Sevenoaks
DISTRICT COUNCIL

Statement of Accounts 2014/15

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EXPLANATORY FOREWORD

Introduction

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

This explanatory foreword is structured as follows:

- Corporate vision for Sevenoaks District Council
- Summary of 2014/15 Budget and Outturn
- Explanation of the Financial Statements
- Statement of Responsibilities for the Financial Statements
- Core Financial Statements

Corporate Vision for Sevenoaks District Council

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

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

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

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

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

Our investment strategy is committed to:

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

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

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

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

Managing our business and resources

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

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

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

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

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

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

Property Investment Strategy

The Council has adopted a Property Investment Strategy with a view to earning income from property assets to mitigate the expected fall in future government funding.

A Property Investment Strategy Reserve of £8m was set aside from the Council's existing earmarked reserves and capital receipts to fund the initial purchases.

The following three properties have been acquired under this strategy:

- The Swanley Working Mens Club was acquired during 2014/15 and funded from the Capital Receipts Reserve.

- A deposit was paid for the purchase of Suffolk House, Sevenoaks during 2014/15 and the acquisition was completed during 2015/16.

- A Petrol Filling Station in Swanley (purchased in 2015/16)

Suffolk House and the Swanley Filling Station are tenanted and the rentals will assist in the Council's move to become self sufficient in the light of expected reductions in government grant.

Comparison of Outturn to Budget

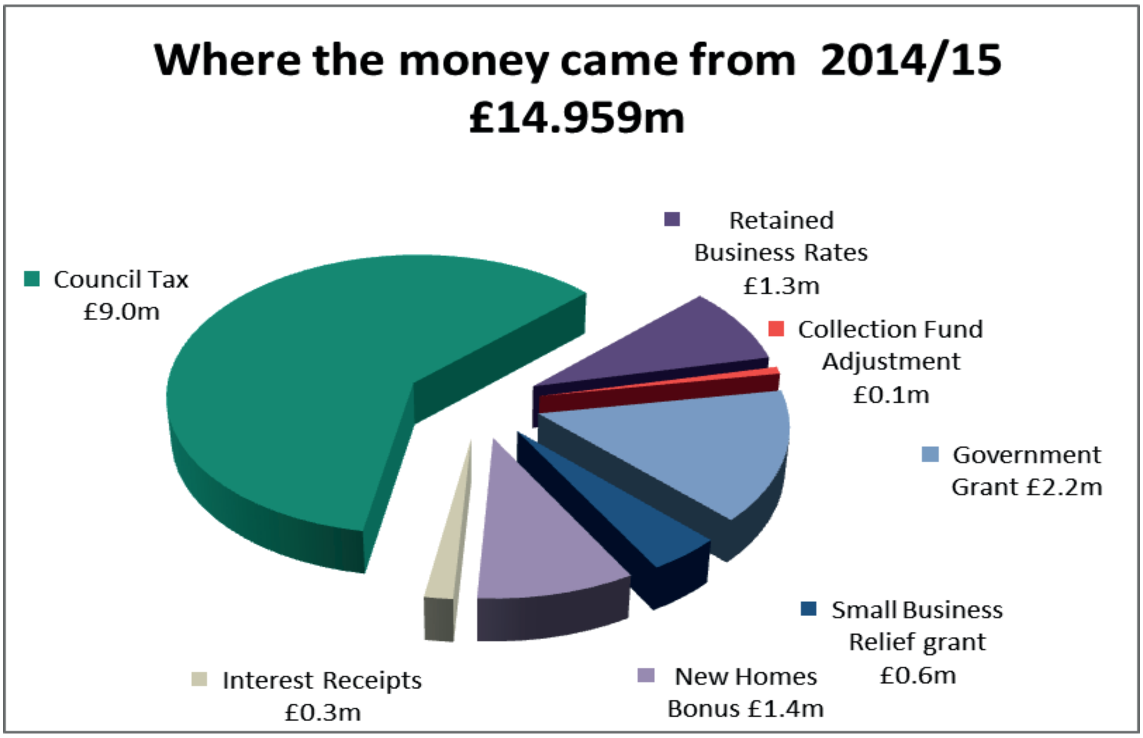
The original budget approved by Council on 18 February 2014 was a balanced budget with no planned contribution to or from the General Fund Reserve. During 2014/15 a supplementary estimate of £18,000 was approved for Christmas car parking. In February 2015, Cabinet agreed a transfer of £2,213,000 from the General Fund reserve to a new Earmarked Reserve for Property Investment. This left a balance of £1,500,000 in the General Fund Reserve which remains a sufficient and prudent sum to protect the Council against unexpected risks.

The final outturn position is a surplus of £500,173. As approved by Cabinet, this balance was transferred to the Budget Stabilisation Reserve to support future budgets, leaving a nil movement on the General Fund Reserve.

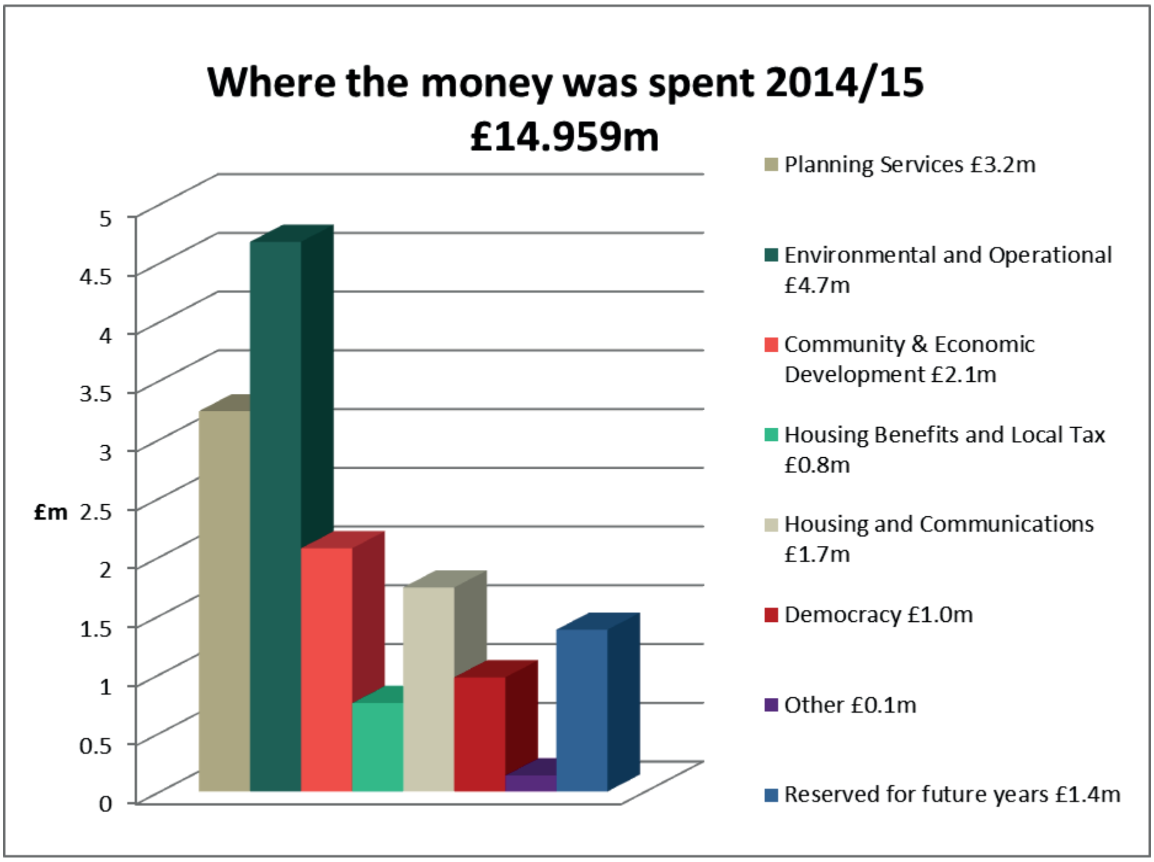
The table below shows a comparison of outturn figures in 2013/14 and 2014/15

	Final Outturn 2013/14 £000	Final Outturn 2014/15 £000
Council Tax	(8,728)	(9,010)
Government Support (Inc Council Tax Support Grant), Retained Business Rates and New Homes Bonus	(6,155)	(5,694)
Interest Receipts	(237)	(255)
Total Income	(15,120)	(14,959)
Planned Contributions to Reserves	655	613
Timing differences on Retained Business Rates	595	-
Contribution to carry forward reserve	129	204
Contribution to Provisions	-	60
Total Expenditure on services	13,497	13,582
Excess of Income over Expenditure	(244)	(500)
Contribution to Budget Stabilisation Reserve	244	500
(Fav)/Adv variance	-	-

The total income for 2014/15 came from the following sources:



Our income of £14.959m was spent on the following services:



Explanation of the Financial Statements.

The Statement of Accounts consists of the following:

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

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

- The core financial statements:

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

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

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

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

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

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

Accounting Practice

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

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

Assets

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

Operational property is valued on a five year rolling programme and each class of assets is valued in the same year. To gain additional re-assurance that the value of property held in the balance sheet was not understated, all properties with a previous value exceeding £100,000 were revalued in 2014/15.

Fixed assets owned by the Council include the following:

Operational Land & Buildings

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

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

Public Conveniences* – 5
Bus Facility, Sevenoaks

Surface Car Parks – 16
Stangrove Park, Edenbridge
Oxenhill Meadow, Otford

Non-Operational Assets

The Red Deer, Lullingstone Park
Land, Inglewood, Sevenoaks
Shoreham Woods/Timberden Farm
Glen Dunlop House, Sevenoaks
Stag Theatre, Sevenoaks
Black Boy Public House, Sevenoaks
Bus Station Café, Sevenoaks
Swanley Working Mens Club

Community Assets

Bishops Palace, Otford
Vine Paddock, Holly Bush Recreation Ground
Bradbourne Lakes, Sevenoaks
The Shambles, High St, Sevenoaks
Bartholomew Way Town Park

*Includes those leased to Parish Councils

No properties were sold during the year

Land at Croft Road, Westerham and 27-37 High Street, Swanley are treated as surplus assets.

Pension Fund

The accounts fully comply with IAS 19 (formerly FRS 17) including appropriate adjustments to the Comprehensive Income and Expenditure Statement and Balance Sheet. The pension Defined Benefit Obligation (liability) based on IAS19 is estimated at £68.4m at 31 March 2015, compared to £54.8m at 31 March 2014.

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

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

The inclusion of the pension liability in the Balance Sheet gives rise to a net liability of £9.534m; if the Pensions Liability were excluded, the total Net Assets would be £58.9m.

Balance Sheet

Here is a summarised balance sheet showing the net asset position of the Council at the end of March 2015:

31 March 2014 £'000		31 March 2015 £'000
	Assets	
29,882	Long Term assets	31,086
34,409	Current Assets	40,617
64,292	**Total Assets**	**71,703**
(7,103)	Current Liabilities	(12,157)
(55,497)	Long Term Liabilities	(69,079)
1,692	**Total Net Assets /(Liabilities)**	**(9,534)**
	Reserves	
(27,918)	Usable Reserves	(27,279)
26,226	Unusable Reserves	36,813
(1,692)	**Total Reserves**	**9,534**

The balance sheet position has changed from a net asset of £1.692m at the end of March 2014 to a net liability of £9.534m at the end of March 2015; the main reason for this change is the significant change in the Pensions Liability.

Internal and External Sources of Finance Available / Borrowing Requirements

At the end of the year, the Council held £3.460m of capital receipts which will be used in 2015/16 to purchase commercial property. The Council is debt-free.

During the year there were net transfers of £2.6m in to the earmarked reserves. At the end of the year the total of earmarked reserves was £22.3m. of which £6.7m was in the Budget Stabilisation Reserve.

Other Significant Items

In October 2008 a number of Icelandic banks went into administration. At that time, Sevenoaks District Council had £1m invested with Landsbanki Islands hf. The Council participated in a joint action, co-ordinated by the Local Government Association, to recover the investment and associated interest. Prior to November 2014 the Council had received £547,700 in partial payments from the Landsbanki Winding-up Board. On the 19 November 2014 the Council sold its claim against the insolvent estate of Landsbanki. The claim was sold through a competitive auction process, with a reserve price set. The sale means that the Council has recovered in excess of 95% of the £1 million that was deposited with Landsbanki in 2008.

Impact of Current Economic Climate

Future spending plans have taken into account the likely impact of a continued period of low economic growth, combined with the anticipated scale of grant reduction for local authorities. Large scale budgetary savings are essential in these circumstances and Sevenoaks District Council planned to make £4million of savings over four years starting in 2011/12. Operational efficiency and joint working are a major part of this financial strategy, which aims to ensure that the council can maintain services in the face of cuts and set sustainable budgets in future years. In trying to ensure the Council has adequate reserves to withstand future financial pressures in the shorter term, a budget stabilisation reserve was created with surplus funds in 2009/10. This is required to manage the impact of significant reductions in grant support in future years.

Material Events After the Reporting Date

Since the reporting date the following material events have occurred:

The council completed the purchases of:

- Suffolk House for £4.0m (a deposit of £400,000 was paid in 14/15)
- Petrol Filling Station in Swanley for £2.45m.

Business Rates Retention Scheme

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

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

The provision for appeals charged to the Collection Fund in 2014/15 has been calculated as £4.510m and the District's share of this provision is £1.804m.

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

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required to:

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

The Chief Executive's Responsibilities

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

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

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

The Chief Executive has also:

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

Chief Executive's Certificate

I hereby certify that the Statement of Accounts for the year ended 31st March 2015 required by the Accounts and Audit (England) Regulations 2011 gives a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year.

DR PAV RAMEWAL
Chief Executive
9 September 2015

MOVEMENT IN RESERVES STATEMENT

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

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

Financial Year 2014/15	Notes	General Fund Balance	Earmarked Reserves Balance	Capital Grants Unapplied	Capital Receipts Reserve	**Total Usable Reserves**	Total Unusable Reserves	**Total Authority Reserves**
			9				20	
		£000	£000	£000	£000	**£000**	£000	**£000**
Balance at 31 March 2014		(3,713)	(19,637)	-	(4,568)	(27,918)	26,226	(1,692)
Movement in reserves during 2014/15								
(Surplus) or deficit on the provision of services		1,451	-	-	-	1,451	-	1,451
Other Comprehensive Income and Expenditure		-	-	-	(4)	(4)	9,780	9,776
Total Comprehensive Income and Expenditure		**1,451**	**-**	**-**	**(4)**	**1,447**	**9,780**	**11,227**
Adjustments between accounting basis & funding basis under regulations (note 8)		(1,919)	-	-	1,111	(808)	808	-
Net (Increase)/Decrease before Transfers to Earmarked Reserves		**(468)**	**-**	**-**	**1,107**	**639**	**10,588**	**11,227**
Year end balance transferred (to)/from Budget Stabilisation Reserve		500	-	-	-	-	-	-
Other transfers to/from Earmarked Reserves		(32)		-	-	-	-	-
Total transfers (to)/from Earmarked Reserves (note 9)		468	(468)	-	-	-	-	-
Transfer to Property Investment Reserve		2,213	(2,213)	-	-	-	-	-
(Increase)/Decrease in 2014/15		**2,213**	**(2,681)**	**-**	**1,107**	**639**	**10,588**	**11,227**
Balance at 31 March 2015		**(1,500)**	**(22,318)**	**-**	**(3,461)**	**(27,279)**	**36,813**	**9,534**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2013/14 Gross Exp Restated	2013/14 Gross Income Restated	2013/14 Net Exp Restated	Note		**2014/15 Gross Exp**	**2014/15 Gross Income**	**2014/15 Net Exp**
£000	£000	£000			**£000**	**£000**	**£000**
2,997	(1,839)	1,158		Central services to the public	**3,815**	**(2,411)**	**1,404**
1,122	(38)	1,084		Cultural and related services	**1,027**	**(68)**	**959**
6,698	(1,053)	5,645		Environmental and regulatory services	**6,634**	**(1,065)**	**5,569**
5,846	(2,224)	3,622		Planning services	**5,637**	**(2,496)**	**3,141**
1,242	(2,832)	(1,590)		Highways and transport services	**1,298**	**(3,156)**	**(1,858)**
31,343	(29,576)	1,767		Housing services	**34,752**	**(32,021)**	**2,731**
2,339	(27)	2,312		Corporate and Democratic Core	**2,615**	**(39)**	**2,576**
-	-	-		Non Distributed Costs	**92**	**-**	**92**
51,587	(37,589)	13,998	24	**Net Cost of Services**	**55,870**	**(41,256)**	**14,614**
		(2,192)		Loss/(Gain) on Disposal of non current assets			**(141)**
		(303)	25	Net (Surplus)/Deficit from Trading Operations			**(248)**
		3,322		Parish Council Precepts			**3,496**
		7		Contributions of housing capital receipts into Government Pool			**3**
		834		**Other Operating Expenditure**			**3,110**
		(874)	11	Movement in Fair Value of Investment Property			**(57)**
		26		Interest Payable and similar charges			**(23)**
		2,203	35	Pensions Interest Cost and Expected Return on Pensions Assets			**2,351**
		(392)		Interest and Investment Income			**(344)**
		963		**Financing and Investment Income and Expenditure**			**1,927**

The figures for 2013/14 are restated due to a reclassification of grant income within cost of services.

Continued overleaf

2013/14 Gross Exp Restated £000	2013/14 Gross Income Restated £000	2013/14 Net Exp Restated £000	Note		2014/15 Gross Exp £000	2014/15 Gross Income £000	2014/15 Net Exp £000
		-	29	Capital Grants and Contributions			**-**
		(11,804)		Council Tax			**(12,626)**
		(1,488)		National Non Domestic Rates Redistribution			**(1,289)**
		(4,319)	29	Non Service Related Government Grants			**(4,285)**
		(17,611)		**Taxation and Non Specific Grant Income**			**(18,200)**
		(1,816)		**(Surplus) or Deficit on the Provision of Services**			**1,451**
		(8,597)	10	(Surplus) or deficit on the revaluation of property, plant & equipment assets			**(1,930)**
		537	35	Actuarial (gains)/losses on pension assets/liabilities			**11,706**
		(9,876)		**Total Comprehensive Income and Expenditure**			**11,227**

BALANCE SHEET

31 March 2014 £000	Note		31 March 2015 £000
		Long Term Assets	
25,689	10 & 31	Property, Plant and Equipment	25,892
-	38	Heritage Assets	-
3,462	11	Investment Property	4,769
-		Intangible Assets	-
297	12	Long Term Investments	50
434	14	Long Term Debtors	375
29,882		**Total Long Term Assets**	31,086
		Current Assets	
16,127	12	Short Term Investments	17,058
-	16	Assets held for sale	-
16,935	15	Cash and Cash Equivalents	20,231
54	13	Inventories	47
1,172	14	Short Term Debtors	2,594
121	14	Payments in Advance	686
34,409		**Total Current Assets**	40,617
		Current Liabilities	
(3,340)	17	Receipts in Advance	(2,016)
(2,670)	17	Short Term Creditors	(8,091)
(1,093)	18	Short Term Provisions	(2,050)
(7,103)		**Total Current Liabilities**	(12,157)
27,307		**Net Current Assets**	28,460
		Long Term Liabilities	
(365)	17	Long Term Creditors	(363)
(257)	18	Long Term Provisions	(257)
(54,867)	35	Net Pensions Liability	(68,434)
(8)	29	Capital Grants Receipts in Advance	(26)
(55,497)		**Total Long Term Liabilities**	(69,079)
1,692		**Total Net Assets/(Liabilities)**	(9,534)

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31 March 2014 £000	Note	continued from previous page	31 March 2015 £000
		Usable Reserves	
(4,568)	MIRS	Usable Capital Receipts Reserve	(3,460)
(19,637)	9	Earmarked Reserves	(22,318)
(3,713)		General Fund	(1,500)
	20	**Unusable Reserves**	
(14,592)		Capital Adjustment Account	(14,092)
(14,665)		Revaluation Reserve	(16,676)
152		Accumulated Absences Account	152
664		Collection Fund Adjustment Account	(815)
54,867	35	Pensions Reserve	68,434
(200)		Deferred Capital Receipts	(190)
(1,692)		**Total Reserves**	**9,534**

These financial statements replace the unaudited financial statements and were authorised at the meeting of the Audit Committee on 8 September 2015.

Dr Pav Ramewal
Chief Executive
9 September 2015

COUNCIL APPROVAL
The Audit Committee, at its meeting on 8 September 2015, approved the Statement of Accounts for year ended 31 March 2015 in accordance with the Accounts and Audit (England) Regulations 2011.

Councillor J Grint
Chairman of the Audit Committee
9 September 2015

THE CASH FLOW STATEMENT

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

2013/14 £000	Note		2014/15 £000
1,816		Net (surplus) or deficit on the provision of services	(1,451)
2,859	21	Adjustments to net surplus or deficit on the provision of services for non-cash movements	6,975
(1,538)	21	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(485)
3,137		Net cash flows from operating activities	5,039
3,812	22	Investing Activities	(1,749)
5	23	Financing Activities	6
6,953		Net (increase) or decrease in cash and cash equivalents	3,296
9,982		Cash and cash equivalents at the beginning of the reporting period	16,935
16,935	**15**	**Cash and Cash Equivalents at the end of the reporting period**	**20,231**

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NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies

a. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2014/15 financial year and its position at the year end of 31 March 2015. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the Service Reporting Code of Practice 2014/15, supported by International Financial Reporting Standards (IFRS).

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

b. Accruals of Income and Expenditure

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

c. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. The officer responsible for Treasury Management has categorised items on the balance sheet as cash equivalents on this basis.

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

d. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

e. Charges to Revenue for Non-Current Assets

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

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

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

f. Employee Benefits

<u>Benefits Payable During Employment</u>
Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

<u>Termination Benefits</u>
Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officers employment before the normal retirement date and are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers.
When termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount

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

Post-employment Benefits

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

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

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

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

- The liabilities are valued using a discount rate being the annualised yield at the 18 year point on the Merrill Lynch AA-rated Corporate bond yield curve which was chosen to meet the requirements of IAS19 and with consideration of the Employers liabilities.

- The assets of the Kent County Council Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:

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

A revised IAS19 statement applied for company accounting periods beginning on or after 1 January 2013 and the main changes that arose from that standard are:

The expected return on assets has been replaced by a net interest cost comprising interest income on the assets and interest expense on the liabilities, which are both calculated with reference to the discount rate.

Some labelling changes to the Profit and Loss change e.g. Service costs now include what were previously described as 'Current Service Costs' plus the 'Past Service cost' plus 'Curtailments' plus 'Settlements'.

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

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

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

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

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

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

Re-measurement of defined benefit liability – comprising:

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

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

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

g. Events After the Reporting Period

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

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

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

h. Financial Instruments

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. This includes trade creditors and loans.

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

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

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

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

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

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

i. Government Grants and Contributions

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

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

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

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

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

j. Intangible Assets

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

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

k. Inventories

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

l. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm’s-length. Properties are not depreciated but are revalued annually, except when the net book value is under £100,000, to ensure that the carrying value reflects market/fair value. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

m. Leases

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

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

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

The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

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

Operating Leases

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

The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

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

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

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

Operating Leases

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

n. Overheads and Support Services

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

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

o. Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. A de-minimis level of £15,000 has been applied.

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

- infrastructure, community assets and assets under construction – depreciated historical costs.
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH).
- all other assets – fair value determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

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

Expenditure Statement where they arise from the reversal of a loss previously charged to a service.]

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

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

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

<u>Impairment</u>

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

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

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

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

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

<u>Depreciation</u>

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

Depreciation is calculated on the following basis:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over 25 years.

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

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

Disposals and Non-current Assets Held for Sale

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

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.
When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

p. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

q. Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves statement so that there is no net charge against council tax for the expenditure.

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

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

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset (for example, Disabled Facilities Grants) has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so there is no impact on the level of council tax.

s. VAT

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

t. Heritage Assets

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

At present the Council has no material heritage assets.

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

The 2014/15 code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. The Council is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant year.

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

- IFRS 13 Fair Value Measurement (May 2011)
- Annual Improvements to IFRSs 2011-2013 Cycle
- IFRIC 21 Levies

There are no new standards that have been issued but not yet adopted which when adopted are expected to have a material impact on the Council's financial statements.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgement made in the Statement of Accounts is:

There is much uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not sufficient to provide an indication that the assets of the Authority might be impaired as a result of any need to close facilities or reduce levels of service provision.

4. Prior Period Adjustment

There are no prior period adjustments.

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

This Statement contains estimated figures that are based on assumptions made by the Council about the future or other uncertainties. These estimates are made taking into account historical experience, current trends and other relevant factors. Assumptions were made in the following areas:

- Property, Plant and Equipment is depreciated over the estimated life of assets based on knowledge of professional officers supported by regular valuations from our valuers.
- Provision for Appeals related to Business Rates was prepared by professionally qualified officers based on information from the Valuation Office and experience of recent claims.

- Pensions Liabilities are calculated by the actuaries employed by the Kent County council Pension Fund.

6. Material Items of Income and Expense

A Transformation Challenge grant of £97,000 was received to support the implementation of the Building Control partnership.

Back dated VAT refunds in respect of car parking and trade waste totalling £103,000 were received.

7. Events After the Balance Sheet Date

The Statement of Accounts were authorised for issue by the Chief Executive on 9 September 2015. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2015, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

8. Adjustments Between Accounting Basis and Funding Basis Under Regulations

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

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

Adjustments between Accounting basis and Funding Basis under Regulations 2014/15	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure statement:				
Charges for depreciation and impairment of non-current assets	(2,081)	-	-	2,081
Movements in the market value of Investment Properties	57	-	-	(57)
Capital grants and contributions applied	2,462	-	-	(2,462)
Non Specific Capital Grants	-	-	-	-
Revenue expenditure funded from capital under statute	(2,658)	-	-	2,658
Amount of non-current assets written off on disposal or sale as part of the (gain)/loss on disposal to Comprehensive Income and Expenditure Statement	142	(142)	-	-
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements.	-	-	-	-
Insertion of items not debited or credited to the Comprehensive Income and Expenditure statement:	-	-	-	-
Capital expenditure charged against the General Fund Balance	551	-	-	(551)
Capital Grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-
Finance Lease Income	(6)	-	-	6

Adjustments between Accounting basis and Funding Basis under Regulations 2014/15 continued	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Receipts Reserve:				
Use of the Capital Receipts Reserve to finance new capital expenditure	-	1,250	-	(1,250)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(4)	4	-	-
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(4,849)	-	-	4,849
Employer's pensions contributions and direct payments to pensioners payable in the year	2,988	-	-	(2,988)
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	120	-	-	(120)
Amount by which business rate income credited to the Comprehensive Income and Expenditure Statement is different from business rate income calculated for the year in accordance with statutory requirements	1,359	-	-	(1,359)
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from Remuneration chargeable in the year in accordance with statutory requirements	-	-	-	-
Total Adjustments	(1,919)	1,112	-	(807)

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

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

9. Transfers To/From Usable Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2013/14 and 2014/15.

	Balance at 31Mar 2013 £000	Transfers Out 2013/14 £000	Transfers In 2013/14 £000	Balance at 31Mar 2014 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Balance at 31Mar 2015 £000
General Fund	(3,713)	-	-	(3,713)	2,213	-	(1,500)
Budget Stabilisation	(4,051)	-	(1,297)	(5,348)	150	(1,506)	(6,704)
Financial Plan *	(5,224)	580	-	(4,644)	1,294	(810)	(4,160)
Property Investment	-	-	-	-	50	(3,781)	(3,731)
Asset Maintenance	(1,000)	-	-	(1,000)	-	-	(1,000)
Housing Benefit Subsidy	(1,021)	-	(61)	(1,082)	515	(97)	(664)
Pension Fund	(810)	-	(509)	(1,319)	1,319	(640)	(640)
Local Plan/LDF	(520)	89	(97)	(527)	-	(107)	(634)
Re-organisation	(386)	21	(100)	(465)	-	-	(465)
Vehicle Renewal	(508)	639	(435)	(304)	355	(470)	(419)
Action and Development	(395)	-	-	(395)	-	-	(395)
Community and Business	(460)	29	(19)	(449)	118	(52)	(383)
New Homes Bonus	(594)	215	-	(379)	-	-	(379)
First Time Sewerage	(915)	-	-	(915)	549	-	(366)
Carry Forward Items	(144)	96	(129)	(177)	46	(204)	(336)
Vehicle Insurance	(277)	-	(7)	(283)	-	(10)	(293)
IT Asset Maintenance	(315)	-	(89)	(404)	160	-	(244)
Corporate Project Support	-	-	-	-	-	(200)	(200)
Capital Financing	-	145	(298)	(153)	167	(198)	(184)
Flood Support	-	-	(173)	(173)	29	-	(144)
Repayable Housing Grant Assistance	(62)	-	(37)	(100)	-	(17)	(117)
District Elections	(70)	-	(17)	(88)	-	(18)	(106)
Housing Surveys	(38)	-	(17)	(55)	-	(50)	(105)
Homelessness	(197)	56	(56)	(197)	122	(28)	(103)
Health & Safety	-	-	-	-	-	(100)	(100)
Other (Under £100k)	(642)	60	(595)	(1,177)	758	(26)	(445)
Total	(17,631)	1,930	(3,936)	(19,637)	5,632	(8,314)	(22,318)
Grand Total	(21,344)	1,930	(3,936)	(23,349)	7,845	(8,314)	(23,818)

*Includes management of NDR element of the collection fund deficit

The purpose of these usable reserves is shown below:

- Budget Stabilisation - To support decisions required to continue to produce a balanced budget in future years in spite of expected funding reductions.
- Financial Plan – Funds moved from the Asset Maintenance Reserve and Pension Fund Deficit Reserve to support the 10-year budget strategy.
- Property Investment - To support the aims of the Property Investment Strategy agreed by Council 22 July 2014
- Asset Maintenance – To fund emergency asset maintenance works.
- Housing Benefit Subsidy - Provides a cushion against large movements in reclaimable sums in any year.
- Pension Fund Valuation - To contribute towards the expected downturn at the next pension fund actuarial valuation.
- Local Plan / LDF - To help support the Local Plan and Local Development Framework.
- Re-organisation - To fund actions taken to achieve annual budget savings.
- Vehicle Renewal - Funding for future commercial vehicle replacements.
- Action and Development - To fund ad hoc expenditure e.g. resulting from an emergency.
- Community and Business - To fund ongoing and future projects.
- New Homes Bonus - Due to the uncertainty of future Government funding an element of the New Homes Bonus is being kept separate until further information is received
- First Time Sewerage – Transferred from a provision for potential liabilities relating to earlier sewerage installations.
- Carry Forward Items - For specific items agreed by cabinet.
- Vehicle Insurance - Provides own damage cover on the council's commercial vehicle fleet.
- IT Asset Maintenance – To fund future IT asset maintenance costs.
- Corporate Project - To support use of external expertise in investigating proposed Corporate Projects (agreed Cabinet February 2014)
- Capital Financing –Annual contributions from revenue to fund some capital projects – not fully used in 2014/15
- Flood Support - To give grants to businesses that have suffered flooding and make claims under the Business Flood Support Scheme
- Repayable Housing Assistance – Part of the grant may be repayable when the conditions are no longer met e.g. house sold
- District Elections - To finance local elections.
- Housing Surveys – To fund Housing Surveys at the time of need (Cabinet June 15)
- Homelessness Prevention – For preventing homelessness.
- Health & Safety - Set up following the prosecution against the Council brought by the Health and Safety Executive (Cabinet June 2015)
- Other - Other small reserves set aside.

10. Property, Plant and Equipment

Movements on Balances

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

Movements in 2014/15

Movements in 2014/15:	Land and Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	Surplus assets £000	Operational Property for sale £000	Total Property, Plant & Equipment £000
Cost or Valuation						
At 1 April 2014	29,827	7,798	211	-	224	38,060
Additions	-	355	-	-	-	355
Revaluation increases/ (decreases) recognised in:						
- Revaluation Reserve	(452)	-	-	2,052	-	1,600
- Surplus or Deficit	(1,234)	-	-	(121)	-	(1,355)
Derecognition – Disposals	-	(232)	-	-	-	(232)
Derecognition – Other	(5,592)	(2,577)	-	(8)	(224)	(8,401)
Reclassifications	(438)	-	-	438	-	-
At 31 March 2015	22,111	5,344	211	2,361	-	30,027
Accumulated Depreciation and Impairment						
At 1 April 2014	(6,209)	(5,937)	-	-	(224)	(12,370)
Depreciation Charge	(137)	(582)	-	-	-	(719)
Depreciation written out to the						
- Revaluation Reserve	330	-	-	-	-	330
- Surplus/ Deficit on the Provision of Services						
Derecognition – Disposals	-	232	-	-	-	232
Derecognition Other	5,592	2,577	-	-	224	8,393
Reclassifications						
At 31 March 2015	(424)	(3,710)	-	-	-	(4,134)
Net Book Value						
As at 31 March 2014	23,618	1,861	211	-	-	25,690
As at 31 March 2015	21,687	1,634	211	2,361	-	25,893

Depreciation

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

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

Capital Commitments

At 31 March 2015, there were no significant sums outstanding on capital contracts.

Revaluations

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

The freehold and leasehold properties which comprise the Authority's property portfolio have been valued as at 31st March 2015, by external independent valuers, I. Dewar FRICS FIRRV MCIArb, R. Messenger BSc FRICS FIRRV MCIArb REV, S. Layfield FRICS IRRV and A. Williams Dip BSc (Hons) MRICS FIRRV REV of Wilks, Head and Eve, Chartered Surveyors. Valuations have been made on the undermentioned bases in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors, except that not all the properties were inspected. This was neither practicable nor considered by the valuers to be necessary for the purpose of the valuation.

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

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

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

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

The regular rolling programme of asset valuation is as follows:

Year of Valuation	Class of asset valued in year
2014/15	Investment Properties, Stag Theatre, Parks and Woodlands
2013/14	Investment Properties; car parks, public conveniences
2012/13	Depot, Offices, bus station. *
2011/12	Amenity Land *
2010/11	Leisure Centres, Golf Course, Hollybush *

* By exception these properties were also revalued in 2014/15.

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

	Land & Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	TOTAL £000
Carried at historical cost:		5,343	211	5,554
Valued at current value in:				
2014/15	23,408	-	-	23,408
2013/14	1,063	-	-	1,063
2012/13	-	-	-	-
2011/12	-	-	-	-
2010/11	-	-	-	-
Total	24,471	5,343	211	30,025

11. Investment Properties

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

	2013/14 £000	**2014/15 £000**
Rental income from investment property	71	**61**
Direct operating expenses from investment property	-	**-**
Net gain/(loss)	71	**61**

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

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

	2013/14 £000	**2014/15 £000**
Balance at start of the year	2,735	**3,462**
Purchases	-	**1,250**
Disposals	(83)	**-**
Net Gains/ (losses) from fair value adj.	874	**57**
Transfers from Property, Plant & Equipment	(64)	**-**
Other Changes	-	**-**
	3,462	**4,769**

During 2014/15 the Council purchased Swanley Working Mens Club.

12. Financial Instruments

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

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

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

	Long Term		Current	
	31/03/2014 £'000	31/03/2015 £'000	31/03/2014 £'000	31/03/2015 £'000
Loans & Receivables				
Investments	297	50	16,127	17,058
Net trade receivables (within debtors)	434	375	903	878
Cash & cash equivalents	-	-	16,935	20,231
Total Financial Assets	**731**	**425**	**33,965**	**38,167**
Financial Liabilities at amortised cost				
Trade payables (within Creditors)	(365)	(363)	(906)	(1,608)
Total Financial Liabilities	**(365)**	**(363)**	**(906)**	**(1,608)**

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

Net trade receivables also include sums owed by our partnership councils as at 31 March 2015.

Fair value of assets carried at amortised cost

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

- Market rates at 31 March 2015 for comparable instruments with the same duration,
- An impairment has been recognised for the investment with Landsbanki Islands hf.

	31 March 2014		**31 March 2015**	
	Carrying amount £000	Fair value £000	**Carrying amount £000**	**Fair value £000**
Loans and receivables	31,986	32,053	**35,150**	**35,232**

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

Disclosure of nature and extent of risks arising from financial instruments

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

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

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

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

These policies are implemented by treasury management officers and the Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the Annual Investment Strategy. The Council uses the creditworthiness service provided by its treasury management consultant. Deposits are not made with banks and financial institutions unless they comply with the sophisticated modelling approach that combines credit ratings as the core element with other subjective overlays. In addition, the Council has the following policies:

- Maximum investment period of two years.
- Lending to Building Societies restricted to the top five Societies ranked by assets with a maximum investment period of 100 days if the Society does not satisfy the creditworthiness modelling approach.
- No more than £6m (or £7m including call accounts) per counterparty with the exception of the Lloyds Banking Group and Royal Bank of Scotland Group where the limit is £10m per Group. For Building Societies, the limit is £5m where the Society satisfies the creditworthiness modelling approach, or £2m if it doesn't.
- Investments are limited to 25% of the total fund to any single institution or institutions within a group of companies, with the exception of the Lloyds Banking Group and Royal Bank of Scotland Group where the limit is 30%.
- Total investments in any one country outside of the UK, is limited to 15% of the total fund.
- Investment in non-UK banks is subject to prior approval by Committee.

The Strategy also permits investment with other local authorities and the UK Government's Debt Management Office for periods up to 2 years and six months respectively. Money Market Funds and Enhanced Money Market Funds are also utilised with a combined maximum deposit of £5m per provider.

There were no breaches of the Council's counterparty criteria during the reporting period.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £29.8m at 31 March 2015 cannot be assessed generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each institution. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2015 that this was likely to crystallise.

The only historical experience of default relates to the Icelandic investment, which was disposed of in 2014/15.

Icelandic Bank Defaults

As detailed in the Explanatory Foreword, the Council had £1m invested with Landsbanki Islands hf. On the 19 November 2014 the Council sold its claim against the insolvent estate of Landsbanki. The claim was sold through a competitive auction process, with a reserve price set. The sale proceeds combined with previous distributions means that in excess of 95% of the deposit with Landsbanki has been recovered.

The total impairment (principal plus interest not received) in the financial years up to and including 2014/15 has been recognised in the Income and Expenditure Account. As at 31 March 2015 this amounted to £168,600, offset by notional interest of £86,800. This impairment has been calculated by discounting the assumed cash flows at the effective rate of interest of the original deposit in order to recognise the anticipated loss of interest to the Council until monies were recovered.

Liquidity Risk

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

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

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

The maturity analysis of financial assets is as follows:

	31 March 2014	**31 March 2015**
	£000	**£000**
Less than 1 year	33,050	**37,801**
Between 1 and 2 years	-	**-**

Refinancing and Maturity Risk

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

Market Risk

Interest Rate Risk

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

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

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

By way of example, if interest rates on fixed deposits had been 1% higher during 2014/15 (with all other variables held constant), the financial effect would have been to increase investment income by £676,000.

Price Risk

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

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies and, therefore, no exposure to loss arising from movements in exchange rates, except in the case of the Icelandic investment. An element of previous distributions is in Icelandic Krona, which has been placed in an escrow account in Iceland and is currently earning interest at a rate of approximately 4%. The value of the escrow account, together with accrued interest, has been estimated to be approximately £8,100 as at the balance sheet date. However, as the value of the escrow account is small, the potential exchange rate loss is minimal.

13. Inventories

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

	2013/14 £000	2014/15 £000
Balance outstanding at start of the year	30	54
Purchases	517	422
Recognised as an expense in the year	(493)	(429)
Balance outstanding at end of the year	54	47

14. Debtors

	As at 31 March 2014			As at 31 March 2015		
	Gross Value £'000	Impairment Allowance £'000	Net Value £'000	Gross Value £'000	Impairment Allowance £'000	Net Value £'000
Long Term Debtors						
Employee Car Loans	85	-	85	66	-	66
Loan to Sencio	106	-	106	81	-	81
Finance lease	192	-	192	186	-	186
Other	51	-	51	41	-	41
Total Long Term Debtors	434	-	434	374	-	374
Short Term Debtors						
Collection Fund (CF)						
NDR Payers	(15)	-	(15)	805	(362)	443
NDR Bad Debt Provision	-	(351)	(351)	-	-	-
Council Tax Payers	600	(456)	144	637	(486)	151
General Fund						
DWP – Housing Benefit Grant	88	-	88	563	--	563
Housing Benefit Overpayments	1,519	(1,151)	368	1,913	(1,448)	465
Partnership working	215	-	215	271	-	271
VAT	125	-	125	174	-	174
Other	679	(81)	598	607	(81)	526
	3,211	(2,039)	1,172	4,970	(2,377)	2,593
Prepayments*	-	-	-	686	-	686

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

*Prepayments 13/14 were £121,000. Prepayments as at 31/3/15 include deposit paid for Suffolk House.

15. Cash and Cash Equivalents

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

	31/03/14 £000	31/03/15 £000
Cash held by the Authority	1	**9**
Bank current accounts	1,373	**2,181**
Short-term deposits with:		
Banks	7,055	**6,033**
Building Societies	5,004	**4,003**
Other Local Authorities	-	**2,002**
Money Market Funds	3,502	**6,003**
Total Cash and Cash Equivalents	16,935	**20,231**

16. Assets Held for Sale

At 31 March 2015 no properties were specifically held for sale.

17. Creditors and Receipts in Advance

	31/03/14 £000	31/03/15 £000
Receipts in Advance		
Tax Payers	(246)	(273)
NDR	(197)	(211)
Section 106 receipts	(2,689)	(1,361)
Other Receipts in Advance	(208)	(172)
Total Receipts in Advance	(3,340)	(2,016)
Short Term Creditors		
NDR	(232)	(4,356)
NDR - Deferrals	(139)	11
Central Government (NDR)	-	-
Council Tax (Preceptors)	(581)	(1,304)
Capital	-	-
Insurance	(151)	(156)
HMRC	(522)	(529)
Kent County Council	(289)	(305)
Other General Fund	(756)	(1,452)
Total Short Term Creditors	(2,670)	(8,091)
Long Term Creditors		
Long Term Creditor (Quakers Hall Allotments)	(365)	(363)

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

18. Provisions

The following provisions have been made by the Council:

	NDR Appeals	MMI	Accumulated Absences	Other Provisions	Total
	£000	£000	£000	£000	£000
Balance at 1 April 2014	907	257	152	34	1,350
Additional Provisions made during year	1,182	-	-	60	1,242
Amounts Used during the year	(285)	-	-	-	(285)
Balance at 31 March 2015	1,804	257	152	94	2,307

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

Municipal Mutual Insurance Limited (MMI) – MMI was the main local authority insurer for many years up until 1992 when the company failed and went into “run off”. A Scheme of Arrangement was approved in 1994 with the aim of meeting all claims and achieving a solvent run-off. For a number of years the Administration and Creditors Committee reported that a solvent run-off was likely to be achieved and sought to sell the business to another insurer to bring the arrangement to a conclusion.

Unfortunately a sale has never been achieved and more recently claims have emerged where courts have ruled in favour of others rather than MMI. This increased the risk that a solvent run-off would not be achieved which would result in councils (and others, such as housing associations) being liable to clawback of monies paid out to settle claims. Due to this uncertainty, the Council has shown this risk as a Contingent Liability in the Statement of Accounts in recent years.

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

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

19. Usable Reserves

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

20. Unusable Reserves

	31/03/14 £'000	Movement in Year £'000	**31/03/15 £'000**
Capital Adjustment Account	(14,592)	500	**(14,092)**
Revaluation Reserve	(14,665)	(2,011)	**(16,676)**
Accumulated Absences Account	152	-	**152**
Collection Fund Adjustment Account	664	(1,479)	**(815)**
Pensions Reserve	54,867	13,567	**68,434**
Deferred Capital Receipts Reserve	(200)	10	**(190)**
Total Unusable Reserves	26,226	10,587	**36,813**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

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

2013/14 £000		2014/15 £000	£000
(14,991)	Balance at 1 April		(14,592)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
1,518	Charges for depreciation and impairment of non current assets	2,081	
-	Revaluation Losses on Property, Plant and Equipment	-	
1,471	Revenue expenditure funded from capital under statute	2,658	
-	Deferred Capital Receipts movement	-	
447	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	103	
3,436			4,842
(49)	Adjusting Amounts written out of the Revaluation Reserve		(22)
3,387	Net Written out amount of the cost of non current assets consumed in the year		4,820
	Capital Financing applied in the year:		
	Use of the Capital Receipts Reserve to finance new capital expenditure	(1,250)	
(1,293)	Capital Grants and contributions credited to the Comprehensive Income and expenditure statement that have been applied to capital financing	(2,462)	
-	Non-specific capital grant	-	
-	Application of Grants to capital financing from the Capital Grants Unapplied Account	-	
(821)	Capital Expenditure charged against the General Fund	(551)	
(2,114)			(4,263)
(874)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement		(57)
(14,592)	Balance at 31 March		(14,092)

Revaluation Reserve

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

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

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

2013/14		2014/15	
£000		**£000**	**£000**
(6,347)	Balance at 1 April		(14,665)
(8,598)	Upward Revaluation of Assets	(3,307)	
-	Downward Revaluation of Assets and impairment losses not charged to Surplus Deficit on the Provision of Services	1,274	
(8,598)	Surplus/(Deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on Provision of Services	(2,033)	(2,033)
49	Difference between fair value depreciation and historical cost depreciation	22	
231	Accumulated gains on assets sold or scrapped	-	
280	Amount written off to the Capital Adjustment Account	22	22
(14,665)	Balance at 31 March		(16,676)

Accumulated Absences Account

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

2013/14		2014/15	
£000		**£000**	**£000**
152	Balance at 1 April		152
-	Settlement or cancellation of accrual made at the end of previous year	-	
-	Amounts accrued at the current year end	-	
-	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-	
152	Balance at 31 March		152

Collection Fund Adjustment Account

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

2013/14 £000		**2014/15 £000**
97	Balance at 1 April	664
(28)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(120)
595	Amount by which non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(1,359)
664	Balance at 31 March	(815)

Pensions Reserve

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

2013/14 £000		**2014/15 £000**
52,527	Balance at 1 April	**54,867**
537	Actuarial Gains/(Losses) on pensions assets and liabilities	**11,706**
4,818	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	**4,849**
(3,015)	Employer's pensions contributions and direct payments to pensioners payable in the year	**(2,988)**
54,867	Balance at 31 March	**68,434**

Deferred Capital Receipts Reserve

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

2013/14 £000		**2014/15 £000**
(217)	Balance at 1 April	**(200)**
5	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure statement	**6**
12	Transfer to the Capital receipts reserve upon receipt of cash	**4**
(200)	Balance at 31 March	**(190)**

21. Cash Flow Statement – Operating Activities

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

2013/14 £000		**2014/15 £000**
735	Depreciation	**726**
1,566	Impairment and downward valuations	**1,355**
-	Amortisation	**-**
-	Increase in impairment provision for bad debts	**337**
(126)	(Increase)/Decrease in creditors	**4,092**
792	Increase/(Decrease) in debtors / payments in advance	**(2,324)**
(24)	Increase/(Decrease) in stock	**7**
1,803	Pension liability	**1,861**
(1,046)	Carrying amount of non-current assets sold	**-**
(841)	Other non-cash items charged to the net surplus or deficit on the provision of services	**921**
2,859		**6,975**

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

2013/14 £000		2014/15 £000
-	Purchase of short-term and long-term investments	**-**
(392)	Proceeds from short-term and long-term investments	**(344)**
(1,146)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	**(142)**
(1,538)		**(486)**

The cash flows for operating activities include the following items:

2013/14 £000		2014/15 £000
295	Interest received	**344**
-	Interest paid	**-**
-	Dividends received	**-**

22. Cash Flow Statement – Investing Activities

2013/14 £000	**Investing Activities**	2014/15 £000
(643)	Purchase of property, plant & equipment, investment property and intangible assets	**(1,605)**
1,128	Purchase of short term and long term investments	**(684)**
-	Other payments for investing activities	**-**
2,882	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	**147**
392	Proceeds from sale of short-term and long-term investments	**344**
53	Other receipts from investing activities	**49**
3,812	Net Cash Flow from investing activities	**(1,749)**

23. Cash Flow Statement – Financing Activities

2013/14 £000	Financing Activities	2014/15 £000
-	Net increase / (decrease) in short- and long term deposits	**-**
-	Other receipts from financing activities	**-**
5	Cash payments for finance leases	**6**
-	Other payments for financing activities	**-**
5	Net Cash Flow from Financing activities	**6**

24. Amounts Reported for Resource Allocation Decisions

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

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

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

Chief Officers Income and Expenditure 2013/14	Communities and Business	Planning	Environmental and Operations	Housing	Finance	Corporate Support	Legal and Governance	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, Charges & Service Income	(277)	(817)	(5,432)	(135)	(1,399)	(649)	(176)	(8,885)
Government Grants	(207)	-	-	(101)	(28,785)	(7)	(7)	(29,107)
Total Income	(484)	(817)	(5,432)	(236)	(30,184)	(656)	(183)	(37,992)
Employee Expenses	519	1,810	2,256	708	2,654	1,552	458	9,958
Other Service Expenses	954	323	5,964	306	31,842	2,303	273	41,963
Total Expenditure	1,473	2,133	8,220	1,014	34,495	3,855	731	51,921
Net Expenditure	989	1,315	2,788	778	4,312	3,199	548	13,929

[Chief Officer Income and Expenditure 2014/15]()	Communities and Business	Planning	Environmental and Operations	Housing	Finance	Corporate Support	Legal and Governance	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, Charges & Service Income	(454)	(937)	(6,033)	(133)	(1,538)	(737)	(229)	(10,061)
Government Grants	(113)	-	(89)	(130)	(30,362)	-	(61)	(30,755)
Total Income	(567)	(937)	(6,122)	(263)	(31,900)	(737)	(290)	(40,815)
Employee Expenses	505	1,689	2,282	702	2,693	1,616	466	9,953
Other Service Expenses	901	307	6,377	286	34,054	2,367	365	44,657
Total Expenditure	1,406	1,997	8,658	988	36,747	3,984	831	54,611
Net Expenditure	839	1,060	2,536	725	4,847	3,247	541	13,795

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

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

	2013/14 restated £000	**2014/15** **£000**
Net Expenditure in Chief Officer Analysis	13,929	**13,795**
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	69	**819**
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement.	-	**-**
Cost of Services in Comprehensive Income and Expenditure Statement	13,998	**14,614**

Reconciliation to Subjective Analysis

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

2013/14 restated	Chief Officer Analysis £000	Amounts not reported to management £000	Amounts not included in I&E £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, Charges & Other Service Income	(8,885)	-	-	(8,885)	-	(8,885)
Interest and Investment Income	-	-	-	-	(392)	(392)
Income from Council Tax and NDR	-	-	-	-	(13,292)	(13,292)
Government Grants and Contributions	(29,107)	-	-	(29,107)	(4,319)	(33,426)
Total Income	(37,992)	-	-	(37,992)	(18,003)	(55,595)
Employee Expenses	9,958	-	-	9,958	-	9,958
Other Service Expenses	41,963	69		42,032	1,900	43,932
Support service recharges	-	-	-	-	-	-
Depreciation, amortisation and Impairment	-	-	-	-	(874)	(874)
Interest Payments & similar payments	-	-	-	-	26	26
Precepts & Levies	-	-	-	-	3,322	3,322
Payments to Housing Capital Receipts Pool	-	-	-	-	7	7
Gain or loss on disposal of non-current assets	-	-	-	-	(2,192)	(2,192)
Total Expenditure	51,921	69	-	51,990	2,189	54,179
(Surplus) or deficit on the provision of services	13,929	69	-	13,998	(15,814)	(1,816)

Reconciliation to Subjective Analysis 2014/15	Chief Officer Analysis £000	Amounts not reported to management £000	Amounts not included in I&E £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, Charges & Other Service Income	(9,972)	(2,052)	-	(12,024)	-	(12,024)
Interest and Investment Income	-	-	-	-	(344)	(344)
Income from Council Tax and NDR	-	-	-	-	(13,915)	(13,915)
Government Grants and Contributions	(30,755)	-	-	(30,755)	(4,285)	(35,040)
Total Income	(40,727)	(2,052)	-	(42,779)	(18,544)	(61,323)
Employee Expenses	9,953			9,953	2,352	12,305
Other Service Expenses	44,569	2,871	-	47,440	(249)	47,191
Support service recharges	-	-	-	-	-	-
Depreciation, amortisation and Impairment	-	-	-	-	(57)	(57)
Interest Payments & similar payments	-	-	-	-	(23)	(23)
Precepts & Levies	-	-	-	-	3,496	3,496
Payments to Housing Capital Receipts Pool	-	-	-	-	3	3
Gain or loss on disposal of non-current assets	-	-	-	-	(141)	(141)
Total Expenditure	54,522	2,871	-	57,393	5,381	62,774
(Surplus) or deficit on the provision of services	13,795	819	-	14,614	(13,163)	1,451

25. Trading Operations

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

The following table sets out the financial trading accounts for 2014/15:

2013/14 £000		Income £000	Expenditure £000	**(Surplus)/Deficit 2014/15 £000**
	Direct Services			
(54)	Refuse Collection	(2,342)	2,183	**(159)**
11	Street Cleansing	(1,193)	1,232	**39**
(255)	Other Operational Accts	(1,980)	1,866	**(114)**
(5)	Overhead Accounts	(1,174)	1,160	**(14)**
(303)		(6,689)	6,441	**(248)**

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

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

2013/14 £000		Income £000	Expenditure £000	**(Surplus)/Deficit 2014/15 £000**
	Direct Services			
(20)	Refuse Collection	(2,342)	2,217	**(125)**
41	Street Cleansing	(1,193)	1,245	**52**
(248)	Other Operational Accounts	(1,980)	1,874	**(106)**
(3)	Overhead Accounts	(1,174)	1,162	**(12)**
(230)		(6,689)	6,498	**(191)**

26. Members' Allowances

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

	2013/14 £000	**2014/15 £000**
Allowances	343	**349**
Expenses	16	**13**
Total	359	**362**

27. Officers' Remuneration

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

2013/14	Salary £	Bonuses £	Expenses £	Compensation Loss of Employment	Pension £	Other Emol-uments £	Total £
Chief Executive (Robin Hales) To 31 August 13	56,983	3,192	134	-	8,411	3,751	72,471
Chief Executive (P Ramewal) from 01 September 13	78,726	-	197	-	10,851	478	90,252
Director Of Community and Planning Services To 5 April 13	1,559	2,680	2	60,722	571	4,699	70,233
Director of Corporate Resources To 31 August 13	47,238	2,680	88	-	6,068	-	56,074
Monitoring Officer to 31 August 2013; Chief Officer Legal and Governance from 01 September 2013	72,523	2,414	45	-	9,722	-	84,704
Chief Housing Officer from 01 September 13	39,097	-	23	-	5,356	-	44,477
Chief Finance Officer from 01 September 13	39,097	-	98	-	5,356	-	44,551
Chief Officer Corporate Support from 01 September 13	39,097	-	-	-	5,356	-	44,453
Chief Officer Communities and Regeneration from 01 September 13	39,097	-	135	-	5,356	-	44,588
Chief Planning Officer from 01	41,892	-	-	-	5,739	-	47,631

September 13							
Chief Officer Environmental and Operations from 01 September 13	42,872	-	63	-	5,874	-	48,809
Head of Strategy and Transformation from 01 September 13	28,889	-	-	-	3,958	-	32,846
Head of Human Resources from 01 September 13	32,222	-	10	-	4,414	-	36,646

2014/2015	Salary	Bonuses	Expenses	Compensation Loss of employment	Pension	Other Emol-uments	Total
Chief Executive (P Ramewal)	141,447	-	165	-	19,779	4,358	165,749
Chief Officer Legal	77,720	500	59	-	10,506	-	88,785
Chief Housing Officer	70,842	500	87	-	9,534	-	80,963
Chief Finance Officer	70,842	500	160	-	9,534	-	81,034
Chief Officer Corporate Support	71,404	500	5	-	9,613	-	81,522
Chief Officer Communities and Business	70,849	500	161	-	9,534	-	81,044
Chief Planning Officer	75,937	500	-	-	10,254	-	86,691
Chief Officer Environmental and Operations	77,720	500	143	-	10,506	-	88,869
Head of Strategy and Transformation	47,507	500	-	-	6,766	-	54,773
Head of Human Resources	14,472	-	18		5,611	-	20,101

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

The Chief Executive declined his appraisal bonus in 2014/15.

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

Remuneration Band	Number of Employees 2013/14	Number of Employees 2014/15
£50,000 - £54,999	4	8
£55,000 - £59,999	4	3
£60,000 - £64,999	2	2
£65,000 - £69,999	-	-
£70,000 - £74,999	-	-
£75,000 –£79,999	-	-

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	13/14	14/15	13/14	14/15	13/14	14/15	13/14 £000	**14/15 £000**
£0 - £20,000	3	3	3	6	6	9	59	**43**
£20,001 - £40,000	-	-	-	-	-	-	-	**-**
£40,001 - £60,000	-	-	-	-	-	-	-	**-**
£60,001 - £80,000	-	-	-	-	-	-	-	**-**
£80,001 - £100,000	-	-	-	-	-	-	-	**-**
Over £100,000	-	-	-	-	-	-	-	**-**
Total	3	3	3	6	6	9	59	**43**

28. External Audit Fees

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

	2013/14 £000	**2014/15 £000**
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor	59	**58**
Fees Payable to external auditors in respect of statutory inspections	-	-
Fees payable to external auditors for the certification of grant claims and returns	21	**21**
Fees payable in respect of other services provided by external auditors during the year	-	**2**
Refund from Audit Commission	(8)	**(6)**
Total	72	**75**

29. Grant Income

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

	2013/14 restated £000	**2014/15 £000**
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant (DCLG)	(2,952)	**(2,241)**
New Homes Bonus (DCLG)	(993)	**(1,396)**
Council Tax Freeze (DCLG)	-	**-**
S31 Small Business Rate Reduction	(374)	**(648)**
Total	(4,319)	**(4,285)**
Credited to Services		
Benefit Subsidy (DWP)	(28,024)	**(29,607)**
Community Facility Improvements	(852)	**(2,052)**
Housing Benefit Administration (DWP)	(542)	**(496)**
Flood Support (DCLG)	(173)	**-**
Choosing Health PCT (KCC)	(138)	**(131)**
Disabled Facilities (KCC)	(401)	**(411)**
Homelessness (DCLG)	(92)	**(91)**
New Burdens (DCLG)	(65)	**(62)**
Communities against Drugs (KCC)	(60)	**(35)**
Community Sports (Sports England)	-	**(42)**
Regional Housing Fund (DCLG)	(40)	**-**
Other	(54)	**(73)**
Total	(30,441)	**(33,000)**

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

Capital Grants Receipts in Advance	2013/14 £000	2014/15 £000
Regional Housing Pot (DCLG/KCC)	(8)	**(16)**
Community Infrastructure Levy	-	**(9)**
Total	(8)	**(25)**

30. Related Party Transactions

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

Central Government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in note 24 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2015 are shown in note 29.

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2014/15 is shown in note 26. During 2014/15 the Council awarded a grant of £3,000 to a voluntary organisation in which two members had an interest. The grant was made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grant. The Register of Members' Interests is open to public inspection.

Senior officers of the Council have control over the day to day management of the authority. The Chief Executive and Chief Officers are required to declare any related party transactions. No senior officers declared any related party transactions with the Council in 2014/15.

Kent County Council pension fund – see note 35.

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

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

31. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the authority that has yet to be financed. The Capital Financing Requirement is analysed in the second part of this note.

	2013/14 £000	**2014/15 £000**
Opening Capital Financing Requirement	-	**-**
Capital Investment:		
Property, Plant & Equipment	643	**355**
Intangible Assets	-	**-**
Investment Properties	-	**1,250**
Revenue Expenditure Funded from Capital under Statute	1,471	**2,658**
	2,114	**4,263**
Sources of Finance:		
Capital Receipts	-	**(1,250)**
Government Grants and other contributions	(1,290)	**(2,462)**
Sums set aside from revenue	(824)	**(551)**
	(2,114)	**(4,263)**
Closing Capital Financing Requirement	-	**-**

32. Leases

Authority as Lessee

In 2014/15 the Council entered into an operating lease for land adjacent to 66 London Road Sevenoaks (the 'Top Car Park'). This lease is for 15 years.

Payments under operating leases during the year amounted to £33,145 (£3,640 in 2013/14). Payments under operating leases in 2013/14 related to leased cars.

	Minimum Lease Payments	
	31/03/14	**31/03/15**
	£000	**£000**
Not later than one year	4	**33**
Later than one year and not later than five years	-	**216**
Later than five years	-	**473**
Total	4	**722**

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

Finance Leases

Authority as Lessee

The Council has no finance leases as a lessee.

Authority as Lessor

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

	31/03/14 £000	31/03/15 £000
Gross Investment in the Lease	328	302
Estimated Residual value	31	31
Net Investment in the lease (Gross Investment discounted by implicit rate)	184	177
Unearned Finance Income	144	125

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

	31/03/14 £000	31/03/15 £000
Not later than one year	24	24
Later than one year and not later than 5 years	118	118
Later than 5 years	185	160
Total	328	302

33. Impairment Losses

During 2014/15 there were revaluation losses totalling £1.355m.

34. Termination Benefits

The Authority terminated the contracts of a number of employees in 2014/15, incurring liabilities of £43,000 (£59,000 in 2013/14) – see note 27 for the number of exit packages and total cost per band. One of these was as a result of the budget savings agreed by Council on 16 December 2010.

35. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

Characteristics of the Defined Benefit Scheme

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

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

- Investment risk. The Fund holds investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long term, the short term volatility can cause additional funding to be required if a deficit emerges.

- Interest Rate risk. The Fund’s liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Fund holds assets such as equities, the value of the assets and liabilities may not move in the same way.

- Inflation risk. All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that assets are not linked to inflation.

- Longevity risk. In the event that the members live longer than assumed, a deficit will emerge in the Fund. There are also other demographic risks.

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

Transactions relating to Post Employment Benefits

The Authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on cash payable in the year, so the real cost of post-employment benefits is reversed out of the General Fund via the Movement in Reserves Statement.

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

Comprehensive Income and Expenditure Statement	2013/14 £000	2014/15 £000
Cost of Services		
Service cost comprising:		
Current Service cost	2,355	2,355
Past Service costs	205	92
Net Interest Expense (includes administration expense)	2,258	2,402
Total post-employment benefits charged to the Surplus or Deficit on the Provision of Services	4,818	4,849
Other post employment charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	(2,501)	(4,560)
Actuarial gains and losses arising on change in demographic assumptions	2,655	-
Actuarial gains and losses arising on changes in financial assumptions	2,419	16,328
Other	(2,036)	(62)
Total post employment benefits charged to the Comprehensive Income and Expenditure statement	537	11,706
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefit in accordance with the Accounting Code of Practice	4,818	4,849
Actual Amount charged against the General Fund balance for pensions in the year		
Employers contributions payable to the scheme	3,015	2,988

Pensions Assets and Liabilities recognised in the Balance Sheet

	2013/14 £000	2014/15 £000
Present value of the Defined Obligations		
Present value of Funded Liabilities	(120,362)	(140,663)
Present Value of Unfunded Liabilities	(2,274)	(2,337)
Total Pensions Liability	(122,636)	(143.000)
Fair Value of plan assets (at bid value)	67,769	74,566
Net liability arising from the defined benefit obligation	(54,867)	(68,434)

Reconciliation of movements in the fair value of scheme assets	2013/14 £000	2014/15 £000
Opening fair value of scheme assets	65,548	67,769
Interest on assets	2,803	2,967
Return on assets less interest	2,501	4,560
Other actuarial gains/losses	(2,285)	-
Administration expense	(55)	(51)
Contributions from employer	3,015	2,988
Contributions from scheme participants	585	635
Estimated benefits paid plus unfunded net of transfers in	(4,343)	(4,302)
Closing Value of scheme assets	67,769	74,566

Reconciliation of the movements in defined benefit obligation	2013/14 £000	**2014/15 £000**
Opening Defined Benefit Obligation	118,075	122,636
Current Service Cost	2,355	2,355
Interest Cost	5,006	5,318
Change in Financial Assumptions	2,419	16,328
Change in Demographic assumptions	2,655	-
Experience loss/gain on defined benefit obligation	(4,321)	(62)
Estimated benefits paid net of transfers in	(4,143)	(4,102)
Past service costs including curtailments	205	92
Contributions by scheme participants	585	635
Unfunded pension payments	(200)	(200)
Closing Defined Benefit Obligation	122,636	143,000

Scheme Assets

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

	31/03/14 %	**31/03/15 %**
Equity investments	71	**68**
Gilts	1	**1**
Bonds	11	**11**
Property	10	**13**
Cash	3	**3**
Target return portfolio	4	**4**
Total	100	**100**

Note: The extract from the actuaries report contains roundings.

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2015 is estimated to be 11% (2013/14 was 8%). The actual return on Fund assets over the year may be different.

Basis for Estimating Assets and Liabilities

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

The principal assumptions used by the actuary have been:

	2013/14	**2014/15**
Expected return for year (see note below)	8.0%	**11.0%**
Mortality Assumptions:		
Longevity at 65 for current pensioners		
Men	22.7	**22.8**
Women	25.1	**25.2**
Longevity at 65 for future pensioners		
Men	24.9	**25.1**
Women	27.4	**27.6**
Rate of Inflation (CPI)	2.8%	**2.4%**
Rate of increase in salaries	4.6%	**4.2%**
Rate of increase in pensions	2.8%	**2.4%**
Rate for discounting scheme liabilities	4.4%	**3.3%**
Take-up of option to convert annual pension into retirement lump sum	50%	**50%**

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

Return on Assets

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

Sensitivity Analysis

The estimation of the defined Benefit Obligation is sensitive to actuarial assumptions. The financial impact on the Defined Benefit Obligation in the scheme to variances in those assumptions are given in the following table. These assumptions are based on the present value of total obligation of £143.0m.

	£000 Increase of +0.1%	£000 Decrease of 0.1%
Adjustment to discount rate	2,783	2,911
Adjustment to long term salary increase	2,847	2,845
Adjustment to pensions increases and deferred revaluation	2,910	2,783
Adjustment to mortality age rating assumptions	2,749	2,943

Projected Pension Expense for the year to 31 March 2016

	2015/16 Projection £000
Service Cost	2,846
Net interest on the defined liability	2,212
Administration expense	56
Total	**5,114**
Employer Contributions	**2,827**

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

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

36. Contingent Liabilities

Personal Search Fees

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

The initial claim was settled after the balance sheet date.

Health and Safety

The Health and Safety Executive (HSE) have initiated two charges under the Health and Safety at Work Act 1974 following an incident on the 13th September 2010 where a motorbike rider collided with Sevenoaks District Council road sweeper lorry. The Council is represented by its insurers and is receiving legal representation.

37. Contingent Assets

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

38. Heritage Assets

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies for Property, Plant and Equipment as set out in Note 10.

Otford Palace Gatehouse is not held on the balance sheet as the Council considers that obtaining a robust and accurate valuation for this unique and specialist property would be not straightforward and the cost would be disproportionate to the benefit of the user of these accounts.

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

THE COLLECTION FUND
INCOME AND EXPENDITURE ACCOUNT 2014/15

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

2013/14 Council Tax £000	2013/14 NDR £000		Note	2014/15 Council Tax £000	2014/15 NDR £000	2014/15 Total £000
		Income				
71,919		Billed to Council Tax Payers	1	74,681		74,681
	35,178	Income from Business Ratepayers	2		35,429	35,429
293		Reduction in Bad Debts Provision		341	712	1,053
		Repayment of Deferred Charges			151	151
		Reimbursement of previous year's estimated Collection Fund deficit	3		3,083	3,083
72,212	**35,178**			**75,022**	**39,375**	**114,397**
		Expenditure				
		Precepts & Demands:				
49,301	3,031	Kent County Council		50,899	2,913	53,812
6,656		Police & Crime Commissioner for Kent		6,872		6,872
3,197	337	Kent & Medway Fire & Rescue Authority		3,301	324	3,625
8,728	13,471	Sevenoaks District Council		9,010	12,948	21,958
3,322		Town & Parish Councils		3,496		3,496
		Business Rates:				
	16,838	Payments to Government			16,185	16,185
	170	Cost of Collection Allowance			170	170
	53	Transitional Protection			21	21
		Bad and Doubtful Debts:				
501	54	Provision for Non Payment		521	27	548
	2,267	Provision for Appeals			2,954	2,954
339	443	Write Offs		216	436	652
		Contribution towards previous year's estimated Collection Fund surplus	3			
72,044	**36,664**			**74,315**	**35,978**	**110,293**
	(1,486)	**(DEFICIT)/SURPLUS FOR YEAR**	**3**	**707**	**3,397**	**4,104**
		COLLECTION FUND BALANCE				
(576)	-	Balance at beginning of year		(408)	(1,486)	(1,894)
168	(1,486)	(Deficit)/Surplus for year		707	3,397	4,104
(408)	**(1,486)**	**BALANCE AT END OF YEAR**	**4**	**299**	**1,911**	**2,210**

Note 1 Council Tax

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

The tax base for 2014/15 was approved by Cabinet in January 2014 as follows:

	2013/14			2014/15		
Band	**Estimated no. of taxable properties**	**Ratio**	**Band D equivalent dwellings**	**Estimated no. of taxable properties**	**Ratio**	**Band D equivalent dwellings**
A*	1.50	5/9ths	0.83	1.25	5/9ths	0.70
A	956.50	6/9ths	637.52	928.80	6/9ths	619.20
B	1,722.00	7/9ths	1,339.10	1,766.74	7/9ths	1,374.10
C	7,539.50	8/9ths	6,701.93	7,711.27	8/9ths	6,854.50
D	9,481.50	9/9ths	9,481.01	9,562.91	9/9ths	9,562.90
E	6,330.75	11/9ths	7,737.68	6,408.31	11/9ths	7,832.40
F	5,250.25	13/9ths	7,583.20	5,292.93	13/9ths	7,645.30
G	6,918.00	15/9ths	11,530.36	6,963.36	15/9ths	11,605.60
H	1,186.50	18/9ths	2,372.94	1,227.51	18/9ths	2,455.00
	39,386.50		47,384.57	39,863.08		47,949.70
Contributions in lieu for Crown property						14.50
						47,964.20
Collection rate adjustment			99.3%			99.3%
Council Tax Base			**47,052.88**			**47,629.02**

The tax rate for a band D property in 2014/15 was £1,471.42, excluding Town and Parish Council taxes (2013/14 = £1,442.69).

	2013/14	2014/15
	£	£
Kent County Council	1,047.78	1,068.66
Police & Crime Commissioner for Kent	141.47	144.28
Kent & Medway Fire & Rescue Authority	67.95	69.30
Sevenoaks District Council	185.49	189.18
	1,442.69	1,471.42
Town & Parish Councils (Average)	70.61	73.41
TOTAL (including an average town & parish rate)	**1,513.30**	**1,544.83**

Note 2 Non-Domestic Rates (NDR)

NDR is organised on a national basis. For 2014/15, the Government specified a standard rate in the pound of 48.2p (47.1p in 2013/14) for large businesses and 47.1p (46.2p in 2013/14) for small businesses. Subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from the ratepayers in its area.

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

According to the rating list, the total non-domestic rateable value at 31 March 2015 was £90,160,884 (31 March 2014 = £89,285,806).

Note 3 Contributions to Collection Fund surpluses and deficits

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

In January 2014, the estimated balance at 31 March 2014 in respect of council tax transactions was zero. Had there been an estimated surplus or deficit, it would have been shared between Kent County Council, the Police and Crime Commissioner for Kent, Kent & Medway Fire & Rescue Authority and the District Council in proportion to their precepts on the Collection Fund in 2013/14 and taken into account by the respective authorities in the calculation of their council taxes for 2014/15. The actual position at 31 March 2014 was a deficit of approximately £408,000.

The estimated balance at 31 March 2014 in respect of NDR transactions was a deficit of £3,083,000. This was shared between Kent County Council, Kent & Medway Fire & Rescue Authority and the District Council in the proportions detailed in Note 2. The actual position at 31 March 2014 was a deficit of approximately £1,486,000.

The actual surplus of £299,000 at 31 March 2015 in respect of council tax and the actual surplus of £1,911,000 in respect of NDR will be taken into account when estimating the surplus or deficit for 2015/16.

Note 4 Allocation of arrears, prepayments and other balances

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

		KCC £000	PCC £000	KMFRA £000	Gov't £000	SDC £000	Total £000
2013/14	**Council Tax:**						
	Arrears	2,400	324	156		590	**3,470**
	Provision for Bad Debts	(1,857)	(251)	(121)		(456)	**(2,685)**
	Prepayments & Refunds	(1,257)	(170)	(81)		(309)	**(1,817)**
	Cash	432	58	28		106	**624**
	(Surplus)/Deficit	282	38	19		69	**408**
	NDR:						
	Arrears	147		16	817	653	**1,633**
	Provision for Bad Debts	(79)		(9)	(438)	(351)	**(877)**
	Provision for Appeals	(204)		(23)	(1,133)	(907)	**(2,267)**
	Prepayments & Refunds	(96)		(11)	(536)	(429)	**(1,072)**
	Cash	99		11	548	439	**1,097**
	(Surplus)/Deficit	134		15	743	595	**1,486**
	Total	**0**	**0**	**0**	**0**	**0**	**0**
2014/15	**Council Tax:**						
	Arrears	2,564	346	166		628	**3,704**
	Provision for Bad Debts	(1,983)	(268)	(129)		(485)	**(2,865)**
	Prepayments & Refunds	(1,402)	(189)	(91)		(343)	**(2,025)**
	Cash	1,028	139	67		251	**1,485**
	(Surplus)/Deficit	(207)	(28)	(13)		(51)	**(299)**
	NDR:						
	Arrears	181		20	1,004	803	**2,008**
	Provision for Bad Debts	(81)		(9)	(452)	(362)	**(904)**
	Provision for Appeals	(406)		(45)	(2,255)	(1,804)	**(4,510)**
	Prepayments & Refunds	(117)		(13)	(650)	(520)	**(1,300)**
	Cash	595		66	3,308	2,647	**6,616**
	(Surplus)/Deficit	(172)		(19)	(955)	(765)	**(1,911)**
	Total	**0**	**0**	**0**	**0**	**0**	**0**

GLOSSARY OF TERMS

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

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

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

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

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

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

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

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

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

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

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

Collection Fund. The fund into which council tax and non-domestic rates are paid, and from which we meet demands by preceptors and central government.

Contingent Liabilities. Contingent liabilities are either:

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

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

- (i) it is not probable that a transfer of economic benefits will be required to settle the obligation, or
- (ii) the amount of the obligation cannot be measured with sufficient reliability.

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

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

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

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

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

DCLG. Department for Communities and Local Government

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

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

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

DfT. Department for Transport.

DWP. Department for Work and Pensions.

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

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

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

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

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

Impairment. A downward revaluation of an asset.

KCC. Kent County Council.

Leasing. A method of financing the acquisition of equipment, vehicles etc. The items concerned do not belong to the user (or lessee) but are the property of the lessor to whom the lessee pays an annual rental for a specific period of time.

MBC. Maidstone Borough Council.

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

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

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

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

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

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

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

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

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

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

Supplies and Services. Includes expenditure on equipment and materials.

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

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

TMBC. Tonbridge and Malling Borough Council

TWBC. Tunbridge Wells Borough Council.

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

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

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

ANNUAL GOVERNANCE STATEMENT 2014/15

1. Background

1.1 Further to Regulation 4 of the Accounts and Audit Regulations (England) 2011, the Council is required to produce an Annual Governance Statement (to be published with its financial statements) which sets out its arrangements for delivering good governance within the framework of sound internal controls.

1.2 The Annual Governance Statement (AGS) is a corporate document involving a variety of people charged with developing and delivering good governance including:

- the Leader of the Council and the Chief Executive (Head of Paid Service) as signatories;
- Chief Officers, Heads of Service and relevant managers assigned with the ownership of risks and the delivery of services;
- the Chief Executive who is responsible for the administration of the Council's financial affairs under Section 151 of the Local Government Act 1972;
- the Monitoring Officer in meeting statutory responsibilities of ensuring the legality of Council business;
- the Council's Internal Audit function;
- Members (for example, through the committees such as the Governance, Audit, Scrutiny and the Strategy and Performance Advisory Committees); and
- others responsible for providing assurance, in particular Grant Thornton, in their role as the Council's External Auditor.

1.3 Thus the AGS, as a corporate document, is owned by all Senior Officers and Members of the Council. A shared approach was taken in compiling the AGS with the objective of engaging all managers integrally involved in the delivery of services covering the whole authority within the process and also encouraging a high degree of reflection and corporate learning. This increases the statement's significance and encourages managers to objectively assess their responsibilities.

1.4 The system of corporate governance highlighted in the AGS, together with the system of internal control, is reviewed continually throughout the year as part of routine governance and managerial processes; examples being the authority's performance management and risk management frameworks.

1.5 Although corporately owned, the AGS requires internal control assessments/assurance statements from individual Heads of Service and relevant managers, Chief Officers, the

Internal Audit Manager, the Head of Paid Service, the Monitoring Officer and the Section 151 Officer, all of which were obtained as part of this process.

2. Scope of Responsibility

2.1 Sevenoaks District Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law, proper standards, good governance and that public money is safeguarded from waste, extravagance or misappropriation. The Council seeks to ensure that its expenditure and activities are transparent and properly accounted for. The Council has a duty under the Local Government Act 1999 to make proper arrangements to secure continuous improvement in the way in which it carries out its functions, having regard to ensuring economy, efficiency, effectiveness and fairness in the exercise of its responsibilities. In discharging this overall responsibility, to ensure its business is conducted in accordance with the law, proper standards and delivering continuous improvements, Sevenoaks District Council is also responsible for ensuring that there is a system of corporate governance which facilitates the effective and principled exercise of the Council's functions and which includes arrangements for the effective management of risk. The Council seeks to conduct these responsibilities within the framework of high quality service provision to enhance and facilitate community wellbeing and engagement.

2.2 The roles of the Chief Executive (as Head of Paid Service), the Section 151 Officer and the Monitoring Officer are defined within Part 13 of the Council's Constitution. The Executive Role of Members is defined within Part 4 of the Council's Constitution.

2.3 Officers and Members are expected to conduct themselves in a proper manner in accordance with the Constitution and both are expected to declare interests that may impact on the objectivity of the Council's decision making process. These interests are held on a register and are reviewed on a regular basis by the Monitoring Officer.

2.4 Sevenoaks District Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA / SOLACE Framework Delivering Good Governance in Local Government. A copy of the code can be obtained from the Audit, Risk and Anti-fraud Team, or via the Council's website. This statement explains how Sevenoaks District Council has implemented both the code and the requirements of regulation 4(3 & 4) of the Accounts and Audit Regulations (England) 2011 in relation to the publication of an Annual Governance Statement.

3. The Purpose of the Governance Framework

3.1 The governance framework comprises the systems and processes, culture and values, by which the authority informs, directs, manages and monitors its operations, and its activities through which it accounts to, engages with and empowers the community. It enables the authority to evaluate the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

3.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. It also seeks to maximise available opportunities in achieving good value for money delivering its objectives and priorities.

3.3 The governance framework has been in place at Sevenoaks District Council for the year ended 31 March 2015 and up to the date of approval of the Statement of Accounts. A new governance framework was implemented in 2013/14 and the changes were subjected to review during 2014/15 by the Council's Internal Audit Service. The review identified that the Council's Governance Framework was effective.

4. **The Governance Framework**

4.1 The following represent the key elements of the governance framework within Sevenoaks District Council:

- The Council's vision and promises for the period ending in March 2015 were set out in its Corporate Plan, which was revised and updated in November 2013. The Corporate Plan sets out the actions that the Council has committed to undertake to deliver on its promises with progress against these reviewed annually. The Sevenoaks District Sustainable Community Plan covers the period from 2013-28. Every three years the Community Plan is comprehensively reviewed in consultation with residents and other interested stakeholders. A three year action plan is agreed with partners at each review point, with the current action plan covering the period from April 2013 to March 2016. Progress against each of the actions is reviewed quarterly with an Annual Report produced each year. The plans and report can be found on the Council's website, via the following links:

  Sustainable Community Action Plan 2013-28 & 2014 Annual Report:
  [http://www.sevenoaks.gov.uk/services/community-and-living/community-plan]

  Corporate Plan:
  [http://www.sevenoaks.gov.uk/services/council-and-democracy/the-councils-vision-and-promises].

- Both of the existing plans above are subject to considerable Member review and challenge by Cabinet, or the appropriate Select/Scrutiny Committee , the Finance and Resources Group and ultimately by the full Council. The governance arrangements put in place on 14 May 2013, continue to operate well during the year new and also includes an Audit Committee, whose terms of reference is consistent with CIPFA standards. . This arrangement will be subjected to review following the election of a new Council at the May Elections. Hence the plans will continue to be scrutinised under existing arrangements and any changes will be considered and determined by the full Council. The promises and priorities within the plans are also cascaded to individuals within the Council through Service Plans and individual action plans via the staff appraisal process.

- Policy and decision-making is facilitated through reports from Officers to Cabinet and Council. Each Cabinet Member has responsibility for a specific portfolio and will take decisions on matters relevant to that portfolio. Each portfolio also has an Advisory Committee which will consider officer reports in advance of them being considered by Cabinet and provide their recommendations on the policy direction or decision making of the Cabinet or Council. The Scrutiny Committee has the opportunity to 'call-in' the decisions of Cabinet and to recommend changes to decisions or policies.

- The Council's Constitution specifies the roles and responsibilities of Members and Officers and the financial and procedural rules for the efficient and effective discharge of the Council's business.

- Implementation of established policies, procedures, laws and regulations and good practice is achieved through:

a) Internal Audit
During 2014-15, the Council's internal audit team worked to an approved annual audit plan and undertook the work in accordance with the Mandatory Public Sector Internal Audit Standards (PSIAS) 2013 which have replaced the CIPFA Code of Practice for Internal Audit in the United Kingdom (revised 2006).

Individual audit reports are produced for relevant management, with copies distributed to the Chief Executive, Section 151 Officer and the relevant Chief Officers. Internal audit reports on the progress of internal audit in delivering the assurance plan are also distributed to the Audit Committee. Periodic reports highlight the results of individual risk-based audit reviews, while the annual report, which contains the Audit Manager's overall assurance opinion, evaluates the overall internal control environment as tested through audit work undertaken in the year. The review of the effectiveness of Internal Audit was assessed in 2014/15 as 'effective' in meeting the requirements of an adequate and effective internal audit service. A number of areas were suggested for further developments. A copy of the report is included in the agenda for this meeting.

An external quality review of internal audit was also undertaken by Pricewaterhouse Coopers in December 2014. The review outcome was largely consistent with that of the internal review undertaken by management and also suggested a number of areas for further development. An action plan has been presented to the Strategic Management Team to address the relevant issues raised.

The outcome of the review of the effectiveness of internal audit therefore indicates that the arrangements in place for the provision of an internal audit service are "effective" and delivers good value for money, but it does not yet meet full compliance with the new Public Sector Internal Audit Standards.

b) External Audit
The external audit service is provided by Grant Thornton. The External Auditor's reports are sent to senior management and Members (via the Audit Committee). Recommendations and comments are considered and discussed with timely actions taken to address agreed recommendations.
The Council's current financial management was commended in all its recent audit and inspection reports by the external auditors, Grant Thornton, and unqualified opinions were issued in relation to both financial statements and value for money for 2013-14

c) Financial Management
A robust budgetary control system is in place and regular monitoring reports are produced for Chief Officers and the Strategic Management Team, Heads of Services and relevant managers, Cabinet, the Finance Advisory Committee (previously Finance and Resources Advisory Committee). Senior accountants conduct monthly client liaison meetings with responsible budget holders.

d) Performance Management
Monitoring of progress towards the achievement of the Council's promises and objectives is undertaken through the Council's performance management system. Performance is monitored monthly and enhanced with commentaries from senior managers where performance is behind target. Strategic information is regularly reported to the Management Team, Cabinet Members, and Advisory Committees.

e) Arrangements for Partnerships
The Council enhances value for money in service delivery through innovative and cost-effective partnership working. The Council engages in extensive discussion and planning to develop efficient working arrangements while protecting quality of services. Decisions to enter into partnership working are supported by a detailed business case and cost-benefit analysis, and are subject to scrutiny and approval by Members. The Council has partnerships in place for the delivery of services relating to Licensing, Revenues and Benefits, Audit and Anti-Fraud, Environmental Health and Building Control.

f) Risk Management
In January 2015 an internal audit of the new arrangements for risk management brought in during 2013/14 was carried out and assessed the new arrangements as "Good" for both Framework and Effectiveness.

g) Relationships and Ethics
Good co-operative relationships exist between the Council and its external auditors and inspectors and between Officers and Members. Relationships between Officers and Members are guided by a protocol embedded in the Councils Constitution. A written communications protocol has also been established between the Leader and the Chief Executive. The Council has clear Codes of Conduct for Members and Officers embedded within its Constitution, underpinned by a culture of integrity and ethical behaviour. Member conduct is scrutinised by the Standards Committee.

h) Service Delivery by Trained and Experienced People
The Council has a robust recruitment policy and relevant procedures in place. The Council holds Gold and 'Champion' status in the Investors in People (IiP) New Choices scheme, conferred by an external inspection regime in December 2012. The Council was one of the

first local authorities nationally to achieve this standard in its previous inspection in 2009. Staff appraisals take place annually, including an annual review of service and training plans, training evaluation and recruitment and selection procedures. The Council has designed, delivered and developed a Leadership Masterclass, a bespoke training programme for Managers of all levels within the organisation. The programme consists of 38 modules delivered covering key aspects of modern day management, empowering managers to manage, support and develop their staff to the best of their ability

i) Monitoring Officer
The Council's Monitoring Officer oversees compliance with laws and statutory obligations. The Monitoring Officer reports to the Council's Standards Committee. Regular meetings between the two Officers form part of the Council's governance arrangements. The impact of changes regarding the Council's new senior management structure was reviewed in 2014/15 by internal audit and the opinions for both framework and effectiveness were assessed as good.

j) Anti-fraud and Corruption
The Council has put in place a fraud and corruption policy, including a new whistle-blowing policy introduced in 2015, which is published on its intranet site. The Council also has a dedicated Benefits Fraud Team and a well-publicised 'fraud hotline', available to both staff and members of the public, which allows individuals to report anonymously any suspected cases of fraud and corruption. As part of fraud risk management, all staff and Members are required to complete annual declarations of interests. Appropriate briefings have been made to all staff regarding the Bribery Act 2010. The risks of fraud and corruption are assessed within the strategic risk register and appropriate measures put in place to mitigate these risks.

The Council's Benefits Fraud investigations team is due to be transferred over to the Department for Works and Pensions (DWP) in February 2016 under the new arrangements introduced by central government. Proposals for an in-house anti-fraud arrangement, post DWP transfer, which will retain experienced staff, have been considered by management and are currently being discussed with the affected staff.

5. Role of the Section 151 Officer

5.1 Section 151 of the Local Government Act 1972 requires that the Council appoint an individual officer to be responsible and accountable for the administration of its financial affairs. The Scheme of Delegation held within Part 13 of Sevenoaks District Council's Constitution assigned this responsibility to the Chief Executive. An internal audit review of the new senior management structure was completed in 2014/15, as part of the 2013/14 Annual Governance Statement Action Plan. The review concluded that the current arrangements were effective.

5.2 CIPFA has issued a Statement on the Role of the Section 151 Officer in Local Government. This details the governance arrangements and delegated responsibilities considered necessary to facilitate the role of the Section 151 Officer. The Council has considered this Statement, and believes that, during the financial year 2014-15, it has complied fully with the governance requirements of the Statement. The Council's Financial Procedure Rules, codified within Appendices D and E of the Constitution ensure that all the appropriate responsibilities are delegated and reserved to the Section 151 Officer as the Statement recommends.

6. Review of Effectiveness

6.1 Sevenoaks District Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review is informed by the outcome of the work of the Council's internal auditors during the year and by Chief Officers who have responsibility for the development and maintenance of the internal control environment. It also considers comments made by the external auditors and other external review agencies and inspectorates.

6.2 The External Auditor concluded that, for 2014-15, the Council had effective arrangements in place to ensure value for money was achieved. An unqualified opinion was issued in relation to the Council's financial statements. The Council is not aware of any issues arising from the current work being undertaken by the External Auditor.

6.3 Internal audit reports are regularly distributed to the Audit Committee and an Annual Internal Audit Report presented to the Council's Audit Committee, which sets out the Audit, Risk and Anti-Fraud Manager's overall opinion on the Council's internal control, risk management and governance arrangement. The opinion for 2014/15 indicates that the Council's control environment is effective.

6.4 The Head of Paid Service and Section 151 Officer and the Monitoring Officer periodically review the Constitution, procedures for internal financial control and application of the relevant Codes of Conduct. The issues raised in last year's governance statements and action plan have been all been satisfactorily addressed, or where appropriate, re-stated in this year's AGS as areas to be addressed going forward.

6.5 The Council continues to review and improve its governance arrangements on a continuous basis, as appropriate. Improvements during 2014-15 include the following:

i). The Council's Monitoring Officer oversees compliance with laws and statutory obligations.

ii). The Monitoring Officer reports to the Council's Standards Committee and Governance Committee as well as Legal and Democratic Advisory Committee. A Monitoring Officer Report is produced each year which is presented to Full Council.

iii). Regular meetings between the two Statutory Officers who are responsible for the three Statutory Functions within the authority this being Monitoring Officer, S.151 Officer and Head of Paid Service Function. These meetings form part of the Council's governance arrangements.

iv). The impact of changes regarding the Council's new senior management structure was reviewed in 2014/15 by internal audit and the opinions for both framework and effectiveness were assessed as good.

v). As a result of The Local Authorities (Standing Orders) (England) (Amendment) Regulations 2014 all councils were required to adopt the practice of recorded votes on any

decision relating to the budget or council tax at the relevant budget setting meeting of Full Council. As a result of such legislation Standing Orders were amended so as to include provisions requiring recorded votes at budget meetings and this was approved by Council in April 2014.
vi). The recording of all meetings of Full Council, Development Control and Licensing Hearings was introduced by Full Council in November 2014. In addition following the implementation of The Openness of Local Government Bodies Regulations 2014 the Council's Standing Orders were amended to allow the public to report all meetings via social media of any kind such as tweeting, blogging or via Facebook including the filming of meetings.

vii). Following the introduction of the Local Government (Electronic Communication) (England) Order 2015 Members were given the option of receiving agendas electronically by nominating an electronic address for delivery.

viii). The Governance Committee were tasked in April 2014 with continuing to investigate future Governance arrangements in general to allow the newly elected administration in 2015 to consider future governance. Several reports were produced for the Governance Committee during 2014/15 concentrating on the advantages and disadvantages of the Committee System and the Leader and Cabinet System. This work is on-going and is on the work plan for the Governance Committee in 2015-16.

ix) The issues set out in last year's Governance Statement have been addressed, with the exception of the issue set out in 7.1 below. The updated action plan for 2013/14 is attached as annex to this report.

7. Significant Governance Issues

7.1 It is the recommendation of the Statutory Officers of the Council to include in this statement, that the Health and Safety Executive (HSE) have initiated two charges under the Health and Safety at Work Act 1974 following an incident on the 13th September 2010 where a motorbike rider collided with Sevenoaks District Council road sweeper lorry. The Council is represented by its insurers and are receiving legal representation.

Certification
Signature: ....Date:..
Cllr. Peter Fleming (Leader of the Council)

Signature:... Date: ....
on behalf of Sevenoaks District Council
Dr. Pav Ramewal (Chief Executive and Section 151 Officer)

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