STATEMENT OF ACCOUNTS

2013/2014

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CONTENTS

EXPLANATORY FOREWORD

Introduction

The objective of this financial report is to provide electors, local residents, Council Members, partners and other stakeholders, transparent information about the Councils finances and to give confidence that public money has been properly accounted for, and that the financial standing of the council is secure.

This explanatory foreword is structured as follows:

- Corporate vision for Sevenoaks
- Summary of 2013/14 Budget and Outturn
- Explanation of the Financial Statements
- Statement of Responsibilities for the Financial Statements
- Core Financial Statements

Corporate Vision for Sevenoaks

Our vision for the District is 'to sustain and develop a fair, safe and thriving local economy'.

To achieve this vision, we have made five promises to the District. These are:

- To provide value for money
- To work in partnership to keep the District of Sevenoaks safe
- To collect rubbish efficiently and effectively
- To protect the Green Belt
- To support and develop the local economy.

High quality and innovative financial management is a priority for the Council and our Vision and Promises. We were amongst the first in local government to introduce a ten year budget framework, a tool that allows us to plan our finances over the long term and remove the need for knee-jerk decisions in the face of continued decline in financial support from government.

As local government continues to operate in an increasingly tight financial climate, our budget has reduced year on year. Financial savings have had to be made and between 2011 and 2014, we have saved £4.3 million, with £486,000 of savings during 2013/14.

Whilst working extensively to deliver savings we have at the same time been investing and protecting our most valued services, as well as looking at new ways to improve our customer experience.

Our investment strategy is committed to:

- Improving efficiency and cost effectiveness of the services we provide. This will be achieved by working in partnership with others, increasing income and reducing running costs.

- Consider buying and building new assets that either help improve the way we provide services or generate a financial return.

- Generate returns on investments, by making use of available reserves and taking advantage of low interest rates on long-term borrowing.

- Invest in methods to attract, support and generate business within the District.

Managing our business and resources

We set the highest possible standards for the management of our business and resources across the Council. This is managed by:

- Streamlining Council services and financial planning processes: the revised process is less bureaucratic which frees up Member and officer time.

- Setting a balanced 10 year budget: enables the Council to manage peaks and troughs more effectively and also highlights longer term pressures

- Making flexible use of the Budget Stabilisation Fund: The ability to use underspends to absorb overspends in later year's increases resilience at times of increased uncertainty.

- Making effective use of earmarked reserves: Use of reserves smoothed over our 10 year budget, allowing for more time to find sustainable solutions to financial pressures.

- Reviewing and more tightly managing inflationary pressures: The use of the 10-year budget highlights and supports us to address the Council's structural inflationary gap and the pressure this places on its budget.

Comparison of Outturn to Budget

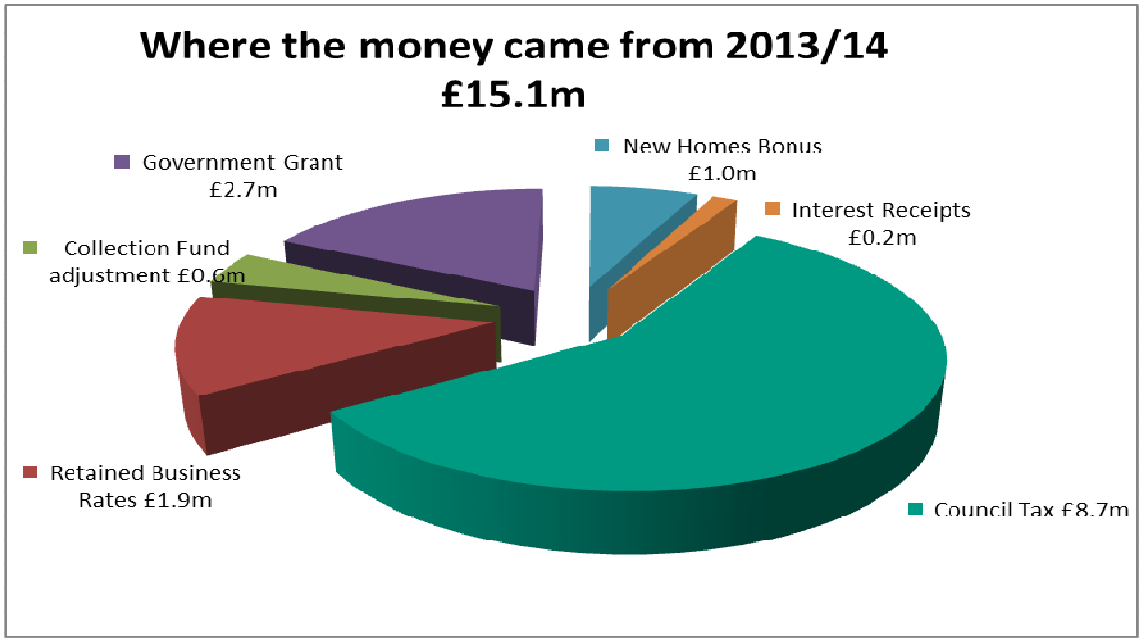
The original budget approved by Council on 19 February 2013 was a balanced budget with no planned contribution to or from the General Fund Reserve. During 2013/14 a supplementary estimate of £16,000 was approved for Christmas car parking.

The final outturn position is a surplus of £244,113. As approved by Cabinet, this balance was transferred to the Budget Stabilisation Reserve to support future budgets, leaving a nil movement on the General Fund.

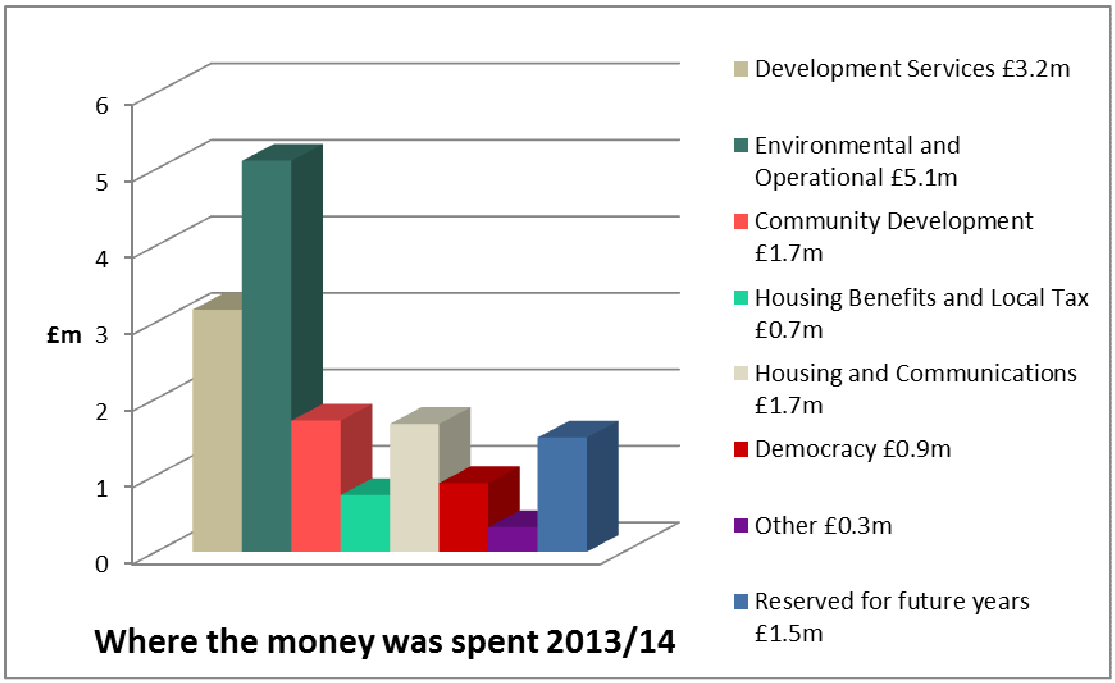
The table below shows a comparison of outturn figures in 2012/13 and 2013/14

	Final Outturn 2012/13 £000	Final Outturn 2013/14 £000
Council Tax	(9,207)	(8,728)
Government Support (Inc Council Tax Support Grant) & Retained Business Rates and New Homes Bonus	(5,240)	(6,155)
Interest Receipts	(358)	(237)
Total Income	(14,805)	(15,120)
Planned Contributions to Reserves	612	655
Contribution to Reserves - New Homes Bonus	594	-
Contribution to Reserves for future NDR arrears	-	595
Contribution to carry forward reserve	35	129
Total Expenditure on services	13,308	13,497
Excess of Income over Expenditure	(256)	(244)
Contribution to Budget Stabilisation Reserve	256	244
(Fav)/Adv variance	-	-

The total income for 2013/14 came from the following sources:



Our net income of £15.120m was spent on the following services:



Explanation of the Financial Statements.

The Statement of Accounts consists of the following:

- **The Statement of Responsibilities**, setting out the general responsibilities of both the District Council, and of the Chief Executive , in making proper financial arrangements and in maintaining financial records.

- **The 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

  - The core financial statements:

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

Fund Balance for tax setting purposes. The line entitled 'Net Increase / Decrease before Transfers to Earmarked Reserves' shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the authority.

ii. **The Comprehensive Income and Expenditure 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, and this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

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

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

v. **Notes to the core financial statements** provide further detailed information.

vi. **The Collection Fund Statement,** together with notes to this account.

Accounting Practice

The authority has always adopted best practice in the presentation of its accounts as recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA).

These accounts also reflect the CIPFA Service Reporting Code of Practice and, in particular, the service spend analysis shown within the Comprehensive Income and Expenditure Statement is based on this code.

Assets

Expenditure on non current assets during the year centred on commercial vehicle replacements .

Fixed assets owned by the Council include the following:

Operational Land & Buildings

Central Offices Argyle Road
Swimming Pool/Leisure Centres
- Sevenoaks
- White Oak, Swanley
- Edenbridge

Lullingstone Clubhouse and Pro shop
Dunbrik Depot
Pavilion/Toilets Holly Bush Rec
Indoor Bowls Centres
- Sevenoaks
- Swanley

Public Conveniences* – 5
Bus Facility, Sevenoaks
Surface Car Parks – 16
Stangrove Park Edenbridge
Oxenhill Meadow, Otford

Non-Operational Assets

The Red Deer, Lullingstone Park
Land, Inglewood, Sevenoaks
Shoreham Woods/Timberden Farm
Glen Dunlop House, Sevenoaks
Stag Theatre, Sevenoaks
27-37 High Street, Swanley
Black Boy Public House, Sevenoaks
Bus Station Café, Sevenoaks

Community Assets

Bishops Palace, Otford
Bradbourne Lakes, Sevenoaks
The Shambles, High St, Sevenoaks
Bartholemew Way Town Park

* Includes those leased to Parish Councils

During the year the following properties were sold and the sale proceeds taken to the Capital Receipts Reserve:

- 66 London Road
- 27 Pembroke Road
- 12 Knole Way

Pension Fund

The accounts fully comply with IAS 19 (formerly FRS 17) including appropriate adjustments to the Comprehensive Income and Expenditure Statement and Balance Sheet. The pension Defined Benefit Obligation (liability) based on IAS 19 is estimated at £54.8m at 31 March 2014, compared to £52.5m at 31 March 2013.

IAS 19 does not have any impact on the actual level of employer contributions paid to the Kent County Council Fund. Employers' levels of contribution are determined by triennial actuarial valuations which are based on the Fund's actual investment strategy, (rather than being based on corporate bond yields).

The last actuarial valuation of the pension fund was at March 2013. At thattime the District Council's share of the overall deficit was £25m.

The inclusion of the pension liability in the Balance Sheet gives rise to a net asset of £1.692m; if the Pensions Liability were excluded, the total Net Assets would be £56.559M.

Balance Sheet

Here is a summarised balance sheet showing the net asset position of the Council at the end of March 2014

31 March 2013 £m		31 March 2014 £m
	Assets	
21,090	Long Term assets	29,882
30,295	Current Assets	34,409
51,385	**Total Assets**	**64,292**
(6,322)	Current Liabilities	(7,103)
(53,247)	Long Term Liabilities	(55,497)
(8,184)	**Total Net Assets /(Liabilities)**	**1,692**
	Reserves	
23,037	Usable Reserves	27,918
(31,221)	Unusable Reserves	(26,226)
(8,184)	**Total Reserves**	**1,692**

The balance sheet position has changed from a net liability of £8.184m at the end of March 2013 to a net asset of £1,692m at the end of March 2014; the main reason for this change arose because of significant upward valuations in the councils Property,

Internal and External Sources of Finance Available / Borrowing Requirements

At the end of the year, the Council held some £4.5m of capital receipts which could be used to finance future capital spending. The Council is debt-free.

During the year there were net transfers of £2.0m in to the Earmarked reserves. At the end of the year the total of earmarked reserves was £19.6m. of which £5.3m was in the Budget Stabilisation Reserve.

Other Significant Items

In October 2008 a number of Icelandic banks went into administration. At that time, Sevenoaks District Council had £1m invested with Landsbanki Islands hf. Following the successful outcome of legal test cases in the Icelandic Supreme Court in late 2011, the deposits made by local authorities will rank as priority claims. The administrators have now commenced the process of dividend payments and four such payments have been received amounting to approximately 54% of our claim. The latest assumption is that 100% of the Council's investment (and interest up to 22 April 2009) will be recovered.

Impact of Current Economic Climate

Economic downturn has had a major impact on financial performance and financial planning. Several income streams have experienced reduced returns, such as from Car parks and Interest from Investments, whilst there is higher demand for housing benefits for example.

Future spending plans have taken into account the likely impact of a continued period of low economic growth, combined with the anticipated scale of grant reduction for local authorities. Large scale budgetary savings are essential in these circumstances and Sevenoaks District Council planned to make £4million of savings over four years starting in 2011/12. Operational efficiency and joint working are a major part of this financial strategy, which aims to ensure that the council can maintain services in the face of cuts and set sustainable budgets in future years.

In trying to ensure the Council has adequate reserves to withstand future financial pressures in the shorter term, a budget stabilisation reserve was created with surplus funds in 2009/10. This is required to manage the impact of significant reductions in grant support in future years.

Material Events After the Reporting Date

No material events have taken place since the reporting date,

Business Rates Retention Scheme

Up to 31 March 2013 the Council collected non-domestic rates on an agency basis for central government and the total amount collected was redistributed to councils as part of overall grant funding arrangements.

From 2013/14, the local government finance regime was changed with the introduction of the retained business rates scheme. The main aim is to give councils a greater incentive to grow businesses in their areas by allowing them to retain a proportion of the total non-domestic rates received. The Sevenoaks share is 40%, with the remainder being paid to precepting authorities and central government. It does, however, also increase the financial risk due to non-collection and the volatility of the non-domestic rateable values. In addition, Councils are expected to finance successful appeals made by ratepayers against their rateable values. As such, Councils are required to make a provision for these amounts which are charged to the Collection Fund and relative shares taken into account by each of the precepting authorities and central government.

The provision for appeals charged to the Collection Fund in 2013/14 has been calculated as £2.267m and the District's share of this provision is £0.907m.

During 2013/14 an adjustment was made specifically for the Business Rate Collection Fund deficit. The deficit occurred as the amount of retained Business Rate income was lower than that previously estimated on 31st January 2013.

Under the current accounting regulations an adjustment is made to retained business rates for funding purposes, so that only the previously estimated levels affect the income of a council in a given year. This deficit or surplus is then distributed afterwards, impacting upon the funding position in future years.

However compensation for the deficit is also afforded by specific government grants which are also included in the accounts for funding purposes. This has the effect of increasing Usable Reserves "artificially" by £595,000 as, in effect, two adjustments for the lower than estimated income are made. This is a 'teething issue' of the new funding arrangements and will resolve in future years.

The additional income has been transferred into a specific reserve in order to recognise the anomaly.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required to:

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

The Chief Executive's Responsibilities

The Chief Executive is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Chief Executive has:

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

The Chief Executive has also:

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

Chief Executive's Certificate

I hereby certify that the Statement of Accounts for the year ended 31st March 2014 required by the Accounts and Audit (England) Regulations 2011 gives a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year.

DR PAV RAMEWAL
Chief Executive
30 June 2014

MOVEMENT IN RESERVES STATEMENT

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

Financial Year 2012/13 Notes	General Fund Balance	Earmarked Reserves Balance 9	Capital Grants Unapplied	Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves 20	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2012	3,713	16,097	-	708	**20,518**	(29,594)	**(9,076)**
Movement in reserves during 2012/13							
Surplus or (deficit) on the provision of services	852				852		852
Other Comprehensive Income and Expenditure				7	7	32	39
Total Comprehensive Income and Expenditure	**853**			**7**	**860**	**32**	**(892)**
Adjustments between accounting basis & funding basis under regulations (note 8)	680			978	**1,658**	(1,658)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**1,533**			**985**	**2,518**	**(1,626)**	**892**
Year end balance transferred (to)/ from Budget Stabilisation Reserve	(256)						
Other transfers to/from Earmarked Reserves	(1,277)						
Total transfers (to)/from Earmarked Reserves (note 9)	(1,533)	1,533			-		-
Increase/(Decrease) in 2012/13	-	**1,533**		**985**	**2,518**	**(1,626)**	**892**
Balance at 31 March 2013	**3,713**	**17,630**	-	**1,693**	**23,037**	**(31,220)**	**(8,184)**

Financial Year 2013/14 Notes	General Fund Balance	Earmarked Reserves Balance 9	Capital Grants Unapplied	Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves 20	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2013	3,713	17,630	-	1,693	23,037	(31,220)	**(8,184)**
Movement in reserves during 2013/14							
Surplus or (deficit) on the provision of services	1,816				1,816		1,816
Other Comprehensive Income and Expenditure				12	12	8,048	8,060
Total Comprehensive Income and Expenditure	**1,816**			**12**	**1,828**	**8,048**	**9,876**
Adjustments between accounting basis & funding basis under regulations (note 8)	190			2,863	**3,053**	(3,053)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**2,006**			**2,875**	**4,881**	**4,995**	**9,876**
Year end balance transferred (to)/ from Budget Stabilisation Reserve	(244)						
Other transfers to/from Earmarked Reserves	(1,762)						
Total transfers (to)/from Earmarked Reserves (note 9)	(2,006)	2,006			-		-
Increase/(Decrease) in 2013/14	-	**2,006**		**2,875**	**4,881**	**4,995**	**9,876**
Balance at 31 March 2014	**3,713**	**19,637**	-	**4,568**	**27,918**	**(26,226)**	**1,692**

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.

2012/13			Note		2013/14		
Gross Exp Restated	Gross Income Restated	Net Exp Restated			Gross Exp	Gross Income	Net Exp
£000	£000	£000			£000	£000	£000
9,390	(8,041)	1,349		Central services to the public	2,848	(1,471)	1,377
1,019	(57)	962		Cultural and related services	1,122	(38)	1,084
6,800	(1,371)	5,429		Environmental and regulatory services	6,698	(1,053)	5,645
3,681	(1,955)	1,726		Planning services	5,846	(2,224)	3,622
1,233	(2,690)	(1,457)		Highways and transport services	1,242	(2,832)	(1,590)
32,001	(29,155)	2,845		Housing services	31,492	(29,092)	2,400
2,494	(22)	2,472		Corporate and Democratic Core	2,339	(27)	2,312
-	-	-		Non Distributed Costs	-	-	-
56,618	(43,291)	13,326	24	**Net Cost of Services**	51,587	(36,737)	14,850
		(687)		Loss/(Gain) on Disposal of Fixed Assets			(2,192)
		(126)	25	Net (Surplus)/Deficit from Trading Operations			(303)
		3,402		Parish Council Precepts			3,322
		4		Contributions of housing capital receipts into Government Pool			7
		2,593		**Other Operating Expenditure**			834
		(22)	11	Movement in Fair Value of Investment Property			(874)
		10		Interest Payable and similar charges			26
		1,554	35	Pensions Interest Cost and expected return on pensions assets			2,203
		(435)		Interest and Investment Income			(392)
		1,107		**Financing and Investment Income and Expenditure**			963

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2012/13 Gross Exp Restated	2012/13 Gross Income Restated	2012/13 Net Exp Restated	Note		2013/14 Gross Exp	2013/14 Gross Income	2013/14 Net Exp
		(28)	29	Capital Grants and Contributions			(852)
		(12,609)		Council Tax			(11,804)
		(4,332)		National Non Domestic Rates Redistribution			(1,862)
		(909)	29	Non Service Related Government Grants			(3,945)
		(17,878)		**Taxation and Non Specific Grant Income**			(18,463)
		(853)		**(Surplus) or Deficit on the Provision of Services**			(1,816)
		(2,073)	10	(Surplus) or deficit on the revaluation of property, plant & equipment assets			(8,597)
		2,034	35	Actuarial (gains)/losses on pension assets/liabilities			537
		(892)		**Total Comprehensive Income and Expenditure**			(9,876)

BALANCE SHEET

31 March 2013 £000	Note		31 March 2014 £000
		Long Term Assets	
17,501	10 & 31	Property, Plant and Equipment	25,689
-	38	Heritage Assets	-
2,735	11	Investment Property	3,462
-		Intangible Assets	-
350	12	Long Term Investments	297
504	14	Long Term Debtors	434
21,090		**Total Long Term Assets**	29,882
		Current Assets	
17,203	12	Short Term Investments	16,127
995	16	Assets held for sale	-
9,982	15	Cash and Cash Equivalents	16,935
30	13	Inventories	54
1,957	14	Short Term Debtors	1,172
128		Payments in Advance	121
30,295		**Total Current Assets**	34,409
		Current Liabilities	
(2,459)	17	Receipts in Advance	(3,340)
(3,677)	17	Short Term Creditors	(2,670)
(187)	18	Short Term Provisions	(1,093)
(6,322)		**Total Current Liabilities**	(7,103)
23,973		**Net Current Assets**	27,307
		Long Term Liabilities	
(367)	17	Long Term Creditors	(365)
(305)	18	Long Term Provisions	(257)
(52,527)	35	Net Pensions Liability	(54,867)
(48)	29	Capital Grants Receipts in Advance	(8)
(53,247)		**Total Long Term Liabilities**	(55,497)
(8,184)		**Total Net Assets/(Liabilities)**	1,692

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31 March 2013 £000	Note	continued from previous page	31 March 2014 £000
	19	Usable Reserves	
1,693	MIRS	Usable Capital Receipts Reserve	4,568
17,631	9	Earmarked Reserves	19,637
3,713		General Fund	3,713
	20	Unusable Reserves	
14,991		Capital Adjustment Account	14,592
6,347		Revaluation Reserve	14,665
(152)		Accumulated Absences Account	(152)
(97)		Collection Fund	(664)
(52,527)	35	Pensions Reserve	(54,867)
217		Deferred Capital Receipts	200
(8,184)		**Total Reserves**	**1,692**

These financial statements replace the unaudited financial statements authorised at the meeting of the Audit Committee on 9 September 2014.

Dr Pav Ramewal
Chief Executive
09 September 2014

COUNCIL APPROVAL
The Audit Committee, at its meeting on 09 September 2014, approved the Statement of Accounts for year ended 31 March 2014 in accordance with the Accounts and Audit (England) Regulations 2011.

Councillor J Grint
Chairman of the Audit Committee
10 September 2013

THE CASH FLOW STATEMENT

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

2012/13 £000	Note		2013/14 £000
853		Net (surplus) or deficit on the provision of services	1,816
1,958	21	Adjustments to net surplus or deficit on the provision of services for non-cash movements	2,859
(772)	21	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(1,538)
2,039		Net Cash flows from Operating Activities	3,137
(834)	22	Investing Activities	3,812
5	23	Financing Activities	5
1,210		Net (increase) or decrease in cash and cash equivalents	6,953
8,772		Cash and Cash Equivalents at the beginning of the reporting period	9,982
9,982	15	Cash and Cash Equivalents at the end of the reporting period	16,935

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NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies

a. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2013/14 financial year and its position at the year end of 31 March 2014. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2012, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the Service Reporting Code of Practice 2013/14, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

b. Accruals of Income and Expenditure

The revenue accounts of the Council are maintained on an accruals basis in accordance with the Code of Practice. That is, sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year. Exceptions to this are payments of regular quarterly accounts (e.g., telephones, electricity) and Penalty Charge Notice income. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.

c. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are 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. The officer responsible for Treasury Management has categorised items on the balance sheet as cash equivalents on this basis.

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.

d. 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, i.e. 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.

e. Charges to Revenue for Non-Current Assets

Service revenue accounts, central support services and trading accounts are debited with the following amounts to record the real 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 they can be written off;
- amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise Council Tax to cover depreciation, revaluation and impairment losses or amortisation.

f. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits 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) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date and are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers.

When 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 amount payable but unpaid at the year-end.

Post-employment Benefits

International Accounting Standard 19 has been revised and the new standard will take effect from accounting period starting after 1 January 2013. This standard relates to Pensions and details of the impact of this are recorded in Note 35.

Employees of the Authority are members of the Local Government Pension Scheme, administered by Kent County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

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

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

- Liabilities are valued using a discount rate based on corporate bond yields. In previous years the Fund used an annualised yield on the iBoxx AA rating over 15 year corporate bond index. At 31 March the Fund will use the Merrill Lynch AA rate corporate bond curve with consideration of the employer's liabilities.

- The assets of the Kent County Council 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.

A revised IAS19 statement applies for company accounting periods beginning on or after 1 January 2013 and the main changes are:

Removal of the expected return on assets, to be replaced by a net interest cost comprising interest income on the assets and interest expense on the liabilities, which are both calculated with reference to the discount rate.
Some labelling changes to the Profit and Loss change e.g. Service costs now includes what was previously described as 'Current Service Cost' plus the 'Past Service cost' plus and 'Curtailments' plus and 'Settlements'

Administration expenses are now accounted for within the Profit and Loss charge, where previously they were a deduction to the actual and expected return on assets.

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

Current Service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the service lines for which employees worked.

Past Service costs – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of non distributed costs.

Gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities in events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of non distributed costs

Net Interest on defined liability/(asset) – the expected increase in the present value of liabilities during the years they move one year closer to being paid – debited to the Financing and Investment income line of the Comprehensive Income and Expenditure Statement

Re-measurement of defined benefit liability – comprising

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

- Return on plan assets – the annual investment return on the fund assets attributable to the Council, based on an average of the long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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 appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and 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 on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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.

g. Events After the Reporting Period

Events after the reporting period 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.

h. Financial Instruments

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. This includes trade creditors and loans.

Financial assets are classified as loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market. This includes investments, trade debtors and loans.

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.

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 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.

Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing, and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

Investments are carried at cost. If the value of an investment falls below its cost, the investment is written down to market value and a provision for the unrealised loss made in the Income and Expenditure Account if this is unlikely to be a temporary fall.

i. 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 acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

j. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

The Council writes off the entire cost to the Comprehensive Income and Expenditure Statement in the year the cost is incurred.

k. Inventories

Stocks are valued at cost. This is a departure from the requirements of the Code which require inventories to be shown at cost or net realisable value if lower; the effect of the different treatment is immaterial.

l. 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 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, except when the net book value is under £100,000, to ensure that the carrying value reflects market/fair value. 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.

m. 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.

The Authority as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its 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.

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).

The Authority as Lessor

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 (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. 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 (i.e. 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 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.

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 are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

n. Overheads and Support Services

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

- Corporate and Democratic Core – costs relating to the Council'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.

o. Property, Plant and Equipment

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

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. A de-minimis level of £15,000 has been applied.

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

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

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

- infrastructure, community assets and assets under construction – depreciated historical costs.
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)

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

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. [Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.]

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

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

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

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 the 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.

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 basis:

- dwellings 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
- infrastructure – straight-line allocation over 25 years.

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.

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.

Disposals and Non-current Assets Held for Sale

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

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

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. 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. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

p. Provisions, Contingent Liabilities and Contingent Assets

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.

The specific purposes of the Council's provisions are explained in a note to the Core Financial Statements.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority 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 authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources 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.

Contingent Assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probably that there will be an inflow of economic benefits or service potential.

q. 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.

r. Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset (for example, Disabled Facilities Grants) 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 there is no impact on the level of Council Tax.

s. 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.

t. Heritage Assets

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies for Property, Plant and Equipment as set out in policy 1.o.

At present the Council has no material heritage assets.

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

For 2013/14 the following accounting policy changes that need to be reported relate to:
IFRS 13 Fair Value Measurement (May 2011)
IAS 32 Financial Instruments : Presentation
Annual Improvements to IFRSs 2009-2011 Cycle

3. Critical Judgements in Applying Accounting Policies

There are no significant critical judgements included in these accounts.

4. Prior Period Adjustment

There are no prior period adjustments.

5. Assumptions About the Future and Other Major Sources of Estimation Uncertainty

In October 2008 a number of Icelandic banks went into administration. At that time, Sevenoaks District Council had £1m invested in Landsbanki Islands hf at an interest rate of 6.32% and a maturity date of 25 June 2009. Action in the Icelandic courts resulted in a decision that the deposits made by local authorities (including interest up to the bankruptcy reference date of 22 April 2009) rank as priority claims. The latest information from the bank's Winding Up Committee is that the investment and interest will be returned in full by 2019.

6. Material Items of Income and Expense

A government grant of £172,000 for the Business Flood Support Scheme was received in late March 2014. This sum was transferred to an earmarked reserve to meet claims from businesses under the scheme.

7. Events After the Balance Sheet Date

The Statement of Accounts were authorised for issue by the Chief Executive on< 9 September 2014>. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

8. 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.

General Fund Balance

The General Fund is the statutory fund 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.

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.

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.

2012/13

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £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	876			(876)
Movements in the market value of Investment Properties	(23)			
Capital grants and contributions applied	(616)			
Non Specific Capital Grants	-			
Revenue expenditure funded from capital under statute	883			
Amount of non-current assets written off on disposal or sale as part of the (gain) /loss on disposal to Comprehensive Income and Expenditure Statement	(859)	1,046		
Amount by which finance cost calculated in accordance with the Code are different from the amount of Finance Costs calculated in accordance with statutory requirements.	-			23
Insertion of items not debited or credited to the Comprehensive Income and Expenditure statement:				616
Capital expenditure charged against the General Fund Balance	(657)			657
Capital Grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-		-	
Application of grants to capital financing transferred to the Capital Adjustment Account				
Finance Lease SI454 Income	5			(5)

Adjustments between Accounting basis and Funding Basis under Regulations 2012/13	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Receipts Reserve:				
Use of the Capital Receipts Reserve to finance new capital expenditure		(64)		64
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	4	(4)		
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	3,680			(3,680)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,828)			2,828
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	44			(44)
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from Remuneration chargeable in the year in accordance with statutory requirements	-			-
Total Adjustments	509	978	-	1,487

Adjustments between Accounting basis and Funding Basis under Regulations 2013/14	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £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	1,518			(1,518)
Movements in the market value of Investment Properties	(874)			874
Capital grants and contributions applied	(1,293)			1,293
Non Specific Capital Grants	-			-
Revenue expenditure funded from capital under statute	1,471			(1,471)
Amount of non-current assets written off on disposal or sale as part of the (gain)/loss on disposal to Comprehensive Income and Expenditure Statement	(2,192)	2,870		678
Amount by which finance cost calculated in accordance with the Code are different from the amount of Finance Costs calculated in accordance with statutory requirements.	-			-
Insertion of items not debited or credited to the Comprehensive Income and Expenditure statement:				
Capital expenditure charged against the General Fund Balance	(821)			821
Capital Grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-		-	-
Application of grants to capital financing transferred to the Capital Adjustment Account			-	-
Finance Lease SI454 Income	5			(5)

2013/14 continued	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Receipts Reserve:				
Use of the Capital Receipts Reserve to finance new capital expenditure		-		-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	7	(7)		
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	4,818			(4,818)
Employer's pensions contributions and direct payments to pensioners payable in the year	(3,015)			3,015
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income and non domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from council tax income and non-domestic rate income calculated for the year in accordance with statutory requirements	567			(567)
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from Remuneration chargeable in the year in accordance with statutory requirements	-			-
Total Adjustments	**191**	**2,863**	**-**	**3,053**

9. Transfers To/From Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2012/13 and 2013/14.

	Balance at 31Mar 2012	Transfers Out 2012/13	Transfers In 2012/13	Balance at 31Mar 2013	Transfers Out 2013/14	Transfers In 2013/14	Balance at 31Mar 2014
	£000	£000	£000	£000	£000	£000	£000
General Fund:							
Budget Stabilisation	2,766	(120)	1,405	4,051	-	1,297	5,348
Financial Plan	5,812	(588)	-	5,224	(580)	-	4,644
Pension Fund	349	-	460	809	-	509	1,318
Housing Benefit Subsidy	1,351	(488)	158	1,021	-	61	1,082
Asset Maintenance	1,000	-	-	1,000	-	-	1,000
First Time Sewage	915	-	-	915	-	-	915
NDR Safety Net	-	-	-	-	-	595	595
Local Plan/LDF	565	(45)	-	520	(89)	97	528
Re-organisation	478	(192)	100	386	(21)	100	465
Community and Business	470	(64)	54	460	(29)	19	450
IT Asset Maintenance	121	-	193	314	-	89	403
Action and Development	295	-	100	395	-	-	395
New Homes Bonus	215	(215)	594	594	(215)	-	379
Vehicle Renewal	292	(273)	489	508	(639)	435	304
Vehicle Insurance	287	(10)	-	277	-	7	284
Homelessness	134	(31)	94	197	(56)	56	197
Carry Forward Items	222	(113)	35	144	(96)	129	177
Flood Support	-	-	-	-	-	173	173
Capital Financing	-	(330)	330	-	(145)	298	153
Rent Deposit / Guarantee	182	(85)	15	112	(10)	-	102
Repayable Housing Grant Assistance	17	0	45	62	-	37	99
District Elections	53	0	17	70	-	17	87
Housing Benefit	66	(5)	25	86	-	-	86
Big Community	103	(63)	70	110	(37)	-	73
Local Strategic Partnerships	82	(6)	-	76	(6)	-	70
Other (Under £70k)	322	(35)	13	300	(7)	17	310
Total	16,097	(2,663)	4,197	17,631	(1,930)	3,936	19,637

The purpose of these earmarked reserves is shown below:

- Budget Stabilisation - To support decisions required to continue to produce a balanced budget in future years in spite of expected funding reductions.
- Financial Plan – Funds moved from the Asset Maintenance Reserve and Pension Fund Deficit Reserve to support the 10-year budget strategy.
- Pension Fund Valuation - To contribute towards the expected downturn at the next pension fund actuarial valuation.
- Housing Benefit Subsidy - Provides a cushion against large movements in reclaimable sums in any year.
- Asset Maintenance – To fund emergency asset maintenance works.
- First Time Sewerage – Transferred from a provision for potential liabilities relating to earlier sewerage installations.
- NDR Safety Net Deficit - To meet current accounting regulations for deficits in the initial year of the retained business rate system.
- Local Plan / LDF - To help support the Local Plan and Local Development Framework.
- Re-organisation - To fund actions taken to achieve annual budget savings.
- Community and Business - To fund ongoing and future projects.
- IT Asset Maintenance – To fund future IT asset maintenance costs.
- Action and Development - To fund ad hoc expenditure e.g. resulting from an emergency.
- New Homes Bonus - Due to the uncertainty of future Government funding an element of the New Homes Bonus is being kept separate until further information is received
- Vehicle Renewal - Funding for future commercial vehicle replacements.
- Vehicle Insurance - Provides own damage cover on the council's commercial vehicle fleet.
- Homelessness Prevention – For preventing homelessness.
- Carry Forward Items - For specific items agreed by cabinet.
- Flood Support - To give grants to businesses that have suffered flooding and make claims under the Business Flood Support Scheme
- Capital Financing –Annual contributions from revenue to fund some capital projects – not fully used in 2013/14
- Rent Deposit / Guarantee - To support the homeless etc, by providing their initial deposit and guarantee for a property.
- Repayable Housing Assistance – Part of the grant may be repayable when the conditions are no longer met e.g. house sold
- District Elections - To finance local elections.
- Housing Benefit Section – To meet the varying demand of administering Housing Benefits.
- Big Community – To fund to local projects.
- Local Strategic Partnership - Grant received for the Local Area Agreement to be passed on to Local Strategic Partnerships.
- Other - Other small reserves set aside.

10. Property, Plant and Equipment

Movements on Balances

Movements in 2012/13:	Land and Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	Operational Property for sale £000	Total Property, Plant & Equipment £000
Cost or Valuation					
At 1 April 2012	20,838	7,771	383	-	28,992
Additions	173	281	-	-	454
Revaluation increases/ (decreases) recognised in:					
- Revaluation Reserve	1,692	-	-	-	1,692
- Surplus or Deficit	-	-	-	-	-
Derecognition – Disposals	(37)	(32)	(172)	-	(241)
Derecognition – Other	-	68	-	-	68
Reclassifications	(1,036)	-	-	1,036	-
At 31 March 2013	21,630	8,088	211	1,036	30,965
Accumulated Depreciation and Impairment					
At 1 April 2012	(6,372)	(5,536)	-	-	(11,909)
Depreciation Charge	(170)	(687)	-	(21)	(878)
Depreciation written out to the					
- Revaluation Reserve	381	-	-	-	381
- Surplus/ Deficit on the Provision of Services	-	-	-	-	-
Derecognition – Disposals	5	-	-	-	5
Derecognition Other	-	(68)	-		(68)
Reclassifications	20			(20)	-
At 31 March 2013	(6,136)	(6,291)	-	(41)	(12,468)
Net Book Value					
As at 31 March 2012	14,464	2,236	383	-	17,083
As at 31 March 2013	15,494	1,797	211	995	18,497

In April 2013, the Council completed property transactions with Reef Investments for the sale of Pembroke Road car park and lease of 66 London Road and London Road car park. The total consideration was £2.150m. Accounting standards required these properties to be held in the balance sheet at 31 March at their carrying values.

Movements in 2013/14:

Movements in 2013/14:	Land and Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	Operational Property for sale £000	Total Property, Plant & Equipment £000
Cost or Valuation					
At 1 April 2013	21,630	8,088	211	1,036	30,965
Additions	4	639	-	-	643
Revaluation increases/ (decreases) recognised in:					
- Revaluation Reserve	8,402	-	-	-	8,402
- Surplus or Deficit	(77)	-	-	-	(77)
Derecognition – Disposals	(119)	(4)	-	-(812)	(935)
Derecognition – Other	(78)	(925)	-	-	(1,003)
Reclassifications	65	-	-	-	65
At 31 March 2014	29,827	7,798	211	224	38,060
Accumulated Depreciation and Impairment					
At 1 April 2013	(6,136)	(6,291)	-	(41)	(12,468)
Depreciation Charge	(164)	(571)	-	-	(735)
Depreciation written out to the					
- Revaluation Reserve	57	-	-	(183)	(126)
- Surplus/ Deficit on the Provision of Services	-	-	-	-	-
Derecognition – Disposals	24	-	-	-	24
Derecognition Other	10	925	-		935
Reclassifications	-			-	-
At 31 March 2014	(6,209)	(5,937)	-	(224)	(12,370)
Net Book Value					
As at 31 March 2013	15,494	1,797	211	995	18,497
As at 31 March 2014	23,618	1,861	211	-	25,690

Depreciation

The following useful lives have been used in the calculation of depreciation:

- Buildings - up to 60 years
- Vehicles - up to 7 years
- Equipment - up to 5 years

Capital Commitments

At 31 March 2014, there were no significant sums outstanding on capital contracts.

Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Each class of asset is valued at the same time.

The freehold and leasehold properties which comprise the Authority's property portfolio have been valued as at 31st March 2014, by external independent valuers, I. Dewar FRICS FIRRV MCIArb, R. Messenger BSc FRICS FIRRV MCIArb REV, S. Layfield FRICS IRRV and A. Williams Dip BSc (Hons) MRICS FIRRV REV of Wilks, Head and Eve, Chartered Surveyors. Valuations have been made on the undermentioned bases in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors, except that not all the properties were inspected. This was neither practicable nor considered by the valuer to be necessary for the purpose of the valuation.

Plant and machinery that forms part of a building is included in the valuation.

Properties regarded by the Authority as operational were valued on the basis of Existing Use Value or where this could not be assessed because there was no market for the subject asset, the depreciated replacement cost. Useful economic lives for these properties are generally 35 years.

Properties regarded by the Authority as investment properties have been valued on the basis of market value, again with useful economic lives of generally 35 years.

Vehicles, plant and equipment in the balance sheet relate to the Council's commercial vehicle fleet, computer equipment, fitness equipment in the leisure centres, air quality monitoring equipment, CCTV equipment and playground equipment. Most equipment is depreciated over 5 years, with some larger commercial vehicles over 7 years.

The following statement shows the progress on the Council's rolling programme for the revaluation of Property, Plant and Equipment:

	Land & Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	TOTAL £000
Carried at historical cost		8,294	211	8,505
Valued at current value in:				
2013/14	12,271			12,271
2012/13	5,673	-	-	5,673
2011/12	1,335			1,335
2010/11	1,226	-	-	1,226
2009/10	9,401	-	-	9,401
Total	29,906	8,294	211	38,411

The rolling programme of asset valuation is as follows:

Year of Valuation	**Class of asset valued in year**
2013/14	Investment Properties; car parks, public conveniences
2012/13	Depot, Offices, bus station.
2011/12	Amenity Land
2010/11	Leisure Centres, Golf Course, Hollybush
2009/10	Stag Theatre, Parks and woodlands

11. Investment Properties

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

	2012/13 £000	2013/14 £000
Rental income from investment property	55	71
Direct operating expenses from investment property	-	-
Net gain/(loss)	55	71

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

The following table summarises the movement in the fair value of investment properties over the year:

	2012/13 £000	2013/14 £000
Balance at start of the year	2,835	2,735
Disposals	(122)	(83)
Net Gains/ (losses) from fair value adj	22	874
Transfers from Property, Plant & Equipment	-	(64)
Other Changes	-	-
Balance at end of the year	2,735	3,462

12. Financial Instruments

The investment figures are made up mainly of surplus capital and revenue reserve balances. The investments are placed with recognised financial institutions. These are classified in the loans and receivables category of financial instruments, having fixed or determinate payments and not quoted in an active market.

Balances due to our trade creditors and from our trade debtors are also included here.

The balances, which include the principal and the interest accrued, at the year end can be analysed as follows:

	Long Term		Current	
	31/03/2013	31/03/2014	31/03/2013	31/03/2014
Loans & Receivables				
Investments	350	297	17,202	16,127
Net trade receivables (within debtors)	504	434	859	688
Cash & cash equivalents	0	0	9,982	16,935
Total Financial Assets	**854**	**731**	**28,043**	**33,750**
Financial Liabilties at amortised cost				
Trade payables (within Creditors)	(367)	(365)	(1,042)	(906)
Total Financial Liabilities	**(367)**	**(365)**	**(1,042)**	**(906)**

Short-term investments are those that were placed for a period in excess of three months and fall to be repaid within one year of the balance sheet date. Long-term investments were placed for over one year. Investments placed for less than three months are treated as cash or cash equivalents.

Fair value of assets carried at amortised cost

Financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. The fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Market rates at 31 March 2014 for comparable instruments with the same duration,
- An impairment has been recognised for the investment with Landsbanki Islands hf.

	31 March 2013		31 March 2014	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Loans and receivables	26,575	26,756	31,986	32,053

The fair value is greater than the carrying amount because the Authority's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans in the market at the Balance Sheet date.

Disclosure of nature and extent of risks arising from financial instruments

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity risk – the possibility that the Council might not have the funds available to meet its commitments to make payments.
- Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rate movements.

The Council's overall risk management procedures focus on the unpredictability of financial markets and are structured to implement suitable controls to minimise these risks. Risk management is carried out by the Council in the following ways:

- Formal adoption of the requirements of the CIPFA Treasury Management Code of Practice and Treasury Policy Statement.
- Approving annually in advance prudential and treasury indicators for the following three years and an Annual Treasury Management Strategy.

These policies are implemented by treasury management officers and the Council maintains 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 exposures to the Council's customers. This risk is minimised through the Annual Investment Strategy. The Council uses the creditworthiness service provided by its treasury management consultant. Deposits are not made with banks and financial

institutions unless they comply with the sophisticated modelling approach that combines credit ratings as the core element with other subjective overlays. In addition, the Council has the following policies:

- Minimum long term credit rating for banks, as assessed by Fitch, of A-.
- Lending to Building Societies restricted to the top five Societies.
- Maximum investment period of one year for banks, three months for Building Societies with credit ratings lower than A-.
- Investments are limited to 25% of the total fund to any single institution or institutions within a group of companies
- Total investments in any one EU country outside of the UK is limited to 15% of the total fund.
- Investment in other foreign countries is no longer permitted.
- No more than £5m (or £6m including call accounts) per counterparty with the exception of the Lloyds Banking Group and Royal Bank of Scotland Group where the limit is £8m per Group.

The Strategy also permits investment with other local authorities and the UK Government's Debt Management Office for periods up to 1 year and six months respectively. Money Market Funds are also utilised with a maximum deposit of £5m in each.

There was only one small breach of the Council's counterparty criteria during the reporting period. This occurred over a weekend in April 2013, when the total held with Barclays Bank plc amounted to £6.75m, compared with the limit of £6m. This was due to a large capital receipt late in the day and was corrected immediately after the weekend.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £30.0m at 31 March 2014 cannot be assessed generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each institution. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2014 that this was likely to crystallise.

The only historical experience of default relates to the Landsbanki Islands hf investment detailed below. Currently, investments are only being made with UK institutions. In all cases to date, the Government and/or another building society or bank has stepped in to rescue a failing institution, leading to no defaults by UK institutions.

Icelandic Bank Defaults

In October 2008 a number of Icelandic banks went into administration. At that time, the Council had £1m invested with Landsbanki Islands hf as follows:

	Date invested	Maturity date	Amount invested £000	Interest rate %	Carrying amount £000	Impairment £000	Principal default %
Landsbanki	25/6/07	25/6/09	1,000	6.32	372	191	0

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the Council will be determined by the administrators/receivers. The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest available information, the Council considers it appropriate to make an impairment adjustment for the deposit and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of future payments to be made by the administrators/receivers, it is likely that further adjustments will be made to the accounts in future years.

Landsbanki Islands hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008, its domestic assets were transferred to a new bank (New Landsbanki) with the management of the affairs of Old Landsbanki being placed in the hands of a resolution committee. Following the decision of the Icelandic Supreme Court to grant Priority status to UK local authorities, the winding up board has made a series of distributions to creditors in a basket of currencies.

An element of the distribution is in Icelandic Kroner which has been placed in an escrow account in Iceland and is currently earning interest at a rate of 4.17%. This element of the distribution has been retained in Iceland due to currency controls operating there and, as a result, is subject to exchange rate risk, over which the Council has no control. The value of the escrow account, together with accrued interest, has been estimated to be approximately £8,500 as at the balance sheet date.

The current position on estimated future payouts is as shown in the following table and the Council has used these estimates to calculate a likely impairment based on recovering 100p in the £.

Date	Repayment
Received in 2011-12	31.10%
Received in May 2012	12.30%
Received in October 2012	6.20%
Received in Sept 2013	5.20%
December 2014	7.50%
December 2015	7.50%
December 2016	7.50%
December 2017	7.50%
December 2018	7.50%
December 2019	7.70%

Recovery is subject to the following uncertainties and risks:

- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and the settlement of the Council's claim, which may be denominated wholly or partly in currencies other than sterling.

Recoveries are expressed as a percentage of the Council's claim in administration, which validly includes interest accrued up to the bankruptcy date of 22 April 2009.

The total impairment (principal plus interest not received) in the financial years up to and including 2013/14 has been recognised in the Income and Expenditure Account. As at 31 March 2013 the impairment was £165,000 and at 31 March 2014 this had increased by £26,000 to a total of £191,000. This impairment has been calculated by discounting the assumed cash flows at the effective rate of interest of the original deposit in order to recognise the anticipated loss of interest to the Council until monies are recovered. Adjustments to the assumptions will be made in future years' accounts as more information becomes available.

Liquidity Risk

The Council ensures that it has adequate, though not excessive, cash resources, borrowing arrangements, overdraft and standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its service objectives.

The Council is also required to provide a balanced budget by the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. Thus, there is no significant risk that it will be unable to raise finance to meet its commitments.

The treasury management team monitors cash flow on a daily basis and takes into account known future spending patterns.

The maturity analysis of financial assets (excluding the Icelandic investment) is as follows:

	31 March 2013	31 March 2014
	£000	£000
Less than 1 year	22,856	33,050
Between 1 and 2 years	4,000	-

Refinancing and Maturity Risk

This risk relates to the maturing of both longer term financial liabilities and longer term financial assets. As the Council does not currently have any debt and does not lend for periods in excess of one year, this risk is not considered significant.

Market Risk

<u>Interest Rate Risk</u>

Upwards or downwards movements in interest rates may have a complex impact on the Council. For instance, a rise in variable and fixed interest rates would have the following effects:

Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise; and
Investments at fixed rates – the fair value of the assets will fall (but no impact on revenue balances).

The treasury management team has an active strategy for assessing interest risk exposure that feeds into the setting of the annual budget.

By way of example, if interest rates on fixed deposits had been 1% higher during 2013/14 (with all other variables held constant), the financial effect would have been to increase investment income by £423,000.

Price Risk

The Council does not invest in equity shares or marketable bonds and is not, therefore, exposed to losses arising from movements in prices.

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies and, therefore, no exposure to loss arising from movements in exchange rates, except in the following instance.

Foreign Exchange Risk in relation to Icelandic Deposits

The Council has foreign exchange exposure resulting from an element of the settlement received from Landsbanki Islands hf. This is being held in Icelandic Kroner in an escrow account due to the imposition of currency controls in Iceland.

The value of the deposit plus interest at 31 March 2014 was £8,464.58 and includes an exchange rate gain of £40.85.

13. Inventories

This refers to stocks of salt and fuel held at the Dunbrik depot.

	2012/13 £000	2013/14 £000
Balance outstanding at start of the year	55	30
Purchases	460	517
Recognised as an expense in the year	(485)	(493)
Balance outstanding at end of the year	30	54

14. Debtors

	31/03/13 £000	31/03/14 £000
Long Term Debtors		
Employee Car Loans	118	85
Loan to Sencio	131	106
Finance lease	196	192
Other	58	51
Total Long Term Debtors	504	434
Short Term Debtors		
Collection Fund (CF)		
NDR	-	(15)
Bad Debt provision	-	(351)
Council Tax Payers	605	600
Bad Debt provision	(419)	(456)
General Fund		
DWP – Housing Benefit Grant	267	88
Housing Benefit Overpayments	1,307	1,519
Partnership working	250	215
NNDR Discretionary Rate Relief	100	-
VAT	51	125
Other	859	679
Bad Debt provision	(1,063)	(1,232)
Total Short term debtors	1,957	1,172

The carrying amount is also deemed to be the fair value (being the amount that the market is willing to exchange assets).

15. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

	31/03/13 £000	31/03/14 £000
Cash held by the Authority	1	1
Bank current accounts	958	1,373
Short-term deposits with:		
Banks	2,019	7,055
Building Societies	1,001	5,004
Other Local Authorities	2,001	-
Money Market Funds	4,002	3,502
Total Cash and Cash Equivalents	9,982	16,935

16. Assets Held for Sale

	31/03/13 £000	31/03/14 £000
Assets held for sale		
Operational Property	995	-
Balance outstanding at year end	995	-

At 31 March 2013 the following operational properties were held for sale

- 27 Pembroke Road (car park)
- 66 London Road inc car parking area – leasehold interests

Both properties were sold in 2013/14

17. Creditors and Receipts in Advance.

	31/03/13 £000	31/03/14 £000
Receipts in Advance		
Tax Payers	(214)	(246)
NDR	-	(197)
s.106 receipts	(2,022)	(2,689)
Other Receipts in advance	(223)	(208)
Total Receipts in Advance	(2,459)	(3,340)
Short Term Creditors		
NDR	-	(232)
NDR - Deferrals	-	(139)
Central Government (NDR)	(1,649)	-
Council Tax (Preceptors)	(54)	(581)
Capital	(81)	-
Insurance	(173)	(151)
HMRC	(527)	(522)
Kent County Council	(405)	(289)
Other General Fund	(788)	(756)
Total Short Term Creditors	(3,677)	(2,670)
Long Term Creditors		
Long Term Creditor (Quakers Hall Allotments)	(367)	(365)

The carrying amount is also deemed to be the fair value (being the amount that the market is willing to settle liabilities).

18. Provisions

The following provisions have been made by the Council:

Short Term	NDR Appeals	MMI	Accumulated Absences	Other Provisions	Total
	£000	£000	£000	£000	£000
Balance at 1 April 2013	-	305	152	34	491
Additional Provisions made during year	907	-	-	-	907
Amounts Used during the year	-	(48)	-	-	(48)
Balance at 31 March 2014	907	257	152	34	1,350

NDR Appeals – Business ratepayers can make an appeal against the rateable value attributed to their property by the Valuation Office. Changes brought about by the new Business Rates Retention scheme mean that the Council has to provide for its share of the costs arising from successful appeals.

Municipal Mutual Insurance Limited (MMI) – MMI was the main local authority insurer for many years up until 1992 when the company failed and went into "run off". A Scheme of Arrangement was approved in 1994 with the aim of meeting all claims and achieving a solvent run-off. For a number of years the Administration and Creditors Committee reported that a solvent run-off was likely to be achieved and sought to sell the business to another insurer to bring the arrangement to a conclusion.
Unfortunately a sale has never been achieved and more recently claims have emerged where courts have ruled in favour of others rather than MMI. This increased the risk that a solvent run-off would not be achieved which would result in councils (and others, such as housing associations) being liable to clawback of monies paid out to settle claims. Due to this uncertainty, the Council has shown this risk as a Contingent Liability in the Statement of Accounts in recent years.
Since March 2012, more information has become available following the outcome of a Supreme Court Judgement which has made it more likely that this council will incur additional expenditure. Therefore, a Provision has now been included in the accounts rather than a Contingent Liability.

The Accumulated Absences Provision is the opposite of the Accumulated Absences Account included in Unusable Reserves. This absorbs the difference that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March.

Other Provisions: The Personal Search Provision is in respect of potential restitutionary claims in relating to personal search fees of the land register.

19. Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and note 8.

20. Unusable Reserves

	31/03/13 Re-stated £000	Movement in Year £000	31/03/14 £000
Capital Adjustment Account	14,990	(398)	**14,592**
Revaluation Reserve	6,347	8,318	**14,665**
Accumulated Absences Account	(152)	-	**(152)**
Collection Fund Adjustment Account	(97)	(567)	**(664)**
Pensions Reserve	(52,527)	(2,340)	**(54,867)**
Deferred Capital Receipts Reserve	217	(17)	**200**
Total Unusable Reserves	(31,222)	4,996	**(26,226)**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets

under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 8 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2012/13 £000		2013/14 £000	£000
15,702	Balance at 1 April		14,991
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		-
(876)	Charges for depreciation and impairment of non current assets	(1,518)	
-	Revaluation Losses on Property, Plant and Equipment	-	
(883)	Revenue expenditure funded from capital under statute	(1,471)	
-	Deferred Capital Receipts movement	-	
(351)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(447)	
(2,110)			(3,436)
40	Adjusting Amounts written out of the Revaluation Reserve		49
(2,070)	Net Written out amount of the cost of non current assets consumed in the year		(3,387)
	Capital Financing applied in the year:		
64	Use of the Capital Receipts Reserve to finance new capital expenditure	-	
616	Capital Grants and contributions credited to the Comprehensive Income and expenditure statement that have been applied to capital financing	1,293	
-	Non-specific capital grant	-	
-	Application of Grants to capital financing from the Capital Grants Unapplied Account	-	
657	Capital Expenditure charged against the General Fund	821	
1,337			2,114
22	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement		874
14,991	Balance at 31 March		14,592

Revaluation Reserve

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

- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised

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

2012/13 £000		2013/14 £000	£000
4,322	Balance at 1 April		6,347
2,065	Upward Revaluation of Assets	8,598	
	Downward Revaluation of Assets and impairment losses not charged to Surplus Deficit on the Provision of Services	-	
2,065	Surplus/(Deficit) on revaluation of non- current assets not posted to the Surplus or Deficit on Provision of Services		8,598
(40)	Difference between fair value depreciation and historical cost depreciation	(49)	
-	Accumulated gains on assets sold or scrapped	(231)	
(40)	Amount written off to the Capital Adjustment Account		(280)
6,347	Balance at 31 March		14,665

Accumulated Absences Account

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

2012/13 £000		2013/14 £000	£000
(152)	Balance at 1 April		(152)
	Settlement or cancellation of accrual made at the end		
-	Amounts accrued at the current year end	-	
-	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		-
(152)	Balance at 31 March		(152)

Collection Fund Adjustment Account

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

2012/13 £000		2013/14 £000
(54)	Balance at 1 April	(97)
(43)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	28
	Amount by which non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(595)
(97)	Balance at 31 March	(664)

Pensions Reserve

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

2012/13 £000		2013/14 £000
(49,641)	Balance at 1 April	(52,527)
(2,034)	Actuarial Gains/(Losses) on pensions assets and liabilities	(537)
(3,680)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(4,818)
2,828	Employer's pensions contributions and direct payments to pensioners payable in the year	3,015
(52,527)	Balance at 31 March	(54,867)

Deferred Capital Receipts Reserve

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

2012/13 £000		2013/14 £000
229	Balance at 1 April	217
(5)	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure statement	(5)
(7)	Transfer to the Capital receipts reserve upon receipt of cash	(12)
217	Balance at 31 March	200

21. Cash Flow Statement – Operating Activities

Adjustments to net surplus or deficit on the provision of services for non-cash movements:

2012/13 £000		2013/14 £000
876	Depreciation	735
51	Impairment and downward valuations	1,566
-	Amortisation	-
-	Increase in impairment provision for bad debts	-
2,127	(Increase)/Decrease in creditors	(126)
19	Increase/(Decrease) in debtors / payments in advance	792
25	Increase/(Decrease) in stock	(24)
852	Pension liability	1,803
(351)	Carrying amount of non-current assets sold	(1,046)
(1,642)	Other non-cash items charged to the net surplus or deficit on the provision of services	(841)
1,957		2,859

Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:

2012/13 £000		2013/14 £000
-	Purchase of short-term and long-term investments	-
(435)	Proceeds from short-term and long-term investments	(392)
(337)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,146)
(772)		(1,538)

The cash flows for operating activities include the following items:

2012/13 £000		2013/14 £000
(353)	Interest received	(295)
-	Interest paid	-
-	Dividends received	-

22. Cash Flow Statement – Investing Activities

2012/13 £000	Investing Activities	2013/14 £000
(454)	Purchase of property, plant & equipment, investment property and intangible assets	(643)
(1,871)	Purchase of short term and long term investments	1,128
-	Other payments for investing activities	-
1,053	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	2,882
435	Proceeds from sale of short-term and long-term investments	392
3	Other receipts from investing activities	53
(834)	Net Cash Flow from investing activities	3,812

23. Cash Flow Statement – Financing Activities

2012/13 £000	Financing Activities	2013/14 £000
-	Net increase / (decrease) in short- and long term deposits	-
-	Other receipts from financing activities	-
5	Cash payments for finance leases	5
-	Other payments for financing activities	-
5	Net Cash Flow from Financing activities	5

24. Amounts Reported for Resource Allocation Decisions

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

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

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

Chief Officers Income and Expenditure 2012/13	Community Development	Development Services	Environmental and Operations	Housing & Communications	Finance & Human Resources	IT & Facilities Management	Legal & Democratic Services	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, Charges & Service Income	(288)	(678)	(4,729)	(212)	(1,834)	(321)	(363)	(8,424)
Government Grants	(38)	-	-	(92)	(34,949)	-	(13)	(35,093)
Total Income	(326)	(678)	(4,729)	(304)	(36,783)	(321)	(377)	(43,517)
Employee Expenses	503	1,806	2,202	775	2,658	814	1,280	10,038
Other Service Expenses	789	133	5,591	387	38,711	989	458	47,058
Total Expenditure	1,292	1,939	7,793	1,162	41,369	1,803	1,738	57,096
Net Expenditure	966	1,261	3,064	858	4,586	1,482	1,361	13,579

Chief Officer Income and Expenditure 2013/14	Communities and Business	Planning	Environmental and Operations	Housing	Finance	Corporate Support	Legal & Governance	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, Charges & Service Income	(277)	(817)	(5,432)	(135)	(1,399)	(649)	(176)	(8,885)
Government Grants	(207)	-	-	(101)	(28,785)	(7)	(7)	(29,107)
Total Income	(484)	(817)	(5,432)	(236)	(30,184)	(656)	(183)	(37,992)
Employee Expenses	519	1,810	2,256	708	2,654	1,552	458	9,958
Other Service Expenses	954	323	5,964	306	31,842	2,303	273	41,963
Total Expenditure	1,473	2,133	8,220	1,014	34,495	3,855	731	51,921
Net Expenditure	989	1,315	2788	778	4,312	3199	548	13,929

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

The reconciliation shows how the figures in the analysis of income and expenditure related to the amounts included in the Comprehensive Income and Expenditure Statement.

	2012/13 £000	2013/14 £000
Net Expenditure in Directorate Analysis	13,579	13,929
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(252)	921
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement.	-	-
Cost of Services in Comprehensive Income and Expenditure Statement	13,327	14,850

Reconciliation to Subjective Analysis

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

2012/13	Chief Officer Analysis	Amounts not reported to management	Amounts not included in I&E	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000
Fees, Charges & Other Service Income	(8,424)			(8,424)		(8,424)
Interest and Investment Income					(435)	(435)
Income from Council Tax and NDR					(16,941)	(16,941)
Government Grants and Contributions	(35,093)			(35,093)	(1,525)	(36,618)
Total Income	(43,517)	-	-	(43,517)	(18,901)	(62,418)
Employee Expenses	10,038	-		10,038		10,038
Other Service Expenses	47,058	335		47,393	1,428	48,821
Support service recharges						-
Depreciation, amortisation and Impairment					(22)	(22)
Interest Payments & similar payments					10	10
Precepts & Levies					3,402	3,402
Payments to Housing Capital Receipts Pool					4	4
Gain or loss on disposal of non-current assets					(859)	(859)
Total Expenditure	57,096	335	-	57,431	3,963	61,394
(Surplus) or deficit on the provision of services	13,579	335	-	13,914	(14,938)	(1,024)

Reconciliation to Subjective Analysis 2013/14	Chief Officer Analysis	Amounts not reported to management	Amounts not included in I&E	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000
Fees, Charges & Other Service Income	(8,885)			(8,885)		(8,885)
Interest and Investment Income					(392)	(392)
Income from Council Tax and NDR					(18,205)	(18,205)
Government Grants and Contributions	(29,107)			(29,107)	(852)	(29,959)
Total Income	(37,992)	-	-	(37,992)	(19,449)	(57,441)
Employee Expenses	9,958	-		9,958		9,958
Other Service Expenses	41,963	921		42,884	1,900	44,784
Support service recharges						-
Depreciation, amortisation and Impairment					(874)	(874)
Interest Payments & simila payments					26	26
Precepts & Levies					*3,322*	*3,322*
Payments to Housing Capital Receipts Pool					*7*	*7*
Gain or loss on disposal of non-current assets					*(2,192)*	*(2,192)*
Total Expenditure	51,921	921	-	*52,842*	*2,189*	*55,031*
(Surplus) or deficit on the provision of services	13,929	921	-	14,850	(17,260)	(2,410)

25. Trading Operations

Trading Accounts are operated for Direct Services, which includes two major services, Refuse Collection and Street Cleaning.

The following table sets out the financial trading accounts for 2013/14:

2012/13 £000		Income £000	Expenditure £000	(Surplus)/Deficit 2013/14 £000
	Direct Services			
(26)	Refuse Collection	(2,225)	2,171	(54)
67	Street Cleansing	(1,168)	1,179	11
(140)	Other Operational Accts	(1,994)	1,739	(255)
(27)	Overhead Accounts	(1,097)	1,092	(5)
(126)		(6,484)	6,181	(303)

Other Operational Accounts include vehicle workshop and premises cleaning. Overhead Accounts include transport fleet and depot.

For management accounting purposes, recharges for internal work completed by the trading accounts have been priced to include a capital financing charge. The Code of Practice does not permit charges for cost of capital to be debited to trading accounts. The following table sets out the position if capital charges had been made:

2012/13 £000		Income £000	Expenditure £000	**(Surplus)/Deficit 2013/14 £000**
	Direct Services			
4	Refuse Collection	(2,225)	2,205	(20)
67	Street Cleansing	(1,168)	1,209	41
(117)	Other Operational Accounts	(1,994)	1,746	(248)
(27)	Overhead Accounts	(1,097)	1,094	(3)
(73)		(6,484)	6,254	(230)

26. Members' Allowances

The authority paid the following amounts to Members of the Council during the year:

	2012/13 £000	2013/14 £000
Allowances	328	343
Expenses	18	16
Total	346	359

27. Officers' Remuneration

The remuneration paid to the Authority's senior employees, being the Head of Paid Service and those officers reporting directly to him, was as follows:

2012/13	Salary	Bonuses	Expenses	Pension Contribution	Other Benefits/ Payments	Total
	£	£	£	£	£	£
Chief Executive (Hales, R)	133,683	3,192	203	16,866	(4,575)	149,369
Director of Community & Planning Services	112,300	2,680	376	14,686		130,042
Director of Corp Resources	112,300	2,680	188	14,686		129,854
Monitoring Officer	70,494	1,664	66	9,347		81,571

2013/2014	Salary	Bonuses	Expenses	Compensation Loss of employment	Pension	Other Emol-uments	Total
Chief Executive (Robin Hales) To 31 August 13	56,983	3,192	134	-	8,411	3,751	72,471
Chief Executive (P Ramewal) from 01.September.13	78,726	-	197	-	10,851	478	90,252
Director Of Community and Planning Services To 5 April 13	1,559	2,680	2	60,722	571	4,699	70,233
Director of Corporate Resources To 31 August 13	47,238	2,680	88	-	6,068	–	56,074
Monitoring Officer to 31 August 2013; Chief Officer Legal and Governance from September 2013	72,523	2,414	45	-	9,722		84,704
Chief Housing Officer from 01 September 13	39,097	-	23	-	5,356	-	44,477
Chief Finance Officer from 01 September 13	39,097	-	98	-	5,356		44,551

2013/2014	Salary	Bonuses	Expenses	Compensation Loss of employment	Pension	Other Emol-uments	Total
Chief Officer Corporate Support from 01 September 13	39,097	-	-	-	5,356		44,453
Chief Officer Communities and Regeneration from 01 September 13	39,097	-	135	-	5,356		44,588
Chief Planning Officer from 01 September 13	41,892	-	-	-	5,739		47,631
Chief Officer Environmental and Operations from 01 September 13	42,872	-	63	-	5,874		48,809
Head of Strategy and Transformation from 01 September 13	28,889	-	-	-	3,958		32,846
Head of Human Resources from 01 September 13	32,222	-	10	-	4,414		36,646

The Chief Executive receives other payments for being the Deputy Returning Officer at elections.

The Chief Executive declined his appraisal bonus in 2013/14.

The Authority's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration Band	Number of Employees 2012/13	2013/14
£50,000 - £54,999	5	4
£55,000 - £59,999	6	4
£60,000 - £64,999	3	2
£65,000 - £69,999	-	-
£70,000 - £74,999	1	-
£75,000 –£79,999	-	-

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	12/13	13/14	12/13	13/14	12/13	13/14	12/13 £000	13/14 £000
£0 - £20,000	1	3	1	3	2	6	18	59
£20,001 - £40,000	-	-	-	-	-	-	-	-
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
Over £100,000	-	-	1	-	1	-	180	-
Total	1	3	2	3	3	6	198	59

28. External Audit Fees

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors.

	2012/13 £000	2013/14 £000
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor	58	59
Fees Payable to external auditors in respect of statutory inspections	-	-
Fees payable to external auditors for the certification of grant claims and returns	51	21
Fees payable in respect of other services provided by external auditors during the year	-	-
Refund from Audit Commission	(6)	(8)
Total	103	72

29. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement.

	2012/13 £000	2013/14 £000
	Restated *	
Credited to Taxation and Non Specific Grant Income		
Non-Domestic Business Rates (CLG)	(4,332)	-
Revenue Support Grant (CLG)	(84)	(2,952)
New Homes Bonus (CLG)	(594)	(993)
Council Tax Freeze (CLG)	(231)	-
Community Facility Improvements *	(28)	(852)
S31 Small Business Rate Reduction	-	(374)
Total	(5,269)	(5,171)
Credited to Services		
Benefit Subsidy (DWP)	(34,220)	(28,024)
Housing Benefit Administration (DWP)	(593)	(542)
Choosing Health PCT (West Kent PCT)	(122)	-
Flood Support (CLG)	-	(173)
Choosing Health PCT (KCC) (1)	-	(138)
Disabled Facilities (CLG)*	(588)	(401)
Homelessness (CLG)	(92)	(92)
New Burdens (CLG)	(84)	(65)
Communities against Drugs (KCC)	(61)	(60)
Youth Support (KCC)	(36)	-
Regional Housing Fund (CLG)	-	(40)
Other	(50)	(54)
Total	(35,846)	(29,589)

(1) Grant now received KCC

The authority receives grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at year-end are as follows:

Capital Grants Receipts in Advance	2012/13 £000	2013/14 £000
Regional Housing Pot (CLG)	(48)	(8)
Total	(48)	(8)

30. Related Party Transactions

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

Central Government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in note 24 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2014 are shown in note 29.

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2013/14 is shown in note 26. During 2013/14 the Council paid a grant totalling £500 to a voluntary organisation in which 2 members had an interest. The grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grant. The Register of Members' Interests is open to public inspection.

Kent County Council pension fund – see note 35.

Assisted organisations – the Council provided material financial assistance to the following organisations:

- Sevenoaks Leisure Limited – management fee of £80,950. Two members are Sevenoaks District Council appointed directors of Sevenoaks Leisure Limited. A loan of £250,000 was given to Sevenoaks Leisure Limited to improve the fitness centre at Sevenoaks Leisure Complex. The term of the loan is 10 years, with a redemption date of 31 March 2018 and interest of 7% per year.

- Sevenoaks Town Council – management and service fees of £75,000 for the Stag Theatre. These fees are for the operation of the building and related services, community provision and youth outreach. Five SDC members are also members of Sevenoaks Town Council, and four members are trustees of Sevenoaks Community Arts Centre Limited which operates the lease of the Stag Theatre. The grant was made with proper consideration of declarations of interest and the relevant members did not take part in decisions relating to that grant.

31. 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 Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the authority that has yet to be financed. The Capital Financing Requirement is analysed in the second part of this note.

	2012/13 £000	2013/14 £000
Opening Capital Financing Requirement	-	-
Capital Investment:		
Property, Plant & Equipment	454	643
Intangible Assets	-	-
Revenue Expenditure Funded from Capital under Statute	883	1,471
	1,337	2,114
Sources of Finance:		
Capital Receipts	(64)	-
Government Grants and other contributions	(670)	1,290
Sums set aside from revenue	(603)	824
	(1,337)	(2,114)
Closing Capital Financing Requirement	-	-

32. Leases

Authority as Lessee

Payments under operating leases during the year amounted to £3,640 (£46,000 in 2012/13). Payments under operating leases in 2013/14 related to leased cars.

The leased company car scheme has ceased with the last payments made in 2013/14; there are no commitments under operating leases for company cars payable in 2014/15.

A three year operating lease for multi-functional printing devices commenced in March 2010 and ended in 2012/13. Lease payments were £32,000 per annum.

	Minimum Lease Payments	
	31/03/13 £000	31/03/14 £000
Not later than one year	4	-
Later than one year and not later than five years	-	-
Later than five years	-	-
	4	-

The authority does not hold any finance leases as a lessee.

Authority as Lessor

The Authority has classified one lease it has granted, as a finance lease. This is due to the length of the lease agreement in relation to the asset's useful life at the inception of the lease, and the value of lease payments to asset value.
The Authority recognises a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Authority in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts.

	31/03/13 £000	31/03/14 £000
Gross Investment in the Lease	354	328
Estimated Residual value	31	31
Net Investment in the lease (Gross Investment discounted by implicit rate)	190	184
Unearned Finance Income	164	144

The gross investment in the lease will be received over the following periods.

	31/03/13 £000	31/03/14 £000
Not later than one year	24	24
Later than one year and not later than 5 years	120	118
Later than 5 years	210	185
Total	354	328

33. Impairment Losses

During 2013/14, the Authority recognised impairment losses of £76,563 to its operational property and £706,039 to its Investment property.

34. Termination Benefits

The Authority terminated the contracts of a number of employees in 2013/14, incurring liabilities of £59,000 (£198,000 in 2012/13) – see note 27 for the number of exit packages and total cost per band. Two of these were as a result of the budget savings agreed by Council on 16 December 2010.

35. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

Characteristics of the Defined Benefit Scheme

The Authority participates in the Local Government Pensions Scheme, administered by Kent County Council. This is a funded defined benefit final salary schema, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Participation in a defined benefit pension's scheme means that the Authority is exposed to a number or risks statutory changes to the scheme, change to inflation, bond yields and the performance of the equity investments held by the scheme.

- Investment risk. The Fund holds investments 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 Funds 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 deficit may emerge to the extent that 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.

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

Transactions relating to Post Employment Benefits

The Authority recognises 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 cash payable in the year, so the real cost of post-employment benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure statement and the General Fund balance via the Movement in Reserves Statement during the year:

Comprehensive Income and Expenditure Statement	2012/13 £000	2013/14 £000
Cost of Services		
Service cost comprising:		
Current Service cost	2,126	2,355
Past Service costs	-	205
Net Interest Expense	1,554	2,258
Total post-employment benefits charged to the Surplus or Deficit on the Provision of Services	3,680	4,818
Other post employment charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined liability comprising		
Return on plan assets (excluding the amount included in the net interest expense)	(5,692)	(2,501)
Actuarial gains and losses arising on change in demographic assumptions	-	2,655
Actuarial gains and losses arising on changes in financial assumptions	6,942,	2,419
Other	68	(2,036)
Total post employment benefits charged to the Comprehensive Income and Expenditure statement	1,318	537
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefit in accordance with the Accounting Code of Practice	3,680	4,818
Actual Amount charged against the General Fund balance for pensions in the year		
Employers contributions payable to the scheme	2,449	3,015

Pensions Assets and Liabilities recognised in the Balance Sheet

	2012/13 £000	2013/14 £000
Present value of the Defined Obligations		
Present value of Funded Liabilities	(115,866)	(120,362)
Present Value of Unfunded Liabilities	(2,209)	(2,274)
Total Pensions Liability	(118,075)	(122,636)
Fair Value of plan assets (at bid value)	65,548	67,769
Net liability arising from the defined benefit obligation	(52,527)	(54,867)

Reconciliation of movements in the fair value of scheme assets	2012/13 £000	2013/14 £000
Opening fair value of scheme assets	57,847	65,548
Interest on assets	2,648	2,803
Return on assets less interest	5,692	2,501
Other actuarial gains/losses	-	(2,285)
Administration expense	(51)	(55)
Contributions from employer	2,828	3,015
Contributions from scheme participants	579	585
Estimated benefits paid plus unfunded net of transfers in	(3,995)	(4,343)
Closing Value of scheme assets	65,548	67,769

Reconciliation of the movements in defined benefit obligation	2012/13 £000	2013/14 £000
Opening Defined Benefit Obligation	107,488	118,075
Current Service Cost	2,126	2,355
Interest Cost	4,867	5,006
Change in Financial Assumptions	6,942	2,419
Change in Demographic assumptions	-	2,655
Experience loss/gain on defined benefit obligation	68	(4,321)
Estimated benefits paid net of transfers in	(3792)	(4,143)
Past service costs including curtailments	-	205
Contributions by scheme participants	579	585
Unfunded pension payments	(203)	(200)
Closing Defined Benefit Obligation	118,075	122,636

Scheme Assets

The scheme's assets consist of the following categories, by proportion of the total assets held:

	31/03/13 %	31/03/14 %
Equity investments	71	71
Gilts	0	1
Bonds	13	11
Property	8	10
Cash	4	3
Target return portfolio	4	4
Total	100	100

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2014 is estimated to be 8%. The actual return on Fund assets over the year may be different.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Kent County Council Fund liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 31 March 2013.

The principal assumptions used by the actuary have been:

	2012/13	2013/14
Expected return for year (see note below)	5.8%	8.0%
Mortality Assumptions:		
Longevity at 65 for current pensioners		
Men	20.1	22.7
Women	24.1	25.1
Longevity at 65 for future pensioners		
Men	22.1	24.9
Women	26.0	27.4
Rate of Inflation (CPI)	2.5%	2.8%
Rate of increase in salaries	4.7%	4.6%
Rate of increase in pensions	2.5%	2.8%
Rate for discounting scheme liabilities	4.3%	4.4%
Take-up of option to convert annual pension into retirement lump sum	50%	50%

Barnett Waddingham estimate the duration of Employers liabilities at 18 years.

Return on Assets

For accounting years beginning on or after 1 January 2013, the expected return and the interest cost has been replaced with a single net interest cost, which effectively sets the expected return to the discount rate. The discount rate is the annualised yield at the 18 year point on the Merrill Lynch AA rated corporate bond curve which was chosen by the actuaries to meet the requirements of IAS19.

Sensitivity Analysis

The estimation of the defined Benefit Obligation is sensitive to actuarial assumptions. The financial impact on the Defined Benefit Obligation in the scheme to variances in those assumptions are given in the following table. These assumptions are based on the present value of total obligation of £122.6m.

	£000 Increase of +0.1%	£000 Decrease of 0.1%
Adjustment to discount rate	2,208	2,309
Adjustment to long term salary increase	2,258	2,258
Adjustment to pensions increases and deferred revaluation	2,310	2,207
Adjustment to mortality age rating assumptions	2,181	2,336

Projected Pension Expense for the year to 31 March 2015

	2014/15 Projection £000
Service Cost	2,258
Net interest on the defined liability	2,355
Administration expense	57
Total	**4,670**
Employer Contributions	**2,708**

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

The authority participates in the Local Government Pension Scheme, administered by Kent County Council. This is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

36. Contingent Liabilities

Sevenoaks District Council is a defendant in proceedings brought by a group of Property Search Companies for refunds of fees paid to the Council to access land charges data. In the current litigation the Council faces a claim of £57k. plus interest and costs. A second group of Property Search Companies are also seeking to claim refunds although no proceedings have yet been issued. The Council has been informed that the value of those claims at present is not expected to exceed £10k plus interest and costs. The second group of Property Search Companies have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be as against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

The Council has made a provision for its share of NDR appeals based on its best estimates of the actual liability as at the year end for known appeals. It is not possible to quantify appeals that have not yet been lodged with the Valuation Office, so there is a risk to the Council that these may have a future impact on the accounts.

37. Contingent Assets

The Council transferred the remaining part of its housing stock to Moat Housing Association in 1993. When Shared Ownership Lessees purchase further equitable shares in their property the Council receives the proceeds of purchasing the further share, less certain costs. This contingent asset applies for a period of 30 years commencing in 1993.

38. Heritage Assets

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies for Property, Plant and Equipment as set out in Note 1o.

At present the Council has no material heritage assets and these are valued for insurance purposes only.

THE COLLECTION FUND
INCOME AND EXPENDITURE ACCOUNT 2013/14

This statement represents the transactions of the Collection Fund, a statutory fund separate from the General Fund of the Council. The Collection Fund accounts independently for income and expenditure relating to Council Tax and Non-Domestic Rates on behalf central government, precepting authorities and the Council's own General Fund. The costs of administering collection are accounted for in the General Fund and the Collection Fund balance sheet is incorporated into the Council's consolidated balance sheet.

2012/13 Council Tax £000	2012/13 NNDR £000		Note	2013/14 Council Tax £000	2013/14 NDR £000	2013/14 Total £000
		Income				
70,024		Billed to Council Tax Payers	1	71,919		71,919
6,655		Council Tax Benefits				
	34,692	Income from Business Ratepayers	2		35,178	35,178
176		Reduction in Bad Debts Provision		293		293
76,855	34,692			72,212	35,178	107,390
		Expenditure				
		Precepts & Demands:				
53,290		Kent County Council		49,301	3,031	52,332
7,053		Police & Crime Commissioner for Kent		6,656		6,656
3,456		Kent & Medway Fire & Rescue Authority		3,197	337	3,534
9,251		Sevenoaks District Council		8,728	13,471	22,199
3,402		Town & Parish Councils		3,322		3,322
		Business Rates:				
	34,520	Payments to National Pool				
		Payments to Government			16,838	16,838
	172	Cost of Collection Allowance			170	170
		Transitional Protection			53	53
		Bad and Doubtful Debts:				
349		Provision for Non Payment		501	54	555
		Provision for Appeals			2,267	2,267
306		Write Offs		339	443	782
-		Contribution towards Previous Year's estimated Collection Fund surplus	3	-	-	-
77,107	34,692			72,044	36,664	108,708
(252)	-	(DEFICIT)/SURPLUS FOR YEAR	3		(1,486)	(1,318)
		COLLECTION FUND BALANCE				
(324)	-	Balance at beginning of year		(576)	-	(576)
(252)	-	(Deficit)/Surplus for year		168	(1,486)	(1,318)
(576)	-	BALANCE AT END OF YEAR	4	(408)	(1,486)	(1,894)

Note 1 Council Tax

Council tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands estimating 1 April 1991 values for this specific purpose. A different ratio is applied to a small number of properties in band A that have been adapted for use by a disabled person. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Kent County Council, the Police and Crime Commissioner for Kent, Kent & Medway Fire and Rescue Authority and the District Council for the forthcoming year and dividing this by the 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). This gives rise to the basic amount of council tax for a band D property. Taxes for other bands are derived by applying the ratio in the following table to the band D tax.

The tax base for 2013/14 was approved by Cabinet in January 2013 as follows:

	2012/13			2013/14		
Band	Estimated no. of taxable properties	Ratio	Band D equivalent dwellings	Estimated no. of taxable properties	Ratio	Band D equivalent dwellings
A*	1.50	5/9ths	0.83	1.50	5/9ths	0.83
A	1,305.95	6/9ths	870.63	956.50	6/9ths	637.52
B	2,534.50	7/9ths	1,971.28	1,722.00	7/9ths	1,339.10
C	9,241.75	8/9ths	8,214.89	7,539.50	8/9ths	6,701.93
D	10,510.60	9/9ths	10,510.60	9,481.50	9/9ths	9,481.01
E	6,565.85	11/9ths	8,024.93	6,330.75	11/9ths	7,737.68
F	5,324.85	13/9ths	7,691.45	5,250.25	13/9ths	7,583.20
G	6,885.05	15/9ths	11,475.08	6,918.00	15/9ths	11,530.36
H	1,170.10	18/9ths	2,340.20	1,186.50	18/9ths	2,372.94
	43,540.15		51,099.89	39,386.50		47,384.57
Collection rate adjustment			99.5%			99.3%
Council Tax Base			50,860.03			47,052.88

This reduction between financial years is as a result of the Government's Council Tax Localisation changes which changed the way Central Government pays Council Tax benefit compensation to the Council. In 2013/14, the local government finance regime was revised and Council Tax Benefit grant is no longer received by the Council. This has been replaced by a Council Tax Reduction Scheme which is administered in each authority and reflected in its tax base.

The tax rate for a band D property in 2013/14 was £1,442.69, excluding Town and Parish Council taxes (2012/13 = £1,436.30).

	2012/13	2013/14
	£	£
Kent County Council	1,047.78	1,047.78
Police & Crime Commissioner for Kent	138.68	141.47
Kent & Medway Fire & Rescue Authority	67.95	67.95
Sevenoaks District Council	181.89	185.49
	1,436.30	1,442.69
Town & Parish Councils (Average)	66.89	70.61
TOTAL (including an average town & parish rate)	**1,503.19**	**1,513.30**

Note 2 National Non-Domestic Rates (NDR)

NDR is organised on a national basis. For 2013/14, the Government specified a standard rate in the pound of 47.1p (45.8p in 2012/13) for large businesses and 46.2p (45.0p in 2012/13) for small businesses. Subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from the ratepayers in its area.

In 2013/14, the administration of NDR changed following the introduction of a business rates retention scheme which aims to give Councils a greater incentive to grow businesses but also increases the financial risk due to volatility and non-collection of rates. Instead of paying NDR to the central pool, local authorities retain a proportion of the total collectable rates due. In the case of Sevenoaks the local share is 40%. The remainder is distributed to precepting authorities and in the case of Sevenoaks these are Central Government (50%), Kent County Council (9%) and Kent & Medway Fire & Rescue Authority (1%). When the scheme was introduced, Central Government set a baseline level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to Central Government are used to finance the top ups to those authorities who do not achieve their targeted baseline funding.

According to the rating list, the total non-domestic rateable value at 31 March 2014 was £89,285,806 (31 March 2013 = £90,350,904).

Note 3 Contributions to Collection Fund surpluses and deficits

In January each year the Council must estimate the amount of the surplus or deficit expected to arise on the Collection Fund for the coming 31 March in respect of council tax and, from the financial year 2013/14 onwards, in respect of NDR. The estimated surplus or deficit is then shared between Kent County Council, the Police and Crime Commissioner for Kent, Kent & Medway Fire & Rescue Authority, Central Government and the District Council as appropriate.

In January 2013, the estimated balance at 31 March 2013 in respect of council tax transactions was zero. Had there been an estimated surplus or deficit, it would have been shared between Kent County Council, the Police and Crime Commissioner for Kent, Kent & Medway Fire & Rescue Authority and the District Council in proportion to their precepts on

the Collection Fund in 2012/13 and taken into account by the respective authorities in the calculation of their council taxes for 2013/14. The actual position at 31 March 2013 was a deficit of approximately £576,000.

The actual deficit of £408,000 at 31 March 2014 in respect of council tax and the actual deficit of £1,486,000 in respect of NDR will be taken into account when estimating the surplus or deficit for 2014/15.

Note 4 Allocation of arrears, prepayments and other balances

Each of the bodies share of the arrears, pre-payments/refunds and other balances for both council tax and NDR is shown in the table below

		KCC £000	PCC £000	KMFRA £000	Gov't £000	SDC £000	Total £000
2012/13	Council Tax:						
	Arrears	2,400	324	156		587	3,467
	Provision for Bad Debts	(1,715)	(232)	(111)		(419)	(2,477)
	Prepayments & Refunds	(1,095)	(148)	(71)		(268)	(1,582)
	Cash	11	2	1		3	17
	(Surplus)/Deficit	399	54	26		97	576
	NNDR:						
	Central Pool				(1,791)		
	Arrears				1,759		
	Provision for Bad Debts				(823)		
	Prepayments & Refunds				(793)		
	Cash				1,648		
	Total	0	0	0	0	0	0
2013/14	Council Tax:						
	Arrears	2,400	324	156		590	3,470
	Provision for Bad Debts	(1,857)	(251)	(121)		(456)	(2,685)
	Prepayments & Refunds	(1,257)	(170)	(81)		(309)	(1,817)
	Cash	432	58	28		106	624
	(Surplus)/Deficit	282	38	19		69	408
	NDR:						
	Arrears	147		16	817	653	1,633
	Provision for Bad Debts	(79)		(9)	(438)	(351)	(877)
	Provision for Appeals	(204)		(23)	(1,133)	(907)	(2,267)
	Prepayments & Refunds	(96)		(11)	(536)	(429)	(1,072)
	Cash	99		11	548	439	1,097
	(Surplus)/Deficit	134		15	743	595	1,486
	Total	0	0	0	0	0	0

GLOSSARY OF TERMS

Most terms are explained within the "Explanatory Foreword" and "Statement of Accounting Policies" sections of the accounts

Accounting Period. The period of time covered by the accounts, normally 12 months starting on 1st April for Local Authority accounts.

Accrual. Item relating to, and accounted for in, one accounting period but actually paid in another.

Actual. The final amount of expenditure or income which is recorded in the Council's accounts.

Agency and Contracted Services. Services purchased from another public body or external organisation and subject to a contract. Includes the services provided by Direct Services.

Budget. A statement of the Council's plans for net revenue and capital expenditure over a specified period of time.

Budget Requirement. Broadly the authority's estimated net revenue expenditure after allowing for movement in reserves and the addition of parish precepts, to be met from revenue support grant, redistributed non-domestic rates and council tax income.

Capital Expenditure. The acquisition, construction, enhancement or replacement of tangible fixed assets (i.e. land, buildings, structures etc.), the acquisition of investments and the making of grants, advances or other financial assistance towards expenditure by other persons on tangible fixed assets or investments.

Capital Financing Requirement. The difference between Capital Expenditure and the resources available to finance such expenditure from grants/contributions, capital receipts or revenue funds. This indicates the fundamental requirement to borrow.

Capital Programme. The capital projects the Council proposes to undertake over a set period of time.

Capital Receipts. Money obtained on the sale of a capital asset.

CLG. Department for Communities and Local Government

Collection Fund. The fund into which council tax and non-domestic rates are paid, and from which we meet demands by preceptors and payments to the non-domestic rates pool.

Contingent Liabilities. Contingent liabilities are either:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the organisation's control, or

(b) a present obligation that arises from past events but is not recognised because:

(i) it is not probable that a transfer of economic benefits will be required to settle the obligation, or

(ii) the amount of the obligation cannot be measured with sufficient reliability.

Corporate and Democratic Core. Costs involved in corporate policy making, representing local interests (including civic ceremonials), support to elected bodies and duties arising from public accountability.

Cost Centre. An individual unit to which items of income or expenditure are charged for managerial or control purposes.

Council Tax. A local tax set by Councils to help pay for local services. There is one bill per dwelling based on its relative value compared to others in the area. There are discounts, including where only one adult lives in the dwelling. Bills will also be reduced for properties with people on low incomes, some people with disabilities and some other special cases.

Council Tax Base. The measure of the taxable capacity of an area. It represents the estimated full year equivalent number of chargeable dwellings in an area, expressed as the equivalent number of band D dwellings, after allowing for disabled reduction (relief) and discounts, adjusted for an allowance for non-collection.

Creditors. People or organisations from whom we have received goods or services and as a consequence owe money.

Debtors. People or organisations who owe money to the Council.

Deferred Capital Receipts. Capital Receipts which will accrue in the future, such as mortgage repayments.

Depreciation. A charge to a revenue account to reflect the reduction in the useful economic life of a fixed asset.

DfT. Department for Transport.

DWP. Department for Work and Pensions.

Employee Costs. This includes the full costs of employees including salaries, employers contributions to national insurance and superannuation, and the costs of leased cars.

Fees and Charges. In addition to income from council tax payers, business ratepayers and the government, local authorities charge for some services, e.g. local land charge searches and car parking.

General Fund. The main revenue fund of the Council from which payments are made to provide services and into which receipts are paid, including the District Council's share of council tax income.

Government Grants. Payments by government towards either the revenue or capital cost of local authority services. These may be either in respect of particular services called specific grants, e.g. housing benefits, or in aid of local services generally, e.g. revenue support grant.

Heritage Assets. Heritage assets are tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities held and maintained principally for their contribution to knowledge and culture.

Impairment. A downward revaluation of an asset.

KCC. Kent County Council.

Leasing. A method of financing the acquisition of equipment, vehicles etc. The items concerned do not belong to the user (or lessee) but are the property of the lessor to

whom the lessee pays an annual rental for a specific period of time.

MBC. Maidstone Borough Council.

Non-Domestic Rate (NDR). (2012/13 NNDR National Non Domestic Rate) Non-domestic rates are levied on business properties based on the rateable value of the property multiplied by a rate in the pound set nationally by the Government. Local authorities retain a proportion of the total collectable rates. In the case of Sevenoaks, the District Council retains 40%, Kent County Council 9% and Kent & Medway Fire & Rescue Authority 1%. The other 50% is passed to Central Government.

Precept. The demand on the collection fund by one authority (e.g. Kent County Council) which is collected from the council tax payer by another (e.g. Sevenoaks). Precepts on Sevenoaks are also made by the Police and Crime Commissioner for Kent, Kent & Medway Fire & Rescue Authority, plus Town and Parish Councils in the District.

Premises Expenses. Includes expenditure on repairs, buildings, grounds and plant maintenance, energy, rents, rates, water services and cleaning of council buildings.

Provisions. Funds to provide for liabilities or losses which are known obligations, but are uncertain as to amounts or dates.

Recharges. The transfer of costs from one account to another.

Reserves. The general capital and revenue balances of the Council. There are two types of reserves which might be described as either available or not available to finance expenditure. Revenue reserves which result from monies being set aside, surpluses or delayed expenditure can be spent or earmarked at the discretion of the Council. The usable capital receipts reserve is also available to the extent allowed for by statute. However, other capital reserves are not available to meet expenditure, e.g. the reserves brought about by the new capital accounting system namely the capital adjustment account and the revaluation reserve.

Revenue Expenditure. Expenditure to meet the continuing cost of services including wages and salaries, purchase of materials and financing charges on capital expenditure.

Revenue Support Grant (RSG). The general Government grant to local authorities. It is payable to all local authorities in support of expenditure in their area.

Revised Estimates. The approved estimates for the current year as amended e.g. by supplementary estimates and virement.

Specific Grant. Government grant for specific purposes. The Authority does not have the power to apply such grants for other purposes

Supplies and Services. Includes expenditure on equipment and materials.

Support Services. The charges made by central functions for the services they provide to other departments. These are services which support the provision of services to the public, other support services and the corporate and democratic core. This includes the provision of accommodation, IT, administrative items purchased centrally, (e.g. telephones, stationery and bank charges), central professional services (Human Resources, Legal and Property, and Financial Services support) and the cost of providing some centrally provided services e.g. post distribution and contact centre.

Transfer Payments. Payments to other bodies where no goods or services are received in return e.g. Housing Benefit grants.

TWBC. Tunbridge Wells Borough Council.

Valuation Bands. To calculate the relative value of dwellings for council tax purposes each dwelling is placed on a valuation list in one of eight bands ranging from A to H. Within a local area, the Council tax will vary between the different bands according to proportions laid down by law. The bands are based on property values as at April 1991.

Band	Value		Proportion
A	Up to £40,000		6/9
B	Over £40,000	and up to £52,000	7/9
C	Over £52,000	and up to £68,000	8/9
D	Over £68,000	and up to £88,000	9/9
E	Over £88,000	and up to £120,000	11/9
F	Over£120,000	and up to £160,000	13/9
G	Over£160,000	and up to £320,000	15/9
H	Over£320,000		18/9

Virement A transfer of budget provision from one budget to another.