

Swale Borough Council

**Swale Borough Council  
Annual Financial Report  
(including the Statement of Accounts)  
for the year ended 31 March 2014**

# Swale Borough Council

## Our Purpose

Our overarching purpose is making Swale a better place.

## Our Corporate Priorities

### Embracing Localism

This priority is about how we are helping Swale's communities to take advantage of the Government's aim of devolving power over local problems away from Whitehall and down to the local people who are best placed to know how to solve them. The intention is to reinvigorate the grassroots of our society, pruning back the state and encouraging greater personal and community responsibility for the wellbeing of people and places.

### Open for Business

This priority is about working with our private and public sector partners to create the conditions for growth and to promote a positive image for the Borough in attracting inward investment.

### Healthy Environment

This priority is about our responsibility to nurture the place that is Swale, both as a geographical area and as a community. Council activities in fields as diverse as town planning, community safety and regulatory services all have a significant impact on the quality of the physical environment and the health and wellbeing of the population. Swale's residents consistently rank low crime, clean streets and good health services as the three most important things in making an area a good place to live.

## Our Values

- **Fairness** - being objective to balance the needs of all those in our community
- **Integrity** - being open, honest and taking responsibility
- **Respect** - embracing and valuing the diversity of others
- **Service** - delivering high quality, cost effective public service
- **Trust** - delivering on our promises to each other, customers and our partners

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### About This Report

Swale Borough Council's Annual Financial Report for 2013/14 provides a record of how we have used our financial resources. Our accounts and all relevant documents are subject to review by Grant Thornton UK LLP – our external auditors.

Swale Borough Council provides a wide range of services, such as waste collection, recycling, street cleansing, parking, planning, leisure, homelessness support, recreation, housing benefit and environmental health. We cover an area of 141 square miles; have 137,700 residents and 47 councillors.

### The Annual Financial Report

The Annual Financial Report has the following sections:

- this explanatory foreword which gives a background to our financial performance;
- the Statement of Accounts – see below;
- a glossary to explain any technical terms used in the report;
- an annual governance statement showing how we meet set standards when carrying out our responsibilities; and
- a report from Grant Thornton after they have reviewed the Council's accounts.

### The Statement of Accounts

The Statement of Accounts provides a record of the Council's financial position and performance for the year to 31 March 2014. It has been prepared in line with the Accounts and Audit Regulations (England) 2011. The format meets the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (the Code) and the Service Expenditure Reporting Code of Practice 2013/14 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

The Statement of Accounts appears on pages 11 to 73. Our "core financial statements" are listed below along with a brief explanation of their purpose:

**Movement in Reserves Statement** (page 11) - shows the movement on all our reserves (funds set aside) due to the increase or decrease in our net worth as a result of our spending, the income we received and changes in the value of our assets.

**Comprehensive Income & Expenditure Statement** (CI&ES) (page 12) - shows all of our spending, income and changes in value in providing our services during the year.

**Balance Sheet** (pages 13 & 14) - summarises our financial position at 31 March each year. Page 13 shows the assets (what we own) we hold and our liabilities (what we owe) to other parties. Page 14 shows our reserves, separated into those we can use for future spending (usable reserves) and those created to reconcile the technical aspects of accounting (unusable reserves).

**Cash Flow Statement** (page 15) - summarises the cash that moved into and out of our bank accounts over the financial year.

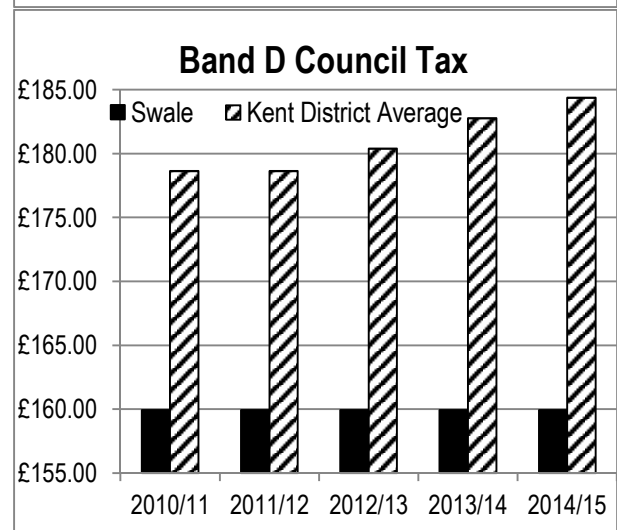
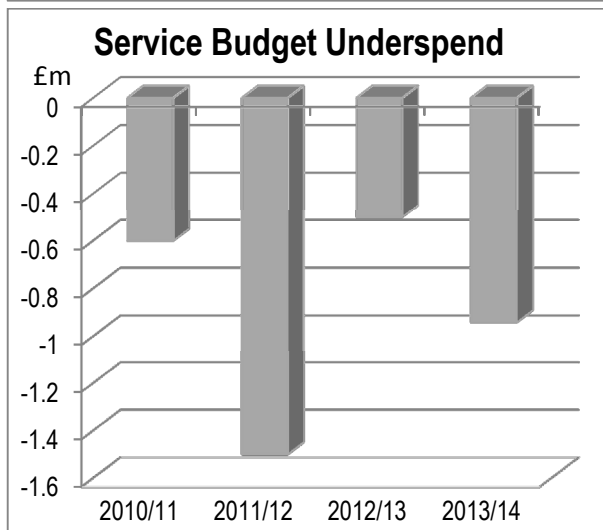
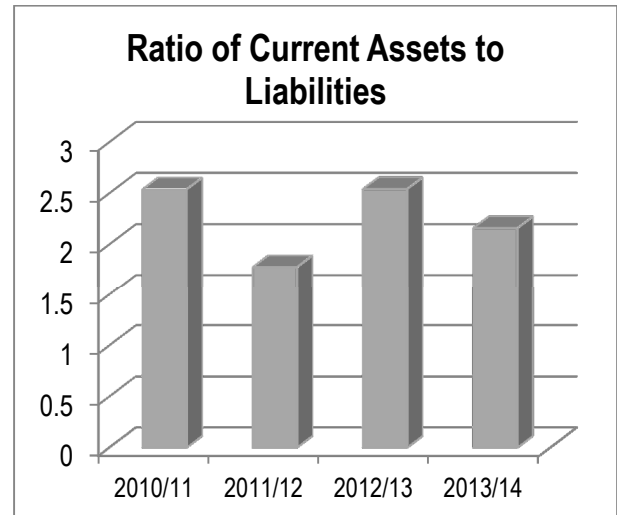
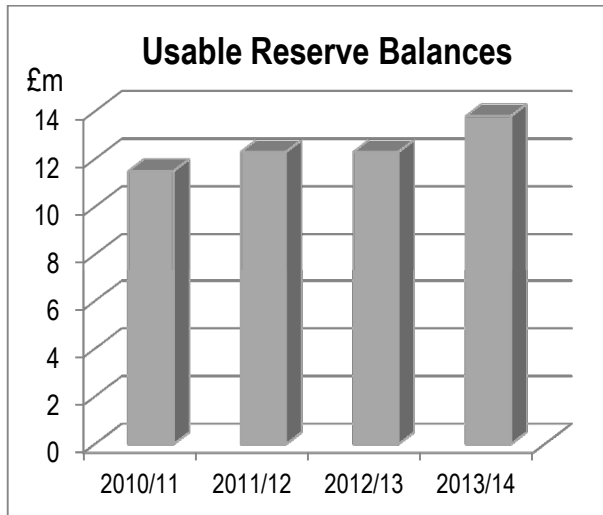
**Accounting Policies** (page 16) - sets out the policies we adopted for drawing up the various accounting statements.

### Swale Borough Council

This purpose of the next few pages of this foreword is to introduce the Council's finances, help the reader to understand its financial position and explain the main issues affecting the Council.

## Annual Financial Report – Explanatory Foreword

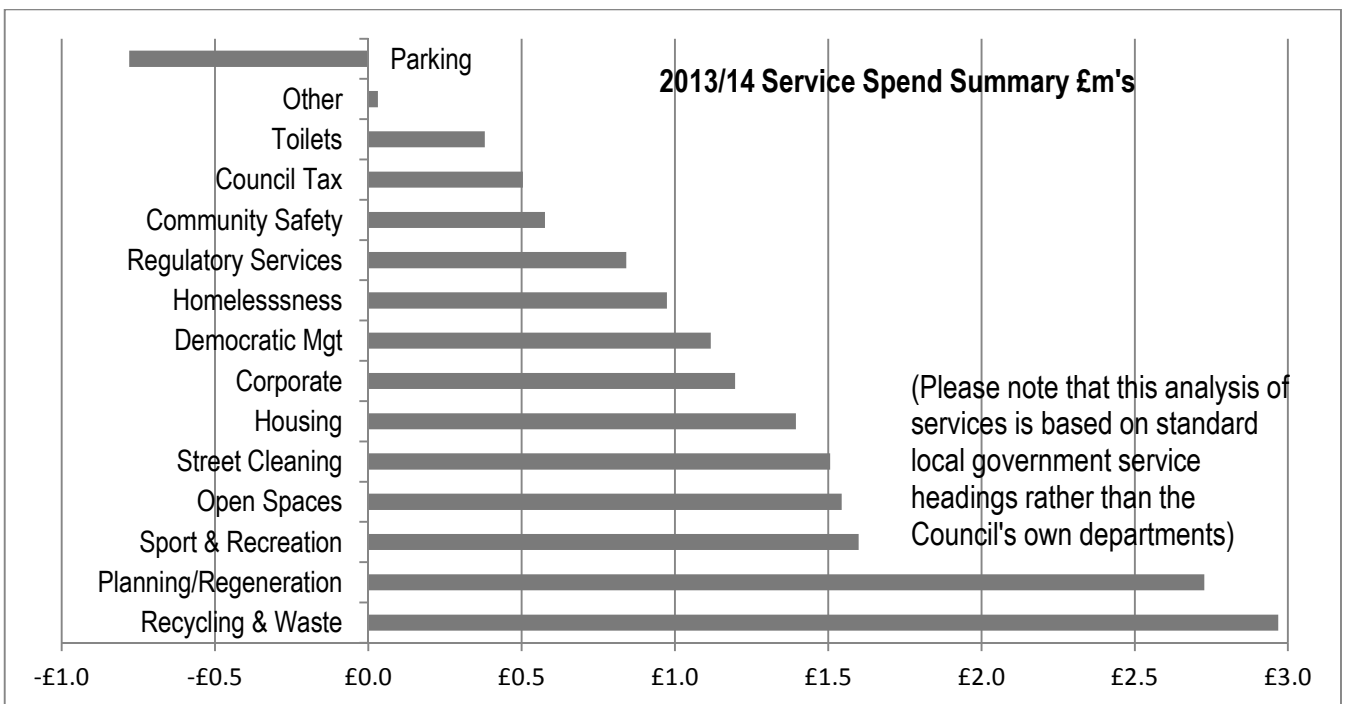
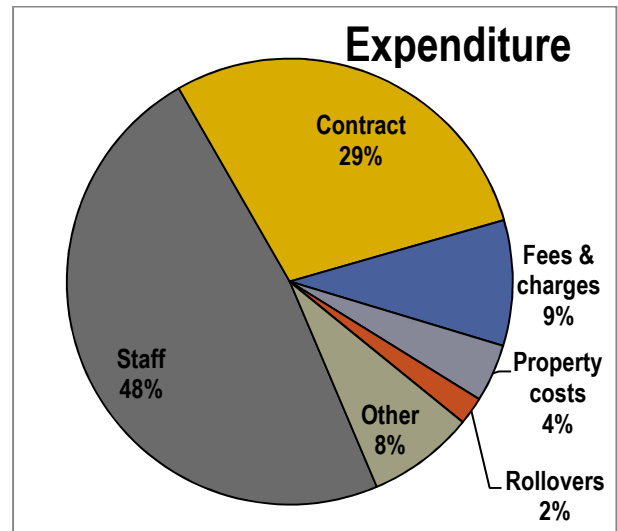
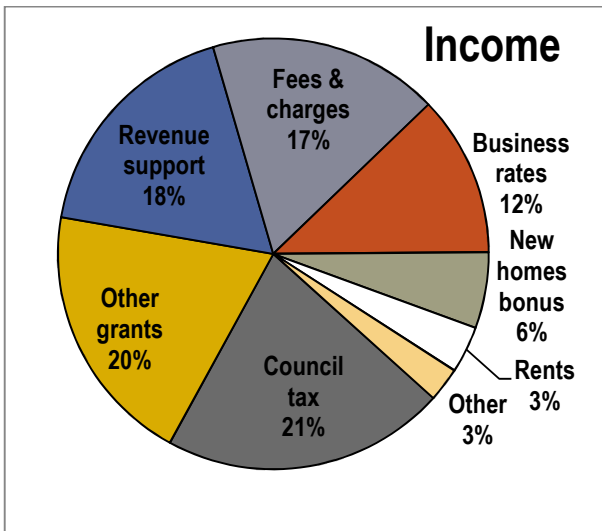
### Key Indicators of Financial Performance



### Other Financial Performance Indicators

	2013/14	2012/13
Budget Savings Targets	£0.6m	£1.5m
Council Tax Collection Rate	97.4%	97.7%
Business Rates Collection Rate	97.3%	96.6%
Council Tax receivable	£60.2m	£58.2m
Business Rates receivable	£41.7m	£37.6m
Total number of employees full time equivalents	281.68	290.38
Employee costs	£12.9m	£12.9m
Contract costs	£6.9m	£7.0m
Usable Reserves	£13.8m	£12.3m
Short-term debtors	£3.6m	£5.1m
Return on investments	0.55%	0.51%
Parking income	£(2.2)m	£(2.2)m
Planning income	£(0.7)m	£(0.6)m
Housing Benefits paid	£55.2m	£54.1m

## Annual Financial Report – Explanatory Foreword



### How We Performed

2013/14 was the penultimate year of our current Corporate Plan, and we are now further along the road towards our priorities of 'Embracing Localism', being 'Open for Business' and creating a 'Healthy Environment'. The year saw further community asset transfers agreed (Kemsley Hall and Queenborough allotments), enabling local people to take responsibility for the management of facilities and services which matter to our community. We have worked hard to foster a return to economic growth within the Borough.

The Council continues to monitor its performance against a range of key performance indicators, and where possible, to benchmark our performance with that of other local authorities. Comparator datasets are available for around half of the Council's performance indicators. Of these, based on the comparator data, just over two-fifths (42%) of our indicators fell into the best quartile nationally at the end of 2013/14, with a further 20% above the median. The remaining 38% were performing below the median. Some 56% of residents said in 2013 that they were satisfied with the way the Council runs services locally, a significant year-on-year improvement over 2012 (45%), 2011 (42%) and 2010 (39%).

The Council publishes a report each month showing progress towards meeting targets for key performance indicators. This is available on the council website at <http://www.swale.gov.uk/Monthly-performance-monitoring/>. Our Corporate Plan can be found on our website: <http://www.swale.gov.uk/corporate-plan/>.

## Annual Financial Report – Explanatory Foreword

### Sickness Performance

During the period April 2013 to March 2014 a total of 1,678 full time employee days were lost to sickness absence, which equates to 2.29% of the total working days available. This is lower than the same period last year, in which 1,821 full time employee days were lost due to sickness, equating to 2.51% of the total working days available.

### Personal Data Performance

The Council has a responsibility to keep the personal data it holds securely. In 2013/14 there were no reported incidents breaching this policy.

### Environmental Performance

In January 2013 we signed up to Climate Local where we have set out our targets and commitments for tackling climate change, including a year on year reduction in CO<sub>2</sub> emissions of 2.6% across the Borough. Most of our targets are on track and some have been exceeded. Each year we file our Greenhouse Gas Report which shows our progress on cutting CO<sub>2</sub> emissions from our own estate. Our procurement strategy requires that sustainability be considered.

### 2013/14 Financial Performance

There is a service revenue underspend of £941,100, including a rollover of grants.

The capital underspend for the year was £397,500 and 83% of the planned capital expenditure was spent.

We agreed savings of £0.718 million on services for 2014/15 and we have a good track record of making agreed savings. Our Revenue and Capital Monitoring reports are reviewed by our Strategic Management Team every month and by our Cabinet and Scrutiny Committee every three months. This should make sure we are in a strong position to be able to meet the expected funding gap in future years. Copies of our monitoring reports are available on our website or by contacting Democratic Services.

### Actual Spending Compared to the Budget for 2013/14

The table below shows spend against budget for our service departments:

Service	Budget 2013/14 £'000	Actual Spending 2013/14 £'000	Over or (Under) spend £'000
Commissioning & Customer Contact	7,269	6,959	(310)
Economy & Communities	1,831	1,515	(316)
Housing	1,316	1,167	(149)
Planning	1,080	926	(154)
Property	452	341	(111)
Service Delivery	360	232	(128)
Support Services	4,980	4,686	(294)
Other Variances	485	440	(45)
Revenue Rollover Grants	0	566	566
<b>Total Service Expenditure</b>	<b>17,773</b>	<b>16,832</b>	<b>(941)</b>

The table below explains the major differences between the budget forecasts and the actual money spent and income received:



## Annual Financial Report – Explanatory Foreword

Detail	Over or (Under) spend £'000	Explanation
Rollover of specific and other grants	1,016	To be agreed at Cabinet 16 July 2014.
Business rates	(450)	A shortfall of £140,000 on business rate offset by £590,000 grant to compensate the Council for small business rate relief.
Contracts	(319)	Savings on Gateway, street sweeping, public conveniences, refuse and grounds maintenance contracts.
Support services	(142)	Savings on salaries, IT equipment, bank charges, training and legal fees.
Stay Put Scheme	(139)	Unspent grants from Primary Care Trust and Warm Homes Healthy People Grant. Also underspend on salaries.
Development Control	(125)	Increased income from Planning Fees and pre-application planning fees, saving on planning appeals and on enforcement costs and other running costs.
Preceptors Council Tax Support	(125)	This is the first of a three year support grant which will be used for the 2014/15 budget as per the Medium Term Financial Plan.
Property	(112)	Savings on salaries, energy costs and additional rental income.
Community Safety	(93)	Troubled Families grant spend outstanding.
Democratic services	(85)	Savings on salaries and grants.
Rushenden Retrofit Project	(78)	Unspent grant and general underspend.
Housing Benefits and Council Tax	(73)	This is an extremely volatile budget on a gross budget of £50 million.
Government Flood Business Support	(69)	Two grants received from Central Government to help businesses with any flood damage.
Housing Options	123	Overspend on gross landlord payments.
Other	(270)	Details are in the Cabinet report 16 July 2014.
<b>Underspend in Cabinet Report</b>	<b>(941)</b>	

However, for accounting reasons, there are differences between the total spend on services shown above and the cost of services in the CI&ES (page 12) and the reasons for this are detailed below:

<b>Reconciliation to the accounts:</b>		
Total Service Expenditure in Cabinet Report	16,832	From report to Cabinet 16 July 2014.
2012/13 roll forwards	566	2012/13 roll forwards agreed by Cabinet on 10 July 2013.
Non Specific Grants	(700)	The value of Non-Specific Grants unspent at the year-end is excluded from the Cost of Services and is included within the General Fund balance in the accounts.
Accounting entries	1,528	The cost of services on the CI&ES is on an accounting basis which is different from the costs that the Government says have to be met by the taxpayer which is why there are the adjustments made before they hit the General Fund. The CI&ES on page 12 takes a wider view of financial performance than that shown in the General Fund and shows the true accounting position for the year.
<b>Cost of Services in CI&amp;ES</b>	<b>18,226</b>	

## Annual Financial Report – Explanatory Foreword

Cabinet reports can be found on the Council's website <http://www2.swale.gov.uk/dso/agendalist.asp>.

### Balance of the General Fund

Our policy is to maintain a balance of at least £1.5 million in the General Fund. The surplus of £4.6 million represents 23% of the net expenditure budget for 2013/14 and is therefore at an adequate level.

### Capital Spending

Where spending is on an asset which will benefit us over a number of years, it is called capital. It is funded mainly by government grants and capital receipts (money from selling land and other assets). The largest element of our capital spend is on our Disabled Facilities Grants (DFG), which attracted 80% funding from the government.

The tables below show the main areas of capital spending and how they were funded. More details are shown under note 38.

Capital Spending	Budget for 2013/14 £'000	Actual Spending 2013/14 £'000	Over or (Under) spend £'000	Level of Approved Rollover £'000
DFG – Partnership Funding	1,086	911	(175)	0
DFG – Council Funding	189	37	(152)	152
Thistle Hill & Easthall Farm	170	170	0	0
Sheppey Leisure Centre Roof	161	141	(20)	0
Ambleside Faversham Churchill	118	118	0	0
Financial System	97	70	(27)	27
ICT Mid Kent Improvement Partnership	59	62	3	0
Rushenden Affordable Housing	60	60	0	0
Toilets	0	59	59	0
Iwade Play Area	92	0	(92)	92
Other	310	317	7	101
<b>Total</b>	<b>2,342</b>	<b>1,945</b>	<b>(397)</b>	<b>372</b>

Capital Funding	2013/14 £'000
<b>Total Capital Spending</b>	<b>1,945</b>
<b>Source of Funding:</b>	
Capital Receipts	145
Capital Grants & Other Contributions	1,535
Earmarked Reserves	265
<b>Total Capital Funding</b>	<b>1,945</b>

We plan to spend £3.3 million in the future on capital of which £0.3 million will be funded from our own resources with the rest being paid for from external contributions.

A detailed report on the revenue and capital outturn for 2013/14 will be presented to the Cabinet on 16 July 2014 and to the Scrutiny Committee on 23 July 2014. The Cabinet will be asked to approve the rollover of capital budgets of £372,000 and of revenue budgets of £566,000.

We did not buy any material assets or run up significant liabilities in 2013/14. However, we did receive £725,000 from the sale of land in Sittingbourne.

### Future of the Council

#### Future Financial Strategy

The Local Government Finance Settlement reductions in funding for Swale were in line with our assumptions – our Settlement Funding Assessment is down 13.6% in 2014/15 and 15.7% in 2015/16. Our Revenue Spending Power is a reduction of 3.6% in 2014/15 and 4.2% in 2015/16.

The Council has held the level of council tax and has accepted Government Council Tax Freeze Grants to contain the tax burden on the local community.

From 1 April 2013 business rates were localised. Fifty per cent of business rates collected are passed over to the Government and the remainder split between the Council, Kent County Council (KCC) and Kent Fire and Rescue Service (KF&RS). Broadly 50% of any growth, or loss, from 1 April 2013 base point is retained locally with 80% being kept by the Council. A highly complex system of tariffs, levies and safety rates applies. Overall the localisation of business rates is favourable to the Council and can be linked directly with our approach to regeneration.

The Medium Term Financial Plan (MTFP) is a forecast of the financial position over the next three years to aid the Council in meeting its objectives as set out in the Corporate Plan. The MTFP is underpinned by the following principles:

- achieving a balanced budget position with the base budget requirement being met from core income;
- reserves being used to fund one-off cost pressures;
- accepting Council Tax Freeze Grant in 2014/15; and
- a prudent forecast for business rates.

2014/15 appears to be a year of transition as we start to understand better the true and full impact on the Council's finances of the localisation of business rates.

The Council's priorities for the use of available capital funds will be:

- projects which support the Council's localism agenda;
- earmarked receipts related to specific projects e.g. Section 106 monies (i.e. received from developers);
- minimum fulfilment of legal duties e.g. Disabled Facilities Grants (DFG);
- essential life and death maintenance work e.g. Health and Safety; and
- essential remedial expenditure on the Council's IT systems.

The Council should on balance remain free from external borrowing and not undertake borrowing to fund capital expenditure, apart from exceptional circumstances which would be the subject of a full report to Cabinet.

The 2014/15 Budget Book can be obtained from our website using the following link:

<http://www.swale.gov.uk/revenue-budget-and-capital-programme/>.

#### Potential Future Costs to the Council

There are a few items which are not in the accounts but which could possibly result in future costs to the Council. These are detailed in the "Contingent Liability" note and relate to past insurance commitments, legal proceedings concerning property searches and failing to meet a European Union Air Quality Directive.

#### Future Performance

There are a number of trends and factors which are likely to affect the future development and performance of the Council and these are:

- regeneration of Sittingbourne town centre;
- the dependence on business rate income;
- the national target for eliminating the deficit which will mean continuing financial pressure on local authorities;
- the sizeable workforce "skills gap" in the Swale area; and
- localism such as transferring Council owned assets to community groups to run them.

### Future Risks and Uncertainties

We prepare and maintain a Strategic Risk Register to identify and manage the most important risks to the delivery of our objectives and our reputation. Having identified the key strategic risks we monitor what actions we are taking to mitigate and minimise their impact on what we do. Progress on the risks will be reported regularly to meetings of the Cabinet to ensure that we continue to move forward to achieve our strategic objectives by addressing those risks that might otherwise move us off course. Managing the risks that we face well will help to ensure that we continue to provide good, resilient, services despite our reduced capacity. The five main risks identified were:

- the impact of welfare reform and wider economic pressures;
- delivering our regeneration ambitions;
- achieving a balanced budget 2014/15 to 2016/17;
- modernising and transforming the way we do business; and
- safeguarding people.

If you would like a copy of the latest Strategic Risk Register, please see the Cabinet agenda for 29 May 2014 <http://www2.swale.gov.uk/dso/viewagenda.asp?UID=1772>.

### New Accounting Policies in 2013/14

There have been two significant changes to our accounting policies for 2013/14:

- Collection Fund: to reflect the localisation of business rates; and
- Employee Benefits: to reflect the new accounting requirements concerning termination benefits and pension costs.

Further details on these changes can be found in the “Accounting Policies” section.

### Transparency of Our Spending

The Government has promoted how local authorities make information on senior staff salaries and payments to creditors available to the public. This information can be found on our website at: <http://www.swale.gov.uk/transparency/>.

By law, all Councillors must fill in a Declaration of Members’ Interest form to register their financial or other interests. The Monitoring Officer maintains the full Register. The public can make an appointment to inspect it during normal office hours or can see it on our website: <http://www.swale.gov.uk/register-of-interests/>.

### Material Events after the Reporting Date

There have not been any material events after the date the accounts were authorised for publication.

### Paying for Pensions

We are a member of the Local Government Pension Scheme (LGPS) which KCC runs on our behalf. In the Statement of Accounts pension costs are based on a forecast by an actuary (a professionally qualified independent person appointed to value the pension fund and therefore set contribution rates) of the cost of providing retirement benefits rather than the payments made to the pension fund. The pension deficit has increased from £43.4 million at 31 March 2013 to £51.9 million at 31 March 2014 mainly because of an increase in the assumed life expectations of retirees.

The level of our contributions to the pension fund is set by our actuary every three years and is based on the pension fund’s investment strategy. See note 10 for more information. Reports on the Kent Pension Fund are available from: Kent County Council, Treasury and Investments, Room 2.53, Sessions House, County Hall, Maidstone, Kent ME14 1XQ or by using the following link: [http://www.kentpensionfund.co.uk/investments/report\\_and\\_accounts.aspx](http://www.kentpensionfund.co.uk/investments/report_and_accounts.aspx).

### Treasury Management

Treasury management is how we invest our surplus funds. We meet government and accounting requirements on treasury management which emphasise the security of funds. The policy is to avoid unnecessary risk so we

## Annual Financial Report – Explanatory Foreword

only put money with the safest and most secure financial institutions and a number of very large wide-ranging money market funds (these are well rated, highly diversified pooled investment vehicles). Despite returns of less than 1%, our view is that we have no option but to be highly cautious in what are still unstable financial markets as protecting our financial reserves is the most important issue.

Our total investment averaged £21 million during 2013/14 (£20 million for 2012/13) and closed at £18 million at 31 March 2014. We achieved a return of 0.55% for 2013/14 (0.51% for 2012/13) amounting to £121,000 (£100,000 in 2012/13). The increase compared to the previous year is due mainly to improved rate returns and increase in cash flow.

We do not borrow any money to pay for capital spend.

### Collection Fund

We collect council tax on behalf of KCC, Police, Fire and Parishes, and business rates for the Government, KCC and Fire, which is recorded in the collection fund. At the year-end, this account had a surplus balance of £1,006,000, compared with the estimate in January 2014 of £990,400, which we took into account when setting the council tax for 2014/15. The difference can be attributed to cautious forecasts of the amounts we manage to collect and the number of people paying council tax.

### Further Information

You can get more information about the accounts from [finance@swale.gov.uk](mailto:finance@swale.gov.uk). You have the right in law to inspect the accounts for 20 working days before the audit is completed. The inspection dates are between 28 July and 23 August 2014 inclusive. From 26 August until the conclusion of the audit process, if you live in the Borough of Swale, you (or a representative for you) may object to the Council's accounts asking that the auditor issue a report in the public interest and/or apply to the court for a declaration that an item in the accounts is contrary to law. Written notice of a proposed objection and the grounds on which it is made must be sent to the auditor at their address - Andy Mack, Engagement Lead (Director), Grant Thornton UK LLP, Grant Thornton House, Melton Street, London NW1 2EP - and copied to myself at the Council. The availability of accounts for inspection has been advertised in the local press, the Council website and Council offices. More details are available from the Council website: <http://www.swale.gov.uk/statement-of-accounts/>.

**Nick Vickers B.Sc (Econ), CPFA**  
**Head of Finance**

**30 June 2014**

## Statement Of Responsibilities

### 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 Head of Finance;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

### The Head Of Finance's Responsibilities

As the Head of Finance, I am 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, I have:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority Code;
- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I confirm that the accounts present a true and fair view of the financial position of the Authority at the reporting date and its income and expenditure for the year ended 31 March 2014.

**Nick Vickers B.Sc (Econ), CPFA**  
**Head of Finance**

### Certification of the Chairman of the Audit Committee

I confirm that the adoption process for the 2013/14 Statement of Accounts has been formally completed and that the Statement of Accounts for the year ended 31 March 2014 was approved by Swale Borough Council in accordance with the Accounts and Audit Regulations (England) 2011 at the meeting of the Audit Committee on 17 September 2014.

**Councillor Patricia Sandle**  
**Chair of the Audit Committee**

## Movement In Reserves Statement – The Change In The Council’s Resources

	General Fund Balance £'000	Revenue Earmarked Reserves £'000 Note 22	Capital Receipts Reserve £'000 Note 20	Capital Grants Unapplied £'000 Note 21	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
<b>Balance as at 31 March 2012</b>	(3,816)	(7,610)	(654)	(189)	(12,269)	(6,479)	(18,748)
Restated deficit on Provision of Services 2012/13 (page 12)	2,583	0	0	0	2,583	0	2,583
Other Comprehensive Expenditure or Income 2012/13 (page 12)	0	0	0	0	0	2,539	2,539
<b>Total Comprehensive Expenditure and Income 2012/13</b>	<b>2,583</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,583</b>	<b>2,539</b>	<b>5,122</b>
Restated adjustments between accounting basis and funding basis (note 54) 2012/13	(2,511)	0	(32)	(40)	(2,583)	2,583	0
<b>Net decrease/(increase) before transfers to earmarked reserves 2012/13</b>	<b>72</b>	<b>0</b>	<b>(32)</b>	<b>(40)</b>	<b>0</b>	<b>5,122</b>	<b>5,122</b>
Transfers from/(to) earmarked reserves 2012/13 (note 22)	457	(457)	0	0	0	0	0
<b>Decrease/(increase) in 2012/13</b>	<b>529</b>	<b>(457)</b>	<b>(32)</b>	<b>(40)</b>	<b>0</b>	<b>5,122</b>	<b>5,122</b>
<b>Balance as at 31 March 2013</b>	<b>(3,287)</b>	<b>(8,067)</b>	<b>(686)</b>	<b>(229)</b>	<b>(12,269)</b>	<b>(1,357)</b>	<b>(13,626)</b>
Deficit on Provision of Services 2013/14 (page 12)	1,637	0	0	0	1,637	0	1,637
Other Comprehensive Expenditure or Income 2013/14 (page 12)	0	0	0	0	0	5,936	5,936
<b>Total Comprehensive Expenditure and Income 2013/14</b>	<b>1,637</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,637</b>	<b>5,936</b>	<b>7,573</b>
Adjustments between accounting basis and funding basis (note 54) 2013/14	(2,465)	0	(645)	(14)	(3,124)	3,124	0
<b>Net (increase)/decrease before transfers to earmarked reserves 2013/14</b>	<b>(828)</b>	<b>0</b>	<b>(645)</b>	<b>(14)</b>	<b>(1,487)</b>	<b>9,060</b>	<b>7,573</b>
Transfers (to)/from earmarked reserves 2013/14 (note 22)	(503)	503	0	0	0	0	0
<b>(Increase)/decrease in 2013/14</b>	<b>(1,331)</b>	<b>503</b>	<b>(645)</b>	<b>(14)</b>	<b>(1,487)</b>	<b>9,060</b>	<b>7,573</b>
<b>Balance as at 31 March 2014</b>	<b>(4,618)</b>	<b>(7,564)</b>	<b>(1,331)</b>	<b>(243)</b>	<b>(13,756)</b>	<b>7,703</b>	<b>(6,053)</b>

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The figures for 2012/13 have been restated to be consistent with the new requirements of the International Accounting Standard (IAS 19) on Employee Benefits.

The (surplus) or deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income & Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The "Net (increase)/decrease before transfers to earmarked reserves" line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

**Comprehensive Income & Expenditure Statement –  
Why The Council's Resources Changed**

	2013/14 Gross Expenditure £'000	2013/14 Income £'000	2013/14 Net Expenditure £'000	Restated 2012/13 Net Expenditure £'000
<b>Cost of Continuing Operations</b>				
Central Services to the Public (including Public Health)	2,076	(1,103)	973	886
Cultural & Related Services	4,793	(1,017)	3,776	4,384
Environmental & Regulatory Services	8,426	(1,861)	6,565	6,434
Planning Services	3,756	(1,029)	2,727	2,609
Highways & Transport Services	1,519	(2,246)	(727)	(780)
Housing Services	61,956	(59,583)	2,373	2,046
Corporate & Democratic Core	3,397	(1,076)	2,321	2,376
Non Distributed Costs	234	(16)	218	186
<b>Cost of Services</b>	<b>86,157</b>	<b>(67,931)</b>	<b>18,226</b>	<b>18,141</b>
<b>Other Operating Expenditure</b>				
Parish Precepts	838	0	838	784
Drainage Board Levy	324	0	324	306
Housing Capital Receipts Pool	1	0	1	9
Losses/(Gains) on disposal of non-current assets (note 18)	42	(73)	(31)	619
<b>Financing and Investment Income and Expenditure</b>				
Interest payable & similar charges	82	0	82	118
Interest receivable & similar income	9	(126)	(117)	(95)
Net interest on the net defined liability (pensions)	1,768	0	1,768	1,760
Losses/(Gains) on Trading Undertakings (note 13)	979	(605)	374	(147)
Income & expenditure - investment properties (note 34)	64	(114)	(50)	(219)
Losses/(Gains) in relation to investment properties and changes in their fair value (note 34)	672	(726)	(54)	(54)
<b>Taxation and Non-Specific Grant Income and Expenditure</b>				
Council tax	0	(7,428)	(7,428)	(8,543)
Swale share of business rates pool	0	0	0	(8,245)
Business rate income	66	(15,447)	(15,381)	0
Tariff & levy for business rates paid to Government	11,711	0	11,711	0
Recognised capital grants and contributions	0	(230)	(230)	(108)
Council tax freeze grant	0	(270)	(270)	(385)
Revenue support grant	0	(5,495)	(5,495)	(164)
New homes bonus	0	(1,763)	(1,763)	(1,107)
Localising council tax grant	0	(33)	(33)	0
Preceptors council tax support grant	0	(125)	(125)	0
Small business and empty property relief grant	0	(590)	(590)	0
Capitalisation provision and redistribution grant	0	(30)	(30)	0
Community right to challenge/community right to bid grant	0	(16)	(16)	(13)
KCC second homes grant	0	(74)	(74)	(74)
<b>Deficit on Provision of Services</b>	<b>102,713</b>	<b>(101,076)</b>	<b>1,637</b>	<b>2,583</b>
Surplus on revaluation of non-current assets (note 23)			(1,275)	(217)
Re-measurement of net defined pension liability (note 10)			7,080	2,668
Receipts from long-term debtors			131	88
<b>Other Comprehensive Income &amp; Expenditure</b>			<b>5,936</b>	<b>2,539</b>
<b>Total Comprehensive Income &amp; Expenditure</b>			<b>7,573</b>	<b>5,122</b>

The figures for 2012/13 have been restated to be consistent with the new requirements of the International Accounting Standard IAS 19 on Employee Benefits.



## Balance Sheet – The Council's Resources

	Note	31 March 2014		Restated 31 March 2013	
		£'000	£'000	£'000	£'000
<b>Property, Plant and Equipment (PPE)</b>					
Operational Assets (PPE):	30				
Land and Buildings		30,843		30,634	
Vehicles, Plant, Furniture & Equipment		1,361		1,530	
Infrastructure Assets		3,390		3,576	
Community Assets		3,218		3,322	
Leased Assets		144		629	
<b>Total Operational PPE</b>			<b>38,956</b>		<b>39,691</b>
Non-Operational Assets (PPE):	30				
Land and Buildings		4,576		4,637	
<b>Total Non-Operational PPE</b>			<b>4,576</b>		<b>4,637</b>
<b>Total Property, Plant and Equipment</b>			<b>43,532</b>		<b>44,328</b>
Assets Held for Sale	39	374		525	
Heritage Assets	33	576		398	
Investment Property		2,620		3,277	
Intangible Assets	35	141		94	
Long-Term Investments		3		3	
Long-Term Debtors	45	2,568		2,813	
			<b>6,282</b>		<b>7,110</b>
<b>Total Long-Term Assets</b>			<b>49,814</b>		<b>51,438</b>
<b>Current Assets</b>					
Inventories		2		6	
Cash and Cash Equivalents	47	19,801		10,340	
Short-Term Debtors	46	3,596		5,056	
<b>Total Current Assets</b>			<b>23,399</b>		<b>15,402</b>
<b>Total Assets</b>			<b>73,213</b>		<b>66,840</b>
<b>Current Liabilities</b>					
Short-Term Creditors	40	(8,788)		(4,572)	
S106 Deferred Revenue Receipts	41	(1,098)		(1,189)	
Revenue Grant Receipts in Advance	15	(316)		(247)	
Provisions	44	(651)		(58)	
<b>Total Current Liabilities</b>			<b>(10,853)</b>		<b>(6,066)</b>
<b>Total Assets less Current Liabilities</b>			<b>62,360</b>		<b>60,774</b>
<b>Long-Term Liabilities</b>					
Deferred Liabilities	42	(834)		(1,328)	
Liability Related to Defined Benefit Pension Scheme	10(f)	(51,927)		(43,373)	
Capital Grant Receipts in Advance	43	(3,151)		(2,377)	
Provisions	44	(395)		(70)	
<b>Total Long-Term Liabilities</b>			<b>(56,307)</b>		<b>(47,148)</b>
<b>Net Assets</b>			<b>6,053</b>		<b>13,626</b>

## Balance Sheet – The Council’s Resources

	Note	31 March 2014		Restated 31 March 2013	
		£'000	£'000	£'000	£'000
<b>Unusable Reserves</b>					
Revaluation Reserve	23	(8,572)		(7,485)	
Deferred Capital Receipts Reserve	27	(14)		(23)	
Accumulated Absences Account	28	120		134	
Capital Adjustment Account	24	(35,690)		(37,357)	
Collection Fund Adjustment Account	26	(79)		(34)	
Pensions Reserve	10	51,927		43,373	
Financial Instruments Adjustment Account	25	11		35	
<b>Total Unusable Reserves</b>			<b>7,703</b>		<b>(1,357)</b>
<b>Usable Reserves</b>					
Usable Capital Receipts Reserve	20	(1,331)		(686)	
Capital Grants Unapplied Account	21	(243)		(229)	
Earmarked Reserves	22	(7,564)		(8,067)	
General Fund		(4,618)		(3,287)	
<b>Total Usable Reserves</b>			<b>(13,756)</b>		<b>(12,269)</b>
<b>Total Reserves</b>			<b>(6,053)</b>		<b>(13,626)</b>

The figures as at 31 March 2013 for Short Term Debtors and Short Term Creditors have been restated by £110,000 to reflect a net balance for input and output VAT in accordance with the Code rather than gross figures

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.

As the responsible financial officer for Swale Borough Council, I hereby certify that these unaudited accounts give a true and fair view of the Authority’s financial position and financial performance in advance of approval.

**Nick Vickers B.Sc (Econ), CPFA**  
Head of Finance

**Date: 30 June 2014**

## Cash Flow Statement – Movement In Council’s Resources In Cash

	2013/14		Restated 2012/13
	£'000	£'000	£'000
<b>Net (Deficit) or Surplus on the Provision of Services (see CI&amp;ES)</b>		<b>(1,637)</b>	<b>(2,583)</b>
Depreciation	1,628		1,876
Impairment & downward valuations	717		(56)
Amortisation	31		28
Movement in market value of investment property and upward revaluation	8		(54)
Increase/(decrease) in creditors	3,561		(1,601)
Decrease/(Increase) in debtors	1,184		(640)
Decrease/(Increase) in impairment for bad debts	(159)		234
Decrease/(Increase) in inventories	4		(1)
Adjustments to fair value of soft loans	(24)		(41)
Movement in provisions	918		(2)
Movement in pension liability	1,474		1,217
Carrying amount of non-current assets and current assets held for sale, sold or derecognised	689		712
<b>Adjustment to net surplus on the provision of services for non-cash movements</b>		<b>10,031</b>	<b>1,672</b>
Adjustment for items included in the net surplus on the provision of services that are investing and financing activities		(2,345)	(1,391)
<b>Net Cash Inflows/(Outflows) from Operating Activities</b>		<b>6,049</b>	<b>(2,302)</b>
Purchase of property, plant and equipment, investment property and intangible assets	(491)		(194)
Purchase of short-term investments	(52,883)		(101,588)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	748		62
Proceeds from short-term investments	52,883		109,594
Other receipts from investing activities	2,380		1,334
<b>Net Cash Inflows from Investing Activities</b>		<b>2,637</b>	<b>9,208</b>
Council tax and business rates adjustments	1,269		(4,565)
Cash payments for the reduction of outstanding liabilities relating to finance leases.	(494)		(607)
<b>Net Cash Inflows/(Outflows) from Financing Activities</b>		<b>775</b>	<b>(5,172)</b>
<b>Net Increase in Cash or Cash Equivalents</b>		<b>9,461</b>	<b>1,734</b>
Cash and cash equivalents as at 1 April (note 47)		10,340	8,606
Cash and cash equivalents at 31 March (note 47)		19,801	10,340
<b>Net Increase in Cash or Cash Equivalents During Year</b>		<b>9,461</b>	<b>1,734</b>

The figures for 2012/13 have been restated to be consistent with the new requirements of the International Accounting Standard IAS 19 on Employee Benefits.

The cash flow for operating activities includes £117,000 for interest received (£95,000 2012/13) and £82,000 for interest paid (£118,000 2012/13).

The Cash Flow Statement shows the changes in cash and cash equivalents during the reporting period and how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services. Investing activities represent the extent to which cash outflows have been made for resources that are intended to contribute to the Council's future service delivery. Financing activities represent the cash effect of the collection of local taxes, i.e. council tax and business rates.

### 1. Accounting Policies – General Principles

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

#### Accounting Convention

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

The financial information contained in the accounts has the following assumptions and characteristics as laid out in the Code.

#### Accrual Accounting

With the exception of the Cash Flow Statement, the accounts are prepared on an accruals basis. The accruals basis of accounting requires the non-cash effect of transactions to be reflected in the accounts for the year in which those effects are experienced and not in the year in which the cash is actually received or paid. Exceptions to this are utility bills, insurance premiums and income from car parking, which are, in the main, charged to the year in which billed, rather than be apportioned between years as the effect of adjusting for opening and closing balances would not be material to the total of transactions for the year.

#### Underlying Assumption

The accounts are prepared on a going concern basis, i.e. on the assumption that the Council will continue to operate for the foreseeable future.

#### Fair Presentation

Accounting policies are selected and applied as appropriate, information is presented in a manner that provides relevant, reliable, comparable and understandable information and additional disclosures are provided when the specific requirements in the Code are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Authority's financial position and financial performance.

#### Fundamental Qualitative Characteristics

The accounting concepts are supported by the fundamental qualitative characteristics of relevance, faithful representation and materiality and four enhancing qualitative characteristics of comparability, verifiability, timeliness and understandability.

#### Primacy of Legislative Requirements

Where a particular accounting treatment is prescribed by legislation, then the treatment prevails even if it conflicts with one or other of the above accounting concepts. In the unlikely event of this arising, a note to that effect will be included in the accounts.

### 2. Accounting Policies

#### Capital Receipts

All income from the sale of capital assets is categorised as capital receipts and credited to the Usable Capital Receipts Reserve, which can then only be used for new capital investment or set aside to reduce the Council's borrowing requirement.

#### Carbon Reduction Commitment Scheme

The Carbon Reduction Commitment Energy Efficiency Scheme is currently in its introductory phase, which will last until April 2014. This Council is not currently required to participate in the scheme but has created a Carbon Management Reserve to manage any costs that may be incurred on climate change related initiatives.

### Cash and Cash Equivalents

Cash and Cash Equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of change in value and are shown on the Balance Sheet at their nominal value. The Council has defined cash equivalents as internally held investments that do not require notice for withdrawal.

Interest on cash and cash equivalents that the Council can redeem on 31 March 2014 has also been added to the cash and cash equivalents balance. If interest is not redeemable on the Balance Sheet date, this would be classified as accrued interest, which would fall under 'short-term investments' on the Balance Sheet.

### Cash Flow

The Cash Flow is prepared using the indirect method, whereby revenue cash flow is derived by adjusting the overall Comprehensive Income & Expenditure Statement operating surplus or deficit to a cash basis.

### Collection Fund

The Council is a billing authority, which is required to bill local residents and businesses for council tax and national non-domestic rates (business rates) respectively. The transactions of the Collection Fund are wholly prescribed by legislation, and billing authorities have no discretion to determine which receipts and payments are accounted for within the fund and which outside. The Council acts as an agent for the major precepting authorities in respect of council tax (KCC, Kent Police and Crime Commissioner and KF&RS) and business rates (the Government, KCC and KF&RS). As such, the accounts show the amount owed by and to taxpayers in respect of the Council's proportion of the council tax and business rates, and the major precepting authorities as a net debtor or creditor.

The Comprehensive Income & Expenditure Statement includes the Council's share of the Collection Fund surplus/deficit for the year, which is subsequently reversed within the Movement in Reserves Statement to the Collection Fund Adjustment Account in the Balance Sheet. Shares of business rate income to major preceptors and the Council are paid out of the Collection Fund and credited to the Comprehensive Income and Expenditure Statements of precepting and billing authorities. However, the transactions presented in the Collection Fund Statement are limited to the cash flows permitted by statute for the financial year, whereas each authority will recognise income on a full accruals basis (i.e. sharing out in full the surplus or deficit on the Collection Fund at the end of the year, even though it will be distributed to or recovered from the authorities in a subsequent financial year). The central share (after allowable deductions) of the business rating income is paid out of the Collection Fund to central Government.

Council tax precepts for major precepting authorities and the Council's demand on the fund are paid out of the Collection Fund and credited to the Comprehensive Income and Expenditure Statements of precepting and billing authorities. However, as with business rating income, the transactions presented in the Collection Fund Statement are limited to the cash flows permitted by statute for the financial year, whereas each authority will recognise income on a full accruals basis (i.e. sharing out in full the surplus or deficit on the Collection Fund at the end of the year, even though it will be distributed to or recovered from the authorities in a subsequent financial year). Parish precepts are paid from the Council's General Fund and are disclosed on the face of the Comprehensive Income and Expenditure Statement. The year-end surplus or deficit on the Collection Fund is distributed between billing and precepting authorities on the basis of estimates of the year-end balance made on the 15 January 2014 for council tax and the 31 January 2014 for business rates.

Interest is not payable on cash flow transfers between the General Fund and the Collection Fund.

### Contingent Assets

Contingent assets are not accrued in the accounting statements, but are disclosed by way of notes if there is a possible inflow of a receipt or economic benefit whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council, which may result in a receipt or a transfer of economic benefits. The disclosures indicate the nature of the asset and provide a brief description, an estimate of its financial effect (where possible) and an indication of the uncertainties relating to the amount or timing of any inflow.

### Contingent Liabilities

Contingent liabilities are not accrued in the accounting statements, but are disclosed by way of notes if there is 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, which may require a payment or a transfer of economic benefits. The disclosures indicate the nature of the contingency and provide a brief description, an estimate of its financial effect (where possible) and an indication of the uncertainties relating to the amount or timing of any outflow and the possibility of any reimbursement.

### Credit Sale Arrangement

A credit sale arrangement is where the Council enters into an agreement that has the features of a finance lease, but where some of the assets may be received in the future. Assets are capitalised and depreciated over their useful economic life.

The sum shown in the Balance Sheet (under Deferred Liabilities) is the outstanding principal element in respect of capital expenditure both provided and yet to be provided under the contract. Where capital expenditure is due to be provided in future years, payments in advance are recognised in the Balance Sheet as appropriate.

### Debtors – Impairment of Doubtful Debts

The impairment of doubtful debts is calculated having regard to the nature of the debt, its age and the likelihood of recovery. The calculations for each type of debt i.e. council tax, business rates, rents, sundry debtors etc. is based on historical evidence and the methodology and individual percentages applied to calculate the provisions are reviewed regularly. The charge for impairment of doubtful debts is shown against services in the Comprehensive Income & Expenditure Statement.

### Employee Benefits

The change in accounting policy for Employee Benefits is as a result of the Code's adoption of the amendments to IAS 19 and is required at 1 April 2013. The change of the accounting policy reflects the fact that there are new classes of components of defined benefit costs (i.e. pensions) to be recognised in the financial statements (i.e. net interest on the net defined benefit liability and re-measurements of the net defined benefit liability), new definitions or recognition criteria for service costs, (e.g. past service costs) and new recognition criteria for termination benefits. The 2012/13 statements have been restated to take account of IAS 19 change. 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 e.g. "Service cost" now includes what was previously described as the "Current Service Cost" plus the "Past Service Cost" plus any "Curtailements" plus any "Settlements"; and
- administration expenses are now accounted for within the CI&ES; previously we made a deduction to the actual and expected returns on assets.

### Employee Benefits – Costs

The cost of employees is charged to the accounts of the period within which the employees worked.

The Code requires that the Council identifies the costs of any employee benefits accrued but untaken at the Balance Sheet date. These costs primarily consist of any untaken leave and time in lieu. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination benefits are amounts payable due to a decision by the Council to terminate an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the CI&ES at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the

## Accounting Policies

Pension Fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year-end.

### Employee Benefits – Retirement Benefits

Employees of the Council are offered membership of the LGPS which is accounted for as a defined benefits scheme.

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields (interest plus capital gain) as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The liabilities of the KCC Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, and projections of projected earnings for current employees. The value of the KCC Pension Fund liabilities has been assessed by Barnett Waddingham, an independent firm of actuaries.

Liabilities are discounted to their value at current prices, using a discount rate of 4.4%. The discount rate is the annualised yield at the 18-year point on the Merrill Lynch AA-rated corporate bond curve, chosen to meet the requirements of IAS 19 and with consideration of the estimated duration of employer's liabilities.

The assets of the KCC Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price;
- unquoted securities – professional estimate of fair value;
- unitised securities – current bid price; and
- property – market value.

The change in the net pension's liability is analysed into the following components:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated to the revenue accounts of services for whom the employees worked;
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services as part of Non-Distributed Costs;
- net interest on the net defined benefit liability (the net interest expense for the Council) – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments;
- return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
- contributions by scheme participants – cash paid as employee contributions to the KCC Pension Fund;
- contributions by the employer – cash paid as employer contributions to the KCC Pension Fund; and
- benefits paid – payments made directly to pensioners from the KCC Pension Fund.

## Accounting Policies

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the Pension Fund 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.

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise because 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 LGPS.

The Fund's Actuary determines employers' contributions to the pension scheme on a triennial basis. The last actuarial valuation took place on 31 March 2013 and the change in contribution rates as a result of that valuation are to take effect from 1 April 2014.

### Estimation Techniques

Estimation techniques are the methods adopted by the Council to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes in reserves. Details of where these have been used are contained in the relevant note to the Accounts. Where a change in an estimation technique is material, an explanation is also provided of the change and its effect on the results for the current period.

### Events After the Reporting Period

Events arising after the Balance Sheet date are reflected in the Statement of Accounts if they provide additional evidence of conditions that existed at the Balance Sheet date and materially affect the amounts to be included. These are known as 'adjusting events'.

Events, which arise after the Balance Sheet date and concern conditions which did not exist at that time, are detailed in the notes to the Core Financial Statement if they are of such materiality that their disclosure is required for the fair presentation of the financial statements. These are known as 'non-adjusting events'.

### Financial Instruments

The requirements for accounting for financial instruments are based on IFRS 7, IAS 32 and IAS 39 Financial Instruments except where interpretations or adaptations to fit the public sector are set out in the Code. The 2013/14 Code of Practice notes that where they continue to be relevant, the transitional provisions of the UK standards adopted by the 2007 Statement of Recommended Practice remain.

Financial instruments are recognised on the Balance Sheet only when the Council becomes a party to the contractual provisions of the instrument. Trade receivables are an exception as they are not recognised when the Council becomes committed to supply the goods or service but when the ordered goods or services have been delivered or rendered. Similarly, trade payables are recognised when the ordered goods or services have been received.

Financial assets are classified as one of:

- available-for-sale – this category includes;
  - Money Market Funds (MMFs) and are initially measured and carried at fair value. MMFs have a constant net asset value and are pre-priced back to their nominal value at the end of each day, the nominal value is therefore the fair value; and
  - Long-term investments (those held for greater than one year) which are shown in the Balance Sheet at cost;
- loans and receivables – this category includes fixed term deposits, call accounts and trade receivables (debtors) and are initially measured at fair value and carried at their amortised cost. This form of measurement does not change the amount of cash received under the terms of the investment.

Financial liabilities are classified as financial liabilities measured at amortised cost.



## Accounting Policies

The fair value of a financial instrument on initial recognition is generally the transaction price. The Council's long-term financial assets and financial liabilities are carried in the Balance Sheet at amortised cost. Their fair value is assessed by calculating the present value of cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- the fair values for loans and receivables have been determined by reference to the Public Works Loans Board (PWL) redemption rules, which provide a good approximation for the fair value of financial instruments, and includes accrued interest;
- where an instrument matures within 12 months, the carrying value is assumed to approximate fair value; and
- the fair value of operational liabilities and receivables is taken to be the invoiced or billed amount.

Annual charges to the Comprehensive Income & Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

Measurement at amortised cost permits transaction costs relating to financial instruments to be attached to the loan or investment and charged to the Comprehensive Income & Expenditure Statement over the life of the instrument. Where these are considered to be immaterial, they can be charged in full to the Comprehensive Income & Expenditure Statement in the financial year in which they are incurred. Transaction costs in 2013/14 are all immaterial.

The reconciliation of amounts charged to the Comprehensive Income & Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial guarantees require the Council to make specified payments to reimburse the holder of a debt if the debtor fails to make payment when due in accordance with the terms of the contract. The financial guarantee shall be initially recognised at fair value, this being assessed by considering the probability of the guarantee being called and the likely amount payable under the guarantee. The accounting entries are to charge the relevant service and therefore the Surplus or Deficit on the Provision of Services and to create a Provision to monitor the risk which can be adjusted to reflect any changes on an annual basis.

The Council has made loans with nil interest charged (soft loans). The interest rate used to calculate the fair value of soft loans is arrived at by taking the Council's effective loss on interest receivable over the life of the instrument. No allowance for the risk that the loan might not be repaid has been applied as a charge is placed on each property for Housing Interest Loans. The fair value of soft loans is only calculated where the value of the outstanding advance is over £100,000.

For accounting purposes a charge based on an appropriate rate of interest is charged to the Comprehensive Income & Expenditure Statement, but this is then reversed out through a transfer to the Financial Instruments Adjustment Account, via the Movement in Reserves Statement so this is not borne by the local taxpayer.

### Government Grants and Other External Contributions

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, grants specific to a service will be shown against that service expenditure line. General grants, e.g. Revenue Support Grant and the Council's share of business rates from the Collection Fund are credited and disclosed separately in the Comprehensive Income & Expenditure Statement under Taxation and Non-Specific Grant Income.

Capital grants and contributions received will be credited in full to the Comprehensive Income & Expenditure Statement on receipt where there are no conditions attached to their use, and in the year that the capital expenditure is incurred where there are conditions attached to their use.

### Group Accounts

Having undertaken a review of all potential subsidiaries, associates, and joint ventures against the criteria in the Code, it has been determined that the production of group accounts is not necessary in relation to 2013/14.

### Heritage Assets

A Heritage Asset is a tangible or intangible asset that is intended to be preserved in trust for future generations because of its historical, artistic, scientific, technological, geophysical or environmental qualities and is held and

## Accounting Policies

maintained principally for its contribution to knowledge and culture.

A Heritage Asset (other than operational heritage assets) will normally be measured at valuation in accordance with Financial Reporting Standards (FRS) 30 Heritage Assets. However, where heritage assets are measured at valuation, the carrying amount shall be reviewed with sufficient frequency to ensure the valuations remain current. Where no records of valuation are available, the assets are not included on the Balance Sheet but a disclosure is made as to these assets.

The assets are held to have indefinite lives, hence the Authority does not consider it appropriate to charge depreciation. Acquisitions are initially recognised at cost or, if bequeathed or donated at nil cost, at valuation.

Heritage Assets are reviewed for evidence of impairment. Any impairment will be accounted for in accordance with the Council's Property, Plant and Equipment accounting policy. The proceeds of any disposals follow general capital accounting regulations.

The Authority accounts for heritage assets in accordance with FRS 30, except where interpretations or adaptations to fit the public sector are detailed in the Code. References in FRS 30 to UK accounting standards shall be taken to refer to the equivalent IFRS or International Public Sector Accounting Standards (IPSAS).

Operational heritage assets (i.e. those that, in addition to being held for their heritage characteristics, are also used by the Authority for other activities or to provide other services) shall be accounted for as operational assets, and shall be valued in the same way as other assets of that general type.

### Intangible Assets

These are non-current assets that do not have physical substance but are identifiable and are controlled by the entity through custody or legal rights.

An intangible asset is initially measured at cost and is not subject to revaluation. It is, however, subject to amortisation, which for computer software has been assessed, by default, as up to a maximum of seven years.

### Inventories and Long-Term Contracts

Stocks for stationery are valued at the latest cost price, which differs from the requirements of the Code, which requires inventories to be shown at the lower of cost and net realisable value. The difference between these methods of valuation is immaterial.

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

### Investments

See the Accounting Policy on Financial Instruments.

### Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. They are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year-end.

### Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other bodies that involve the use of the assets and resources of the bodies rather than the establishment of a separate entity.

The Council maintains 'shared service' operations in respect of its Human Resources, Parking, Internal Audit, Legal, ICT and Building Control services. All expenditure and income of these services are accounted for within the Comprehensive Income & Expenditure Statement.

### Leases

Finance Leases – the Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the Council. Rentals payable are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment (recognised as a liability in the Balance Sheet at the start of the lease – the liability is written down as the rent becomes payable); and

## Accounting Policies

- a finance charge (debited to Financing and Investment Income and Expenditure in the Comprehensive Income & Expenditure Statement as the rent becomes payable).

Non-current assets recognised under finance leases are accounted for using the policies applied generally to tangible non-current assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

Operating Leases – leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable. Rentals payable under operating leases are charged to revenue on an accruals basis.

The IFRS reporting arrangements require the Council to determine whether or not it benefits from the exclusive use of property, plant or equipment within any of its contract arrangements with third parties. If the Council decides that this is the case it has to decide whether the arrangement is to be considered a lease in accordance with International Financial Reporting Interpretations Committee (IFRIC) 12. The Council has determined that the contract for provision of service vehicles falls within these requirements and the costs associated with this are reported as part of the notes to the Core Financial Statements.

### Long-Term Liabilities

The portion of any long-term liabilities due to be settled within 12 months after the Balance Sheet date are included within current liabilities.

### Material Items of Income and Expense

Material items of income and expense are to be shown separately on the face of the Comprehensive Income and Expenditure account. For this purpose an item is judged to be material if in excess of £0.5 million.

### Non-Current Assets – 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.

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis. 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.

The Council operates a de minimus level of £10,000 for non-current assets. Any expenditure below this level is charged to revenue in the year of acquisition.

Property, plant and equipment non-current assets can be analysed as:

- operational land and buildings;
- infrastructure assets;
- vehicles, plant, furniture and equipment;
- community assets;
- leased assets;
- non-operational land and buildings.

Each of these asset classifications are revalued periodically in stages on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS), as follows:

- infrastructure and community assets are valued at historic cost, net of depreciation;
- leased non-current assets are valued at fair value which is historic cost less depreciation; and
- all other assets are valued at fair value, determined as the amount that would be paid for the asset in its existing use.

The Council's approach to revaluation is to have a rolling programme of revaluations over five years. A selection of categories of assets (e.g. car parks) is included in the annual revaluation. If there is judged to have been a material change in the valuation of a category of asset then all assets in that category will be revalued. This policy does not comply with the Code as amended for IAS 16 which requires local authorities to revalue all assets

## Accounting Policies

within a particular class in the same financial year. The Council's approach is to value all assets over a five year period on a rolling basis as the anticipated cost of amending this approach would not provide sufficient value for money when balanced against the impact on the reader based on materiality.

As the Council's principal assets are revalued, any gains arising from revaluation are reflected in the Revaluation Reserve or, where previous losses have occurred, are credited to the Comprehensive Income & Expenditure Statement to the limit of the previous loss. A loss is charged to the Revaluation Reserve to the limit of that fund and thereafter is charged to the Comprehensive Income & Expenditure Statement. The programme of revaluations is continuing on this cyclical basis although material changes to asset valuations will be adjusted in the interim period, as they occur. Where assets are valued at Depreciated Replacement Cost, this has only been undertaken where there is no active market for that asset.

The Council applies the principles of component accounting where an asset has a gross book value in excess of £1 million and a residual life of over 25 years. In addition to this, any expenditure on the eligible asset must be in excess of £100,000.

Impairment – assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where impairment losses are identified, they are charged against the Revaluation Reserve up to the amount attributable to each specific asset held in that Reserve. Any excess of this amount is then chargeable to the Comprehensive Income & Expenditure Statement. Any charges to the Comprehensive Income & Expenditure Statement are reversed out to the Capital Adjustment Account via the Movement in Reserves Statement.

Disposals – when an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Comprehensive Income & Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are also credited to the Comprehensive Income & Expenditure Statement 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 in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Proceeds from disposals and other receipts are categorised as capital receipts whenever possible. A proportion of receipts relating to housing disposals is payable to the Government. The balance of receipts is required to be credited to the Usable Capital Receipts Reserve. Receipts from disposals are appropriated to the Usable Capital Receipts Reserve from the Comprehensive Income & Expenditure Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Comprehensive Income & Expenditure Statement. The costs of disposal up to 4% of the capital receipts are met from the sale proceeds; if costs are incurred in years before the capital receipt then the costs are met from the Capital Receipts Reserve with unused capital receipts from other disposals.

Depreciation – depreciation is provided for on all property, plant and equipment assets with a finite useful life (which can be determined at the time of acquisition or revaluation) according to the following policy:

- newly acquired assets are not depreciated in the year of acquisition where this does not have a material effect upon the accounts; and
- depreciation is calculated using the straight-line method.

The standard useful lives for each category of asset are as follows:

Asset	Depreciation Methodology
Land	Depreciation is not normally provided for freehold land
Infrastructure Assets	20 to 50 years
IT Equipment	3 to 7 years depending on the nature of the asset
Non IT Furniture and Equipment	10 to 20 years
Non-Operational Buildings	40 to 60 years depending on the individual asset
Operational Buildings	Usually 50, although this can vary according to the individual asset
Operational Land	30 to 50 years (usually relating to car parks)
Vehicles	Up to 10 years depending on the type of vehicle
Community Asset	According to whether it is land, building or equipment as above

Provision for depreciation is made by allocating the cost (or revalued amount) less estimated residual value of

## Accounting Policies

the assets as fairly as possible to the periods expected to benefit from their use. The useful lives of assets are estimated on a realistic basis. They are reviewed regularly and, where necessary, revised. Where the useful life of a non-current asset is revised, the carrying amount of the non-current asset is depreciated over the revised remaining useful life.

Where an asset has major components with different estimated useful lives, these are depreciated separately, but only if the asset has been enhanced recently. If there is a change in the depreciation because of impairment which is material, full year depreciation is charged in the year of impairment.

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 historic cost. The value of the depreciated revaluation gain is transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

### Non-Current Assets Held For Sale

These are assets that have been declared surplus to the Council's operational requirements and are being actively marketed, but are not anticipated to be sold within twelve months of the Balance Sheet date. They will be reported on the Balance Sheet at the lower of the carrying amount or the fair value (market value) of the asset less the costs to sell the asset. Assets available-for-sale are not subject to depreciation.

### Non-Current Assets – Charges to Revenue

Service revenue accounts, 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 non-current assets used by the relevant service;
- revaluation and impairment losses, where they are in excess of the sum available in the Revaluation Reserve, are chargeable to the Comprehensive Income & Expenditure Statement; and
- amortisation of intangible non-current assets attributable to the service.

The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisation. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (normally equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance). Depreciation, impairment losses and amortisation are therefore replaced by revenue provision in the Comprehensive Income & Expenditure Statement by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

### Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA 'Service Reporting Code of Practice 2013/14'. 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 and Non Distributed costs. These two cost categories are accounted for as separate headings in the Comprehensive Income & Expenditure Statement as part of Cost of Services.

### Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Material adjustments applicable to prior years arising from changes in accounting policies or standards will be reflected by restating the comparable figures in the Statement of Accounts, together with a disclosure note detailing the reasons for such restatement.

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 Council'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.

### Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that

## Accounting Policies

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.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income & Expenditure Statement in the year that the Council 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.

### Reserves

The Council maintains both general and earmarked reserves. General reserves are to meet general rather than specific future expenditure and earmarked reserves, such as the building maintenance reserve, are for specific purposes. No expenditure is charged directly to a reserve, but is charged to the service revenue account within the Comprehensive Income & Expenditure Statement, this is then offset by a reserve appropriation within the Movement in Reserves Statement.

### Revenue Expenditure Funded from Capital under Statute (REFCUS)

Legislation in England allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a non-current asset.

Any grants receivable by a Council in relation to REFCUS will be accounted for as revenue grants in the Comprehensive Income & Expenditure Statement, even if described as capital grants by the giver of the grant. Grant income is posted to the service(s) that the qualifying expenditure is charged to, in accordance with the general provisions for accounting for grants. However, in the Movement in Reserves Statement, the grant will be treated as being made towards capital expenditure and reversed out of the General Fund Balance to the Capital Adjustment Account (or the Capital Grant Unapplied Account if the grant has not yet been applied).

### Segmental Reporting

A segment is a component of the Council's service activity, which can be distinguished separately as providing services either by nature of the business or to particular areas of the community. The Council's primary reporting format during the year is by Service but traditionally the Statement of Accounts has been prepared according to the Service Reporting Code of Practice. The Council is only required to report Segments that constitute a significant proportion of the Council's total business but information has been prepared for all activities as this provides more meaningful data. Service performance on sundry debt collection is also regularly provided to management and therefore this too is detailed by department.

### Value Added Tax (VAT)

VAT is accounted for separately and is included in income and expenditure accounts to the extent that it is not recoverable, whether of a capital or revenue nature. VAT paid which is not recoverable from HM Revenue & Customs will be charged to service revenue accounts. The Council's partial exemption status is reviewed on an annual basis.

### 3. Accounting Standards that have been issued but have not yet been adopted

For 2013/14 the Council needs to be aware of the following accounting policy changes. These come into effect from the 2014/15 Financial Statements:

- IAS 1 Presentation of Financial Statements – (as amended in May 2011);
- IFRS 10 Consolidated Financial Statements (May 2011);
- IFRS 11 Joint Arrangements (May 2011);
- IFRS 12 Disclosures of Interests in Other Entities (May 2011);
- IAS 27 Separate Financial Statements (as amended in May 2011);
- IAS 28 Investments in Associates and Joint Ventures (as amended in May 2011);
- IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (as amended in December 2011).

## Accounting Policies

The implementation of the IFRS 13 Fair Value Measurement is to be deferred to the 2015/16 Code.

### 4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Council's Balance Sheet at 31 March 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Result Differs from Assumptions
<b>Property, Plant and Equipment</b>	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. The current value of Land & Building assets (operational and non-operational) as at 31 March 2014 is £35.4 million.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £46,600 should the useful life of each property be reduced by one year.
<b>Debtor Arrears (including Housing Benefit Overpayments)</b>	At 31 March 2014 the Council had a balance for sundry debtors of £3.3 million. A review of significant balances suggested that an impairment for doubtful debts of 52% (£1.7 million) was appropriate. However, in the current economic climate and with changes to benefits it is not certain that this would be sufficient.	If collection rates were to fall the cost of covering the impairment of doubtful debts would require an additional £33,000 to be set aside for every 1% reduction in collection rates.

Pension Assumptions and Uncertainty – The table in note 10 details the effect if the actual result differs from the assumptions.

### 5. Critical Judgements in Applying Accounting Policies

In applying the accounting policies (note 1), the Council has made the following critical judgements about complex transactions or those involving uncertainty about future events:

- there is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision. The Council is satisfied that its financial management procedures are robust and that it has sufficient reserves to mitigate any adverse economic trends;
- business rates – valuation appeals. The changes from April 2013 regarding the retention of business rates give rise to the Council being liable for losses on business rates arising from valuation appeals in respect of 2013/14 and earlier years. The total estimated value for these appeals on 1 April 2014 is £2.4 million of which the Council's share is £966,000.

### 6. Events After the Reporting Period

The Statement of Accounts was authorised for issue by the Head of Finance on 30 June 2014. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date have 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. The financial statements and notes have not been adjusted for any events which took place after 31 March 2014.

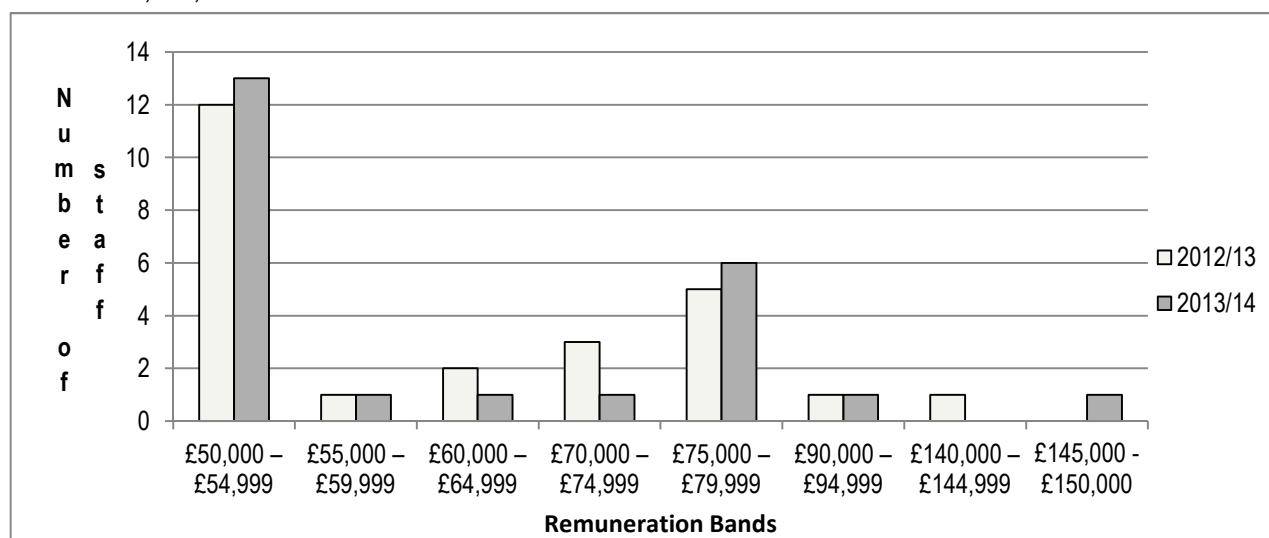
### 7. Authorisation of Accounts for Issue

The Statement of Accounts was authorised for issue by N. Vickers, the Head of Finance on 30 June 2014.

## Pay And Pensions

### 8. Officers' Remuneration and Termination Benefits

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



Remuneration Band	2013/14 Number of employees	2012/13 Number of employees
£50,000 - £54,999	13	12
£55,000 - £59,999	1	1
£60,000 - £64,999	1	2
£70,000 - £74,999	1	3
£75,000 - £79,999	6	5
£90,000 - £94,999	1	1
£140,000 - £144,999	0	1
£145,000 - £150,000	1	0
<b>Total</b>	<b>24</b>	<b>25</b>

These remuneration bands include senior employees – this has been applied consistently to both years.

Remuneration comprises:

- all sums paid to or receivable by an employee including non-taxable termination payments, redundancy pay and pay in lieu of notice;
- expense allowances chargeable to tax i.e. the profit element of car allowances; and
- the monetary value of any other benefits.

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

Exit Package Cost Band (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 £	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
£0 – £20,000	5	1	0	0	5	1	32,900	39,300
£20,001 – £40,000	1	1	0	0	1	1	24,800	91,200
<b>Total</b>	<b>6</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>2</b>	<b>57,700</b>	<b>130,500</b>
Total paid to employee							42,200	19,300
Total paid to KCC for contracted payments for pension scheme							15,500	78,900
Total additional curtailment costs							0	32,300
<b>Total</b>							<b>57,700</b>	<b>130,500</b>



## Pay And Pensions

In addition the Council will be required to contribute towards 36.85% of Tunbridge Wells Borough Council's redundancy costs as a result of the Planning shared service. Tunbridge Wells Borough Council and Maidstone Borough Council will contribute towards 63.35% of our costs as a result of the Planning shared service which went live early in June 2014.

- a) Disclosure of remuneration for senior employees whose salary is £150,000, or more per year.  
Not applicable.
- b) Senior Officers whose emoluments/salary is between £50,000 and £150,000 per year.

(b) (i) 2013/14  Post holder Information  (Post title)	Point	2013/14  Salary (Including Fees & Allowances)  £	2013/14  Total Remuneration Excluding Pension Contributions  £	2013/14  Pension Contributions  £	2013/14  Total Remuneration Including Pension Contributions  £
Chief Executive		146,020	146,020	43,076	189,096
Director of Corporate Services		94,060	94,060	27,748	121,808
Head of Legal Services	1	87,153	87,153	22,547	109,700
Director of Regeneration		71,498	71,498	21,092	92,590
Head of Service Delivery		77,476	77,476	22,547	100,023
Head of Development Services		78,430	78,430	22,547	100,977
Head of Economic Development & Cultural Services		76,430	76,430	22,547	98,977
Head of Commissioning & Customer Contact		77,680	77,680	22,547	100,227
Head of Corporate Governance & Communications	2	45,613	45,613	12,907	58,520
Policy & Performance Manager		52,700	52,700	15,493	68,193
Head of Housing Services		75,435	75,435	22,113	97,548
Chief Executive Thames Gateway Kent Partnership		64,070	64,070	18,901	82,971
Head of Audit Partnership	3	0	0	0	0
Head of Human Resources (HR) Partnership	4	0	0	0	0
Head of Finance	5	0	0	0	0
<b>Total</b>		<b>946,565</b>	<b>946,565</b>	<b>274,065</b>	<b>1,220,630</b>

**Point 1:** Includes relocation expenses.

**Point 2:** Post holder left July 2013.

**Point 3:** The Head of Audit Partnership – disclosure covering this post will be made by Maidstone Borough Council.

**Point 4:** The Head of HR is shared with Maidstone Borough Council. Disclosure covering this post will be made by Maidstone Borough Council.

**Point 5:** The Head of Finance – disclosure covering this post will be made by Kent County Council.

## Pay And Pensions

(b) (ii) 2012/13		2012/13	2012/13	2012/13	2012/13
Post holder Information		Salary	Total	Pension	Total
(Post title)	Point	(Including fees & Allowances)	Remuneration	Contributions	Remuneration
		£	Excluding Pension Contributions	£	Including Pension Contributions
			£		£
Chief Executive	6	146,982	146,982	42,247	189,229
Director of Corporate Services	6	95,632	95,632	27,748	123,380
Head of Development Services		77,508	77,508	22,547	100,055
Head of Service Delivery		76,680	76,680	22,547	99,227
Head of Economic Development & Cultural Services		76,430	76,430	22,547	98,977
Head of Commissioning & Customer Contact		76,430	76,430	22,547	98,977
Director of Regeneration		76,265	76,265	22,498	98,763
Head of Corporate Governance & Communications		72,075	72,075	21,262	93,337
Head of Housing Services		72,075	72,075	21,262	93,337
Chief Executive Thames Gateway Kent Partnership		64,070	64,070	18,901	82,971
Head of Legal Services	7	72,659	72,659	0	72,659
<b>Total</b>		<b>906,806</b>	<b>906,806</b>	<b>244,106</b>	<b>1,150,912</b>

**Point 6:** Includes Elections/Acting Returning Officer fees.

**Point 7:** The Head of Legal post was covered by an interim until December 2012. From April 2013 a permanent Head of Legal has been appointed.

The Head of Audit Partnership – disclosure covering this post will be made by Maidstone Borough Council.

The Head of HR is shared with Maidstone Borough Council. Disclosure covering this post will be made by Maidstone Borough Council.

The Head of Finance – disclosure covering this post will be made by Kent County Council.

More details on the cost of shared services can be seen on note 14.

### 9. Members' Allowances

	2013/14	2012/13
	£'000	£'000
Basic allowance	212	157
Special responsibility allowance	125	88
Members travel and IT allowance	28	24
<b>Total</b>	<b>365</b>	<b>269</b>

The Members' Allowances Scheme can be inspected on the Council website <http://www.swale.gov.uk/members-allowances/> or during normal office hours at the council offices, Swale House, East Street, Sittingbourne. In accordance with the Local Council (Members Allowances) (England) Regulations 2003, details of payments to individual Members are published annually.

### 10. Defined Benefit Pension Scheme

#### a) Nature of Benefits of Defined Benefit Pension Schemes

The Council is a member of the LGPS which is administered on its behalf by KCC. The LGPS is a national scheme that is administered locally – all employees have the right to join and the Council cannot prevent this. The scheme is a final salary one, with the pension benefits being determined based upon final salary and

## Pay And Pensions

length of service. Employee contribution rates are set by Government and range from 5.5% to 7.5% and the fund actuary, Barnett Waddingham, sets the employer contribution rate. This is a funded defined benefit scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions' liabilities with investment assets. The fund provides index linked pensions and other retirement benefits based upon employees' final pay and length of service. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

### b) Regulatory Framework of Defined Benefit Pension Schemes

The KCC pension scheme is operated under the regulatory framework for the LGPS and the governance of the scheme is the responsibility of the Superannuation Committee of KCC. This committee is responsible for: setting investment strategy; appointing professional fund managers; carrying out regular reviews; monitoring of investments; monitoring the administration of the pension scheme; and determining pension fund policy in regard to employer admission arrangements. The committee consists of 12 members with voting rights (nine from KCC and three from district councils) and 5 other members without voting rights. Policy is determined in accordance with the Pensions Fund Regulations.

### c) Risks of Defined Benefit Pension Schemes

The principal risks to the Authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

### d) Other Factors Affecting Pension Payments

The Council has arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

### e) Revenue Transactions Relating to Retirement Benefits

The costs of retirement benefits are recognised in the Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income & Expenditure Statement and General Fund Balance via the Movement in Reserves Statement during the year:

	2013/14 £'000	Restated 2012/13 £'000
<b>Comprehensive Income &amp; Expenditure Statement</b>		
Cost of Services:		
Service cost comprising:		
Current service cost	2,009	1,728
Past service costs	0	111
Administration expenses	48	45
Financing and Investment Income and Expenditure		
Net interest on the defined liability	1,768	1,760
<b>Total Retirement benefits charged to the Deficit on the Provision of Services</b>	<b>3,825</b>	<b>3,644</b>
Other Retirement Benefits Charged to Other Comprehensive Income and Expenditure:		
Return on plan assets in excess of interest	(2,249)	(5,025)
Other actuarial (gains)/ losses on assets	3,285	0
Change in financial assumptions	305	7,531

## Pay And Pensions

	2013/14 £'000	Restated 2012/13 £'000
Change in demographic assumptions	2,444	0
Experience (gain)/ loss on defined benefit obligation	3,295	162
<b>Total re-measurements recognised in Other Comprehensive Income and Expenditure</b>	<b>7,080</b>	<b>2,668</b>
<b>Total Retirement Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	<b>10,905</b>	<b>6,312</b>
<b>Movement in Reserves Statement</b>		
Reduction of charges made to the Deficit on the Provision of Services for retirement benefits to equal actual payments in accordance with the Code	(1,474)	(1,217)
<b>Employers' Contributions Payable to the Scheme</b>	<b>2,351</b>	<b>2,427</b>
Actual Return on Scheme Assets	4,647	7,363

f) Pension Assets and Liabilities Recognised in the Balance Sheet

The amounts included in the Balance Sheet arising from the Council's obligation in respect of its defined benefits plans is as follows:

	2013/14 £'000	Restated 2012/13 £'000
Present value of the defined benefit obligation	106,481	97,710
Fair value of plan assets	(57,789)	(57,455)
<b>Sub total</b>	<b>48,692</b>	<b>40,255</b>
Present Value of Unfunded Obligation	3,235	3,118
<b>Net Liability in Balance Sheet</b>	<b>51,927</b>	<b>43,373</b>

g) Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets and Liabilities (Defined Benefit Obligation)

The Pensions Reserve figure in the Balance Sheet consists of the total assets plus liabilities detailed below.

Reconciliation of present value of the scheme liabilities	2013/14 £'000	Restated 2012/13 £'000
<b>Opening Balance as at 1 April – Defined Benefit Obligation</b>	<b>(100,828)</b>	<b>(90,693)</b>
Current service cost	(2,009)	(1,728)
Interest cost	(4,166)	(4,097)
Contributions by scheme participants	(474)	(476)
Actuarial gains and (losses) arising from changes in demographic assumptions	(2,444)	0
Actuarial (losses) arising from changes in financial assumptions	(305)	(7,531)
Actuarial (losses) on Defined Benefit Obligation	(3,295)	(162)
Past service cost including curtailments	0	(111)
Benefits paid including unfunded pension payments	3,805	3,970
<b>Closing Balance at as 31 March – Defined Benefit Obligation</b>	<b>(109,716)</b>	<b>(100,828)</b>

## Pay And Pensions

Reconciliation of fair value of the scheme assets	2013/14 £'000	Restated 2012/13 £'000
<b>Opening Balance as at 1 April – Fair Value of Scheme Assets</b>	<b>57,455</b>	<b>51,205</b>
Interest on assets	2,398	2,337
Return on Assets less Interest	2,249	5,025
Other Actuarial Gains/(Losses):	(3,285)	0
Administration expenses	(48)	(45)
Employer contributions	2,351	2,427
Contributions by scheme participants	474	476
Benefits paid including unfunded pension payments	(3,805)	(3,970)
<b>Closing Balance as at 31 March – Fair Value of Scheme Assets</b>	<b>57,789</b>	<b>57,455</b>

### h) Pension Scheme Assets

The Pension Scheme's 2013/14 assets consist of the following categories, by proportion of the total assets held:

	31 March 2014		31 March 2013	
	£'000	%	£'000	%
Equity investments	41,114	71	40,886	71
Gilts	579	1	0	0
Bonds	6,370	11	7,486	13
Property	5,791	10	4,607	8
Cash	1,619	3	2,173	4
Target return portfolio	2,316	4	2,303	4
<b>Total</b>	<b>57,789</b>	<b>100</b>	<b>57,455</b>	<b>100</b>

The Pension Scheme's assets are analysed by sector and location below:

Analysis of Investments by Sector	2013/14 £'000	Analysis of Investments by Geographical Split	2013/14 £'000
<b>Equities</b>		<b>Equities</b>	
Consumer	4,223	UK	10,270
Manufacturing	2,871	North America	4,213
Materials, Energy and Utilities	3,934	Europe	3,547
Financial Services	5,308	Asia Pacific	2,532
Health and Care	2,200	Emerging Markets	807
Information Technology, telecommunications, Media	2,833	UK equity pooled Funds	10,423
Equity pooled Funds	18,721	Global equity pooled Funds	8,298
Pvt Equity Funds	349	Pvt Equity UK	56
Infrastructure Funds	675	Pvt Equity Europe	293
		Infrastructure UK	141
		Infrastructure Overseas	534
<b>Total Equities</b>	<b>41,114</b>	<b>Total Equities</b>	<b>41,114</b>
<b>Bonds and Gilts</b>		<b>Bonds</b>	
Government	579	UK	382
Corporate	2,385	North America	2,145
Collateralised	945	Europe	519
Corporate Fixed Interest pooled Funds	3,040	Asia Pacific	57
		Other Overseas including Emerging Markets	810

## Pay And Pensions

Analysis of Investments by Sector	2013/14 £'000	Analysis of Investments by Geographical Split	2013/14 £'000
		UK Fixed Interest pooled Funds	3,036
<b>Total Bonds and Gilts</b>	<b>6,949</b>	<b>Total Bonds and Gilts</b>	<b>6,949</b>
<b>Property</b>		<b>Property</b>	
Retail	2,339	London	1,728
Offices	840	South	411
Industrial	935	Scotland	206
Property Funds	1,677	Wales	165
		Rest of England	1,605
		Property pooled Funds UK	1,486
		Property pooled Funds Europe	190
<b>Total Property</b>	<b>5,791</b>	<b>Total Property</b>	<b>5,791</b>
<b>Target Return Portfolio</b>		<b>Target Return Portfolio</b>	
Global Mixed Asset Fund	2,316	Global Mixed Asset Fund	2,316
<b>Other Current Assets</b>	<b>1,619</b>	<b>Other Current Assets</b>	<b>1,619</b>
<b>Total Fund Value</b>	<b>57,789</b>	<b>Total Fund Value</b>	<b>57,789</b>

i) Basis for Estimating Assets and Liabilities

Estimates of the liability are based on the rolled forward value of the employer's liabilities calculated for the triennial valuation of the scheme as at 31 March 2013, allowing for the different assumptions required under IAS 19.

	31 March 2014	31 March 2013
Mortality assumptions:	Years	Years
Longevity at 65 if retiring today :		
Men	22.7	20.1
Women	25.1	24.1
Longevity at 65 for if retiring in 20 years:		
Men	24.9	22.1
Women	27.4	26.0
	%	%
Rate of inflation (RPI increases)	3.6%	3.3%
Rate of inflation (CPI Increases)	2.8%	2.5%
Rate of increase in salaries	4.6%	4.7%
Rate of increase in pensions	2.8%	2.5%
Rate of discounting scheme liabilities	4.4%	4.2%
Take-up option to convert annual pension into retirement lump sum	50.0%	50.0%

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

## Pay And Pensions

Uncertainty	Sensitivity Analysis		
	£'000	£'000	£'000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	107,821	109,715	111,644
Projected service cost	1,762	1,805	1,850
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	109,983	109,715	109,448
Projected service cost	1,805	1,805	1,805
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	111,404	109,715	108,056
Projected service cost	1,851	1,805	1,761
Adjustment to mortality age rating assumption	+1 Year	None	-1 Year
Present value of total obligation	105,858	109,715	113,607
Projected service cost	1,744	1,805	1,867

j) Funding and investment strategy

Kent County Council as administering authority for the Kent Pension Fund maintains a Funding and Investment Strategy as required by the pensions and (where relevant) investment regulations. The funding objectives are to ensure the long-term solvency of the Fund, ensure that sufficient funds are available to meet all benefits as they fall due for payment and enable employer contribution rates to be kept as nearly constant as possible and at a reasonable cost to taxpayers. The aim of its investment strategy is to maximise the risk of an overall reduction in the Fund's value and to maximise the opportunity for gains across the whole portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows.

The Funding and Investment Strategy is reviewed annually or more frequently if necessary.

k) Impact of Pension Scheme on Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. Funding levels are monitored on an annual basis. The Fund is valued once every three years and the latest valuation was at 31 March 2013. The valuation disclosed a net deficit of £24.2 million i.e. projected liabilities exceed assets and the change in contribution rates as a result of that valuation are to take effect from 1 April 2014. All local authority funds are in deficit and all local authority employers in the Kent Fund are in deficit. The employer's contribution has been agreed with the Actuary and is based on the aim of eliminating the deficit over 18 years.

The LGPS is a defined benefit statutory scheme administered in accordance with the LGPS Regulations 2013/14, is contracted out of the State Second Pension and benefits accrued up to 31 March 2014 are based on final salary and length of service on retirement. Changes to the LGPS came into effect from 1 April 2014 under the Public Pensions Services Act 2013 and any benefits accrued from this date will be based on career average revalued salary, with various protections in place for those members in the scheme before the changes take effect.

The total contributions expected to be made to the LGPS by the Council in 2014/15 is £2.4 million.

The weighted average duration of the defined benefit obligation for scheme members is 18 years for 2013/14 (18 years 2012/13).

## Day To Day Spending - Revenue

### 11. Segmental Reporting – Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income & Expenditure Statement is specified by the Service Expenditure Reporting Code of Practice. However, Cabinet decisions about resource allocation are based on budget reports analysed across departments. The income and expenditure of the Council's departments recorded in the monitoring reports for the year is below. The reporting to management and Members does not include variances on internal support service recharges so these are not included in the tables below.

2013/14	Staff Costs £'000	Other Service Expenses £'000	Government Grants £'000	Fees, Charges and Service Income £'000	Total £'000
Chief Executive	553	356	0	(391)	518
Corporate Strategy & Communications	228	104	0	(29)	303
Economy & Communities	711	1,132	(69)	(259)	1,515
Housing	1,240	569	(280)	(362)	1,167
Planning	1,605	438	0	(1,117)	926
Directors: Regeneration / Corporate	491	111	0	(189)	413
IT	73	880	(7)	(1)	945
Audit	90	68	0	0	158
Finance	886	136	0	(125)	897
Human Resources	86	259	0	(9)	336
Legal & Democratic	715	592	(18)	(173)	1,116
Property Services	434	647	0	(740)	341
Service Delivery	3,032	57,013	(56,542)	(3,271)	232
Commissioning & Customer Contact	1,269	6,858	(11)	(1,157)	6,959
NNDR Discretionary Relief	0	227	0	0	227
Provision for Bad Debts	0	0	0	(377)	(377)
Other Variances	0	630	(174)	0	456
Corporate Items	364	72	(228)	0	208
KCC Second Homes Discount	0	0	(74)	0	(74)
<b>Total Service Expenditure</b>	<b>11,777</b>	<b>70,092</b>	<b>(57,403)</b>	<b>(8,200)</b>	<b>16,266</b>
Revenue Rollover Specific Grants	0	0	316	0	316
Net Revenue Rollover Non Specific Grants and transfer to Resilience Reserve	0	0	700	0	700
<b>Net Expenditure</b>	<b>11,777</b>	<b>70,092</b>	<b>(56,387)</b>	<b>(8,200)</b>	<b>17,282</b>
Financed by:					
Formula Grant	0	0	(5,528)	0	(5,528)
Business Rates	0	0	(4,325)	0	(4,325)
New Homes Bonus	0	0	(1,763)	0	(1,763)
Council Tax Freeze Grant	0	0	(270)	0	(270)
Council Tax Requirement	0	0	0	(6,593)	(6,593)
<b>Net Service Expenditure Reported to Management</b>	<b>11,777</b>	<b>70,092</b>	<b>(68,273)</b>	<b>(14,793)</b>	<b>(1,197)</b>



### Day To Day Spending - Revenue

2012/13	Staff Costs £'000	Other Service Expenses £'000	Government Grants £'000	Fees, Charges and Service Income £'000	Total £'000
Chief Executive	216	27	0	(1)	242
ECDS (Economy & Communities)	713	1,302	(328)	(183)	1,504
Housing	1,135	1,918	(1,985)	(244)	824
Planning	1,536	446	(16)	(819)	1,147
Commissioning & Customer Contact	1,225	8,127	(762)	(1,331)	7,259
Corp. Strategy & Communities	561	202	0	(127)	636
Service Delivery	2,874	67,723	(67,318)	(3,112)	167
Director of Corporate Services & Director of Regeneration	471	132	(183)	0	420
Information Technology	462	140	0	(1)	601
Audit	83	81	0	0	164
Finance	637	756	(13)	(47)	1,333
Human Resources	114	262	0	(15)	361
Legal	347	53	0	(126)	274
Democratic Services	316	371	(23)	(4)	660
Property	394	554	0	(802)	146
NNDR Discretionary Relief	0	212	0	0	212
Provision for Bad Debts	0	0	0	(438)	(438)
Provision for Financial Guarantee	0	0	0	(68)	(68)
Corporate Items (net)	0	1,187	0	0	1,187
KCC Second Homes Discount	0	0	(74)	0	(74)
<b>Total Service Expenditure</b>	<b>11,084</b>	<b>83,493</b>	<b>(70,702)</b>	<b>(7,318)</b>	<b>16,557</b>
Revenue Rollover Specific Grants	0	0	552	0	552
<b>Net Expenditure</b>	<b>11,084</b>	<b>83,493</b>	<b>(70,150)</b>	<b>(7,318)</b>	<b>17,109</b>
<b>Financed by:</b>					
Less Formula Grant	0	0	(8,409)	0	(8,409)
New Homes Bonus	0	0	(1,200)	0	(1,200)
Council Tax Freeze Grant	0	0	(384)	0	(384)
Less Council Tax Surplus	0	0	(38)	0	(38)
Less Council Tax Requirement	0	0	0	(7,741)	(7,741)
<b>Net Service Expenditure Reported To Management</b>	<b>11,084</b>	<b>83,493</b>	<b>(80,181)</b>	<b>(15,059)</b>	<b>(663)</b>

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

	2013/14 £'000	2012/13 £'000
Net Service Expenditure Reported To Management	(1,197)	(663)
Net Revenue Rollover Non Specific Grants and Transfer to Resilience Reserve	(700)	0
<b>Net Service Expenditure</b>	<b>(1,897)</b>	<b>(663)</b>
Amounts in the CI&ES not reported in the Departmental monitoring reports	566	1,192
Amounts in the Departmental monitoring reports not in the CI&ES	19,557	17,612
<b>Cost of Services in CI&amp;ES</b>	<b>18,226</b>	<b>18,141</b>

## Day To Day Spending - Revenue

This reconciliation shows how the figures in the analysis of departmental 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.

2013/14	Total Service Expenditure Reported To Management £'000	Amounts in the CI&ES not reported in the Departmental monitoring reports £'000	Amounts in the Departmental monitoring reports not in the CI&ES £'000	Cost of Services in CI&ES £'000	Corporate Amounts £'000	(Surplus) or Deficit on the Provision of Services in CI&ES £'000
Fees, charges & other service income	(14,793)	0	0	(14,793)	0	(14,793)
Interest and investment income	0	0	126	126	(126)	0
Income from council tax	0	0	7,428	7,428	(7,428)	0
Government grants and contributions	(68,273)	0	12,296	(55,977)	(12,296)	(68,273)
Trading undertakings	0	0	605	605	(605)	0
Gain on disposal on non-current assets	0	0	73	73	(73)	0
Gain in relation to investment changes in fair value	0	0	726	726	(726)	0
Investment Properties	0	0	114	114	(114)	0
<b>Total income</b>	<b>(83,066)</b>	<b>0</b>	<b>21,368</b>	<b>(61,698)</b>	<b>(21,368)</b>	<b>(83,066)</b>
Employee expenses	11,777	0	0	11,777	0	11,777
Other service expenses	70,092	566	0	70,658	0	70,658
Depreciation, amortisation and impairment	0	0	1,200	1,200	1,768	2,968
Interest Payments	0	0	(91)	(91)	91	0
Precepts & Levies	0	0	(1,162)	(1,162)	1,162	0
Payments to Housing Capital Receipts Pool	0	0	(1)	(1)	1	0
Loss on Disposal of Non-current Assets	0	0	(42)	(42)	42	0
Investment Properties	0	0	(64)	(64)	64	0
Loss in relation to investment changes in fair value	0	0	(672)	(672)	672	0
Trading Undertakings	0	0	(979)	(979)	979	0
<b>Total expenditure</b>	<b>81,869</b>	<b>566</b>	<b>(1,811)</b>	<b>80,624</b>	<b>4,779</b>	<b>85,403</b>
Net Expenditure	(1,197)	566	19,557	18,926	(16,589)	2,337
Net Revenue Rollover Non Specific Grants and transfer to Resilience Reserve	(700)	0	0	(700)	0	(700)
<b>Deficit on the provision of services</b>	<b>(1,897)</b>	<b>566</b>	<b>19,557</b>	<b>18,226</b>	<b>(16,589)</b>	<b>1,637</b>

### Day To Day Spending - Revenue

2012/13	Total Service Expenditure Reported To Management £'000	Amounts in the CI&ES not reported in the Departmental monitoring reports £'000	Amounts in the Departmental monitoring reports not in the CI&ES £'000	Cost of Services in CI&ES £'000	Corporate Amounts £'000	(Surplus) or Deficit on the Provision of Services in CI&ES £'000
Fees, charges & other service income	(15,059)	0	0	(15,059)	0	(15,059)
Interest and investment income	0	0	95	95	(95)	0
Income from council tax	0	0	8,543	8,543	(8,543)	0
Government grants and contributions	(80,181)	0	10,096	(70,085)	(10,096)	(80,181)
Gain on Trading undertakings	0	0	147	147	(147)	0
Investment properties	0	0	273	273	(273)	0
<b>Total income</b>	<b>(95,240)</b>	<b>0</b>	<b>19,154</b>	<b>(76,086)</b>	<b>(19,154)</b>	<b>(95,240)</b>
Employee expenses	11,084	0	0	11,084	0	11,084
Other service expenses	83,493	1,192	0	84,685	0	84,685
Depreciation, pension and other adjustments to move from accounting basis to funded by taxpayer basis	0	0	294	294	1,760	2,054
Interest Payments	0	0	(118)	(118)	118	0
Precepts & Levies	0	0	(1,090)	(1,090)	1,090	0
Payments to Housing Capital Receipts Pool	0	0	(9)	(9)	9	0
Gain or Loss on Disposal of Non-current Assets	0	0	(619)	(619)	619	0
<b>Total expenditure</b>	<b>94,577</b>	<b>1,192</b>	<b>(1,542)</b>	<b>94,227</b>	<b>3,596</b>	<b>97,823</b>
<b>Deficit on the provision of services</b>	<b>(663)</b>	<b>1,192</b>	<b>17,612</b>	<b>18,141</b>	<b>(15,558)</b>	<b>2,583</b>

### 12. Segmental Reporting – Sundry Debt by Department

Internal reporting covers an analysis of net sundry debt by Department. This information is presented below:

	31 March 2014 £'000	31 March 2013 £'000
Housing	329	379
Commissioning & Customer Contact (2014 figure includes a £167,000 debt paid in June 2014)	210	240
Regeneration/ Planning	158	211
Property Services	126	154
Other	153	140
<b>Total</b>	<b>976</b>	<b>1,124</b>

## Day To Day Spending - Revenue

### 13. Trading Operations

Trading operations relate to those activities that operate in a commercial environment.

	2013/14 Expenditure £'000	2013/14 Income £'000	2013/14 Net Expenditure £'000	2012/13 Net Expenditure £'000
Property Portfolio	893	(565)	328	(128)
Markets	86	(40)	46	(19)
<b>Total</b>	<b>979</b>	<b>(605)</b>	<b>374</b>	<b>(147)</b>

#### Property Portfolio

The net expenditure above relates to those properties not classified on the Council's Balance Sheet as Investment property, but as Property Plant & Equipment and Held for Sale. This includes revaluation losses of £151,000 on the Property Portfolio.

#### Markets

The three markets in Swale produce an annual income for the Council excluding impairment. They are currently based in Sittingbourne, Sheerness and Faversham.

### 14. Shared Services

The Council participates in a number of shared service arrangements which are included in the Comprehensive Income & Expenditure Statement but which are detailed below:

	2013/14 Expenditure Other £'000	2013/14 Expenditure on Partners £'000	2013/14 Income Other £'000	2013/14 Income from Partners £'000	2013/14 Net Expenditure £'000	2012/13 Net Expenditure £'000
Information Technology	689	400	(1)	0	1,088	0
Human Resources	96	243	(6)	0	333	373
Internal Audit	102	64	0	0	166	172
Legal	466	55	(22)	(125)	374	445
Parking	1,071	43	(2,176)	(20)	(1,082)	(1,136)
Building Control	0	88	0	0	88	95
<b>Total</b>	<b>2,424</b>	<b>893</b>	<b>(2,205)</b>	<b>(145)</b>	<b>(967)</b>	<b>(51)</b>

From 1 April 2013 the Council's IT service was provided via a partnership shared service arrangement with Tunbridge Wells and Maidstone Borough Councils. All IT staff are employed by Maidstone Borough Council and the IT service recharged to the other partners. In 2013/14, a total of £186,700 capital expenditure was incurred on behalf of the shared IT service to which Swale contributed £62,200. Swale Borough Council has accrued its funding share to Maidstone Borough Council as a revenue expenditure funded from capital under statute.

### 15. Grant Income

#### Grants Credited to Taxation and Non Specific Grant Income

- Council Tax Freeze Grant – This grant is intended to represent the equivalent of a rise in council tax (2.5% from 2012/13 and 1% from 2013/14) and is only paid to authorities that freeze their council tax.
- Revenue Support Grant – This is a government grant in aid of local council services generally.
- New Homes Bonus – This is a non-specific grant introduced by the Government as an incentive for councils to deliver sustainable housing development. It is calculated on the basis of the national average for council tax based on each additional property, and is paid for the following six years.
- Localising Council Tax Support Transitional Grant – A Section 31 grant with no terms and conditions.
- Preceptors Council Tax Support – Preceptors' contribution to the increased administrative, collection and recovery costs of the new council tax scheme.
- Small Business and Empty Property Relief – Council compensation for small business rate relief.

## Day To Day Spending - Revenue

- Capitalisation Provision Redistribution Grant – A Section 31 grant payment to assist with service transformation as part of the Transformation Challenge Award.
- Community Right to Challenge/Bid – New Burden Grants provided to support the Council in responding to expressions of interest to take over the running of council services submitted by town and parish councils and voluntary and community groups.
- KCC Second Homes Grant – Grant from KCC to districts based on number of second homes.

### Grants Credited to Services

Grant Area	Provider	2013/14 £'000	Restated 2012/13 £'000
Housing Benefit Grant	Department for Work & Pensions	(55,021)	(54,103)
Council Tax Benefit Grant	Department for Work & Pensions	0	(11,710)
Revenue Expenditure Funded by Capital Under Statute	Various Contributions	(1,336)	(1,101)
Housing Benefit Admin Subsidy	Department for Work & Pensions	(996)	(1,069)
Communities Living Sustainability	Big Lottery Fund	(358)	(99)
Discretionary Housing Payment	Department for Work & Pensions	(303)	(150)
Open Spaces and Play Areas – Commuted Sums	Various Contributions	(125)	(125)
Localising Council Tax – New Burdens Funding	Department for Communities & Local Government	(93)	(87)
Homelessness Prevention Grant	Department for Communities & Local Government	(92)	0
Local Services Support Grant – Homelessness	Department for Communities & Local Government	0	(92)
Stay Put Scheme Supporting People Grant	Kent County Council	(92)	(88)
Stay Put Scheme – Health Contribution	National Health Service	(63)	(41)
Additional Welfare Reform Funding – New Burdens	Department for Work & Pensions	(45)	0
Community Safety Grant	Kent Police and Crime Commissioner (2013/14) Kent County Council (2012/13)	(41)	(47)
Flood Business Support	Department for Communities & Local Government	(40)	0
Queenborough and Rushenden Community Development Grant	Homes & Communities Agency	(30)	(218)
Severe Weather Grants	Department for Communities & Local Government	(29)	0
Housing Benefit Additional Grant	Department for Work & Pensions	(18)	(74)
High Street Innovation Fund	Department for Communities & Local Government	0	(100)
Other Grants	Various Contributions	(251)	(473)
<b>Total Grant Income Credited to Cost of Services</b>		<b>(58,933)</b>	<b>(69,577)</b>

2012/13 has been restated to reflect the change in the way we identify commuted sums and other capital grants and contributions.

## Day To Day Spending - Revenue

### Revenue Grants – Receipts in Advance

Grant Area	Provider	2013/14 £'000	2012/13 £'000
<b>Current Grants:</b>			
Troubled Families Grant	Kent County Council	(73)	0
Stay Put – Health Contribution	National Health Service	(67)	(44)
Rushenden Retrofit Grant	Homes & Communities Agency	(66)	(96)
Air Quality Grant	Department for Environmental Food & Rural Affairs	(34)	(35)
Communities Living Sustainability	Big Lottery fund	(32)	0
Discretionary Housing Payment	Department for Work & Pensions	(20)	(20)
WEEE Local Project Fund	Kent County Council	(11)	(11)
Other Grants		(13)	(41)
<b>Total Grant Income – Receipts in Advance</b>		<b>(316)</b>	<b>(247)</b>

### Capital Grants - Receipts in Advance

Please see note 43 for a breakdown of Capital Grants Receipts in Advance.

#### 16. External Audit Costs

Up to 31 August 2012, the Council's auditors were the Audit Commission, and Grant Thornton UK LLP thereafter. Grant Thornton is one of the world's leading organisations of independent assurance.

	2013/14 £'000	2012/13 £'000
Fees payable for external audit services	71	73
Fees payable for the certification of grant claims and returns	13	13
<b>Total</b>	<b>84</b>	<b>86</b>

#### 17. Long-Term Contracts

In 2013/14, the Council was committed to making payments under the following contracts:

- £4.23 million for the provision of cleansing services (refuse and recycling, street cleansing and public conveniences); the remaining value of these contracts is estimated at £30.16 million (excluding future indexation and contract variations). Of this total, £29.46 million is the new joint waste contract (covering refuse and recycling, street cleansing and a new food waste service) which started in December 2013 for a period of 10 years, to December 2023. The operation of the joint waste contract involves an inter-authority agreement between Swale Borough Council, Maidstone Borough Council, Ashford Borough Council and KCC. The annual contract value to Swale Borough Council will be £3.03 million.
- The original contract period for the public conveniences contract expires in April 2017. (Subsequent to the previous refuse and recycling contract, wheelie bins were procured from the contractor under a finance lease. No further lease payments are due (see note 48).)
- £0.64 million for the provision of Leisure Centre Management (including utilities subsidies); the remaining value of the contract is estimated at £3.25 million (excluding future indexation and contract variations). The original contract period expires in 2019.
- £1.24 million for the Grounds Maintenance contract. This contract was re-let in January 2007 at a base price of £1.06 million for 10 years and is subject to annual indexation. The original contract period expires in January 2017. The remaining value of the contract is £3.34 million (excluding future indexation and contract variations).
- £0.27 million for the CCTV monitoring and maintenance contract. The five year contract will expire in April 2017. The remaining value of the contract (excluding future indexation and contract variations) is £0.67 million.

## Day To Day Spending - Revenue

The Council belongs to a partnership with KCC and other Kent District Councils, to deliver new homes for vulnerable people in Kent using £72 million approved Private Finance Initiative credits. KCC is procuring and managing the project on behalf of the partners, so there are no further accounting implications for the Council.

### 18. Gains and Losses on Disposal of Non-Current Assets

	2013/14 £'000	2012/13 £'000
Capital receipts in year:		
Assets	(17)	(50)
Repayment of grant	(56)	(43)
Disposal of assets:		
Write out of carrying value Assets (note 30)	41	712
Cost of Disposal	1	0
<b>Net (Loss)/Gain on Sales of Non-Current Assets</b>	<b>(31)</b>	<b>619</b>

The gains and losses on investment properties are not included in the above table but under Financing and Investment Income and Expenditure in the CI&ES.

## Council Resources - Reserves

### 19. Usable Reserves

	1 April 2013 £'000	Transfers Between Earmarked Reserves £'000	Revenue Movements £'000	31 March 2014 £'000
Usable Capital Receipts Reserve (note 20)	(686)	0	(645)	(1,331)
Capital Grants Unapplied (note 21)	(229)	0	(14)	(243)
General Fund Balance	(3,287)	(503)	(828)	(4,618)
Usable Earmarked Reserves (note 22)	(8,067)	503	0	(7,564)
<b>Total</b>	<b>(12,269)</b>	<b>0</b>	<b>(1,487)</b>	<b>(13,756)</b>

The Council keeps a number of reserves in the Balance Sheet that are either held for statutory reasons, to comply with proper accounting practice or to voluntarily earmark monies to fund future spending plans.

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and notes 54 and 20-22 below.

### 20. Usable Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land and 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 year-end.

	2013/14 £'000	2012/13 £'000
<b>Balance as at 1 April</b>	<b>(686)</b>	<b>(654)</b>
Capital receipts in year from sale of assets	(742)	(50)
Capital receipts in year from repayment of grant	(56)	(43)
Capital receipts applied during the year – financing fixed assets	145	53
Capital receipts applied during the year – financing revenue expenditure funded by capital under statute	0	11
Housing pooled capital receipts	1	9
Cost of disposals financed by capital	15	0
Capital receipts in year from deferred capital receipts (note 27)	(8)	(12)
<b>Balance as at 31 March</b>	<b>(1,331)</b>	<b>(686)</b>

### 21. Capital Grants Unapplied Account

This 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.

	1 April 2013 £'000	Revenue Movements £'000	31 March 2014 £'000
Communities and Local Government	(11)	0	(11)
Home Repair Loans	(207)	(25)	(232)
King Georges Play Equipment	(11)	11	0
<b>Total</b>	<b>(229)</b>	<b>(14)</b>	<b>(243)</b>

### 22. Revenue Earmarked Reserves

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



### Council Resources - Reserves

	Balance 31 March 2012 £'000	Transfers out 2012/13 £'000	Transfers in 2012/13 £'000	Balance 31 March 2013 £'000	Transfers out 2013/14 £'000	Transfers in 2013/14 £'000	Balance 31 March 2014 £'000
General Reserve	(3,357)	404	(164)	(3,117)	109	(283)	(3,291)
Performance	(760)	231	(601)	(1,130)	224	0	(906)
Building Maintenance	(672)	60	(3)	(615)	96	0	(519)
Regeneration	(351)	152	(250)	(449)	194	(100)	(355)
Council Tax & Housing Benefits	0	0	(324)	(324)	79	(183)	(428)
Housing	(456)	149	0	(307)	69	0	(238)
Transformation	(294)	115	(100)	(279)	27	0	(252)
Local Loan Fund	0	0	(250)	(250)	0	0	(250)
Repairs & Renewals	(337)	185	(86)	(238)	75	(62)	(225)
Local Development Framework	(153)	0	(23)	(176)	5	0	(171)
Empty Property Initiative	(75)	0	(75)	(150)	0	0	(150)
Stay Put Grants	(146)	0	(1)	(147)	24	(23)	(146)
Miscellaneous	(1,009)	749	(625)	(885)	630	(378)	(633)
<b>Total</b>	<b>(7,610)</b>	<b>2,045</b>	<b>(2,502)</b>	<b>(8,067)</b>	<b>1,532</b>	<b>(1,029)</b>	<b>(7,564)</b>

General Reserve	Its use is subject to the approval of Members. We received £250,000 for the Queenborough Sea Wall Lease Premium in 2013/14; this has been moved into the general reserve as agreed at Cabinet on 6 February 2013.
Performance	To improve overall performance. Officers are invited to submit a bidding list of proposals. The fund was topped up through the repayment of Invest to Save bids in 2013/14.
Building Maintenance	To meet items of backlog building maintenance as identified in the Council's medium term maintenance plan as well as urgent or unexpected items.
Regeneration	To fund regeneration projects in the Borough. The fund was topped up by £100,000 from the New Homes Bonus Grant received in 2013/14.
Council Tax & Housing Benefits	Savings made in staffing costs in Benefits achieved in 2012/13 were transferred to this reserve as agreed by Cabinet on 10 July 2013. This also includes unspent grants in 2013/14. This will be used to cover the shortfall in grant in 2014/15.
Housing	This is made up of a number of housing reserves, including Rent Deposit Scheme Bond Reserve, Recession Funding Reserve and the Supporting People Reserve. All these reserves will help to fund the homelessness service in future years.
Transformation	To meet the cost of releasing the Pension Fund benefits to staff who have taken early retirement and to fund all other redundancy costs. The Transformation Fund was topped up by £100,000 from the 2011/12 underspend as agreed by Cabinet.
Local Loan Fund	Set up in April 2012, its purpose is to support voluntary, community or not-for-profit organisations and town and parish councils in Swale to enable management and delivery of local services and facilities. £250,000 was moved from the General Reserve into the Swale Local Loan Fund in 2012/13 as agreed by Cabinet on 18 April 2012.
Repairs & Renewals	Regular contributions are made to this fund from the General Fund. Large items of expenditure are then charged to the service and funded from this reserve.
Local Development Framework	Under the Planning and Compulsory Purchase Act 2004, district Local Plans were replaced with Local Development Documents (LDDs). Together, the LDDs will comprise a Local Development Framework (LDF) for the district authority area. Any underspend or overspend on this service on the General Fund will be transferred to this fund and used solely to fund LDF associated work.

## Council Resources - Reserves

Empty Property Initiative	Funds to assist with initiatives to restore long-term empty homes back into use.
Stay Put Grants	For ring fenced external funding for health grants and supporting people grants.
Miscellaneous	This is made up of the earmarked reserves that are less than £100,000. A full list of these reserves is available upon request.

### 23. Revaluation Reserve

This contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment, Heritage and Intangible assets.

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 were consolidated into the balance on the Capital Adjustment Account.

	2013/14 £'000	2012/13 £'000
<b>Balance as at 1 April</b>	<b>(7,485)</b>	<b>(7,442)</b>
Revaluation and Restatement of Assets:		
Upward revaluation of assets	(1,945)	(384)
Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	690	177
Recognition of additional assets	(18)	(10)
Reversal prior impairment loss	(2)	0
<b>Sub-Total Revaluation Adjustments</b>	<b>(1,275)</b>	<b>(217)</b>
<b>Other Adjustments:</b>		
Write down re gains derived from depreciation differences, between Historic Costs and Current Value.	108	129
Accumulated gains on assets sold or scrapped	80	45
<b>Balance as at 31 March</b>	<b>(8,572)</b>	<b>(7,485)</b>

### 24. 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. It is debited with the cost of acquisition/enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income & Expenditure Statement. It is credited with the amounts set aside to finance the costs of acquisition/enhancement. The account also contains accumulated gains/losses on assets pre-dating 1 April 2007.

## Council Resources - Reserves

	2013/14		2012/13	
	£'000	£'000	£'000	£'000
<b>Balance as at 1 April</b>		<b>(37,357)</b>		<b>(38,666)</b>
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income &amp; Expenditure Statement (CI&amp;ES):</b>				
Depreciation of Tangible Non-current assets	1,628		1,869	
Amortisation of Intangible assets	31		28	
Write down Revenue Expenditure Funded by Capital Under Statute (REFCUS)	1,435		1,372	
Revaluation Losses – impairment to CI&ES:				
Investment Assets	9		60	
Held for Sale Assets	151		0	
Other Assets	751		328	
Revaluation – Reversal of prior impairments – Other Assets	(185)		(384)	
Revaluation gain to CI&ES – Investment Assets	(1)		(114)	
Disposal of assets – Write out of Notional Gross Book Value	681		874	
Derecognition of assets – Write out of Notional Gross Book Value	2,767		23	
Disposal of assets - Write out of Accumulated Depreciation	(10)		(168)	
Derecognition of assets - Write out of Accumulated Depreciation	(2,749)		(17)	
		<b>4,508</b>		<b>3,871</b>
<b>Adjusting amounts written out of Revaluation Reserve (RR) (Note 23)</b>				
Write down of RR depreciation gains		(108)		(129)
Write down of RR accumulated gains on disposed assets		(80)		(45)
<b>Net written out amount of the cost of non-current assets consumed in the year</b>		<b>4,320</b>		<b>3,697</b>
<b>Capital financing applied in the year:</b>				
Capital Financing – Capital Receipts:				
Financing non-current assets	(145)		(53)	
REFCUS	0		(11)	
Capital Financing – Capital Reserves:				
Financing non-current assets	(166)		(72)	
REFCUS	(99)		(261)	
Capital Financing – Revenue:				
Financing non-current assets	0		(46)	
Capital Financing – Government grants and external contributions:				
Financing non-current assets	(199)		(68)	
REFCUS	(1,336)		(1,100)	
		<b>(1,945)</b>		<b>(1,611)</b>
Minimum Revenue Provision		(823)		(872)
Write down of financing Long-Term Debtors		130		88
Adjustment to prior year		(15)		7
<b>Balance as at 31 March</b>		<b>(35,690)</b>		<b>(37,357)</b>

### 25. Financial Instruments Adjustment Account

This absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The movement in 2013/14 due to soft loans was £24,000 (£41,000, 2012/13).

### 26. Collection Fund Adjustment Account

This manages the differences arising from the recognition of council tax and business rates income in the Comprehensive Income & Expenditure Statement as it falls due from council tax payers and business rate payers,

## **Council Resources - Reserves**

compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. The balance effectively shows the Council's share of the overall Collection Fund surplus. The movement in 2013/14 was an increase in surplus of £45,000 (£20,000 reduction 2012/13).

### **27. Deferred Capital Receipts Reserve**

This 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 Council 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. They arise principally from mortgages on sales of council houses. The movement on this reserve in 2013/14 was £9,000.

### **28. Accumulated Absences Account**

This absorbs the differences that would otherwise arise on the General Fund from accruing for compensated absences earned but not taken in the year, e.g. annual leave due carried forward at 31 March 2014. Statutory arrangements require that the impact on the General Fund is neutralised by transfers to or from the Account. The movement on this reserve in 2013/14 was a reduction of £14,000 (£20,000 reduction 2012/13).

### **29. Pensions Reserve**

This absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income & Expenditure Statement as the benefits are earned by employees. However, statutory arrangements require benefits earned to be financed, as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. Details on the movement in 2013/14 is shown on note 10 under Pension Assets and Liabilities Recognised in the Balance Sheet.

## Long Term Spending - Capital

### 30. Property, Plant and Equipment Assets

Movements on Balances in 2013/14

Classification 2013/14	Operational Assets					Non-Operational Assets Surplus Land & Buildings £'000	Total Property, Plant & Equipment Assets £'000
	Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure £'000	Community £'000	Leased £'000		
<b>Cost or Valuation</b>							
<b>At 1 April 2013</b>	<b>32,207</b>	<b>6,340</b>	<b>4,203</b>	<b>3,505</b>	<b>3,511</b>	<b>4,846</b>	<b>54,612</b>
Additions – capital expenditure	164	176	0	0	0	0	340
Revaluation – increase recognised in Revaluation Reserve (RR)	1,454	0	0	0	0	108	1,562
Revaluation – decrease recognised in RR	(450)	0	0	0	0	(252)	(702)
Revaluation – increase recognised in Deficit on Provision of Services (reversal prior loss)	(132)	0	0	0	0	3	(129)
Revaluation – increase recognised in Deficit on Provision of Services (reversal prior impairment)	3	0	0	0	0	0	3
Revaluation – decrease recognised in Deficit on Provision of Services	(859)	0	0	0	0	(35)	(894)
Derecognition – disposals	(2)	(13)	0	0	0	(18)	(33)
Derecognition – other	0	(426)	0	0	(2,341)	0	(2,767)
Reclassifications	13	24	(98)	(79)	(24)	164	0
<b>At 31 March 2014</b>	<b>32,398</b>	<b>6,101</b>	<b>4,105</b>	<b>3,426</b>	<b>1,146</b>	<b>4,816</b>	<b>51,992</b>
<b>Accumulated Depreciation and Impairments</b>							
<b>At 1 April 2013</b>	<b>(1,573)</b>	<b>(4,810)</b>	<b>(627)</b>	<b>(183)</b>	<b>(2,882)</b>	<b>(209)</b>	<b>(10,284)</b>
Depreciation charge	(649)	(350)	(88)	(25)	(457)	(59)	(1,628)
Depreciation written out to the RR – valuation gain	213	0	0	0	0	10	223
Impairment losses/(reversals) recognised in RR – valuation loss	7	0	0	0	0	8	15

### Long Term Spending - Capital

Classification 2013/14	Operational Assets					Non-Operational Assets Surplus Land & Buildings £'000	Total Property, Plant & Equipment Assets £'000
	Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure £'000	Community £'000	Leased £'000		
Depreciation written out to the Deficit on Provision of Services (reversal prior loss) – valuation gain	305	0	0	0	0	0	305
Depreciation written out to the Deficit on Provision of Services (reversal prior impairment) – valuation gain	8	0	0	0	0	0	8
Depreciation written out to the Deficit on Provision of Services – valuation loss	135	0	0	0	0	7	142
Derecognition – disposals	0	8	0	0	0	2	10
Derecognition – other	0	425	0	0	2,324	0	2,749
Reclassifications & other	(1)	(13)	0	0	13	1	0
<b>At 31 March 2014</b>	<b>(1,555)</b>	<b>(4,740)</b>	<b>(715)</b>	<b>(208)</b>	<b>(1,002)</b>	<b>(240)</b>	<b>(8,460)</b>
<b>Net Book Value at 31 March 2014</b>	<b>30,843</b>	<b>1,361</b>	<b>3,390</b>	<b>3,218</b>	<b>144</b>	<b>4,576</b>	<b>43,532</b>
<b>Net Book Value at 31 March 2013</b>	<b>30,634</b>	<b>1,530</b>	<b>3,576</b>	<b>3,322</b>	<b>629</b>	<b>4,637</b>	<b>44,328</b>

#### Movements on Balances in 2012/13

Classification 2012/13	Operational Assets					Non-Operational Assets Surplus Land & Buildings £'000	Total Property, Plant & Equipment Assets £'000
	Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure £'000	Community £'000	Leased £'000		
<b>Cost or Valuation</b>							
<b>At 1 April 2012</b>	34,124	6,383	4,216	3,367	3,534	4,483	56,107
Additions – capital expenditure	44	28	(13)	53	0	0	112
Additions – other	10	0	0	0	0	0	10

## Long Term Spending - Capital

Classification 2012/13	Operational Assets					Non-Operational Assets Surplus Land & Buildings £'000	Total Property, Plant & Equipment Assets £'000
	Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure £'000	Community £'000	Leased £'000		
Revaluation – increase recognised in Revaluation Reserve (RR)	144	(20)	0	0	0	196	320
Revaluation – decrease recognised in RR	(108)	0	0	0	0	(85)	(193)
Revaluation – increase recognised in Deficit on Provision of Services (reversal prior loss)	(334)	0	0	0	0	18	(316)
Revaluation – decrease recognised in the Deficit on Provision of Services	(445)	0	(2)	0	0	(85)	(532)
Derecognition – disposals	(801)	(51)	0	0	0	(21)	(873)
Derecognition – other	0	0	0	0	(23)	0	(23)
Reclassifications	(427)	0	2	85	0	340	0
<b>At 31 March 2013</b>	<b>32,207</b>	<b>6,340</b>	<b>4,203</b>	<b>3,505</b>	<b>3,511</b>	<b>4,846</b>	<b>54,612</b>
<b>Accumulated Depreciation and Impairments</b>							
<b>At 1 April 2012</b>	(1,905)	(4,394)	(538)	(154)	(2,428)	(158)	(9,577)
Depreciation charge	(758)	(458)	(89)	(29)	(471)	(64)	(1,869)
Depreciation written out to the RR	27	20	0	0	0	17	64
Depreciation written out to the Deficit on Provision of Services (reversal prior loss)	699	0	0	0	0	1	700
Impairment losses/(reversals) recognised in RR	11	0	0	0	0	5	16
Impairment losses/(reversals) recognised in the Deficit on Provision of Services	203	0	0	0	0	1	204
Derecognition – disposals	146	22	0	0	0	0	168
Derecognition – other	0	0	0	0	17	0	17
Other movements in depreciation and impairment	(7)	0	0	0	0	0	(7)
Reclassifications	11	0	0	0	0	(11)	0
<b>At 31 March 2013</b>	<b>(1,573)</b>	<b>(4,810)</b>	<b>(627)</b>	<b>(183)</b>	<b>(2,882)</b>	<b>(209)</b>	<b>(10,284)</b>
<b>Net Book Value at 31 March 2013</b>	<b>30,634</b>	<b>1,530</b>	<b>3,576</b>	<b>3,322</b>	<b>629</b>	<b>4,637</b>	<b>44,328</b>
<b>Net Book Value at 31 March 2012</b>	<b>32,219</b>	<b>1,989</b>	<b>3,678</b>	<b>3,213</b>	<b>1,106</b>	<b>4,325</b>	<b>46,530</b>

## Long Term Spending - Capital

### 31. Non-Current Asset Valuation

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment which is required to be measured at fair value is revalued at least every five years. The freehold and leasehold properties which comprise the Council's property portfolio have, for this and past years, been valued by Wilks, Head and Eve Chartered Surveyors and by the Valuation Office Agency.

Valuations of land and buildings have been carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

In 2013/14 Wilks, Head and Eve valued assets, including Investment and Held for Sale properties, at a gross value of £9,406,669 as at 1 April 2013 and £3,532,873 as at 31 March 2014.

An impairment review was also carried out by Wilks, Head and Eve as part of the valuation contract. The result of the impairment review was that there were no changes to the values. Mr K Parker, a member of the Royal Institution of Chartered Surveyors (MRICS) and an employee of the Council, reviewed both tasks.

Wilks, Head & Eve is a long established independent partnership of Chartered Surveyors and Town Planners providing a full range of property services to clients in both the public and private sectors. The Valuation Office Agency is an executive agency which provides statutory and non-statutory property valuation services.

The significant assumptions applied in estimating fair value are detailed in the Accounting Policies.

The table below shows the progress of the rolling programme of revaluation of the Council's non-current assets:

Date Valued or Acquired	Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Leased £'000	Infra- structure £'000	Community £'000	Surplus Land & Buildings £'000	Total Property, Plant & Equipment Assets £'000
Historic Cost	0	0	0	3,390	3,218	0	6,608
Pre 2009	66	387	144	0	0	0	597
01/04/2009	962	0	0	0	0	566	1,528
01/10/2009	422	294	0	0	0	0	716
30/03/2010	0	0	0	0	0	95	95
01/04/2010	5,872	427	0	0	0	265	6,564
31/03/2011	1,526	0	0	0	0	0	1,526
01/04/2011	2,260	49	0	0	0	2,414	4,723
01/04/2012	10,537	0	0	0	0	493	11,030
30/04/2012	44	28	0	0	0	0	72
01/04/2013	5,621	176	0	0	0	743	6,540
31/03/2014	3,533	0	0	0	0	0	3,533
<b>Total Cost or Valuation</b>	<b>30,843</b>	<b>1,361</b>	<b>144</b>	<b>3,390</b>	<b>3,218</b>	<b>4,576</b>	<b>43,532</b>

In addition, the Council has undertaken a review of all assets that were valued before 2013/14 to ensure that their carrying value does not differ materially from fair value.

### 32. Impairment Losses

The Code requires disclosure by class of assets of the amounts for losses and impairments, and subsequent reversals, charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income & Expenditure (net total reversals being credited to the Surplus or Deficit). These disclosures are consolidated in



## Long Term Spending - Capital

notes 30, 34 and 39, reconciling the movement over the year in the asset balances for Property, Plant and Equipment, Investment Properties and Held for Sale assets.

During 2013/14 the Council has recognised a net total reversal of £724,700 in respect of its non-current assets. The comparative figure for 2012/13 was a net loss/impairment of £110,000.

	Property, Plant and Equipment Assets £'000	Investment Assets £'000	Held for Sale Assets £'000	Total £'000
Revaluation – increase recognised in Deficit on Provision of Services (reversal prior loss/impairment)	(126)	1	0	(125)
Depreciation written out to the Deficit on Provision of Services (reversal prior loss/impairment)	312	0	0	312
<b>Total reversal prior loss/impairment</b>	<b>186</b>	<b>1</b>	<b>0</b>	<b>187</b>
Revaluation – decrease recognised in the Deficit on Provision of Services	(751)	(9)	(151)	(911)
Impairment losses recognised in the Deficit on Provision of Services	0	0	0	0
<b>Total losses and impairments</b>	<b>(751)</b>	<b>(9)</b>	<b>(151)</b>	<b>(911)</b>
<b>Net Total Reversal Credited to Deficit on Provision of Services</b>	<b>(565)</b>	<b>(8)</b>	<b>(151)</b>	<b>(724)</b>

The greatest revaluation reversal was against Faversham Swimming Pool, incurring a net reversal increase of £138,700. Fifteen other assets incurred an average reversal increase of £3,200.

The Princes Street Depot was revalued during the year and the Council's valuers have assessed the asset as having no value. The revaluation loss on this site was £930,000, £344,000 of which was charged to the Revaluation Reserve with the balance of £586,000 charged to the Comprehensive Income and Expenditure Account. This sum was reversed out via the Movement in Reserves statement to the Capital Adjustment Account. The Held for Sale asset at Brielle Way, West Minster, incurred a loss of £151,000. Twenty-one other assets incurred an average loss of £8,300 per property.

### 33. Heritage Assets

Reconciliation of the Carrying Value of Heritage Assets Held by the Council

	War Memorials & Public Statues £'000	Civic Regalia £'000	Historical Items of Cultural Interest £'000	Total £'000
<b>Cost or Valuation</b>				
<b>At 1 April 2012</b>	<b>112</b>	<b>179</b>	<b>108</b>	<b>399</b>
Disposals	0	0	(1)	(1)
<b>Balance at 31 March 2013</b>	<b>112</b>	<b>179</b>	<b>107</b>	<b>398</b>
<b>Cost or Valuation</b>				
<b>At 1 April 2013</b>	<b>112</b>	<b>179</b>	<b>107</b>	<b>398</b>
Revaluations	0	177	1	178
<b>Balance at 31 March 2014</b>	<b>112</b>	<b>356</b>	<b>108</b>	<b>576</b>

### The Nature and Scale of Heritage Assets Held by the Council

Except for war memorials and sculptures, all heritage assets are generally currently insured under the Council's All Risks insurance policy. In order to support this insurance a full valuation of all Civic Regalia items (including

## Long Term Spending - Capital

furniture and paintings etc.) is periodically undertaken and these are the valuations used in the Balance Sheet. A full revaluation of insured items was undertaken during 2013/14.

No original cost information is available for the war memorials and it is not considered appropriate to value and include these assets in the Council's Balance Sheet as the cost of obtaining valuations is currently taken to outweigh the benefit derived.

### Heritage Assets – Five-Year Summary of Transactions

The Code requires that the financial statements shall contain a summary of transactions relating to heritage assets disclosing the following information for the accounting period and each of the previous four accounting periods where it is practicable to do so.

For 2013/14 the only movement has been the revaluation of assets. (This revaluation has included the recognition on the asset register of assets that previously were de minimis.)

	On Balance Sheet			
	War Memorials & Public Statues £'000	Civic Regalia £'000	Historical Items of Cultural Interest £'000	Total £'000
<b>Carrying Value 31 March 2008</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Cost of Acquisition:				
2008/09	2	0	0	2
2009/10	45	0	0	45
Recognition of existing assets 2011/12	65	179	108	352
Disposal of Assets 2012/13	0	0	(1)	(1)
Revaluation of Assets 2013/14	0	177	1	178
<b>Carrying Value 31 March 2014</b>	<b>112</b>	<b>356</b>	<b>108</b>	<b>576</b>

### 34. Investment Properties

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

	2013/14 £'000	2012/13 £'000
Rental Income from investment properties	(114)	(283)
Direct operating expenses arising from investment properties	64	64
<b>Net (Gain)</b>	<b>(50)</b>	<b>(219)</b>

The net loss to fair value for Investment properties in the year was £8,000 (£54,000 gain in 2012/13). Disposed properties achieved a gain of £62,000 in 2013/14 (including cost of disposal of £14,000). This gain was over a movement in net book value of £649,000 (no investment properties were sold in 2012/13).

### 35. Intangible Assets

When of material value and cost, the Council accounts for computer software and programs as intangible assets, to the extent that the software/program is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. All intangible assets are given a finite useful life, based on assessments of the period that the asset is expected to be of use to the Council. All intangible assets are initially measured at cost and are not subject to revaluation. Software licences are mainly for the Customer Relationship Management System, used in the Customer Service Centre. The Council does not have any intangible assets which have come from internal development.

The useful lives assigned to intangible assets used by the Council are:

## Long Term Spending - Capital

	Acquisition Date	Original Estimated Asset Life	Estimated Years Outstanding 1 April 2013
Telephony System Upgrade	01/03/2007	7	1
IEG (Implementing Electronic Government) Scheme	01/03/2007	7	1
ICT System Replacement – Environmental Services	01/04/2007	7	2
ICT System Replacement – Performance & Policy Monitoring	01/04/2007	7	2
ICT Housing Register Software	01/04/2007	7	2
GIS (Geographic Information System) / LLPG (Local Land and Property Gazetteer) Data Take-on / Verification	01/04/2007	7	2
Finance program upgrade and enhancement	30/04/2012	7	6
Multiple software licences – enhancement	30/04/2012	3	2
Swale House access control software	01/04/2013	7	7

The carrying amount of intangible assets is amortised on a straight-line basis. Of the total £31,300 amortisation charged to revenue in 2013/14, amortisation of £24,600 was charged to the 'ICT Development, Network & Support' cost centre and then absorbed as an overhead across all the service headings in the Net Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

Intangible assets are assets that do not have a physical substance but are controlled by the Council through custody or legal rights. This table shows the movement of intangible assets:

	Purchased Software Licence/Program 2013/14 £'000	Purchased Software Licence/Program 2012/13 £'000
Original Cost	217	132
Accumulated amortisation to 1 April	(123)	(95)
<b>Balance as at 1 April</b>	<b>94</b>	<b>37</b>
Additions	78	85
Written off to revenue in year	(31)	(28)
<b>Balance as at 31 March</b>	<b>141</b>	<b>94</b>
Comprising:		
Gross carrying amounts	295	217
Accumulated amortisation	(154)	(123)

### 36. Revenue Expenditure Funded from Capital under Statute (REFCUS)

REFCUS relates to capital expenditure for which there will be no non-current assets (for example grants paid to external organisations) held by the Council. As there is no continuing benefit derived from this expenditure, it is treated as revenue expenditure and allocated in the Comprehensive Income & Expenditure Statement in the same year that it was incurred.

Grant Area	Provider	Expenditure 2013/14 £'000	Expenditure 2012/13 £'000
Home Renovation Grants	Department for Communities & Local Government	948	1,279
Affordable Housing & housing development	Section 106 Developer Contributions	349	0
Play areas/leisure facilities	Section 106 Developer Contributions	60	0
Other		78	93
<b>Total</b>		<b>1,435</b>	<b>1,372</b>

## Long Term Spending - Capital

### 37. Commitments under Capital Contracts

The contractual commitments at 31 March 2014 totalled £nil.

### 38. Capital Expenditure and Capital Financing

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

	2013/14 £'000	2012/13 £'000
<b>Opening Capital Financing Requirement</b>	<b>6,298</b>	<b>7,170</b>
<b>Capital Investment:</b>		
Property, Plant and Equipment (see note 30)	341	112
Intangible Assets (see note 35)	78	85
Revenue Expenditure funded by Capital under Statute (REFCUS) (see note 36)	1,435	1,372
<b>Total Capital Investment</b>	<b>1,854</b>	<b>1,569</b>
<b>Add Long-Term Debtors – Housing Loans</b>	<b>91</b>	<b>42</b>
<b>Sources of Finance:</b>		
Capital Receipts (see note 20) –		
Financing non-current assets	(145)	(53)
Financing REFCUS	0	(11)
Government Grants & External Contributions –		
Financing Non REFCUS transactions	(199)	(68)
Financing REFCUS	(1,336)	(1,100)
Sums set aside from revenue –		
Minimum Revenue Provision	(823)	(872)
Direct Revenue Funding Financing non-current assets	(166)	(118)
Direct Revenue Funding Financing REFCUS	(99)	(261)
<b>Total Sources of Finance</b>	<b>(2,768)</b>	<b>(2,483)</b>
<b>Closing Capital Financing Requirement</b>	<b>5,475</b>	<b>6,298</b>
<b>Explanation of Movements in Capital Financing Requirement in Year:</b>		
(Reduction) in underlying need to borrow (unsupported by governmental financial assistance)	(374)	(371)
(Reduction) relating to assets acquired under Finance Leases	(119)	(164)
(Reduction) relating to assets acquired under Embedded Leases	(330)	(337)
<b>Total (Decrease) in Capital Financing Requirement</b>	<b>(823)</b>	<b>(872)</b>

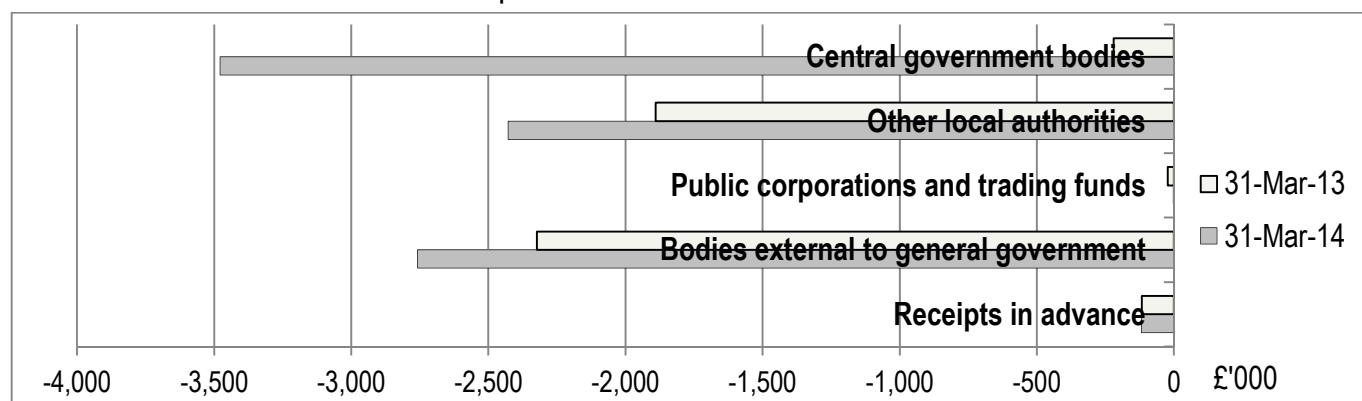
### 39. Assets Held for Sale

This is an asset that is available for immediate sale, and is actively being marketed. It is defined as a non-current asset because it is not expected to be sold within one year.

The net loss to fair value for Held for Sale properties in the year was £151,000 (£nil in 2012/13).

## The Council's Creditors And Debtors

### 40. Short-Term Creditors and Receipts in Advance



	31 March 2014 £'000	Restated 31 March 2013 £'000
Central government bodies	(3,479)	(220)
Other local authorities	(2,428)	(1,889)
Public corporations and trading funds	(3)	(23)
Bodies external to general government	(2,759)	(2,323)
Other receipts in advance	(119)	(117)
<b>Total</b>	<b>(8,788)</b>	<b>(4,572)</b>

Short-term creditors have been restated at 31 March 2013 across categories and to record a net balance for input and output VAT in accordance with the Code.

### 41. S106 Deferred Revenue Receipts

Section 106 of the Town and Country Planning Act 1990, and Section 278 of The Highways Act 1980 permits local planning authorities to enter into enforceable 'planning obligations' with landowners and/or developers. Each agreement has a deed setting out its purpose. Each agreement has been examined to determine when assets and liabilities need to be recognised on the Balance Sheet or income should be recognised.

	Balance as at 1 April 2013 £'000	In Year £'000	Credited to Revenue £'000	Balance as at 31 March 2014 £'000
<b>Balance Brought Forward</b>	<b>(1,189)</b>	0	0	<b>(1,189)</b>
Interest	0	(6)	0	(6)
Receipt in year	0	(28)	0	(28)
Credited to revenue	0	0	125	125
<b>Total</b>	<b>(1,189)</b>	<b>(34)</b>	<b>125</b>	<b>(1,098)</b>

### 42. Deferred Liabilities

Deferred liabilities relate to three items:

- a) An arrangement with the Council's contractor for leisure management who has agreed to provide phased capital expenditure of £1.826 million at the leisure centres over the 15-year life of the contract. The Council is committed to make regular monthly payments for 15 years to cover repayment of this sum together with associated financing costs. The sum shown in the Balance Sheet is the outstanding principal element in respect of capital expenditure both provided and yet to be provided under the contract. The contract is due to end in 2019/20;
- b) A credit sale agreement was taken out for £250,000 in 2009/10 to purchase various equipment for Swallows Leisure Centre. Under the terms of the agreement, the Council is committed to make regular monthly payments for ten years to cover this sum together with associated financing costs. The sum shown in the Balance Sheet is the outstanding principal element in respect of capital expenditure; and
- c) The deferred liabilities for embedded leases i.e. finance leases representing the value of Vehicles, Plant, and Equipment that is deemed to be for the exclusive use for the Council by its grounds maintenance contractors.

## The Council's Creditors And Debtors

	31 March 2014 £'000	31 March 2013 £'000 Restated
Due within one year	(173)	(600)
Due after more than one year	(825)	(998)
<b>Total</b>	<b>(998)</b>	<b>(1,598)</b>

### 43. Capital Grant Receipts in Advance

	1 April 2013 £'000	New Grants (Conditions of Use Not Met) £'000	Released to CI&ES (Conditions Met) £'000	31 March 2014 £'000
Section 106	(2,139)	(1,226)	409	(2,956)
Disabled Facilities Grants	0	(911)	911	0
CCTV	(83)	0	15	(68)
Stronger Communities	(41)	0	0	(41)
Coast Protection	(54)	0	0	(54)
Miscellaneous external contributions	(12)	(55)	50	(17)
Miscellaneous government grants	(48)	0	33	(15)
<b>Total</b>	<b>(2,377)</b>	<b>(2,192)</b>	<b>1,418</b>	<b>(3,151)</b>

The Capital Grants Receipts in Advance account is a creditor account used for grants and contributions where conditions are outstanding. This account is used for the funding of future capital expenditure.

Section 106 receipts are monies paid to the Council by developers as a result of the grant of planning permission where works are required to be carried out or new facilities provided as a result of that permission. The sums are restricted to being spent only in accordance with the agreement concluded with the developer. The major balances of section 106 receipts held during the year were as follows:

	Restated 1 April 2013 £'000	Expenditure £'000	Income £'000	31 March 2014 £'000
Housing	(565)	348	0	(217)
Play Areas	(781)	53	(62)	(790)
The Meads Community Centre	(348)	0	0	(348)
Open Spaces	(288)	8	0	(280)
Town Centre Improvements	(102)	0	(100)	(202)
Easthall Farm Community Hall	0	0	(1,021)	(1,021)
Other	(55)	0	(43)	(98)
<b>Total</b>	<b>(2,139)</b>	<b>409</b>	<b>(1,226)</b>	<b>(2,956)</b>

Revenue sums not yet applied are held as a deferred revenue receipt (note 41) where the purpose set out in the planning permission is a revenue activity. The balances as at 1 April 2013 have been restated across categories.

### 44. Provisions

In 1992 the Council's insurer, Municipal Mutual Insurance (MMI) declared that it would be going into "run off" which is similar to a company going into administration. Control of MMI has now passed to a Scheme Administrator who has implemented a "Scheme of Arrangement" whereby in 2013/14 the Council paid MMI £33,800 (from its provision) which is 15% of the value of claims payments. The provision for future claims has been calculated as £79,000 as at 31 March 2014. This sum can be revised in future years as further information becomes available.

The Council is part of a local authority wide collective dealing with legal actions in respect of Local Land Charges. The first claim was settled during 2013/14 apart from the Council's share of legal costs and a provision of £1,800 has been made to cover this sum. The total value of other claims cannot presently be determined and these are reported in the Statement of Accounts as part of the Contingent Liabilities note.

The Council has made a provision of £965,600 for business rate appeals based on its best estimates of the actual liability as at 31 March 2014 in known appeals. £316,000 has been identified as a long-term provision. See Note

## The Council's Creditors And Debtors

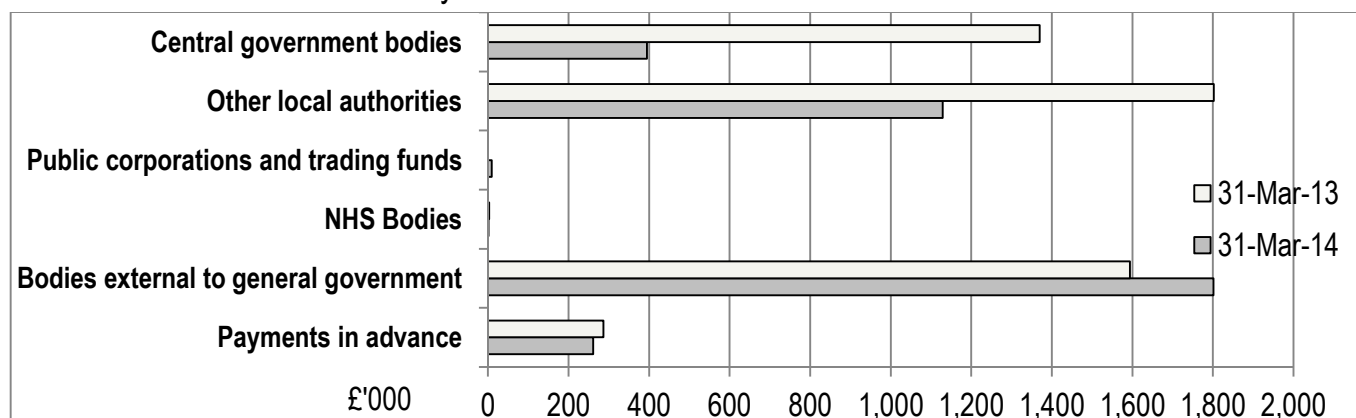
59 for further details.

### 45. Long-Term Debtors – Other

Long-Term debtors are those that fall due after a period of at least one year. They include advances to private individuals for either purchase or refurbishment of their homes including disabled adaptations, car loans to employees, advances to private sector tenants to assist with their housing needs, a payment in respect of future acquisition of equipment at the Leisure Centres and interest free loans, (classified as 'soft loans'). The Code sets out specific accounting requirements for soft loans and these are shown at their impaired value. More detail on soft loans, are contained in the Financial Instruments note 49 'Loans and Receivables'.

	31 March 2014 £'000	31 March 2013 £'000
Housing repair loans	1,979	2,140
Payments in advance under leisure contract	356	356
Rent deposit scheme – gross debt	288	311
Rent deposit scheme – allowance for bad debts	(257)	(253)
Assisted car purchase loans	165	177
Other long term loans	37	82
<b>Total</b>	<b>2,568</b>	<b>2,813</b>

### 46. Short-Term Debtors and Payments in Advance



	31 March 2014 £'000	Restated 31 March 2013 £'000
Central government bodies	395	1,370
Other local authorities	1,129	1,802
Public corporations and trading funds	9	0
NHS Bodies	1	3
Bodies external to general government	1,801	1,594
Payments in advance	261	287
<b>Total</b>	<b>3,596</b>	<b>5,056</b>

Short-term debtors have been restated at 31 March 2013 across categories and to record a net balance for input and output VAT in accordance with the Code.

### 47. Cash and Cash Equivalents

	31 March 2014 £'000	31 March 2013 £'000
Cash in hand	1,311	390
Short-term investments – same day access	9,000	9,950
Short-term investments – Money Market Funds	9,490	0
<b>Total Cash and Cash Equivalents</b>	<b>19,801</b>	<b>10,340</b>

## Leases

### 48. Leases

#### Disclosures in Relation to Finance Leases – Council as Lessee

##### Finance Leases

The Council took out a finance lease in 2007/08 for blue recycling bins and caddies. This finance lease arrangement was in three phases and the total numbers acquired under this arrangement was 51,000 bins and 51,000 caddies. The lease payments were made over the life of the contract. The rentals paid in 2013/14 were £121,900 charged to the Comprehensive Income & Expenditure Statement as £3,100 finance costs (debited to interest payable) and £118,800 relating to the write-down of obligations to the lessor (debited as part of the appropriation to Capital Adjustment Account (note 24) in the Movement in Reserves Statement). As at 31 March 2014, the outstanding principal sum was £nil.

The Council reports the following values of assets as held under finance leases, within Property, Plant and Equipment on the Balance Sheet.

	31 March 2014 £'000	31 March 2013 £'000
Gross value	689	883
Accumulated depreciation	(580)	(629)
<b>Net Value</b>	<b>109</b>	<b>254</b>

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	2013/14 £'000	2012/13 £'000
Finance lease liabilities:		
Current	0	119
Finance costs payable in future years	0	3
<b>Minimum Lease Payments</b>	<b>0</b>	<b>122</b>

	Minimum Lease Payments		Finance Lease Liabilities	
	2013/14 £'000	2012/13 £'000	2013/14 £'000	2012/13 £'000
Not later than 1 year	0	122	0	119
<b>Total</b>	<b>0</b>	<b>122</b>	<b>0</b>	<b>119</b>

#### Disclosures in Relation to Operating Leases – Council as Lessee

##### Operating Leases

Plant and equipment – as at 31 March 2014 the Council had nine vehicles on a contract hire-operating lease basis. During 2013/14 the Council entered into one new lease to replace part of its existing fleet, and all of the staff lease vehicles have now terminated. The Council is committed to making payments of £25,900 in 2014/15 and onward as detailed below. This commitment is expected to expire in 2015/16.

The amount paid under these arrangements in 2013/14 was £30,800.

	2013/14 £'000	2012/13 £'000
Not later than 1 year	26	24
Later than 1 year and not later than 5 years	23	44
<b>Total</b>	<b>49</b>	<b>68</b>

The expenditure charged to the Net Cost of Services in the Comprehensive Income & Expenditure Statement during the year in relation to these leases was £31,000 (£24,000 2012/13).



## Leases

### Disclosures in Relation to Operating Leases – Council as Lessor

The Council holds a number of operating leases with third parties. The following table details the main classifications of usage within the portfolio:

Asset	Rentals Payable 2013/14 £'000	Rentals Payable 2012/13 £'000
Business premises	447	354
Industrial units	176	142
Community and charity usage	50	249
Sporting facilities	24	3
Other	1	22
<b>Total</b>	<b>698</b>	<b>770</b>

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

	2013/14 £'000	2012/13 £'000
Not later than 1 year	163	167
Later than 1 year and not later than 5 years	155	151
Later than 5 years	380	452
<b>Total</b>	<b>698</b>	<b>770</b>

### Disclosures in Relation to Embedded Leases – Council as Lessee

Vehicles used within the grounds maintenance contract and the cleansing contract are accounted for as 'embedded leases'.

The asset, net of depreciation is therefore shown within non-current assets and the notional liability within long-term liabilities. The asset value is depreciated over the life of the vehicles equivalent to the calculated notional lease repayment.

	2013/14 £'000	2012/13 £'000
Value of embedded lease assets, net of depreciation	35	365
Notional long-term liability	(35)	(365)

The notional gross investment is made up of the following amounts:

	2013/14 £'000	2012/13 £'000
Finance lease liabilities	35	365
Gross investment in the lease	35	365

The notional gross investment in the lease and the minimum lease payments will be accounted for over the following periods:

	Gross Investment in the Lease		Minimum Lease Payments	
	2013/14 £'000	2012/13 £'000	2013/14 £'000	2012/13 £'000
Not later than one year	11	57	12	63
Later than 1 year and not later than 5 years	20	4	22	4
<b>Total</b>	<b>31</b>	<b>61</b>	<b>34</b>	<b>67</b>

## Financial Instruments

The use of these notes are primarily for those with whom the Council invests rather than the lay reader and therefore if you require further details please contact the Finance Department directly on [finance@swale.gov.uk](mailto:finance@swale.gov.uk)

### 49. Financial Instruments

#### a) Financial Instruments – Classifications

A financial instrument is: “Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity”.

#### b) Financial Instruments – Balances

The financial instruments are disclosed in the Balance Sheet at amortised cost and are analysed across the following categories:

**Table 1**

Financial Liabilities	Long-Term		Current	
	2013/14 £'000	2012/13 £'000	2013/14 £'000	2012/13 £'000
Trade creditors	0	0	(1,354)	(1,959)
Lease liabilities	(799)	(973)	(164)	(270)
<b>Total Financial Liabilities</b>	<b>(799)</b>	<b>(973)</b>	<b>(1,518)</b>	<b>(2,229)</b>

**Table 2**

Financial Assets	Long-Term		Current	
	2013/14 £'000	2012/13 £'000	2013/14 £'000	2012/13 £'000
<b>Loans and Receivables</b>				
Trade debtors	304	331	749	610
Soft loans	1,981	2,167	188	42
Car loans	165	177	0	0
Mortgages	13	22	0	0
Cash and cash equivalents	0	0	10,311	10,340
<b>Available-for-Sale</b>				
Cash and cash equivalents	0	0	9,490	0
Bond investment at cost – British Government Stocks	3	3	0	0
<b>Total Financial Assets</b>	<b>2,466</b>	<b>2,700</b>	<b>20,738</b>	<b>10,992</b>

#### c) Material Soft Loans made by the Council

##### Housing Interest Free Loans

Loans for private sector housing home adaptations – landlords and owner occupiers can apply for a loan for adaptations that will enable them to stay in their own homes. Loans to landlords are repayable after five years whilst owner occupier loans are repayable when a property is sold.

**Table 3**

	2013/14 £'000	2012/13 £'000 Restated
<b>Opening Carrying Amount of Soft Loans on 1 April</b>	<b>2,182</b>	<b>2,189</b>
Nominal value of new loans granted during the year	91	42
Loans repaid during the period	(131)	(87)
Impairment losses recognised	1	2
Increase in discounted amount (due to time)	23	36
<b>Closing Carrying Amount of Soft Loans at 31 March</b>	<b>2,166</b>	<b>2,182</b>

<b>Nominal Value at 31 March</b>	<b>2,209</b>	<b>2,190</b>
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## Financial Instruments

### d) Gains and Losses on Financial Instruments

The gains and losses recognised in the Comprehensive Income & Expenditure Statement under Financing and Investment Income and Expenditure are as follows:

**Table 4**

	2013/14 £'000	2012/13 £'000
<b>Financial Liabilities</b>		
Interest Costs	82	118
<b>Total Interest Payable</b>	<b>82</b>	<b>118</b>
<b>Financial Assets</b>		
<b>Interest Income:</b>		
Loans and Receivables: - Fixed Term Deposits and Call Accounts	(105)	(72)
Available-for-Sale: - Money Market Funds	(12)	(23)
<b>Total Interest</b>	<b>(117)</b>	<b>(95)</b>
<b>Net (Profit)/Loss for the Year</b>	<b>(35)</b>	<b>23</b>

### e) Fair Value of Assets and Liabilities

Fair Value is defined in IAS 39 as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

In the case of the Council's investments for 2013/14, these consisted of call accounts, short-term investments and money market funds. None of the investments was impaired (i.e. at risk of default). Fair values have therefore, been assessed as being the same as the carrying amount on the Balance Sheet:

- the Council currently has no long-term borrowings by way of loans;
- where an instrument matures within 12 months, the carrying value is assumed to be an approximation of fair value; and
- the fair value of trade creditors/debtors is taken to be the invoiced or billed amount.

Therefore, the fair value for all financial assets and financial liabilities at 31 March 2014 are the same as the carrying amount on the Balance Sheet. Tables 1 and 2 refer.

### f) Nature and Extent of Risks Rising from Financial Instruments

The Council's activities expose it to a variety of financial risks. The Council's overall risk management programme takes account of the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out under policies approved by the Council in the annual Treasury Management Strategy.

The Treasury Management Strategy requires frequent review of interest rate exposure that feeds into the setting and monitoring of the annual budget. This allows any adverse changes to be accommodated. The analysis will also advise as to whether new borrowing taken out should be at fixed or variable rates. It is the aim of the Council to minimise interest paid on borrowing and maximise the interest earned on investments but, in the case of investments, protection of the capital sum must take precedence over the rate of return.

The Treasury Management Strategy can be obtained from the Council's website using the following link: <http://www.swale.gov.uk/financial-strategies-documents/>.

The Council provides written principles for overall risk management as well as written policies within its Treasury Management Strategy covering the following risks and the investment of surplus cash balances:

- 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 payment commitments; and
- Market Risk – the possibility that a financial gain or loss might arise for the Council due to movements in interest rates, market prices, foreign currency exchange rates, etc.

## Financial Instruments

### Credit Risk

The Council has adopted CIPFA's Code of Practice on Treasury Management (and subsequent amendments), and complies with the Prudential Code for Capital Finance in Local Authorities.

Credit risk arises from deposits with banks and financial institutions (counterparties), as well as credit exposure to the Council's customers. The Council protects the security of the cash it deposits with counterparties using a number of risk management techniques. Principal among these is the evaluation of counterparty risk, which uses a combination of credit ratings and limits on the term and maximum value of any deposits.

The Council seeks to reduce counterparty risk by adjusting the maximum amounts that may be invested with institutions. The details can be found in the Council's Annual Investment Strategy.

The table below summarises the nominal value of the Council's investment portfolio at 31 March 2014. All investments made were in line with the Council's approved credit rating criteria at the time of placing the investment, and still met that criterion at 31 March 2014.

**Table 5**

Counterparty/Country	Long-Term Rating	Balance Invested at 31 March 2014 £'000	
		Up to 1 month	Total
<b>Banks</b>			
Lloyds Bank	A2	3,000	3,000
Santander UK PLC	A2	3,000	3,000
Svenska Handelsbanken	Aa3	3,000	3,000
<b>Total Banks</b>		<b>9,000</b>	<b>9,000</b>
<b>Money Market Funds</b>			
Goldman Sachs	Aaa-mf	1,500	1,500
Scottish Widows Investment Partnership	Aaa-mf	1,500	1,500
Black Rock	Aaa-mf	1,500	1,500
BNP Paribas	Aaa-mf	1,500	1,500
State Street Global Advisors	Aaa-mf	1,500	1,500
Morgan Stanley	Aaa-mf	1,500	1,500
Deutsche	Aaa-mf	490	490
<b>Total Money Market Funds</b>		<b>9,490</b>	<b>9,490</b>
<b>Gross Total</b>		<b>18,490</b>	<b>18,490</b>

All Balances invested at 31 March 2014 were short-term investments.

The ratings above are from Moody's credit rating agency. The long-term rating is the benchmark measure of probability of default. The default based on the experience gathered over the last five financial years is nil and the default adjusted for current market conditions is nil. Therefore, the estimated maximum exposure to default is nil as at 31 March 2014 (nil as at 31 March 2013).

A description of the grading is provided below:

- Aaa-mf – Money market funds rated Aaa-mf have very strong ability to meet the dual objectives of providing liquidity and preserving capital.
- Aa3 – Investments rated Aa3 are judged to be of a high quality and are subject to very low credit risk.
- A2 – Investments rated A2 are considered upper-medium grade and are subject to low credit risk.

### 50. Related Parties

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

#### Central Government

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Unringfenced grants received from government departments are set out in the CI&ES and the total grants received from government are shown in note 11 on reporting for resources allocation decisions.

#### Members

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 on note 9. During 2013/14, no works or services were commissioned from companies in which Members had an interest. No grants were made to organisations whose senior management included close members of the families of Members. The Council maintains a "Register of Members' Interests", which is open to public inspection at the Council offices during office hours.

There has been an approach to elected Members and senior management seeking from them a declaration that neither they, nor close family nor anyone in the same household have been involved in any material transactions with the Council. Returns were received from all members and senior officers.

#### Officers

During 2013/14, no officers declared a pecuniary interest in accordance with section 117 of the Local Government Act 1972.

#### Entities Controlled or Significantly Influenced by the Council

Payment of subsidy of £80,000 was made to Faversham Pool in 2013/14 (revenue grant of £80,000). The Trust is deemed to be influenced significantly by the Council through its representation on the Trust board.

It is our opinion that none of the above transactions have the ability to influence the Council's decisions or priorities. We have therefore considered these not to be material.

### 51. Group Accounts

The Code contains detailed requirements for the production of group accounts and a review was undertaken to identify any subsidiaries, associates, or joint ventures, which would establish whether a group relationship exists for the purposes of the Council's Statement of Accounts.

With regard to the Faversham Swimming Pool Management Committee (FSPMC), as the Council appoints the majority of the governing body, it falls within the definition of a subsidiary. The FSPMC is a charitable trust, which operates a swimming pool complex for the benefit of local residents, with a financial turnover of approximately £700,000 per annum. Included within this figure for 2013/14 is a grant of £80,000 from the Council to FSPMC. It is considered that both the value of the FSPMC turnover and the Council's grant is not material in comparison to the Council's net cost of services of £18.2 million. On the basis of these factors together the Council has decided that group accounts are not required.

The FSPMC accounts for 2013/14 are due to be approved in August 2014. The latest accounts of the Committee can be obtained from the Charity Commission as follows: Post Charity Commission Direct, P.O. Box 1227, Liverpool L69 3UG

Telephone 0845 3000 218. Website [www.charitycommission.gov.uk](http://www.charitycommission.gov.uk).

### 52. Contingent Liabilities

The position with regard to Municipal Mutual Insurance Ltd (MMI) is detailed in the Provisions note (note 44). The provision is based on an assumed percentage of claims costs that will be borne by the Council, but this may be amended by the Scheme Administrator in the future thereby resulting in increasing the possible future cost of the Council.

A group of property search companies are seeking to claim refunds although no proceedings have yet been issued. Standstill Agreements have been entered into and the Council has been informed that the value of those claims at present is approximately £65,000 plus interest and costs. Further Standstill Agreements have been entered in to with a group consisting of four personal search companies; however, the value of their claims are not yet known. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

The European Commission has formally launched proceedings against the UK for breach of nitrogen dioxide limit values under European Union Air Quality Directive. The case may be referred to the Court of Justice of the European Union (CJEU). The CJEU would then consider the case and all the arguments and decide on the course of action. If the CJEU decides that the UK is in breach of its obligations then it will make a judgment to that effect. The Commission may then bring a further action to the CJEU for it to set fines should the UK fail to comply with the judgment. This process may take several years to complete. Under the discretionary power in Part 2 of the Localism Act the Government could require local authorities to pay all or part of an infraction fine.

The Council has made a provision for business rate appeals based on its best estimates of the actual liability as at 31 March 2014 in 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 national and local appeals may have a future impact on the accounts.

### 53. Contingent Assets

There are no contingent assets.

## Adjustments Between Accounting Basis And Funding Basis Under Regulations

These financial statements are based on accounting regulations, but there are changes required by law that affect what is eventually charged to the council tax payer. These are complex and are detailed below.

### 54. Adjustments Between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total Comprehensive Income & Expenditure Statement recognised by the Council in the year in accordance with proper accounting practices, to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

The General Fund is the statutory fund into which all the receipts of the Council are required to be paid, and out of which all liabilities of the Council 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, 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.

2013/14	Usable Reserves			Unusable Reserves £'000
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
<b>Adjustments primarily involving the Capital Adjustment Account</b>				
Charges for depreciation and impairment of non-current assets	(1,627)	0	0	1,627
Revaluation of non-current assets	(566)	0	0	566
Movements in the fair value of Investment and Held for Sale properties	(159)	0	0	159
Amortisation of intangible assets	(31)	0	0	31
Capital Grants Unapplied received not used	146	0	(146)	0
Capital Grants Unapplied reclassified	0	0	15	(15)
Capital Grants and Contributions applied - other	98	0	101	(199)
Capital Grants and Contributions applied - REFCUS	1,320	0	16	(1,336)
REFCUS	(1,434)	0	0	1,434
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	(689)	0	0	689
Statutory provision for the financing of capital investment	823	0	0	(823)
Capital expenditure charged to the General Fund	265	0	0	(265)
<b>Adjustments primarily involving the Capital Receipts Reserve (CRR)</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&ES	796	(796)	0	0
Contribution from the CRR towards administrative costs of non-current asset disposals	(15)	15	0	0
Use of the CRR to finance new capital expenditure	0	144	0	(144)
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CI&ES	0	(9)	0	9
Use of CRR to finance the payments to the Government's capital receipts pool.	(1)	1	0	0

## Adjustments Between Accounting Basis And Funding Basis Under Regulations

2013/14	Usable Reserves			Unusable Reserves £'000
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
<b>Adjustments primarily involving the Financial Instruments Adjustment Account</b>				
Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements	24	0	0	(24)
<b>Adjustments primarily involving the Pensions Reserve</b>				
Reversal of items relating to retirement benefits debited or credited to the CI&ES in accordance with the Code	(3,825)	0	0	3,825
Employer's pensions contributions and direct payments to pensioners payable in the year under pension scheme regulations	2,351	0	0	(2,351)
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b>				
Amount by which Council Tax and Business Rate income credited to the CI&ES is different from Council Tax and Business Rate income calculated for the year in accordance with statutory requirements	45	0	0	(45)
<b>Adjustment primarily involving the Accumulated Absences Account</b>				
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	14	0	0	(14)
<b>Total Adjustments</b>	<b>(2,465)</b>	<b>(645)</b>	<b>(14)</b>	<b>3,124</b>

2012/13	Usable Reserves			Unusable Reserves £'000
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
<b>Adjustments primarily involving the Capital Adjustment Account</b>				
Charges for depreciation and impairment of non-current assets	(1,876)	0	0	1,876
REFCUS	(1,372)	0	0	1,372
Revaluation of non-current assets	56	0	0	(56)
Movements in the fair value of investment properties	54	0	0	(54)
Amortisation of intangible assets	(28)	0	0	28
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	(712)	0	0	712
Statutory provision for the financing of capital investment	872	0	0	(872)
Capital expenditure charged against the General Fund	379	0	0	(379)
Capital grants and contributions applied	1,208	0	(40)	(1,168)



## Adjustments Between Accounting Basis And Funding Basis Under Regulations

2012/13	Usable Reserves			Unusable Reserves £'000
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
<b>Adjustments primarily involving the Capital Receipts Reserve (CRR)</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&ES	93	(93)	0	0
Use of the CRR to finance new capital expenditure	0	64	0	(64)
Use of CRR to finance the payments to the Government's capital receipts pool.	(9)	9	0	0
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve</b>				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CI&ES	0	(12)	0	12
<b>Adjustments primarily involving the Financial Instruments Adjustment Account</b>				
Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements	41	0	0	(41)
<b>Adjustments primarily involving the Pensions Reserve</b>				
Reversal of items relating to retirement benefits debited or credited to the CI&ES in accordance with the Code	(3,644)	0	0	3,644
Employer's pensions contributions and direct payments to pensioners payable in the year under pension scheme regulations	2,427	0	0	(2,427)
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b>				
Amount by which Council Tax income credited to the CI&ES is different from Council Tax income calculated for the year in accordance with statutory requirements	(20)	0	0	20
<b>Adjustment primarily involving the Accumulated Absences Account</b>				
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	20	0	0	(20)
<b>Total Adjustments</b>	<b>(2,511)</b>	<b>(32)</b>	<b>(40)</b>	<b>2,583</b>

## Collection Fund

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

Collection Fund 2013/14	Note	Business Rates £'000	Council Tax £'000	Total £'000
<b>Income</b>				
Council tax receivable	56	0	(60,197)	(60,197)
Previous year's business rates relief fund		0	(227)	(227)
Business rates receivable	57	(41,739)	0	(41,739)
Transitional protection payments		(145)	0	(145)
<b>Total</b>		<b>(41,884)</b>	<b>(60,424)</b>	<b>(102,308)</b>
<b>Expenditure</b>				
Precepts and demands -				
Central Government		19,450	0	19,450
Swale Borough Council		15,560	7,317	22,877
Kent County Council		3,501	43,195	46,696
Kent & Medway Towns Fire Authority		389	2,801	3,190
Kent Police and Crime Commissioner		0	5,832	5,832
<b>Sub total</b>		<b>38,900</b>	<b>59,145</b>	<b>98,045</b>
Cost of collection		177	0	177
Transitional protection payments		145	0	145
Bad and doubtful debts/ appeals -				
Debt write offs	58	89	263	352
Allowance for debt impairment	58	323	119	442
Allowance for appeals impairment	59	2,414	0	2,414
<b>Sub total</b>		<b>3,148</b>	<b>382</b>	<b>3,530</b>
<b>Total</b>		<b>42,048</b>	<b>59,527</b>	<b>101,575</b>
Deficit/(Surplus) for the year	55	164	(897)	(733)
<b>Deficit/(Surplus) at 1 April 2013</b>	55	<b>0</b>	<b>(273)</b>	<b>(273)</b>
<b>Deficit/(Surplus) at 31 March 2014</b>	55	<b>164</b>	<b>(1,170)</b>	<b>(1,006)</b>

Collection Fund 2012/13	Note	Business Rates £'000	Council Tax £'000	Total £'000
<b>Income</b>				
Council tax receivable	56	0	(58,207)	(58,207)
Council tax benefits		0	(11,593)	(11,593)
Previous year's business rates relief fund		0	(212)	(212)
Business rates	57	(37,588)	0	(37,588)
<b>Total</b>		<b>(37,588)</b>	<b>(70,012)</b>	<b>(107,600)</b>
<b>Expenditure</b>				
Precepts and demands -				
Kent County Council		0	50,714	50,714
Swale Borough Council		0	8,525	8,525
Kent Police and Crime Commissioner		0	6,712	6,712
Kent & Medway Towns Fire Authority		0	3,289	3,289
Business rates relief fund		0	227	227
Business rates – payment to national pool		37,413	0	37,413

## Collection Fund

Collection Fund 2012/13	Note	Business Rates £'000	Council Tax £'000	Total £'000
Business rates – costs of collection		175	0	175
Bad and doubtful debts -				
Debt write offs	58	0	285	285
Allowance for impairment	58	0	113	113
<b>Contribution towards previous year's Collection Fund surplus -</b>				
Kent County Council		0	229	229
Swale Borough Council		0	30	30
Kent Police and Crime Commissioner		0	15	15
Kent & Medway Towns Fire Authority		0	39	39
<b>Total</b>		<b>37,588</b>	<b>70,178</b>	<b>107,766</b>
Deficit for the year	55	0	166	166
<b>(Surplus) at 1 April 2012</b>	55	<b>0</b>	<b>(439)</b>	<b>(439)</b>
<b>(Surplus) at 31 March 2013</b>	55	<b>0</b>	<b>(273)</b>	<b>(273)</b>

### 55. Collection Fund Surplus /Agency Arrangements

Swale Borough Council's element of the surplus is £79,021 and is shown in the Balance Sheet as the Collection Fund Adjustment Account. The Movement in Reserves Statement shows the additional amount credited to the account for the year 2013/14 (note 54). Amounts relating to precepting authorities and Government are shown in the Balance Sheet as a net debtor or creditor. This reflects that billing authorities are acting as agents of the precepting authorities and Government.

The following table shows the fund balance at 31 March 2014 split into its attributable parts:

	Business Rates £'000	Council Tax £'000	Total £'000
Central Government	82	0	82
Swale Borough Council	65	(144)	(79)
Kent County Council	15	(855)	(840)
Kent & Medway Town Fire Authority	2	(56)	(54)
Kent Police and Crime Commissioner	0	(115)	(115)
<b>Balance at 31 March 2014</b>	<b>164</b>	<b>(1,170)</b>	<b>(1,006)</b>

### 56. The Calculation of the Council Tax Base

The council tax is primarily a property based tax and is calculated for an average Band D property by dividing the net expenditure (to be met by the tax) of KCC, Kent Police and Crime Commissioner, Kent & Medway Towns Fire Authority and Swale Borough Council by the tax base for Swale which is 41,225.21 (48,401.04 in 2012/13). This figure is the equivalent number of Band D properties in the area after allowing for the relative proportions payable by all other bands and the fact that some of those properties may pay a reduced amount because of discounts. The reduction in the council tax base is due to the Government's council tax localisation changes, which revised the way Central Government pay council tax benefit compensation to the Council.

The basic council tax payable for each band in 2013/14 is listed below:

Band	Basic Tax £	Proportion of Band D Charge	Number of Band D Equivalent Dwellings
A	944.75	6/9	3,327.57
B	1,102.21	7/9	7,899.18
C	1,259.67	8/9	10,801.59
D	1,417.13	9/9	8,576.34
E	1,732.05	11/9	5,542.17

## Collection Fund

Band	Basic Tax	Proportion of	Number of Band D
F	2,046.97	13/9	3,097.06
G	2,361.88	15/9	1,802.69
H	2,834.26	18/9	178.61
<b>Total</b>			<b>41,225.21</b>

The detail to the calculation of the council tax base can be found in the Resolutions for Calculating Council Tax Base report to Council on 9 January 2013 by using the following link,

<http://www2.swale.gov.uk/dso/viewagenda.asp?uid=1502>.

Additional amounts are payable for precepts levied by the Parish and Town Councils within the Borough.

The level of non-payment provided for in 2013/14 was 1%. The original anticipated income = 41,225.21 x £1,434.69 (Band D plus average parish precept) = £59,145,397. The actual income was £60,196,644. The difference is attributable to an increase in the number of properties in the Borough.

### 57. Income Collectable from Business Ratepayers

Following the introduction of the localisation of business rates in 2013/14, local authorities are now incentivised to promote economic growth in their areas by retaining a share of the net income that they receive in business rates. In total, the Council retains 40% of business rates collected during the year, after deductions for mandatory and discretionary reliefs, the cost of income collections including losses and for the cost of changes to rateable values resulting from appeals. The remaining amount is paid to the Government (50%), KCC (9%) and the Fire Authority (1%). The remaining retained business rates income is then subject to a tariff (annually increased by the retail price index), and a levy on business rate growth which are paid to the Government. The tariff payment funds other local authorities where their business rates are disproportionately low, while the levy payment funds a notional safety net, which provides local authorities with funding protection against business rate reductions in excess of 7.5% each year. The level of tariffs and levies is unique to each local authority.

The business rate income, after reliefs was £41,884,067 for 2013/14 (£37,588,548 for 2012/13). The rateable value for the Council's area at the end of the financial year 2013/14 was £110,299,683 (£107,936,140 for 2012/13).

The rate poundage set for 2013/14 was 47.1p (2012/13 was 45.8p). Small businesses have a lower rate poundage of 46.2p (2012/13 was 45.0p).

### 58. Debt Impairment

The following provisions have been made against the possible non-collection of debt relating to the Collection Fund:

	2013/14 Council Tax £'000	2012/13 Council Tax £'000	2013/14 Business Rates £'000	2012/13 Business Rates £'000
Balance brought forward 1 April	(1,093)	(980)	(1,597)	(1,443)
Less amounts written off	263	285	89	1,439
(Increase) in Provision	(382)	(398)	(412)	(1,593)
<b>Balance at 31 March</b>	<b>(1,212)</b>	<b>(1,093)</b>	<b>(1,920)</b>	<b>(1,597)</b>
Swale Borough Council's proportion	(150)	(135)	(768)	N/A

Council tax bad debt provision is based on an analysis of the age of the debt and their recovery stage plus applying an additional percentage for non-payment to the total tax due less the write-offs in year. At 31 March 2014, the total council tax outstanding debt was £4.2 million of which debt one year old was £2 million, debt between two to five years old was £1.7 million and debt over five years old was £0.5 million.

The provision for business rate debt is based on an assessment of each debt in respect of each financial year since 1995/96. The bad debt provision takes into account the recovery action, receivership/administration arrangements and potential absconders. At 31 March 2014, the total business rates outstanding debt was £2.4

## Collection Fund

million of which debt one year old was £1.45 million, debt between two to five years old was £0.9 million and debt over 5 years old was £0.05 million.

### 59. Provision for Business Rate Valuation Appeals

As a result of the changes from April 2013 to the retention of business rates a provision has been made against the potential effect of outstanding appeals in respect of rating list entries relating to the Collection Fund:

	<b>2013/14 Business Rates £'000</b>
Balance brought forward 1 April	0
(Increase) in Provision	(2,414)
<b>Balance at 31 March</b>	<b>(2,414)</b>
Swale Borough Council's proportion	(966)

The provision for business rate valuation appeals is based on the latest list of outstanding rating list proposals provided by the Valuation Office and is an estimate based on changes in comparable hereditaments, market trends and other valuation issues, including the potential for some proposals to be withdrawn.

## Annual Financial Report - Glossary

Accounting Policies	Accounting policies define the process whereby transactions and other events are reflected in financial statements.
Accruals	The inclusion of outstanding debtors and creditors in the year's income, expenditure and capital expenditure.
Appropriation	An appropriation is a transfer of resources between reserves.
Asset	An item having value measurable in monetary terms. Assets can either be defined as non-current or current. A non-current asset has use and value for more than one year where a current asset can readily be converted into cash.
Balance Sheet	A summary of all the assets, liabilities, funds, reserves, etc. of the Council.
Service Expenditure Reporting Code Of Practice (SeRCOP)	This provides guidance on the content and presentation of the costs of service activities.
Billing Council	A local council charged by statute with the responsibility for the collection of and accounting for council tax, business rates and residual community charge. Swale Borough Council is a billing council.
Budget	The Council's aims and policies set out in financial terms against which performance is measured. Both capital and revenue budgets are prepared.
Capital Expenditure	Expenditure on the acquisition of a non-current asset or expenditure, which adds to and not merely maintains the value of an existing non-current asset.
Capital Financing	The raising of money to pay for capital expenditure, including borrowing, revenue financing, usable capital receipts, capital grants and capital contributions.
Capital Programme	The capital schemes the Council intends to carry out over a specified time period.
Capital Receipts	The proceeds of the sale of capital assets.
Cash and Cash Equivalents	The most liquid assets found within the asset portion of the Balance Sheet.
Code of Practice on Local Council Accounting in the United Kingdom 2013/14 (The Code)	This specifies the principles and practices of accounting required to prepare a Statement of Accounts which presents "a true and fair view" of the financial position and transactions of the Council.
Collection Fund	A separate fund maintained by a billing council which records the expenditure and income relating to council tax and business rates.
Community Assets	Non-current assets that the local council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal.
Comprehensive Income & Expenditure Statement	This account records all the income the Council has received to fund the day-to-day expenditure on the services it has provided during the financial year.
Contingent Assets	A contingent asset is a possible asset arising from past events whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the Council's control.
Contingent Liability	Either a possible obligation arising from past events whose existence will be confirmed only by the occurrence of uncertain future events not wholly within the Council's control; or, a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required.
Council Tax	A local tax set by local authorities in order to finance their budget requirement. The level set by a council will be dependent on its net expenditure in relation to its Formula Grant.
Creditor	Amounts owed by the Council for works done, goods received or services rendered before the end of the accounting period but for which payments have not been made by the end of that accounting period.
Current Assets	An asset held which will be used or received within the next financial year.

## Annual Financial Report - Glossary

Debtor	Amounts due to the Council for works done, goods received or services rendered before the end of the accounting period but for which payments have not been received by the end of that accounting period.
Defined Benefit Scheme	A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme.
Depreciation	The measure of the cost or revalued amount of the benefits of the non-current assets that have been consumed during the period.
Discretionary Benefits	Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the Council's discretionary powers.
Estimation Techniques	The methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves.
Exceptional Items	These relate to events or transactions that are material in terms of the Council's overall expenditure but are not expected.
Fair Value	The fair value of a non-current asset is the price at which an asset could be exchanged in an arm's length transaction, less, where applicable, any grants received towards the purchase or use of the asset.
Finance Lease	A lease that transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee.
General Fund	This is the main reserve account for the Council and is a statutory account for council tax setting purposes.
Government Grants	Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to a council in return for past or future compliance with certain conditions relating to the activities of the Council.
Heritage Assets	A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained by the Council principally for its contribution to knowledge and culture.
Impairment	A reduction in the value of an asset below its carrying amount on the Balance Sheet.
Income	Monies received or due from rents, fees and charges for services, specific grants and investment interest.
Infrastructure Assets	Non-current assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created.
Intangible Assets	These are non-financial fixed assets that do not have physical substance but are identifiable and controlled by the Council through custom legal rights (e.g. computer software).
International Financial Reporting Standards	Guidelines and rules set by the International Accounting Standards Board (IASB) that companies and organisations can follow when compiling financial statements.
Investment Properties	Interest in land and/or buildings in respect of which construction work and development have been completed; and, which is held for its investment potential, with any rental income being negotiated at arm's length.
Liabilities	Amounts which will become payable by the Council in the short or long-term.
Materiality	A threshold quality ensuring that information is of such significance as to justify its inclusion in the Statement.
National Non-Domestic Rate Poundage	National Non-Domestic Rate Poundage is a standard rate in the pound set by the Government on the assessed rateable value of properties used for business purposes.

## Annual Financial Report - Glossary

Net Expenditure	Gross expenditure for a service less directly related income.
Net Realisable Value	The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.
Non-Current Assets	Tangible assets that yield benefits to the Council and the services it provides for a period of more than one year.
Non-Operational Assets	Non-current assets held by a local council but not used or consumed in the delivery of services or for the service or strategic objective of the Council.
Operating Lease	A lease where the ownership of the non-current asset remains with the lessor.
Operational Assets	Non-current assets held and occupied, used or consumed by the local council in the direct delivery of those services for which it has either a statutory or a discretionary responsibility or for the service or strategic objectives of the Council.
Outturn	The actual results for the financial year in question.
Precept	The levy made by those authorities which do not run the local taxation system, e.g. county councils, on those authorities which do so, e.g. districts, requiring them to collect the required income from local taxpayers on their behalf.
Projected Unit Method	An accrued benefits valuation method in which the pension scheme liabilities make allowance for projected earnings.
Property, Plant, Furniture and Equipment	An asset that is vital to business operations but cannot be easily liquidated. The value of property, plant, furniture and equipment is depreciated over the estimated life of the asset as even the longest-term assets become obsolete or useless after a period of time.
Provision	An amount set aside for liabilities or losses that are certain to arise but owing to their inherent nature cannot be quantified with any certainty.
Recharge	An internal charge made by one service in respect of services provided for another.
Reserves	The accumulation of surpluses and deficits over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council.
Revenue Expenditure Funded From Capital Under Statute (REFCUS)	Legislation allows some expenditure to be classified as capital for funding purposes when it does not result in a non-current asset on the Balance Sheet. Such expenditure is charged to the Comprehensive Income & Expenditure Statement.
Soft Loans	Loans made below prevailing interest rates and include loans made to organisations that undertake activities that the Council considers benefits the local population.
Useful Economic Life	The period over which the Council derives benefits from the use of a non-current asset.

### Acronyms Used:

CI&ES	Comprehensive Income & Expenditure Statement
CJEU	Court of Justice of the European Union
CLT	Corporate Leadership Team
CPI	Consumer Price Index
CRR	Capital Receipts Reserve
DFG	Disabled Facilities Grant
FRS	Financial Reporting Standards
FSPMC	Faversham Swimming Pool Management Committee
IAS	International Accounting Standard
IFRS	International Financial Reporting Standards
KCC	Kent County Council
KF&RS	Kent Fire & Rescue Services
LASAAC	Local Authority Scotland Accounting Advisory Committee



## Annual Financial Report - Glossary

LDD	Local Development Documents
LDF	Local Development Framework
LGPS	Local Government Pension Scheme
MIRS	Movement in Reserves Statement
MKIP	Mid Kent Improvement Partnership
MMF	Money Market Funds
MMI	Municipal Mutual Insurance
MTFP	Medium Term Financial Plan
NNDR	National Non Domestic Rates
PPE	Property Plant and Equipment
PWLB	Public Works Loans Board
REFCUS	Revenue Expenditure from Capital Under Statute
RPI	Retail Price Index
RR	Revaluation Reserve
SMT	Strategic Management Team
SOLACE	Society for Local Authority Chief Executives
SORP	Statement Of Recommended Practice
VAT	Value Added Tax

## Background and Scope of Responsibility

Swale Borough Council is responsible for ensuring that its business is conducted, in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in services, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Members and senior officers are responsible for putting in place proper arrangements for the governance of Swale Borough Council's affairs, the stewardship of the resources at its disposal, and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

In April 2013 Cabinet agreed a new Local Code of Corporate Governance reflecting the CIPFA/SOLACE Delivering Good Governance document published in late 2012. The documents considered how the Council was performing against the principles identified.

This statement explains how Swale Borough Council has complied with the Code and also meets the requirements of the Accounts and Audit (England) Regulations 2011 in relation to the publication of the Annual Governance Statement.

Swale Borough Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and management of risk.

This is a corporate document owned by all senior officers and Members of the Council.

## The Purpose of the Governance Framework

The Governance Framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled, and the activities through which it accounts to, engages with, and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework, and is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's aims and objectives, to evaluate the likelihood and the impact of those risks should they be realised, and to manage them efficiently, effectively and economically. The system is designed to manage risk to a reasonable level - it cannot eliminate all risk of failure to achieve stated aims and objectives, and can therefore only provide reasonable rather than absolute assurance of effectiveness.

The Governance Framework has been in place at the Council for the year ended 31 March 2014 and up to the date of approval of the Annual Statement of Accounts.

This Annual Governance Statement is intended to be a challenging assessment of where the Council stands identifying strengths but also areas of weakness, which need to be addressed.

## The Governance Framework

### Introduction

This section of the Statement sets out the key issues for the Council in the year relating to the overall governance arrangements. Its focus is on changes in the year rather than restating the core governance arrangements of the Council.

In May 2011 for the first time the Council held all out elections which returned 32 Conservatives, 13 Labour, one Liberal Democrat and one Independent. The Conservatives then formed the governing Administration working under the 'Strong Leader' model. Since then one Conservative councillor has moved to UKIP.

### Vision and Corporate Priorities

A new Corporate Plan was agreed by Cabinet in April 2012 and Council in May 2012. The Council's three strategic priorities are:

## Annual Financial Report – Annual Governance Statement For The Year Ended 31 March 2014

- Embracing Localism – demonstrating how we (the Council) will embrace the localism agenda whilst empowering individuals and communities to take more responsibility for their own futures;
- Open for Business – working with the private sector and other public service partners to create the conditions for growth and to promote a positive image for the Borough; and
- Healthy Environment – nurturing the place which is Swale in its broadest sense, both a physical place and as a community.

An annual refresh report was made to Cabinet in April 2014. The Leader has asked for a complete refresh of the plan before March 2015.

### Management Processes

The senior management structure of the Council has continued to evolve. The Head of Corporate Strategy and Communications left in October 2013 and the post was not replaced. The Policy Manager now reports direct to the Chief Executive and the Head of Economy and Community Services manages the Communications Team. Given the financial environment savings in senior posts can make a significant contribution - two other senior managers moved to three-day weeks. The weekly Strategic Management Team (SMT) meeting remains at the heart of the management process, and the monthly wider Corporate Leadership Team (CLT) is providing an effective forum for involving all Heads of Service.

The structure of a monthly team brief and quarterly Third Tier Manager and four-monthly All Staff Briefings has also been maintained. The staff engagement forum, Swale Voice (the staff panel) has continued and its chair attends the People SMT meeting on a quarterly basis.

The staff Competencies Framework has been thoroughly revised and now plays a central role in the annual appraisal and target setting process. This reflects the importance of behaviours as well as technical competencies. All third tier managers and above have or are participating in two day coaching training supported by action learnings sets. Again, here the emphasis is on improving the skill set and behavioural approach of managers.

With SMT meeting weekly and CLT monthly supported by management meetings and briefings and 1-1 meetings within each division there is a comprehensive framework for communication and discussion. This approach is strongly championed by the Chief Executive and managers throughout the organisation are aware of his example and the standards he requires. This framework ensures that the Council's values and ethical standards are met and ensures required processes are adhered to. This is supported by the monthly financial and performance reporting and quarterly HR reports all to SMT. Financial and non-financial performance is also reported quarterly to Cabinet and Scrutiny Committee.

### Performance Management

For 2013/14 the Council had in place comprehensive performance management arrangements. This monitored performance against corporate performance indicators and progress on actions and projects from Services Plans. Monthly reports were made to SMT and quarterly reports to Cabinet and Scrutiny Committee. The corporate performance indicator set was updated at the start of the year to align more closely to the Corporate Plan and provide a more comprehensive and representative overview of the performance of the organisation as a whole.

The outturn position for 2013/14 on all corporate performance indicators is:

- 30 indicators (73%) met their targets;
- 5 indicators (12%) missed their targets by no more than 5%; and
- 6 indicators (15%) missed their targets by more than 5%.

The outturn is in line with the previous year in terms of the proportion of indicators achieving their targets, which is positive given the Council's default position that the indicators become more demanding year on year. Reasonably up to date comparator data is available for just over half the Council's corporate indicators. Of these some 42% are performing in the best quartile of the comparator group and a further 19% above the median, although 29% remain in the lowest quartile.

## Financial Management

The Council's financial position still primarily reflects the impact on Government reductions in expenditure to reduce the fiscal deficit. This is now well established and it is unrealistic to expect any major changes regardless of the outcome of the next general election and the overall economic climate. Increasingly this will mean that the Council's long-term finances will depend upon income streams that it can control or strongly influence. These are principally:

- council tax;
- business rates;
- new homes bonus; and
- fees and charges.

This has the potential to make the Council much more financially self-standing rather than relying on Revenue Support Grant. The downside of this is that total revenue will be lower and therefore so will the level of activity the Council can afford to undertake.

As we enter the sixth consecutive year of significant reductions in Central Government funding, the approach of service managers has changed significantly. The avoidance of long term financial commitments, deliberately underspending and a far greater emphasis on generating income or winning specific grants is now much more embedded.

Despite the funding reductions the Council has been able to set balanced budgets with no call on reserves, indeed the Council has added to its reserves over the period. Additionally the Council has now held its level of council tax, the third lowest in the County, for four years.

The approach taken has worked well to date but the 2014/15 and 2015/16 budgets will be major challenges. To achieve balanced budgets further savings will be required and better links made between the Council's highest corporate priorities and its financial planning.

For 2014/15 savings totalling £957,200 were found with no reduction in front line services. The breakdown of savings was:

- procurement – major contracts £474,200;
- financing items £272,000;
- efficiency savings £107,200;
- reductions in management posts £103,700.

For 2013/14 an underspend of £914,000 is forecast, or around 5% of the net budget of £16 million. Managers are well aware that there is no need to spend up to the year-end as good cases for roll-over will be supported by Members.

The Finance Department continues to respond well to the challenges faced. The outcomes of the 2013/14 annual external audit were particularly satisfactory with Grant Thornton LLP commenting:

“Overall our work highlighted that despite the challenging financial environment and sustained periods of financial constraint the Council has continued to exercise a prudent medium term financial strategy. Financial planning and budget savings targets were agreed in 2012/13.”

The Council received the highest possible score for securing financial resilience.

## Partnerships

The Council has continued to work with Maidstone Borough Council and Tunbridge Wells Borough Council through the Mid Kent Improvement Partnership (MKIP).

It is now integral to the business of the councils that opportunities will be sought to work collaboratively whenever possible. The main issues for the year have been:

- A major review of governance options moving forward including the option of an arm's length company. In the end it was decided that this option would not be pursued. As a one year trial it has been agreed that a single MKIP Director would be appointed and Heads of Service for those services in a MKIP shared service would report to this post.

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- Shared service arrangements for Planning Back Office and Environmental Health have been agreed and will go live in mid-2014.

Overall the working arrangements between the three councils do seem to have moved to a new level of maturity reflecting the mutual trust which exists at senior Members and officer levels whilst at the same time ensuring that the interests of the individual authorities are properly protected.

Other key partnerships such as the Thames Gateway Kent Partnership, and the South Thames Gateway Building Control Partnership, remain effective.

The Council's internal audit programme does cover partnerships so internal controls are evaluated – for example the CCTV, leisure centre and payroll audits during 2013/14.

### Procurement

The joint waste contract between Kent County Council, Swale Borough Council, Ashford Borough Council and Maidstone Borough Council went live on a phased basis in December 2013 and April 2014. Service delivery seems to have proceeded smoothly and the substantial savings are on track to be delivered.

Other than the waste contract the main focus has been on embedding good procurement practice in the Council with the Procurement Team ensuring that EU and local procurement regulations are adhered to.

### Internal Audit

The internal audit service continues to be provided through a four-way shared service with Maidstone Borough Council, Tunbridge Wells Borough Council, and Ashford Borough Council.

This is now the fourth year of the operation of the partnership. The service is highly valued by Members and officers. The inevitable challenge process in undertaking this work is done highly professionally. The Audit Manager post covering Swale and Maidstone Borough Councils changed in September 2013 and the Head of Audit Partnership retired in April 2014.

A total of 22 audit projects have been completed during the year. Of the 22 audits the results were as follows:

<b>Control Assurance</b>	<b>2013/14</b>	<b>2012/13</b>
High	3	1
Substantial	13	10
Limited	2	6
Minimal	0	1
Not Given	4	4
<b>Total</b>	<b>22</b>	<b>22</b>

Eighty-nine percent of assessed reports had a positive assurance assessment at the time of the audit, identifying control assurance as 'substantial' or 'high'. This compares with 61% in 2012/13. This is a strong endorsement of the internal control processes within the Council.

Overall audit outcomes have improved and consistently high ratings have been achieved for the core financial audits which because of the risks are very regularly received. Of the two reports that received a negative rating one has since been subject to follow up review and received a 'substantial' assessment. The other report concerned the 'Sustainable Sheppey' programme with concerns expressed on arrangements in place to monitor and report on the achievement of different project strands. This report is due to be followed up in 2014/15.

### Risk Management

The Strategic Risk Register first prepared in 2012 were fully updated in the last quarter of 2013/14. Operational risks are completed at Head of Service level in the Service Plans. The awareness and importance of formal approaches to risk management are now much better embedded in the Council.

Whilst the Council has done much to improve risk management in its internal processes the fact that so many services are provided through external contracts or partnerships does mean that the risk management in these arrangements needs to be more fully considered.

## Community Governance Review

In June 2013 the Council launched a Community Governance Review to examine the scope for extending Town and Parish Councils, as appropriate, to the unparished areas of the Borough. As a first stage a twelve week consultation was undertaken involving around 23,000 households and 48,000 people. In all 167 responses were received of which 43% answered were favourable and 57% unfavourable to the option of establishing new Parish Councils.

There were significant differences in the proportion of favourable and unfavourable responses in different areas. Based on the results of the first-stage consultation, a second-stage exercise was undertaken involving a full postal ballot on establishing a Parish Council in Halfway and some further minor changes. As a result of this consultation Council decided that no changes will be made to current arrangements other than some boundary and other minor changes in Bobbing, Borden, Iwade and Tunstall.

The review was a positive initiative to test the appetite for more parishing and the outcome is disappointing given the highly positive role which can be played by Parish and Town Councils in driving forward localism. All local authorities have a responsibility for undertaking periodic community governance reviews such as this. By listening to the views of our residents we can ensure that our community is involved in how Swale is governed.

## Sittingbourne Town Centre Regeneration

The objective of a major regeneration of Sittingbourne town centre has been a priority for many years. In 2010 the consortium Spirit of Sittingbourne was selected as the preferred bidder and since then negotiations have been on-going to reach agreement on a viable regeneration project. Central to this is the difficulty of reaching a commercially acceptable project in an area of relatively low land and property prices and with limited retail and restaurant offerings currently.

In April 2014 the principles for a revised development agreement was agreed by the Council. Once the development agreement has been formally revised Spirit of Sittingbourne will move forward with the planning application.

The project has huge implications for the Council in terms of regeneration, planning and the financial consequences. This will be a dominant issue for the Council for much of the remainder of the decade.

## Review of Effectiveness

### Introduction

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its Governance Framework, including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Authority, who have responsibility for the development and maintenance of the governance environment, and also by comments made by the work of internal and external audit.

### Standards

This year has been one of dealing with the practical implementation of the revised Standards regime. The Monitoring Officer has continued his pro-active role in ensuring good practice, good procedures and good governance. There have been a number of issues relating to planning which is not surprising given the quasi-judicial nature of the work. Matters raised by Members tend to relate to declaration of interests. The Head of Planning, with external support, has reviewed planning committee procedures and provided updated training for planning members.

The final complaint under the 'old' regime was resolved in May 2013 when the Standards Consideration Sub-Committee met to consider a complaint that a Councillor's behaviour at a planning site meeting was unacceptable. Having considered the Investigator's Report and findings, it was decided that there was no case to answer.

Within the spirit of the lighter touch approach of the new regime, the Council has sought to have as consistent and proportionate approach across the Borough's parish and town councils as possible. The Registers of

## **Annual Financial Report – Annual Governance Statement For The Year Ended 31 March 2014**

Interests required have been established and maintained. This includes all parish or town councils within the Authority's area.

The Monitoring Officer's annual report to the Standards Committee identified a number of matters that had been considered that could potentially have come within the standards framework. It demonstrated that it had been possible to apply the Monitoring Officer filter to a number of potential complaints by seeking clarification of facts, explaining meeting procedures and the autonomy of parish councils in their administrative rules. One complaint was referred for investigation following consultation with the Independent Person.

A review of the Constitution was concluded in February 2014 and covered amongst other things:

- updating the casting vote procedure;
- clarifying voting rights for the Rural Forum;
- amendments to the terms of reference of the General Licensing Committee;
- review of scrutiny arrangements to establish the new Scrutiny and Policy Review and Development Committees;
- revising the call-in procedure.

The Council will continue to consider further amendments to its decision-making processes to support good governance.

### **Council**

Council meetings continue to provide a highly effective forum for challenge and debate on major issues facing the Borough. Over the last year there has been an increase in the number of motions which has resulted in significant debates particularly on health issues.

### **Cabinet**

The business of the Cabinet continues to be well managed. There are well established procedures within the Cabinet and the ruling group for discussing their approaches to issues with appropriate officer support. The process by which Cabinet reports go through SMT ensures appropriate financial and legal input is well established. SMT is a good challenge to report authors and reports to Cabinet are of a high standard. It is very important that the Leader of the Opposition and the Leader of the Independent Group feel well supported and briefed – this can vary between services but with examples of excellent briefings from Revenues and Benefits.

### **Scrutiny Committee**

The Cabinet came to a view during 2013 that the Scrutiny Committee and Policy Overview Committee had too much overlap and there was a duplication in their role. As a result proposals were brought forward to Council in February 2014 which established a Scrutiny Committee and a Policy Development and Review Committee. The Scrutiny Committee satisfies the Local Government Act 2000 as inserted by the Localism Act 2011. It can review all decisions made by the Executive and Officers and plays a particular role in scrutinising the annual budget. The Policy Development and Review Committee will focus on policy development, it will not be designated as an overview and scrutiny committee and will not consider "call in" items.

### **Audit Committee**

The Audit Committee receives regular updates from the Head of Audit Partnership on the assurance which can be placed against various systems and processes reviewed during the year, along with an annual assessment at the year end. The Committee keeps a check on those areas that have not achieved a satisfactory level of assurance.

### **Internal Audit**

Based on internal work undertaken throughout the year, current risk assessments, and the adequacy of action plans provided by Heads of Service, the Head of Audit Partnership assesses the overall level of internal controls in place to inform his Annual Internal Audit report. The Annual Internal Audit report provides evidence to support the Annual Governance Statement.

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In March 2014 the Head of Audit Partnership reported to Audit Committee on the External Quality Assessment of conformance by Internal Audit to the Public Sector Internal Audit Standards. The report was very positive with Mid Kent Audit conforming to 50 of the 56 principles and there were no fails. An action plan has been put in place. The report confirms independently the standards which Mid Kent Audit works to.

### External Audit

Grant Thornton LLP continue as the Council's auditors. The transition from the Audit Commission was well managed and the annual audit was undertaken in a highly professional manner.

### Chief Financial Officer

The Head of Finance has responsibility for the proper administration of the Council's financial affairs. This includes responsibility for maintaining and reviewing Financial Regulations to ensure they remain fit for purpose, and submitting any additions or changes necessary to the full Council for approval. The Chief Financial Officer is also responsible for reporting, where appropriate, breaches of the Regulations to the Cabinet and/or the Council.

### Significant Governance Issues

On the basis of this Annual Governance Statement compiled and reviewed by the Council's Strategic Management Team, we are satisfied that the Corporate Governance arrangements for the Council are adequate and are operating effectively.

The main areas for Members and senior management attention moving forward are:

- Sittingbourne Town Centre Regeneration – is a hugely important project for the Council;
- 2015/16 Budget – savings totalling £1.2 million are required for 2015/16 from a substantially reduced base budget. This will require a much earlier start to the budget process and full engagement of the Executive and senior officers to achieve a balanced position;
- risk management in major contracts and partnerships – this work needs to be developed further.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next review.

### Signatures

Leader of the Council Andrew Bowles

Date

Chief Executive Abdool Kara

Date



**INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF SWALE BOROUGH COUNCIL**

During August 2014, Grant Thornton audited the accounting statements of Swale Borough Council for the year ended 31 March 2014 under the Audit Commission Act 1998. Grant Thornton will be presenting their opinion of the financial statements to the Council’s Audit Committee on 17 September 2014 and the final certification will be included here when it has been issued.