Statement of Accounts

for the Year Ended

31 March 2015

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Director of Resources

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Introduction

This foreword provides a guide to the Council's accounts for the year ending 31 March 2015. It includes:

- A brief explanation of each of the main financial statements
- A review of financial performance in 2014/15 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 2015. The accounts are set out on pages 10 to 86. 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 2014/15

The purpose of this section is to give an indication in broad terms of the financial performance of the Council in 2014/15 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 2014/15 at the budget meeting on 13 February 2014.

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 2014/15 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 2014/15 the CFR savings target was £0.9m
- 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 £365,000.

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

	2014/15 Budget £'000	Final Outturn £'000	Variance £'000
Chief Executive	5,389	5,188	(201)
Deputy Chief Executive	11,785	11,479	(306)
Director of Resources	3,204	3,214	9
Parish Precepts	557	557	0
Total Expenditure	20,936	20,438	(498)
Revenue Support Grant	(4,641)	(4,677)	(36)
NNDR allocation	(4,175)	(4,242)	(67)
New Homes Bonus	(2,527)	(2,541)	(14)
Collection Fund Adj	(22)	(22)	0
Council Tax	(8,650)	(8,650)	0
Parish Precepts	(557)	(557)	0
Total Income	(20,571)	(20,689)	(117)
Planned use of General Fund reserve	(365)	0	365
Net Position	**0**	**(251)**	**(251)**

The overall revenue outturn position for 2014/15 was an underspend of £251,000. The main variances to the budget are set out below.

Activity	**Variance (£000) ()=favourable**	**Explanation**
Capital financing costs	935	Additional revenue contributions to fund capital as agreed by Executive, making use of the forecast underspend.
Planned use of General Fund reserve	365	Planned contribution not taken due to forecast underspend
Commissioned Services	(268)	Additional income relating to tipping away
Revenues and Benefits	(498)	Projecting benefits payments and subsidy income is complex and this represents a one percent variance against the gross budget.
Support Services and departmental overheads	Saving split over multiple budgets	Underspends on these recharged services credited back to frontline services
Property Services	(321)	This is due to greater than expected rental income on a number of sites, which has more than covered additional costs in relation to asset management software and costs incurred in relation to the disposal of assets.
Additional contributions to reserves	Various service budgets	IT; Building maintenance; Equipment & Planning Enforcement reserves

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:

	2014/15 Budget £'000	2014/15 Outturn £'000	Variance £'000
General management	3,353	3,104	(249)
Special services	1,756	2,002	246
Rent, rates and charges	271	297	26
Repairs & maintenance	5,681	5,613	(68)
Bad debt provision	50	39	(11)
Rents & service charges receivable	(25,755)	(25,724)	31
Total HRA direct budgets	**(14,643)**	**(14,669)**	**(25)**
Support costs	807	798	(9)
Contribution to reserves	2,035	1,484	(551)
Capital charges	3,281	3,644	363
Total HRA indirect budgets	**6,123**	**5,925**	**(198)**
Self financing debt	**6,416**	**6,422**	**6**
(Surplus)/Deficit	**(2,104)**	**(2,321)**	**(218)**

The overall revenue outturn position for 2014/15 was an underspend of £218,000. The explanations for the main variance to the budget are set out below.

Activity	Variance (£000) ()=favourable	Explanation
General management	(249)	Mainly due to £113k consultant budget underspend as work on Coldharbour flats and welfare reform not yet taking place. Plus £86k salary underspends due to vacant posts and restructure
Special services	246	£137k additional unbudgeted charges for Lifeline services were identified during the year, as well as a £92k overspend on grounds maintenance, which is due to be reviewed in 2015/16.
Contribution to reserves	(551)	Mainly due to reduced contribution to Major Repairs Reserve due to slippage on capital programme and higher than budgeted depreciation
Capital charges	363	Depreciation was £393k higher than budgeted but HRA share of finance charges £30k lower than budgeted

Capital Expenditure

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

The City Council's gross expenditure on capital schemes in 2014/15 was £11.013m. 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 2014/15	Outturn 2014/15	Approved carry forward 2014/15	Variance to budget
	£'000	£'000	£'000	£'000
Housing capital	5,447	4,781	900	234
Coast protection capital	0	0	0	0
General fund capital	8,952	3,816	4,746	(390)
Total Capital Expenditure	**14,399**	**8,597**	**5,646**	**(156)**

The main items carried forward were the purchase of an industrial unit and Kingsmead Leisure Centre.

Significant changes to local authority financial regime in 2014/15

There were no significant changes to the local authority financial regime in 2014/15.

Treasury Management

The Council's total debt outstanding decreased from £125m in March 2014 to £118m in March 2015, whilst its investments averaged at around £36m. 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 2.95%.

All the Council's investments are managed internally and the average interest rate earned was 0.56%, 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 27 shows that the total value of liabilities (i.e. future commitments from the fund) is Council's net liability of £190.52m whereas the estimated assets are valued at £102.47m – a net deficit of £88.05m – 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 £69.28m to £88.05m at 31 March 2015, an increase of £18.77m.

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 in setting the 2014/15 budget and also in drawing up the financial plan to 2017/18. 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 further savings in 2015/16, which should achieve reductions in gross budgets of the equivalent of 20% over the four year period to 2015/16.

For 2016/17 and beyond, the future for local government funding is very uncertain, however the Council is planning on the basis that future reductions in funding will require it to make savings of around £5m by 2018/19 and savings plans are being developed on this basis.

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 2014/15 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 due in particular to the finance team for their work producing this Statement of Accounts.

P. Marshall.

Director of Resources
June 2015

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 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 2014/15	**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 2014	(4,169)	(12,397)	(4,273)	0	(3,296)	(4,476)	(28,610)	(238,138)	(266,748)
Movement in reserves during 2014/15									
(Surplus) or deficit on provision of services	(3,598)		(4,848)				(8,446)		(8,446)
Other comprehensive income and expenditure	(121)		121				0	(8,603)	(8,603)
Total comprehensive Income and Expenditure	(3,719)	0	(4,727)	0	0	0	(8,446)	(8,603)	(17,049)
Adjustments between accounting basis and funding basis under regulations (Note 6)	430		2,376		(2,136)	(619)	50	(50)	0
Net (increase)/decrease before transfers to Earmarked Reserves	(3,289)	0	(2,351)	0	(2,136)	(619)	(8,396)	(8,653)	(17,049)
Transfers to/(from) Earmarked Reserves (Note 7)	3,039	(3,068)	29				(0)		(0)
(Increase)/Decrease in year	(251)	(3,068)	(2,321)	0	(2,136)	(619)	(8,396)	(8,653)	(17,049)
Balance at 31 March 2015 carried forward	(4,420)	(15,465)	(6,594)	0	(5,432)	(5,095)	(37,006)	(246,791)	(283,797)

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)	(266,748)

Comprehensive Income and Expenditure Statement for the year ended 31 March 2015

This statement shows the accounting cost of providing services in the year ended 31 March 2015, in accordance with generally accepted accounting practices, rather than the amount to be funded from the taxation. The taxation position is shown in the Movement in Reserves Statement.

2013/14 Gross Exp £'000	2013/14 Income £'000	2013/14 Net Exp £'000		Note	2014/15 Gross Exp £'000	2014/15 Income £'000	2014/15 Net Exp £'000
18,700	(11,007)	7,693	**Cultural & Related Services**		22,057	(12,119)	9,938
10,231	(3,422)	6,809	**Environmental & Regulatory Services**		9,729	(2,777)	6,953
5,045	(1,633)	3,412	**Planning Services**		5,559	(2,105)	3,454
			Highways & Transport Services				
320	(38)	282	Highways		285	(38)	247
4,975	(8,493)	(3,518)	Parking Services, Public Transport & Harbour		4,961	(9,296)	(4,335)
			Housing Services				
18,106	(25,172)	(7,066)	Housing Revenue Account (HRA)		19,215	(25,708)	(6,493)
48,278	(47,771)	507	Housing Benefits Payments & Administration		47,767	(47,535)	232
2,223	(1,118)	1,105	Other Housing Services (Non HRA)		2,121	(1,346)	775
			Central Services				
1,154	(706)	448	Local Tax Collection Costs		1,065	(620)	445
938	(456)	482	Other Central Services		1,122	(650)	472
6,856	(3,384)	3,473	**Corporate & Democratic Core**		7,831	(3,978)	3,853
			Non Distributed Costs				
27	0	27	Non Distributed Pension Costs		302	0	302
116,853	**(103,200)**	**13,654**	**Cost of Services**		**122,015**	**(106,173)**	**15,841**
			Other Operating Expenditure				
0	(1,234)	(1,234)	Loss/Gain on Sales of Assets		0	(1,537)	(1,537)
700	0	700	Parish Council Precepts & Drainage Board Levy		677	0	677
437	0	437	Housing Capital Receipts Cont to Govt Pool		480	0	480
			Financing & Investment Income & Expenditure				
3,657	0	3,657	Interest Payable on Debt	11.2	3,755	0	3,755
(249)	0	(249)	Impairment of Financial Instruments (curr year)	11.2	0	0	0
2,412	0	2,412	Net interest on the net defined benefit liability	27.1	2,970	0	2,970
18	(627)	(609)	Investment Interest Income	11.2	32	(463)	(431)
0	(4,231)	(4,231)	Rentals Received on Investment Properties		0	(4,689)	(4,689)
654	0	654	Expenses Incurred on Investment Properties		674	0	674
(801)	0	(801)	Change in Fair Value of Investment Properties		(4,024)	0	(4,024)
191	(226)	(35)	Surplus from Trading Operations		321	(232)	89
			Taxation & Non-Specific Grant Income				
0	(1,568)	(1,568)	Recognised Capital Grants & Contributions	19	0	(1,583)	(1,583)
(67)	(8,997)	(9,063)	Income from the Collection Fund		1,675	(9,207)	(7,532)
55	(12,183)	(12,128)	Non ring-fenced Government Grants		55	(13,191)	(13,136)
123,860	**(132,266)**	**(8,405)**	**(Surplus)/deficit on provision of services**		**128,629**	**(137,075)**	**(8,446)**
		(24,586)	(Surplus)/deficit on revaluation of non current assets	17.1			(25,256)
		8,644	Remeasurement of the net defined benefit liability	27.1			16,653
		(24,347)	**Total Comprehensive Income & Expenditure**				**(17,049)**

Balance Sheet as at 31 March 2015

2014 £'000	2014 £'000		Notes	2015 £'000	2015 £'000
		Property, Plant and Equipment	8		
232,066		Council dwellings		249,260	
98,087		Other land and buildings		99,982	
24,662		Infrastructure assets		24,138	
8,164		Vehicles, plant and equipment		7,001	
1,231		Community assets		1,443	
	364,211				381,824
	10,694	Heritage Assets	9		11,074
	72,569	Investment Property	8		77,047
	78	Intangible assets	8		50
	447,551				469,994
	2,065	Payments in Advance			1,968
	4,957	Long-term debtors	12		5,315
	454,574	**Total Long-term Assets**			**477,277**
		Current Assets			
10,548		Short-term investments	11.5	10,400	
167		Inventories		186	
6,634		Short-term debtors	13	8,139	
519		Payments in advance		393	
10,108		Cash and cash equivalents	14	18,755	
	27,978				37,873
	482,552	**Total Assets**			**515,150**
		Current Liabilities			
(12,798)		Creditors	15	(15,700)	
(2,861)		Deposits and receipts in advance	15.1	(2,616)	
(7,226)		Short term borrowing	11.1	(8,899)	
(1,721)		Provisions		(3,519)	
	(24,607)				(30,734)
	457,945	**Total Assets less Current Liabilities**			**484,416**
		Long Term liabilities			
(4,222)		Long-term creditors	29	(3,518)	
(117,559)		Long-term borrowing	11.1	(108,912)	
(139)		Capital grants receipts in advance		(139)	
(69,277)		Liability related to defined benefit	27.2	(88,050)	
	(191,197)				(200,619)
	266,748	**Net Assets**			**283,797**
		Usable Reserves	16		
(4,169)		General Fund		(4,420)	
(4,273)		Housing Revenue Account		(6,594)	
(12,397)		Earmarked reserves	7	(15,465)	
0		Major repairs reserve		0	
(3,296)		Capital receipts reserve		(5,432)	
(4,476)		Capital grants unapplied		(5,095)	
	(28,610)				(37,005)
		Unusable Reserves			
(81,936)		Revaluation reserve	17.1	(107,325)	
(226,620)		Capital adjustment account	17.3	(230,111)	
1,031		Financial instruments adjustment a/c	17.2	825	
69,277		Pensions reserve	17.4	88,050	
(8)		Deferred capital receipts		(3)	
(47)		Collection fund adjustment account		1,563	
164		Short-term accumulating absences a/c		210	
	(238,138)				(246,791)
	(266,748)	**Total Reserves**			**(283,797)**

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.

2013/14 £'000		2014/15 £'000
(8,405)	Net (surplus) or deficit on the provision of services	(8,446)
	Adjust net surplus or deficit on the provision of services for non-cash movements	
(6,720)	Less depreciation of fixed assets	(7,800)
(3,208)	Less impairment of fixed assets	(7,006)
(235)	Movement in bad debt provision	61
(2,067)	Movement in revenue creditors	(2,801)
704	Movement in long term debtors	358
(391)	Less increase in provisions	(888)
(131)	Movement in deposits	245
	Items on accruals basis (assets)	
(350)	Movement in revenue debtors	1,774
(199)	Less decrease in payments in advance	(126)
(76)	Movement in inventories	19
(5,123)	Net charges made for retirement benefits in accordance with IAS19	(6,033)
3,767	Fund and retirement benefits payable direct to pensioners	3,913
(1,184)	Carrying amount of non-current assets sold	(1,958)
62	Other non-cash items charged to the net surplus or deficit on the provision of services	(56)
(58)	Difference between amounts debited/credited to the I&E account and amounts payable/receivable re soft loans and premiums on the early repayment of debt	206
801	Movements in the value of investment properties	4,024
0	Other revaluations to CIES	250
(61)	Movement in accrual on investments	(21)
(51)	Movement in deferred premiums less discounts	(3)
256	Movement in accrual on borrowing	(59)
1,568	Capital grants and capital income applied	1,583
(55)	Collection fund adjustment for CCC	(1,675)
0	REFCUS funded from reserves	1,337
(21,154)		**(23,100)**
	Adjust for items included in the net surplus or deficit on the provision of services that are investing activities	
2,418	Proceeds from the sale of property, plant and equipment	3,245
1,984	Council Tax receipts paid to major preceptors less receipts	1,371
(2,666)	NDR receipts under/over paid to the government	(5,708)
1,735		(1,092)
(19,419)	**Net flows from operating activities**	(24,192)

2013/14 £'000	Cash Flow continued	2014/15 £'000
(19,419)	Net flows from operating activities (b/f)	(24,192)
	Capital Activities	
	Cash outflows	
12,528	Purchase of property, plant and equipment, investment property and intangible assets	9,553
10,020	Purchase of investments	10,000
50	Other investment payments - soft loans	0
22,599		19,553
	Cash inflows	
(2,418)	Proceeds from sale of property, plant and equipment Investment property and intangible assets	(3,245)
(1,568)	Capital grants received	(1,583)
(1,307)	Capital debtors movement	(305)
(7,699)	Investments redeemed	(10,000)
(185)	Other receipts from investing activities (principal repayments of soft loans etc)	(241)
(13,178)		(15,374)
9,421		4,178
(9,998)	**Net cash inflow/outflow before financing**	(20,014)
	Financing activities	
	Cash inflows	
0	Cash receipts of long-term borrowing	0
0	Cash receipts of short-term borrowing	0
0		0
	Cash outflows	
11,027	Repayments of long-term borrowing	7,030
0	Repayments of short-term borrowing	0
11,027		7,030
	Other payments / receipts re financing activities:	
(1,984)	Council Tax receipts paid to major preceptors less receipts	(1,371)
2,666	NDR receipts under/over paid to the government	5,708
683		4,337
11,709	**Financing net cash flow**	**11,367**
1,712	**Net increase(-)/decrease in cash equivalents**	(8,647)
(11,820)	Cash and cash equivalents at 1 April (exc accruals)	(10,108)
(10,108)	Cash and cash equivalents at 31 March (excl accruals)	(18,755)

NOTES TO THE FINANCIAL STATEMENTS

Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Authority's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. 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 2014/15* and the *Service Reporting Code of Practice 2014/15,* 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 utility costs. 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.

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 3.2% (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 with reference to the price achieved at the auction of Icelandic Krona held on 10 February 2015, as this is the best available information about the exchange rate for Krona. 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 1.16.3).

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 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 in 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 (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease term are charged as an expense over the lease term, on the same basis as the 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 2014/15 (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 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 first against any relevant balance in the reserve, and then against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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 9)

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 2014/15 the following accounting policy changes that need to be reported relate to:

- IFRS 13 Fair Value Measurement (May 2011)
- Annual Improvements to IFRSs (2011 – 2013 cycle)

Under IFRS 13, for 2015/16 the Council will be required to measure its non-operational assets (including those held for disposal) at fair value.

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 £620,000, plus a more significant loss for their pension deficit of £8,206,000. 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 £620,000) 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 2015 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 £3.1m Changes to financial assumptions in 2014/15 have led to an increase in the net liability of £19m.
Business Rate Appeals	The Council has a significant number of outstanding appeals against the 2010 Valuation Office (VO) rating list. These can take several years to be heard and the outcome is difficult to estimate. Historical data has been used as the best estimate on which to base the provision for the outcome of the appeals.	If the outcome of appeals is a reduction in the rateable value above that which has been provided then the NNDR collection fund would incur the additional cost of the appeals and there would be an ongoing reduction in the NNDR yield.

5 Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Director of Resources on 30 June 2015. 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 2015, 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 2014/15	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	(4,503)		(3,297)				7,800
Revaluation losses on Property, Plant & Equipment	(2,611)		(4,395)				7,006
Movement in market value of investment property	4,024						(4,024)
Capital grant and contributions applied	964						(964)
Revenue Expenditure funded from Capital under Statute	(71)						71
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(317)		(1,642)				1,958
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement							
Statutory provision for the financing of capital investment	2,314						(2,314)
Capital expenditure charged against GF & HRA balances	3,232		4,260				(7,492)
Adjustments primarily involving the Capital Grants Unapplied Account							
Capital grants and contributions unapplied credited to CIES	(250)					250	0
Capital grants and contributions unapplied	870					(870)	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	820		2,675		(3,245)		(250)
Use of CRR to finance capital expenditure					770		(770)
Contribution from CRR to finance payments to the Government capital receipts pool	(480)				480		0
Transfer from deferred CRR upon receipt of cash					(5)		5
Repayments of soft loans and Hsg Act advances					(137)		137
Adjustments primarily involving the Major Repairs Reserve							
Reversal of Major Repairs Allowance credited to the HRA			3,297	(3,297)			0
Use of the Major Repairs Reserve to finance new capital expenditure				4,781			(4,781)
Voluntary transfer to Major Repairs Reserve			1,484	(1,484)			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	213		(7)				(206)
Adjustments involving the Pension Reserve							
Reversal of items relating to retirement benefits debited or credited to CIES	(5,768)		(265)				6,033
Employers contributions and direct payments to pensioners payable in year.	3,647		266				(3,913)
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	(1,610)						1,610
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	(45)		(1)				46
Total Adjustments 2014/15	430	0	2,376	0	(2,136)	(619)	(50)

Accounting and Funding basis adjustments 2013/14	Usable Reserves						Movement in Unusable Reserves
	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Major Repair Reserve	Capital Receipts Reserve	Capital Grants Unapplied	
	£'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)

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 2014/15.

Reserve	Note	Balance at 1 April 2013 £'000	Transfers to reserve £'000	Transfers from reserve £'000	Balance at 31 March 2014 £'000	Transfers to reserve £'000	Transfers from reserve £'000	Balance at 31 March 2015 £'000
Early retirement	a	(102)	0	0	(102)	0	0	(102)
Computer/equipment	b	(519)	(271)	207	(583)	(268)	150	(701)
CCTV reserve	c	(99)	(35)	0	(134)	(125)	13	(245)
Buildings Maintenance	d	(479)	(184)	51	(612)	(457)	228	(841)
Insurance reserve	e	(347)	(5)	46	(307)	(326)	48	(585)
Marlowe Theatre reserve	f	0	(30)	0	(30)	(100)	0	(130)
Liability insurance	g	(231)	(1)	23	(209)	(1)	210	0
Regeneration	h	(99)	(10)	0	(109)	0	10	(99)
Restructure reserve	i	(689)	(527)	132	(1,085)	(100)	386	(799)
Open spaces maintenance	j	(159)	0	17	(141)	0	17	(124)
Budget stabilisation reserve	k	(1,651)	(197)	0	(1,848)	(747)	993	(1,603)
Museums reserves	l	(143)	(25)	1	(167)	(58)	67	(159)
Carry forward reserve	m	(171)	(895)	171	(895)	(606)	125	(1,375)
Elections reserve	n	(98)	(53)	14	(137)	(30)	11	(156)
Invest to save reserve	o	(353)	(18)	15	(356)	0	145	(212)
Emergencies reserve	p	(177)	(81)	0	(258)	0	0	(258)
Whitstable Harbour reserves	q	(805)	(280)	105	(979)	(614)	400	(1,194)
Planning delivery grant	r	(236)	0	129	(107)	0	107	0
Local Plan enquiry	s	(246)	(11)	28	(229)	0	72	(158)
Car park reserve	t	(149)	(240)	100	(289)	(180)	74	(395)
HRA transfer reserve	u	0	(900)	0	(900)	0	312	(588)
Development Management	v	0	0	0	0	(535)	40	(495)
Enforcement reserve	w	0	0	0	0	(200)	0	(200)
NDR reserve	x	(50)	(285)	0	(334)	(1,589)	0	(1,923)
Capital reserve	y	0	0	0	0	(2,480)	2,476	(4)
EKS Reserve	z	0	0	0	0	(400)	0	(400)
Other Gen Fund reserves		(1,503)	(756)	479	(1,780)	(738)	632	(1,886)
Total of Reserves		(8,306)	(4,804)	1,518	(11,592)	(9,554)	6,516	(14,631)
Net movement in year					(3,286)			(3,039)
HRA Reserves (excl major repairs reserve)								
Subsidence reserve	H1	(638)	(50)	0	(688)	0	0	(688)
Other HRA reserves		(111)	(55)	49	(117)	(74)	45	(146)
Total HRA Reserves		(749)	(105)	49	(805)	(74)	45	(834)
Net movement in year					(56)			(29)
Total Reserves		**(9,055)**	**(4,909)**	**1,568**	**(12,397)**	**(9,628)**	**6,560**	**(15,465)**
Net movement in year					(3,342)			(3,068)

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 £400,000 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 £1,000 (claims over £1,000 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 creation of the Development Management reserve was agreed by Executive. It has been set up to carry forward surplus planning income to fund an increase in staff in future years required to deal with the increased planning activity levels.

w) The enforcement reserve was created by an Executive decision in 2014/15, to fund additional staff within the Legal and Planning Services. This is required to clear the backlog of outstanding planning enforcement work.

x) The NDR reserve is created by the grant received in the current year, for the expected deficit in the following year.

y) The capital reserve has been established to facilitate revenue contributions to the overall capital programme.

z) The EKS reserve represents the Canterbury City Council element of the reserves built up by EK Services in the delivery of ICT, customer services, revenues and benefits, and income collection on behalf of Canterbury, Thanet and Dover councils (see note 31).

H1) 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 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 8.3 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		8.1a	8.1b	8.1b	8.1c				8.1c		
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2014 (b/fwd)	235,082	98,567	14,710	41,046	1,249	0	390,654	72,569	10,694	479	474,397
Additions	386	2,266	447	387		145	3,631	601	284		4,516
Disposals	(1,642)	(308)	(14)				(1,963)	(9)			(1,972)
Acc Dep'n w/o		(906)					(906)				(906)
Reclassifications/Transfers		233			50	(145)	139	(139)			(0)
Revaluations to Revaluation Reserve	18,682	3,550			163		22,395		96		22,490
Revaluations to CIES		(1,846)					(1,846)	4,024			2,178
At 31 March 2015	252,509	101,557	15,143	41,433	1,462	0	412,103	77,047	11,074	479	500,703
Depreciation											
At 1 April 2014 (b/fwd)	(3,016)	(480)	(6,546)	(16,385)	(18)	0	(26,444)	0	0	(401)	(26,845)
Charge for 2014/15	(3,249)	(2,001)	(1,610)	(910)	(1)		(7,772)			(28)	(7,800)
Disposals			14				14				14
Acc Dep'n w/o re Revaluation Reserve		552					552				552
Acc Dep'n w/o re CIES		354					354				354
Reclassifications							0				0
Revaluations	3,016						3,016				3,016
At 31 March 2015	(3,249)	(1,575)	(8,142)	(17,295)	(19)	0	(30,280)	0	0	(429)	(30,709)
Net Book Value at 31 March 2015	249,260	99,982	7,001	24,138	1,443	0	381,823	77,047	11,074	50	469,994

8 Property plant and equipment, investment properties and intangible assets

	Note	Council Dwellings	Land and Buildings	Plant, Vehicles & Equipment	Infrastructure	Community Assets	Assets under Construction	Total Tangible assets	Investment Properties	Heritage Assets	Intangible Assets	Total
			8.1a	8.1b	8.1b	8.1c				8.1c		
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
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

Cost or Valuation	Amenities £'000	Depot Workshops £'000	Land £'000	Harbour £'000	Leisure Facilities £'000	Office Buildings £'000	Off street Car parks £'000	open spaces & recreational facilities £'000	Operational Buildings £'000	Operational land £'000	Surplus Assets £'000	Garages £'000	land & Buildings Total £'000
At 1 April 2014 (b/fwd)	1,003	0	263	1,200	28,262	6,091	24,159	3,518	29,047	413	2,370	2,242	98,568
Additions	0	0	0	0	166	566	234	0	0	0	1,300	0	2,266
Disposals	0	0	0	0	0	0	0	(22)	0	0	(286)	0	(308)
Acc Dep'n w/o to GCA	(3)	(4)	0	(40)	(301)	(120)	(103)	(8)	(325)	0	(2)	0	(906)
Reclassifications/Transfers	0	145	0	0	(50)	0	0	(0)	0	0	139	0	233
Revaluations to Revaluation Reserve	19	0	50	136	1,256	108	830	(29)	442	0	644	94	3,550
Revaluations to CIES	8	(133)	4	0	439	(189)	114	(35)	(2,095)	0	41	0	(1,846)
Other movements in Cost or Valuation												0	0
At 31 March 2015	1,027	7	318	1,296	29,771	6,457	25,235	3,423	27,069	413	4,205	2,337	101,558
Depreciation													
At 1 April 2014 (b/fwd)	(14)	0	(2)	0	(3)	(1)	(15)	(202)	(69)	0	(1)	(172)	(479)
Charge for 2014/15	(6)	(4)	(2)	(40)	(1,038)	(120)	(90)	(78)	(572)	0	(13)	(39)	(2,001)
Disposals	0	0	0	0	0	0	0	0	0	0	0	0	0
Acc Dep'n w/o re Reval Res	3	0	0	40	120	9	95	0	283	0	1	0	552
Acc Dep'n w/o re CIES	0	4	0	0	181	111	8	8	42	0	1	0	354
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 2015	(17)	0	(4)	0	(739)	(2)	(2)	(272)	(316)	0	(11)	(211)	(1,573)
Net Book Value at 31 March 2015	1,010	7	314	1,296	29,031	6,455	25,233	3,151	26,754	413	4,194	2,126	99,984
Net Book Value at 31 March 2014	989	0	261	1,200	28,259	6,090	24,144	3,316	28,978	413	2,369	2,070	98,090

Note 8.1a

Cost or Valuation	Amenities £'000	Land £'000	Harbour £'000	Leisure Facilities £'000	Office Buildings £'000	Off street Car parks £'000	open spaces & recreational facilities £'000	Operational Buildings £'000	Operational land £'000	Surplus Assets £'000	Vacant land £'000	Garages £'000	land & Buildings Total £'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/Transfers	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 8.1b	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 2014 (b/fwd)	249	4,093	498	32,403	1,209	2,594	41,046	7,730	4	122	5,133	1,721	14,710
Additions	0	0	387	0	0	0	387	440	0	0	7	0	447
Disposals	0	0	0	0	0	0	0	0	0	0	(14)	0	(14)
Acc Dep'n w/o to GCA	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 2015	249	4,093	885	32,403	1,209	2,594	41,433	8,170	4	122	5,126	1,721	15,143
Depreciation													
At 1 April 2014 (b/fwd)	(128)	(1,371)	(98)	(11,867)	(634)	(2,286)	(16,384)	(5,604)	0	(110)	(832)	0	(6,546)
Charge for 2014/15	(6)	(104)	(15)	(733)	(38)	(14)	(910)	(717)	(1)	(9)	(712)	(172)	(1,610)
Disposals	0	0	0	0	0	0	0	0	0	0	14	0	14
Acc Dep'n w/o to GCA	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 2015	(134)	(1,475)	(113)	(12,600)	(672)	(2,300)	(17,294)	(6,321)	(1)	(119)	(1,529)	(172)	(8,142)
Net Book Value at 31 March 2015	115	2,618	772	19,803	537	294	24,139	1,849	3	3	3,597	1,549	7,000
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	8,165

Note 8.1b Cost or Valuation	Bridges £'000	Permanenet ways £'000	Roads £'000	Sea Defences £'000	Street Furniture £'000	Water & Drainage £'000	Infrastructure Total £'000	Equipment £'000	Inatangible assets £'000	Recycling Bins £'000	Vehicles £'000	Wheeled Bins Domestic £'000	PVE Total £'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
ers	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 8.1c	cemetaries land	Civic Regalia	Historic Buildings	Leisure Facilities	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	£'000
At 1 April 2014 (b/fwd)	20	186	365	0	11	566	101	1,249	8,690	1,163	841	10,694
Additions	0	0	0	0	0	0	0	0	0	284	0	284
Disposals	0	0	0	0	0	0	0	0	0	0	0	0
Acc Dep'n w/o to GCA	0	0	0	0	0	0	0	0	0	0	0	0
Reclassifications/Transfers	0	0	0	50	0	0	0	50	0	0	0	0
Revaluations to Revaluation Reserve	0	163	0	0	0	0	0	163	96	0	0	96
Revaluations to CIES	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
At 31 March 2015	20	349	365	50	11	566	101	1,462	8,786	1,447	841	11,074
Depreciation												
At 1 April 2014 (b/fwd)	0	0	(18)	0	0	0	0	(18)	0	0	0	0
Charge for 2014/15	0	0	(1)	0	0	0	0	(1)	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0	0	0	0
Acc Dep'n w/o to GCA	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
Revaluations	0	0	0	0	0	0	0	0	0	0	0	0
At 31 March 2015	0	0	(19)	0	0	0	0	(19)	0	0	0	0
Net Book Value at 31 March 2015	20	349	346	50	11	566	101	1,442	8,786	1,447	841	11,074
Net Book Value at 31 March 2014	20	186	347	0	11	566	101	1,231	8,690	1,163	841	10,694

Note 8.1c

Cost or Valuation	cemeteries land £'000	Civic Regalia £'000	Historic Buildings £'000	Museum Exhibits £'000	Open Spaces £'000	Vacant Land £'000	Community Total £'000	Art Collections & Paintings £'000	Historic Buildings & Remains £'000	Museum Artifcats and Collections £'000	Heritage Total £'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

8.2 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.

8.3 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 2014	A	Martin Bovingdon, FRICS
Other land and buildings	April 2009 – March 2015	B	Martin Bovingdon, FRICS
Surplus Assets	March 2015	B	Martin Bovingdon, FRICS
Investment properties	March 2015	C	Martin Bovingdon, FRICS
Assets Held for Sale	March 2015	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

8.4 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 8.

9 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
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 2012 £'000	At 31 March 2013 £'000	At 31 March 2014 £'000	At 31 March 2015 £'000
Roman Site Butchery Lane	972	972	972	972
Canterbury Castle	30	30	30	30
Littlebourne Barn	157	161	161	161
Central Parade Clock Tower	0	0	0	284
Heritage Assets - Land and Buildings	**1,159**	**1,163**	**1,163**	**1,447**

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 operated five museums throughout 2014/15:

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

The Council is currently working towards the transfer of the management of its two coastal museums to local community groups. Two independent groups are being established in Herne Bay and Whitstable to take on the management of the museums on the council's behalf. The plan is for the museums, under new management, to be open to the public from this summer.

The art in the museums were last valued in 2006 by Sotheby's for insurance purposes at £7,100,000. This is reviewed annually and the current valuation is £7,075,000.

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 £9,626,000 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 2012 £'000**	**At 31 March 2013 £'000**	**At 31 March 2014 £'000**	**At 31 March 2015 £'000**
Museum Exhibits	840	840	840	840
Art Collection	6,980	6,980	6,980	7,075
Civic and Public Art Commissions	670	670	670	670
Tower House paintings	41	41	41	41
Van Dyck painting	1,000	1,000	1,000	1,000
Heritage Assets - Museum contents etc	**9,531**	**9,531**	**9,531**	**9,626**

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 2012 £'000**	**At 31 March 2013 £'000**	**At 31 March 2014 £'000**	**At 31 March 2015 £'000**
Land and Buildings	1,159	1,163	1,163	1,447
Museum contents etc	9,531	9,531	9,531	9,626
Heritage Assets - Total	**10,690**	**10,694**	**10,694**	**11,074**

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.

2013/14 £'000	Capital Expenditure and Financing	2014/15 £'000
143,384	**Opening Capital Financing Requirement**	**142,834**
	Capital Expenditure in year:	
6,952	Property, plant and equipment	9,075
4,882	Investment properties	601
4	Intangible assets	0
2,063	Revenue expenditure funded from capital under statute see note 10.1	1,337
50	Long term debtors (note 12 - advances)	0
13,951		11,013
(4,208)	**HRA loan repayment**	(4,260)
	Sources of Finance	
(890)	Capital receipts	(770)
(2,073)	Government grants and other contributions	(1,938)
(5,346)	Revenue and Reserves	(8,304)
(1,985)	Revenue and provision for repayment of loans (MRP)	(2,314)
(10,293)		(13,327)
142,834	**Closing Capital Financing Requirement**	**136,260**
	Explanation of movements in year	
(4,208)	HRA loan repayment	(4,260)
(1,985)	MRP	(2,314)
5,643	Increase in underlying need to borrow (unsupported by government financial assistance).	0
(550)	**Movement of Capital Financing Requirement**	**(6,574)**

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.

2013/14 Net Exp £'000		2014/15 Gross Exp £'000	Gov Grant £'000	Other Contr £'000	Net Exp £'000
128	Disabled facilities and improvement grants	493	(429)	(44)	20
0	Historic building grants	0	0	0	0
371	Other including parish council grants	843	(377)	(416)	51
499	Total	**1,337**	**(806)**	**(460)**	**71**

The financing of this expenditure was grants and contributions £974k and reserve funding of £292k. Adding the £974k to the £964K non REFCUS grant funded capital expenditure reconciles to the total capital grants applied to finance capital expenditure £1,938k (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 2014 Long-term £'000	31 March 2014 Current £'000		31 March 2015 Long-term £'000	31 March 2015 Current £'000
		Borrowings		
(117,559)	(7,226)	Financial liabilities at amortised cost (including the £2,000k soft loan received from KCC)	(108,912)	(8,899)
0	0	Financial liabilities at fair value through profit and loss		
(117,559)	**(7,226)**	**Total Borrowings**	**(108,912)**	**(8,899)**
		Creditors		
0	(8,852)	Financial liabilities at amortised cost (ie excluding statutory debts such as council tax) *		(9,468)
0	(543)	Bank Overdraft *		(183)
0	**(9,395)**	**Total Creditors**	**0**	**(9,651)**
		Investments		
0	10,548	Loans and receivables		10,400
0	0	Available-for-sale financial assets		0
0	**10,548**	**Total investments**	**0**	**10,400**
		Other current assets		
0	5,569	Loans and receivables (ie excluding statutory debts such as council tax) *		6,285
0	10,651	Cash and cash equivalents *		18,938
0	**16,220**	**Total other current assets**	**0**	**25,224**
		Soft loans		
4,938	0	Soft loans provided - see table below	4,935	0
8	0	Mortgages	3	0
4,946	**0**	**Total Soft Loans**	**4,938**	**0**
		*** Reconciliation to balance sheet**		
	(12,798)	Creditors per balance sheet		(15,700)
	3,946	Less statutory debts		6,232
	(8,852)	Financial liabilities at amortised cost as above		(9,468)
	6,635	Debtors per balance sheet		8,138
	2,909	Impairment of debt		2,810
	(3,975)	Less statutory debt		(4,663)
	5,569	Loans and receivables as above		6,285
	10,651	Cash and cash equivalents		18,938
	(543)	Bank Overdraft		(183)
	10,108	Cash and cash equivalents per balance sheet		18,755

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

Borrower	Term	Original loan	Opening balance	Repaid 2014/15	W/offs 2014/15	Closing balance	Fair value 31/3/2015
	Years	£'000	£'000	£'000	£'000	£'000	£'000
Herne Bay Bowling Club (combined)	15 & 12.5	44	10	(3)	0	7	7
Canterbury Bowling Club	20	100	35	(5)	0	30	27
Active Life	12	600	387	(50)	0	337	305
Polo Farm	15	135	56	(9)	0	47	43
Horsebridge	10	50	30	(3)	(27)	0	0
Thanington Resource Centre	16	42	33	(2)	0	31	31
Kent County Cricket Club (combined)	30 & 4	5,500	4,868	(104)	0	4,764	4,275
Almshouse Charity of Wynn Ellis	20	220	201	(8)	0	193	192
Canterbury Rugby Club	10	30	23	(3)	0	20	20
Horsebridge	5	7	7	(1)	(6)	0	0
Herne Bay Football Club	15	25	24	(1)	0	23	22
Herne Bay Pier	3	25	21	(8)	0	13	13
		6,778	**5,695**	**(198)**	**(33)**	**5,464**	**4,935**

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 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, 5 January 2012 and 19 February 2015.

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) Liabilities measured at amortised cost £'000	Financial Assets (Investments) Loans and receivables £'000	Total £'000
Interest payable and similar charges			0
Interest payable	3,755	0	3,755
Impairment of financial assets	0	0	0
Total	**3,755**	**0**	**3,755**
Interest and investment income			
interest income (received)	0	(463)	(463)
interest income (impaired)	0	0	0
Total	**0**	**(463)**	**(463)**
Net (gain)/loss for the year	**3,755**	**(463)**	**3,292**

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 2015 were between 1.11% and 3.13% 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 2014 Carrying Amount £'000	March 2014 Fair Value £'000		March 2015 Carrying Amount £'000	March 2015 Fair Value £'000
		Long-term borrowing		
115,556	110,606	Financial Liabilities PWLB loans	106,908	116,219
2,003	1,872	Financial Liabilities - Other bonds and mortgages	2,003	2,003
		Short term borrowing		
7,226	6,916	Financial Liabilities - temporary loans	8,644	8,765

The fair value is higher than the carrying amount because the council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the balance sheet date including three old loans totalling £2.5m with rates of 7.625%, 10.25% and 10.5% which account for a fair value of £2,971k higher than the carrying amount. Further, the commitment to pay interest above current market rates on the other loans increases the amount that the authority would have to pay if the lender requested or agreed to early repayments of the loans.

31 March 2014 Carrying Amount £'000	31 March 2014 Fair Value £'000		31 March 2015 Carrying Amount £'000	31 March 2015 Fair Value £'000
		Investments		
10,548	10,557	Loans and receivables - banks and building societies	10,400	10,410
0	0	Available-for-sale financial assets - externally managed	0	0
10,548	**10,557**		**10,400**	**10,410**

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 – 5 February 2015 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% (94p in the £) has now been returned. The CIPFA guidance on recoverable amounts from Heritable Bank at 31 March 2014 were that no further dividends were assumed to be paid therefore the outstanding balance of £71k has been written off. The Council has since been notified that an additional dividend in respect of Heritable Bank is anticipated to be declared and paid in August 2015. A prudent estimate is that a sum in the region of 4p in the £ is likely to be received (around £167,000). Due to the uncertainty of the timing of the amount of the dividend to be received there has been no adjustment made to the 2014/15 financial statements and any amount received will be treated as a windfall in the 2015/16 accounts.

The Council also had £2m invested with Glitnir, all of which has been returned, although some remains invested in Iceland due to Icelandic controls on foreign exchange movements. This deposit has previously been valued at the published rate of exchange for Icelandic krona/£ as at 31 March, however in February 2015 there was a currency auction that gave an actual rate of exchange that we have used to value the holding as at 31 March 2015.

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 £60m 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 2014 £'000	Source of Loan	Range of interest rates payable %	31 March 2015 £'000
115,556	Public Works Loan Board	2.00 - 10.50	106,910
2,003	Other bonds and mortgages	2.00 - 5.625	2,003
117,559	Total Long term borrowing		**108,912**
	Analysis of loans by maturity is:		
4,593	Maturing in 1-2 years		4,650
14,645	Maturing in 2-5 years		15,014
32,977	Maturing in 5-10 years		29,658
65,344	Maturing in over 10 years		59,589
117,559	Total Long term borrowing		**108,912**

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

£60m 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 £4m 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 krona in an escrow account due to the current imposition of currency controls.

11.5 Investments

Carrying Amount at 31 March 2014	Investment type	Carrying amount			Total 31 March 2015	Fair Value at 31 March 2015
		Nominal Value	Accrued Interest	Impair-ment		
£'000	**Internally Managed**	£'000	£'000	£'000	£'000	£'000
449	Glitnir Bank - remaining deposit	324	0	0	324	324
10,087	Other Banks - fixed deposits	10,000	78	0	10,078	10,086
12	Other Accrued interest	0	(2)	0	(2)	0
10,548		**10,324**	**76**	**0**	**10,400**	**10,410**

The Council obtained £242,000 interest on its investments (excluding Icelandic banks) in 2014/15 (£221,000 in 2013/14) – an average interest rate of 0.65% (0.7625% in 2013/14).

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 krona has had to be placed in an escrow account in Iceland where it is earning interest of 3.7%. Any further impairment applicable to this deposit will be due to exchange rate fluctuations only. Remaining balances for the Heritable bank investments were written off in 2013/14.

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

As there is a foreign exchange embargo on the escrow account the balance has been valued using the rate obtained in the February 2015 Icelandic Krona/Euro auction as being the market value. This has resulted in a write off of £137,000 during 2014/15. This deposit has been credited with interest calculated at £12,400. The account balance is worth £342,500 at 31 March 2015. (£449,053 at 31 March 2014).

12 Long term debtors

Balance at 1 April 2014 £'000	Category	Advances £'000	Repayments £'000	Write-Offs £'000	Balance at 31 March 2015 £'000
	Soft loans (Misc loans)				
5,696	Actual amount outstanding	0	(199)	(33)	5,464
(758)	Adjustments to fair value	0	203	0	(554)
4,938	**Soft loans - Fair value**	0	4	(33)	4,910
8	Mortgages	0	(4)	0	3
11	Housing Act Advances	0	(9)	0	2
0	Shared Service Reserves	400	0	0	400
4,956	**Total**	**400**	**(10)**	**(33)**	**5,315**

The balance for Soft Loans at 31 March 2015 of £5,464,000 has been reduced downwards by £554,000 (contra the Financial Instruments adjustment account) to a 'fair value' of £4,910,000 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 2014 £'000	Category	31 March 2015 £'000
6,358	Other entities and individuals	8,771
1,038	Central government bodies	879
1,388	Other local authorities	988
759	Public Corps & Trading Funds	310
9,544	**Total**	**10,949**
	Impairment of debt	
(487)	Local tax payers	(450)
(470)	Housing	(485)
(1,311)	Benefits	(1,463)
(640)	Penalty charges notices & other provisions	(411)
(2,910)	**Total**	**(2,810)**
6,634	**Total short term debtors**	**8,139**

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 2014				31 March 2015		
General	HRA	Total		General	HRA	Total
£'000	£'000	£'000	Age of Debt	£'000	£'000	£'000
485	28	**513**	0 to 30 days	1340	64	**1404**
24	3	**27**	31 to 60 days	128	7	**135**
132	2	**134**	61 to 90 days	87	7	**94**
39	4	**44**	91 to 120 days	20	7	**27**
560	73	**633**	Over 120 days	371	62	**432**
1241	**110**	**1351**	**Total**	**1945**	**146**	**2092**

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 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 2014	Balance (inc accruals)	31 March 2015
£'000		£'000
9,563	Bank overnight deposits	17,799
1,088	Cash in hand	1,139
10,651		18,938
(543)	Bank overdraft	(183)
10,108		**18,755**

15 Creditors

31 March 2014	Category	31 March 2015
£'000	**Sundry creditors**	£'000
(1,848)	Central government bodies	(1,352)
(3,096)	Other Local Authorities	(5,603)
(7,853)	Other entities & Individuals	(8,745)
(12,798)	**Total**	**(15,700)**

15.1 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 £2,106k (2013/14 £2,145k).

16 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.

17 Unusable Reserves

Reserve	Balance at 1 April 2014 £'000	Net movement in year £'000	Balance 31 March 2015 £'000	Purpose of reserve
Revaluation Reserve	(81,936)	(25,389)	(107,325)	Store of gains on revaluation of fixed assets, not yet realised through sales see note 17.1 for details
Capital Adjustment Account	(226,620)	(3,491)	(230,111)	Store of capital resources set aside to meet past expenditure see note 17.3 for details
Financial Instrument Adjustment Account	1,031	(206)	825	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowing and investments see note 17.2 for details
Pensions Reserve	69,277	18,773	88,050	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet. See note 17.4 for details
Deferred Capital Receipts	(8)	5	(3)	Represents principal outstanding from mortgages
Collection Fund Adjustment Account	(47)	1,610	1,563	Resources available to meet future precept payments re City Council share only
Short-term accumulating absences account	164	46	210	Represents accrual of holiday entitlement carried forward at year end
Total	**(238,138)**	**(8,653)**	**(246,791)**	

17.1 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 2014 £'000	Category	General Fund £'000	Housing £'000	31 March 2015 £'000
(57,233)	Balance at 1 April	(28,875)	(53,061)	(81,936)
(21,902)	Upward revaluation of assets	(4,646)	(18,777)	(23,423)
2,369	Downward revaluation of assets and impairment losses not charged to Surplus/Deficit on provision of services	932	0	932
(19,533)		(3,714)	(18,777)	(22,490)
(5,265)	Depreciation written out on revaluations of PPE	0	(3,016)	(3,016)
(24,799)	(Surplus)/deficit on revaluation of assets not posted to the surplus or deficit on the provision of services per CIES.	(3,714)	(21,792)	(25,506)
	Transfers to Capital Adjustment Account (note 19.3)			
213	Write-out the revaluation gains previously recognised for assets disposed of in current year.	250	0	250
(24,586)	**(Surplus)/defict on revaluation of PPE**	(3,463)	(21,792)	(25,256)
(117)	Difference between fair value depreciation and historical cost depreciation following revaluations	(137)	3	(133)
(24,703)	Total movement in reserve in the year	(3,600)	(21,789)	(25,389)
(81,936)	**Balance at 31 March**	**(32,475)**	**(74,850)**	**(107,325)**

17.2 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 2014 £'000	Category	New advances £'000	Redemptions £'000	31 March 2015 £'000
	Premiums paid on premature redemption of PWLB loans			
430	General Fund share	0	(37)	393
1	HRA share	0	0	1
431	Total	0	(37)	394
	Discounts received on premature redemption of loans			
(125)	General Fund share	0	27	(98)
(31)	HRA share	0	7	(24)
275	Net total of premiums/discounts	0	(3)	272
756	Soft loans (difference between actual value and fair value)	0	(203)	553
1,031	**Total**	**0**	**(206)**	**825**

17.3 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.

2013/14 Total £'000	Capital Adjustment Account	General Fund £'000	Housing £'000	2014/15 Total £'000
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement			
	Charges for depreciation and impairment			
(224,256)	Balance at 1 April	(140,610)	(86,009)	(226,620)
6,720	Charges for depreciation and impairment of non-current assets	4,503	3,297	7,800
3,208	Revaluation of Property, Plant and Equipment	2,611	4,395	7,006
499	Revenue expenditure funded from capital under statute	71	0	71
1,184	Amounts of non-current assets written off on disposal/sale as part of gain/loss on disposal to CIES	66	1,642	1,708
11,610		7,251	9,334	16,584
117	Adjusting amounts written out to Revaluation Reserve	137	(3)	133
11,727	**Net written out amount of the cost of non-current assets consumed in the year.**	7,387	9,330	16,718
	Capital financing applied in the year			
(890)	Use of the Capital Receipts Reserve to finance new capital expenditure	(770)	0	(770)
(3,872)	Use of the Major Repairs Reserve to finance new capital expenditure	0	(4,781)	(4,781)
(514)	Capital grants and contributions credited to the CIES that have been applied to capital financing	(964)	0	(964)
(1,984)	Statutory provision for the financing of capital charged to the General Fund and HRA balances	(2,314)	0	(2,314)
(1,468)	Capital expenditure charged against the General Fund and HRA balances	(3,232)	0	(3,232)
(8,728)		(7,281)	(4,781)	(12,061)
	Movement in the year			
(801)	Movement in the market value of Investment Properties debited or credited to the Comp Income and Exp Stmt	(4,024)	0	(4,024)
(4,208)	HRA loan repayment	0	(4,260)	(4,260)
(354)	Repayments of soft loans and housing act advances	137	0	137
(226,620)	**Balance at 31 March**	**(144,391)**	**(85,720)**	**(230,111)**

17.4 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.

2013/14		2014/15
£'000		£'000
59,277	**Balance at 1 April**	69,277
8,644	Remeasurements of the net defined benefit liability	16,653
5,123	Reversal of items relating to retirement benefits debited or credited to the Deficit on the Provision of Services in the Comprehensive I&E Statement	6,033
(3,767)	Employer's pension contributions and direct payments to pensioners payable in the year	(3,913)
69,277	**Balance at 31 March**	**88,050**

18 Cash flow statement – operating activities

The cash flows for operating activities include the following items:

2013/14		2014/15
£'000		£'000
3,914	Interest paid	3,696
(687)	Interest received	(484)
3,227	Total	**3,212**

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

19 Grant Income

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

2013/14	Taxation and non-specific grant Income	2014/15
£'000	**a) General government grants**	£'000
(6,155)	Revenue Support Grant	(4,732)
55	Council Tax support passported Parish Councils	55
(4,489)	Non-domestic rates income and expenditure	(5,918)
(1,539)	New homes bonus and council tax freeze grant	(2,541)
(12,128)	**Total of general government grants**	**(13,136)**
	b) Recognised capital grants and contributions	
(1,568)	Grants and contributions	(1,583)
(1,568)	**Total of recognised capital grants and contributions**	**(1,583)**

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

2013/14	Credited to Services	2014/15
£'000	a) 'True' revenue grants	£'000
(29,988)	Rent allowances	(29,961)
(16,691)	Rent rebates	(16,574)
(844)	Benefits administration	(753)
(365)	Sure Start partnership	0
(230)	NDR	(230)
(804)	Other revenue grants	(659)
(48,922)		(48,176)
	b) Grants re Revenue expenditure funded by grants under Statute (REFCUS)	
(454)	Housing specified grant for disabled facilities	(429)
(533)	Defra re coast protection	(181)
(577)	Other grants	(320)
(50,486)	**Total to general government grants**	**(49,105)**

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.

20 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.

2013/14	Fees payable for External Audit	2014/15
£'000		£'000
64	External audit services carried out by the appointed auditor	72
0	Rebate from Audit Commission	(7)
0	Statutory Inspection	0
27	Certification of grant claims and returns	20
91	**Total**	**85**

21 Members' Allowances

The total of members' allowances paid in the year was £386,029 (2013/14 - £377,921).

Details can be found on our website using the following link
https://www.canterbury.gov.uk/media/1012981/PNMembers-expenses-2015.pdf

22 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 1 member of staff now included in the £50,000 to £54,999 as a result of the 1% pay award for 2014/15 and three staff receiving redundancy payments that when added to their salary payment was in excess of £50,000.

Number of employees 2013/14	Remuneration band	Number of employees 2014/15
10	£50,000 - £54,999	8
1	£55,000 - £59,999	4
4	£60,000 - £64,999	6
4	£65,000 - £69,999	4
1	£70,000 - £74,999	1
1	£75,000 - £79,999	1
3	£80,000 - £84,999	0
0	£85,000 - £89,999	2
2	£90,000 - £94,999	1
0	£95,000 - £99,999	3
1	£100,000 - £104,999	0
1	£105,000 - £109,999	1
0	£110,000 - £114,999	1
0	£150,000 - £154,999	0
28	**Total**	**32**

22.1 Senior Officers' Emoluments

This note reports the details of officers with statutory responsibilities and those reporting direct to the Chief Executive or part of Senior Management Team. The lowest full-time pay rate on the Council's salary scale is £14.7k, therefore the test of the most senior salary not exceeding 20 times this rate is comfortably met.

2013/14 (restated)				**2014/15**		
Salaries fees & allowances £'000	**Pension Contribution £'000**	**Total**		**Salaries fees & allowances £'000**	**Pension Contribution £'000**	**Total**
110	16	126	Head of paid service - Chief Executive	110	16	126
95	13	108	Chief Financial Officer - Director of Resources	95	13	108
82	11	93	Head of Legal and Democratic Services	67	9	76
			Non Statutory Directors			
105	14	119	Deputy Chief Executive	105	14	119
78	10	88	Assistant Director - Direct Services	99	13	112
85	11	96	Assistant Director - Commissioned Services	85	11	96
85	11	96	Assistant Director - Planning & Regeneration	85	11	96
71	10	81	Assistant Director - Strategy & Democracy	75	10	85
70	9	79	Assistant Director - Finance & Procurement	74	10	84
781	**105**	**886**	**Total**	**795**	**107**	**902**

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. The 2013/14 figures have been restated to provide comparable data.

23 Exit Packages and Termination Benefits

The Council terminated the contracts of a number of employees in 2014/15, incurring liabilities of £391,000 (£315,000 in 2013/14). The total in 2014/15 is payable in respect of 15 officers from various divisions within the Council who were made redundant as part of the Council's ongoing rationalisation of services. Payments include all payments for redundancy, compromise agreements, pension costs incurred and pay-in-lieu of notice. The totals for financial year 2013/14 have been restated to include pension costs incurred. The total cost of these exit packages is analysed in bands of £20,000 below:

2013/14 restated				2014/15		
Number of Packages	Type of exit package	Total cost £'000	Band	Number of Packages	Type of exit package	Total cost £'000
13	Compulsory Redundancy	79	£0 -	8	Compulsory Redundancy	63
2	Other	6	£20,000	0	Other	0
3	Compulsory Redundancy	88	£20,001 -	4	Compulsory Redundancy	122
0	Other	0	£40,000	0	Other	0
3	Compulsory Redundancy	142	£40,001 -	1	Compulsory Redundancy	42
0	Other	0	£60,000	0	Other	0
0	Compulsory Redundancy	0	over	2	Compulsory Redundancy	164
0	Other	0	£60,001	0	Other	0
21		315		15		391

24 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 19 (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 21. 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 £2,925,000 was made in 2014/15 to East Kent Housing in respect of management fees and the council received £48,000 from East Kent Housing in respect of services supplied to it and paid £48,000 to East Kent Housing in respect of services received from it. Balances due to/from East Kent Housing at 31 March 2015 are £26,000 and £262,000 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 £'000	Payments CTax £'000	Payments NNDR £'000
Kent County Council - Precept	(129)	50,061	4,590
Kent and Medway Fire Authority Precept	(14)	3,246	510
Police & Crime Commissioner for Kent - Precept	(15)	6,759	0
		Other Payments	
Kent County Council Pension Fund		3,579	

25 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.

26 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 8 to the financial statements. Impairment losses on financial assets are shown in the financing and investment section of the Comprehensive Income and Expenditure Statement.

27 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.

27.1 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:

2013/14 £'000	Transactions in the Comprehensive Income and Expenditure Statement	2014/15 £'000
	Cost of Services	
2,608	Current Service cost	2,690
0	Past Service costs	175
26	Settlements and Curtailments	127
	(the above two are shown as 'non distributed costs')	
77	Administrative expense	71
	Financing and Investment income and expenditure	
2,412	Net interest expense	2,970
5,123	**Total retirement benefit charged to the Surplus or Deficit on the provision of services**	**6,033**
	Other retirement benefit charged to the Comprehensive Income and Expenditure statement	
	Remeasurement of the net defined benefit liability comprising:	
3,597	Return on plan assets (exc net interest expense amount)	6,306
(5,186)	Actuarial changes in demographic assumptions	0
610	Actuarial changes in financial assumptions	(23,077)
(3,481)	Other actuarial gains/losses on assets	0
(4,184)	Experience gain/loss on defined benefit obligation	118
(3,521)	**Total charged to the Comprehensive Income and Expenditure Statement**	**(10,620)**
	Movements in Reserves Statement	
(5,123)	Reversal of net charges for retirement benefits in accordance with the code to the Surplus or Deficit for the provision of services	(6,033)
	Actual amount charged against the General Fund Balance for pensions in the year	
3,427	Employer contributions payable to the scheme	3,579
340	Unfunded benefits paid	334

27.2 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:

2014 £'000	Net Pension Liability as at 31 March in Balance Sheet	2015 £'000
159,393	Present value of the defined benefit obligation	186,151
94,281	Less fair value of plan assets	102,465
65,112	Sub-total	83,686
4,165	Other movements in the liability	4,364
69,277	**Net liability arising from the defined benefit obligation**	**88,050**

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

2013/14 £'000	Movement in Fair Value of scheme assets	2014/15 £'000
92,241	**Opening fair value of scheme assets at 1 April**	**94,281**
3,836	Interest income	4,102
	Remeasurement gain/(loss):	
3,597	Return on plan assets (exc amount in net interest expense)	6,306
(3,481)	Other actuarial gains/losses	0
(77)	Administrative expenses	(71)
3,767	Employer Contribution	3,913
687	Employee Contribution	766
(6,289)	Estimated Benefits paid	(6,832)
94,281	**Closing fair value of scheme assets at 31 March**	**102,465**

27.4 Reconciliation of Present Value of the Scheme Liabilities

2013/14 £'000	Movement in Defined Benefit Obligation ('Scheme Liabilities')	2014/15 £'000
(151,518)	**Opening balance at 1 April**	**(163,558)**
(2,608)	Current service cost	(2,690)
(6,248)	Interest cost of pension scheme liabilities	(7,072)
(687)	Employee Contributions	(766)
	Remeasurement gains and losses:	
(5,186)	Actuarial gains/losses from demographic assumption changes	0
610	Actuarial gains/losses from financial assumption changes	(23,077)
(4,184)	Experience loss on defined benefit obligation	118
(26)	Past service cost including curtailments	(302)
340	Unfunded pension payments	334
5,949	Estimated benefits paid	6,498
(163,558)	**Closing balance at 31 March**	**(190,515)**

27.5 Local Government Pension Scheme Assets Comprised:

2013/14 £'000	Pension Scheme Assets	2014/15 £'000
2,828	**Cash** *(no quoted market price in an active market)*	2,802
66,940	**Equity instruments**	70,023
	Bonds	
943	- Gilts *(no quoted market price in an active market)*	1,072
10,371	- Other	11,397
9,428	**Property** *(no quoted market price in an active market)*	12,728
3,771	**Target Return Portfolio**	4,443
94,281	**Total Assets**	**102,465**

27.6 Local Government Pension Scheme Assets Breakdown

The following information represents the percentages of the total Fund held in each asset class (split by those that have a quoted market price in an active market, and those that do not).

	2014/15	
	% Quoted	% Unquoted
Fixed Interest Government Securities		
UK	-	-
Overseas	1.0%	-
Index Linked Government Securities		
UK	-	-
Overseas	-	-
Corporate Bonds		
UK	5.9%	-
Overseas	5.3%	-
Equities		
UK	31.3%	-
Overseas	35.0%	-
Property		
All	-	12.5%
Others		
Absolute return portfolio	-	4.3%
Hedge fund	-	-
Private Equity	-	0.9%
Infrastructure	-	1.1%
Unit trust	-	-
Commodities	-	-
Derivatives	-	-
Cash/Temporary Investments	-	2.1%
Net Current Assets		
Debtors	-	1.0%
Creditors	-	(0.4%)
Total	**78.5%**	**21.5%**

27.7 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 of actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 1 April 2013.
The significant assumptions used by the actuary have been:

	2014/15 £'000	2013/14 £'000
Mortality assumptions:		
Longevity at 65 for current pensioners		
- Men	22.8	22.7
- Women	25.2	25.1
Longevity at 65 for future pensioners		
- Men	25.1	24.9
- Women	27.6	27.4
Rate of inflation (RPI)	3.1%	3.5%
Rate of inflation (CPI)	2.3%	2.7%
Rate of increased salaries	4.1%	4.5%
Rate of increase in pensions	2.3%	2.7%
Rate for discounting scheme liabilities	3.2%	4.4%

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	187,384	190,515	193,701
Projected Service Cost	3,270	3,345	3,422
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present Value Total Obligation	190,806	190,515	190,226
Projected Service Cost	3,347	3,345	3,343
Adjustment to pension increases & deferred revaluation	+0.1%	0.0%	-0.1%
Present Value Total Obligation	193,435	190,515	187,643
Projected Service Cost	3,421	3,345	3,271
Adjustment to mortality age rating assumption	+1 year	none	-1 year
Present Value Total Obligation	183,819	190,515	197,272
Projected Service Cost	3,231	3,345	3,460

27.8 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 2016.

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 £3,554,000 expected contributions to the scheme in 2015/16.

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.

28 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 2014/15, (£98,000 for 2013/14).

The future cash payments required under these leases are:

Details of period	As at 31 March 2015 £'000	2016/17 onwards £'000
Not later than one year	98	98
Later than one year and not later than five years	390	390
Later than five years	1,480	1,382
Total	**1,968**	**1,870**

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 in respect of this contract were £1,198K for 2014/15.

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 March 2014 £'000	Details of period	As at 31 March 2015 £'000
505	Not later than one year	274
58	Later than one year and not later than five years	84
3,245	Later than five years	2,175
3,808	**Total**	**2,533**

29 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 2015 has been included in the statements at a value of £3,518k 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 March 2015 £'000
Not later than one year	704
Later than one year and not later than five years	2,815
Later than five years	0
Total	**3,518**

30 Contingent Liability

At 31 March 2015, 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 their 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 £5.1 million to £8.2 million at 31 March 2015. 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.

Following the revaluation the agreed employer’s contribution rate for 2014/15 was 15.4% of pensionable earnings (a reduction from 15.6% in previous years).

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 for which provision has been made in previous financial years.

31 Interest in joint arrangements

The Council entered into an arrangement with Dover District Council and Thanet District Council for the provision of the ICT service, customer services and Revenue and Benefits service. The joint services are known as EK Services, and are hosted by Thanet District Council, with Dover and Canterbury councils paying a management fee for the services provided.

The 2014/15 financial statements contain a long term debtor of £400,372 which represents the Canterbury City Council element of the EK Services reserve.

32 Provisions

	NNDR Appeals £'000	Other Provisions £'000	Total £'000
Balance at 1 April 2014	(459)	(1,262)	(1,721)
Additional provisions made in 2014/15	(2,244)	(104)	(2,348)
Amounts used in 2014/15	404	146	550
Balance at 31 March 2015	**(2,300)**	**(1,219)**	**(3,519)**

NNDR Appeals
This provision is the Council's share of the provision for appeals against NNDR ratings. There has been a recent legal decision regarding the valuation of purpose built doctor's surgeries which has resulted in an increase in the appeals upheld for this property type hence the large increase in this provision.

Other Provisions
Other provisions cover the potential liabilities arising from the insurance claims with the former Municipal Mutual Insurance Company, a provision for early retirement/redundancy and a general provisions account. The other provisions are individually insignificant.

33 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.

The figures for 2013/14 have been restated to more accurately reflect the allocation of government grants.

33 Amounts reported for resource allocation decisions for the year ended 31 March 2015

	Chief Executive £'000	Deputy Chief Executive £'000	Resources £'000	Grant Funding £'000	Capital Financing £'000	General Fund £'000	HRA £'000	Net Cost of Services £'000
Fees, charges and other service income	(2,275)	(21,071)	(9,507)	(2,178)	(3,201)	(38,232)	(2,034)	(40,266)
Dwelling rents	0	0	0	0	0	0	(23,641)	(23,641)
Government grants	(836)	(2,474)	(47,969)	(9,424)	(630)	(61,333)	(341)	(61,674)
Total Income	**(3,111)**	**(23,545)**	**(57,476)**	**(11,602)**	**(3,831)**	**(99,565)**	**(26,016)**	**(125,581)**
Employee expenses	4,840	8,930	2,846	0	2,146	18,762	464	19,226
Premises, transport and service expenses	3,460	25,916	6,402	120	3,550	39,446	21,755	61,201
Housing benefit payments	0	178	46,424	0	0	46,602	0	46,602
Interest and principal payments and RCCO	0	0	0	0	3,152	3,152	0	3,152
Total operating expenses	8,300	35,024	55,672	120	8,848	107,962	22,219	130,181
Net cost of services	**5,189**	**11,479**	**(1,805)**	**(11,482)**	**5,017**	**8,397**	**(3,797)**	**4,600**

Reconciliation to net cost of services in Comprehensive Income and Expenditure Statement

Cost of Services in Service Analysis	4,600
Add amounts not reported in service management accounts	(5,150)
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	16,391
Net cost of Services in Comprehensive Income and Expenditure Statement	**15,841**

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	(41,004)	(231)	11,517	(29,718)	(7,487)	(37,205)
Dwelling rents	(23,641)	0	0	(23,641)	0	(23,641)
Recharges	780	0	(313)	467	313	780
Interest and investment income	(44)	0	44	0	(45)	(45)
Income from council tax	0	0	0	0	(9,207)	(9,207)
Government grants and contributions	(61,673)	(1,333)	9,464	(53,542)	(12,602)	(66,144)
Total Income	**(125,582)**	**(1,564)**	**20,712**	**(106,434)**	**(29,028)**	**(135,462)**
Employee expenses	19,226	(838)	(43)	18,345	3,031	21,376
Other service expenses	53,987	(8,611)	(984)	44,392	4,549	48,941
Housing benefit payments	46,601	0	0	46,601	0	46,601
Depreciation, amortisation and Impairment	7,096	5,863	(21)	12,938	(4,003)	8,935
Interest and principal payments and RCCO	3,152	0	(3,152)	(0)	1,542	1,542
Precepts and Levies	119	0	(119)	0	677	677
Payments to Housing Capital Receipts Pool	0	0	0	0	480	480
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	(1,537)	(1,537)
Total operating expenses	**130,182**	**(3,586)**	**(4,321)**	**122,275**	**4,740**	**127,015**
Surplus or deficit on the provision of services	**4,600**	**(5,150)**	**16,391**	**15,841**	**(24,288)**	**(8,447)**

33 Amounts reported for resource allocation decisions for the year ended 31 March 2014 (restated)	Chief Executive £'000	Deputy Chief Executive £'000	Resources £'000	Grant Funding £'000	Capital Financing £'000	General Fund £'000	HRA £'000	Net Cost of Services £'000
Fees, charges and other service income	(1,751)	(19,043)	(8,762)	(4,149)	(2,644)	(36,349)	(1,827)	(38,176)
Dwelling rents	0	0	0	0	0	0	(23,099)	(23,099)
Government grants	(198)	(2,369)	(48,206)	(7,947)	(668)	(59,388)	(64)	(59,452)
Total Income	**(1,949)**	**(21,412)**	**(56,968)**	**(12,096)**	**(3,312)**	**(95,737)**	**(24,990)**	**(120,727)**
Employee expenses	4,265	8,510	2,694	0	2,255	17,725	632	18,357
Premises, transport and service expenses	3,166	25,100	5,610	110	2,695	36,681	20,775	57,457
Housing benefit payments	0	163	46,682	0	0	46,845	0	46,845
Interest and principal payments and RCCO	0	0	0	0	2,642	2,642	0	2,642
Total operating expenses	7,431	33,774	54,986	110	7,592	103,893	21,407	125,301
Net cost of services	**5,482**	**12,362**	**(1,982)**	**(11,986)**	**4,280**	**8,156**	**(3,583)**	**4,574**

Reconciliation to net cost of services in Comprehensive Income and Expenditure Statement

Cost of Services in Service Analysis	4,574
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	**13,655**

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	(40,248)	80	13,474	(26,694)	(10,600)	(37,294)
Dwelling rents	(23,099)	0	0	(23,099)	0	(23,099)
Recharges	663	0	(295)	368	295	663
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 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)**	**116,703**	**5,460**	**122,162**
Surplus or deficit on the provision of services	**4,573**	**(7,824)**	**16,905**	**13,655**	**(22,059)**	**(8,405)**

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.

2013/14 £'000	Income	2014/15 £'000
(23,099)	Dwelling rents (gross) note 8	(23,641)
(523)	Non-dwelling rents (gross)	(525)
(161)	Leaseholders charges for service and facilities	(170)
(1,388)	Other charges for services and facilites	(1,372)
(25,171)	**Total Income**	**(25,708)**
	Expenditure	
5,503	Repairs and Maintenance	5,540
	Supervision and management	
3,718	General Management	3,610
1,825	Special Services	2,002
231	Rents, rates, council tax and insurance	297
3,063	Depreciation charges note 6	3,297
3,670	Impairment of non-current assets note 7	4,395
34	Debt management costs	34
62	Increase/(decrease) in provision for bad debts	39
18,106	**Total Expenditure**	**19,214**
(7,065)	Net cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	(6,494)
121	HRA services share of Corporate and Democratic Core	121
(6,944)	**Net cost of HRA Services**	**(6,373)**
	HRA share of the operating income and expenditure included in the comprehensive income and expenditure statement	
(951)	Gain on sale of HRA fixed assets	(1,034)
2,630	Interest payable	2,533
	Interest and investment income	
(1)	Mortgages	0
(9)	Notional cash balances	(30)
184	Pensions interest cost and expected return on pension assets Note 10	176
(6)	Capital grants and contributions receivable	0
239	Change in fair value of HRA investment properties	0
(4,858)	**(Surplus)/Deficit for the year on HRA services**	**(4,727)**

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 £4,395,000 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.

2013/14 Net expenditure £'000		2014/15 Net expenditure £'000
(4,858)	Surplus (-)/Deficit for the year on the HRA Income and Expenditure Statement	(4,727)
2,070	Adjustments between accounting basis and funding basis by statute	2,376
(2,788)	Net increase (-)/decrease before transfers to or from reserves	(2,351)
938	Transfers to/from(-) reserves (see table below)	29
(1,850)	**Increase (-)/Decrease in HRA Balance for the year**	**(2,321)**
(2,421)	**Housing Revenue Account balance b/f at 1 April**	**(4,273)**
(4,273)	**Housing Revenue Account balance c/f at 31 March**	**(6,594)**

Movement on HRA Balance

2013/14 Net Expenditure £'000	Items included in the HRA Income and Expenditure Account, but excluded from the movement on the HRA Balance for the year	2014/15 Net Expenditure £'000
(3,670)	Reversal of impairment losses - Note 7	(4,395)
4,208	Reversal: HRA loan repayment	4,260
6	Capital grants and contributions applied	0
(239)	Change in fair value of HRA investment properties	0
951	Net gain on sale of HRA fixed assets	1,034
41	Difference between amounts charged to income and expenditure for premiums and discounts and the charge for the year determined by statute	(7)
0	Accrual for annual leave	(1)
(306)	Net charges made for retirement benefits in accordance with IAS 19 - Note 10	(265)
991		**626**
	Items not included in the HRA Income and Expenditure Account, but included in the movement on the HRA Balance for the year	
810	Transfers to/(from) major repairs reserve - Note 3	1,484
270	Employer's contributions payable to Kent Pension Fund and retirement benefits payable direct to pensioners	266
0	Capital expenditure funded by the HRA - Note 4	0
1,079		**1,750**
2,070	**Net adjustments between accounting basis and funding basis under statute**	**2,376**
	Transfers to/from reserves	
938	Contribution to/(from) HRA subsidence and other reserves	29
938	**Transfers to/from reserves**	**29**

Notes to the Housing Revenue Account

1 Housing Stock

At 31 March 2015, the council was responsible for managing 5,182 units of accommodation:

	One	Two	Three	Four	
Flats - low rise	1,088	318	5	0	**1,411**
Flats - medium rise	319	351	65	3	**738**
Flats - high rise	63	68	0	0	**131**
Houses and bungalows	361	947	1,463	93	**2,864**
Hostel places	36	2	0	0	**38**
Totals	1,867	1,686	1,533	96	**5,182**

Plus 8 basic homes (shared ownership dwellings)

The movement in housing stock can be summarised as follows:

Stock movements

	Stock at 1 April 2014	Right to buy sales	Sale to RSL	Additions	Redns	Stock at 31 March 2015
Flats	2,285	(6)	0	1	0	**2,280**
Houses and bungalows	2,890	(27)	0	1	0	**2,864**
Hostels	38	0	0	0	0	**38**
Totals	**5,213**	**(33)**	**0**	**2**	**0**	**5,182**

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

2014 £'000	Gross Balance Sheet value	2015 £'000
	Operational assets	
235,082	Dwellings	252,509
2,242	Garages	2,337
572	Community centre	572
	Investment Property	
387	Land	387
1,265	Shops	1,265
239,548	**Total**	**257,070**

2 Vacant possession value

The vacant possession value of dwellings within the HRA as at 1 April was £733,016,969. For the balance sheet, the figure has been reduced to 32% i.e. £234,565,430 (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.

2013/14 £'000	Major Repairs Reserve	2014/15 £'000
0	Balance at 1 April	0
(3,063)	Transfer from capital adjustment account (HRA depreciation)	(3,297)
	Transfer to (-)/from HRA	
(810)	Voluntary transfer to MRR	(1,484)
3,872	Less: expenditure on dwellings financed from this reserve	4,781
0	**Balance at 31 March**	**0**

4 Summary of Capital Financing

Capital expenditure of £4,781,000 was spent on housing assets within the HRA during the year. This was financed as follows:

2013/14 £'000	Capital financing of HRA expenditure	2014/15 £'000
3,872	Major repairs reserve	4,781
6	Capital grant & contributions	0
3,878	**Total**	**4,781**

5 Summary of Capital Receipts

Housing capital receipts during 2014/15 were as follows:

2013/14 £'000	Housing capital receipts	2014/15 £'000
(2,003)	Dwelling sales (net of administration deduction)	(2,675)
0	Other sales	0
(7)	Mortgage repayments and discounts repaid	(5)
(2,010)	**Total**	**(2,680)**

6 Depreciation of non-current assets

Depreciation of £3,297,000 was charged to the HRA. This comprises £3,249k for dwellings and £48k 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 £4,395k being the difference between £4,781k housing capital expenditure and the assessed increase in effective value of only £386k (after applying the 32% factor as in note 2 above).

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 £91.24 per week in 2014/15 (£87.36 in 2013/14). Rents were increased on 1 April 2014 by an average of £3.88 per week.

9 Rent Arrears

The rent arrears figures are as follows:

2013/14 £'000		2014/15 £'000
678	Gross rent arrears at 31 March	723
(209)	Repayments of rent	(178)
469	Net rent arrears at 31 March	545
469	Provision for bad debts at 31 March	485
%		%
2.9	Gross rent arrears as a proportion of gross dwelling rent income	3.1

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 27 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:

2013/14 £'000		2014/15 £'000
78	HRA share of current service cost less employer contributions	67
(226)	HRA share of past service cost less employer contributions	(244)
(148)	Adjustment to 'General Management' line of HRA statement	(177)
184	HRA share of pensions interest cost and expected return on	176
36	Pensions assets	(1)
(306)	Net charges made for retirement benefits in accordance with IAS 19	(265)
270	Employer's contributions payable to the Kent Pension Fund and retirement benefits payable direct to pensioners	266
(36)	HRA share of contributions to/from Pensions Reserve	1
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 2014/15 and the council's share are as follows:

2013/14 East Kent Housing Ltd £'000	2013/14 CCC Share (25%) £'000		2014/15 East Kent Housing Ltd £'000	2014/15 CCC Share (25%) £'000
8,158	2,040	Turnover	8,374	2,094
(8,465)	(2,116)	Expenses	(8,789)	(2,197)
(307)	(77)	Operational Profit	(415)	(104)
(490)	(123)	Profit/(loss) after taxation	(625)	(156)
(170)	(43)	Other comprehensive income and (expenditure)	(2,471)	(618)
(660)	(165)	Total comprehensive income and (expenditure)	(3,096)	(774)
54	14	Non-current assets	58	15
972	243	Current assets	1,934	484
(463)	(116)	Current liaibilities	(1,149)	(287)
(5,053)	(1,263)	Non-current liabilities	(8,429)	(2,107)
(563)	(141)	Profit and loss reserve	(620)	(155)
5,053	1,263	Pensions reserve	8,206	2,052

The council's investment in the company is nominal.

Note 24 Related Party Transactions sets out the transactions that took place between the council and East Kent Housing Ltd over 2014/15. Note 30 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 £2,925,000 is 35% of East Kent Housing Ltd.'s turnover of £8,374,000, which broadly equates to the council's pro-rata share of the total council housing stock managed by the company.

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

2013/14 £'000's CTAX	2013/14 £'000's NNDR	Income & Expenditure Account	Note	2014/15 £'000's CTAX	2014/15 £'000's NNDR
		Income			
(68,515)	0	Tax Levied		(70,613)	0
9,538	0	Discounts		9,321	0
(58,976)	0	Tax (net of discounts & transitional relief)		(61,291)	0
		Transfers from General Fund			
(9,538)	0	Council Tax benefits		(9,321)	0
0	(51,604)	Income from business ratepayers		0	(51,431)
(68,515)	**(51,604)**	**Total Income**		**(70,613)**	**(51,431)**
		Expenditure			
		Precepts and demands and discounts			
9,538	0	Council Tax discounts		9,321	0
0	40,912	DCLG		0	40,945
48,087	4,511	Kent County Council		50,061	4,461
6,493	0	Police & Crime Commissioner for Kent		6,744	0
3,118	501	Kent & Medway Fire & Rescue Authority		3,246	496
8,942	4,193	Canterbury City Council (incl. Parishes)		9,229	4,149
76,178	**50,117**	**Total Expenditure**		**78,602**	**50,051**
		Business rate			
0	230	Costs of collection		0	230
0	218	Transitional protection payment due from authority		0	105
0	(114)	Payment on account		0	(57)
0	104	Due from authority		0	48
		Bad and doubtful debts			
(121)	(293)	Write offs		(231)	(314)
430	513	Provisions		132	649
		Losses on appeal			
0	464	Changes in provision for appeals		0	4,601
0	685	Changes in provision for backdated appeal costs		0	0
66,948	**51,821**	**Total Expenditure**		**69,182**	**55,264**
(1,566)	217	Net (surplus)/deficit for 2014/15	3	(1,431)	3,833
570	0	Collection Fund balance at 1 April		(996)	217
(996)	217	Collection fund balance at 31 March		(2,427)	4,050

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 2013/14 NNDR deficit of £217,000 and the 2013/14 Council Tax surplus of £1,566,000 surplus will be recovered and distributed from preceptors in 2015/16

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 £946,000 which was notified in January 2015 pro-rata to the 2014/15 precepts, and the actual surplus balance of £1,431,000 pro-rata to the 2014/15 precepts. The equivalent figures last year were 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.

NNDR

2014/15 is the second 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%

2013/14 C Tax £'000	2013/14 NNDR £'000	Major Preceptors	2014/15 C Tax £'000	2014/15 NNDR £'000
(1,132)	20	Kent County Council	(1,001)	321
(152)	0	Kent Police and Crime Commissioner	(150)	0
(73)	2	Kent Fire and Rescue Authority	(65)	36
0	108	DCLG	0	1,782
(1,357)	130	Total share by Major Preceptors	(1,216)	2,139
(209)	87	Canterbury City Council (the council's own share is shown in the balance sheet under the heading Collection Fund Adjustment Account)	(215)	1,911
(1,566)	**217**	Balance at 31 March	**(1,431)**	**4,050**

The main reason for the surplus on the council tax collection fund at 31 March 2015 are the higher than estimated number of properties brought back into chargeable use.

The £1,675,000 deficit on the Income and Expenditure Account relates to Canterbury's share of the Council Tax surplus balance of £215,000; Canterbury's share of the NNDR deficit balance £1,911,000 and £22,000 relating to Canterbury's share of the 2013/14 Council Tax surplus. The NNDR deficit is to be funded from government grants that are received in the financial year prior to that which the deficit is incurred. The grants are allocated to an earmarked reserve.

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:

2013/14 Band D equivalent dwellings	**Band**	**Estimated Number of Taxable Properties after effect of discounts**	**Ratio (ninths)**	**2014/15 Band D equivalent dwellings**
1,986	A	3,230	6/9	2,154
6,231	B	8,350	7/9	6,495
12,799	C	14,859	8/9	13,208
10,111	D	10,430	9/9	10,430
7,275	E	6,040	11/9	7,382
4,991	F	3,512	13/9	5,072
3,165	G	1,931	15/9	3,219
140	H	70	18/9	139
46,697		48,422		48,098
		Multiplied by		
98.9%		Collection Rate		98.9%
46,183		Council Tax Base		47,564

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.

2013/14 £'000		**2014/15 £'000**
138,656	Non domestic rateable value	138,964
0.462	small business non domestic rating multiplier	0.471
64,059	NNDR levied	65,452
(12,685)	Less: allowances and other adjustments	(14,251)
51,374	Net contribution due to pool	51,201
230	Cost of collection	230
51,604	Income from business ratepayers	51,431

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 2015.

Signed

P. Marshall

Patricia Marshall
Date 25 September 2015
Director of Resources (Chief Financial Officer)

Cllr Robert Thomas
25 September 2015
Chair Audit & Governance Committee