# Statement of Accounts

## for the Year Ended

## 31 March 2014

Patricia Marshall CPFA
Director of Resources

CANTERBURY
CITY COUNCIL

# Contents

## Information Accompanying the Statement of Accounts



## Statement of Accounts

### Financial Statements

**THE STATEMENT OF ACCOUNTS**

## EXPLANATORY FOREWORD

### Introduction

This foreword provides a guide to the Council's accounts for the year ending 31 March 2014. It includes:

- A brief explanation of each of the main financial statements
- A review of financial performance in 2013/14 and possible issues for the future
- any major events or changes in presentation and accounting that impact on the Accounts

The Accounts and Audit (England) Regulations 2011 require the Statement of Accounts to be prepared, and signed, by the responsible officer by 30 June 2014. The accounts are set out on pages 10 to 81. The statements have been prepared in accordance with proper accounting practices and all relevant statutory requirements. There have been no material changes in presentation or accounting relevant to this Council.

Proper accounting practices represent compliance with the following:

• All relevant International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB - a constituent board of the Financial Reporting Council)

• The Code of Practice on Local Authority Accounting in the United Kingdom, prepared under International Financial Reporting Standards

• The Service Reporting Code of Practice that establishes proper practice for consistent financial reporting below the Statement of Accounts level and has statutory recognition.

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.

### Overview of the main financial statements

The Statement of Accounts comprises:

### The Statement of Responsibilities for the Statement of Accounts

This sets out the Council's and the Chief Finance Officer's responsibilities for the statement of accounts and includes the Chief Finance Officer's certificate.

### Core Financial Statements

The core financial statements consist of the following four statements and associated notes.

- **Movement in Reserves Statement**

  This Statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The 'surplus / (deficit) on 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 for Council Tax setting. The 'net increase /decrease before transfers to / from earmarked reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

- **Comprehensive Income and Expenditure Statement**

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

- **Balance Sheet**

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the 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 – usable and unusable – as referred to under the Movement in Reserves Statement above.

- **Cash Flow Statement**

The Cash Flow Statement shows the changes in the Council’s cash and cash equivalent holdings 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.

- **Notes to the Core Financial Statements**

The notes present information about the basis of preparation of the financial statements and the specific accounting policies used. The notes also disclose information required by the Code that is not presented elsewhere in the financial statements and provide information that is not provided elsewhere in the financial statements, but is relevant to understanding them.

**Supplementary Financial Statements**

In addition to the four core statements the following supplementary statements and associated notes are included within the Accounts.

- **Housing Revenue Account**

The Council is required by law to account separately for the provision of housing. This account shows the major elements of housing revenue expenditure: repairs and maintenance, administration and financing costs as well as how the expenditure is financed from rents, grants and other income. The HRA Income and Expenditure Statement is supported by a Movement on the HRA Statement.

- **Collection Fund**

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

**Annual Governance Statement**

This Statement accompanies the Statement of Accounts, but is not part of the Accounts. The purpose of the Annual Governance Statement is to assess and demonstrate that there is a sound system of corporate governance throughout the organisation.

**Independent Auditor's Report**

The Council's external auditors provide an independent opinion on whether the financial statements present a "true and fair view" of the financial position of the Council at the Balance Sheet date and its income and expenditure for the year. They also report on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

**Review of financial performance in 2013/14**

The purpose of this section is to give an indication in broad terms of the financial performance of the Council in 2013/14 for both General Fund and Housing Services, including reasons for significant variations from planned expenditure.

**General Fund Revenue Expenditure**

The General Fund accounts for all revenue (day to day) services other than those provided in respect of council housing. The Council set its budget for 2013/14 at the budget meeting on 21 February 2013.

The budget strategy aimed to ensure that the Council had a balanced and sustainable budget that provided the financial resources needed to implement its key priorities. The Council has a successful record in delivering its strategy and for 2013/14 it continued with the approach adopted in previous years:

- identifying efficiencies in every service area through its programme of customer focus reviews, in order to minimise service reductions - for 2013/14 the CFR savings target was £1.1m
- exploring different options for service delivery where they enable the Council to deliver its services at a reduced cost without a reduction in quality
- planning 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
- transforming the methods by which customers receive the Council's services
- reviewing highly subsidised services and their charges to move more towards 'user pays' rather than council taxpayer pays and
- smoothing the use of reserves over the plan period, including a planned contribution from the General Fund reserve of £180,000.

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

| | 2013/14 Budget | Final Outturn | Variance |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| Chief Executive | 1,239 | 1,161 | (78) |
| Deputy Chief Executive | 18,344 | 18,025 | (319) |
| Director of Resources | 642 | 952 | 310 |
| Parish Precepts | 582 | 582 | 0 |
| Total Expenditure | 20,807 | 20,720 | (87) |
| | | | |
| Revenue Support Grant | (6,095) | (6,100) | (5) |
| NNDR allocation | (4,095) | (4,402) | (307) |
| New Homes Bonus | (1,504) | (1,539) | (35) |
| Collection Fund Adj | 58 | 55 | (3) |
| Council Tax | (8,409) | (8,409) | 0 |
| Parish Precepts | (582) | (582) | 0 |
| Total Income | (20,627) | (20,977) | (350) |
| | | | |
| Planned use of General Fund reserve | (180) | 0 | 180 |
| Net Position | **0** | **(257)** | **(257)** |

The overall revenue outturn position for 2013/14 was an underspend of £257,000. The main variances to the budget are set out below.

| Activity | Variance (£000) ()=favourable | Explanation |
|---|---|---|
| Business rates | (307) | Reductions in income due to appeals lower than estimated |
| Capital financing costs<br>Revenue contribution to capital funding | (754)<br>900 | Reduced costs of borrowing due to loans being repaid, delays in some capital projects and a revenue contribution being used to fund capital expenditure, thus reducing capital costs in later years |
| Planned use of General Fund reserve | 180 | Planned contribution not taken due to forecast underspend |
| Salary budgets | Saving split over multiple budgets | Vacancies being held to achieve savings targets in 2014/15 and 2015/16 |
| Property rental income | (233) | Income higher than forecast |
| Neighbourhood Services | (409 ) | Lower than expected spending on main refuse collection, street cleansing and grounds maintenance contracts |
| Car parking | 185 | Lower than expected parking income particularly from park and ride |
| Support Services and departmental | Saving split over multiple | Underspends on these recharged services credited back to frontline |

| | | |
|---|---|---|
| overheads | budgets | services |
| Additional contributions to reserves | 865 | Restructure reserve; car parking reserve; job evaluation reserve; contract contingency; IT |

**Housing Revenue Expenditure**

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

| | 2013/14 Budget | 2013/14 Outturn | Variance |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| General Management | 3,082 | 3,058 | (24) |
| Special Services | 1,733 | 1,824 | 91 |
| Rent, rates and charges | 289 | 231 | (58) |
| Repairs & Maintenance | 5,495 | 5,551 | 56 |
| Bad debt provision | 150 | 62 | (88) |
| Contribution - subsidence reserve | 50 | 50 | 0 |
| Rents & Service Charges receivable | (25,036) | (25,104) | (68) |
| Total HRA direct budgets | **(14,237)** | **(14,328)** | **(91)** |
| | | | |
| Support Costs | 807 | 810 | 3 |
| Contribution from reserves | 1,496 | 810 | (686) |
| Capital charges | 3,376 | 3,472 | 96 |
| Total HRA indirect budgets | **5,679** | **5,092** | **(587)** |
| | | | |
| Self financing debt | **6,424** | **6,504** | **80** |
| | | | |
| (Surplus)/Deficit | **(2,134)** | **(2,732)** | **(598)** |

The overall revenue outturn position for 2013/14 was a underspend of £598,000. The explanations for the main variance to the budget are set out below.

| **Activity** | **Variance (£000) ()=favourable** | **Explanation** |
|---|---|---|
| Repairs & Maintenance<br>Special Services | 56<br>92 | Mainly repairs and other work following storm damage |
| Contribution from reserves | (686) | Mainly due to reduced contribution to Major Repairs Reserve due to underspend on capital programme |
| Capital charges | 96 | Accounting for principal and interest due on the HRA debt from the date of the last payment to 31 March |

## Capital Expenditure

Capital expenditure relates to spending on assets which last for more than one year. 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.

The City Council's gross expenditure on capital schemes in 2013/14 was £13.951m. 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 | Net Budget 2013/14 | Outturn 2013/14 | Approved carry forward 2013/4 | Variance to budget |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| Housing capital | 4,401 | 3,872 | 508 | (21) |
| Coast protection capital | 0 | 0 | 0 | 0 |
| General fund capital | 11,949 | 7,532 | 4,315 | (101) |
| **Total Capital Expenditure** | **16,350** | **11,404** | **4,823** | **(122)** |

The main items carried forward were Kingsmead Leisure Centre, street lighting and waste container budgets.

The capital programme for 2014/15 and beyond represents the investment priorities for the Council. The revenue impact of implementing the capital programme is reflected in the revenue budget.

## Significant changes to local authority financial regime in 2013/14

Two significant changes to the local authority financial regime were introduced in 2013/14 – localisation of council tax support and the localisation of business rates.

Previously, those eligible for assistance in paying their council tax bills received council tax benefit. This was fully reimbursed by the government and the level of benefit awarded was determined in accordance with the government's benefit scheme. Each council is now responsible for deciding its own council tax support scheme and the funding provided by the government no longer matches the actual cost of the scheme. Instead, councils bear the risks and rewards of changes in the level of assistance claimed. For Canterbury, the impact of the new arrangements was in line with estimates at the start of the year and there was no significant year end variation.

Councils have always collected business rates but in previous years the amounts collected were paid over to the government and redistributed based on a funding formula. From April 2013, councils share in the risks and rewards of fluctuations in business rates income. For Canterbury, the business rates income retained was higher than estimated and this had a positive impact on the year end position.

## Treasury Management

The Council's total debt outstanding decreased from £136m in March 2013 to £125m in March 2014, whilst its investments remained broadly level from year to year at £20m. Almost all of the

Council's debt is with the Public Works Loan Board and it is all at a fixed rate of interest, with an average of 2.91%.

All the Council's investments are managed internally and the average interest rate earned was 0.76%, with little prospect of any significant improvement over the next year.

**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 (i.e. future commitments from the fund) is Council's net liability is £163.56m whereas the estimated assets are valued at £94.3m – a net deficit of £69.3m – 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 £59.3m to £69.3m at 31 March 2014, an increase of £10m.

**Impact of the deficit reduction programme on the Council**

Outlined above is the budget strategy, setting out the main principles that were taken into account for the 2013/14 budget and also for the financial plan to 2016/17. 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 continuing programme of customer service reviews so as to make savings in 2014/15 and beyond and Assistant Directors are committed to deliver further savings, with the intention that these measures achieve reductions in gross budgets of the equivalent of 20% over the four year period to 2015/16.

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 resource levels.

**Conclusions**

In a regime of reducing central funding and increased uncertainty, the City Council has substantially delivered its financial plan for 2013/14 and preparatory work is in place to deliver further savings in future years whilst continuing to strive to minimise the impact on services.

Finally, I would like to take the opportunity to thank all staff within the Council for their efforts to deliver the Council's financial plans, and thanks are also due to the finance team who have assisted in the production of the Statement of Accounts.

P. Marshall

Director of Resources
June 2014

**Movement in Reserves Statement**

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. 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 2013/14 | 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 2013** | (3,912) | (9,055) | (2,422) | 0 | (2,549) | (3,421) | (21,359) | (221,021) | (242,380) |
| **Movement in reserves during 2013/14** | | | | | | | | | |
| (Surplus) or deficit on provision of services | (3,426) | | (4,979) | | | | (8,405) | 0 | (8,405) |
| Other comprehensive income and expenditure | (121) | | 121 | | | | 0 | (15,942) | (15,942) |
| **Total comprehensive Income and Expenditure** | (3,547) | 0 | (4,858) | 0 | 0 | 0 | (8,405) | (15,942) | (24,347) |
| Adjustments between accounting basis and funding basis under regulations (Note 6) | 905 | | 2,070 | | (747) | (1,054) | 1,173 | (1,175) | (2) |
| **Net (increase)/decrease before transfers to Earmarked Reserves** | (2,642) | 0 | (2,788) | 0 | (747) | (1,054) | (7,231) | (17,117) | (24,349) |
| Transfers to/(from) Earmarked Reserves (Note 7) | 2,385 | (3,342) | 938 | | | | (20) | | (20) |
| **(Increase)/Decrease in year** | (258) | (3,342) | (1,851) | 0 | (747) | (1,054) | (7,251) | (17,117) | (24,369) |
| **Balance at 31 March 2014 carried forward** | (4,169) | (12,397) | (4,273) | 0 | (3,296) | (4,476) | (28,610) | (238,138) | (266,749) |

The balance of the movement of earmarked reserves of £20,000 is due to transfers to reserves from suspense accounts that were not included in the comprehensive income and expenditure statement.

The 2012/13 table below has been restated for the changes to the pension disclosures applicable from 2013/14.

| Movement in Reserves 2012/13 (Restated) | 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 | 9,191 | | (4,371) | | | | 4,820 | | 4,820 |
| Other comprehensive income and expenditure | (121) | | 121 | | | | | (2,187) | (2,187) |
| **Total comprehensive Income and Expenditure** | 9,070 | 0 | (4,250) | 0 | 0 | 0 | 4,820 | (2,187) | 2,634 |
| Adjustments between accounting basis and funding basis under regulations (Note 6) | (8,478) | | 3,594 | | (1,653) | (919) | (7,456) | 7,456 | 0 |
| **Net (increase)/decrease before transfers to Earmarked Reserves** | 592 | 0 | (656) | 0 | (1,653) | (919) | (2,636) | 5,269 | 2,634 |
| Transfers to/(from) Earmarked Reserves (Note 7) | (886) | 826 | 61 | | | | 0 | | 0 |
| **(Increase)/Decrease in year** | (294) | 826 | (595) | 0 | (1,653) | (919) | (2,636) | 5,269 | 2,634 |
| **Balance at 31 March 2013 carried forward** | (3,912) | (9,055) | (2,421) | 0 | (2,549) | (3,421) | (21,359) | (221,021) | (242,379) |

## Comprehensive Income and Expenditure Statement for the year ended 31 March 2014

This statement shows the accounting cost of providing services in the year ended 31 March 2014, in accordance with generally accepted accounting practices, rather than the amount to be funded from the taxation. The 2012/13 position has been restated for the pension disclosure changes applicable from 2013/14 (see note 30). The taxation position is shown in the Movement in Reserves Statement.

| Restated 2012/13 | | | | | 2013/14 | | |
|---|---|---|---|---|---|---|---|
| Gross Exp | Income | Net Exp | | Note | Gross Exp | Income | Net Exp |
| £'000 | £'000 | £'000 | | | | | £'000 |
| 18,427 | (5,682) | 12,745 | **Cultural & Related Services** | | 18,700 | (11,007) | 7,693 |
| 10,286 | (1,412) | 8,874 | **Environmental & Regulatory Services** | | 10,231 | (3,422) | 6,809 |
| 5,827 | (2,031) | 3,796 | **Planning Services** | | 5,045 | (1,633) | 3,412 |
| | | | **Highways & Transport Services** | | | | |
| 467 | (163) | 303 | Highways | | 320 | (38) | 282 |
| 5,586 | (7,971) | (2,385) | Parkings Services, Public Transport & Harbour | | 4,975 | (8,493) | (3,518) |
| | | | **Housing Services** | | | | |
| 17,263 | (23,796) | (6,533) | Housing Revenue Account (HRA) | | 18,106 | (25,172) | (7,066) |
| 46,076 | (45,843) | 233 | Housing Benefits Payments & Administration | | 48,278 | (47,771) | 507 |
| 2,256 | (1,743) | 514 | Other Housing Services (Non HRA) | | 2,223 | (1,118) | 1,105 |
| | | | **Central Services** | | | | |
| 1,172 | (530) | 642 | Local Tax Collection Costs | | 1,154 | (706) | 448 |
| 10,863 | (10,721) | 141 | Council Tax Benefits | | 0 | 0 | 0 |
| 882 | (246) | 636 | Other Central Services | | 938 | (456) | 482 |
| 8,496 | (5,251) | 3,245 | **Corporate & Democratic Core** | | 6,856 | (3,384) | 3,473 |
| | | | **Non Distributed Costs** | | | | |
| 561 | 0 | 561 | Non Distributed Pension Costs | | 27 | 0 | 27 |
| **128,162** | **(105,390)** | **22,772** | **Cost of Services** | | **116,854** | **(103,199)** | **13,654** |
| | | | **Other Operating Expenditure** | | | | |
| 0 | (634) | (634) | Loss/Gain on Sale of Assets | | 0 | (1,234) | (1,234) |
| 725 | 0 | 725 | Parish Council Precepts & Drainage Board Levy | | 700 | 0 | 700 |
| 385 | 0 | 385 | Housing Capital Receipts Cont to Govt Pool | | 437 | 0 | 437 |
| | | | **Financing & Investment Income & Expenditure** | | | | |
| 3,670 | 0 | 3,670 | Interest Payable on Debt | 11.2 | 3,657 | 0 | 3,657 |
| 19 | 0 | 19 | Impairment of Financial Instruments (curr year) | 11.2 | (249) | 0 | (249) |
| 2,436 | 0 | 2,436 | Net interest on the net defined benefit liability | 30 | 2,412 | 0 | 2,412 |
| 98 | (810) | (713) | Investment Interest Income | 11.2 | 18 | (627) | (609) |
| 0 | (4,223) | (4,223) | Rentals Received on Investment Properties | | 0 | (4,231) | (4,231) |
| 668 | 0 | 668 | Expenses Incurred on Investment Properties | | 654 | 0 | 654 |
| 2,301 | 0 | 2,301 | Change in Fair Value of Investment Properties | | (801) | 0 | (801) |
| 163 | (213) | (50) | Surplus from Trading Operations | 21 | 191 | (226) | (35) |
| | | 0 | **Taxation & Non-Specific Grant income** | | 0 | 0 | 0 |
| 0 | (2,057) | (2,057) | Recognised Capital Grants & Contributions | 22 | 0 | (1,568) | (1,568) |
| 20 | (9,958) | (9,938) | Income from the Collection Fund | | (67) | (8,997) | (9,063) |
| 0 | (10,542) | (10,542) | Non ring-fenced Government Grants | 8 | 55 | (12,183) | (12,128) |
| **138,647** | **(133,827)** | **4,820** | **(Surplus)/deficit on provision of services** | | **123,860** | **(132,265)** | **(8,405)** |
| | | (5,406) | (Surplus)/deficit on revaluation of non current assets | 19.1 | | | (24,586) |
| | | 3,219 | Remeasurement of the net defined benefit liability | 30 | | | 8,644 |
| | | **2,633** | **Total Comprehensive Income & Expenditure** | | | | **(24,347)** |

**Balance Sheet as at 31 March 2014**

| 2013 £'000 | 2013 £'000 | | Notes | 2014 £'000 | 2014 £'000 |
|---|---|---|---|---|---|
| | | **Property, Plant and Equipment** | 9 | | |
| 219,696 | | Council dwellings | | 232,066 | |
| 89,509 | | Other land and buildings | | 98,087 | |
| 25,576 | | Infrastructure assets | | 24,662 | |
| 2,413 | | Vehicles, plant and equipment | | 8,164 | |
| 1,131 | | Community assets | | 1,231 | |
| | 338,324 | | | | 364,211 |
| | 10,694 | Heritage Assets | 31 | | 10,694 |
| | 67,091 | Investment Property | 9 | | 72,569 |
| | 100 | Intangible assets | 9 | | 78 |
| | 416,209 | | | | 447,551 |
| | 2,123 | Payments in Advance | | | 2,065 |
| | 5,200 | Long-term debtors | 12 | | 4,957 |
| | **423,532** | **Total Long-term Assets** | | | **454,574** |
| | | **Current Assets** | | | |
| 8,019 | | Short-term investments | 11.5 | 10,548 | |
| 243 | | Inventories | 14 | 167 | |
| 8,193 | | Short-term debtors | 13 | 6,634 | |
| 718 | | Payments in advance | | 519 | |
| 303 | | Assets held for sale | 16 | 0 | |
| 11,820 | | Cash and cash equivalents | 15 | 10,108 | |
| | 29,297 | | | | 27,978 |
| | **452,829** | **Total Assets** | | | **482,552** |
| | | **Current Liabilities** | | | |
| (10,905) | | Creditors | 17 | (12,798) | |
| (2,730) | | Deposits and receipts in advance | 17.1 | (2,861) | |
| (11,373) | | Short term borrowing | 11 | (7,226) | |
| (1,330) | | Provisions | | (1,721) | |
| | (26,338) | | | | (24,607) |
| | **426,491** | **Total Assets less Current Liabilities** | | | **457,945** |
| | | **Long Term liabilities** | | | |
| 0 | | Long-term creditors | 33 | (4,222) | |
| (124,695) | | Long-term borrowing | 11 | (117,559) | |
| (139) | | Capital grants receipts in advance | 22 | (139) | |
| (59,277) | | Liability related to defined benefit | 30.2 | (69,277) | |
| | (184,111) | | | | (191,197) |
| | **242,380** | **Net Assets** | | | **266,748** |
| | | **Usable Reserves** | 18 | | |
| (3,912) | | General Fund | | (4,169) | |
| (2,422) | | Housing Revenue Account | | (4,273) | |
| (9,055) | | Earmarked reserves | 7 | (12,397) | |
| 0 | | Major repairs reserve | | 0 | |
| (2,549) | | Capital receipts reserve | | (3,296) | |
| (3,421) | | Capital grants unapplied | | (4,476) | |
| | (21,359) | | | | (28,610) |
| | | **Unusable Reserves** | | | |
| (57,233) | | Revaluation reserve | 19.1 | (81,936) | |
| (224,256) | | Capital adjustment account | 19.3 | (226,620) | |
| 973 | | Financial instruments adjustment a/c | 19.2 | 1,031 | |
| 59,277 | | Pensions reserve | 19.4 | 69,277 | |
| (15) | | Deferred capital receipts | | (8) | |
| 75 | | Collection fund adjustment account | | (47) | |
| 158 | | Short-term accumulating absences a/c | | 164 | |
| | (221,021) | | | | (238,138) |
| | **(242,380)** | **Total Reserves** | | | **(266,748)** |

## 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.

| Restated 2012/13 | | 2013/14 |
|---|---|---|
| £'000 | | £'000 |
| 4,820 | Net (surplus) or deficit on the provision of services | (8,405) |
| | **Adjustments to deficit on the provision of services for non-cash movements** | |
| (7,055) | Depreciation | (6,720) |
| (7,329) | Impairement and downward valuations | (3,208) |
| (264) | Less Increase in impairment of bad debt | (235) |
| (48) | Less increase in revenue creditors | (2,067) |
| 212 | Movement in long term creditors | 704 |
| (1,330) | Less increase in provisions | (391) |
| (543) | Less increase in deposits | (131) |
| (447) | Less decrease in revenue debtors | (350) |
| 165 | Less decrease in payments in advance | (199) |
| 63 | Less decrease in inventories | (76) |
| (5,271) | Net charges made for retirement benefits in accordance with IAS19 | (5,123) |
| 3,746 | Fund and retirement benefits payable direct to pensioners | 3,767 |
| (909) | Carrying amount of non-current assets sold | (1,184) |
| 21 | Other non-cash items charged to the net surplus or deficit on the provision of services | 62 |
| 178 | Difference between amounts debited/credited to the CIES and amounts payable/receivable re soft loans and premiums on the early repayment of debt | (58) |
| (2,301) | Movements in the value of investment properties | 801 |
| 103 | Increase/decrease in acrrual on investments | (61) |
| (94) | Increase/decrease in deferred premiums less discounts | (51) |
| (4) | Decrease/increase in accrual on borrowing | 256 |
| 2,057 | Capital grants and capital income applied | 1,568 |
| 164 | S106 grants received and applied | 0 |
| 0 | Collection Fund adjustment for CCC | (55) |
| (14,066) | | (21,154) |
| | Adjust for items included in the net surplus or deficit on the provision of services that are investing activities | |
| 1,543 | Proceeds from the sale of property, plant and equipment | 2,418 |
| (8,678) | Council Tax receipts paid to major preceptors less receipts | 1,984 |
| 1,591 | NDR receipts under/over paid to the government | (2,666) |
| (5,544) | | 1,735 |
| (19,610) | Net flows from operating activities | (19,419) |

| 2012/13 £'000 | **Cash Flow continued** | 2013/14 £'000 |
|---|---|---|
| (19,610) | Net flows from operating activities (b/f) | (19,419) |
| | **Investing Activities** | |
| | **Cash outflows** | |
| 7,886 | Purchase of property, plant and equipment, investment property and intangible assets | 12,528 |
| 8,653 | Purchase of investments | 10,020 |
| 0 | Other investment payments - soft loans | 50 |
| 16,539 | | 22,599 |
| | **Cash inflows** | |
| (1,543) | Proceeds from sale of property, plant and equipment Investment property and intangible assets | (2,418) |
| (2,057) | Capital grants received | (1,568) |
| (2,102) | Capital debtors movement | (1,307) |
| (7,000) | Investments redeemed | (7,699) |
| (536) | Other receipts from investing activities (principal repayments of Soft Loans etc) | (185) |
| (13,238) | | (13,178) |
| 3,301 | | 9,421 |
| (16,309) | **Net cash inflow/outflow before financing** | (9,998) |
| | **Financing activities** | |
| | **Cash inflows** | |
| 0 | Cash receipts of long-term borrowing | 0 |
| (6,804) | Cash receipts of short-term borrowing | 0 |
| (6,804) | | 0 |
| | **Cash outflows** | |
| 7,419 | Repayments of long-term borrowing | 11,027 |
| 0 | Repayments of short-term borrowing | 0 |
| 7,419 | | 11,027 |
| | **Other payments /receipts re financing activities:** | |
| 8,678 | Council Tax receipts paid to major preceptors less receipts | (1,984) |
| (1,591) | NDR receipts under/over paid to the government | 2,666 |
| 7,087 | | 683 |
| | | |
| 7,702 | **Financing net cash flow** | 11,709 |
| (8,607) | **Net increase(-)/decrease in cash equivalents** | 1,712 |
| (3,213) | Cash and cash equivalents at 1 April (exc accruals) | (11,820) |
| (11,820) | Cash and cash equivalents at 31 March (excl accruals) | (10,108) |

## NOTES TO THE FINANCIAL STATEMENTS

### Accounting Policies

### 1.1 General Principles

The Statement of Accounts summarises the Authority's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise *the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14* and the *Service Reporting Code of Practice 2013/14,* supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts 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. non-cash effects of transactions are reflected in the accounting period in which those effects are experienced and not in the period in which any cash is received or paid.

### 1.2 Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

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

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

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

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. An exception to this principle relates to electricity and similar etc. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Council Tax and National Non-Domestic Rates

The Council is a billing authority and, as such, is required to bill local residents and businesses for council tax and national non-domestic (business) rates. The Council collects council tax on behalf of the major precepting authorities - Kent County Council, Kent Police and Crime Commissioner, and Kent Fire and Rescue Service. These accounts only show the amount owed to/from taxpayers in respect of council tax demanded by this Council. Amounts owing to/from taxpayers for council tax for major precepting authorities are shown as net debtors or creditors on the balance sheet.

From April 2013, the Council retains 40% of business rates with 50% paid into a national pool and 10% shared with major precepting authorities. The amount retained by this Council is adjusted down through a levy payment to the government. The accounts only show the amount owed to/from ratepayers in respect of business rates retained by this Council. Amounts of business rates in respect of the net amount of business rates received and paid over to the national pool are shown as a net debtor or creditor.

The amounts shown as council tax/business rates in the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement represent the amounts due to this Council for the year. Where this includes an adjustment for the surplus/deficit to be taken into account in a future financial year, this adjustment is subsequently reversed within the Movement in Reserves Statement to the Collection Fund Adjustment Account.

**1.3 Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty of notice of not more than 24 hours. Cash equivalents are highly liquid 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 Authority's cash management.

**1.4 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. For these statements there has been a restatement requirement for 2012/13 with regard to the employee pension fund disclosures (See Note 30).

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

**1.5 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.

**1.6 Charges to Revenue for non-current (fixed) Assets**

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

Depreciation attributable to the assets used by the relevant service

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

Amortisation of intangible assets attributable to the service.

The Authority is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make annual contribution from revenue towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

**1.7 Employee Benefits**

**1.7.1 Benefits payable during employment**

Short term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, eg time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the 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 entitlements are charged to revenue in the financial year in which the holiday absence occurs.

**1.7.2 Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on a accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, 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 pensioners and any such amounts payable but unpaid at the year end.

**1.7.3 Post-employment Benefits (Pension Costs)**

Employees of the Authority are members of the Local Government Pensions Scheme, administered by Kent County Council.

The Local Government Scheme is accounted for as a defined benefits scheme.

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

Liabilities are discounted to their value at current prices using a discount rate of 4.4% (based on the indicative rate of return on the Merrill Lynch AA rated corporate bond).

The assets of Kent pension fund attributable to the Authority are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value

The change in the net pensions liability is analysed into the following components:

i) Service cost comprising:

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.

Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment 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.

ii) Net interest on the net defined benefit liability (asset), ie net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

iii) Re-measurement comprising

The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

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 – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

iv) 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 Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. 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 of cash flows rather than as benefits are earned by employees.

### 1.7.4 Discretionary Benefit

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

### 1.8 Events after the Reporting Period

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 – the Statement of Accounts is adjusted to reflect such events.
- those that are indicative of conditions that arose after the reporting period – 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.

### 1.9 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.

### 1.10 Financial Instruments

#### 1.10.1 Financial Liabilities

Financial Liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are 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. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

This means that the amount presented 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 according to the loan agreement.

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/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and 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 Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

#### 1.10.2 Financial Assets (Investments)

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market

-available for  sale assets – assets that have quoted a market price and/or do not have fixed or determinable payments.

### 1.10.3  Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value.  They are 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 loans that the Authority has made, this means that the amount presented 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.

### 1.10.4  Icelandic Banks

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.

### 1.10.5 Soft Loans

The Authority has made a number of loans to voluntary organisations at less than market rates (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 instrument, 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 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 Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.  The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

### 1.11  Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied.  Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of 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 and Expenditure (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 Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

### 1.12 Intangible Assets

Expenditure on assets that do not have physical substance, but are controlled by the Council as a result of past events (eg 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 (ie 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.

### 1.13 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.

### 1.14 Inventories

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

### 1.15 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 production of goods 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 by statutory arrangements 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.

### 1.16 Leases

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

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

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.(see 1.17.3).

#### 1.16.1 The Authority as Lessee

i) Finance Leases

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

Lease payments are apportioned between:

a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and

a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

ii) Operating Leases

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

#### 1.16.2 The Authority as Lessor

i) Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (where Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure

Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and

- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

ii) Operating leases

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

**1.16.3 Embedded Leases**

These are assets that although not owned by the Council are used primarily by the Authority for service provision. Examples are vehicles used by the Council's grounds and waste contractors. In these cases estimated values for the vehicles have been used along with a leased term in line with the contract period. Assets are recognised in the balance sheet at the net book value and offset by a deferred liability. The lease charge forms part of the contract payment on behalf of these vehicles on a straight-line basis over the life of the asset. These assets are depreciated in line with our normal capital policy.

**1.17 Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2013/14 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

- Non Distributed Costs – 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 on Continuing Services.

### 1.18 Property, Plant and Equipment

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

#### 1.18.1 Recognition

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 Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

#### 1.18.2 Measurement

Assets are initially measured at cost, comprising:

- the purchase price

- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost or historical cost. If historical cost information is not available current cost discounted back to date of acquisition, using retail price index.

- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)

- all other assets - fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

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.

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.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).

- 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(s) in the Comprehensive Income and Expenditure Statement.

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.

### 1.18.3 Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).

- 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(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) 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.

### 1.18.4 Depreciation

Depreciation is provided for on all 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 on the following bases:

- dwellings, infrastructure and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.

- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer (as long as the amount involved is material).

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately on straight-line allocation over the useful life of the component.

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.

### 1.18.5 Disposals and non-current Assets held for sale

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

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

Amounts received for a disposal in excess of £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. 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 Authority's underlying need to borrow (the capital financial 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 non-current 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.

### 1.18.6 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. (See note 31)

### 1.19 Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

### 1.20 Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. 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 that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the

General Fund Balance in the Movement in Reserves Statement, so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

### 1.21 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority 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 that there is no impact on the level of council tax.

### 1.22 VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

## 2 Accounting Standards that have been issued but have not yet been adopted

For 2013/14 the following accounting policy changes that need to be reported relate to:

- IFRS 13 Fair Value Measurement (May 2011)
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of interests in other entities
- IAS 27 Separate Financial Statements (as amended in 2011)
- IAS 28 Investments in Associates and Joint Ventures (as amended in 2011)
- IAS 32 Financial Instruments: Presentation
- Annual Improvements to IFRSs 2009 – 2011 cycle

With the council currently holding no material Group interests, the adopted standards will not have a material impact on the council's 2014/15 financial statements. IFRS12 however will require the council to review its disclosures of the non-material interest it has in East Kent Housing Ltd.

## 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:

a) 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 £563,000, plus a more significant loss for their pension deficit of £5,053,000. 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 profit on transactions (approximately 25% of £563,000) 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 IAS37 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 within this document.

b) 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.

c) The Council entered into major contracts in 2013/14 for waste collection, grounds maintenance and park and ride services. The Council has reviewed the use of the non-current assets used by the contractors in order to deliver the contracts to establish the type of lease arrangement that covers their use. The waste and grounds maintenance contract is judged to include a finance lease, therefore the assets and a long term creditor equal to the value of the assets are included on the balance sheet. The assets will be depreciated over the life of the contract and the long term creditor written down over the same period. The non-current assets used to deliver the park and ride contract have a useful life significantly greater than the duration of the contract and so this contract is deemed to include an operating lease for which there are no further accounting adjustments required.

d) The Council owns several properties that are classified as specialised as being a property that is rarely, if ever, sold in the market, except by way of a sale of the business or entity of which it is part, due to the uniqueness arising from its specialised nature and design, its configuration, size, location or otherwise. Property services value these non-current assets on a depreciated replacement cost basis as to value them on any other basis would be extremely difficult and would invariably lead to unrealistically low values.

## 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 Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| Item | Uncertainties | Effect if actual results differ from assumptions |
|---|---|---|
| Pensions Liability | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied | The effects on the net pension 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 £2,657k<br><br>However the assumptions interact in complex ways. During 2013/14 the Authority's actuaries advised that the net pensions liability had increased by £10m as a result of estimates being corrected as a result of experience . |

## 5. Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Director of Resources on 30 June 2014. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## 6. Adjustments between Accounting Basis and Funding Basis under Regulations

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

The following sets out a description of the reserves that the adjustments are made against.

### 6.1 General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year. However the balance is not available to be applied to funding HRA services.

### 6.2 Housing Revenue Account Balance

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

### 6.3 Major Repairs Reserve

The Authority is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

### 6.4 Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

### 6.5 Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

| Accounting and Funding basis adjustments 2013/14 | 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** | | | | | | | |
| Charges for Depreciation and impairment of non-current assets | (3,658) | | (3,063) | | | | 6,720 |
| Revaluation losses on Property, Plant & Equipment | 462 | | (3,670) | | | | 3,208 |
| Movement in market value of investment property | 1,040 | | (239) | | | | (801) |
| Capital grant and contributions applied | 508 | | 6 | | | | (514) |
| Revenue Expenditure funded from Capital under Statute | (499) | | | | | | 499 |
| Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES | (131) | | (1,052) | | | | 1,184 |
| **Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement** | | | | | | | |
| Statutory provision for the financing of capital investment | 1,984 | | 4,208 | | | | (6,192) |
| Capital expenditure charged against GF & HRA balances | 1,468 | | | | | | (1,468) |
| **Adjustments primarily involving the Capital Grants Unapplied Account** | | | | | | | |
| Capital grants and contributions unapplied credited to CIES | (554) | | | | | 554 | 0 |
| Capital grants and contributions unapplied | 1,608 | | | | | (1,608) | 0 |
| **Adjustments primarily involving the Capital Receipts Reserve (CRR)** | | | | | | | |
| Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES | 415 | | 2,003 | | (2,418) | | 0 |
| Use of CRR to finance capital expenditure | | | | | 890 | | (890) |
| Contribution from CRR to finance payments to the Government capital receipts pool | (437) | | | | 435 | | 2 |
| Transfer from deferred CRR upon receipt of cash | | | | | (7) | | 7 |
| Repayments of soft loans and Hsg Act advances | | | | | 354 | | (354) |
| **Adjustments primarily involving the Major Repairs Reserve** | | | | | | | |
| Reversal of Major Repairs Allowance credited to the HRA | | | 3,063 | (3,063) | | | 0 |
| Use of the Major Repairs Reserve to finance new capital expenditure | | | | 3,872 | | | (3,872) |
| Voluntary transfer to Major Repairs Reserve | | | 810 | (810) | | | 0 |
| **Adjustments involving the Financial Instruments Adjustment Account** | | | | | | | |
| Amount by which finance costs charged to CIES are different from finance costs chargeable in year in accordance with statutory requirements | (99) | | 41 | | | | 58 |
| **Adjustments involving the Pension Reserve** | | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to CIES | (4,817) | | (306) | | | | 5,123 |
| Employers contributions and direct payments to pensioners payable in year. | 3,497 | | 270 | | | | (3,767) |
| **Adjustments involving Collection Fund Adjustment Account** | | | | | | | |
| Amount by which council tax and NDR income adjustment included in CIES is different to the amount calculated for the year in accordance with statutory guidance | 122 | | | | | | (122) |
| **Adjustments involving Accumulated Absences Account** | | | | | | | |
| Amount by which officer remuneration charged to the CIES on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements | (6) | | (0) | | | | 6 |
| **Total Adjustments 2013/14** | 905 | 0 | 2,070 | 0 | (747) | (1,054) | (1,173) |

| **Accounting and Funding basis adjustments 2012/13 Restated** | 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** | | | | | | | |
| Charges for Depreciation and impairment of non-current assets | (4,121) | | (2,934) | | | | 7,055 |
| Revaluation losses on Property, Plant & Equipment | (3,368) | | (3,961) | | | | 7,329 |
| Movement in market value of investment property | (2,301) | | | | | | 2,301 |
| Capital grant and contributions applied | 1,090 | | 48 | | | | (1,138) |
| Revenue Expenditure funded from Capital under Statute | (465) | | | | | | 465 |
| Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES | (2) | | (907) | | | | 909 |
| **Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement** | | | | | | | |
| Statutory provision for the financing of capital investment | 1,474 | | | | | | (1,474) |
| Capital expenditure charged against GF & HRA balances | 145 | | 5,121 | | | | (5,266) |
| **Adjustments primarily involving the Capital Grants Unapplied Account** | | | | | | | |
| Capital grants and contributions unapplied credited to CIES | (267) | | | | | 267 | 0 |
| Capital grants and contributions unapplied | 1,186 | | | | | (1,186) | 0 |
| **Adjustments primarily involving the Capital Receipts Reserve (CRR)** | | | | | | | |
| Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES | 3 | | 1,540 | | (1,543) | | 0 |
| Use of CRR to finance capital expenditure | | | | | 42 | | (42) |
| Contribution from CRR to finance payments to the Government capital receipts pool | (385) | | | | 385 | | 0 |
| Transfer from deferred CRR upon receipt of cash | | | | | (7) | | 7 |
| Repayments of soft loans and Hsg Act advances | | | | | (529) | | 529 |
| **Adjustments primarily involving the Major Repairs Reserve** | | | | | | | |
| 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) |
| Voluntary transfer to Major Repairs Reserve | | | 1,696 | (1,696) | | | 0 |
| **Adjustments involving the Financial Instruments Adjustment Account** | | | | | | | |
| Amount by which finance costs charged to CIES are different from finance costs chargeable in year in accordance with statutory requirements | 94 | | 84 | | | | (178) |
| **Adjustments involving the Pension Reserve** | | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to CIES | (4,999) | | (272) | | | | 5,271 |
| Employers contributions and direct payments to pensioners payable in year. | 3,500 | | 246 | | | | (3,746) |
| **Adjustments involving Collection Fund Adjustment Account** | | | | | | | |
| Amount by which council tax and NDR income adjustment included in CIES is different to the amount calculated for the year in accordance with statutory guidance | (20) | | | | | | 20 |
| **Adjustments involving Accumulated Absences Account** | | | | | | | |
| Amount by which officer remuneration charged to the CIES on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements | (42) | | (1) | | | | 43 |
| **Total Adjustments 2012/13** | (8,478) | 0 | 3,594 | 0 | (1,652) | (919) | 7,455 |

## 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 2013/14.

| Reserve | Note | Balance at 1 April 2012 | Transfers to reserve | Transfers from reserve | Balance at 31 March 2013 | Transfers to reserve | Transfers from reserve | Balance at 31 March 2014 |
|---|---|---|---|---|---|---|---|---|
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Early retirement | a | (177) | 0 | 76 | (102) | 0 | 0 | (102) |
| Computer/equipment | b | (360) | (162) | 2 | (519) | (271) | 207 | (583) |
| CCTV reserve | c | (78) | (35) | 13 | (99) | (35) | 0 | (134) |
| Buildings Maintenance | d | (330) | (153) | 4 | (479) | (184) | 51 | (612) |
| Insurance reserve | e | (374) | (111) | 46 | (439) | (5) | 46 | (399) |
| Marlowe Theatre reserve | f | 0 | 0 | 0 | 0 | (30) | 0 | (30) |
| Liability insurance | g | (229) | (3) | 1 | (231) | (1) | 23 | (209) |
| Regeneration | h | (117) | 0 | 19 | (99) | (10) | 0 | (109) |
| Restructure reserve | i | (811) | (357) | 479 | (689) | (527) | 132 | (1,085) |
| Open spaces maintenance | j | (176) | 0 | 17 | (159) | 0 | 17 | (141) |
| Budget stabilisation reserve | k | (1,710) | 0 | 59 | (1,651) | (197) | 0 | (1,848) |
| Museums reserves | l | (277) | 0 | 134 | (143) | (25) | 1 | (167) |
| Carry forward reserve | m | 0 | (171) | 0 | (171) | (895) | 171 | (895) |
| Elections reserve | n | (56) | (47) | 5 | (98) | (53) | 14 | (137) |
| Invest to save reserve | o | (53) | (300) | 0 | (353) | (18) | 15 | (356) |
| Emergencies reserve | p | (156) | (22) | 0 | (177) | (81) | 0 | (258) |
| Whitstable Harbour reserves | q | (566) | (249) | 10 | (805) | (280) | 105 | (979) |
| Planning delivery grant | r | (366) | 0 | 129 | (236) | 0 | 129 | (107) |
| Local Plan enquiry | s | (290) | (25) | 69 | (246) | (11) | 28 | (229) |
| Car park reserve | t | (32) | (131) | 15 | (149) | (240) | 100 | (289) |
| HRA transfer reserve | u | 0 | 0 | 0 | 0 | (900) | 0 | (900) |
| Other Gen Fund reserves | | (1,747) | (494) | 781 | (1,460) | (1,041) | 478 | (2,022) |
| **Total of Reserves** | | (7,907) | (2,259) | 1,860 | (8,306) | (4,804) | 1,518 | (11,592) |
| Net movement in year | | | | | (399) | | | (3,287) |
| **HRA Reserves (excl major repairs reserve)** | | | | | | | | |
| Subsidence reserve | v | (588) | (50) | 0 | (638) | (50) | 0 | (688) |
| Other HRA reserves | | (101) | (56) | 45 | (111) | (55) | 49 | (117) |
| **Total HRA Reserves** | | (688) | (106) | 45 | (749) | (105) | 49 | (805) |
| Net movement in year | | | | | (61) | | | (56) |
| **Total Reserves** | | **(8,595)** | **(2,365)** | **1,906** | **(9,055)** | **(4,909)** | **1,567** | **(12,397)** |
| | | | | | | | | |
| Net movement in year | | | | | (460) | | | (3,342) |

**Earmarked Reserves.**

a) 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.

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

c)  This reserve is used to finance CCTV equipment.

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

e) 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
- i) 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.

f) The Marlowe reserve is to be used finance maintenance of the theatre building.

g) 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.

h)  This reserve is used to fund regeneration projects.

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

j) 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.

k) 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.

l) The museums reserves are used for the operation of the district's museums, including the purchase of museum exhibits.

m) The carry forward reserve is used to carry forward approved allocations to the next financial year to fund specific items or projects.

n) The elections reserve is used to fund the authority elections.

o) The invest to save reserve has been set up to fund specific projects that are carried out with the intention of creating savings in future years.

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

q) The Whitstable Harbour reserves hold any surpluses from the ring-fenced account to spend on the Harbour in future years.

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

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

t) This reserve was created in the 2006/07 budget strategy to finance work on the Council's car parks.

u) The HRA transfer reserve was created in 2013/14 from a surplus in the Housing Revenue Account. This has been set aside to be used to fund capital projects that benefit the community.

v) 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 Non Ring-fenced 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.

| 2012/13 | | 2013/14 |
|---|---|---|
| (179) | Revenue Support Grant | (6,100) |
| (9,221) | Distribution from non-domestic rate pool | (4,489) |
| (909) | New Homes Bonus | (1,539) |
| (233) | Council Tax Freeze Grant | 0 |
| **(10,542)** | **Total of General Government Grants** | **(12,128)** |

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

Following the introduction of capital accounting, plant, property and equipment (PPE) 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. The summary of the movement in these assets during the year are listed in the two tables below with more detailed tables by revaluation groups following.

| | Council Dwellings | Land and Buildings | Plant, Vehicles & Equipment | Infrastructure | Community Assets | Assets under Construction | Total Tangible assets | Investment Properties | Heritage Assets | Intangible Assets | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Note | | 9.1a | 9.1b | 9.1b | 9.1c | | | | 9.1c | | |
| **Cost or Valuation** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| **At 1 April 2013 (b/fwd)** | 222,589 | 91,107 | 9,757 | 41,046 | 1,148 | 0 | 365,647 | 67,091 | 10,694 | 474 | 443,907 |
| **Additions** | 243 | 636 | 7,242 | | | | 8,121 | 4,663 | | 4 | 12,789 |
| **Disposals** | (1,052) | | (2,289) | | | | (3,341) | (25) | | | (3,366) |
| **Acc Dep'n w/o** | | (2,392) | | | | | (2,392) | | | | (2,392) |
| **Reclassifications/Transfers** | | (180) | | | 101 | | (79) | 39 | | | (40) |
| **Revaluations to Revaluation Reserve** | 13,302 | 8,628 | | | | | 21,930 | | | | 21,930 |
| **Revaluations to CIES** | | 768 | | | | | 768 | 801 | | | 1,569 |
| **Other movements in Cost or Valuation** | | | | | | | 0 | | | | 0 |
| **At 31 March 2014** | 235,082 | 98,567 | 14,710 | 41,046 | 1,249 | 0 | 390,654 | 72,569 | 10,694 | 479 | 474,397 |
| **Depreciation** | | | | | | | | | | | |
| **At 1 April 2013 (b/fwd)** | (2,893) | (1,599) | (7,344) | (15,471) | (16) | 0 | (27,324) | 0 | 0 | (375) | (27,699) |
| **Charge for 2013/14** | (3,016) | (1,289) | (1,474) | (914) | (1) | | (6,694) | | | (26) | (6,720) |
| **Disposals** | | | 2,273 | | | | 2,273 | | | | 2,273 |
| **Acc Dep'n w/o** | | 2,392 | | | | | 2,392 | | | | 2,392 |
| **Reclassifications** | | 16 | | | | | 16 | | | | 16 |
| **Revaluations** | 2,893 | | | | | | 2,893 | | | | 2,893 |
| **At 31 March 2014** | (3,016) | (480) | (6,546) | (16,385) | (18) | 0 | (26,444) | 0 | 0 | (401) | (26,845) |
| | | | | | | | | | | | |
| **Net Book Value at 31 March 2014** | 232,066 | 98,087 | 8,164 | 24,662 | 1,231 | 0 | 364,210 | 72,569 | 10,694 | 78 | 447,552 |

## 9 Property plant and equipment, investment properties and intangible 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 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** | | (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 CIES** | | (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** | (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) | 0 | (7,025) | | | | (30) | (7,055) |
| **Disposals** | | | 1,231 | 12 | | | 1,243 | | | | 1 | 1,244 |
| **Acc Dep'n w/o** | | 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 |

| Note 9.1a | Amenities | Dummy Land | Harbour | Leisure Facilities | Office Buildings | Off street Car parks | open spaces & recreational facilities | Operational Buildings | Operational land | Surplus Assets | Vacant land | Garages | land & Buildings Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Cost or Valuation | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| At 1 April 2013 (b/fwd) | 968 | 282 | 1,100 | 27,637 | 6,159 | 19,061 | 3,393 | 27,727 | 413 | 2,244 | 0 | 2,123 | 91,107 |
| Additions | 0 | 0 | 0 | 38 | 185 | 153 | 110 | 150 | 0 | 0 | 0 | | 636 |
| Disposals | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | 0 |
| Acc Dep'n w/o | (16) | 0 | (81) | (1,096) | (160) | (257) | (27) | (751) | 0 | (4) | 0 | | (2,392) |
| Reclassifications/Transfer | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (175) | 0 | (2) | (3) | | (180) |
| Revaluations to Revaluation Reserve | 8 | (15) | 123 | 1,725 | 21 | 4,327 | 122 | 2,131 | 0 | 65 | 3 | 119 | 8,630 |
| Revaluations to CIES | 43 | (4) | 58 | (43) | (114) | 875 | (80) | (34) | 0 | 67 | 0 | 0 | 768 |
| Other movements in Cost or Valuation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| At 31 March 2014 | 1,003 | 263 | 1,200 | 28,262 | 6,091 | 24,159 | 3,518 | 29,047 | 413 | 2,370 | 0 | 2,242 | 98,568 |
| Depreciation | | | | | | | | | | | | | |
| At 1 April 2013 (b/fwd) | (22) | 0 | (37) | (651) | (42) | (200) | (146) | (361) | 0 | (4) | 0 | (135) | (1,598) |
| Charge for 2013/14 | (8) | (2) | (44) | (448) | (119) | (72) | (82) | (475) | 0 | (1) | 0 | (37) | (1,289) |
| Disposals | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Acc Dep'n w/o | 16 | 0 | 81 | 1,096 | 160 | 257 | 26 | 751 | 0 | 4 | 0 | 0 | 2,391 |
| Reclassifications | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 16 | 0 | 0 | 0 | 0 | 16 |
| Revaluations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| At 31 March 2014 | (14) | (2) | 0 | (3) | (1) | (15) | (202) | (70) | 0 | (1) | 0 | (172) | (480) |
| | | | | | | | | | | | | | |
| Net Book Value at 31 March 2014 | 989 | 261 | 1,200 | 28,259 | 6,090 | 24,144 | 3,316 | 28,977 | 413 | 2,369 | 0 | 2,070 | 98,088 |
| | | | | | | | | | | | | | |
| Net Book Value at 31 March 2013 | 946 | 282 | 1,063 | 26,986 | 6,117 | 18,861 | 3,247 | 27,366 | 413 | 2,240 | 0 | 1,988 | 89,509 |

| Note 9.1b | Bridges | Permanenet ways | Roads | Sea Defences | Street Furniture | Water & Drainage | Infrastructure Total | Equipment | Inatangible assets | Recycling Bins | Vehicles | Wheeled Bins Domestic | PVE Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cost or Valuation** | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| At 1 April 2013 (b/fwd) | 249 | 4,093 | 498 | 32,403 | 1,209 | 2,594 | 41,046 | 7,321 | 0 | 372 | 2,033 | 30 | 9,757 |
| Additions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 591 | 4 | 0 | 4,926 | 1,721 | 7,242 |
| Disposals | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (182) | 0 | (250) | (1,826) | (30) | (2,288) |
| Acc Dep'n w/o | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reclassifications/Transfers | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Revaluations to Revaluation Reserve | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Revaluations to CIES | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other movements in Cost or Valuation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| At 31 March 2014 | 249 | 4,093 | 498 | 32,403 | 1,209 | 2,594 | 41,046 | 7,730 | 4 | 122 | 5,133 | 1,721 | 14,710 |
| **Depreciation** | | | | | | | | | | | | | |
| At 1 April 2013 (b/fwd) | (122) | (1,267) | (84) | (11,132) | (594) | (2,272) | (15,471) | (5,022) | 0 | (349) | (1,944) | (30) | (7,345) |
| Charge for 2013/14 | (6) | (104) | (14) | (735) | (40) | (14) | (913) | (749) | 0 | (11) | (714) | 0 | (1,473) |
| Disposals | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 166 | 0 | 250 | 1,826 | 30 | 2,273 |
| Acc Dep'n w/o | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reclassifications | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Revaluations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| At 31 March 2014 | (128) | (1,371) | (98) | (11,867) | (634) | (2,286) | (16,384) | (5,604) | 0 | (110) | (832) | 0 | (6,546) |
| | | | | | | | | | | | | | |
| Net Book Value at 31 March 2014 | 121 | 2,722 | 400 | 20,536 | 575 | 308 | 24,662 | 2,126 | 4 | 12 | 4,301 | 1,721 | 8,164 |
| | | | | | | | | | | | | | |
| Net Book Value at 31 March 2013 | 127 | 2,826 | 414 | 21,271 | 615 | 322 | 25,575 | 2,299 | 0 | 23 | 89 | 0 | 2,412 |

| Note 9.1c | cemeteries land | Civic Regalia | Historic Buildings | Museum Exhibits | Open Spaces | Vacant Land | Community Total | | Art Collections & Paintings | Historic Buildings & Remains | Museum Artifcats and Collections | Heritage Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cost or Valuation** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | | **£'000** | **£'000** | **£'000** | **£'000** |
| **At 1 April 2013 (b/fwd)** | 20 | 186 | 365 | 11 | 566 | 0 | 1,148 | | 8,690 | 1,163 | 841 | 10,694 |
| **Additions** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | 0 | 0 | 0 | 0 |
| **Disposals** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | 0 | 0 | 0 | 0 |
| **Acc Dep'n w/o** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | 0 | 0 | 0 | 0 |
| **Reclassifications/Transfers** | 0 | 0 | 0 | 0 | 0 | 101 | 101 | | 0 | 0 | 0 | 0 |
| **Revaluations to Revaluation Reserve** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | 0 | 0 | 0 | 0 |
| **Revaluations to CIES** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | 0 | 0 | 0 | 0 |
| **Other movements in Cost or Valuation** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | 0 | 0 | 0 | 0 |
| **At 31 March 2014** | 20 | 186 | 365 | 11 | 566 | 101 | 1,249 | | 8,690 | 1,163 | 841 | 10,694 |
| **Depreciation** | | | | | | | | | | | | |
| **At 1 April 2013 (b/fwd)** | 0 | 0 | (17) | 0 | 0 | 0 | (17) | | 0 | 0 | 0 | 0 |
| **Charge for 2013/14** | 0 | 0 | (1) | 0 | 0 | 0 | (1) | | 0 | 0 | 0 | 0 |
| **Disposals** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | 0 | 0 | 0 | 0 |
| **Acc Dep'n w/o** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | 0 | 0 | 0 | 0 |
| **Reclassifications** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | 0 | 0 | 0 | 0 |
| **Revaluations** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | 0 | 0 | 0 | 0 |
| **At 31 March 2014** | 0 | 0 | (18) | 0 | 0 | 0 | (18) | | 0 | 0 | 0 | 0 |
| | | | | | | | | | | | | |
| **Net Book Value at 31 March 2014** | 20 | 186 | 347 | 11 | 566 | 101 | 1,231 | | 8,690 | 1,163 | 841 | 10,694 |
| | | | | | | | | | | | | |
| **Net Book Value at 31 March 2013** | 20 | 186 | 348 | 11 | 566 | 0 | 1,131 | | 8,690 | 1,163 | 841 | 10,694 |

## 9.2 Depreciation

Depreciation is provided for PPE 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 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.

## 9.3 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, as are all assets with a capital value of over £200,000. All valuations were carried out internally.

| Assets Category | Date of last valuation | Basis of valuation | Internal Valuer |
|---|---|---|---|
| Council dwellings | April 2013 | A | Martin Bovingdon, FRICS |
| Other land and buildings | April 2008 – March 2014 | B | Martin Bovingdon, FRICS |
| Surplus Assets | March 2014 | B | Martin Bovingdon, FRICS |
| Investment properties | March 2014 | C | Martin Bovingdon, FRICS |
| Assets Held for Sale | March 2014 | 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) Fair Value – Market Value
c) 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 - Market Value basis

## 9.4 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.

## 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.

| 2012/13 | Capital Expenditure and Financing | 2013/14 |
|---|---|---|
| **£'000** | | **£'000** |
| **147,856** | **Opening Capital Financing Requirement** | **143,384** |
| | **Capital Expenditure in year:** | |
| 7,555 | Property, plant and equipment | 6,952 |
| 25 | Investment properties | 4,882 |
| 33 | Intangible assets | 4 |
| 1,566 | Revenue expenditure funded from capital under statute see note 10.1 | 2,063 |
| 0 | Long term debtors (note 12 - advances) | 50 |
| 9,179 | | 13,951 |
| (4,049) | **HRA loan repayment** | (4,208) |
| | **Sources of Finance** | |
| (42) | Capital receipts | (890) |
| (2,174) | Government grants and other contributions | (2,073) |
| (5,912) | Revenue and Reserves | (5,346) |
| (1,474) | Revenue and provision for repayment of loans (MRP) | (1,985) |
| (9,602) | | (10,293) |
| **143,384** | **Closing Capital Financing Requirement** | **142,834** |
| | **Explanation of movements in year** | |
| (4,049) | HRA loan repayment | (4,208) |
| (1,474) | MRP | (1,985) |
| 1,051 | Increase in underlying need to borrow (unsupported by government financial assistance). | 5,643 |
| **(4,472)** | **Movement of Capital Financing Requirement** | **(550)** |

### 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.

| 2012/13 | | 2013/14 | | | |
|---|---|---|---|---|---|
| Net Exp | | Gross Exp | Gov Grant | Other Contr | Net Exp |
| £'000 | | £'000 | £'000 | £'000 | £'000 |
| 10 | Disabled facilities and improvement grant | 582 | (413) | (41) | 128 |
| 0 | Historic building grants | 0 | 0 | 0 | 0 |
| 455 | Other including parish council grants | 1,481 | (1,110) | 0 | 371 |
| **465** | Total | **2,063** | **(1,523)** | **(41)** | **499** |

The financing of this expenditure was grants and contributions £1,564k and unsupported borrowing £499k. Adding the £1,523k to the £508K non REFCUS grants (detailed in note 22) reconciles to the total capital grants applied to finance capital expenditure £2,073k (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 2013 | | | 31 March 2014 | |
|---|---|---|---|---|
| Long-term | Current | | Long-term | Current |
| £'000 | £'000 | **Borrowings** | £'000 | £'000 |
| (124,695) | (11,373) | Financial liabilities at amortised cost (including the £2,000k soft loan received from KCC) | (117,559) | (7,226) |
| 0 | 0 | Financial liabilities at fair value through profit and loss | 0 | 0 |
| **(124,695)** | **(11,373)** | **Total Borrowings** | **(117,559)** | **(7,226)** |
| | | | | |
| | | **Creditors** | | |
| 0 | (7,624) | Financial liabilities at amortised cost (ie excluding statutory debts such as council tax) * | 0 | (8,852) |
| 0 | (1,587) | Bank Overdraft * | 0 | (543) |
| **0** | **(9,211)** | **Total Creditors** | **0** | **(9,395)** |
| | | | | |
| | | **Investments** | | |
| 0 | 8,019 | Loans and receivables | 0 | 10,548 |
| 0 | 0 | Available-for-sale financial assets | 0 | 0 |
| **0** | **8,019** | **Total investments** | **0** | **10,548** |
| | | | | |
| | | **Other current assets** | | |
| 0 | 6,818 | Loans and receivables (ie excluding statutory debts such as council tax) * | 0 | 5,569 |
| 0 | 13,406 | Cash and cash equivalents * | 0 | 10,651 |
| **0** | **20,224** | **Total other current assets** | **0** | **16,220** |
| | | | | |
| | | **Soft loans** | | |
| 5,174 | 0 | Soft loans provided - see table below | 4,938 | 0 |
| 15 | 0 | Mortgages | 8 | 0 |
| **5,189** | **0** | **Total Soft Loans** | **4,946** | **0** |
| | | | | |
| | | *** Reconciliation to balance sheet** | | |
| | (10,905) | Creditors per balance sheet | | (12,798) |
| | 3,281 | Less statutory debts | | 3,946 |
| | (7,624) | Financial liabilities at amortised cost as above | | (8,852) |
| | | | | |
| | 8,192 | Debtors per balance sheet | | 6,635 |
| | 2,383 | Impairment of debt | | 2,909 |
| | (3,757) | Less statutory debt | | (3,975) |
| | 6,818 | Loans and receivables as above | | 5,569 |
| | | | | |
| | 13,406 | Cash and cash equivalents | | 10,651 |
| | (1,587) | Bank Overdraft | | (543) |
| | 11,820 | Cash and cash equivalents per balance sheet | | 10,108 |

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

| Borrower | Term | Original | Opening | Adv | Repaid | Closing | Fair value |
|---|---|---|---|---|---|---|---|
| | | Loan | Bal | 2013/14 | 2013/14 | Bal | 31/3/2014 |
| | Years | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Herne Bay Bowling Club (combined) | 15 & 12.5 | 44 | 13 | | 3 | 10 | 10 |
| Canterbury Bowling Club | 20 | 100 | 40 | | 5 | 35 | 31 |
| Active Life | 12 | 600 | 437 | | 50 | 387 | 332 |
| Polo Farm | 15 | 135 | 65 | | 9 | 56 | 50 |
| Horsebridge | 10 | 50 | 30 | | 0 | 30 | 27 |
| Thanington Resource Centre | 16 | 42 | 35 | | 2 | 33 | 33 |
| Kent County Cricket Club (combined) | 30 & 3 | 5,500 | 4,963 | | 95 | 4,868 | 4,180 |
| Almshouse Charity of Wynn Ellis | 20 | 220 | 208 | | 7 | 201 | 200 |
| Canterbury Rugby Club | 10 | 30 | 26 | | 3 | 23 | 23 |
| Horsebridge | 5 | 7 | 5 | | (2) | 7 | 7 |
| Herne Bay Football Club | 15 | 0 | 0 | 25 | 1 | 24 | 24 |
| Herne Bay Pier | 3 | 0 | 0 | 25 | 4 | 21 | 21 |
| | | **6,728** | **5,822** | **50** | **177** | **5,695** | **4,938** |

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. Where the interest rate charged is equal to or above the council's average rate of borrowing then there is an adjustment to the fair value to reflect a credit risk.

Loans are awarded through a process of application and with agreement from the Executive. The details of the loans to KCCC can be found in the executive papers of 19 November 2009 and 5 January 2012.

### 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 cost | Loans and receivables | |
| | £'000 | £'000 | £'000 |
| **Interest payable and similar charges** | | | 0 |
| Interest payable | 3,657 | 0 | 3,657 |
| Impairment of financial assets | 0 | (249) | (249) |
| **Total** | **3,657** | **(249)** | **3,408** |
| **Interest and investment income** | | | |
| interest income (received) | 0 | (607) | (607) |
| interest income (impaired) | 0 | (20) | (20) |
| **Total** | **0** | **(627)** | **(627)** |
| Net (gain)/loss for the year | **3,657** | **(876)** | **2,781** |

### 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 2014 were between 1.26% and 4.33% 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 Capita our treasury advisors;

| March 2013 | | | March 2014 | |
|---|---|---|---|---|
| Carrying Amount £'000 | Fair Value £'000 | | Carrying Amount £'000 | Fair Value £'000 |
| | | **Long-term borrowing** | | |
| 122,692 | 125,634 | Financial Liabilities PWLB loans | 115,556 | 110,606 |
| 2,003 | 1,989 | Financial Liabilities - Other bonds and mortgages | 2,003 | 1,872 |
| | | **Short term borrowing** | | |
| 11,373 | 11,401 | Financial Liabilities - temporary loans | 7,226 | 6,916 |

The fair value is lower than the carrying amount because the Council's portfolio of loans includes loans where the interest rate payable currently is lower than the rates available for similar loans at the Balance Sheet date.

| 31 March 2013 | | | 31 March 2014 | |
|---|---|---|---|---|
| Carrying Amount £'000 | Fair Value £'000 | | Carrying Amount £'000 | Fair Value £'000 |
| | | **Investments** | | |
| 7,862 | 8,060 | Loans and receivables - banks and building societies | 10,548 | 10,557 |
| 0 | 0 | Available-for-sale financial assets - externally managed | 0 | 0 |
| **7,862** | **8,060** | | **10,548** | **10,557** |

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 as they are short term liquid assets.

### 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 reviewed throughout the year, 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 – 23 January 2014 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 98.2% has now been returned. The latest CIPFA guidance on recoverable amounts from Heritable Bank are that no further dividends are assumed to be paid therefore the outstanding balance of £71k has been written off against the budget stabilisation reserve that was set up to cover this eventuality. £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 (£10m) are due to be paid within one year. The long term debts are due for repayment in accordance with the loan agreements.

**Refinancing and Maturity Risk**

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

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. 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.

However £65m 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 2013 | Source of Loan | Range of interest rates payable | 31 March 2014 |
|---|---|---|---|
| £'000 | | % | £'000 |
| 122,692 | Public Works Loan Board | 2.00 - 10.50 | 115,556 |
| 2,003 | Other bonds and mortgages | 2.00 - 5.625 | 2,003 |
| **124,695** | Total Long term borrowing | | **117,559** |
| | Analysis of loans by maturity is: | | |
| 7,030 | Maturing in 1-2 years | | 4,593 |
| 18,287 | Maturing in 2-5 years | | 14,645 |
| 28,314 | Maturing in 5-10 years | | 32,977 |
| 71,064 | Maturing in over 10 years | | 65,344 |
| **124,695** | Total Long term borrowing | | **117,559** |

**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. 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 risk to the authority of investing at a fixed rate is minimised by investing for maximum of one year.

**General Fund Borrowing**

£27.5m 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 £6.5m of borrowings maturing in the next five years.

**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 2013 | Investment type | Carrying amount | | | | Fair Value at 31 March |
|---|---|---|---|---|---|---|
| | | Nominal Value | Accrued Interest | Impair-ment | Total 31 March 2014 | |
| £'000 | **Internally Managed** | £'000 | £'000 | £'000 | £'000 | £'000 |
| 433 | Heritable Bank - fixed deposits | 0 | 0 | 0 | 0 | 0 |
| 429 | Glitnir Bank - remaining deposit | 449 | | 0 | 449 | 449 |
| 7,156 | Other Banks - fixed deposits | 10,000 | 87 | 0 | 10,087 | 10,096 |
| | Other Accrued interest | 0 | 12 | | 12 | 12 |
| **8,019** | | **10,449** | **99** | **0** | **10,548** | **10,557** |

The Council obtained £221,000 interest on its investments (excluding Icelandic banks) in 2013/14 (£360,000 in 2012/13) – an average interest rate of 0.7625% (1.50% in 2012/13).

**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 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.

The Council had £4m deposited with the Heritable Bank when the banking crisis occurred in 2008 we have received repayments from the administrators of the Heritable of £3,928,774. The return to non-preferential creditors now totals c94.02 pence in the pound. The latest CIPFA guidance on recoverable amounts from Heritable Bank are that no further dividends are assumed to be paid therefore the outstanding balance £71,226 has been written off against the budget stabilisation reserve that was setup to cover this eventuality.

**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 (81m) was placed in an escrow account in Iceland.

This deposit of 77,279,109 kr, has been credited with interest calculated at £18,100 in 2013/14 and has benefited from improving exchange rates to be worth £449,053 at 31 March 2014. (£429,627 at 31 March 2013).

## 12 Long term debtors

| Balance at 1 April 2013 | Category | Advances | Repayments | Write-Offs | Balance at 31 March 2014 |
|---|---|---|---|---|---|
| £'000 | | £'000 | £'000 | £'000 | £'000 |
| | **Soft loans (Misc loans)** | | | | |
| 5,822 | Actual amount outstanding | 50 | (177) | 0 | 5,696 |
| (648) | Adjustments to fair value | 0 | (110) | 0 | (758) |
| 5,174 | **Soft loans - Fair value** | 50 | (286) | 0 | 4,938 |
| 15 | Mortgages | 0 | (7) | 0 | 8 |
| 11 | Housing Act Advances | 0 | 0 | 0 | 11 |
| **5,200** | **Total** | **50** | **(293)** | **0** | **4,957** |

The true balance for Soft Loans at 31 March 2014 of £5,695,000 has been reduced downwards by £758,000 (contra the Financial Instruments adjustment account) to a 'fair value' of £4,937,000 using a discounted cash flow calculation, to reflect the interest charged is below market rates or where interest is at the market rate a credit default risk of 1% has been used.

## 13 Short term debtors

| 31 March 2013 | Category | 31 March 2014 |
|---|---|---|
| £'000 | | £'000 |
| 7,705 | Other entities and individuals | 6,358 |
| 210 | Central government bodies | 1,038 |
| 1,606 | Other local authorities | 1,388 |
| 1,054 | Public Corps & Trading Funds | 759 |
| **10,575** | **Total** | **9,544** |
| | **Impairment of debt** | |
| (196) | Local tax payers | (487) |
| (462) | Housing | (470) |
| (1,065) | Benefits | (1,311) |
| (660) | Penalty charges notices & other provisions | (640) |
| **(2,383)** | **Total** | **(2,910)** |
| | | |
| **8,193** | **Total short term debtors** | **6,634** |

**Age of Debt**
An analysis of the age profile of trade debtors is given in the table below which form part of the debtors figures shown above.

| 31 March 2013 | | | | 31 March 2014 | | |
|---|---|---|---|---|---|---|
| General | HRA | Total | | General | HRA | Total |
| £'000 | £'000 | £'000 | Age of Debt | £'000 | £'000 | £'000 |
| 1718 | 30 | **1748** | 0 to 30 days | 485 | 28 | **513** |
| 60 | 1 | **60** | 31 to 60 days | 24 | 3 | **27** |
| 43 | 0 | **43** | 61 to 90 days | 132 | 2 | **134** |
| 101 | 10 | **112** | 91 to 120 days | 39 | 4 | **44** |
| 553 | 54 | **606** | Over 120 days | 560 | 73 | **633** |
| **2474** | **95** | **2569** | **Total** | **1241** | **110** | **1351** |

**Collectability of Debt**

The Council does not generally allow credit for customers; however, it is prudent to establish a provision for non-payment of debt. This calculation is based upon the type and age of the debtor and allows a percentage for the expected failure of collection. The Council's potential maximum exposure to default or non-collection of the debt is shown as the provision balance as at 31 March in the impairment of debt table above.

## 14 Inventories (stocks in hand)

| 31 March 2013 | Category | 31 March 2014 |
|---|---|---|
| £'000 | | £'000 |
| 53 | Tourist information centres | 30 |
| 190 | Other | 137 |
| **243** | **Total** | **167** |

## 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 2013 | Balance (inc accruals) | 31 March 2014 |
|---|---|---|
| £'000 | | £'000 |
| 12,720 | Bank overnight deposits | 9,563 |
| 687 | Cash in hand | 1,088 |
| 13,407 | | 10,651 |
| (1,587) | Bank overdraft | (543) |
| **11,820** | | **10,108** |

## 16 Assets for sale

| 31 March 2013 £'000 | Balance outstanding at start of year | Assets sold £'000 | 31 March 2014 £'000 |
|---|---|---|---|
| 303 | Lakesview | (303) | 0 |
| 0 | Asset sold | 0 | 0 |
| **303** | Total | **(303)** | **0** |

## 17 Creditors

| 31 March 2013 £'000 | Category Sundry creditors | 31 March 2014 £'000 |
|---|---|---|
| (2,862) | Central government bodies | (1,848) |
| (1,394) | Other Local Authorities | (3,096) |
| (6,649) | Other entities & Individuals | (7,853) |
| **(10,905)** | **Total** | **(12,798)** |

## 17.1 Deposits and Receipts in Advance

The balance for deposits and receipts in advance is predominantly advance tickets sales for performances at the Marlowe Theatre of £2,145k (2012/13 £2,208k).

## 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 2013 £'000 | Net movement in year £'000 | Balance 31 March 2014 £'000 | Purpose of reserve |
|---|---|---|---|---|
| Revaluation Reserve | (57,233) | (24,703) | (81,936) | Store of gains on revaluation of fixed assets, not yet realised through sales see note 19.1 for details |
| Capital Adjustment Account | (224,256) | (2,364) | (226,620) | Store of capital resources set aside to meet past expenditure see note 19.3 for details |
| Financial Instrument Adjustment Account | 973 | 58 | 1,031 | 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 | 59,277 | 10,000 | 69,277 | Balancing account to allow inclusion of Pensions Liability in the Balance Sheet. See note 19.4 for details |
| Deferred Capital Receipts | (15) | 7 | (8) | Represents principal outstanding from mortgages |
| Collection Fund Adjustment Account | 75 | (122) | (47) | Resources available to meet future precept payments re City Council share only |
| Short-term accumulating absences account | 158 | 6 | 164 | Represents accrual of holiday entitlement carried forward at year end |
| Total | **(221,020)** | **(17,118)** | **(238,138)** | |

### 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 2013 | Category | General Fund | Housing | 31 March 2014 |
|---|---|---|---|---|
| £'000 | | £'000 | £'000 | £'000 |
| (51,939) | Balance at 1 April | (20,525) | (36,708) | (57,233) |
| (2,539) | Upward revaluation of assets | (8,443) | (13,459) | (21,902) |
| 2,686 | Downward revaluation of assets and impairment losses not charged to Surplus/Deficit on provision of services | 2,369 | 0 | 2,369 |
| 147 | | (6,074) | (13,459) | (19,533) |
| (5,552) | Depreciation written out on revaluations of PPE | (2,369) | (2,897) | (5,265) |
| (5,406) | Surplus or deficit (-) on revaluation of assets not posted to the surplus or deficit on the provision of services per CI&ES. | (8,443) | (16,356) | (24,799) |
| | **Transfers to Capital Adjustment Account (note 19.3)** | | | |
| 0 | Write-out the revaluation gains previously recognised for assets disposed of in current year. | 213 | 0 | 213 |
| (5,406) | | (8,230) | (16,356) | (24,586) |
| 112 | Difference between fair value depreciation and historical cost depreciation following revaluations | (120) | 3 | (117) |
| (5,294) | Total movement in reserve in the year | (8,350) | (16,352) | (24,703) |
| **(57,233)** | **Balance at 31 March** | **(28,875)** | **(53,061)** | **(81,936)** |

### 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 2013 £'000 | Category | New advances £'000 | Redemptions £'000 | 31 March 2014 £'000 |
|---|---|---|---|---|
| | **Premiums paid on premature redemption of PWLB loans** | | | |
| 467 | General Fund share | 0 | (37) | 430 |
| 48 | HRA share | 0 | (47) | 1 |
| 515 | Total | 0 | (84) | 431 |
| | **Discounts received on premature redemption of loans** | | | |
| (152) | General Fund share | 0 | 27 | (125) |
| (38) | HRA share | 0 | 7 | (31) |
| 325 | Net total of premiums/discounts | 0 | (51) | 274 |
| 648 | Soft loans (difference between actual value and fair value) | 0 | 108 | 756 |
| **973** | **Total** | **0** | **58** | **1,031** |

### 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.

| 2012/13 Total £'000 | Capital Adjustment Account | General Fund £'000 | Housing £'000 | 2013/14 Total £'000 |
|---|---|---|---|---|
| | **Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement** | | | |
| | **Charges for depreciation and impairment** | | | |
| (230,183) | Balance at 1 April | (138,312) | (85,944) | (224,256) |
| 7,055 | Charges for depreciation and impairment of non-current assets | 3,658 | 3,063 | 6,720 |
| 7,329 | Revaluation of Property, Plant and Equipment | (462) | 3,670 | 3,208 |
| 465 | Revenue expenditure funded from capital under statute | 499 | 0 | 499 |
| 909 | Amounts of non-current assets written off on disposal/sale as part of gain/loss on disposal to CIES | 131 | 1,052 | 1,184 |
| 15,758 | | 3,826 | 7,785 | 11,610 |
| (112) | Adjusting amounts written out to Revaluation Reserve | 120 | (3) | 117 |
| 15,646 | **Net written out amount of the cost of non-current assets consumed in the year.** | 3,946 | 7,781 | 11,727 |
| | **Capital financing applied in the year** | | | |
| (42) | Use of the Capital Receipts Reserve to finance new capital expenditure | (890) | 0 | (890) |
| (4,630) | Use of the Major Repairs Reserve to finance new capital expenditure | 0 | (3,872) | (3,872) |
| (1,138) | Capital grants and contributions credited to the CIES that have been applied to capital financing | (508) | (6) | (514) |
| (1,474) | Statutory provision for the financing of capital charged to the General Fund and HRA balances | (1,984) | 0 | (1,984) |
| (1,217) | Capital expenditure charged against the General Fund and HRA balances | (1,468) | 0 | (1,468) |
| (8,501) | | (4,850) | (3,878) | (8,728) |
| | **Movement in the year** | | | |
| 2,301 | Movement in the market value of Investment Properties debited or credited to the Comp Income and Exp Stmt | (1,040) | 239 | (801) |
| (4,049) | HRA loan repayment | 0 | (4,208) | (4,208) |
| 529 | Repayments of soft loans and housing act advances | (354) | 0 | (354) |
| **(224,256)** | **Balance at 31 March** | **(140,610)** | **(86,009)** | **(226,620)** |

## 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.

| 2012/13 | | 2013/14 |
|---|---|---|
| £'000 | | £'000 |
| 54,533 | **Balance at 1 April** | 59,277 |
| 3,218 | Remeasurements of the net defined benefit liability | 8,644 |
| 5,271 | Reversal of items relating to retirement benefits debited or credited to the Deficit on the Provision of Services in the Comprehensive I&E Statement | 5,123 |
| (3,746) | Employer's pension contributions and direct payments to pensioners payable in the year | (3,767) |
| **59,277** | **Balance at 31 March** | **69,277** |

## 20 Cash flow statement – operating activities

The cash flows for operating activities include the following items:

| 2012/13 | | 2013/14 |
|---|---|---|
| £'000 | | £'000 |
| 3,666 | Interest paid | 3,914 |
| (707) | Interest received | (687) |
| **2,959** | Total | **3,227** |

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:

| | 2011/12 | 2012/13 | 2013/14 |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| The council runs three markets and various boot fairs | | | |
| Turnover | (242) | (213) | (226) |
| Expenditure | 178 | 163 | 191 |
| **Surplus(-)/deficit on trading operations** | **(64)** | **(50)** | **(35)** |

## 22 Grant Income

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

| 2012/13 | **Taxation and non-specific grant Income** | 2013/14 |
|---|---|---|
| £'000 | **a) General government grants** | £'000 |
| (179) | Revenue Support Grant | (6,155) |
| 0 | Council Tax support passported Parish Councils | 55 |
| (9,221) | Distribution from non-domestic rate pool | (4,489) |
| (1,143) | New homes bonus and council tax freeze grant | (1,539) |
| **(10,543)** | **Total of general government grants** | **(12,128)** |
| | **b) Recognised capital grants and contributions** | |
| (2,057) | Grants and contributions | (1,568) |

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

| 2012/13 | Credited to Services | 2013/14 |
|---|---|---|
| £'000 | a) 'True' revenue grants | £'000 |
| (29,096) | Rent allowances | (29,988) |
| (16,212) | Rent rebates | (16,691) |
| (10,158) | Council tax benefits | 0 |
| (930) | Benefits administration | (844) |
| (396) | Sure Start partnership | (365) |
| (229) | NDR | (230) |
| (345) | Homelessness | 0 |
| (537) | Other revenue grants | (804) |
| (57,903) | | (48,922) |
| | b) Grants re Revenue expenditure funded by grants under Statute (REFCUS) | |
| (536) | Housing specified grant for disabled facilities | (454) |
| (381) | Defra re coast protection | (533) |
| (119) | Other grants | (577) |
| **(58,939)** | **Total to general government grants** | **(50,486)** |

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.

## 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.

| 2012/13 | Fees payable to the Audit Commission for | 2013/14 |
|---|---|---|
| £'000 | | £'000 |
| 66 | External audit services carried out by the appointed auditor | 64 |
| 0 | Statutory inspection | 0 |
| 40 | Certification of grant claims and returns | 27 |
| **106** | **Total** | **91** |

## 24 Members' Allowances

The total of members' allowances paid in the year was £377,921 (2012/13 - £372,500).

## 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 information includes 2 staff now included in the £50,000 to £54,999 as a result of the 1% pay award for 2013/14 and three staff receiving redundancy payments that when added to their salary payment was in excess of £50,000.

| Number of employees 2012/13 | Remuneration band | Number of employees 2013/14 |
|---|---|---|
| 9 | £50,000 - £54,999 | 10 |
| 5 | £55,000 - £59,999 | 1 |
| 7 | £60,000 - £64,999 | 4 |
| 1 | £65,000 - £69,999 | 4 |
| 2 | £70,000 - £74,999 | 1 |
| 2 | £75,000 - £79,999 | 1 |
| 2 | £80,000 - £84,999 | 3 |
| 1 | £85,000 - £89,999 | 0 |
| 0 | £90,000 - £94,999 | 2 |
| 1 | £95,000 - £99,999 | 0 |
| 1 | £100,000 - £104,999 | 1 |
| 0 | £105,000 - £109,999 | 1 |
| 1 | £110,000 - £114,999 | 0 |
| 1 | £150,000 - £154,999 | 0 |
| **33** | **Total** | **28** |

### 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 £12.1k, therefore the test of the most senior salary not exceeding 20 times this rate is comfortably met. The Chief Executive reduced his working hours during the financial year 2012/13 so the figure for 2013/14 is the first full year of salary at his reduced working hours. The Director of Resources salary figure for 2012/13 was slightly inflated as it includes back pay to when the officer first took up the post in March 2012.

| 2012/13 | | | | 2013/14 | | |
|---|---|---|---|---|---|---|
| Salaries fees & allowances | Pension Contribution | Total | | Salaries fees & allowances | Pension Contribution | Total |
| £'000 | | | | £'000 | £'000 | |
| 114 | 16 | 130 | Head of paid service - Chief Executive | 110 | 16 | 126 |
| 97 | 13 | 110 | Chief Financial Officer - Director of Resources | 95 | 13 | 108 |
| 82 | 11 | 93 | Head of Legal and Democratic Services | 82 | 11 | 93 |
| | | 0 | Non Statutory Directors | | | 0 |
| 103 | 14 | 117 | Strategic Director and Deputy Chief Executive | 105 | 14 | 119 |
| 42 | 5 | 47 | Strategic Director | 0 | 0 | 0 |
| **438** | **59** | **497** | **Total** | **392** | **54** | **446** |

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 2013/14, incurring liabilities of £303,000 (£522,000 in 2012/13). The total in 2013/14 is payable in respect of 21 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:

| 2012/13 | | | | 2013/14 | | |
|---|---|---|---|---|---|---|
| **Number of Packages** | **Type of exit package** | **Total cost £'000** | **Band** | **Number of Packages** | **Type of exit package** | **Total cost £'000** |
| 11 | Compulsory Redundancy | 90 | £0 - | 13 | Compulsory Redundancy | 71 |
| 3 | Other | 8 | £20,000 | 2 | Other | 6 |
| 7 | Compulsory Redundancy | 208 | £20,001 - | 3 | Compulsory Redundancy | 84 |
| 0 | Other | 0 | £40,000 | 0 | Other | 0 |
| 2 | Compulsory Redundancy | 107 | £40,001 - | 3 | Compulsory Redundancy | 142 |
| 0 | Other | 0 | £60,000 | 0 | Other | 0 |
| 1 | Compulsory Redundancy | 109 | over | 0 | Compulsory Redundancy | 0 |
| 0 | Other | 0 | £60,001 | 0 | Other | 0 |
| 24 | | 522 | | 21 | | 303 |

## 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, there are no material transactions that require disclosure.

East Kent Housing Limited

The Council has a 25% share of East Kent Housing Ltd, an arms length management organisation. Payment of £2,888,000 was made in 2013/14 to East Kent Housing in respect of management fees and the Council received £292,000 from East Kent Housing in respect of services supplied to it and paid £21,000 to East Kent Housing in respect of services received from it. Balances due to/from East Kent Housing at 31

March 2014 are £11,000 and £8,000 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 CTax | Payments NNDR | Debtors |
|---|---|---|---|---|
| | £'000 | £'000 | | £'000 |
| Kent County Council - Precept | (303) | 48,087 | 4,511 | |
| Kent and Medway Fire Authority Precept | (55) | 3,118 | 501 | |
| Police & Crime Commissioner for Kent - Precept | (40) | 6,493 | 0 | |
| | | Other Payments | | |
| Kent County Council Pension Fund | | 3,403 | | |

## 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.

## 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.

In general, participating in a defined benefit pension scheme means that the Employer is exposed to a number of risks:

- Investment risk. The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges.
- Interest rate risk. The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way.
- Inflation risk. All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.
- Longevity risk. In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

In addition, as many unrelated employers participate in the Kent County Council Pension Fund, there is an orphan liability risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

All of the risks above may also benefit the Employer e.g. higher than expected investment returns or employers leaving the Fund with excess assets which eventually get inherited by the remaining employers.

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

The pension disclosures in the accounts are determined by IAS 19. The disclosure requirements have been revised for the 2013/14 reporting period and the comparative amounts for 2012/13 have been restated.

The following changes have resulted from the revised disclosure requirement

- The expected return on assets has been replaced by a net interest cost comprising interest income on the assets and interest expense on the liabilities, which are both calculated with reference to the discount rate;
- "Cost of Services" now includes what was described previously as "Current Service Cost", "Past Service Cost", "Curtailments" and "Settlements"
- Administration expenses (£77k in 2013/14, £72k in 2012/13) are now accounted for within the Profit and Loss charge, whereas previously we made a deduction to the actual and expected returns on assets.

These changes do not affect the calculation of the pension asset, liability or costs. The CIES, Cash Flow Statement and Movement in Reserve Statement have been restated to reflect the revised disclosure requirements as follows:

| | As previously Stated 2012/13 | As re-stated 2012/13 | Adjustment |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| **Movement in Reserves Statement (page 10)** | | | |
| (Surplus) or deficit on the provision of services | 8,174 | 9,191 | 1,017 |
| Other Comprehensive Income and Expenditure (Unusable Reserves) | (1,170) | (2,187) | (1,017) |
| Adjustments between accounting basis and funding basis under Regulations-usable reserves | (6,439) | (7,456) | (1,017) |
| Adjustments between accounting basis and funding basis under Regulations-unusable reserves | 6,439 | 7,456 | 1,017 |
| **Comprehensive Income and Expenditure Statement (page12)** | | | |
| Non Distributed pension costs | 489 | 561 | 72 |
| Pension Interest Costs | 6,199 | 0 | (6,199) |
| Expected Return on pension assets | (4,708) | 0 | 4,708 |
| Net interest on the net defined benefit liability | 0 | 2,436 | 2,436 |
| Re-measurement of net defined benefit liability | 4,236 | 3,219 | (1,017) |
| **Cashflow Statement (page 14)** | | | |
| Net (surplus) deficit on the provision of services | 3,803 | 4,820 | 1,017 |
| Net charges made for retirement benefits in accordance with IAS 19 | (4,254) | (5,271) | (1,017) |

### 30.1 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 of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund balance during the year:

| 2012/13 | Transactions in the Comprehensive Income and Expenditure Statement | 2013/14 |
|---|---|---|
| £'000 | | £'000 |
| | **Cost of Services** | |
| 2,277 | Current Service cost | 2,608 |
| 0 | Past Service costs | 0 |
| 486 | Settlements | 26 |
| | (the above two are shown as 'non distributed costs') | |
| 72 | Administrative expense | 77 |
| | **Financing and Investment income and expenditure** | |
| 2,436 | Net interest expense | 2,412 |
| **5,271** | **Total retirement benefit charged to the Surplus or Deficit on the provision of services** | **5,123** |
| | **Other retirement benefit charged to the Comprehensive Income and Expenditure statement** | |
| | Remeasurement of the net defined benefit liability comprising: | |
| 8,091 | Return on plan assets (exc net interest expense amount) | 3,597 |
| 0 | Actuarial changes in demographic assumptions | (5,186) |
| (11,202) | Actuarial changes in financial assumptions | 610 |
| 0 | Other actuarial gains/losses on assets | (3,481) |
| (107) | Experience gain/loss on defined benefit obligation | (4,184) |
| | | |
| **2,053** | **Total charged to the Comprehensive Income and Expenditure Statement** | **(3,521)** |
| | **Movements in Reserves Statement** | |
| (5,271) | Reversal of net charges for retirement benefits in accordance with the code to the Surplus or Deficit for the provision of services | (5,123) |
| | **Actual amount charged against the General Fund Balance for pensions in the year** | |
| 3,403 | Employer contributions payable to the scheme | 3,427 |
| 343 | Unfunded benefits paid | 340 |

## 30.2 Pensions Assets and Liabilities recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council’s obligation in respect of its defined benefit plans is as follows:

| 2013 | Net Pension Liability as at 31 March in Balance Sheet | 2014 |
|---|---|---|
| £'000 | | £'000 |
| 147,429 | Present value of the defined benefit obligation | 159,393 |
| 92,241 | Fair value of plan assets | 94,281 |
| 55,188 | Sub-total | 65,112 |
| 4,089 | Other movements in the liability | 4,165 |
| **59,277** | **Net liability arising from the defined benefit obligation** | **69,277** |

**30.3 Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets**

| 2012/13 £'000 | Movement in Fair Value of scheme assets | 2013/14 £'000 |
|---|---|---|
| **83,089** | **Opening fair value of scheme assets at 1 April** | **92,241** |
| 3,762 | Interest income | 3,836 |
| | Remeasurement gain/(loss): | |
| 8,091 | Return on plan assets (exc amount in net interest expense) | 3,597 |
| 0 | Other actuarial gains/losses | (3,481) |
| (72) | Administrative expenses | (77) |
| 3,746 | Employer Contribution | 3,767 |
| 672 | Employee Contribution | 687 |
| (7,047) | Estimated Benefits paid | (6,289) |
| **92,241** | **Closing fair value of scheme assets at 31 March** | **94,281** |

**30.4 Reconciliation of Present Value of the Scheme Liabilities**

| 2012/13 £'000 | Movement in Defined Benefit Obligation ('Scheme Liabilities') | 2013/14 £'000 |
|---|---|---|
| **(137,622)** | **Opening balance at 1 April** | **(151,518)** |
| (2,277) | Current service cost | (2,608) |
| (6,199) | Interest cost of pension scheme liabilities | (6,248) |
| (672) | Employee Contributions | (687) |
| | Remeasurement gains and losses: | |
| | Actuarial gains/losses from demographic assumption changes | (5,186) |
| (11,202) | Actuarial gains/losses from financial assumption changes | 610 |
| (107) | Experience loss on defined benefit obligation | (4,184) |
| (486) | Past service cost including curtailments | (26) |
| 343 | Unfunded pension payments | 340 |
| 6,704 | Estimated benefits paid | 5,949 |
| | | |
| **(151,518)** | **Closing balance at 31 March** | **(163,558)** |

**30.5 Local Government Pension Scheme Assets Comprised:**

| 2012/13 £'000 | Pension Scheme Assets | 2013/14 £'000 |
|---|---|---|
| 3,690 | **Cash** *(no quoted market price in an active market)* | 2,828 |
| 65,491 | **Equity instruments** | 66,940 |
| | **Bonds** | |
| 0 | - Gilts *(no quoted market price in an active market)* | 943 |
| 11,991 | - Other | 10,371 |
| 7,379 | **Property** *(no quoted market price in an active market)* | 9,428 |
| 3,690 | **Target Return Portfolio** | 3,771 |
| **92,241** | **Total Assets** | **94,281** |

### 30.6 Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

Both the Local Government Pension Scheme and discretionary benefits liability have been estimated by Barnett Waddingham, an independent firm or actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 1 April 2014.

The significant assumptions used by the actuary have been:

| | **2013/14** | **2012/13** |
|---|---|---|
| | **£'000** | **£'000** |
| *Mortality assumptions:* | | |
| Longevity at 65 for current pensioners | | |
| - Men | 22.7 | 20.1 |
| - Women | 25.1 | 24.1 |
| Longevity at 65 for future pensioners | | |
| - Men | 24.9 | 22.1 |
| - Women | 27.4 | 26.0 |
| *Rate of inflation (RPI)* | 3.5% | 3.3% |
| *Rate of inflation (CPI)* | 2.7% | 2.5% |
| *Rate of increased salaries* | 4.5% | 4.3% |
| *Rate of increase in pensions* | 2.7% | 2.5% |
| *Rate for discounting scheme liabilities* | 4.4% | 4.2% |

For accounting years beginning on or after 1 January 2013, the expected return and the interest cost has been replaced with a single net interest cost, which effectively sets the expected return equal to the discount rate.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remained constant. The assumption in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

| Sensitivity Analysis | £'000 | £'000 | £'000 |
|---|---|---|---|
| **Adjustment to discount rate** | +0.1% | 0.0% | -0.1% |
| Present Value Total Obligation | 160,901 | 163,558 | 166,262 |
| Projected Service Cost | 2,493 | 2,549 | 2,607 |
| | | | |
| **Adjustment to long term salary increase** | +0.1% | 0.0% | -0.1% |
| Present Value Total Obligation | 163,830 | 163,558 | 163,287 |
| Projected Service Cost | 2,549 | 2,549 | 2,549 |
| | | | |
| **Adjustment to pension increases & deferred revaluation** | +0.1% | 0.0% | -0.1% |
| Present Value Total Obligation | 166,032 | 163,558 | 161,126 |
| Projected Service Cost | 2,608 | 2,549 | 2,492 |
| | | | |
| **Adjustment to mortality age rating assumption** | +1 year | none | -1 year |
| Present Value Total Obligation | 157,792 | 163,558 | 169,376 |
| Projected Service Cost | 2,462 | 2,549 | 2,637 |

**30.7 Impact on the Council's Cashflow**

The objectives of the scheme are to keep the employers' contribution as at a constant rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 3 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2017.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Council anticipates to pay £3,387,000 expected contributions to the scheme in 2014/15.

The weighted average duration of the defined benefit obligation for scheme members is 17 years.

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.

**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'.

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. The Council does not hold information on the cost or value of these assets and it is considered that the cost of obtaining this information outweighs the benefit to the reader of the accounts.

| **Heritage Asset** | **Location** |
|---|---|
| Roper Gateway, St Dunstans Street | Canterbury |
| Jesuit Chapel (Hales Place Chapel Trust) | Canterbury |
| Black Princes Chantry Wall | Canterbury |
| City Walls | Canterbury |
| Dane John Mound | Canterbury |
| St George's Clocktower | Canterbury |
| St Mary Magdalene Clocktower | Canterbury |
| Herne Bay Clocktower, Central Parade | Herne Bay |
| 1st and 2nd World War Memorials | Various |
| Boer War Memorial, Dane John | Canterbury |
| Kent Yeomanry War Memorial, Nasons | Canterbury |
| Whitstable War Memorial | Whitstable |
| Memorial to Kentish Martyrs | Canterbury |

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 below:

| **Assets** | **At 1 April 2011** | **At 31 March 2012** | **At 31 March 2013** | **At 31 March 2014** |
|---|---|---|---|---|
| | **£'000** | **£'000** | **£'000** | **£'000** |
| Roman Site Butchery Lane | 972 | 972 | 972 | 972 |
| Canterbury Castle | 30 | 30 | 30 | 30 |
| Littlebourne Barn | 157 | 157 | 161 | 161 |
| **Heritage Assets - Land and Buildings** | **1,159** | **1,159** | **1,163** | **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 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.

Reconciliation of the carrying value of Heritage Assets Held by the Authority

| Asset | At 1 April 2011 | At 31 March 2012 | At 31 March 2013 | At 31 March 2014 |
|---|---|---|---|---|
| | £'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 | 1,000 | 1,000 | 1,000 |
| **Heritage Assets - Museum contents etc** | **9,481** | **9,531** | **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 four years is deemed to be insignificant.

**Summary of Heritage Assets**

| Heritage Asset Category | At 1 April 2011 | At 31 March 2012 | At 31 March 2013 | At 31 March 2014 |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| Land and Buildings | 1,159 | 1,159 | 1,163 | 1,163 |
| Museum contents etc | 9,481 | 9,531 | 9,531 | 9,531 |
| **Heritage Assets - Total** | **10,640** | **10,690** | **10,694** | **10,694** |

## 32 Operating leases payable

During 2011/12 the Council 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 2013/14, (£98,000 for 2012/13).

The future cash payments required under these leases are:

| As At 31/03/2013 | Details of period | As at 31/03/2014 |
|---|---|---|
| | | £'000 |
| 98 | Not later than one year | 98 |
| 390 | Later than one year and not later than five years | 390 |
| 1,676 | Later than five years | 1,578 |
| **2,164** | **Total** | **2,065** |

The Council'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 October 2013 were £639k for 2013/14.

**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:

| As at 31/03/2013 | Details of period | As at 31/03/2014 |
|---|---|---|
| | | £'000 |
| 255 | Not later than one year | 505 |
| 296 | Later than one year and not later than five years | 58 |
| 3,129 | Later than five years | 3,245 |
| **3,680** | **Total** | **3,808** |

## 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 2014 has been included in the statements at a value of £4,222k with a corresponding long term liability for the same value. The assets will be depreciated over the life of the contract in line with the annual contract payments.

The deemed minimum lease repayments will be payable over the following periods

| Minimum Lease Payments | As at 31/03/2014 |
|---|---|
| | £'000 |
| Not later than one year | 704 |
| Later than one year and not later than five years | 2,815 |
| Later than five years | 704 |
| **Total** | **4,222** |

## 34 Contingent Liability

At 31 March 2014, 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 thier 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 increased from £4.4 million to £5.1 million at 31 March 2014. 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. There are currently negotiations regarding the level of payments to be reached in order to settle the claims.

## 35. Amounts reported for resource allocation decisions.

The tables below show the subjective analysis of the Council’s income and expenditure and reconciles the detail to the Comprehensive Income and Expenditure Statement.

## 35 Amounts reported for resource allocation decisions for the year ended 31 March 2014

| | Net Cost of Services<br>£'000 |
|---|---:|
| Fees, charges and other service income | (39,715) |
| Dwelling rents | (23,099) |
| Government grants | (57,913) |
| **Total Income** | **(120,727)** |
| Employee expenses | 18,357 |
| Premises, transport and service expenses | 57,456 |
| Housing settlement determination payment | 0 |
| Housing benefit payments | 46,845 |
| Interest and principal payments and RCCO | 2,642 |
| **Total operating expenses** | 125,300 |
| **Net cost of services** | **4,573** |
| **Reconciliation to net cost of services in Comprehensive Income and Expenditure Statement** | |
| Cost of Services in Service Analysis | 4,573 |
| Add amounts not reported in service management accounts | (7,824) |
| Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement | 16,905 |
| **Net cost of Services in Comprehensive Income and Expenditure Statement** | **13,654** |

| **Reconciliation to Subjective Analysis (Single Entity)** | **Service Analysis £'000** | **Amounts not reported to Management for decision making £'000** | **Not included in I&E £'000** | **Net cost of services £'000** | **Corporate Amounts £'000** | **Total £'000** |
|---|---:|---:|---:|---:|---:|---:|
| Fees, charges and other service income | (38,751) | 80 | 13,474 | (25,197) | (10,600) | (35,797) |
| Dwelling rents | (23,099) | 0 | 0 | (23,099) | 0 | (23,099) |
| Recharges | (834) | 0 | (295) | (1,129) | 295 | (834) |
| Interest and investment income | (130) | 0 | 130 | 0 | (154) | (154) |
| Income from council tax | 0 | 0 | 0 | 0 | (8,997) | (8,997) |
| Government grants and contributions | (57,913) | (2,118) | 6,408 | (53,623) | (8,063) | (61,686) |
| **Total Income** | **(120,727)** | **(2,038)** | **19,717** | **(103,048)** | **(27,519)** | **(130,567)** |
| Employee expenses | 18,357 | (1,447) | (43) | 16,867 | 2,470 | 19,337 |
| Other service expenses | 51,322 | (8,043) | 1 | 43,280 | 2,309 | 45,589 |
| Housing settlement payment | 0 | 0 | 0 | 0 | 0 | 0 |
| Housing benefit payments | 46,845 | 0 | 0 | 46,845 | 0 | 46,845 |
| Depreciation, amortisation and Impairment | 6,017 | 3,704 | (10) | 9,711 | (583) | 9,128 |
| Interest and principal payments and RCCO | 2,642 | 0 | (2,642) | 0 | 1,361 | 1,361 |
| Precepts and Levies | 117 | 0 | (117) | 0 | 699 | 700 |
| Payments to Housing Capital Receipts Pool | 0 | 0 | 0 | 0 | 437 | 437 |
| Gain or Loss on Disposal of Fixed Assets | 0 | 0 | 0 | 0 | (1,234) | (1,234) |
| **Total operating expenses** | **125,300** | **(5,786)** | **(2,812)** | **116,702** | **5,460** | **122,162** |
| **Surplus or deficit on the provision of services** | **4,573** | **(7,824)** | **16,905** | **13,654** | **(22,059)** | **(8,405)** |

| Amounts reported for resource allocation decisions for the year ended 31 March 2013 (Restated) | 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 | 18,115 |
| 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** | 134,076 |
| **Net cost of services** | **5,650** |
| **Reconciliation to net cost of services in Comprehensive Income and Expenditure Statement** | |
| Cost of Services in Service Analysis | 5,650 |
| 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** | **22,772** |

| Reconciliation to Subjective Analysis (Single Entity) | Service Analysis £'000 | Amounts not reported to management for decision making £'000 | Not included in I&E £'000 | Net cost of services £'000 | Corporate Amounts £'000 | Total £'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 | 18,115 | (790) | (59) | 17,266 | 2,508 | 19,774 |
| 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** | **134,076** | **1,683** | **(3,087)** | **132,672** | **9,354** | **142,026** |
| **Surplus or deficit on the provision of services** | **5,650** | **1,842** | **15,280** | **22,772** | **(17,951)** | **4,820** |

**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.

| 2012/13 | | 2013/14 |
|---|---|---|
| **£'000** | **Income** | **£'000** |
| (21,772) | Dwelling rents (gross) note 8 | (23,099) |
| (490) | Non-dwelling rents (gross) | (523) |
| (163) | Leaseholders charges for service and facilities | (161) |
| (1,371) | Other charges for services and facilites | (1,388) |
| **(23,796)** | **Total Income** | **(25,171)** |
| | **Expenditure** | |
| 5,118 | Repairs and Maintenance | 5,503 |
| | **Supervision and management** | |
| 3,425 | General Management | 3,718 |
| 1,576 | Special Services | 1,825 |
| 224 | Rents, rates, council tax and insurance | 231 |
| (3) | Negative housing revenue account subsidy payable | 0 |
| 2,934 | Depreciation charges note 6 | 3,063 |
| 3,961 | Impairment of non-current assets note 7 | 3,670 |
| 35 | Debt management costs | 34 |
| (7) | Increase/(decrease) in provision for bad debts | 62 |
| **17,263** | **Total Expenditure** | **18,106** |
| (6,533) | Net cost of HRA Services as included in the Comprehensive Income and Expenditure Statement | (7,065) |
| 121 | HRA services share of Corporate and Democratic Core | 121 |
| **(6,412)** | **Net cost of HRA Services** | **(6,944)** |
| | **HRA share of the operating income and expenditure included in the comprehensive income and expenditure statement** | |
| (633) | Gain on sale of HRA fixed assets | (951) |
| 2,708 | Interest payable | 2,630 |
| | **Interest and investment income** | |
| (1) | Mortgages | (1) |
| (30) | Notional cash balances | (9) |
| 166 | Pensions interest cost and expected return on pension assets Note 10 | 184 |
| (48) | Capital grants and contributions receivable | (6) |
| 0 | Change in fair value of HRA investment properties | 239 |
| **(4,250)** | **(Surplus)/Deficit for the year on HRA services** | **(4,858)** |

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 non-current 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 £3,670,000 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.

| 2012/13 Net expenditure | | 2013/14 Net expenditure |
|---|---|---|
| **£'000** | | **£'000** |
| (4,250) | Surplus (-)/Deficit for the year on the HRA Income and Expenditure Statement | (4,858) |
| 3,594 | Adjustments between accounting basis and funding basis by statute | 2,070 |
| (656) | Net increase (-)/decrease before transfers to or from reserves | (2,788) |
| 61 | Transfers to/from(-) reserves (see table below) | 938 |
| **(595)** | **Increase (-)/Decrease in HRA Balance for the year** | **(1,850)** |
| **(1,826)** | **Housing Revenue Account balance b/f at 1 April** | **(2,421)** |
| **(2,421)** | **Housing Revenue Account balance c/f at 31 March** | **(4,271)** |

## Movement on HRA Balance

| 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 | 2013/14 Net Expenditure £'000 |
|---|---|---|
| (3,961) | Reversal of impairment losses - Note 7 | (3,670) |
| 4,049 | Reversal: HRA loan repayment | 4,208 |
| 48 | Capital grants and contributions applied | 6 |
| 0 | Change in fair value of HRA investment properties | (239) |
| 633 | Net gain on sale of HRA fixed assets | 951 |
| 84 | Difference between amounts charged to income and expenditure for premiums and discounts and the charge for the year determined by statute | 41 |
| (1) | Accrual for annual leave | 0 |
| (272) | Net charges made for retirement benefits in accordance with IAS 19 - Note 10 | (306) |
| **580** | | **991** |
| | Items not included in the HRA Income and Expenditure Account, but included in the movement on the HRA Balance for the year | |
| 1,696 | Transfers to/(from) major repairs reserve - Note 3 | 810 |
| 246 | Employer's contributions payable to Kent Pension Fund and retirement benefits payable direct to pensioners | 270 |
| 1,072 | Capital expenditure funded by the HRA - Note 4 | 0 |
| **3,014** | | **1,079** |
| **3,594** | **Net adjustments between accounting basis and funding basis under statute** | **2,070** |
| | **Transfers to/from reserves** | |
| 61 | Contribution to/(from) HRA subsidence and other reserves | 938 |
| **61** | **Transfers to/from reserves** | **938** |

## 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 2014, the Council was responsible for managing 5,213 units of accommodation:

| Type of Property | Number of bedrooms | | | | Total |
|---|---|---|---|---|---|
| | One | Two | Three | Four | |
| Flats - low rise | 1,090 | 319 | 5 | 0 | **1,414** |
| Flats - medium rise | 319 | 353 | 65 | 3 | **740** |
| Flats - high rise | 63 | 68 | 0 | 0 | **131** |
| Houses and bungalows | 361 | 952 | 1,484 | 93 | **2,890** |
| Hostel places | 36 | 2 | 0 | 0 | **38** |
| Totals | 1,869 | 1,694 | 1,554 | 96 | **5,213** |

Plus 8 basic homes (shared ownership dwellings)

The movement in housing stock can be summarised as follows:

| | Stock movements | | | | | Stock at 31 March 2014 |
|---|---|---|---|---|---|---|
| | Stock at 1 April 2013 | Right to buy sales | Sale to RSL | Additions | Redns | |
| Flats | 2,292 | (7) | 0 | 1 | 0 | **2,286** |
| Houses and bungalows | 2,904 | (16) | 0 | 2 | 0 | **2,890** |
| Hostels | 35 | 0 | 0 | 2 | 0 | **37** |
| **Totals** | **5,231** | **(23)** | **0** | **5** | **0** | **5,213** |

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

| 2013 | Gross Balance Sheet value | 2014 |
|---|---|---|
| £'000 | | £'000 |
| | Operational assets | |
| 222,589 | Dwellings | 235,082 |
| 2,123 | Garages | 2,242 |
| 589 | Community centre | 572 |
| | Investment Property | |
| 626 | Land | 418 |
| 1,265 | Shops | 1,265 |
| **227,192** | **Total** | **239,579** |

## 2 Vacant possession value

The vacant possession value of dwellings within the HRA as at 1 April was £694,070,245. For the balance sheet, the figure has been reduced to 32% i.e. £222,102,478 (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.

| 2012/13 | Major Repairs Reserve | 2013/14 |
|---|---|---|
| £'000 | | £'000 |
| 0 | Balance at 1 April | 0 |
| (2,934) | Transfer from capital adjustment account (HRA depreciation) | (3,063) |
| | Transfer to (-)/from HRA | |
| (1,696) | Voluntary transfer to MRR | (810) |
| 4,630 | Less: expenditure on dwellings financed from this reserve | 3,872 |
| **0** | **Balance at 31 March** | **0** |

## 4 Summary of Capital Financing

Capital expenditure of £3,878,000 was spent on housing assets within the HRA during the year. This was financed as follows:

| 2012/13 | Capital financing of HRA expenditure | 2013/14 |
|---|---|---|
| £'000 | | £'000 |
| 4,630 | Major repairs reserve | 3,872 |
| 1,072 | Revenue | 0 |
| 48 | Capital grant & Contributions | 6 |
| **5,750** | **Total** | **3,878** |

## 5 Summary of Capital Receipts

Housing capital receipts during 2013/14 were as follows:

| 2012/13 | Housing capital receipts | 2013/14 |
|---|---|---|
| £'000 | | £'000 |
| (1,536) | Dwelling sales (net of administration deduction) | (2,003) |
| (4) | Other sales | 0 |
| (7) | Mortgage repayments and discounts repaid | (7) |
| **(1,547)** | **Total** | **(2,010)** |

## 6 Depreciation of non-current assets

Depreciation of £3,063,000 was charged to the HRA. This comprises £3,016k for dwellings and £47k for non dwelling housing assets.

## 7 Impairment of non-current 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 £3,670k made up of £3,635k from a decrease in housing stock values being the difference between £3,878k housing capital expenditure and the assessed increase in effective value of only £243k (after applying the 32% factor as in note 2 above) plus a revaluation downwards of £35k re non-dwellings. There was also a downwards valuation of the HRA investment properties of £239k, this is reflected in the CIES.

## 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 £87.36 per week in 2013/14 (£83.97 in 2012/13). Rents were increased on 1 April 2013 by an average of £3.39 per week.

## 9 Rent Arrears

The rent arrears figures are as follows:

| 2012/13 £'000 | | 2013/14 £'000 |
|---|---|---|
| 730 | Gross rent arrears at 31 March | 678 |
| (276) | Repayments of rent | (209) |
| 454 | Net rent arrears at 31 March | 469 |
| 441 | Provision for bad debts at 31 March | 469 |
| % | | % |
| 3.5 | Gross rent arrears as a proportion of gross dwelling rent income | 2.9 |

## 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:

| 2012/13 £'000 | | 2013/14 £'000 |
|---|---|---|
| 61 | HRA share of current service cost less employer contributions | 78 |
| (201) | HRA share of past service cost less employer contributions | (226) |
| (140) | Adjustment to 'General Management' line of HRA statement | (148) |
| 166 | HRA share of pensions interest cost and expected return on | 184 |
| 26 | Pensions assets | 36 |
| (272) | Net charges made for retirement benefits in accordance with IAS 19 | (306) |
| 246 | Employer's contributions payable to the Kent Pension Fund and retirement benefits payable direct to pensioners | 270 |
| (26) | HRA share of contributions to/from Pensions Reserve | (36) |
| **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 2013/14 and the Council's share are as follows:

| 2012/13 (Restated) East Kent Housing Ltd £'000 | 2012/13 (Restated) CCC Share (25%) £'000 | | 2013/14 East Kent Housing Ltd £'000 | 2013/14 CCC Share (25%) £'000 |
|---|---|---|---|---|
| 8,173 | 2,043 | Turnover | 8,158 | 2,040 |
| (8,491) | (2,123) | Expenses | (8,465) | (2,116) |
| (318) | (80) | Operational Profit | (307) | (77) |
| | | | | |
| (530) | (133) | Profit/(loss) after taxation | (490) | (123) |
| 1,327 | 332 | Other comprehensive income and (expenditure) | (170) | (43) |
| 797 | 199 | Total comprehensive income and (expenditure) | (660) | (165) |
| | | | | |
| 25 | 6 | Non-current assets | 54 | 14 |
| 920 | 230 | Current assets | 972 | 243 |
| (402) | (101) | Current laibilities | (463) | (116) |
| (4,373) | (1,093) | Non-current liabilities | (5,053) | (1,263) |
| (543) | (136) | Profit and loss reserve | (563) | (141) |
| 4,373 | 1,093 | Pensions reserve | 5,053 | 1,263 |

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 2013/14. Note 34 Contingent Liabilities describes the guarantee the Council has entered into with East Kent Housing Ltd over certain pension obligations.

The Council's management fee payment of £2,888,000 is 36% of East Kent Housing Ltd.'s turnover of £8,158,000, which broadly equates to the Council's pro-rata share of the total council housing stock managed by the company. In 2013/14 there was 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**

| 2012/13 | | Note | 2013/14 CTAX | 2013/14 NNDR |
|---|---|---|---|---|
| (65,675) | Tax (net of discounts & transitional relief) | | (68,514) | 0 |
| | | | | |
| | Transfers from General Fund | | | |
| (10,072) | Council Tax benefits | | 0 | 0 |
| 0 | Council Tax discounts awarded | | (9,538) | 0 |
| (50,020) | Income from business ratepayers | | 0 | (51,604) |
| **(125,767)** | **Total Income** | | **(78,053)** | **(51,604)** |
| | | | | |
| | **Expenditure** | | | |
| | Precepts and demands and discounts | | | |
| 0 | Council Tax discounts | | 9,538 | 0 |
| 0 | DCLG | | 0 | 40,912 |
| 54,854 | Kent County Council | | 48,087 | 4,511 |
| 7,260 | Police & Crime Commissioner for Kent | | 6,493 | 0 |
| 3,557 | Kent & Medway Fire & Rescue Authority | | 3,118 | 501 |
| 9,958 | Canterbury City Council (incl. Parishes) | | 8,942 | 4,193 |
| 75,630 | Total Precepts | | 76,178 | 50,117 |
| | | | | |
| | Business rate | | | |
| 49,791 | Payment to national pool | | 0 | 0 |
| 229 | Costs of collection | | 0 | 230 |
| 0 | Transitional protection payment due from authority | | 0 | 218 |
| 0 | Payment on account | | 0 | (114) |
| 0 | Due from authority | | 0 | 104 |
| | | | | |
| | Bad and doubtful debts | | | |
| (143) | Write offs | | (121) | (293) |
| 411 | Provisions | | 430 | 513 |
| | | | | |
| | Losses on appeal | | | |
| 0 | Changes in provision for appeals | | 0 | 464 |
| 0 | Changes in provision for backdated appeal costs | | 0 | 685 |
| | | | | |
| **125,919** | Total Expenditure | | **76,486** | **51,821** |
| | | | | |
| 152 | Net (surplus)/deficit for 2013/14 | | (1,567) | 217 |
| | | | | |
| 418 | Collection Fund balance at 1 April | | 570 | 0 |
| 570 | Collection fund balance at 31 March | | (996) | 217 |

## Notes to the collection fund accounts

### 1. General Note

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

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

Canterbury, the major preceptors and central government share any NNDR surpluses or deficits attributable to the collection fund in proportion to the precept requirement.

### 3 Apportionment of Collection Fund element over preceptors

**Council Tax**

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 surplus position of £381,000 which was notified in December 2013 pro-rata to the 2013/14 precepts, and the actual surplus balance of £1,566,000 pro-rata to the 2013/14 precepts. The equivalent figures last year were the share of the estimated break-even position which was notified in December 2012 pro-rata to the 2012/13 precepts, and the 2012/13 deficit of £152,000 pro-rata to the 2012/13 precepts.

**NNDR**

2013/14 is the first year in which the Collection Fund includes proportionate shares of NNDR with the introduction of the Localism Act. The NNDR collected is apportioned in the following ratio if the amounts collected are within the parameters of the scheme.

Central Government (DCLG) 50%
Canterbury City Council 40%
Kent County Council 9%
Kent & Medway Fire Authority 1%

| 2012/13 C Tax £'000 | Major Preceptors | 2013/14 C Tax £'000 | 2013/14 NNDR £'000 |
|---|---|---|---|
| 110 | Kent County Council | (1,132) | 20 |
| 15 | Kent Police and Crime Commissioner | (152) | 0 |
| 7 | Kent Fire and Rescue Authority | (73) | 2 |
| 0 | DCLG | 0 | 108 |
| 132 | Total share by Major Preceptors | (1,357) | 130 |
| 20 | Canterbury City Council | (209) | 87 |
| | (the council's own share is shown in the balance sheet under the heading Collection Fund Adjustment Account) | | |
| **152** | Balance at 31 March | **(1,566)** | **217** |

The main reason for the surplus on the council tax collection fund at 31 March 2014 are the higher than estimated number of properties brought back into chargeable use and a reduction in the actual write offs required in the year.

The £67,000 surplus on the Income and Expenditure Account relates to Canterbury's share of the Council Tax surplus balance of £209,000; Canterbury's share of the NNDR deficit balance £87,000 and £55,000 relating to Canterbury's share of the 2011/12 Council Tax deficit.

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:

| 2012/13 Band D equivalent dwellings | Band | Estimated Number of Taxable Properties after effect of discounts | Ratio (ninths) | 2013/14 Band D equivalent dwellings |
|---|---|---|---|---|
| 3,131 | A | 2,978 | 6/9 | 1,986 |
| 8,517 | B | 8,012 | 7/9 | 6,231 |
| 14,667 | C | 14,399 | 8/9 | 12,799 |
| 10,424 | D | 10,111 | 9/9 | 10,111 |
| 7,510 | E | 5,952 | 11/9 | 7,275 |
| 5,063 | F | 3,455 | 13/9 | 4,991 |
| 3,165 | G | 1,899 | 15/9 | 3,165 |
| 140 | H | 70 | 18/9 | 140 |
| 52,616 | | 46,876 | | 46,697 |
| 99.50% | | Multiplied by Collection Rate | | 98.90% |
| 52,353 | | Council Tax Base | | 46,183 |

The introduction of the Council Tax Reduction Scheme (CTRS) has resulted in a change to the way in which the council tax requirement and the council tax base are calculated. The council tax requirement is now the net funding requirement to be funded by the council tax payer after the application of a government grant for funding towards the council tax support scheme. The council tax base is now the band D equivalent after a discount has been applied to adjust for those in receipt of council tax support. Therefore the council tax base is lower than the base in previous years.

## 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, are allocated between Canterbury, central government and major preceptors.

| 2012/13 £'000 | | 2013/14 £'000 |
|---|---|---|
| 136,132 | Non domestic rateable value | 138,656 |
| 0.450 | small business non domestic rating multiplier | 0.462 |
| 61,940 | NNDR levied | 64,059 |
| (12,149) | Less: allowances and other adjustments | (12,685) |
| 49,791 | Net contribution due to pool | 51,374 |
| 229 | Cost of collection | 230 |
| 50,020 | Income from business ratepayers | 51,604 |

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 Council and the Director of Resources for the accounts. The responsible financial officer is required by regulation 8(2) of the 2011 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 Council, 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 Council at the accounting date and its income and expenditure for the year ended 31 March 2014.

Signed

P. Marshall 22/09/14

Patricia Marshall
Date 27/06/2014
Director of Resources (Chief Financial Officer)

Cllr Robert Thomas
22/09/2014
Chair Accounts Committee