Statement of Accounts

for the Year Ended

31 March 2013

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Director of Resources

CANTERBURY CITY COUNCIL

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THE STATEMENT OF ACCOUNTS

EXPLANATORY FOREWORD

1. INTRODUCTION

1.1. Changes to the Statement of Accounts. There are no material changes to the statement of accounts for 2012/13

1.2. Contents of Statement of Accounts

The council's accounts for the year 2012/13 consist of:

Movements in Reserves Statement (MIRS) – reconciles the Income and Expenditure account to the General Fund Balance.

Comprehensive Income and Expenditure Statement – the council's main revenue account, covering income and expenditure on all services plus gains and losses for the year.

Balance Sheet – which sets out the financial position of the council on 31 March 2013.

Cash Flow Statement – which summarises the total movement of the council's funds.

Statement of Accounting Principles and notes to the accounts.

Housing Revenue Account Income and Expenditure Account – which shows income and expenditure for the council's housing.

Collection Fund Accounts – which show income from council tax and business ratepayers and precept payments to Kent and Canterbury councils.

Statement of Responsibilities for the Statement of Accounts.

The statements are produced using figures rounded to the nearest thousand. This has led to rounding variances in some of the totals included within the statements and the notes to the accounts. These variances are removed when the totals are viewed to the nearest pound.

1.3 This Foreword provides a brief explanation of changes to the statement, the council's outturn financial position for 2012/13 and budget strategy for 2013/14.

2. BUDGET STRATEGY IN 2013/14

The council's budget preparations were developed over the course of the year in order to present estimates for 2013/14-2016/17 to Executive on 17January 2013 and Full Council on 21 February 2013. This process included a series of councillor meetings (star chambers) with Heads of Service to assess unavoidable growth, and on proposals for savings to prepare for expected on going large reductions in government grant. It also took account of the feedback on budget consultation.

The budget strategy aims to ensure that the Council has a balanced and sustainable budget that provides the financial resources needed to implement its key priorities. The Council has a successful record in delivering its strategy and will continue with the approach adopted in previous years as it looks to:

- identify efficiencies in every service area through its programme of customer focus reviews, in order to minimise service reductions;

- explore different options for service delivery where they enable the Council to deliver its services at a reduced cost without a reduction in quality, for example in the delivery of festivals in the district;

- plan its resources over a four-year period, to enable it to manage emerging cost pressures and to address these in a considered and cost-effective manner;

- begin to transform the methods by which customers receive the Council's services;

- review highly subsidised services and their charges to move more towards 'user pays' rather than council taxpayer pays; and

- smooth the use of reserves over the plan period.

3. DIFFERENCES BETWEEN PLANS AND OUTTURN FOR 2012/13

The purpose of this statement is to give an indication in broad terms of the main differences between plans and outturn for 2012/13 for General Fund and Housing Services and the reasons for those differences

3.1. General Fund Revenue Expenditure

The main components of the General Fund actual expenditure and income and how these compare with budgets is set out below:

	2012/13 Budget	**Final Outturn**	**Variance**
	£'000	£'000	£'000
Director of Resources	2,521	2,179	(342)
Deputy Chief Executive	15,289	14,894	(395)
Chief Executive	1,477	1,360	(117)
Strategic Director	135	157	22
Core Working Initiatives	(117)	(116)	1
Parish Precepts	605	605	0
Total Expenditure	**19,910**	**19,079**	**(831)**
Revenue Support Grant	(179)	(179)	0
NNDR Allocation	(9,220)	(9,220)	0
Council Tax	(9,957)	(9,957)	0
Total Income	**(19,356)**	**(19,356)**	**0**
Planned use of General Fund Reserve	(554)	0	554
Net position	0	(277)	(277)

The overall revenue outturn position for 2012/13 was an underspend of £277,000. The explanations for the variance to the budget were as follows:

Income
Investment income returns were £200,000 above the budget set. This was partly due to timely placement of investment prior to the interest rates falling.
Development control income was £155,000 over the income target due to an increase in activity in the final quarter of the year and the introduction of new fee structures from November 2012.

Car park activity was in excess of the budget which coupled with the increase in fees in some areas resulted in additional income of £150,000.
Engineering team and Legal were able to earn additional fee income from external provision of services.
Revenues and Benefits service received an additional grant in 2012/13 which lead to an underspend on the service of £100,000.
Building control income was below target by £85,000 due to the increase in non fee earning work carried out by the team.
The Marlowe Theatre fundraising target was not achieved in 2012/13 which lead to a shortfall on the budgeted target of £160,000.
The museum income targets were not met in the year by £150,000 and this has been partially addressed in the budget provision for 2013/14

Expenditure
There were significant vacancy savings across services as posts are being held vacant in order to meet the savings targets built into the future budgets.
The cost of member services was £50,000 below budget due to member allowances being lower than anticipated.
There were additional contributions made to earmarked reserves for invest to save; restructure, ICT, building maintenance and insurance.

3.2 Housing Revenue Expenditure

The main components of the Housing Revenue Account actual expenditure and income and how these compare with budgets is set out below:

	2012/13 Budget	2012/13 Outturn	Variance
	£'000	£'000	£'000
General Management	2,998	2,853	(145)
Special Services	1,757	1,576	(181)
Repairs & Maintenance	4,882	5,219	337
Rent, rates and charges	126	224	98
Bad debt provision	50	(7)	(57)
Contribution - subsidence reserve	50	50	0
Rents & Service Charges receivable	(23,426)	(23,743)	(317)
Total HRA direct budgets	**(13,563)**	**(13,828)**	**(265)**
Support Costs	821	751	(70)
Contribution from reserves	2,012	1,696	(316)
Capital charges	4,564	4,469	(95)
Total HRA indirect budgets	**7,397**	**6,916**	**(481)**
Self financing debt	**6,424**	**6,406**	**(18)**
Surplus/Deficit	**258**	**(506)**	**(764)**

3.3 Capital Expenditure

Capital expenditure relates to spending on assets which last for more than one year. The city council's gross expenditure on capital schemes in 2012/13 was £9,179,500. This was financed by grants, capital receipts, revenue and borrowing. The net outturn position of the capital programme taking into account external income is detailed in the table below

Capital Expenditure	Budget 2012-13	Outturn 2012-13	Approved carry forward 2012-13	Variance to budget
	£'000	£'000	£'000	£'000
Housing capital	6,128	5,750	378	0
Coast protection capital	446	446	0	0
General fund capital	4,935	1,100	3,634	(201)
Total Capital Expenditure	**11,509**	**7,296**	**4,012**	**(201)**

4 Future Capital Expenditure

The capital programme for 2013/14 and beyond represents the investment priorities for the council. The revenue impact of implementing the capital programme is reflected in the revenue budget.

5 Borrowing

The council's long-term debt outstanding decreased from £132,114m in March 2012 to £124,695m in March 2013, whilst its investments increased from £6.2m to £8.0m – a decrease in net borrowing of £9.22m. 98% of the council's debt is with the Public Works Loan Board and all of its investments are managed internally. The interest rate for new long-term borrowing in the year was 2.45%.

6 Pensions Liability

Since 2004/05 the council has had to show in its accounts the value of its attributed share of the Kent County Council Pension Fund. This value is to be assessed by the actuary in accordance with very prescribed accounting rules. Note 30 shows that the total value of liabilities (ie future commitments from the fund) is council's net liability is £151.5m whereas the estimated assets are valued at £92.2m – a net deficit of £59.3m – which is being made up over a number of years by increasing the rates at which contributions are payable into the fund. The deficit has increased from £54.5 m to £59.3 m at 31 March 2013, an increase of £4.8m

7 Change in accounting policy

The council has again had to prepare these financial statements in accordance with International Reporting Standards (IFRS) rather than the old UK GAAP basis under the Statement of Recommended Practice (SORP).

8 Impact of the current economic climate on the council

Paragraph 2 above has already outlined the budget strategy in 2013/14 and the main principles that were taken into account both for the 2012/13 budget and for the next three financial years to 2015/16. The estimates for 2012/13 are soundly based and therefore robust. As the projections are rolled forward, due to the predicted reductions in government grant as contained in the spending review, it becomes increasingly difficult to achieve sustainable medium term proposals. The council has therefore committed itself to a further programme of budget prioritisation and customer service reviews following consultation so as to make savings in 2013/14 and beyond and Heads of Service are committed to deliver further savings with the intention that these measures achieve reductions in gross budgets of the equivalent of 20% over the projection period.

In addition to the general fund balance, the council has a number of earmarked reserves, some of which are accumulated funds which are being used to support the revenue budget on a phased basis. This is a sound approach which will help to avoid sharp fluctuations in council tax demands.

9 Conclusions

In a regime of tight revenue controls imposed by the Government, the city council has substantially achieved its revised budget aims. There is a net general fund underspend, due to additional car parking income and staff savings arising from not filling vacant posts. The HRA also underspent due to increased rent collection and savings on general management costs which are partially offset by increased repairs and maintenance costs. The general fund capital programme has underspent in the year and those schemes that will continue in future years have rescheduled the scheme expenditure to reflect the spending profile.

Finally, I would like to take the opportunity to thank all staff within the council for their efforts to safeguard the council's financial position. Thanks are also due to the finance team who have assisted in the production of the Statement of Accounts.

Director of Resources
June 2013

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the council, analysed into 'usable reserves' (ie those that can 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 council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and Housing Revenue Account for council tax setting and dwellings rent setting purposes. The net increase or decrease before transfers to/from earmarked reserves line shows the statutory General Fund balance and Housing Revenue Account balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

Movement in Reserves 2012/13	**General Fund Balance**	**Earmarked Reserves**	**Housing Revenue Account**	**Major Repairs Reserve**	**Capital Receipts Reserve**	**Capital Grants Unapplied**	**Total Usable Reserves**	**Unusable Reserves**	**Total Council Reserves**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 31 March 2012	(3,618)	(9,881)	(1,826)	0	(896)	(2,502)	(18,723)	(226,290)	(245,013)
Movement in reserves during 2012/13									
Surplus or (deficit) on provision of services	8,174		(4,371)				3,803		3,803
Other comprehensive income and expenditure	(121)		121					(1,170)	(1,170)
Total comprehensive Income and Expenditure	8,053	0	(4,250)	0	0	0	3,803	(1,170)	2,633
Adjustments between accounting basis and funding basis under regulations (Note 6)	(7,461)		3,594		(1,653)	(919)	(6,439)	6,439	0
Net increase/(decrease) before transfers to Earmarked Reserves	592	0	(656)	0	(1,653)	(919)	(2,636)	5,269	2,633
Transfers to/from Earmarked Reserves	(886)	826	61				0		0
Increase/(Decrease) in year	(294)	826	(595)	0	(1,653)	(919)	(2,636)	5,269	2,633
Balance at 31 March 2013 carried forward	(3,912)	(9,055)	(2,421)	0	(2,549)	(3,421)	(21,359)	(221,021)	(242,380)

Movement in Reserves 2011/12	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2011 carried forward	(3,500)	(10,323)	(1,594)	(188)	(4,804)	(2,262)	(22,671)	(309,583)	(332,254)
Movement in reserves during 2011/12									
Surplus or (deficit) on provision of services	3,044	0	101,564	0	0		104,608		104,608
Other comprehensive income and expenditure	0	0	0					(17,367)	(17,367)
Total comprehensive Income and Expenditure	3,044	0	101,564	0	0	0	104,608	(17,367)	87,241
Adjustments between accounting basis and funding basis under regulations (Note 6)	(2,777)	0	(101,739)	188	3,908	(240)	(100,660)	100,660	0
Net increase/(decrease) before transfers to Earmarked Reserves	267	0	(175)	188	3,908	(240)	3,948	83,293	87,241
Transfers to/from Earmarked Reserves	(385)	442	(57)	0	0	0	0	0	0
Increase/(Decrease) in year	(118)	442	(232)	188	3,908	(240)	3,948	83,293	87,241
Balance at 31 March 2012 carried forward	(3,618)	(9,881)	(1,826)	0	(896)	(2,502)	(18,723)	(226,290)	(245,013)

Comprehensive Income and Expenditure Statement for the year ended 31 March 2013

This statement shows the accounting cost of providing services in the year ended 31 March 2013, in accordance with generally accepted accounting practices, rather than the amount to be funded from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2011/12					2012/13		
Gross Exp	Income	Net Exp		Note	Gross Exp	Income	Net Exp
£'000	£'000	£'000			£'000	£'000	£'000
22,840	(6,193)	16,647	**Cultural & Related Services**		18,427	(5,682)	12,745
10,979	(1,630)	9,349	**Environmental & Regulatory Services**		10,286	(1,412)	8,874
6,959	(2,565)	4,394	**Planning Services**		5,827	(2,031)	3,796
		0	**Highways & Transport Services**				
566	(204)	362	Highways		467	(163)	303
5,483	(7,725)	(2,242)	Parkings Services, Public Transport & Harbour		5,586	(7,971)	(2,385)
		0	**Housing Services**				
28,032	(22,225)	5,807	Housing Revenue Account (HRA)		17,263	(23,796)	(6,533)
96,828	0	96,828	Exceptional item - HRA settlement determination payment		0	0	0
44,362	(44,270)	92	Housing Benefits Payments & Administration		46,076	(45,843)	233
2,217	(1,438)	779	Other Housing Services (Non HRA)		2,256	(1,743)	514
		0	**Central Services**				0
1,211	(534)	677	Local Tax Collection Costs		1,172	(530)	642
11,054	(10,821)	233	Council Tax Benefits		10,863	(10,721)	141
913	(332)	581	Other Central Services		882	(246)	636
3,595	(439)	3,156	**Corporate & Democratic Core**		8,496	(5,251)	3,245
		0	**Non Distributed Costs**				
(408)	0	(408)	Non Distributed Pension Costs		489	0	489
(8)	0	(8)	Impairment losses - non operational assets		0	0	0
234,623	**(98,376)**	**136,247**	**Cost of Services**		**128,090**	**(105,390)**	**22,700**
			Other Operating Expenditure				
0	(673)	(673)	Loss/Gain on Sale of Assets		0	(634)	(634)
708	0	708	Parish Council Precepts & Drainage Board Levy		725	0	725
800	0	800	Housing Capital Receipts Cont to Govt Pool		385	0	385
			Financing & Investment Income & Expenditure				
1,343	0	1,343	Interest Payable on Debt	11.2	3,670	0	3,670
25	0	25	Impairment of Financial Instruments (curr year)	11.2	19	0	19
6,417	0	6,417	Pensions Interest Costs	30	6,199	0	6,199
0	(5,632)	(5,632)	Expected Return on Pension Assets	30	(523)	(4,185)	(4,708)
15	(504)	(489)	Investment Interest Income	11.2	98	(810)	(713)
0	(4,172)	(4,172)	Rentals Received on Investment Properties		0	(4,223)	(4,223)
537	0	537	Expenses Incurred on Investment Properties		668	0	668
(537)	0	(537)	Change in Fair Value of Investment Properties		2,301	0	2,301
178	(242)	(64)	Surplus from Trading Operations	21	163	(213)	(50)
			Taxation & Non-Specific Grant income				
0	(8,884)	(8,884)	Recognised Capital Grants & Contributions	22	0	(2,057)	(2,057)
0	(9,849)	(9,849)	Income from the Collection Fund		20	(9,958)	(9,938)
0	(11,169)	(11,169)	Central Government Grants	8	0	(10,542)	(10,542)
244,109	**(139,501)**	**104,608**	(Surplus)/deficit on provision of services		**141,815**	**(138,012)**	**3,803**
		(37,144)	(Surplus)/deficit onrevaluation of non current assets	19.1			(5,406)
		19,777	Actuarial gains/losses on pension fund assets & liabilities	30			4,236
		87,241	Total Comprehensive Income & Expenditure				**2,633**

Balance Sheet as at 31 March 2013					
2012			Notes	2013	
£'000	£'000			£'000	£'000
		Property, Plant and Equipment	9		
217,393		Council dwellings		219,696	
80,284		Other land and buildings		89,509	
26,296		Infrastructure assets		25,576	
2,522		Vehicles, plant and equipment		2,413	
1,055		Community assets		1,131	
13,225		Assets under construction		0	
	340,775				338,324
	10,690	Heritage Assets			10,694
	69,526	Investment Property	9		67,091
	96	Intangible assets	9		100
	421,087				416,209
	2,221	Payments in Advance			2,123
	5,653	Long-term debtors	12		5,200
	428,961	**Total Long-term Assets**			**423,532**
		Current Assets			
6,250		Short-term investments	11.5	8,019	
180		Inventories	14	243	
13,095		Short-term debtors	13	10,575	
(2,102)		Less - Provision for bad debts	13.1	(2,383)	
455		Payments in advance		718	
0		Assets held for sale	16	303	
3,213		Cash and cash equivalents	15	11,820	
	21,091				29,297
	450,052	**Total Assets**			**452,829**
		Current Liabilities			
(11,121)		Creditors	17	(10,905)	
(2,187)		Deposits and receipts in advance		(2,730)	
(4,569)		Short term borrowing	11	(11,373)	
0		Provisions		(1,330)	
	(17,877)				(26,338)
	432,175	**Total Assets less Current Liabilities**			**426,491**
		Long Term liabilities			
(212)		Long-term creditors		0	
(132,114)		Long-term borrowing	11	(124,695)	
(303)		Capital grants receipts in advance	22	(139)	
(54,533)		Liability related to defined benefit	30	(59,277)	
	(187,162)				(184,111)
	245,013	**Net Assets**			**242,380**
		Usable Reserves	18		
(3,618)		General Fund		(3,912)	
(1,826)		Housing Revenue Account		(2,422)	
(9,881)		Earmarked Reserves	7	(9,055)	
0		Major repairs reserve		0	
(896)		Capital receipts reserve		(2,549)	
(2,502)		Capital grants unapplied		(3,421)	
	(18,723)				(21,359)
		Unusable Reserves			
(51,939)		Revaluation reserve	19	(57,233)	
(230,183)		Capital adjustment account	19	(224,256)	
1,151		Financial instruments adjustment a/c	19	973	
54,533		Pensions Reserve	19	59,277	
(22)		Deferred capital receipts	19	(15)	
55		Collection fund adjustment account	19	75	
115		Short-term accumulating absences a/c	19	158	
	(226,290)				(221,021)
	(245,013)	**Total Reserves**			**(242,380)**

The balance sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the council. The net assets of the council (assets less liabilities) are matched by the reserves held by the council. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves that the council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (e.g. the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that hold unrealised gains and losses (e.g. the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Cash Flow Statement

The Cash Flow Statement shows the council's changes in cash and cash equivalents during the reporting period. The statement shows how the council 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 council are funded by council tax and grant income or from the users of services provided by the council. Investing activities represent the extent to which outflows have been made for resources which are intended to contribute to the council's future service delivery.

2011/12		2012/13
£'000		£'000
104,608	Net (surplus) or deficit on the provision of services	3,803
	Adjust net surplus or deficit on the provision of services for non-cash movements	
(6,445)	Less depreciation of fixed assets	(7,055)
(17,482)	Less impairment of fixed assets	(7,329)
(392)	Less Increase in bad debt provision	(264)
(2,184)	Less increase in revenue creditors	(48)
212	Add decrease in long term creditors	212
0	Less increase in provisions	(1,330)
(1,083)	Less increase in deposits	(543)
	Items on accruals basis (assets)	
(1,382)	Less decrease in revenue debtors	(447)
2,108	Add increase in payments in advance	165
70	Add increase in inventories	63
	Pension Liability	
(2,457)	Net charges made for retirement benefits in accordance with FRS17	(4,254)
3,627	Fund and retirement benefits payable direct to pensioners	3,746
(696)	Carrying amount of non-current assets sold	(909)
	Other non-cash items charged to the net surplus or deficit on the provision of services	21
143	Difference between amounts debited/credited to the I&E account and amounts payable/receivable re soft loans and premiums on the early repayment of debt	178
537	Movements in the value of investment properties	(2,301)
(79)	Increase/decrease in acrrual on investments	103
(97)	Increase/decrease in def'd premiums less discounts	(94)
(118)	Decrease/increase in accrual on borrowing	(4)
(1,487)	Accrual of capital grants and capital income	0
8,884	Capital grants and capital income applied	2,057
12	S106 grants received and applied	164
86,299		(14,066)
	Adjust for items included in the net surplus or deficit on the provision of services that are investing activities	
1,369	Proceeds from the sale of property, plant and equipment	1,543
(8,945)	Council Tax receipts paid to major preceptors less receipts	(8,678)
4,087	NDR receipts under/over paid to the government	1,591
(3,489)		(5,544)
82,810	Net flows from operating activities	(19,610)

2011/12 £'000	Cash Flow continued	2012/13 £'000
82,810	Net flows from operating activities (b/f)	(19,610)
	Capital Activities	
	Cash outflows	
22,874	Purchase of property, plant and equipment, investment property and intangible assets	7,886
0	Purchase of investments	8,653
1,757	Other investment payments - soft loans	0
24,631		16,539
	Cash inflows	
(1,360)	Proceeds from sale of property, plant and equipment	(1,543)
	Investment property and intangible assets	
(5,595)	Capital grants received	(4,159)
(12,239)	Investments	(7,000)
(177)	Other receipts from investing activities (principal repayments of Soft Loans etc)	(536)
(19,371)		(13,238)
5,260		3,301
88,070	**Net cash inflow/outflow before financing**	(16,309)
	Financing activities	
	Cash inflows	
(92,259)	Cash receipts of long-term borrowing	0
(4,569)	Cash receipts of short-term borrowing	(6,804)
	Other receipts from financing activities	0
(3,836)	NDR receipts under/over paid to the government	(1,591)
(100,664)		(8,395)
	Cash outflows	
0	Repayments of long-term borrowing	7,419
67	Repayments of short-term borrowing	0
	Other payments re financing activities	0
8,655	Council Tax receipts paid to major preceptors less receipts	8,678
8,722		16,097
(91,942)	**Financing net cash flow**	7,702
(3,872)	**Net increase(-)/decrease in cash equivalents**	(8,607)
659	Cash and cash equivalents at 1 April (exc accruals)	(3,213)
(3,213)	Cash and cash equivalents at 31 March (excl accruals)	(11,820)

Cash and cash equivalents

Cash is defined as cash in hand and deposits repayable on demand, less overdrafts. Cash equivalents are defined as money market funds and deposits maturing within three months having originally been placed for three months or less.

Balance 31/03/12 £'000	**Balance (excl accruals)**	**Balance 31/03/13 £'000**	**Movement in the year £'000**
(7,176)	Bank overnight deposits	(12,720)	(5,544)
(269)	Cash in hand	(687)	(418)
0	Money market funds	0	0
4,232	Bank overdraft	1,587	(2,645)
(3,213)		**(11,820)**	**(8,607)**

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF ACCOUNTING POLICIES

1.1 GENERAL PRINCIPLES

The accounting convention adopted is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.
The accounts are prepared in accordance with the following fundamental qualitative principles:
Relevance, Reliability, Comparability and Understandability.

The following accounting concepts have been given precedence:
i) Materiality – i.e. is the financial information significant enough to justify its inclusion in the financial statement?
ii) Going concern – the accounts are prepared on the assumption that the authority will continue in existence for the foreseeable future.
iii) Accruals – the financial statements, other than the cash flow statement, have been prepared on an accrual basis i.e. activity is accounted for in the financial year in which it takes place and not simply when the cash payments are made or received.
iv) Legislative requirements – the statements conform to the “Code of Practice on Local Authority Accounting in the United Kingdom 2012/13”, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). This is recognised by statute [The Accounts and Audit Regulations 2011 and by sections 41 and 42 of the Local Government and Housing Act 1989] as representing proper accounting practices. This includes compliance with the Service Reporting Code of Practice 2012/13 (SeRCOP) supported by International Financial Reporting Standards (IFRS).

1.2 PROPERTY, PLANT and EQUIPMENT

Assets that have physical substance and are held for use in the supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

1.2.1 Recognition and accruals

All expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the council and the cost of the item can be measured reliably.

1.2.2 Valuation methods

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS). Fixed assets are classified into groupings and have been valued on the following bases:

- land, operational properties and other operational assets are included in the balance sheet at fair value, determined as the amount that would be paid for the asset in its existing use.

- council dwellings are included at fair value, determined using the basis of existing use value but discounted to allow for the “Right to Buy” valuations.

- infrastructure assets and community assets and assets under construction are included in the balance sheet at historical costs, net of depreciation. If historical cost information was not available, the current cost has been discounted back to the date of acquisition, using the retail price index.

Where there is no market-based evidence of fair value because of the specialist nature of the asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

1.2.3 Revaluations

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to a service.
The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

1.2.4 Impairment

Assets are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

a. where there is balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
b. where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

1.2.5 Disposals (and Capital Receipts)

When an asset is disposed of, the carrying amount of the asset in the Balance Sheet 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 are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the government. (It is shown in the statements as “Contribution to housing pooled capital receipts”). The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the council’s underlying need to borrow (the capital financing requirement). Receipts are 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.

1.2.6 Depreciation

Depreciation is provided for Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated according to the following policy:

- dwellings, other operational buildings, infrastructure and equipment are depreciated unless the amount involved is not material.

- newly acquired assets are depreciated from the date of acquisition (where available) nearest the end of the month, although assets in the course of construction are not depreciated until they are brought into use.
- depreciation is calculated using the straight-line method over the life of the asset as estimated by the valuer.

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

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

1.2.7 Heritage Assets

The council owns a large number of heritage assets which have either been donated to or purchased by the council, or the council has inherited from other public bodies. The assets fall into two basic categories: land and buildings and museum contents and artefacts plus various items of public art and sculpture on display around the district.

Heritage Assets are recognised and measured in accordance with the council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets where the council does not hold information on cost or value.

1.3 INVESTMENT PROPERTY

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated, but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However revaluation and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.4 INTANGIBLE FIXED ASSETS

Expenditure on assets that do not have physical substance, but are controlled by the council as a result of past events (e.g. software licences) is capitalised when it is expected to bring benefits to the council for more than one financial year.

Intangible assets are measured at cost as there is no active market against which to determine an alternative value. The balance is amortised (i.e. written-down) to the relevant service revenue account on a straight-line basis over 5 years. Intangible assets are therefore included in the balance sheet at historical costs, net of the amount written-down to revenue.

1.5 GOVERNMENT GRANTS AND CONTRIBUTIONS

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

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

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

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

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

1.6 CHARGES TO REVENUE FOR FIXED ASSETS

Services, support services and trading accounts are debited with the following amounts to record the real cost of holding non-current assets during the year:

i) depreciation attributable to the assets used by the relevant service.
ii) revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
iii) amortisation of intangible fixed assets attributable to the service.

The council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual provision from revenue towards the reduction in its overall borrowing requirement This is known as the “minimum revenue provision” and is equal to an amount calculated on a prudent basis determined by the council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the minimum revenue provision in the Movement in Reserves Statement. The difference between the two is credited or debited to the Capital Adjustment Account.

1.7 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Expenditure incurred during the year that may be capitalised under statutory provisions, but which does not result in the creation of tangible assets e.g. improvement grants made and feasibility studies etc, has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged, so there is no impact on the level of council tax.

1.8 FINANCIAL LIABILITIES (Borrowings)

1.8.1 Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by

the effective rate of interest for the instrument. For the borrowings that the council has, this means that the amount shown in the Balance Sheet is the outstanding principal repayable (plus accrued interest), and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.
For the disclosure note regarding fair value, the council has based its fair value report on the comparable new borrowing / deposit rate for the same financial instrument from a comparable lender. A consistent approach has been applied to assets and liabilities.

1.8.2 Repurchase of Borrowing

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing loans, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.
Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The difference between the amounts charged to the Comprehensive Income and Expenditure Statement and the net charge required against the General Fund Balance, is a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

1.9 FINANCIAL ASSETS (Investments)

Financial assets are classified into two types:

- loans and receivables – assets (investments) that have fixed or determinable payments, but are not quoted in an active market.
- available-for-sale assets - assets (investments) that have a quoted market price and / or do not have fixed or determinable payments.

1.9.1 Loans and receivables

Loans and receivables are initially measured at fair value and subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in 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 investments that the council has made, this means that the amount shown in the Balance Sheet is the outstanding principal receivable (plus accrued interest), and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

In the case of investments with Icelandic banks, the amount shown in the Balance Sheet is the outstanding principal receivable plus accrued interest less impairment where the impairment has been calculated in accordance with the guidance set out in LAAP Bulletin 82. Additional disclosures are made in notes to the core financial statements.

1.9.2 Soft Loans

The council has made a number of loans to voluntary and charitable organisations at less than market rates (known as soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the loan, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the actual interest receivable for the financial year. The difference is credited or debited to the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

1.9.3 Available-for-sale Assets

Available-for-sale assets are initially measured and carried in the Balance Sheet at fair value. Where the asset has fixed or determinable payments, annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Values are based on the following principles:
- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

An example of an available-for-sale asset is an investment held with a fund manager, however the council no longer has any investments with fund managers and so does not hold any investments that fall into this category.

1.10 LEASES

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

1.10.1 The Authority as Lessee - Finance Leases

Where assets were acquired under finance leases, the leasing rentals payable are charged to revenue. The cost of the assets and the related liability for future rentals payable are not shown in the balance sheet (since the value outstanding is non material), but are disclosed in the lease note to the core financial statements.

1.10.2 The Authority as Lessee - Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property or equipment. Charges are made on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

1.10.3 The Authority as Lessor – Operating Leases

Where the council grants an operating lease over a property or an item of equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

1.11 CURRENT ASSETS AND LIABILITIES

1.11.1 Debtors and Creditors

The revenue and capital accounts of the council are maintained on an accruals basis in accordance with the Code of Accounting Practice and standard accounting practice. That is, sums due to or from the council during the year are included, whether or not the cash has actually been received or paid in the year, by recording a debtor or creditor in the Balance Sheet. An exception to this principle relates to electricity and similar quarterly payments that are charged at the date of meter reading rather than being apportioned between financial years. This policy is consistently applied each year and therefore does not have a material effect on the year’s accounts.

1.11.2 Inventories (Stocks)

Inventories are included in the Balance Sheet at actual cost or net realisable value if lower.

1.11.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the council's cash management.

1.12 EMPLOYEE BENEFITS

1.12.1 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 salaries, paid annual leave and paid sick-leave, and are recognised as an expense for services in the year in which employees render service to the council. An accrual is made for the cost of holiday entitlements 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 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.

1.12.2 Termination Benefits

Termination benefits are amounts payable as a result of a decision by the council 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 appropriate service in the Comprehensive Income and Expenditure Statement when the council is demonstrably committed to the termination of the employment of an officer.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the council to the pension fund, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and any such amounts payable but unpaid at the year-end.

1.13 POST EMPLOYMENT BENEFITS (PENSION COSTS)

The pension costs that are charged to the council's accounts in respect of its employees are equal to the contributions paid to the funded pension scheme for these employees. These contributions were based on formal triennial actuarial valuations. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis.

The Local Government Pension scheme is accounted for as a defined benefits scheme:

i) The liabilities of the Kent pension fund attributable to the council are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees.

ii) Liabilities are discounted to their values at current prices, using a discount rate based on the indicative rate of return on the iBoxx AA Over 15 year Corporate Bond index.

iii) The assets of the Kent pension fund attributable to the council are included in the balance sheet at their fair value:

i) Quoted securities – current bid price
ii) Unquoted securities – professional estimate
iii) Unitised securities – current bid price
iv) Property – market value

iv) The change in the net pensions liability is analysed into seven components:

i) 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 services for which the employees worked.

ii) 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 Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

iii) 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 the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

iv) 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 the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

v) Gains or 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 or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

vi) Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve.

vii) Contributions paid to the Kent pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities, not accounted for as an expense.

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 Movement in Reserves Statement, 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 (including accruals). The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

1.14 RESERVES

The council's reserves include earmarked reserves set aside for specific policy purposes, and balances which represent resources set aside for purposes such as general contingencies and cash flow management. The purposes of the council's earmarked reserves are explained in the note to the financial statements. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in the Comprehensive Income and Expenditure Statement. An appropriation is made from the reserve back to the General Fund Balance in the Movement in Reserves Statement so that there is no impact on council tax.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits. These do not represent usable resources for the council. The purpose of each of these reserves is set out in the notes to the accounts.

1.15 OVERHEADS and SUPPORT SERVICES (CENTRAL DEPARTMENTS' EXPENSES)

The costs of overheads and support costs are fully allocated to services in proportion to the benefits received. The bases of allocation used for the main costs of overheads and support costs are outlined below:

Cost	**Basis of Allocation**
Central Departments (Finance, Legal)	Estimated time spent by staff
Administrative Buildings	Area occupied
Human Resources	Head Count
Computing	Usage

The only exceptions to the principle of full allocation to services are:

Corporate and Democratic Core – holds costs relating to the council's status as a multi-functional, democratic organisation.
Non Distributed Costs – holds the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.
These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure Cost of Services.

1.16 CHANGES IN ACCOUNTING POLICIES

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

1.17 EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period, when the Statement of Accounts is adjusted to reflect such events.
- those that are indicative of conditions that arose after the reporting period, when the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

1.18 CONTINGENT LIABILITIES

A contingent liability arises where an event has taken place that gives the council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that costs will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

1.19 VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs, and VAT paid is recoverable from them. VAT payable is included as an expense only to the extent that it is not recoverable from HM Revenue and Customs.

1.20 EXCEPTIONAL ITEMS

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

1.21 INTERESTS IN COMPANIES AND OTHER ENTITIES

Where the council has a material interest in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities, group accounts will be prepared.

In the council's own single entity accounts, any interest in companies and other entities will be recorded as financial assets at cost, less any provision for losses.

2 ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

For 2012/13 there are no accounting policy changes that need to be reported.

3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out above, the Council 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:

- The council has decided not to prepare group statements in respect of the East Kent ALMO on the grounds of materiality.

The ALMO's accounts include retained earnings of £543,000, plus a more significant loss for their pension deficit of £4,373,000. The council has decided that both these elements are not material for our accounts for the following reasons:

- The council's share of the ALMO's loss on transactions (approximately 25% of £543,000) is not material, so its inclusion in the financial statements would have no material impact.

The council does not have a constructive obligation for a share of the pension fund liability, so this liability is being recognised as a contingent liability in the accounts. Consequently, in our opinion, under IAS 37 and the equity method of consolidation, our share of this pension fund loss and the resultant liability would not be consolidated in any group accounts prepared. The liability would instead be disclosed as a contingent liability in any group accounts prepared. Details of the related party transactions are provided in note 27.

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The council has money deposited with the Heritable bank which is in administration. Full details are provided in note 11.

4 ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council 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 only item in the council's balance sheet at 31st March 2013 for which there is a risk of material adjustment in the forthcoming financial year is the Pension's Liability:

Uncertainties	Effect if actual results differ from assumptions
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 actuaries is engaged to provide the council (and other Kent districts) with expert advice about the assumptions to be applied.	The effects on the net pension's liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £2,914k. However, the assumptions interact in complex ways. During 2012/13, the council's actuaries advised that the net pension's liability had increased by £107k as a result of experience and increased by £11,202k attributable to updating of the assumptions.

5. AUTHORISATION FOR ISSUE OF STATEMENT OF ACCOUNTS

The Statement of Accounts was authorised for issue on 30 June 2013 by the Director of Resources. Events taking place after this date are not reflected in the financial statements or notes.

6. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

Accounting and Funding basis adjustments 2012/13	Usable Reserves						
	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Major Repair Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement							
Depreciation/amortisation (exc HRA depn)	(4,121)						4,121
HRA depreciation/amortisation			(2,934)				2,934
The difference of depreciation charged to HRA services over the Major Repairs Allowance element of housing			1,696	(1,696)			0
Impairment/revaluation losses (charged to I&E)	(3,368)		(3,961)				7,329
Capital grant and contributions applied	1,090		48				(1,138)
Revenue Expenditure funded from Capital under Statute	(465)						465
Movement in market value of investment property	(2,301)						2,301
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to CIES	(2)		(907)				909
Capital grants and contributions unapplied credited to I&E	(267)					267	0
Capital grants and contributions unapplied	1,186					(1,186)	0
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	3		1,540		(1,543)		0
Repayments of soft loans and Hsg Act advances					(529)		529
Use of capital receipts reserve to finance capital expenditure					42		(42)
HRA Settlement determination payment-reversal to CAA			4,049				(4,049)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement							
Statutory provision for the repayment of debt (minimum revenue provision)	1,474						(1,474)
HRA Capital receipts to housing central pool	(385)				385		0
Revenue contribution to finance capital	145		1,072				(1,217)
Reversal of Major Repairs Allowance credited to the HRA			2,934	(2,934)			0
Use of the Major Repairs Reserve to finance new capital expenditure				4,630			(4,630)
Adjustment between CAA and Revaluation Reserve							(112)
							5,927
Adjustments involving the Revaluation Reserve							
Adjustment between CAA and Revaluation Reserve							112
Adjustments involving the Financial Instruments Adjustment Account							
Reversal of items debited or credited to the CIES							0
Impairment of investments (Charged to I&E)							0
Differences between statutory debits/credits and amounts recognised as income and expenditure in relation to financial instruments e.g. soft loans	94		84				(178)
Adjustments involving the Pension Reserve							
Reversal of items relating to retirement benefits debited or credited to CIES	(3,982)		(272)				4,254
Employers contributions to pension schemes	3,500		246				(3,746)
							508
Adjustmets primarily involving Deferred Capital Receipts							
Repayments of HRA mortgages (to deferred capital receipts)					(7)		7
Adjustments involving Collection Fund Adjustment Account							
Amount by which council tax income adjustment included in CIES is different to the amount taken to the General Fund in accordance with regulation	(20)						20
Adjustments involving Short term compensated absence							
Amount by which officer renumeration charged to the CIES on an accruals basis is different from the renumeration chargeable in the year in accordance with statute	(42)		(1)				43
Total Adjustments 2012/13	(7,461)	0	3,594	0	(1,653)	(919)	6,439

Accounting & funding basis adjustments 2011/12	Usable Reserves						
	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Major Repair Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement							
Depreciation/amortisation (exc HRA depn)	(3,540)						3,540
HRA depreciation/amortisation			(2,905)				2,905
The difference of depreciation charged to HRA services over the Major Repairs Allowance element of housing			833	(833)			0
Impairment/revaluation losses (charged to I&E)	(9,779)		(7,703)				17,482
Capital grant and contributions applied	8,013		325			546	(8,884)
Revenue Expenditure funded from Capital under Statute	(347)						347
Movement in market value of investment property	131		406				(537)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to CIES	(143)		(553)				696
Capital grants and contributions unapplied	786					(786)	0
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	311		1,058		(1,369)		0
Repayments of soft loans and Hsg Act advances					(160)		160
Use of capital receipts reserve to finance capital expenditure					4,645		(4,645)
HRA Settlement determination payment-reversal to CAA			(96,828)				96,828
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement							
Statutory provision for the repayment of debt (minimum revenue provision)	1,231						(1,231)
HRA Capital receipts to housing central pool	(800)				800		0
Revenue contribution to finance capital	245		572				(817)
Reversal of Major Repairs Allowance credited to the HRA			2,905	(2,905)			0
Use of the Major Repairs Reserve to finance new capital expenditure				3,926			(3,926)
Adjustment between CAA and Revaluation Reserve							(207)
							101,711
Adjustments involving the Revaluation Reserve							
Adjustment between CAA and Revaluation Reserve							207
Adjustments involving the Financial Instruments Adjustment Account							
Reversal of items debited or credited to the CIES							
Impairment of investments (Charged to I&E)							
Differences between statutory debits/credits and amounts recognised as income and expenditure in relation to financial instruments e.g. soft loans	56		87				(143)
Adjustments involving the Pension Reserve							
Reversal of items relating to retirement benefits debited or credited to CIES	(2,285)		(172)				2,457
Employers contributions to pension schemes	3,391		236				(3,627)
							(1,170)
Adjustmets primarily involving Deferred Capital Receipts							
Repayments of HRA mortgages (to deferred capital receipts)					(8)		8
Adjustments involving Collection Fund Adjustment Account							
amount by which council tax income adjustment included in CIES is different to the amount taken to the General Fund in accordance with regulation	(59)						59
Adjustments involving Short term compensated absence							
Amount by which officer renumeration charged to the CIES on an accruals basis is different from the renumeration chargeable in the year in accordance with statute	12						(12)
Total Adjustments 2011/12	(2,777)	0	(101,739)	188	3,908	(240)	(100,660)

7 Transfers to/from Earmarked Reserves

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

Reserve	Note	Balance at 1 April 2011	Transfers to reserve	transfers from reserve	Balance at 31 March 2012	Transfers to reserve	transfers from reserve	Balance at 31 March 2013
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
LABGI Reserve	a	(50)	0	50	0	0	0	0
Early retirement	b	(177)	0	0	(177)	0	76	(102)
Computer/equipment	c	(272)	(147)	58	(360)	(162)	2	(519)
MMI run-off reserve	d	(1,300)	(282)	297	(1,285)	0	1,285	0
CCTV reserve	e	(110)	(35)	67	(78)	(35)	13	(99)
Buildings Maintenance	f	(282)	(48)	0	(330)	(153)	4	(479)
Insurance reserve	g	(288)	(39)	46	(282)	(111)	46	(347)
Office equipment	h	(111)	(34)	11	(133)	(34)	60	(107)
Liability insurance	i	(267)	(3)	41	(229)	(3)	1	(231)
Regeneration	j	(82)	(35)	0	(117)	0	19	(99)
Restructure reserve	k	(559)	(479)	227	(811)	(357)	479	(689)
Open spaces maintenance	l	(194)	0	17	(176)	0	17	(159)
Benefits grant income	m	(79)	0	79	0	0	0	0
Benefits overpayments	n	(119)	0	119	0	0	0	0
VAT recovered reserve	o	(1,613)	(97)	0	(1,710)	0	59	(1,651)
Performance reward grt	p	(260)	0	234	(26)	0	26	0
Kingsmead interest	q	(654)	0	300	(354)	0	300	(54)
CPO Lodgements resv	r	(117)	0	117	0	0	0	0
External interest	s	(211)	(3)	129	(85)	0	85	(0)
Premature debt Rept	t	290	(123)	0	167	(123)	0	44
Emergencies reserve	u	(134)	(22)	0	(156)	(22)	0	(177)
Whit Harbour gen resv	v	(358)	(210)	147	(421)	(214)	0	(634)
Planning delivery grant	w	(400)	0	35	(366)	0	129	(236)
Local Plan Inquiry	x	(308)	0	17	(290)	(25)	69	(246)
Car park reserve	y	(31)	(50)	49	(32)	(131)	15	(149)
Other Gen Fund reserves		(1,890)	(561)	511	(1,941)	(891)	459	(2,372)
Total of Reserves		(9,577)	(2,166)	2,550	(9,192)	(2,259)	3,146	(8,306)
Net movement in year					384			886
HRA Reserves (excl major repairs reserve)								
Subsidence reserve (w)	z	(624)	(50)	86	(588)	(50)	0	(638)
Other HRA reserves		(122)	(30)	52	(101)	(56)	45	(111)
Total HRA Reserves		(746)	(80)	138	(688)	(106)	45	(749)
Net movement in year					58			(61)
Total Reserves		**(10,323)**	**(2,246)**	**2,688**	**(9,881)**	**(2,365)**	**3,191**	**(9,055)**
Net movement in year					442			826

Earmarked Reserves.

a) The Local Authority Business Growth Incentive (LABGI) reserve held the unspent balance of the LABGI grant funding that was credited to revenue from the end of the grant funding allocations in 2008/09 until 2011/12 when the funding was fully spent.

b) The Early Retirement reserve was set up in 1999/2000 to finance the additional payments required by the Kent Superannuation Fund as a result of early retirement following the council's various management restructures.

c) The computer/equipment reserve was created in 1995/96 to finance computers and equipment which need replacing.

d) The MMI run off reserve was created in 2011/12 by a transfer from the concessionary fares reserve (which was no longer needed, following settlement of the appeal) to cover the potential liabilities arising from insurance claims with the former Municipal Mutual Insurance Company which went into liquidation a few years ago. This reserve was used to fund the provision of the MMI liability in 2012/13.

e) This reserve is used to finance CCTV equipment.

f) The Buildings Maintenance reserve is used to finance the annual repair budget for all council buildings.

g) The Insurance reserve is used to meet claims on the council for which external insurances are not covered. This reserve covers three broad areas of insurable risks:

- i) Professional indemnity (covers losses resulting from professional negligence)
- ii) All risks cover for equipment under £5,000 in value
- iv) Sold council houses – latent defects (ie defects discovered at a later date which could not reasonably have been identified at the time of sale.

The current balance on the reserve held for each risk is roughly in the proportions 70%, 10%, 20% so for example approximately £200,000 is held to cover professional indemnity renewals.

h) This reserve funds the rolling programme of office equipment renewals.

i) The liability insurance reserve covers public liability claims under £5,000 (claims over £5,000 being covered by external insurance). Claims tend to take many years before settlement is agreed, therefore the balance has to cover prior year outstanding claims and future liabilities.

j) This reserve is used to fund regeneration projects.

k) This reserve was created in 2008/09 from part of the VAT refund to cover restructure costs.

l) The open spaces maintenance reserve holds the balance from commuted payments from developers (under section 106 agreements) based on 20 years maintenance cost of spaces taken over by the council. The balance for each development is transferred to revenue over 20 years.

m) The benefits grant income reserve holds additional housing benefit subsidy income arising from the final claim being greater than assumed in the accounts the final balance was transferred in 2011/12.

n) The benefits overpayment reserve was created in 2004/05 to hold the excess of overpayments which have been identified by the benefits computer system compared with the balance in the accounts. The balance was being credited back to revenue over a number of years with the final balance transferred in 2011/12.

o) This reserve was created in 2008/09 from the VAT refund from HM Revenue and Customs to support the revenue budget over the next few years and to cover any impairment on investments.

p) This reserve was created in 2008/09 to hold the performance reward grant. The final balance was transferred to revenue in 2012/13.

q) The Kingsmead interest reserve holds the interest earned on the Kingsmead and other major capital receipts in order to fund the revenue budget from 2009/10, as agreed at full Council on 21 February 2008. With falls in interest rates in 2009, further transfers to the reserve were suspended, and the balance is now being transferred back to revenue.

r) The CPO lodgements reserve was created in 2006/07 from amounts recovered from the land registry 12 years after the original deposit was made. It is being credited back to revenue over four years from 2008/09.

s)The external interest reserve, created in 1997/98 and increased by investment interest earned above budget from good fund management performance, the balance was credited back to revenue over a number of years until 2011/12.

t) The premature debt repayment identifies the premature repayment of the financing of the LAMP project, which is being paid back from land charges receipts over four years. The balance is offset against other reserves.

u) The emergencies reserve is to be used in the case of any civil emergencies.

v) The Whitstable Harbour general reserve holds any surpluses from the ring-fenced account to spend on the Harbour in future years.

w) This reserve holds the balance of planning delivery grant, not used in the year of receipt, for future projects and on going commitments.

x) The local plan enquiry reserve evens out the impact of costs which arise on a periodic basis for the local plan enquiry.

y) This reserve was created in the 2006/07 budget strategy to finance work on the council's car parks.

z) The subsidence reserve was created in 2005/06 to cover liabilities arising from subsidence of housing stock properties now that they are not covered within the council's insurance policy.

8 General Government Grants

Only a single line for general government grants is shown in the Comprehensive Income and Expenditure Statement, so full details have to be set out in this separate note.

2011/12		2012/13
(2,478)	Revenue Support Grant	(179)
(8,017)	Distribution from non-domestic rate pool	(9,221)
(674)	Housing and Planning delivery grant	0
0	New Homes Bonus	(909)
0	Council Tax Freeze Grant	(233)
(11,169)	**Total of General Government Grants**	**(10,542)**

9 Property plant and equipment, investment properties and intangible assets

Following the introduction of capital accounting, fixed assets are valued using the basis set out in note 9.2 below, any differences being credited or debited to the Revaluation Reserve. Infrastructure assets and community assets are included in the balance sheet at historical cost, net of depreciation.
Movement in these assets during the year are listed in the two tables which follow:

	Council Dwellings	Land and Buildings	Plant, Vehicles & Equipment	Infrastructure	Community Assets	Assets under Construction	Total Tangible assets	Investment Properties	Heritage Assets	Intangible Assets	Total
Cost or Valuation	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 April 2012 (b/fwd)	220,260	82,412	10,041	40,868	1,070	13,225	367,876	69,526	10,690	442	448,534
Additions	1,690	489	897	190	59		3,325	25	4	33	3,387
Disposals	(907)		(1,233)	(12)			(2,152)			(1)	(2,153)
Acc Dep'n w/o to GCA		(2,686)					(2,686)				(2,686)
Reclassifications/Transfers		61					61	(159)			(98)
Revaluations to Revaluation Reserve	1,546	729	52				2,327				2,327
Revaluations to I & E		(2,258)				(845)	(3,103)				(3,103)
Other movements in Cost or Valuation		12,360			19	(12,380)	(1)	(2,301)			(2,302)
At 31 March 2013	222,589	91,107	9,757	41,046	1,148	0	365,647	67,091	10,694	474	443,906
Depreciation											
At 1 April 2012 (b/fwd)	(2,867)	(2,128)	(7,519)	(14,572)	(15)	0	(27,101)	0	0	(346)	(27,447)
Charge for 2012/13	(2,893)	(2,164)	(1,056)	(911)	(1)		(7,025)			(30)	(7,055)
Disposals			1,231	12			1,243			1	1,244
Acc Dep'n w/o to GCA		2,686					2,686				2,686
Reclassifications		7					7				7
Revaluations	2,867						2,867				2,867
At 31 March 2013	(2,893)	(1,599)	(7,344)	(15,471)	(16)	0	(27,323)	0	0	(375)	(27,698)
Net Book Value at 31 March 2013	219,696	89,508	2,413	25,575	1,132	0	338,324	67,091	10,694	99	416,208
Net Book Value at 31 March 2012	217,393	80,284	2,522	26,296	1,055	13,225	340,775	69,526	10,690	96	421,087

9 **Property plant and equipment, investment properties and intangible assets**

Comparative movements in 2011/12 – as restated at 1 April 2011 for the change in accounting policy re the valuation of Heritage Assets.

	Council Dwellings	Land and Buildings	Plant, Vehicles & Equipment	Infrastructure	Community Assets	Assets under Construction	Total Tangible assets		Investment Properties	Heritage Assets	Intangible Assets	Total
Cost or Valuation	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**	**£'000**
At 1 April 2011 (b/fwd)	191,269	59,419	9,928	40,648	3,845	27,084	332,193		69,338	10,641	367	412,539
Additions	8,009	2,173	523	319	453	10,980	22,457		53	0	75	22,585
Disposals	(553)	(138)	(416)	(33)	0	0	(1,140)		0	0	0	(1,140)
Acc Dep'n w/o to GCA							0					0
Reclassifications/Transfers	0	22,077	0	0	118	(21,793)	402		(402)	0	0	0
Revaluations to Revaluation Reserve	29,221	4,949	0	0	0	(2,724)	31,446		0	49	0	31,495
Revaluations to I & E	(7,686)	(6,068)	6	(66)	(3,346)	(322)	(17,482)		537	0	0	(16,945)
Other movements in Cost or Valuation							0					0
At 31 March 2012	220,260	82,412	10,041	40,868	1,070	13,225	367,876		69,526	10,690	442	448,534
Depreciation												
At 1 April 2011	(2,579)	(3,582)	(6,893)	(13,702)	(14)	0	(26,770)		0	0	(324)	(27,094)
Charge for 2011/12	(2,867)	(1,615)	(1,037)	(903)	(1)	0	(6,423)		0	0	(22)	(6,445)
Disposals	0	0	411	33	0	0	444		0	0	0	444
Acc Dep'n w/o to GCA	0	0	0	0	0	0	0		0	0	0	0
Reclassifications	0	0	0	0	0	0	0		0	0	0	0
Revaluations	2,579	3,069	0	0	0	0	5,648		0	0	0	5,648
At 31 March 2012	(2,867)	(2,128)	(7,519)	(14,572)	(15)	0	(27,101)		0	0	(346)	(27,447)
Net Book Value at 31 March 2012	217,393	80,284	2,522	26,296	1,055	13,225	340,775		69,526	10,690	96	421,087
Net Book Value at 31 March 2011	188,690	55,837	3,035	26,946	3,831	27,084	305,423		69,338	10,641	43	385,445

9.1 Depreciation

Depreciation is provided for assets with a finite useful life according to the following policy:
a) Operational buildings are depreciated unless the amount involved is not material.
b) Newly acquired assets are depreciated from the date of acquisition (where available) nearest the end of the month, although assets in the course of construction are not depreciated until they are brought into use.
c) Depreciation is calculated using the straight-line method over the expected useful life of the asset. This is calculated for each asset on an individual basis as follows: infrastructure assets are depreciated over periods varying from 10 to 50 years, operational buildings over periods ranging from 20 to 100 years, and plant, vehicles and equipment are mainly depreciated over five years.

A revised depreciation charge using component accounting was implemented for the HRA in 2010/11 and has been implemented for major properties only for the General Fund from 2011/12.

9.2 Revaluations

The council carries out a rolling programme of revaluations that ensures that all property, plant and equipment required to be measured at fair value is re-valued at least every five years. Investment properties are re-valued every year. All valuations were carried out internally.

Assets Category	Date of last valuation	Basis of valuation	Internal Valuer
Council dwellings	March 2013	A	Martin Bovingdon, FRICS
Other land and buildings	April 2008 – March 2013	B	Martin Bovingdon, FRICS
Surplus Assets	March 2013	B	Martin Bovingdon, FRICS
Investment properties	March 2013	C	Martin Bovingdon, FRICS
Assets Held for Sale	March 2013	C	Martin Bovingdon, FRICS

Basis of valuation

A Fair value for existing use for social housing but discounted to allow for the tenanted use of property as social housing with 'right to buy valuations'

B a) Fair value for existing use where there was sufficient evidence of transactions for that use, or
b) depreciated replacement cost (DRC) where the asset is of a specialised nature or where there is no evidence of market value of suitably comparable properties

C Fair value basis

9.3 Intangible Assets

The council 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 council's intangible assets include only software licences.

Intangible assets (ie software licences) are amortised, (written down) to revenue on a straight line basis over five years, the expected useful life of the software.

The carrying value and movements during the year of intangible assets are shown in the table for note 9.

9.4 Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

2011/12		2012/13
£'000		£'000
(4,172)	Rental income from investment property	(4,223)
537	Direct operating expenses incurred on investment property	668
(3,635)	**Net gain**	**(3,555)**

There are no restrictions on the council's ability to realise the value inherent in its investment property or on the council's right to the remittance of income and the proceeds of disposal. The council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement

10 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, 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 council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the council that has yet to be financed. This effectively means that it has been covered by borrowing.

2011/12	Capital Expenditure and Financing	2012/13
£'000		£'000
45,842	**Opening Capital Financing Requirement**	**147,856**
	Capital Expenditure in year:	
22,457	Property, plant and equipment	7,555
53	Investment properties	25
75	Intangible assets	33
1,424	Revenue expenditure funded from capital under statute see note 10.1	1,566
1,757	Long term debtors (note 12 - advances)	0
25,766		9,179
96,828	**Housing financing settlement**	(4,049)
	Sources of Finance	
(4,645)	Capital receipts	(42)
(9,961)	Government grants and other contributions	(2,174)
(4,743)	Revenue and Reserves	(5,912)
(1,231)	Revenue and provision for repayment of loans (MRP)	(1,474)
(20,580)		(9,602)
147,856	**Closing Capital Financing Requirement**	**143,384**
	Explanation of movements in year	
	Housing financing loan repayment	(4,049)
	MRP	(1,474)
102,014	Increase in underlying need to borrow (unsupported by government financial assistance).	1,051
102,014	**Movment of Capital Financing Requirement**	**(4,472)**

10.1 Revenue Expenditure funded from Capital under statute (REFCUS)

This expenditure is recognised as revenue expenditure and any funding of it by grants recognised as revenue income.

2011/12		2012/13			
Net Exp		Gross Exp	Gov Grant	Rev Contr	Net Exp
£'000		£'000	£'000	£'000	£'000
185	Disabled facilities and improvement grant	546	(536)	0	10
18	Historic building grants	0	0	0	0
144	Other including parish council grants	1,020	(500)	(65)	455
347	Total	**1,566**	**(1,036)**	**(65)**	**465**

The financing of this expenditure was grants and contributions £1,036k, revenue and reserves £65k and unsupported borrowing £53k. Adding the £1,036k to the £1,138k non refcus grants (detailed in note 22) reconciles to the total capital grants applied to finance capital expenditure £2,174k (see table above).

11 Financial Instruments

11.1 Financial Instruments balance

The following categories of financial instruments are carried in the Balance Sheet:

31 March 2012			31 March 2013	
Long-term	**Current**		**Long-term**	**Current**
£'000	**£'000**	**Borrowings**	**£'000**	**£'000**
(132,114)	(4,569)	Financial liabilities at amortised cost (including the £2,000k soft loan received from KCC)	(124,695)	(11,373)
0	0	Financial liabilities at fair value through profit and loss	0	0
(132,114)	**(4,569)**	**Total Borrowings**	**(124,695)**	**(11,373)**
		Creditors		
0	(7,695)	Financial liabilities at amortised cost (ie excluding statutory debts such as council tax)		(7,624)
	(4,232)	Bank Overdraft		(1,587)
0	**(11,927)**	**Total Creditors**	**0**	**(9,211)**
		Investments		
0	6,250	Loans and receivables	0	8,019
0	0	Available-for-sale financial assets	0	0
0	**6,250**	**Total investments**	**0**	**8,019**
		Other current assets		
0	9,955	Loans and receivables (ie excluding statutory debts such as council tax)		6,818
0	7,445	Cash and cash equivalents		13,406
0	**17,400**	**Total other current assets**	**0**	**20,224**
		Soft loans		
5,619	0	Soft loans provided - see table below	5,174	0
22		Mortgages	15	
5,641	**0**	**Total Soft Loans**	**5,189**	**0**

The council has made a number of loans to voluntary organisations at less than market rates (soft loans). The details of these are:

Borrower	Original Loan £'000	Balance at 01/04/2012 £'000	Advances 2012/13 £'000	Repayments 2012/13 £'000	Balance at 31/03/2013 £'000	Fair value 31/3/2013 £'000
Whitstable Town FC	17	1		1	0	0
Herne Bay Bowling Club	44	17		4	13	12
Canterbury Bowling Club	100	45		5	40	35
Whitstable Bowling Club	30	1		1	0	0
Active Life	600	487		50	437	377
Northgate Ward Dev. Group	20	2		2	0	0
Polo Farm	135	74		9	65	58
Horsebridge	50	35		5	30	27
Thanington Resource Centre	42	38		2	36	32
Kent County Cricket Club	5,500	5,401		438	4,963	4,394
Almshouse Charity of Wynn Ellis	220	215		7	208	208
Canterbury Rugby Club	30	28		3	25	26
Horsebridge	7	7		2	5	5
	6,795	**6,351**	**0**	**529**	**5,822**	**5,174**

(see also note 12)

When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year - the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

11.2 Financial instruments gains/losses

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

Financial Instruments Gains & Losses				
	Financial Liabilities (borrowing)	**Financial Assets (Investments)**		**Total**
	Liabilities measured at amortised	**Loans and receivables**	**Assets held for sale**	
	£'000	**£'000**	**£'000**	**£'000**
Interest payable and similar charges				0
Interest payable	3,670	0	0	3,670
Impairment of financial assets	0	19	0	19
Losses on derecognition	0	0	0	0
Total	**3,670**	**19**	**0**	**3,689**
Interest and investment income				
interest income (received)	0	(750)	0	(750)
interest income (impaired)	0	(60)	0	(60)
Gains on derecognition	0	0	0	0
Total	**0**	**(810)**	**0**	**(810)**

11.3 Fair value of financial assets and liabilities carried at amortised cost

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the Net Present Value of the cash flows that will take place over the remaining term of the instruments, which provides an estimate of the value of payments in the future in today's terms. This is the widely accepted valuation technique commonly used by the private sector. The following assumptions have been used:

i) For PWLB loans, the new borrowing rate has been used as the discount factor (as opposed to the premature repayment rate). This is because the premature repayment rate includes a margin which represents the lender's profit as a result of rescheduling the loan, which is not included in the fair value calculation. Relevant interest rates at 31 March 2013 were between 1.09% and 4.25% depending on the maturity date of the loan.

ii) No early repayment or impairment is recognised.

iii) For investments, the discount rate used in the Net Present Value calculation should be equal to the current rate in relation to the same instrument from a comparable lender. This will be the rate applicable in the market on the date of the valuation for an instrument with the same outstanding period to maturity.

The fair values (calculated by Sector, our treasury advisors) are as follows:

March 2012			**March 2013**	
Carrying Amount £'000	**Fair Value £'000**		**Carrying Amount £'000**	**Fair Value £'000**
		Long-term borrowing		
130,110	125,935	Financial Liabilities PWLB loans	122,692	125,634
2,004	1,887	Financial Liabilities - Other bonds and mortgages	2,003	1,989
		Short term borrowing		
4,569	4,569	Financial Liabilities - temporary loans	11,373	11,401

The fair value is higher than the carrying amount because the council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date including three old loans totalling £2.5m with rates of 7.625%, 10.25% and 10.5% which account for a fair value of £2,197k higher than the carrying amount. Further, the commitment to pay interest above current market rates on the other loans increases the amount that the authority would have to pay if the lender requested or agreed to early repayments of the loans. (It should be noted that the council's average interest payable rate was only 2.87% in 2012/13 compared to 9.22% in 2002/03).

31 March 2012			**31 March 2013**	
Carrying Amount £'000	**Fair Value £'000**		**Carrying Amount £'000**	**Fair Value £'000**
		Investments		
6,250	6,306	Loans and receivables - banks and building societies	7,862	8,060
0	0	Available-for-sale financial assets - externally managed	0	0
6,250	**6,306**		**7,862**	**8,060**

The fair value is slightly higher than the carrying amount because the authority's portfolio of investments includes a number of fixed rate investments where the interest rate receivable is slightly higher than the rates available for similar investments at the Balance Sheet date. This guarantee to receive interest above current market rates increases the amount that the council would receive if it agreed to early repayments of the investments. Both the carrying amount and fair value include the accrued interest due.

Financial assets and liabilities additionally include cash, bank overnight deposits and some debtors and creditors as set out in the table (above) in note 11.1. The fair value of these is equivalent to the nominal value.

11.4 Nature and extent of risks arising from financial instruments

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

i) Credit risk – the possibility that other parties might fail to pay amounts to the council.
ii) Liquidity risk – the possibility that the council might not have funds available to meet its commitments to make payments
iii) Re-financing risk – the possibility that the council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
iv) Market risk – the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates and stock market movements.
v) Foreign exchange rate risk – the risk that investments denominated in foreign currencies may change in value due to movements in foreign exchange rates.

The council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management in relation to treasury management is carried out by the Treasury and Corporate Finance Manager in consultation with other finance staff, under policies approved by the council in the annual treasury management strategy. The council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposure to the authority's customers. Deposits are only made with banks and financial institutions if they are rated with a minimum score of F1. The Treasury Management Strategy sets out the lending limits to any single counter party, these are based on the assessed risks and vary between £2 million and £10 million (as set out in the Executive report – 2 February 2012, which is available on the council's website).

In 2008/09 for the first time, the council experienced defaults by two of the financial institutions with whom investments had been made. These were the Heritable Bank, a UK bank owned by an Icelandic parent, and the Glitnir Bank, an Icelandic bank. The council had £4m invested with the Heritable, of which 81% has now been returned and a further 7% is expected to be returned, and £2m invested with Glitnir, all of which has been returned, although some remains invested in Iceland due to Icelandic controls on foreign exchange movements.

Liquidity risk

The council manages its liquidity position through risk management procedures (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 needed (although this facility is rarely used), and the PWLB and money markets for access to longer term funds. 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.

All sums owing to the council (£7m) are due to be paid within one year.

Refinancing and Maturity Risk

As the council has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk could have been that it would be bound to replace a significant proportion of its borrowings at a time of unfavourable interest rates. However £71m of loans have a maturity of more than 10 years and the strategy is now to spread the maturity profile of the borrowings and to make early repayments where it is beneficial to do so.

The maturity analysis of financial liabilities is as follows:

31 March 2012	Source of Loan	Range of interest rates payable	31 March 2013
£'000		%	£'000
130,110	Public Works Loan Board	1.86 - 10.50	122,692
2,004	Other bonds and mortgages	2.00 - 5.625	2,003
132,114	Total Long term borrowing		**124,695**
	Analysis of loans by maturity is:		
10,723	Maturing in 1-2 years		7,030
19,819	Maturing in 2-5 years		18,287
26,534	Maturing in 5-10 years		28,314
75,038	Maturing in over 10 years		71,064
132,114	Total Long term borrowing		**124,695**

Market Risk

Interest rate risk

The council is exposed to significant risks in terms of its exposures to interest rate movements on its investments, although much less on its borrowings. Movements in interest rates have a complex impact on the authority. For instance a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the surplus or deficit on the provision of services will rise
- borrowings at fixed rates – the fair value of the liabilities/borrowings will fall
- investments at variable rates – the interest income credited to the surplus or deficit on the provision of services will rise
- investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the surplus or deficit on the provision of services or other comprehensive income and expenditure account. However changes in interest payable and receivable on variable rate borrowings and investments (if the council had any) would be posted to the surplus or deficit on the provision of services and affect the General Fund balance.

Investments or borrowings at variable interest rates are potentially most affected by interest rate risk; this council does not have any such financial instruments, other than overnight deposits, and have thus mitigated much of this risk.

General Fund Borrowing

£23.5m of the council's borrowing is fixed at periods in excess of 10 years and therefore the market rate risk is mainly confined to the £13.4m of borrowings maturing in the next five years. The council's investments are held at fixed rates and are due to mature within 1 year. The interest rate risk relates to the reinvestment of these deposits when they mature, if interest rates should change and the refinancing of the shorter-date borrowings when they mature if rates should have risen by then.

The council obtained £360,000 interest on its investments in 2012/13 (£291,000 in 2011/12) – an average interest rate of 1.50% (1.24% in 2011/12). If the average rate had been 1% more (i.e. 2.50%) then the council would have received £240,000 more income.

Foreign exchange risk in relation to Icelandic Deposits

The council has foreign exchange exposure resulting from an element of the settlement received from Glitnir Bank. This is being held in Icelandic kroner in an escrow account due to the current imposition of currency controls.

11.5 Investments

Carrying Amount at 31 March 2012	Investment type	Carrying amount				Fair Value at 31 March
		Nominal Value	Accrued Interest	Impair-ment	Total 31 March 2013	
£'000	Internally Managed	£'000	£'000	£'000	£'000	£'000
810	Heritable Bank - fixed deposits	771	0	(338)	433	433
384	Glitnir Bank - remaining deposit	429			429	429
5,056	Other Banks - fixed deposits	7,000	156		7,156	7,198
6,250		**8,201**	**156**	**(338)**	**8,019**	**8,060**

Investments in Icelandic Banks

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidies of the banks, Heritable and Kaupthing, Singer and Freidlander went into administration. The authority originally had £6m deposited across 2 of these institutions, £2m with the Glitnir Bank and £4m with the Heritable Bank, with varying maturity dates and interest rates.

The impairment of £338k (excluding interest) shown in the table above, relates to net investments of £771k with the Heritable Bank, a UK bank with an Icelandic parent bank. The level of impairment has been calculated using the methodology specified by CIPFA which shows the impairment of the original investment to be £319k. To this is added estimated interest after maturity, at the contracted rates shown below, of £759k which is fully impaired. These amounts have been further impaired by a discounted cashflow calculation to £1,097k (gross of interest).

The Glitnir Bank made a full repayment of the original investment in March 2012 in a basket of currencies. Due to exchange controls currently operating in Iceland, the element of the distribution in Icelandic kroner has had to be placed in an escrow account in Iceland where it is earning interest of 4.2%. Any further impairment applicable to this deposit will be due to exchange rate fluctuations only.

Heritable Bank

Heritable Bank is a UK registered bank under Scottish law and was placed in administration on 7 October 2008.

All monies within this institution are currently subject to the administration and receivership processes taking place. The amounts and timing of payments to depositors such as this authority will be determined by the administrators/receivers.

Based on the latest information available, the council believes 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.

Creditors progress reports issued by the administrators, Ernst and Young, have indicated that the total return to creditors is projected to be 88p in the £. The council has already received a total of £3,229,372 (representing a dividend of 77.2%) from the bank during the financial years 2009/10 to 2012/13. It is anticipated that one further payment will be made until a final sale of assets after the books have been run down during 2013/14. Therefore in calculating the impairment the council has assumed that a dividend of approx 2% will be paid in July 2013 with a final dividend of 8.8% in January 2014.

The details of the investments in the Heritable Bank are as follows:

Date invested	Bank	Maturity date	Amount invested (net of receipts) £'000	Interest Rate	Carrying Amount £'000	Gross Impairment £'000	Impairment excluding interest £'000
18/12/2007	Heritable Bank Ltd	17/12/2008	379	6.06%	217	563	162
09/01/2008	Heritable Bank Ltd	08/01/2009	195	5.56%	108	268	87
15/01/2008	Heritable Bank Ltd	15/01/2009	197	5.45%	108	266	89
	Total		**771**		**433**	**1,097**	**338**

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

Glitnir Bank hf

Glitnir Bank 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, Islandbanki (formerly called new Glitnir) with the management of the affairs of Old Glitnir being placed in the hands of a resolution committee. Old Glitnir's affairs are being administered under Icelandic law.

Following the decision of the Supreme Court in Iceland to endorse the decision of the Reykjavik district court to award local authorities priority creditor status, the administrators of the Glitnir Bank made a distribution to authorities in March 2012 representing 100% of the money owed. As expected, this was paid in a basket of currencies, which when converted into sterling, amounted to £1,669,976. Additionally the element paid in Icelandic Kroner was placed in an escrow account in Iceland.

This deposit of 77,279,109 kr, valued at £383,677 at 31 March 2012, has been credited with interest calculated at £16,566 in 2012/13 and has benefited from improving exchange rates to be worth £428,627 at 31 March 2013.

Both banks

The impairment loss recognised in the Income and Expenditure Account in 2008/09, £1,463,000, was calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the authority until monies are recovered. This was adjusted in 2009/10 reducing the impairment by £102,000 to take account of monies received in the year.

The gross impairment losses of £1,454,000 for 2010/11, £1,051,000 for 2011/12 and £1,097,000 for 2012/13 have been calculated in a similar fashion, resulting in an increase of £46,000 from last year's impairment.

Adjustments to the assumptions will be made in future accounts as more information becomes available.

The council had taken advantage of the Capital Finance Regulations to defer the impact of the Impairment on the General Fund, but these regulations no longer apply. Therefore the impairment of £472,000 (excluding interest) was transferred from the Financial Instruments Adjustment Account to the General Fund in 2010/11. As planned, this was offset by a transfer of equal value from the VAT windfall reserve (now called the budget stabilisation account) which had been set aside for this purpose. This impairment was reduced by £120,000 (to £352,000) in 2011/12, and to £338,000 in 2012/13 and so equivalent transfers back from the budget stabilisation reserve were made in 2011/12 and 2012/13. There are additional impairments of £199,000 in 2011/12 and £60,000 in 2012/13 relating to interest which has been borne in full by the General Fund.

12 Long term debtors

Balance at 1 April 2012	Category	Advances	Repayment	Write-offs	Balance at 31 March 2013
£'000		£'000	£'000	£'000	£'000
	Soft loans (Misc loans)				
6,351	Actual amount outstanding	0	(529)	0	5,822
(732)	Adjustments to fair value	0	84	0	(648)
5,619	**Soft loans - Fair value**	0	(445)	0	5,174
22	Mortgages	0	(7)	0	15
12	Housing Act Advances	0	(1)	0	11
5,653	**Total**	**0**	**(453)**	**0**	**5,200**

The true balance for Soft Loans at 31 March 2013 of £5,822,000 has been reduced downwards by £648,000 (contra the Financial Instruments adjustment account) to a 'fair value' of £5,174,000 using a discounted cash flow calculation, to reflect the fact that the repayments are interest free (except for the loan to Kent County Cricket Club and other advances in 2011/12)

13 Short term debtors

31 March 2012	Category	31 March 2013
£'000		£'000
3,691	Sundry debtors	7,705
3,992	Government departments	210
5,412	Other local authorities	1,606
0	Public Corps & Trading Funds	1,054
13,095	**Total**	**10,575**

13.1 Provision for bad debts

31 March 2012	Category	31 March 2013
£'000		£'000
(179)	Council tax payers	(196)
(527)	Housing	(462)
(908)	Benefits	(1,065)
(488)	PCNs and other provisions	(660)
(2,102)	**Total**	**(2,383)**

14 Inventories (stocks in hand)

31 March 2012	Category	31 March 2013
£'000		£'000
44	Tourist information centres	53
136	Other	190
180	**Total**	**243**

15 Cash and cash equivalents

Cash is defined as cash in hand and deposits repayable on demand, less overdrafts. Cash equivalents are defined as money market funds and deposits maturing within three months having originally been placed for three months or less. The balance of cash and cash equivalents is made up of the following elements:

31 March 2012	Balance (inc accruals)	31 March 2013
£'000		£'000
7,177	Bank overnight deposits	12,720
268	Cash in hand	687
7,445		13,407
(4,232)	Bank overdraft	(1,587)
3,213		**11,820**

16 Assets for sale

31 March 2012		Assets Transfered	Revaluation	31 March 2013
£'000	Balance outstanding at start of year			£'000
0	Lakesview	90	213	303
0	Asset sold	0	0	0
0	Total	**90**	**213**	**303**

17 Creditors

31 March 2012	Category	31 March 2013
£'000	**Sundry creditors**	£'000
(3,532)	Government departments	(2,862)
(1,311)	Other Local Authorities	(1,394)
(6,278)	Other entities & Individuals	(6,649)
0	Public Corp & Trading Funds	0
(11,121)	**Total**	**(10,905)**

18 Usable Reserves

Movements in the council's usable reserves are detailed in the Movement in Reserves Statement and in notes 6 and 7 to the financial statements.

19 Unusable Reserves

Reserve	Balance at 1 April 2012	Net movement in year	Balance 31 March 2013	Purpose of reserve
	£'000	£'000	£'000	
Revaluation Reserve	(51,939)	(5,294)	(57,233)	Store of gains on revaluation of fixed assets, not yet realised through sales see note 19.1 for details
Capital Adjustment Account	(230,183)	5,927	(224,256)	Store of capital resources set aside to meet past expenditure see note 19.3 for details
Financial Instrument Adjustment Account	1,151	(178)	973	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowing and investments see note 19.2 for details
Pensions Reserve	54,533	4,744	59,277	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet. See note 19.4 for details
Deferred Capital Receipts	(22)	7	(15)	Represents principal outstanding from mortgages see note 19.5 for details
Collection Fund Adjustment Account	55	20	75	Resources available to meet future precept payments re City Council share only. See note 19.6 for details
Short-term accumulating absences account	115	43	158	Represents accrual of holiday entitlment c/f at year end. See note 19.7 for details
Total	**(226,290)**	**5,270**	**(221,020)**	

19.1 Revaluation Reserve

This reserve contains the gains made by the council arising from increases in the value of its Property, Plant and Equipment (and Intangible Assets) as a result of inflation or other factors. 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.

31 March 2012 £'000	Category	General Fund £'000	Housing £'000	31 March 2013 £'000
(15,002)	Balance at 1 April	(19,805)	(32,134)	(51,939)
(34,564)	Upward revaluation of assets	(831)	(1,708)	(2,539)
3,068	Downward revaluation of assets and impairment losses not charged to Surplus/Deficit on provision of services	2,686	0	2,686
(31,496)		1,855	(1,708)	147
(5,648)	Depreciation written out on revaluations of fixed assets	(2,686)	(2,867)	(5,552)
(37,144)	Surplus or deficit (-) on revaluation of non-current ssets not posted to the surplus or deficit on the provision of services per CI&ES.	(831)	(4,575)	(5,406)
	Transfers to Capital Adjustment Account (note 19.3)			
44	Write-out the revaluation gains previously recognised for assets disposed of in current year.	0	0	0
163	Difference between fair value depreciation and historical cost depreciation following revaluations	111	1	112
(36,937)	Total movement in reserve in the year	(720)	(4,574)	(5,294)
(51,939)	**Balance at 31 March**	**(20,525)**	**(36,708)**	**(57,233)**

19.2 Financial instruments Adjustment Account

This unusable reserve provides a balancing mechanism between the different rates at which gains and losses (such as premiums on the early repayment of debt and loans made at less than market value) are recognised under accounting arrangements and are required by statute to be met from the General Fund. It also has to carry the value of any impairments to investments.

There have been various debt restructures between 1998/99 and 2008/09 which have resulted in premiums or discounts on the early repayment of debt, which are being spread over the life of the replacement or original loans (whichever was appropriate). These are included in the above account.

The main component of soft loans relates to loans of £4m and £1.5m to Kent Cricket Club and an interest-free loan of £600,000 advanced to Active Life.

Full details regarding the impairment of investments are set out in note 11.5

31 March 2012 £'000	Category	New advances £'000	Redemptions £'000	31 March 2013 £'000
	Premiums paid on premature redemption of PWLB loans			
504	General Fund share	0	(37)	467
139	HRA share	0	(91)	48
643	Total	0	(128)	515
	Discounts received on premature redemption of loans			
(179)	General Fund share	0	27	(152)
(45)	HRA share	0	7	(38)
419	Net total of premiums/discounts	0	(94)	325
732	Soft loans (difference between actual value and fair value)	0	(84)	648
0	Impairment of investments	0	0	0
1,151	**Total**	**0**	**(178)**	**973**

19.3 Capital Adjustment Account

This reserve reflects the timing differences between the historical cost of non-current assets consumed, 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 that have been set aside to finance the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on Investment Properties. 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.

2011/12 Total £'000	Capital Adjustment Account	General Fund £'000	Housing £'000	2012/13 Total £'000
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement			
	Charges for depreciation and impairment			
17,482	Charges for impairment of non-current assets	3,368	3,961	7,329
6,445	Depreciation and amortisation of non-current assets	4,121	2,934	7,055
(163)	Additional depreciation transferred from Revaluation Reserve to Capital Adjustment a/c after revaluations	(111)	(1)	(112)
	Debits relating to disposals			0
1,140	Amounts of non-current assets written off on disposals in current year	2	907	909
(444)	Less depreciation written out on disposals in current year	0	0	0
(44)	Less transfer from Revaluation Reserve to Capital Adjustment account following disposal	0	0	0
	Debits relating to the historical cost of revenue funded from capital			0
347	Revenue expenditure less grants funded from capital under statute	465	0	465
160	Repayments of soft loans and housing act advances	529	0	529
24,923	**Net written out amount of the cost of non-current assets consumed in the year.**	8,374	7,801	16,176
	Credits relating to capital financing applied in the year			
(4,645)	Capital expenditure financed from capital receipts reserve	(42)		(42)
(3,926)	Capital expenditure financed from major repairs reserve	0	(4,630)	(4,630)
(817)	Capital expenditure charged against the General Fund and HRA balances	(145)	(1,072)	(1,217)
(8,338)	Capital expenditure financed by grants	(1,090)	(48)	(1,138)
(546)	Capital expenditure financed by grants received in previous year where conditions have now been met.	0	0	0
(1,231)	Statutory provision for the financing of capital charged to the General Fund (min revenue provision)	(1,474)	0	(1,474)
(19,503)	**Total credits from resources set aside to finance capital**	(2,751)	(5,750)	(8,501)
5,420	**Movement in the year**	5,623	2,052	7,675
(537)	Movement in the market value of Investment Properties debited or credited to the Comp Income and Exp Stmt	2,301	0	2,301
96,828	Housing settlement determination payment	0	(4,049)	(4,049)
(331,894)	Balance at 1 April	(146,237)	(83,946)	(230,183)
(230,183)	**Balance at 31 March**	**(138,312)**	**(85,944)**	**(224,256)**

19.4 Pensions Reserve

The Pensions Reserve absorbs the timing differences due to the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statute. The council 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 council 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 council 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.

2011/12		2012/13
£'000		£'000
35,926	**Balance at 1 April**	54,533
19,777	Actuarial gains or losses on pensions assets and liabilities	4,236
2,457	Reversal of items relating to retirement benefits debited or credited to the Deficit on the Provision of Services in the Comprehensive I&E Statement	4,254
(3,627)	Employer's pension contributions and direct payments to pensioners payable in the year	(3,746)
54,533	**Balance at 31 March**	**59,277**

19.5 Deferred capital receipts reserve

This reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statute, these gains are not treated as usable for financing new capital expenditure until they are backed by cash receipts. These amounts arise principally from mortgages on sales of council houses, which form the main part of mortgages under long-term debtors. When cash is received, the amount is transferred to the capital receipts reserve.

£'000		£'000
(30)	Balance at 1 April	(22)
8	Transfer to the Capital Receipts Reserve upon receipt of cash	7
(22)	**Balance at 31 March**	**(15)**

19.6 Collection Fund adjustment account

This account holds 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.

£'000		£'000
(4)	Balance at 1 April	55
59	Amount by which council tax income credited to the Comp I&E statement is different from council tax income calculated for the year under statute	20
55	**Balance at 31 March**	**75**

19.7 Short-term accumulated absences account

£'000	£'000		£'000	£'000
127		Balance at 1 April	115	
	(127)	Settlement or cancellation of accrual made at end of previous year		(115)
	115	Amounts accrued at the end of the current year		158
(12)		Net difference to Comp I&E Statement	43	
115		Balance at 31 March	**158**	

20 Cash flow statement – operating activities

The cash flows for operating activities include the following items:

2011/12		2012/13
£'000		£'000
1,225	Interest paid	3,666
(583)	Interest received	(707)
642	Total	**2,959**

Full details of investing and financing activities are included in the main cash flow statement itself.

21 Trading Operations

The council operates the following trading operations:

	2010/11	2011/12	2012/13
	£'000	£'000	£'000
The council runs three markets and various boot fairs			
Turnover	(231)	(242)	(213)
Expenditure	187	178	163
Surplus(-)/deficit on trading operations	**(44)**	**(64)**	**(50)**

22 Grant Income

The council credited the following grants and contributions to the comprehensive income and expenditure statement.

2011/12	Credited to taxation and non-specific grant Income	2012/13
£'000	**a) General government grants**	£'000
(2,478)	Revenue Support Grant	(179)
(8,017)	Distribution from non-domestic rate pool	(9,221)
(674)	New homes bonus and council tax freeze grant	(1,143)
(11,169)	**Total of general government grants**	**(10,543)**
	b) Recognised capital grants and contributions	
(8,884)	Grants and contributions	(2,057)
(8,884)	**Total of recognised capital grants and contributions**	**(2,057)**

The council credited the following grants and contributions to the comprehensive income and expenditure statement.

2011/12	Credited to Services	2012/13
£'000	a) 'True' revenue grants	£'000
(28,251)	Rent allowances	(29,096)
(15,466)	Rent rebates	(16,212)
(10,331)	Council tax benefits	(10,158)
(992)	Benefits administration	(930)
(451)	Sure Start partnership	(396)
(234)	NDR	(229)
(364)	Homelessness	(345)
(577)	Other revenue grants	(537)
(56,666)		(57,903)
	b) Grants re Revenue expenditure funded by grants under Statute (REFCUS)	
(535)	Housing specified grant for disabled facilities	(536)
(518)	Defra re coast protection	(381)
(24)	Other grants	(119)
(57,743)	**Total to general government grants**	**(58,939)**

The council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned if the conditions are not met. They are credited to this account until the terms of the condition are substantially met.

2012	Capital grants receipts in advance	2013
£'000	Grants received	£'000
(303)	Section 106 grants relevant to specific sites	(139)
(303)	**Balance at 31 March**	**(139)**

23 External Audit costs

The council has incurred the following costs in relation to the audit of the Statement of Accounts and certification of grant claims.

2011/12	Fees payable to the Audit Commission for	2012/13
£'000		£'000
114	External audit services carried out by the appointed auditor	66
0	Statutory inspection	0
39	Certification of grant claims and returns	40
153	**Total**	**106**

24 Members' Allowances

The total of members' allowances paid in the year was £372,500 (2011/12 - £379,500).

25 Officers' Emoluments

The number of employees whose remuneration including termination payments, but excluding employer's pension contributions, was over £50,000, in bands of £5,000 are shown in the table below. The increase in the number of employees included in this table is due to 4 staff now included in the £50,000 to £54,999 as a result of the 1% pay award for 2012/13 and five staff receiving redundancy payments that when added to their salary payment was in excess of £50,000.

Number of employees 2011/12	Remuneration band	Number of employees 2012/13
8	£50,000 - £54,999	9
2	£55,000 - £59,999	5
4	£60,000 - £64,999	7
1	£65,000 - £69,999	1
0	£70,000 - £74,999	2
4	£75,000 - £79,999	2
1	£80,000 - £84,999	2
0	£85,000 - £89,999	1
1	£90,000 - £94,999	0
1	£95,000 - £99,999	1
0	£100,000 - £104,999	1
0	£110,000 - £114,999	1
1	£130,000 - £134,999	0
0	£150,000 - £154,999	1
23	**Total**	**33**

25.1 Senior Officers' Emoluments

This note reports the details of officers with statutory responsibilities and those reporting direct to the Chief Executive. The lowest full-time pay rate on the council's salary scale is £11.7k, therefore the test of the most senior salary not exceeding 20 times this rate is comfortably met.

2011/12 Salaries fees and allowances paid or receivable £'000		2012/13 Salaries, fees and allowances paid or receivable £'000	2012/13 Employer's contribution to pension - pensionable pay multiplied by common contribution rate £'000
133	Head of paid service - Chief Executive	114	16
75	Chief Financial Officer - Director of Resources	97	13
76	Head of Legal and Democratic Services	82	11
	Non Statutory Directors		
96	Strategic Director and Deputy Chief Executive	103	14
95	Strategic Director	42	5

There were no other bonuses paid or receivable, no expenses allowance chargeable to UK tax paid or receivable, no amount of any compensation for loss of employment paid or receivable plus any other payment in connection with termination of employment paid to any of the above.

26 Exit Packages and Termination Benefits

The council terminated the contracts of a number of employees in 2012/13, incurring liabilities of £522,000 (£302,000 in 2011/12). The total in 2012/13 is payable in respect of 24 officers from various divisions within the council who were made redundant as part of the council's rationalisation of the service. The total cost of these exit packages is analysed in bands of £20,000 below:

Band	2012/13	
	Number of employees	Total cost £'000
£0 - £19,999	14	98
£20,000 - £39,999	7	208
£40,000 - £59,999	2	107
over £60,000	1	109
	24	522

27 Related Party Transactions

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

Central Government

Central government has effective control over the general operations of the council – it is responsible for providing the statutory framework within which the council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in note 22 (above) – both credited to services and credited to taxation and non-specific grant income. Grant receipts outstanding are also shown in this note.

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in the last year is shown in note 24. Details of any related party transactions with members are collected annually.

East Kent Housing Limited

The council has a 25% share of East Kent Housing Ltd, an arms length management organisation. Payment of £2,880,000 was made in 2012/13 to East Kent Housing in respect of management fees and the council received £355,000 from East Kent Housing in respect of services supplied to it. Balances due to/from East Kent Housing at 31 March 2013 are £1,000 and £29,000 respectively. There is a close family relationship between a senior officer of the Council and EKH.

Precepting authorities

The council collects council tax on behalf of its three precepting authorities who in turn precept the council for the amounts set out below (These figures are also shown in the Collection Fund Accounts), Kent County Council also administers the Kent Pension Fund on behalf of Kent districts.

	Receipts	Payments	Debtors	Creditors
	£'000	£'000	£'000	£'000
Kent County Council - Precept		54,854		
Kent and Medway Fire Authority Precept		3,557		
Police & Crime Commissioner for Kent - Precept		7,260		
Kent County Council Pension Fund		3,403		171

28 Private Finance Initiative (PFI)

In October 2007 the council entered into an agreement with Kent County Council and nine other Kent district councils to all participate in a Private Finance Initiative (PFI) called 'Better Homes Active Lives'. The PFI generated up to 352 units of social housing across Kent, including 65 apartments for people with learning difficulties, 7 apartments for people with mental health problems and 280 units of sheltered housing for frail older people.

As part of the agreement, Canterbury City Council donated two properties on a leasehold basis: King Edward Court, Herne Bay, valued at £1,400k and Brymore Road Garages, Canterbury, valued at £429k. The council retains ownership of the freehold of both properties and receives a peppercorn rent for the use of the properties.

Under the agreement, the council have nomination rights over the occupancy of the properties for the first 30 years, after which there will be the option of retaining the nomination rights or receiving an increased rent. The King Edward Court scheme and the Brymore Road scheme (now known as Henry Court) are both built and fully occupied.

29 Impairment losses

Impairment losses on Property, Plant and Equipment which are charged to the surplus or deficit on the provision of services are shown in note 9 to the financial statements. Impairment losses on financial assets are shown in the financing and investment section of the Comprehensive Income and Expenditure Statement.

The only material impairments included in the provision of service costs is within the Cultural and Related Services for the impairment costs of the Beaney Museum. This was due to the revaluation of the refurbished museum upon completion in 2012/13. The gross impairment costs in relation to this asset were £4,127k.

30 Pension Costs

Participation in pensions schemes

As part of the terms and conditions of its officers and other employees, the council offers retirement benefits. Although these will not be payable until employees retire, the council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlements. The council participates in the Local Government Pensions Scheme administered by Kent County Council. This is a defined benefit statutory scheme, meaning that the council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The scheme makes payments in the year to retired officers.

The actuary appointed to carry out the valuation for final accounts purposes is Barnett Waddington.

Transactions relating to retirement 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 retirement benefits is reversed out in the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund balance during the year:

2011/12	Transactions in the Comprehensive Income and Expenditure Statement	2012/13
£'000		£'000
	Cost of Services	
2,080	Current Service cost	2,277
0	Past Service costs	0
(408)	Settlements and curtailments	486
	(the above two are shown as 'non distributed costs')	
	Financing and Investment income and expenditure	
6,417	Interest cost of pension scheme liabilities	6,199
(5,632)	Expected return on employer assets	(4,708)
2,457	**Total retirement benefit charged to the Surplus or Deficit on the provision of services**	4,254
	Other retirement benefit charged to the Comprehensive Income and Expenditure statement	
19,777	Actuarial Losses/(Gains) (11309-7073)	4,236
22,234	Total charged to the Comprehensive Income and Expenditure Statement	8,490
	Movements in Reserves Statement	
(2,457)	Reveral of net charges made for retirement benefits in accordance with the code to the Surplus or Deficit for the provision of services	(4,254)
	Actual amount charged against the General Fund Balance for pensions in the year	
3,283	Employer contributions payable to the scheme	3,403
344	Unfunded benefits paid	343

Assets and liabilities in relation to retirement benefits

£'000	Movement in Defined Benefit Obligation ('Scheme Liabilities')	£'000
(122,112)	**Opening balance at 1 April**	**(137,622)**
(2,080)	Current service cost	(2,277)
0	Past service cost (includes gain from change in pension policy)	
3,821	(Losses)/gains on settlements (-0-) and curtailments (-486)	(486)
(692)	Contributions by members (employees)	(672)
5,685	Estimated benefits paid	6,704
344	Estimated unfunded benefits paid	343
(6,417)	Interest cost of pension scheme liabilities	(6,199)
(16,171)	Actuarial (Losses)/gains	(11,309)
(137,622)	**Closing balance at 31 March**	**(151,518)**

2011/12 £'000	Movement in Fair Value of scheme assets	2012/13 £'000
86,186	**Opening balance at 1 April**	**83,089**
3,283	Employer contributions	3,403
692	Contributions by members (employees)	672
344	Contributions in respect of Unfunded Benefits	343
(5,685)	Benefits paid	(6,704)
(344)	Unfunded benefits paid	(343)
5,632	Expected return on employer assets	4,708
(3,606)	Actuarial gains/(losses)	7,073
(3,413)	Payment of bulk transfer values	0
83,089	**Closing balance at 31 March**	**92,241**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy.

The actual return less expected return on pension scheme assets in the year was £7,073k in 2012/13, (-£3,606k) in 2011/12.

Assets in the superannuation fund are valued at fair value, principally market value for investments, and consist of the following categories by proportion, together with their expected rate of return.

Expected LT return at 31 March 2012	Assets value at 31 March 2012	Assets (Employer)	Expected long term return at 31 March 2013	Assets value at 31 March 2013
% per annum	**£'000**		**% per annum**	**£'000**
6.3	61,485	Equities	6.3	65,491
3.3	831	Gilts	3.3	0
4.6	8,309	Other bonds	4.6	11,991
4.3	7,478	Property	4.3	7,379
3	3,324	Cash	3	3,690
4.7	1,662	Target return	4.7	3,690
5.8	**83,089**	**Total**	**5.8**	**92,241**

2012 £'000	Net Pension Liability as at 31 March in Balance Sheet	2013 £'000
83,089	Fair Value of Employer Assets A	92,241
(133,597)	Present Value of Funded Liabilities B	(147,429)
(50,508)	Net underfunding in Funded Plans A - B	(55,188)
(4,025)	Present Value of Unfunded Liabilities C	(4,089)
(54,533)	**Net Pension Liability A - B - C in Balance Sheet**	**(59,277)**

The liabilities show the underlying commitments that the council has in the long run to pay retirement benefits. Under the requirements of IAS19, a (net) pension liability was created in the balance sheet. However, so that IAS19 has no effect on demands on council tax and there is no demand on earmarked reserves, the Pensions Reserve holds an equal and opposite balance. The movements in these reserves reflect the net change in pensions liability recognised in the income and expenditure account.

Further information can be found in Kent County Council's Superannuation Fund's Annual Report which is available upon request from the Investment Section, Sessions House, County Hall, Maidstone, Kent ME14 1XQ.

Scheme History

	2012/13	2011/12	2010/11	2009/10	2008/09	2007/08
	£'000	£'000	£'000	£'000	£'000	£'000
Present value of liabilities	(151,518)	(137,622)	(122,112)	(170,318)	(107,470)	(116,340)
Fair value of scheme assets	92,241	83,089	86,186	81,072	60,890	75,130
Surplus/deficit (-) in the scheme	(59,277)	(54,533)	(35,926)	(89,246)	(46,580)	(41,210)
Experience adjustments on scheme liabilities	(107)	(54)	17,589	861	70	3,720
Percentage of liabilities %	(0.1)	0.00	(14.4)	(0.5)	(0.1)	(3.2)
Experience adjustments on scheme assets	7,073	(3,606)	5,413	17,147	(20,040)	(13,940)
Percentage of assets %	7.7	(4.3)	6.3	21.2	(32.9)	(18.6)
Actuarial gains/(losses)	4,236	19,777	(38,355)	42,214	3,820	8,740
Cumulative actuarial gains/losses	(41,133)	(36,897)	(17,120)	(55,475)	(13,261)	(9,441)

The liabilities show the underlying commitments that the council has in the long run to pay retirement benefits. The total liability of £151,518k has a substantial impact on the net worth of the council as recorded in the Balance Sheet, resulting in a negative overall balance of £59,277k. However statutory arrangements for funding the deficit mean that the financial position of the council remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (ie before payments fall due), as assessed by the scheme actuary.

- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The estimated employer's contributions for the year 2013/14 are £3,179k

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. These liabilities have been assessed by Barnett Waddington, an independent firm of actuaries.

The long term expected rate of return on assets in the scheme is shown three tables above next to the values of each category of asset.
Other assumptions are set out below:

%	Financial assumptions	%
3.3	RPI increases	3.3
2.5	CPI increases/pension increase rate	2.5
4.3	Rate of increase in salaries	4.3
4.6	Rate for discounting scheme liabilities (discount rate)	4.2
5.8	Expected return on assets	5.8

31 Heritage Assets

FRS 30 defines a heritage asset as 'a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture'.

This accounting standard was issued in 2010/11 and was adopted for the first time in 2011/12 with the balance sheet being restated as at 1 April 2010 and 31 March 2011. It is not practicable to give details of transactions prior to April 2010.

The restatement resulted in the introduction of the asset class 'Heritage assets' and adjustments to Land and Buildings, Community Assets and the Revaluation Reserve.

Canterbury City Council owns a large number of heritage assets which have either been donated to the council or purchased or the council has inherited from other public bodies.

The assets are maintained to a standard which enables them to retain their original value. Therefore, it is not considered appropriate to depreciate these assets.

The assets fall into two basic categories; land and buildings and museum contents and artefacts, plus various items of public art and sculpture on display around the district.

Land and Buildings

The council owns the following land and buildings, most of them historic, which are held and maintained principally for their contribution to knowledge and culture. Assets whose primary function is operational, such as the Holy Cross Church (The Guildhall), Tower House, The Marlowe Theatre and museum buildings are not classed as Heritage Assets. Where the asset values are recorded on the fixed asset register, these values are also shown. However, there are many assets where the council does not hold information on the cost or value, and it is considered that the cost of obtaining this information outweighs the benefit to the reader of the accounts.

Assets	**At 1 April 2010**	**At 31 March 2011**	**At 31 March 2012**	**At 31 March 2013**
	£'000	**£'000**	**£'000**	**£'000**
Roper Gateway, St Dunstans Street	0	0	0	0
Jesuit Chapel (Hales Place Chapel Trust)	0	0	0	0
Black Princes Chantry Wall	0	0	0	0
Roman Site Butchery Lane	972	972	972	972
Canterbury Castle	30	30	30	30
City Walls	0	0	0	0
Dane John Mound	0	0	0	0
St George's Clocktower	0	0	0	0
St Mary Magdalene Clocktower	0	0	0	0
Herne Bay Clocktower, Central Parade	0	0	0	0
Littlebourne Barn	157	157	157	161
1st and 2nd World War Memorials	0	0	0	0
Boer War Memorial, Dane John	0	0	0	0
Kent Yeomanry War Memorial, Nasons	0	0	0	0
Whitstable War Memorial	0	0	0	0
Memorial to Kentish Martyrs	0	0	0	0
Heritage Assets - Land and Buildings	**1,159**	**1,159**	**1,159**	**1,163**

The buildings are all maintained by the council's buildings maintenance department. There are regular inspections and any maintenance required is carried out as part of the maintenance programme for all of the council's buildings.

Museum contents and other artefacts

The council operates five museums:

- The Royal Museum and Art Gallery, Canterbury (known as 'The Beaney')
- The Herne Bay Museum and Gallery
- The Whitstable Museum and Gallery
- Canterbury Heritage Museum
- Canterbury Roman Museum

The Council also owns the building which houses the Westgate Towers Museum which is operated externally.

Canterbury's Museum Service was started in 1825 in the Philosophical and Literary Institution in Guildhall Street. Under the Museums Act of 1845 it became the first local authority museum in Kent in 1846. The service, now operated under the 1964 Libraries and Museums Act has since 1974 been a district-wide provision with museums in Canterbury and since 1985 in Whitstable, and since 1996 at Herne Bay.

In Canterbury the Museum outgrew its Guildhall Street site and the bequest of Dr Beaney provided for the move to its current premises on the High Street. It opened here as the Royal Museum in 1899. The Slater family bequest allowed for the addition of the art gallery in 1934.

Whitstable Museum opened in 1985 and an extension providing art gallery space was completed in 1991.

The art in the museums were last valued in 2006 by Sotheby's for insurance purposes at £7,100,000. Since then, the valuation has been adjusted to a figure of £6,980,000.

Other museum exhibits are valued for insurance purposes at £840,000 and various civic and public art commissions are valued at £670,000 giving an overall total of £9,531,000 which also includes Tower House and Van Dyck paintings, but excludes exhibitions on loan to the council.

The following assets are included on the fixed asset register:

Asset	**At 1 April 2010**	**At 31 March 2011**	**At 31 March 2012**	**At 31 March 2013**
	£'000	**£'000**	**£'000**	**£'000**
Museum Exhibits	840	840	840	840
Art Collection	6,980	6,980	6,980	6,980
Civic and Public Art Commissions	670	670	670	670
Tower House paintings	41	41	41	41
Van Dyck painting	950	950	1,000	1,000
Heritage Assets - Museum contents etc	**9,481**	**9,481**	**9,531**	**9,531**

It has been determined that the civic regalia should be classed as operational assets as they are used in the course of the council's business.

The museums service is managed by a director and a small team whose duties are to look after and preserve the exhibits.

The value of acquisitions and disposals in the last five years is deemed to be insignificant.

Summary of Heritage Assets

Heritage Asset Category	At 1 April 2010	At 31 March 2011	At 31 March 2012	At 31 March 2013
	£'000	£'000	£'000	£'000
Land and Buildings	1,159	1,159	1,159	1,163
Museum contents etc	9,481	9,481	9,531	9,531
Heritage Assets - Total	**10,640**	**10,640**	**10,690**	**10,694**

32 Operating leases payable

The authority has acquired some equipment (e.g. for car parks) through operating leases. The amount paid under these arrangements in 2012/13 was £25,000 (2011/12 - £25,000). During 2011/12 the authority acquired more than an insignificant amount of use of the leisure facilities at Herne Bay High School for 25 years, in return for a payment of £2.4m. This arrangement is being treated as an operating lease payment of £98,000 in 2012/13, (£81,000 for 2011/12).

The future cash payments required under these leases are:

	Commitment	
Details of period	**2013/14**	**2014/15 onwards**
	£'000	**£'000**
Those opertating leases in which the commitment:		
expires within that year	0	0
expires in the second to fifth year from the balance sheet date	0	0
expires over five years from the balance sheet date	98	2,123
Total	**98**	**2,123**

The authority's Park and Ride service is operated under an arrangement which is classed under International Financial Reporting Standards as containing an embedded lease. This lease is classified as an operating lease but it is not possible to separate the payments to the operating company between lease payments and payments for other elements of the service.

The total payments from the commencement of the contract on 1 April 2009 are as follows:

Year	£'000
2009/10	1,172
2010/11	1,095
2011/12	1,115
2012/13	1,102

Operating Leases receivable

The council owns a large portfolio of property including two industrial estates and various properties in the city centre.

Much of this land is leased out. A review of the leases by the council has concluded that these leases are classed as operating leases as the risks and rewards of ownership of the land remain with the lessor.

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

Details of period	2013/14	2014/15 onwards
	£'000	£'000
Not later than one year	255	158
Later than one year and not later than five years	296	797
Later than five years	3,129	381,227
Total	**3,680**	**382,182**

33 Assets held under Finance Leases

The council has not acquired any assets through finance leases since April 1990. All but one of these leases were for a primary period of five years. Since the outstanding obligations are not material, these have not been reflected in the balance sheet.

The council has awarded a contract to Serco for the provision of its waste collection and other services. The assets used by Serco in the execution of these services constitute an embedded finance lease under IFRIC 4 conditions. The net book value of these assets as at 31 March 2013 was estimated to be zero as it has been fully written off in line with the contract.

34 Contingent Liability

At 31 March 2013, the council had two significant contingent liabilities.

East Kent Housing Limited

From 1 April 2011, East Kent Housing Limited, a company jointly owned by Canterbury, Shepway, Dover and Thanet councils commenced trading. East Kent Housing is an Arms Length Management Organisation (ALMO) set up by the four councils to manage its housing stock. Canterbury retains ownership of its housing stock, but the ALMO has responsibility for Canterbury's day to day housing services management, East Kent Housing is a company limited by guarantee.

The council has entered into an agreement with East Kent Housing that if the company is not able to make payments to the Kent Local Government Pension Fund in respect of the pensionable service of employees transferred from the council, then the council will meet such payments.

East Kent Housing Ltd's pension liability has reduced from £5.1 million to £4.4 million at 31 March 2013. However, the company remains able to meet its current pension obligations and will not be making calls on the four owner councils towards its pensions contributions.

Revised future contribution rates will not be set until 2014/15, meaning that the company should be able to meet its current pension obligations at least up to that point. The impact of any increase to its future contribution rate may have to be assessed within the context of future management fees.

Canterbury City Council is a defendant in proceedings brought by a group of Property Search Companies for refunds of fees paid to the Council to access land charges data. In the current litigation the Council faces a claim of £36k plus interest and costs. A second group of Property Search Companies are also seeking to claim refunds although no proceedings have yet been issued. The Council has been informed that the value of those claims at present is £129k plus interest and costs. The second group of Property Search Companies 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.

35 Post Balance Sheet Events

The council is required to consider events that may have an impact on the accounting statements since 31 March 2013. No events have occurred that require changes to the accounting statements. However the introduction of the Business Rates Retention Scheme for 2013/14 has given rise to a change in the liability for funding successful appeals for Business Rate charges. From 1 April 2013 the liability for successful appeals will be split between central government and the major preceptors of the district. The estimated value of appeals for Canterbury is £2million which would be split as follows:

	Share of liability	Estimated liability
		£'000
Central Government	50%	1,000
Canterbury City Council	40%	800
Kent County Council	9%	180
Kent & Medway Fire and Rescue Service	1%	20
Total	100%	2,000

36 Segmental Reporting for the year ended 31 March 2013

	Net Cost of Services £'000
Fees, charges and other service income	(37,088)
Dwelling rents	(21,772)
Government grants	(69,566)
Total Income	**(128,426)**
Employee expenses	18,043
Premises, transport and service expenses	57,523
Housing settlement determination payment	0
Housing benefit payments	55,513
Interest and principal payments and RCCO	2,925
Total operating expenses	134,004
Net cost of services	**5,578**
Reconciliation to net cost of services in Comprehensive Income and Expenditure Statement	
Cost of Services in Service Analysis	5,578
Add amounts not reported in service management accounts	1,841
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	15,280
Net cost of Services in Comprehensive Income and Expenditure Statement	**22,700**

Reconciliation to Subjective Analysis (Single Entity)	**Service Analysis**	**Not reported in service mand a/cs**	**Not included in I&E**	**Net cost of services**	**Corporate Amounts**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Fees, charges and other service income	(35,664)	1,264	8,674	(25,726)	(5,578)	(31,304)
Dwelling rents	(21,772)			(21,772)	0	(21,772)
Recharges	(731)		(400)	(1,131)	400	(731)
Interest and investment income	(693)		693	0	(713)	(713)
Income from council tax	0		0	0	(9,958)	(9,958)
Government grants and contributions	(69,566)	(1,105)	9,400	(61,271)	(11,457)	(72,728)
Total Income	**(128,426)**	**159**	**18,367**	**(109,900)**	**(27,305)**	**(137,205)**
Employee expenses	18,043	(790)	(59)	17,194	1,563	18,757
Other service expenses	50,347	(4,856)	(81)	45,410	2,716	48,126
Housing settlement payment	0	0	0	0	0	0
Housing benefit payments	55,513	0	0	55,513	0	55,513
Depreciation, amortisation and Impairment	7,055	7,329	(47)	14,337	2,348	16,685
Interest and principal payments and RCCO	2,925	0	(2,780)	145	1,307	1,452
Precepts and Levies	120	0	(120)	0	725	725
Payments to Housing Capital Receipts Pool	0	0	0	0	385	385
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	(634)	(634)
Total operating expenses	**134,004**	**1,683**	**(3,087)**	**132,600**	**8,409**	**141,009**
Surplus or deficit on the provision of services	**5,578**	**1,842**	**15,280**	**22,700**	**(18,896)**	**3,803**

Segmental Reporting for the year ended 31 March 2012	Net cost of services
	£'000
Fees, charges and other service income	(24,264)
Dwelling rents	(20,227)
Government grants	(57,702)
Total Income	**(102,193)**
Employee expenses	14,442
Premises, transport and service expenses	44,201
Housing settlement determination payment	96,828
Housing benefit payments	53,894
Interest and principal payments and RCCO	3,178
Total operating expenses	212,543
Net cost of services	**110,350**
Reconciliation to net cost of services in Comprehensive Income and Expenditure Statement	
Cost of Services in Service Analysis	110,350
Add amounts not reported in service management accounts	24,938
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	959
Net cost of Services in Comprehensive Income and Expenditure Statement	**136,247**

Reconciliation to Subjective Analysis (Single Entity)	Service Analysis	Not reported in service mand a/cs	Not included in I&E	Net cost of services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges and other service income	(24,264)	0	4,410	(19,854)	(4,414)	(24,268)
Dwelling rents	(20,227)	0	0	(20,227)	0	(20,227)
Recharges	0	(1,235)	0	(1,235)	411	(824)
Interest and investment income	0	0	0	0	(489)	(489)
Income from council tax	0	0	0	0	(9,849)	(9,849)
Government grants and contributions	(57,702)	(1,203)	0	(58,905)	(20,053)	(78,958)
Total Income	**(102,193)**	**(2,438)**	**4,410**	**(100,221)**	**(34,394)**	**(134,615)**
Employee expenses	14,442	1,654	(63)	16,033	855	16,888
Other service expenses	44,201	1,820	(210)	45,811	209	46,020
Housing settlement payment	96,828	0	0	96,828	0	96,828
Housing benefit payments	53,894	0	0	53,894	0	53,894
Depreciation, amortisation and Impairment	0	23,902	0	23,902	(512)	23,390
Interest and principal payments and RCCO	3,178	0	(3,178)	0	1,368	1,368
Precepts and Levies	0	0	0	0	708	708
Payments to Housing Capital Receipts Pool	0	0	0	0	800	800
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	(673)	(673)
Total operating expenses	**212,543**	**27,376**	**(3,451)**	**236,468**	**2,755**	**239,223**
Surplus or deficit on the provision of services	**110,350**	**24,938**	**959**	**136,247**	**(31,639)**	**104,608**

Housing Revenue Account Income and Expenditure Statement

The Housing Revenue Account (HRA) summarises the transactions relating to the provision, maintenance and sales of council houses and flats. The account has to be self-financing and there is a legal prohibition on cross subsidy to or from local taxpayers.

2011/12		2012/13
£'000	**Income**	**£'000**
(20,227)	Dwelling rents (gross) note 8	(21,772)
(463)	Non-dwelling rents (gross)	(490)
(125)	Leaseholders charges for service and facilities	(163)
(1,410)	Other charges for services and facilites	(1,371)
(22,225)	**Total Income**	**(23,796)**
	Expenditure	
5,448	Repairs and Maintenance	5,118
	Supervision and management	
4,313	General Management	3,425
853	Special Services	1,576
202	Rents, rates, council tax and insurance	224
6,479	Negative housing revenue account subsidy payable	(3)
96,828	Exceptional Item - Housing determination payment	0
2,905	Depreciation charges note 6	2,934
7,703	Impairment of non-current assets	3,961
40	Debt management costs	35
89	Increase/(decrease) in provision for bad debts	(7)
124,860	**Total Expenditure**	**17,263**
102,635	Net cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	(6,533)
121	HRA services share of Corporate and Democratic Core	121
102,756	**Net cost of HRA Services**	**(6,412)**
	HRA share of the operating income and expenditure included in the comprehensive income and expenditure statement	
(505)	Gain on sale of HRA fixed assets	(633)
309	Interest payable	2,708
0	Premium on repurchase of borrowing	0
	Interest and investment income	
(1)	Mortgages	(1)
(25)	Notional cash balances	(30)
86	Pensions interest cost and expected return on pension assets (N10)	166
(650)	Capital grants and contributions receivable	(48)
(406)	Change in fair value of HRA investment properties	0
0	Area based grant	0
101,564	**(Surplus)/Deficit for the year on HRA services**	**(4,250)**

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Councils charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

The main differences between this and the way of accounting for the HRA balance being:

1) Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
2) Retirement benefits are charged as amounts become payable to pensions funds and pensioners, rather than as future benefits are earned.
3) Impairment losses of £3,691k due to the assessed increase in council house values following capital works (multiplied by the social housing discount factor) being less than actual capital expenditure. These are all reversed out in the following statement.

Movement on the HRA Statement

The HRA Balance compares the council's spending against rents collected in the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure. This reconciliation statement summarises the differences between the outturn on the HRA Income and Expenditure Account and the HRA Balance.

2011/12 Net expenditure £'000		2012/13 Net expenditure £'000
101,564	Surplus (-)/Deficit for the year on the HRA Income and Expenditure Statement	(4,250)
(102,572)	Adjustments between accounting basis and funding basis by statute	1,898
(1,008)	Net increase (-)/decrease before transfers to or from reserves	(2,352)
776	Transfers to/from(-) reserves (see table below)	1,757
(232)	**Increase (-)/Decrease in HRA Balance for the year**	**(595)**
(1,594)	**Housing Revenue Account balance b/f at 1 April**	**(1,826)**
(1,826)	**Housing Revenue Account balance c/f at 31 March**	**(2,421)**

Movement on HRA Balance

2011/12 Net Expenditure		2012/13 Net Expenditure
£'000	**Items included in the HRA Income and Expenditure Account, but excluded from the movement on the HRA Balance for the year**	£'000
(7,703)	Reversal of impairment losses - Note 7	(3,961)
(96,828)	Reversal: Settlement Determination payment	4,049
650	Capital grants and contributions applied	48
406	Change in fair value of HRA investment properties	0
505	Net gain on sale of HRA fixed assets	633
87	Difference between amounts charged to income and expenditure for premiums and discounts and the charge for the year determined by statute	84
(325)	Capital grant and contributions unapplied - contra cr to I&E	0
0	Accrual for annual leave	(1)
(172)	Net charges made for retirement benefits in accordance with IAS 19 - Note 12	(272)
(103,380)		**580**
	Items not included in the HRA Income and Expenditure Account, but included in the movement on the HRA Balance for the year	
236	Employer's contributions payable to Kent Pension Fund and retirement benefits payable direct to pensioners	246
572	Capital expenditure funded by the HRA - Note 4	1,072
808		**1,318**
(102,572)	**Net adjustments between accounting basis and funding basis under statute**	**1,898**
	Transfers to/from reserves	
833	Transfers to/(from) major repairs reserve - Note 3	1,696
(57)	Contribution to/(from) HRA subsidence and other reserves	61
776	**Transfers to/from reserves**	**1,757**

Notes to the Housing Revenue Account

The Housing Revenue Account (HRA) summarises the transactions relating to the provision, maintenance and sales of council houses and flats. The account has to be self-financing and there is a legal prohibition on cross subsidy to or from local taxpayers.

1 Housing Stock

At 31 March 2013, the council was responsible for managing 5,231 units of accommodation:

Type of Property	Number of bedrooms				Total
	One	Two	Three	Four	
Flats - low rise	1,099	322	5	0	1,426
Flats - medium rise	311	356	64	4	735
Flats - high rise	63	68	0	0	131
Houses and bungalows	361	952	1,499	92	2,904
Hostel places	34	0	1	0	35
Totals	1,868	1,698	1,569	96	5,231

Plus 8 basic homes (shared ownership dwellings)

The movement in housing stock can be summarised as follows:

	Stock movements					Stock at 31 March 2013
	Stock at 1 April 2012	Right to buy sales	Sale to RSL	Additions	Redns	
Flats	2,257	(2)	0	37	0	**2,292**
Houses and bungalows	2,914	(17)	0	7	0	**2,904**
Hostels	35	0	0	0	0	**35**
Totals	**5,206**	**(19)**	**0**	**44**	**0**	**5,231**

The gross balance sheet value of housing assets at 31 March was as follows:

2012	Gross Balance Sheet value	2013
£'000		£'000
	Operational assets	
220,260	Dwellings	222,589
1,961	Garages	2,123
490	Community centre	589
	Investment Property	
626	Land	626
1,265	Shops	1,265
224,602	**Total**	**227,192**

2 Vacant possession value

The vacant possession value of dwellings within the HRA as at 1 April was £686,800,000. For the balance sheet, the figure has been reduced to 32% i.e. £219,776,000 (after adjusting for the shared equity property) to show existing use value as social housing, reflecting the economic cost of providing social housing.

3 Major Repairs Reserve

With effect from 1 April 2002, the Government required that the Housing accounts are produced on a Resource Accounting basis. This requires that a charge is made for depreciation which is transferred to a separate Major Repairs Reserve, to finance HRA capital projects. Housing subsidy included a grant in the form of a Major Repairs Allowance (MRA) to resource the Major Repairs Reserve. This was ring fenced for capital expenditure of a housing nature. The housing business plan following self financing replaced the subsidy grant with an allowance for capital expenditure which also resources the Major Repairs Reserve.

2011/12	Major Repairs Reserve	2012/13
£'000		£'000
(188)	Balance at 1 April	0
(2,905)	Transfer from capital adjustment account (HRA depreciation)	(2,934)
	Transfer to (-)/from HRA	
38	re depreciation on non-dwellings	0
188	re contribution to revenue	0
(1,059)	re excess (-)/shortfall of dwellings depreciation over MRA	(1,696)
3,926	Less: expenditure on dwellings financed from this reserve	4,630
0	**Balance at 31 March**	**0**

4 Summary of Capital Financing

Capital expenditure of £5,750,000 was spent on housing assets within the HRA during the year. This was financed as follows:

2011/12	Capital financing of HRA expenditure	2012/13
£'000		£'000
3,926	Major repairs reserve	4,630
572	Revenue	1,072
2,861	Borrowing	0
0	Capital receipts	0
650	Capital grant & Contributions	48
8,009	**Total**	**5,750**

5 Summary of Capital Receipts

Housing capital receipts during 2012/13 were as follows:

2011/12	Housing capital receipts	2012/13
£'000		£'000
(1,058)	Dwelling sales (net of administration deduction)	(1,536)
0	Other sales	(4)
(8)	Mortgage repayments and discounts repaid	(7)
(1,066)	**Total**	**(1,547)**

6 Depreciation of fixed assets

Depreciation of £2,934k was charged to the HRA. This comprises £2,893k for dwellings and £41k for non dwelling housing assets.

7 Impairment of fixed assets

The council's valuation officer, a fellow of RICS, has advised that there were no specific impairments during the year, however there was an overall impairment of £3,961k made up of £4,060k from a decrease in housing stock values being the difference between £5,750k housing capital expenditure and the assessed increase in effective value of only £1,690 (after applying the 32% factor as in note 2 above) plus a revaluation upwards of £99k re non-dwellings.

8 Dwelling rents (gross)

This is the total rent income for dwellings for the year after allowance is made for voids etc. Average rents were £83.97 per week in 2012/13 (£78.21 in 2011/12). Rents were increased on 1 April 2012 by an average of £5.76 per week.

9 Rent Arrears

The rent arrears figures are as follows:

2011/12		2012/13
£'000		£'000
655	Gross rent arrears at 31 March	730
(200)	Repayments of rent	(276)
455	Net rent arrears at 31 March	454
513	Provision for bad debts at 31 March	441
%		%
3.9	Gross rent arrears as a proportion of gross dwelling rent income	3.5

10 HRA share of pensions

Under IAS19 there is a requirement to analyse the movement in the HRA share of the city council's element of the Kent pension fund (see also note 30 to the core financial statements). However, so that there is no demand on housing rents, the entries are reversed out via the Pensions reserve. The figures are as follows:

2011/12		2012/13
£'000		£'000
40	HRA share of current service cost less employer contributions	61
(190)	HRA share of past service cost less employer contributions	(201)
(150)	Adjustment to 'General Management' line of HRA statement	(140)
86	HRA share of pensions interest cost and expected return on	166
(64)	Pensions assets	26
(172)	Net charges made for retirement benefits in accordance with FRS17	(272)
236	Employer's contributions payable to the Kent Pension Fund and retirement benefits payable direct to pensioners	246
64	HRA share of contributions to/from Pensions Reserve	(26)
0	**Net effect on HRA balance**	**0**

11. Interests in Companies – East Kent Housing Limited

The council, together with Dover District Council, Shepway District Council and Thanet District Council jointly owns East Kent Housing Ltd, an Arms Length Management Organisation (ALMO), whose principal activity is to manage each of the four council's council housing stock. For financial accounting purposes, East Kent Housing (the Company) is regarded as being a joint venture under joint control and each authority holds an equal 25% share in the Company.

Under the Code authorities with interests in joint ventures shall prepare Group Accounts, in addition to their single entity accounts, unless their interest is considered not material. This council considers that its interest in the Company is not material and that Group Accounts do not need to be prepared.

The financial (unaudited) results of the Company for 2012/13 and the council's share are as follows:

2011/12 East Kent Housing Ltd £'000	2011/12 CCC Share (25%) £'000		2012/13 East Kent Housing Ltd £'000	2012/13 CCC Share (25%) £'000
8,625	2,156	Turnover	8,173	2,043
(8,341)	(2,085)	Expenses	(8,479)	(2,120)
284	71	Operational Profit	(306)	(77)
(1,350)	(338)	Profit/(loss) after taxation	(363)	(91)
(3,277)	(819)	Other comprehensive income and (expenditure)	1,160	290
(4,627)	(1,157)	Total comprehensive income and (expenditure)	797	199
0	0	Non-current assets	25	6
1,518	380	Current assets	920	230
(1,079)	(270)	Current liaibilities	(402)	(101)
(5,066)	(1,267)	Non-current liabilities	(4,373)	(1,093)
(439)	(110)	Profit and loss reserve	(543)	(136)
5,066	1,267	Pensions reserve	4,373	1,093

The council's investment in the company is nominal.

Note 27 Related Party Transactions sets out the transactions that took place between the council and East Kent Housing Ltd over 2012/13. Note 34 Contingent Liabilities describes the guarantee the council has entered into with East Kent Housing Ltd over certain pension obligations.

Difference between the management fee and East Kent Housing Ltd. Costs.

The council's management fee payment of £2,880,000 is 35% of East Kent Housing Ltd.'s turnover of £8,173,000, which broadly equates to the council's pro-rata share of the total council housing stock managed by the company. This compares with a 35% share of East Kent Housing Ltd.'s operational costs of £3,052,000. From 2013/14 there will be a transition in the allocation of the management fee to an activity based cost.

Impact of employee benefits (IAS19)

The council does not have a constructive obligation for a share of the pension fund liability, so this liability is being recognised as a contingent liability in the accounts.

The Collection Fund

Income and Expenditure Account

2011/12		Note	2012/13
	Income		
(64,889)	Council Tax (net of benefits & transitional relief)		(65,675)
	Transfers from General Fund		
(10,258)	Council Tax benefits		(10,072)
(48,522)	Income from business ratepayers		(50,020)
(123,669)	**Total Income**		**(125,767)**
	Expenditure		
	Precepts and demands		
54,669	Kent County Council		54,854
7,236	Police & Crime Commissioner for Kent		7,260
3,545	Kent & Medway Fire & Rescue Authority		3,557
9,908	Canterbury City Council (incl. Parishes)		9,958
75,358	Total Precepts		75,630
	Business rate		
48,293	Payment to national pool		49,791
229	Costs of collection		229
	Bad and doubtful debts		
(121)	Write offs		(143)
362	Provisions		411
			0
124,121	**Total Expenditure**		**125,919**
452	Net (surplus)/deficit for 2012/13		152
(34)	Collection Fund balance at 1 April		418
418	Collection fund balance at 31 March		570

Notes to the collection fund accounts

1. General Note

The Collection Fund is a statutory fund, separate from all other council funds. It accounts for the council tax and non-domestic rates of Canterbury City Council (the billing authority), Kent County Council, The Police and Crime Commissioner for Kent and Kent and Medway Fire and Rescue Authority (the major preceptors).

2. Collection Fund Surplus/Deficit

Canterbury and the major preceptors share any council tax surpluses or deficits attributable to the collection fund in proportion to the precept requirement. The 2011/12 deficit of £418,000 will be recovered from preceptors in 2013/14.

The deficit for 2012/13 of £152,000 will be recovered from preceptors in 2014/15.

3 Apportionment of Collection Fund element over preceptors

Since the 2009 SORP, the collection fund has to be apportioned at the year-end across all of the major preceptors. This comprises two elements; the share of the estimated break-even position which was notified in December 2012 pro-rata to the 2012/13 precepts, and the debit balance of £152,000 pro-rata to the 2012/13 precepts. The equivalent figures last year were the share of the estimated break-even position which was notified in December 2011 pro-rata to the 2011/12 precepts, and the 2011/12 deficit of £418,000 pro-rata to the 2011/12 precepts.

2011/12		2012/13
£'000	**Major Preceptors**	**£'000**
303	Kent County Council	110
40	Kent Police and Crime Commissioner	15
20	Kent Fire and Rescue Authority	7
363	Total share by Major Preceptors	132
55	Canterbury City Council	20
	(the council's own share is shown in the balance sheet under the heading Collection Fund Adjustment Account)	
418	Balance at 31 March	**152**

The main reasons for the deficit on the collection fund at 31 March 2013 are the higher than estimated number of exemptions awarded during 2012/13. The deficit will be recouped from the relevant authorities as listed above.

3 Council Tax

The council's tax base, i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings, was calculated as follows:

2011/12 Band D equivalent dwellings	Band	Estimated Number of Taxable Properties after effect of discounts	Ratio (ninths)	2012/13 Band D equivalent dwellings
3,062	A	4,696	6/9	3,131
8,463	B	10,950	7/9	8,517
14,505	C	16,500	8/9	14,667
10,708	D	10,424	9/9	10,424
7,398	E	6,144	11/9	7,510
5,030	F	3,505	13/9	5,063
3,129	G	1,899	15/9	3,165
143	H	70	18/9	140
52,438		54,189		52,616
99.50%		Collection Rate		99.50%
52,176		Council Tax Base		52,353

4 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 in the pound. The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR pool) managed by central government. Authorities then receive back their share of the pool based on a standard amount per head of the local adult population. The amounts in these accounts can thus be analysed as follows:

2011/12 £'000		2012/13 £'000
137,244	Non domestic rateable value	136,132
0.426	small business non domestic rating multiplier	0.455
58,466	NNDR levied	61,940
(10,173)	Less: allowances and other adjustments	(12,149)
48,293	Net contribution due to NNDR national pool	49,791
229	Cost of collection	229
48,522	Income from business ratepayers	50,020

There was a general revaluation of all properties effective from 1 April 2010.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

This statement, which was introduced by the 1995 code, sets out the respective responsibilities of the authority and the Director of Resources for the accounts. Since 2009/10, the responsible financial officer is required by regulation 10(2) of the Accounts and Audit Regulations to certify that the accounts present a true and fair view.

The Authority's responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Resources
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- approve the Statement of Accounts.

The Director of Resources' responsibilities:

The Director of Resources is responsible for the preparation of the council'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 Director of Resources has:

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

The Director of Resources has also:

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

The Statement of Accounts presents 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 31 March 2013.

ROBERT THOMAS
23/09/13

Signed Patricia Marshall

Director of Resources

Date 28/06/13