recycling Facility.
- One member was on the board of Daventry Business Partnership Ltd to which the Authority paid £154k in BID levy and £10k in grant.
- Two members were members of the Local Government Association, to which the Authority paid £8k for subscriptions, £9k for legal fees, and £1k for conferences and training.
- Three members were directors of The Daventry Estate Company Ltd, whom the Authority paid £1k for 100% of its share capital, and was owed £16k for services provided.
- Five members were also members of Northamptonshire County Council.

The Register of Members' Interest is open to public inspection at the Council Offices during office hours, and is available on the Council's website.

Officers

- One senior officer is married to a contractor who was paid £92k for building work. Contracts are awarded in line with the Councils procurement rules.
- One senior officer was a director of The Daventry Estate Company Ltd, whom the Authority paid £1k for 100% of its share capital, and was owed £16k for services provided.

Other Public Bodies subject to common control by central government
The Authority had agreements with other local authorities for the following:

- CCTV monitoring – The Authority paid Northampton Borough Council £4k for fibre optic line rental.
- Waste Contract – the Authority paid Northampton Borough Council £2,098k as its contribution towards the cost of the new joint waste contract.
- Sparsity Partnership – the Authority paid North Kesteven District Council £2k membership fees.
- Community Partnership – The Authority received contributions of £30k from the Police & Crime Commission, £16k from Northamptonshire County Council, and £49k from South Northants Council .
- Licensing Unit – the Authority paid £41k to East Northants Council.
- Joint Planning Unit – the Authority paid a £207k contribution to South Northants Council.
- Payroll service – the Authority paid £25k to South Northants Council.
- Construction contract – Rugby Borough Council (see note 9, Construction Contracts).

Entities Controlled or Significantly Influenced by the Authority

The Authority controlled Daventry Active Ltd through its ownership of 100% of the shares in the Company. The company ceased trading in 2012/13.

The Daventry Estate Company Ltd is a wholly owned subsidiary of the Authority.

35. Capital Expenditure and Capital Financing

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

Capital Financing Reserve	2012/13 £'000	2011/12 £'000
Opening Capital Financing Requirement	**(67)**	**(67)**
Capital Expenditure		
Plant property & equipment (see note 9)	2,164	1,391
Investment Properties (see note 10)	1,680	134
Revenue Funded by Capital Under Statute (see note 21 CAA)	1,151	1,221
Intangible Assets (see note 11)	164	144
Icelandic impairment reduction (see note 21 CAA)	0	(1,936)
Share capital	1	0
Sources of Finance		
Capital Receipts	(4,508)	(486)
Government Grants and Other Contributions	(436)	(450)
Revenue	(216)	(18)
Closing Capital Financing Requirement	**(67)**	**(67)**
Explanation of movements in year		
Increase in underlying need to borrow (supported by Government Financial Assistance)	0	0
Increase in underlying need to borrow (unsupported by Government Financial Assistance)	0	0

36. Leases

Finance Leases
Under the conversion to IFRS, it has been deemed that an operating lease agreement for a photocopier/printing solution is a finance lease. The gross value of these assets is £73k. The Authority has now recognised these assets on its balance sheet and the lease payments and outstanding obligations are shown in the tables below.

Minimum Lease Payments	2012/13 £'000	2011/12 £'000
Amounts payable under finance leases:		
Within one year	11	19
Between one and five years	0	11
After five years	0	0
Less future finance charges	(2)	(4)
Present value of minimum lease payments	**9**	**26**
Included in:		
Current borrowings	9	17
Non-current borrowings	0	9
Total	**9**	**26**
Amounts payable under finance leases:		
Within one year	9	17
Between one and five years	0	9
After five years	0	0
Present value of minimum lease payments	**9**	**26**

With regard to the authority as lessor, the Authority has granted a long-term lease to the Daventry Scout Troop for the use of the new Scout Building. Rent receivable is £1 per annum.

Operating Leases
The Council operates leasing arrangements for the provision of assets. It acquires vehicles financed under the terms of an operating lease/contract hire and acquired land at Daventry Country Park on an operating lease. The total costs are set out in the table below:

Leasing Rentals Paid	2012/13 £'000	2011/12 £'000
Operational Leasing / Contract Hire for leased cars	175	168
Operating lease for Daventry Country Park	19	19
Lease/Lease Back	2	2
Total	**196**	**189**

The Authority was committed at 31st March 2013 to make payments of £146k (£128k in 2011/12) under operating leases in 2012/13, comprising the following elements:

Commitments under Operating Leases 2012/13	Other Land & Buildings £'000	Vehicles, plant and Equipment £'000
Leases expiring in 2013/14	0	25
Leases expiring between 2014/15 and 2016/17	0	102
Leases expiring after 2016/17	19	0
Total	**19**	**127**

Commitments under Operating Leases 2011/12	Other Land & Buildings £'000	Vehicles, plant and Equipment £'000
Leases expiring in 2012/13	0	10
Leases expiring between 2013/14 and 2015/16	0	99
Leases expiring after 2015/16	19	0
Total	**19**	**109**

Authority as Lessor:

- The authority holds a portfolio of investment properties comprising industrial units, shops, and land accounted for as operating leases. The rental income for the year from the portfolio is £1.646m.
- With regard to the authority's activity as a lessor, the gross value of other land and buildings assets held for operating leases was £24.759m (valued at 1st April 2013). As these assets are investment properties they are not depreciated. Most of the industrial tenancies granted are for durations ranging from 1 to 5 years. However, the Authority has two new built industrial warehouses that were granted a 15 year lease each, with an upward only rent review every five years. For retail properties, a small number were let on three and five year leases whilst the remainder were on long leases of 20 and 25 years. The rent is reviewed every five years.

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

Future minimum lease payments under non cancellable leases	31/03/2013 £'000	31/03/2012 £'000
Not later than one year	1,298	1,204
Later than one year and not later than five years	3,580	3,132
Later than five years	6,867	7,062
Total	**11,745**	**11,398**

37. Impairment Losses

DDC assesses the impairment of property, plant and equipment and intangible assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable or otherwise as required by accounting standards. See accounting policy number 3 on page 13. There was no impairment of the Authority's assets during the periods covered in the Statement of Accounts.

38. Long Term Creditors

Any excess collection fund surplus over and above that declared in the 2013/14 Council Tax setting report can only be declared in 2013/14 and paid over to the major preceptors in 2014/15. For 2011/12, this was a deficit and is shown in long term debtors in note 14 on page 47.

Long Term Creditors	2012/13 £'000	2011/12 £'000
Creditors due in more than 1 year: - Collection Fund Surpluses	(57)	0
Total	**(57)**	**0**

39. Defined Benefit Pension Schemes

In assessing liabilities for retirement at 31 March 2012 for the 2011/12 Statement of Accounts, the actuary assumed a discount rate of 2.3% real (4.8% actual), a rate based on the current rate of return on high quality corporate bond of Equivalent currency and term to scheme liabilities is to be used. For the 2012/13 Statement of Accounts, the actuary has advised that the rate of 2.3% real (4.5% actual) is appropriate.

Participation in Pension Scheme
As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The authority participates in two post-employment schemes:

- The Local Government Pension Scheme, administered locally by Northamptonshire County Council – this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

Transactions relating to post-employment Benefits
We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Pension Liability: Comprehensive Income and Expenditure Statement	2012/13 £'000	2011/12 £'000
Comprehensive Income and Expenditure Statement		
Cost of Services		
- current service costs	769	828
- past service costs	0	0
- curtailments	32	365
- settlements	0	(66)
Financing and Investment Income and Expenditure		
- interest costs	2,698	2,827
- expected returns on assets	(1,983)	(2,248)
Total Post-employment benefit charged to the surplus or deficit on the provision of services	**1,516**	**1,706**
Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement		
- actuarial gains and losses	(2,782)	(1,859)
Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement	**(1,266)**	**(153)**

Pension Liability: Movement in Reserves	2012/13 £'000	2011/12 £'000
Movement in Reserves		
- Reversal of net charges made for retirement benefits in accordance with IAS19	**(1,516)**	**(1,706)**
Actual amount charged against General Fund Balance for pensions in year		
- Employers contributions paid to the pension scheme	**1,524**	**1,672**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement in the actuarial gains and losses on pension assets and liabilities line was at 31st March 2013, a loss of £17.939m and as at 31st March 2012 was a loss of £15.157m.

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

Local Government Pension Scheme	2012/13 £'000	2011/12 £'000
Opening Defined Benefit Obligation as at 1st April	**56,748**	**53,103**
Current Service Cost	769	828
Interest Cost	2,698	2,827
Contributions by Scheme Participants	275	308
Actuarial (Gains) and Losses	6,010	3,065
Benefits Paid	(2,007)	(1,810)
Past Service Costs/(Gains)	0	0
Losses/(Gains) on Curtailment	32	365
Liabilities extinguished on settlement	0	(1,788)
Unfunded Benefits Paid	(149)	(150)
Closing Defined Benefit Obligation as at 31st March	**64,376**	**56,748**

Included within the above figures are the unfunded pension benefits that this authority reimburses the pension fund. In 2012/13 we paid NCC £0.149m (2011/12 £0.150m) and the present value of the unfunded liabilities as at the 31st March 2013 were £2.702m (2011/12 £2.556m).

Reconciliation of fair value of the scheme (plan) assets:

Local Government Pension Scheme	2012/13 £'000	2011/12 £'000
Opening Fair Value of Employer Assets as at 1st April	**36,232**	**34,480**
Expected Rate of Return	1,983	2,248
Actuarial Gains and (Losses)	3,228	1,206
Employer Contributions	1,375	1,522
Contributions by Scheme Participants	275	308
Benefits Paid	(2,007)	(1,810)
Assets distributed on settlements	0	(1,722)
Contributions in Respect of Unfunded Benefits	149	150
Unfunded Benefits Paid	(149)	(150)
Closing Fair Value of Employer Assets as at 31st March	**41,086**	**36,232**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £5.219m (2011/12: £0.560m).

Scheme History:

Local Government Pension Scheme	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000
Present Value of Liabilities:					
- Local Government Pension Scheme	**(39,511)**	**(63,693)**	**(50,719)**	**(54,192)**	**(61,674)**
- Discretionary Benefits	**(2,212)**	**(2,828)**	**(2,384)**	**(2,556)**	**(2,702)**
Fair Value of Assets in the Local Government Pension Scheme	23,347	32,426	34,480	36,232	41,086
Surplus/(Deficit) in the Scheme:					
- Local Government Pension Scheme	(16,164)	(31,267)	(16,239)	(17,960)	(20,588)
- Discretionary Benefits	(2,212)	(2,828)	(2,384)	(2,556)	(2,702)
Total	**(18,376)**	**(34,095)**	**(18,623)**	**(20,516)**	**(23,290)**

The liabilities show the underlying commitments that the authority has in the long run to pay post-employment benefits. The total liability of £64.376m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £23.290m
However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary;
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

Basis for Estimating Assets and Liabilities
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. Both the Local Government Pension Scheme and the discretionary benefit liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 1st April 2010.

The principal assumptions used by the actuary have been:

Local Government Pension Scheme	2012/13	2011/12
Long-Term Expected Rate of Return on the Assets in the Scheme:		
Equity Investments	4.50	6.2
Bonds	4.50	3.5
Property	4.50	4.4
Cash/Liquidity	4.50	3.5
Mortality Assumptions:		
Longevity at 65 for Current Pensioners:		
Men	21.4 years	21.4 years
Women	23.3 years	23.3 years
Longevity at 65 for Future Pensioners:		
Men	23.4 years	23.4 years
Women	25.5 years	25.5 years
Rate of Inflation	2.80	2.5
Rate of Increase in Salaries	5.10	4.8
Rate of Increase in Pensions	4.50	2.5
Rate for Discounting Scheme Liabilities	4.50	4.8
Take-Up of option to convert Annual Pension into Retirement Lump Sum	50% pre 2008 75% post 2008	50% pre 2008 75% post 2008

The discretionary benefit arrangements have no assets to cover its liabilities.

The revised IAS19 now requires the expected return on asset assumptions to be set equivalent to the discount rate.

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

Local Government Pension Scheme	2012/13 %	2011/12 %
Equity Investments	73.00	71.00
Bonds:	22.00	21.00
Property	5.00	6.00
Cash/Liquidity	0.00	2.00
Other	0.00	0.00
Total	**100.00**	**100.00**

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve can be analysed into the following categories, measured as a percentage of assets or liabilities at the 31st March:

Local Government Pension Scheme	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000
Differences between the Expected and Actual Return on Assets	**(8,581)**	**7,129**	**(795)**	**1,206**	**3,228**
Experience Gains and Losses on Liabilities	498	(138)	6,724	(952)	47

Local Government Pension Scheme	2008/09	2009/10	2010/11	2011/12	2012/13
Differences between the Expected and Actual Return on Assets	36.75%	-21.99%	2.31%	-3.33%	-7.86%
Experience Gains and Losses on Liabilities	-1.19%	0.21%	-12.66%	1.68%	-0.07%

It is estimated that the employer's contributions for the year ended 31st March 2014 will be £1.486m in the Local Government Pension Scheme and £0.152m into the discretionary benefit scheme.

40. Contingent Liabilities and Assets

The following is a list of contingencies that may have a potential impact upon the authority:

a) A group of Property Search Companies are seeking to claim refunds of fees paid to the Council to access land charges data. Proceedings have not yet been issued. The Council has been informed that the value of those claims at present is £107,268 plus interest and costs. The claimants have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be as against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

b) The Council is in dispute with its contractor for poor performance who carries out our refuse, recycling and grounds maintenance service. The dispute is subject to discussions and negotiations and the penalties imposed by the Council have not been incorporated into the financial statements.

41. Disclosure of Nature and Extent of Risks Arising from Financial Instruments

The Authority's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts to the authority.
- Market risk – the possibility that financial loss might arise for the authority as result of changes in such measures as interest rates and stock market movement.
- Liquidity risk – the possibility that the authority might not have funds readily available to meet its commitments to make payments.

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework based on the *Local Government Act 2003/Local Government (Scotland) Act 2003* and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance (regulations – Scotland) issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
    - The Council's overall borrowing;
    - Its maximum and minimum exposures to fixed and variable rates;
    - Its maximum and minimum exposures to the maturity structure of its debt;
    - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance.

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy, which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 01/03/12 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2012/13 was set at £6m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £3m. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 30% based on the Council's net debt.

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices – TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

Credit Risk
Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch and Moody's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after this initial criteria is applied.

This Council uses the creditworthiness service provided by Sector. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moodys and Standard and Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

The full Investment Strategy for 2012/13 was approved by Full Council on 1st March 2012 and is available on the Council's website.

The credit criteria in respect of financial assets held by the authority are as detailed below:

Financial Asset Category	Criteria			
	Specified Investment (up to one year)		Non-Specified Investment (over one year)	
Deposits with Banks	Short Term Long Term Viability Sovereignty	F1 A a AAA	Short Term Long Term Viability Sovereignty	F1+ AA- a AAA
Deposits with Building Societies	Short Term Long Term Viability Sovereignty	F1 A a AAA	Short Term Long Term Viability Sovereignty	F1+ AA- a AAA
Deposits with Money Market Funds		AAA		AAA

Counterparties are assessed, taking into account their financial position, past experience and other factors such as the credit default swap along with the individual credit ratings from the relevant credit rating agency. This information is then used to create a list of counterparties that would meet the criteria set by the Council. The authority has taken the decision during the current financial climate to invest any available funds with the Debt Management Account Deposit Fund (DMADF), which is a central government account, other local authorities and a number of UK Banks, which meet the authority's criteria.

The following analysis summarises the authority's potential maximum exposure to credit risk, based on experience of default and un-collectability over the last five financial years, adjusted to reflect current market conditions:

Deposits with Banks and Financial Institutions	Amount at 31st March 2013	Historical Experience of Default	Historical Experience Adjusted for Market Conditions at 31st March 2013	Estimated Maximum Exposure to Default and Un-Collectability at 31st March 2013	Estimated Maximum Exposure at 31st March 2012
	£'000	%	%	£'000	£'000
- A rated Counterparties	23,083	0.0000	0.0000	0	14,018
- AA rated Counterparties	5,006	0.0000	0.0000	0	0
- Icelandic Banks	1,575	28.7728	28.7728	453	2,347
- Escrow Accounts	429	0.0000	0.0000	0	415
Debt Management Office	1,000	0.0000	0.0000	0	0
Other Local Authorities	2,013	0.0000	0.0000	0	9,072
Total	**33,106**			**453**	**25,852**

Deposits with Banks and Financial Institutions	Amount at 31st March 2012 £'000	Historical Experience of Default %	Historical Experience Adjusted for Market Conditions at 31st March 2012 %	Estimated Maximum Exposure to Default and Un-Collectability at 31st March 2012 £'000	Estimated Maximum Exposure at 31st March 2011 £'000
- A rated Counterparties	14,018	0.0000	0.0000	0	0
- AA rated Counterparties	0	0.0000	0.0000	0	14,031
- Icelandic Banks	2,347	25.3109	25.3109	594	6,408
- 'Escrow Accounts	415	0.0000	0.0000	0	0
Debt Management Office	0	0.0000	0.0000	0	0
Other Local Authorities	9,072	0.0000	0.0000	0	11,000
Total	**25,852**			**594**	**31,439**

Included in the debtors figure is £0.478m in respect of sundry debtors. The council does not allow credit for its customers, such that the amount of £0.478m is past its due date for payment.

The past due amount can be analysed by age as follows:

Aged Debt Analysis	2012/13 £'000	2011/12 £'000
Less than one year	257	710
One to two years	119	54
Two to three years	29	38
More than three years	73	60
Total	**478**	**862**

Market Risk
The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

The authority has no borrowing that would be affected by changes in interest rates at this particular moment.
The treasury management team has an active strategy for assessing interest rate exposure that feeds into setting of the annual budget and which is used to update the budget quarterly during the year. Any significant fluctuation in interest rates or levels of available monies for depositing with counterparties is built into the medium term financial strategy and the amount of likely interest for each year built into the budgetary process. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

Liquidity Risk
The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds, although the Council does not currently have any borrowings. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments

Foreign Exchange Risk in Relation to Icelandic Deposits
The Council has foreign exchange exposure resulting from an element of the settlement received from Glitnir/Landsbanki. This is being held in Icelandic kroner in an escrow account due to the current imposition of currency controls. Exchange rates used at the year end for the calculation was 188.97 kroner to the £ where as at the 31/03/2012 the exchange rate was 202.95 kroner. Although in this instance the exchange rate was not in favour of the Council this is not always the case as exchange rates can also go up.

42. Government Grants in Advance

The Council had no Government Grants in Advance as at 31st March 2013. Please see note 33 for Government Grants received in year.

43. Daventry Special Expenses

The table below shows the cost of services for the benefit of residents of Daventry provided by the Council in respect of Daventry Special Expenses.

Daventry Special Expenses	2012/13 Net Expenditure £'000	2011/12 Net Expenditure £'000
Public Conveniences	38	52
Open Spaces	130	297
Recreation Grounds	88	132
Cemetery	114	134
Corporate and Democratic Core	44	45
Interest on Balances	(3)	(3)
Reversal of Capital Charges	(47)	(181)
Total	**364**	**476**

The Collection Fund for the District of Daventry

The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

Collection Fund			2012/13			2011/12
	£'000	£'000	£'000	£'000	£'000	£'000
Income						
National Business Ratepayers - Note 2			**39,405**			**35,787**
Taxpayers: Initial Charges raised		75,528			75,807	
Less Exemptions	(938)			(915)		
Reduced Assessments	(32,488)			(33,261)		
Benefits Given	(3,629)			(3,603)		
		(37,055)			(37,779)	
Charges made on Payers		38,473			38,028	
Add: Government Grants						
- Benefits Grant	3,629			3,603		
GRANT INCOME FROM GOVERNMENT		3,629			3,603	
Add: Income from General Fund						
- Contribution for Discretionary Relief	54			43		
TOTAL GENERAL FUND CONTRIBUTIONS		54			43	
TOTAL FROM CHARGEPAYERS AND GOVERNMENT			**42,156**			**41,674**
TOTAL INCOME			**81,561**			**77,461**
<u>EXPENDITURE</u>						
Precepts Payable:						
- Northamptonshire County Council (NCC)		(30,127)			(29,888)	
- Police & Crime Commissioner (PCC*)		(5,661)			(5,617)	
- Daventry District Council (DDC)		(5,480)			(5,402)	
- NCC Surplus		(469)			(83)	
- PCC * Surplus		(88)			(16)	
- DDC Surplus		(85)			(15)	
			(41,910)			(41,021)
Payable to Central Government			(39,173)			(35,645)
Cost of Collection Allowance DDC			(116)			(113)
Provisions for Uncollectable Amounts:						
- NNDR		(170)			(72)	
- Council Tax		(202)			(561)	
			(372)			(633)
TOTAL EXPENDITURE			**(81,571)**			**(77,412)**
Movement on Fund During Year			(10)			49
Balance Brought Forward 1st April			518			469
Surplus/(Deficit) in year			(10)			49
Balance Carried forward 31st March			508			518
NCC Share of Surplus			(379)			(379)
PCC * Share of Surplus			(71)			(71)
DDC Share of Surplus			58			68
Total Recognised (Gains) or Losses			10			(6)

*Formerly known as Northamptonshire Police Authority (NPA).

NOTES TO THE COLLECTION FUND

1. Collection Fund accounting policy

Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect council tax and national non-domestic rates (NNDR). The fund's key features relevant to accounting for council tax in the core financial statements are:

(a) In its capacity as a billing authority an authority acts as an agent: it collects and distributes Council Tax income on behalf of the major preceptors and itself.

(b) While the Council Tax income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from

The Collection Fund and transferred to the General Fund of the billing authority or paid out of the Collection Fund to major preceptors (and in turn credited to their General Funds). The amount credited to the General Fund under statute is an authority's precept or demand for the year plus the authority's share of the surplus on the Collection Fund for the previous year or less its share of the deficit on the Collection Fund for the previous year; and this amount may be more or less than the accrued income for the year in accordance with GAAP, although in practice the difference would usually be small.

2. Income from Business Rates

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area, which are based on local rateable values multiplied by a uniform rate. The total amount, less certain reliefs and other deductions is paid to a central pool (the NNDR pool) managed by Central Government, which in turn pays back to authorities their share of the pool based on a standard amount per head of the local adult population. Under these arrangements the amounts included in these accounts can be analysed as follows:

Income from Business Rates	2012/13 £'000	2011/12 £'000
Non domestic Rateable Value @ 31st March 13 (£94.528m)	43,294	
Multiplied by Uniform Business Rates (45.8p)		
Non domestic Rateable Value @ 31st March 12 (£91.403m)		39,577
Multiplied by Uniform Business Rates (43.3p)		
Less: Allowances and other adjustments	(3,889)	(3,790)
Net Income from Business Ratepayers	**39,405**	**35,787**

The gross rates payable are based upon the District Valuers NNDR rateable value as at 31st March, but not all properties would be available for occupation from the beginning of the financial year. The amount for allowances and other adjustments' in 2012/13 (2011/12) allows for mandatory reliefs of £1.604m (£1.286m), empty properties of (£1.714m) (£1.843m), small business relief £0.623m (£0.480m), with the remainder being properties that were being constructed and completed during the course of the financial year.

3. Council Tax Revenue Balances

The Council Tax Revenue Balance was £518,393 at the end of 2011/12. During the course of the year a surplus of £9,271 occurred, leaving a closing balance of £509,122 at the end of March 2013. An estimated balance of £443,085 was deducted from the 2013/14 bills. Subject to future amendments a debit of £66,037 will be added to the 2014/15 bills. The revenue balances will be reviewed in January 2014. On the Basis that surpluses and deficits are shared with the County Council and the Police & Crime Commissioner, the council accounted for the Collection Fund balance in its 2012/13 Statement of Accounts as follows:

- In the Balance Sheet at 31st March 2013 the council included the £0.441m surplus on a disaggregated basis as a net creditor of the County Council and the Police & Crime Commissioner to the value of £0.371m and a £0.070m attributable surplus on the Collection Fund balance alongside the General Fund Balance.

4. Council Tax Charge Breakdown

The following table shows how the council tax base at the start of the financial year 2012/13 was broken down over the eight bands.

Council Tax Bands	TOTAL EQUIVALENT NO.	MULTIPLIER	BAND D EQUIVALENT
Band A - Disabled	1.71	5 / 9	0.95
Band A	3,014.14	6 / 9	2,009.42
Band B	7,085.35	7 / 9	5,510.83
Band C	6,442.13	8 / 9	5,726.34
Band D	4,613.79	9 / 9	4,613.79
Band E	3,700.63	11 / 9	4,522.99
Band F	2,356.85	13 / 9	3,404.34
Band G	1,969.60	15 / 9	3,282.67
Band H	115.74	18 / 9	231.48
Total	**29,299.94**		**29,302.81**

5. Analysis of Collection Fund Creditors and Debtors

The analysis of creditors and debtors is shown below:

Analysis of Collection Fund debtors and creditors	2012/13 £'000	2011/12 £'000
Creditors		
NNDR Ratepayer	1,099	927
Council Tax Payer	597	759
Central Government	3,212	0
Total Creditors	**4,908**	**1,686**
Debtors		
NNDR Ratepayer	(330)	(613)
Council Tax Payer	(1,827)	(1,872)
Central Government	0	(340)
Total Debtors	**(2,157)**	**(2,825)**
Bad Debt Provision		
NNDR Ratepayer	120	120
Council Tax Payer	1,754	1,580
Total Bad Debt Provision	**1,874**	**1,700**

ANNUAL GOVERNANCE STATEMENT 2012/13

1. *Scope of responsibility*

Daventry District Council is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards, that public money is safeguarded and properly accounted for and that funding is used economically, efficiently and effectively. Daventry District 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 Daventry District Council is responsible for putting in place suitable arrangements for the governance of its affairs, which facilitate the effective exercise of its functions and include arrangements for the management of risk.

Daventry District Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE *Delivering Good Governance in Local Government* framework. A copy of the code is on the Council website at www.daventrydc.gov.uk or can be obtained from Daventry District Council, Lodge Road, Daventry, Northamptonshire NN11 4FP.

This statement explains how Daventry District Council has complied with the code. It also meets the requirements of regulation 4(4) of the Accounts and Audit Regulations (England) 2011 in relation to consideration of the findings of a review of the system of internal control and approval and publication of an annual governance statement.

2. The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled, together with the activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, 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 meet the targets in our policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Daventry District Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

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

3. The governance framework

Some of the key features of the governance framework are set out below.

- **The Corporate Strategic Plan** identifies and communicates the authority's vision, objectives and priorities.
- **The Strategic Risk Register** reflects the objectives of the Corporate Strategic Plan and identifies the implications for the Council's governance arrangements.
- **The Constitution** is the fundamental basis of the authority's arrangements and includes
    - Defining and documenting the roles and responsibilities of Council, Strategy Group, Scrutiny and Improvement, Corporate Governance and Appeals and Standards Committees together with officer functions.
    - Defining and documenting details of delegation arrangements, codes of conduct and protocols for member/officer relations.
    - Procedure rules standing orders and financial regulations that define clearly how decisions are taken and where authority lies for decisions.
    - The statutory roles of Head of Paid Service, Monitoring Officer and Chief Financial Officer are described.
- **Council** is the ultimate decision making body for all matters other than those delegated to the, Planning, Licensing and Appeals and Standards Committees, and operational decision making to specific officers.
- **Strategy Group** made up of the Leader, Deputy Leader, Portfolio Holders and two Members of the Opposition is a non-executive body. Its role is to formulate strategy and policy and make recommendations to Council.

- **Scrutiny and Improvement Committee** monitors the recommendations of Strategy Group and has the ability to "call-in" key decisions prior to implementation to consider the appropriateness of the decision.
- **Corporate Governance Committee** reviews the effectiveness of the internal control environment.
- **Appeals and Standards Committee** promotes the maintenance of high standards of conduct and has responsibility for overseeing investigations of complaints against Members.
- **The Chief Executive** (Head of Paid Service) as part of the Senior Management Team has delegated authority to take operational decisions within policies and budgets set by Council.
- **Senior Management Team** comprises the Chief Executive, Deputy Chief Executive, Business Manager, Community Manager and Resources Manager and is advised on financial matters by the Chief Financial Officer. It is responsible for the day to day management of the Council.
- **The Chief Financial Officer** is not a member of the Senior Management Team, this is an unconventional arrangement brought about by an organisational restructure during 2011/12. The post is positioned in the structure at one tier below the Senior Management Team. The statutory obligations of the Chief Financial Officer are still unfettered and there is, via programmed one-to-one meetings, direct reporting access to the Chief Executive in addition to full participation at formal Senior Management Team Meetings. The arrangement continued to prove suitably robust and unfettered during 2012/13.

4. Review of effectiveness

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

The Internal Audit Manager's opinion on the overall adequacy and effectiveness of the Council's internal control environment, as set out in his Annual Audit Review for 2012/13, is 'Substantial Assurance'.

As well as the annual review, the governance and control frameworks are maintained and reviewed by a series of comprehensive processes during the year. These include:

- A robust Internal Audit function where planned work is based on identified key systems and risk areas. The overall result of the audit work is reviewed by the Internal Audit Manager and reported to Corporate Governance Committee along with his opinion of on the adequacy and effectiveness of the internal control environment. The Resources Manager annually reviews the effectiveness of internal audit which includes a review of Corporate Governance Committee arrangements.
- An embedded reporting system for both internal and external audit issues that senior managers and Members are fully briefed on key issues, which include the requirement to report regularly to Corporate Governance Committee. External Audit presents an Annual Governance Report to Corporate Governance Committee.
- A comprehensive risk management process that ensures key risks across the authority, both operational and strategic, are captured and reported to senior managers and Members. The process is appraised by the officer Risk Management Working Group, reports to Corporate Governance Committee and Internal Audit as part of the Annual Audit Review.
- The reports of the Chief Financial Officer to Members and the Senior Management Team including financial assessments of key projects and decisions.
- The operation of an independent Appeals and Standards Committee that is fully briefed to review the conduct of Members.
- Reporting of key performance issues to the Scrutiny and Improvement Committee.
- A comprehensive budget monitoring process that is reported monthly to senior managers and quarterly to Portfolio Holders.
- A partnership database is maintained recording the details of the partnerships that the Council is involved in. Partnership arrangements are reviewed annually.

5. Significant governance issues

The review of the effectiveness of the governance and internal control arrangements has identified some areas where actions are potentially required to ensure that the authority continues to sustain and enhance compliance with the Code. These are summarised below.

- Information Security – Future Action: Embed the Information Risk Policy and understanding of its relationship to supporting practices and guides.
- Business Continuity – Future Action: Testing of the Business Continuity Plan.

- Partnerships – Future Action: Ensure annual review of the effectiveness of partnerships is reported to Senior Management Team.
- Clarity of Roles and Responsibilities – Future Action: Produce a plain English statement of the roles of, and within, the Council's political and managerial leadership – for general publication.
- Standards of Conduct are defined and communicated – Future Action: Review the Anti-Fraud and Corruption Strategy & Policy.
- Scrutiny Function – Future Action: Ensure scrutiny activity demonstrates positive and constructive change to Council policy, processes and performance, within its annual report.

We are satisfied that appropriate arrangements are in place to address improvements identified in our review of compliance. Progress on these improvements and on addressing and mitigating the risks set out in section 5 will be monitored through the year by the officers' governance team and reported as part of the next annual review.

Ian Vincent
Chief Executive

28th June2013

Councillor Chris Millar
Leader of the Council

28th June 2013

Glossary

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

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

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

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

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

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

Agency Services
These are services that are performed by or for another Authority or public body, where the principal (the Authority responsible for the service) reimburses the agent (the Authority carrying out the work) for the costs of the work.

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

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

Amortisation:
The gradual elimination of the value of an asset through depreciation as a result of usage and age usually applied to intangible assets such as software. Or the payment of a debt over a specified number of years.

Appointed Auditors
The Audit Commission appoints external auditors to every Local Authority, from one of the major firms of registered auditors. From 2012/13, an external audit function is no longer directly undertaken by the Audit Commission due to a change in the Audit Commission roles.

Authorised Limit
This represents the legislative limit on the Council's external debt under the Local Government Act 2003.

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

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

Budget
A statement defining the Council's policies over a specified period of time in terms of finance.

Budget Requirement
This is the amount each authority estimates as its planned spending, after deducting any funding from reserves and any income it expects to raise (other than from the Council Tax and general funding from the Government). This general funding from the Government is Revenue Support Grant, redistributed business rates and some of the specific and special grants. The budget requirement is set before the beginning of the financial year.

Business Improvement District (BID)
This is an additional charge to the NNDR ratepayer for enhanced services in a particular defined area.

Business Rates
These rates, called National Non-Domestic Rates, are the means by which local businesses contribute to the cost of providing local authority services. All business rates are paid into a central pool. The pool is then divided between all authorities depending on the number of residents each authority has.

Capitalisation
Approved to capitalise expenditure that doesn't meet the definition of capital expenditure.

Capital Adjustment Account
The Capital Adjustment Account records the write down of the historical cost of fixed assets due to depreciation, impairment or disposal. It also accumulates the resources that have been set aside to finance capital expenditure. The balance therefore represents timing differences between the consumption of fixed assets and the financing of capital expenditure.

Capital Charges
Capital charges are charged to service revenue accounts for the use of fixed assets. Charges for the use of fixed assets consist of an annual provision for depreciation, where appropriate. The calculation of these charges is based on the opening Net Book Value (NBV) of each of the assets.

Capital Expenditure
Section 40 of the Local Government and Housing Act defines expenditure for capital purposes. This includes expenditure on the acquisition of assets either directly by the local authority or indirectly in the form of grants to other persons or bodies. Expenditure, which does not fall within this definition, must be charged to a revenue account.

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

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

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

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

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

Cash and Cash Equivalents
The cash held in hand or demand and short-term investments that are highly liquid.

Cash-Flow Statement
Summarises cash paid to and received from other organisations and individuals for capital and revenue purposes.

Chartered Institute of Public Finance and Accountancy (CIPFA)
CIPFA is a privately funded body with charitable status, which represents accountants working in the public sector. The institute provides financial and statistical information for local government and other public sector bodies and advises central government and other bodies on local government and public finance matters. Membership is by examination and members of the Institute are entitled to use the letters CPFA after their name.

The Code
Local authorities in the United Kingdom are required to keep their accounts in accordance with 'proper practices'. This is defined, for the purposes of local government legislation, as meaning compliance with the terms of the *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code), prepared by CIPFA/LASACC Local Authority Code Board.

Collection Fund
A statutory account maintained by the Council which is used to record local taxes and non-domestic rates collected by the Council, along with the payments to precepting authorities (Northamptonshire County Council, Police and Crime Commissioner and Parish Councils), the national pool of non-domestic rates and its own general fund.

Community Assets
Assets that the local authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

Comprehensive Income and Expenditure Statement
Reports the net cost for the year of the functions for which the Council is responsible. Demonstrates how this has been financed from income from local taxpayers and central government grants.

Comprehensive Spending Review (CSR)
CSR is the public expenditure planning process introduced by the Government in 1997. The most recent CSR, in October 2010, set the parameters for public spending for the four years from 2011/12 to 2014/15.

Consistency
The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.

Consumer Price Index
Measures changes in the price level of consumer goods and services purchased by households.

Construction contract
A construction contract is a contract, or a similar binding (they do not have to be in the form of a documented contract) arrangement, specifically negotiated for the construction of an asset or assets. They include contracts for the provision of services in relation to the construction of an asset.

Contingency
A condition that exists at the balance sheet date, where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

Contingent Liabilities
A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control: or
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount cannot be measured with sufficient reliability.

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

Council Tax
A local tax set by local authorities in order to meet their budget requirement.

Council Tax Base
The Council Tax base of an area is equal to the number of band D equivalent properties. To work this out, the Government counts the number of properties in each band and works out an equivalent number of band D properties. For example, one band H property is equivalent to two band D properties, because it pays twice as much tax. The amount of revenue, which could be raised by Council Tax in an area, is calculated allowing for discounts, exemptions and a small provision for non-collection.

Council Tax Benefit
Assistance provided by the Council to adults on low incomes to help them pay their Council Tax bill. The cost to the Council of this Council Tax Benefit is largely met through Government Grant called Council Tax Subsidy.

Council Tax Discounts and Exemptions
Discounts are available to people who live alone and owners of homes that are not anyone's main home. Council Tax is not charged for certain properties, known as exempt properties, like those lived in only by students.

Council Tax Requirement
This is the estimated revenue expenditure on General Fund services that needed to be financed from the Council Tax after deducting income from fees and charges, certain specific grants and any funding from reserves.

Council Tax Surpluses/Losses
The District Councils tax bases are calculated using estimated collection rates. Actual collection rates in a given year may give rise to a surplus/deficit to be taken into account when setting tax levels for the following year. Amounts in respect of Council Tax are shared between the District Council concerned, the County Council and the Police and Crime Commissioner pro-rata to the share of the aggregate of the precepts and demands on the collection fund. These surpluses and losses are applied to reduce or increase the spending of the authority.

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

Credit risk
The risk that one party to a financial instrument will cause a loss for the other party by failing to discharge an obligation.

Current Service Cost (Pensions)
A term used in accounting for retirement benefits. The current service cost is an estimate of the true economic cost of employing people in a financial year, earning years of service that will eventually entitle them to a lump sum and pension when they retire. It measures the full liability estimated to have been generated in the year (at today's prices) and is thus unaffected by the pension fund being in deficit or surplus. It is based on the most recent actuarial valuation adjusted by updated financial assumptions to reflect conditions. The calculation is based on the discount rate applicable at the beginning of the year.

Curtailment
For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- Termination of an employees' services earlier than expected, for example as the result of closing a factory or discontinuing a segment of a business, and;
- Termination of, or amendment to the terms of, a defined benefit scheme so that some or all of the future service by current employees will no longer qualify for benefits or will only qualify for reduced benefits.

Daventry Active Leisure Ltd (DAL)
This is the company that runs the councils leisure services (the Leisure Centre, Daventry Sports Park and various sports pitches in Daventry Town).

Daventry District Housing (DDH)
This is the Housing Association that DDC transferred its housing stock to on 5th November 2007.

DCLG:
The Department for Communities and Local Government, who provide its central government funding to the council.

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

Defined Benefit Scheme
A pension or retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investment of the scheme. The scheme may be funded or unfunded (including notionally funded).

Defined Contribution Scheme
A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or a percentage of pay. The employer will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

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

Discretionary Benefits
Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the authority's discretionary powers, such as The Local Government (Discretionary Payments) Regulations 1996; the Local Government (Discretionary Payments and Injury Benefits) Regulations (Scotland) 1998; or the Local Government (Discretionary Payments) Regulations (Northern Ireland) 2001.

DSS:
The Department of Social Security, who pay the council its housing and council tax benefit grant.

Distributable Amount
This is the estimated total amount in the business rate pool that is available to be distributed to local authorities. The business rates are collected by local authorities and paid into a national pool and then redistributed to all authorities.

Earmarked Reserves
The Council holds a number of reserves earmarked to be used to meet specific, known or predicted future expenditure.

Environmental Management Services (EMS)
The company the authority has outsourced its Street Scene services including waste management, environmental cleansing and grounds maintenance to on 4th June 2011.

Estimation Techniques The methods adopted by the Council to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes to reserves.

Exceptional Items
Material items which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Expected Rate of Return on Pension Assets
For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

External Audit
The independent examination of the activities and accounts of Local Authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Authority has made proper arrangements to secure value for money in its use of resources.

Fees and Charges
Income raised by charging users of services for the facilities. For example, local authorities usually make charges for the use of leisure facilities and planning applications.

Fair Value
The fair value of a fixed asset is the price at which an asset could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

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

Financial Instruments Adjustment Account (FIAA)
The FIAA is a balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments.

Financial Regulations
These are the written code of procedures approved by the Council, intended to provide a framework for proper financial management. Financial regulations usually set out rules on accounting, audit, administrative and budgeting procedures.

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

Formula Grant
This is the name given for the cash that the Council receives from the government in the form of general grant. Formula Grant comprises two elements; the Council's share of Business Rates; and Revenue Support Grant. Business Rates is distributed to local authorities on a head of population basis. Revenue Support Grant is calculated by the government and is based on the difference between what the government calculates an authority should spend income from Business Rates, and the government assumption for the level of Council Tax. The result of this calculation is subject to minimum and maximum increases in cash grant.

General Fund
The main revenue fund of a billing authority. Day-to Day spending on services met from the fund.

Going Concern
The concept that the authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and the balance sheet assume no intention to curtail significantly the scale of operations.

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

Gross Book Value
The historical cost or the re-valued amount of the asset before depreciation.

Housing Benefit
Financial help given to local authority or private tenants whose income falls below prescribed amounts. Central government finances 95% of the cost of benefits to non-HRA tenants ('rent allowances') and the whole of the cost of benefits to HRA tenants (through the rent rebate element of housing subsidy). Some local authorities operate 'local schemes' whereby they finance allowances in excess of the standard payments.

International Financial Reporting Standards (IFRS)
Defined Accounting Standards that must be applied by all reporting entities to all financial statements in order to provide a true and fair view of the entity's financial position, and a standardised method of comparison with financial statements of the other entities.

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

Invested Rights
In relation to a defined benefit scheme, these are:
- For active members, benefits to which they would be unconditionally entitled to on leaving the scheme;
- For deferred pensioners, their preserved benefits;
- For pensioners, pensions to which they are entitled.

Vested rights include where appropriate, the related benefits for spouses or other dependants.

Impairment
An asset is carried at more than its recoverable amount if its carrying amount exceeds the amount to be recovered through use or sale of the asset. If this is the case the asset is described as impaired.

Infrastructure Assets
These are fixed assets that are inalienable, expenditure on which is recoverable only be continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

Intangible Fixed Asset
Items that do not represent a physical asset but offer value to the authority in terms of carrying out it business i.e. Computer software.

Interest Costs (Pensions)
For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

Investments (Non Pension Fund)
A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment. Investments other than those relating to the pensions fund, which do not meet the above criteria, should be classified as current assets.

Investment Properties
Interest in land and/or buildings which is held for their investment potential, with any rental income being negotiated at arm's length.

KPMG
The Authority's appointed external auditors.

Leasing Costs
This is where a rental is paid for the use of an asset for a specified period of time. Two forms of lease exist: finance leases and operating leases.

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

Liquid Resources
Current asset investments that are readily disposable by the authority without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market.

Local Authority Accounting Panel (LAAP)
CIPFA's Local Authority Accounting Panel (LAAP) has issued LAAP Bulletins to local authority practitioners. These Bulletins provide guidance on topical issues and accounting developments and when appropriate provide clarification on the detailed accounting requirements.

Local Government Resource Review (LGRR)
A Central Government initiated review of the system of financing Local Government. The Government plans to discontinue current funding arrangements at the end of 2012/13 and introduce a new finance system with effect from 1st April 2013 based around the retention of National Non Domestic Rates.

Long term Contract
A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or combination of assets or services which together constitute a single project), where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long-term contracts if they are sufficiently material to the activity of the period.

Long Term Investments
Investments with more than 364 days until maturity.

Long Term Liabilities
Long term liabilities are those that are due to be paid in more than one year.

Market Risk
The risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk; currency risk, interest rate risk, and other price risk.

Medium Term Financial Plan (MTFP)
This is a financial planning document that sets out the future years financial forecasts for the Council. It considers local and national policy influences and projects their impact on the general fund revenue budget and the capital programme. In Daventry it usually covers a four year timeframe.

Monitoring Officer:
Under the provisions of the Local Government and Housing Act 1989 councils have a duty to appoint a Monitoring Officer to ensure the lawfulness and fairness of council decision making. Councils may choose who to designate as monitoring Officer except that it may not be the Head of Paid Service (Chief Executive). In Daventry the Monitoring Officer is Simon Bovey, Deputy Chief Executive.

Movement in Reserves Statement
This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other reserves.

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

Net Current Replacement Cost
The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

Net Realisable Value
The open market value of the asset in its existing use less the expenses to be incurred in realising the asset.

Net Revenue Expenditure
This represents the authority's budget requirement and use of reserves.

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

Non-Distributed Costs
Past service pension costs including settlements and curtailments, which are not to be included in, total individual service costs.

National Non Domestic Rate (NNDR) (also known as Business Rates)
NNDR is the levy on business property, based on a national rate in the pound applied to the 'rateable value' of the property. The Government determines a national rate poundage each year which is applicable to all Local Authorities Police and Crime Commissioner authorities. Local Authorities collect the non-domestic rate but the proceeds are pooled and then redistributed by Central Government on the basis of an Authority's population.

Non-Operational Asset
Fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

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

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

Operational Boundary
This reflects the maximum anticipated level of external debt consistent with budgets and forecast cash flows.

Outturn
Actual income and expenditure in the financial year.

Past Service Costs
For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of or improvement to retirement benefits.

Pensions Interest Cost and Expected Return on Assets
The net interest cost is the increase in the value of the pension scheme liabilities that arise because those liabilities are one year closer to being paid. The expected return on assets is the forecast of accrued benefit from investments of the pension fund in the long-term.

Post-Employment Benefits
All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either:

- An employer's decision to terminate an employee's employment before the normal retirement date; or
- An employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

Precept
This is the amount of Council Tax income County Councils, Police and Crime Commissioner and Parish Councils to provide their services. The amounts for all local authorities providing services in an area appear on one Council Tax bill, which comes from the billing authority.

Precepting Authority
This is an authority, which sets a precept to be collected by billing authorities through the Council Tax bill. County councils, Police and Crime Commissioner and Parish Councils are all precepting authorities.

Projected Unit Method
An accrued benefits valuation method, in which the scheme liabilities make allowances for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- the benefits for pensioners and deferred pensioners (i.e. the individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases; and
- the accrued benefits for members in service on the valuation date.
- The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

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

Prudence
The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets, the ultimate cash realisation of which can be assessed with reasonable certainty.

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

Prudential Indicators:
The Local Government Act 2003 specifies a number of prudential indicators covering both capital and treasury management activities which Councils must set as part of their budget process. They are designed to show the affordability of the capital programme and that the Council's borrowing is prudent and sustainable.

Public Service Agreement (PSA)
A target to ensure continuous improvement in the economy, efficiency and effectiveness of local services through annual improvements for those authorities involved in the agreement.

Public Works Loans Board (PWLB):
A government agency that lends money to public bodies for capital purposes. Monies are drawn down from the national loans fund and rates of interest are determined by the Treasury. Councils are free to borrow as much as they like from the PWLB provided that it is prudent, affordable and sustainable and within the prudential indicators set at full council.

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

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

Reporting Standards
The Code of Practice prescribes the accounting treatment and disclosures for all normal transactions of a Local Authority. It is based on International Financial Reporting Standards (IFRS), International Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) plus UK Generally Accepted Accounting Practice (GAAP) and Financial Reporting Standards (FRS).

Remuneration
All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

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

Restated
This is where the Council has changed figures that it has published in the past to show like-for-like comparisons with later year's figures.

Revaluation Reserve
Represent the change in valuations of fixed assets.

Revenue Expenditure
Expenditure incurred on the day-to-day running of the Council. This mainly includes employee costs, general running expenses and capital financing costs.

Revenue Expenditure Funded From Capital Under Statute (REFCUS)
Expenditure incurred during the year that may be capitalised under statutory provision but that does not result in the creation of a non-current asset that has been charged as expenditure to the CIES., but which may properly be financed over a period of years. They include advances to other parties to finance capital investment.

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

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

Section 151 Officer (S151):
The section 151 officer is required by the Local Government Act 1972 and by the Accounts and Audit Regulations 2003 to ensure that the Council's budgeting, financial management and accounting practices meet relevant statutory and professional requirements.

Service Reporting Code of Practice (SeRCOP):
Prepared and published by CIPFA, the Service Reporting Code of Practice (SeRCOP) replaced the previous Best Value Accounting Code of Practice (BVACOP). It is reviewed annually to ensure that it develops in line with the needs of modern Local Government, Transparency, Best Value and public services reform. SeRCOP establishes proper practices with regard to consistent financial reporting for services and in England and Wales, it is given legislative backing by regulations which identify the accounting practices it propounds as proper practices under the Local Government Act 2003.

Settlement
An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

- A lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;
- The purchase of an irrevocable annuity contract sufficient to cover vested benefits; and
- The transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

Short Term Investments
Short-term investments are those with less than 365 days until maturity.

SLM
The company the authority has outsourced its leisure services (the Leisure Centre, Daventry Sports Park and various sports pitches in Daventry Town.

Statements of Standard Accounting Practice (SSAP)
Recommendations on the way we need to treat certain items in our accounts. Financial Reporting Standards (FRS) has superseded a majority of these.

Statutory Instrument 321 (2009)
This is a delegated or secondary legislation allows the Government to make changes to a law without needing to push through a completely new Act of Parliament. SI 321 (2009) relates to the Government's proposal to make a regulation which would, exceptionally, allow local authorities with funds invested in Icelandic banks to postpone the impact of the impairments required by accounting practice, from 2008-09 to 2010-11.

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

The Daventry Estate Company Limited (TDECL)
This is the company set up to run the new homes to rent.

Treasury Management
This is the process by which the Authority controls its cash flow and its borrowing and lending activities.

Treasury Management Strategy (TMS)
A strategy prepared with regard to legislative and CIPFA requirements setting out the framework for treasury management activity for the Council.

UK GAAP
Generally Accepted Accounting Practice in the UK, or UK GAAP, are the overall body of regulation establishing how company accounts must be prepared in the United Kingdom.

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

Independent auditor's report to the members of Daventry District Council

We have audited the financial statements of Daventry District Council for the year ended 31 March 2013 on pages 13 to 25 and 27 to 73. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

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

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

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

Matters on which we are required to report by exception

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

- the annual governance statement set out on pages 74 to 76 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the explanatory foreword for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under section 11 of the Audit Commission Act 1998; or
- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

We have nothing to report in respect of these matters

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

Authority's responsibilities

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

Auditor's responsibilities

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

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, Daventry District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Neil Bellamy

for and on behalf of KPMG LLP, Appointed Auditor

Chartered Accountants

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