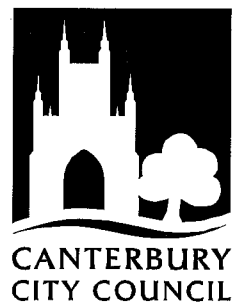


**Statement of Accounts  
for the Year Ended  
31 March 2006**

Jim McDonald CPFA  
Director of Corporate Services



# THE STATEMENT OF ACCOUNTS

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# THE STATEMENT OF ACCOUNTS

## EXPLANATORY FOREWORD

### 1. INTRODUCTION

#### 1.1. Contents of Statement of Accounts

The Council's accounts for the year 2005/06 are set out on pages 9 to 40. They consist of:

- (a) the **Consolidated Revenue Account** – the council's main revenue account, covering income and expenditure on all services.
- (b) the **Housing Revenue Account** – which shows income and expenditure on council housing.
- (c) the **Consolidated Balance Sheet** – which sets out the financial position of the council on 31<sup>st</sup> March 2006.
- (d) the **Statement of Total Movements in Reserves** – which brings together all the movements in the council's reserves.
- (e) the **Cash Flow Statement** – which summarises the total movement of the council's funds.
- (f) the **Collection Fund Accounts** – which show income from council tax, business ratepayers and residual community charge items and precept payments to Kent and Canterbury councils.
- (g) the Statement of Responsibilities for the Statement of Accounts.

1.2. These accounts are supported by the Statement of Accounting Policies, (set out on pages 5 to 8) which follows this Foreword, the Statement of Internal Control (pages 41 to 58) and various notes to the accounts.

1.3. This Foreword (pages 1 to 4) provides a brief explanation of the Council's outturn financial position for 2005/06 and budget strategy for 2006/07.

### 2. BUDGET STRATEGY IN 2006/07

The Council's budget preparations have been developed over the course of three years in order to present estimates for 2006/07-2008/09 to Executive on 26 January 2006 and Full Council on 16 February 2006. This process included a series of councillor meetings (star chambers) with Heads of Service to assess essential growth based on corporate plan targets and actions, and on proposals for savings. It also took account of the feedback on budget consultation undertaken by Research for Today using SIMALTO methodology.

The key strategic approach, within which the exercise was conducted, in terms of budgeting, consisted of the following elements:

- (a) To provide a budget which meets the key priorities of the Corporate & Best Value Performance Plans and achieves a sustainable financial position, taking account of the council's ongoing commitments and ambitions.
- (b) To eliminate drawing on the revenue budget in this plan period.
- (c) To eliminate the negative contingency.
- (d) To address issues raised in the comprehensive performance assessment inspection process.
- (e) To take account of changes in revenue support from government as a result of changes in the funding formula and 2001 census data.
- (f) To take account of changes in capital finance arrangements.

With the threat of capping, the Executive and Council considered the position and made changes which enabled the council to achieve only a 3.7% council tax increase.

### 3. DIFFERENCES BETWEEN PLANS AND OUTTURN FOR 2005/06

The purpose of this statement is to give an indication in broad terms of the main differences between plans and outturn for 2005/06 for General Fund and Housing Services and the reasons for those differences.

#### 3.1. General Fund Revenue Expenditure

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

|  | Original Estimate | Approved Estimate | Actual        | Difference from approved |
|--|-------------------|-------------------|---------------|--------------------------|
|  | £ ' 000           | £ ' 000           | £ ' 000       | £ ' 000                  |
| <b>Expenditure</b>   |                   |                   |               |                          |
| Committee's net expenditure  | 18,172            | 18,320            | 17,998        | -322                     |
| Add : Parish precepts  | 387               | 387               | 387           | 0                        |
| <b>Total Expenditure</b>   | <b>18,559</b>     | <b>18,707</b>     | <b>18,385</b> | <b>-322</b>              |
| <b>Income</b>  |                   |                   |               |                          |
| Revenue support grant  | 6,552             | 6,552             | 6,552         | -                        |
| NNDR allocation  | 4,029             | 4,029             | 4,029         | -                        |
| Met by local council taxpayers   | 7,876             | 7,876             | 7,876         | -                        |
| Collection fund surplus  | 35                | 35                | 35            | -                        |
| <b>Total Income</b>  | <b>18,492</b>     | <b>18,492</b>     | <b>18,492</b> | <b>-</b>                 |
| <b>Deficit / (surplus) for the year<br/>(i.e. amount funded from balances)</b> | <b>67</b>         | <b>215</b>        | <b>(107)</b>  | <b>-322</b>              |
| Balance brought forward  | 1,928             | 1,928             | 1,928         | -                        |
| <b>Balance carried forward</b>   | <b>1,861</b>      | <b>1,713</b>      | <b>2,035</b>  | <b>-322</b>              |

The overall position for the financial year 2005/06 was as follows:

|  |                |
|--|----------------|
|  | <b>£ ' 000</b> |
| <b>Original Budget (excluding Parish Precepts)</b>   | <b>18,172</b>  |
| Underspendings on items in the 2004/05 budget which were carried forward into 2005/06. (approved at Executive Committee on 21 July 2005) | 148            |
| <b>Approved budget for 2005/06</b>   | <b>18,320</b>  |
| <b>Actual expenditure</b>  | <b>17,998</b>  |
| <b>Net underspend</b>  | <b>-322</b>    |

Major variations between Actual and Approved Budget were:

|   |                |
|---|----------------|
|   | <b>£ ' 000</b> |
| <b>Underspendings</b>   |                |
| Departmental savings<br>(Chief Executive -62, Corporate Services -90, Community & environment -136) | -288           |
| Insurance policy premiums following retendering   | -57            |
| Corporate contingencies   | -53            |
| Sure Start partnership  | -50            |
| Transport & engineering - non-general fund over-recovery  | -42            |
| Housing benefits (-40), foreshore & water safety (-40)  | -80            |
| Welfare services (-24), Country parks & nature conservation (-23)                                   | -47            |
| Other net underspends   | -46            |
| <b>Additional Income</b>  |                |
| Interest receipts due to higher rates, good cash-flow management & slippage                         | -326           |
| Building control income (62), KHP - temporary accommodation (89)                                    | -151           |
| Car parks permit income & salary savings  | -151           |
|   | <b>-1291</b>   |

**3.1. General Fund Revenue Expenditure (con.)**

|  |                |
|--|----------------|
| <b>Major variations between Actual and Approved Budget (con.):</b> | <b>£ ' 000</b> |
| b/f from previous page   | -1291          |
| <b>Offset by :</b>   |                |
| Car park income shortfall  | 492            |
| Land charges income shortfall                                      | 162            |
| Visitor information centres overspend                              | 69             |
| Concessionary fares - extra cost of permit scheme                  | 65             |
| Kings Hall - operational loss                                      | 44             |
| Property services - non-general fund income under-recovery         | 43             |
| Christmas lights   | 39             |
| NDR administrative government grant - shortfall                    | 34             |
| Festivals & events   | 21             |
| <b>NET UNDERSPEND</b>  | <b>-322</b>    |

**Carry Forwards**

It will be requested that this underspend of £322k be carried forward at Executive on 20 July 06.

**3.2. Housing Revenue Expenditure**

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

|   | <b>Original Estimate</b> | <b>Revised Estimate</b> | <b>Actual</b>  | <b>Difference from Revised</b> |
|---|--------------------------|-------------------------|----------------|--------------------------------|
|   | <b>£ ' 000</b>           | <b>£ ' 000</b>          | <b>£ ' 000</b> | <b>£ ' 000</b>                 |
| <b>Expenditure</b>  |                          |                         |                |                                |
| Repairs and maintenance   | 3,714                    | 3,714                   | 3,632          | -82                            |
| Supervision and management etc.<br>(incl. rent, rates & bad debt provision) | 5,753                    | 5,819                   | 5,682          | -137                           |
| Housing subsidy payable   | 3,108                    | 2,948                   | 2,880          | -68                            |
| Capital charges (net of AMRA transfers)                                     | 361                      | 361                     | 482            | 121                            |
| Depreciation charge plus MRR transfer                                       | 3,676                    | 3,676                   | 3,670          | -6                             |
| Capital expenditure charged to<br>revenue                                   | 1,155                    | 667                     | 613            | -54                            |
| <b>Total Expenditure</b>  | <b>17,767</b>            | <b>17,185</b>           | <b>16,959</b>  | <b>-226</b>                    |
| <b>Income</b>   |                          |                         |                |                                |
| Gross rent income   | 17,014                   | 17,004                  | 17,113         | -109                           |
| Charges for services & other income   | 1,075                    | 1,136                   | 1,179          | -43                            |
| Interest on mortgages and balances  | 143                      | 143                     | 220            | -77                            |
| <b>Total Income</b>   | <b>18,232</b>            | <b>18,283</b>           | <b>18,512</b>  | <b>-229</b>                    |
| <b>Surplus(-) / deficit for the year</b>                                    | <b>-465</b>              | <b>-1,098</b>           | <b>-1,553</b>  | <b>-455</b>                    |
| Balance brought forward   | 2,385                    | 3,176                   | 3,176          | -                              |
| <b>Balance carried forward</b>  | <b>2,850</b>             | <b>4,274</b>            | <b>4,729</b>   | <b>-455</b>                    |

Housing resource accounting introduced the need to charge depreciation on council dwellings which was initially covered by additional housing subsidy.

Note : MRR = major repairs reserve and AMRA = asset management revenue account.

### 3.3. Capital Expenditure

Capital expenditure relates to spending on assets which last for more than one year. The City Council spent £12,884,000 on capital schemes in 2005/06. This was financed by grants, capital receipts and revenue with the balance of £2,427,000 from borrowing.

There was slippage in both the general fund and coast protection capital programme.

|                                  | Original Estimate | Current Estimate incl. c/f's & addns. | Actual        | Difference from Current |
|----------------------------------|-------------------|---------------------------------------|---------------|-------------------------|
|                                  | £ ' 000           | £ ' 000                               | £ ' 000       | £ ' 000                 |
| Housing capital                  | 6,585             | 6,097                                 | 5,473         | -624                    |
| Coast protection capital         | 3,423             | 2,691                                 | 2,886         | 195                     |
| Other general fund capital       | 7,921             | 6,262                                 | 4,525         | -1,737                  |
| <b>Total Capital Expenditure</b> | <b>17,929</b>     | <b>15,050</b>                         | <b>12,884</b> | <b>-2,166</b>           |

### 4.1 Future Capital Expenditure

The ability of the council to continue with its programme of general fund capital expenditure is not now solely dependent on the utilisation of the capital receipts, grants and borrowing approvals with the advent of prudential borrowing. The revenue effects of future borrowing are reflected in the council's four year revenue projection.

### 4.2 Borrowing

The council's debt outstanding increased from £21.9m in March 2005 to £24.9m in March 2006 whilst its investments increased from £20.0m to £25.9m - a decrease in net borrowing of £2.9m. Over 99% of the council's debt is with the public works loan board and 61% of its investments are held by two investment managers. The average interest rate for new borrowing in the year was 4.22%.

### 5. Pensions liability

The statements now have to show Canterbury's assessed share of any liability in the KCC superannuation fund. Thus note 17 to the balance sheet on page 28 of the statement shows that the total value of liabilities (i.e. future commitments from the fund) is £134m whereas the estimated assets are valued at £78m - a net deficit of £56m - which is being made up over a number of years by increasing the rates at which contributions are payable into the fund.

### 6. Conclusion

In a regime of tight Revenue Controls imposed by the Government, the City Council has substantially achieved its revised budget aims. There are underspendings which result from slippage in programmes ( which will be carried forward ) or which reflect the cautious attitude to spending which is warranted in the circumstances.

Finally, I take the opportunity to thank, in particular, the staff of my department for their continued efforts to safeguard the Council's financial position. Thanks are also due to other Directors and their staff who have co-operated in producing this result, and to the staff who have assisted in the production of the Statement of Accounts.

Director of Corporate Services

08 June 2006

## STATEMENT OF ACCOUNTING POLICIES

### 1. GENERAL PRINCIPLES

The accounting convention adopted is historical cost as modified by the revaluation of certain categories of assets.

The accounts are prepared in accordance with the following fundamental qualitative principles:

Relevance, Reliability, Comparability and Understandability

The following accounting concepts have been given precedence:

- i) Materiality – i.e. is the financial information significant enough to justify its inclusion in the financial statement?
- ii) Going concern – the accounts are prepared on the assumption that the authority will continue in existence for the foreseeable future
- iii) Accruals – the financial statements, other than the cash flow statement, have been prepared on an accrual basis i.e. non-cash effects of transactions are reflected in the accounting period in which those effects are experienced and not in the period in which any cash is received or paid.
- iv) Legislative requirements – the statements conform to the Code of Practice on Local Authority Accounting in the United Kingdom 2005, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). This is recognised by statute [The Accounts and Audit Regulations 2003 and by sections 41 and 42 of the Local Government and Housing Act 1989] as representing proper accounting practices. This includes compliance with the Best Value Accounting Code of Practice which was introduced with effect from 1 April 2000. The code is based on both approved accounting standards, known as Statements of Standard Accounting Practice (SSAPs) and Financial Reporting Standards (FRSs) approved by the Accounting Standards Board.

### 2. FIXED ASSETS

#### 2.1. Accruals

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts.

#### 2.2. Valuation methods

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS). Fixed assets are classified into groupings required by the 1993 Code of Practice on Local Authority Accounting. They have been valued on the following bases:

- intangible assets (i.e. software licences) are included in the balance sheet at historical costs, net of the amount written-down to revenue.
- land, operational properties and other operational assets are included in the balance sheet at the lower of net current replacement cost and net realisable value.
- council dwellings are included on an open market basis but discounted to allow for the "Right to Buy" valuations. [This factor reduced the value of dwellings from 54% of market value to 45% for the 2005/06 statement]
- non-operational assets, including assets that are surplus to requirements, are included in the balance sheet at the lower of net current replacement cost and net realisable value.

## STATEMENT OF ACCOUNTING POLICIES (continued)

- infrastructure assets and community assets are included in the balance sheet at historical costs, net of depreciation. If historical cost information was not available, the current cost has been discounted back to the date of acquisition, using the retail price index.

### 2.3. Revaluations

Subsequent revaluations of fixed assets are planned at five yearly intervals, although material changes to asset valuations will be adjusted in the interim period, as they occur. In the case of council dwellings the revaluation carried out as at 31 March 2002 has been updated to 31 March 2006 by the application of various indices.

### 2.4 Finance Leases

Where assets were acquired under finance leases, the leasing rentals payable are charged to revenue. The cost of the assets and the related liability for future rentals payable are not shown in the balance sheet (since the value outstanding is non material), but are disclosed in note 6 to the consolidated balance sheet.

## 3. DEPRECIATION

FRS 15 [Tangible fixed assets] introduced a major change relating to depreciation from 1 April 2000 (and was extended to include council dwellings for 2001/02). This requires that assets other than non-depreciable land and investment properties have to be depreciated, even though the council's repairs and maintenance policy or tenancy agreement may have resulted in the useful lives of these assets being extended.

Depreciation is provided for assets with a finite useful life according to the following policy:

- operational buildings are depreciated unless the amount involved is not material.
- newly acquired assets are depreciated from the date of acquisition (where available) nearest the end of the month, although assets in the course of construction are not depreciated until they are brought into use.
- depreciation is calculated using the straight-line method.

## 4. CHARGES TO REVENUE

General fund service revenue accounts, central support services and statutory trading accounts are charged with a capital charge for all fixed assets used in the provision of services. The total charge covers the annual provision for depreciation plus a capital financing charge determined by applying a specified notional rate of interest to the opening net asset values. The aggregate charge to individual services is determined on the basis of the capital employed in each service.

The charge made to the housing revenue account is an amount equivalent to the statutory capital financing charges.

External interest payable and the provision for depreciation are charged to the asset management revenue account, which is credited with capital charges charged to services. Capital charges therefore have a neutral impact on the amounts required to be raised from local taxation.

Amounts set aside from revenue for the repayment of external loans, to finance capital expenditure or as transfers to other earmarked reserves are disclosed separately as appropriations on the face of the consolidated revenue account, below net operating expenditure.



## STATEMENT OF ACCOUNTING POLICIES (continued)

Intangible assets (i.e. software licences) are amortised (i.e. written-down) to revenue on a straight-line basis over 5 years.

### 5. DEFERRED CHARGES

Deferred charges represent expenditure which may properly be capitalised, but which does not represent tangible fixed assets. They include improvement grants made. Deferred charges used to be written off to revenue over 1 to 5 years as appropriate – but from 2004/05 are ALL written off over 1 year.

### 6. CAPITAL RECEIPTS

Capital receipts from the disposal of fixed assets are accounted for on an accruals basis. Each receipt has to be split into (a) a usable part for financing new capital expenditure and (b) a reserved part for repayment of external loans which used to form part of the capital financing account – however from 2004/05 this part has had to be paid over to central government. It is shown in the statements as “Contribution to housing pooled capital receipts”. Any element of the usable part which has not been used, is included in the balance sheet as the usable capital receipts reserve. General fund capital receipts are 100% usable.

### 7. GOVERNMENT GRANTS AND CONTRIBUTIONS

Where the acquisition of a depreciating fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of the grant or contribution is credited initially to the government grants-deferred account (see note 16 to the consolidated balance sheet). Amounts are released to the asset management revenue account over the useful life of the asset to match the depreciation charged on the asset to which it relates.

Where deferred charge expenditure is financed by a government grant, the amount of the grant is credited to the deferred charge account.

Government grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt has been complied with and there is reasonable assurance that the grant or contribution will be received.

### 8. CURRENT ASSETS AND LIABILITIES

#### 8.1. Debtors and Creditors

The revenue and capital accounts of the Council are maintained on an accruals basis in accordance with the Code of Accounting Practice and standard accounting 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. An exception to this principle relates to electricity and similar quarterly payments that are charged at the date of meter reading rather than being apportioned between financial years. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.

#### 8.2. Stocks

Stocks are valued at actual cost or net realisable value if lower.

#### 8.3. Investments

Investments are shown as the original purchase price plus any interest capitalised in later years and real property is shown at cost. Further detail is in Note 12 to the consolidated balance sheet.

**9. RESERVES**

The Council's reserves include earmarked reserves set aside for specific policy purposes, and balances which represent resources set aside for purposes such as general contingencies and cash flow management. The purposes of the Council's earmarked reserves are explained in note 21 to the consolidated balance sheet and in the notes to the "Statement of Total Movements in Reserves"

**10. COSTS OF SUPPORT SERVICES (CENTRAL DEPARTMENTS EXPENSES)**

All costs of management and administration are fully allocated to services. The bases of allocation used for the main costs of management and administration are outlined below:

| <b>Cost</b>   | <b>Basis of Allocation</b>    |
|---|-------------------------------|
| Central Departments<br>(Finance, Chief Executive's) | Estimated time spent by staff |
| Administrative Buildings                            | Area occupied                 |
| Computing   | Actual use                    |

**11. PENSION COSTS**

The pension costs that are charged to the Council's accounts in respect of its employees are equal to the contributions paid to the funded pension scheme for these employees. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis.

These contributions were based on a formal actuarial valuation as at 31 March 2004. Under Superannuation Regulations, contribution rates are set to meet 100% of the overall liabilities of the fund, although increases are sometimes phased in over a number of years. There was an increase in the employer's contributions rate stemming from the 2004 valuation, which took effect from 1 Apr 2005. The next formal valuation of the fund is due at 31 March 2007 and any change in contribution rates as a result of that valuation will take effect from 1 April 2008.

The implementation of FRS 17 accounting policies from 2003/04 onwards has had a material effect on substantial parts of the statement of accounts and represented a change to those applied in prior years. Previous policy was to recognise liabilities in relation to retirement benefits only when employer's contributions became payable to the pension fund or payments fell due to the pensioners for which the authority was directly responsible. The new policy recognises these liabilities immediately.

**12. STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

This statement, which was introduced by the 1995 code, sets out the respective responsibilities of the authority and the Director of Corporate Services for the accounts.

**CONSOLIDATED REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2006**

| 2004/05<br>Net<br>Expenditure<br><small>As restated</small> |  | 2005/06<br>Gross<br>Expenditure | 2005/06<br>Income | 2005/06<br>Net<br>Expenditure |
|---|--|---------------------------------|-------------------|-------------------------------|
| £' 000  |  | £' 000                          | £' 000            | £' 000                        |
|   | <b>EXPENDITURE ON SERVICES</b>                                       |                                 |                   |                               |
|   | <b>Cultural, Environmental &amp; Planning Services</b>               |                                 |                   |                               |
| 1,813   | Culture and heritage   | 2,474                           | 622               | 1,852                         |
| 3,492   | Recreation, sport & open spaces                                      | 4,191                           | 683               | 3,508                         |
| 783   | Tourism  | 1,169                           | 345               | 824                           |
| 1,889   | Coast protection   | 2,209                           | 285               | 1,924                         |
| 2,492   | Waste collection & disposal  | 2,918                           | 318               | 2,600                         |
| 4,307   | Other environmental services   | 5,129                           | 752               | 4,377                         |
| 3,997   | Planning & development services (Note 1)                             | 6,970                           | 3,103             | 3,867                         |
|   | <b>Highways, Roads &amp; Transport Services</b>                      |                                 |                   |                               |
| 789   | Highways   | 851                             | 449               | 402                           |
| CR 501  | Parking services & public transport                                  | 5,365                           | 5,973             | CR 608                        |
|   | <b>Housing Services</b>  |                                 |                   |                               |
| 10,820  | Housing Revenue Account (Note 2)                                     | 26,332                          | 18,343            | 7,989                         |
| CR 104  | Housing benefits payments & administration                           | 26,667                          | 26,365            | 302                           |
| 2,588   | Other housing services (non HRA) (Note 1)                            | 1,424                           | 283               | 1,141                         |
|   | <b>Central Services</b>  |                                 |                   |                               |
| 975   | Local tax collection costs   | 1,452                           | 475               | 977                           |
| 107   | Council tax benefits   | 8,426                           | 8,254             | 172                           |
| 78  | Other central services   | 533                             | 556               | CR 23                         |
| 3,171   | <b>Corporate and Democratic Core</b>                                 | 3,638                           | 557               | 3,081                         |
| 355   | <b>Non Distributed Cost</b> (Note 18)                                | 60                              | 0                 | 60                            |
| 37,051  | <b>NET COST OF SERVICES</b> (Note 1)                                 | 99,808                          | 67,363            | 32,445                        |
|   | <b>Corporate income and expenditure</b>                              |                                 |                   |                               |
| 718   | Deficit from trading operations (Note 3)                             | 9,740                           | 9,518             | 222                           |
| CR 17,938   | Asset management revenue account (Note 5)                            | 0                               | 16,016            | CR 16,016                     |
| 2,561   | Contribution to housing pooled capital receipts                      | 1,676                           | 0                 | 1,676                         |
| 458   | Parish council precepts & IDB levy                                   | 487                             | 0                 | 487                           |
| 213   | Premium on repurchase of borrowing                                   | 213                             | 0                 | 213                           |
| CR 1,271  | Interest and investment income                                       | 23                              | 1,297             | CR 1,274                      |
| 683   | Pensions interest cost and expected return on assets (Note 18)       | 1,890                           | 0                 | 1,890                         |
| 22,475  | <b>NET OPERATING EXPENDITURE</b>                                     | 113,837                         | 94,194            | 19,643                        |
|   | <b>Appropriations</b>  |                                 |                   |                               |
| 24  | Transfer to / from (CR) HRA balances                                 |                                 |                   | 1,553                         |
| CR 2,561  | Contribution from usable capital receipts reserve to housing pooling |                                 |                   | CR 1,676                      |
| 2,736   | Contributions to capital finance account-                            |                                 |                   |                               |
| 462   | Revenue financing of capital expenditure                             |                                 |                   | 953                           |
| CR 2,194  | Government grants deferred w/out to revenue                          |                                 |                   | 579                           |
| CR 2,618  | Provision for repayment of external loans (Note 10)                  |                                 |                   | CR 2,000                      |
| CR 108  | Deferred charges (note 1)  |                                 |                   | CR 1,127                      |
| 2,196   | Transfer to / from major repairs reserve (Note 3 to HRA)             |                                 |                   | 493                           |
| CR 936  | Transfer to earmarked reserves (Notes 7a & 7b)                       |                                 |                   | 3,052                         |
| CR 1,602  | Transfer from earmarked reserves-                                    |                                 |                   |                               |
| CR 25   | Financing capital expenditure (Note 7c)                              |                                 |                   | CR 321                        |
|   | Expenditure incurred (Note 7d)                                       |                                 |                   | CR 1,379                      |
|   | Movement on pensions reserve   |                                 |                   | CR 852                        |
| 17,849  | <b>AMOUNT TO BE MET FROM GOVERNMENT GRANT AND LOCAL TAXPAYERS</b>    |                                 |                   | 18,918                        |
|   | <b>Sources of finance</b>  |                                 |                   |                               |
| CR 7,457  | Precept demanded from the collection fund (Note 11)                  |                                 |                   | CR 7,876                      |
| 25  | Collection fund transfer for the surplus at 31.3.05                  |                                 |                   | CR 35                         |
| CR 6,567  | Revenue support grant  |                                 |                   | CR 6,552                      |
| CR 3,698  | Contribution from non-domestic rate pool                             |                                 |                   | CR 4,029                      |
| 0   | LABGI grant  |                                 |                   | CR 533                        |
| DR 152  | <b>NET GENERAL FUND SURPLUS / DEFICIT (DR) FOR THE YEAR</b>          |                                 |                   | <b>107</b>                    |
| 2,080   | <b>GENERAL FUND BALANCE AT 1 APRIL</b>                               |                                 |                   | 1,928                         |
| 1,928   | <b>GENERAL FUND BALANCE AT 31 MARCH</b>                              |                                 |                   | <b>2,035</b>                  |

The 2004/05 comparatives have been restated by reducing Culture and Heritage by £295k and increasing Recreation, sport & open spaces by £295k.

## NOTES TO CONSOLIDATED REVENUE ACCOUNT

### 1. EXPENDITURE ON SERVICES

The analysis of services contained in this summary account follows the Best Value Accounting Code of Practice (BVACOP). Capital charges are included in expenditure on services. In 2004/5 other housing (£1,071,000) and planning & development services (£174,000) included an additional deferred charge relating to previous periods because of the change of policy regarding the writing-out of all deferred charges over 1 year rather 1 to 5 years. The contra was an additional £1,245,000 on deferred charges.

### 2. HOUSING REVENUE ACCOUNT

Reconciliation of figures above to Housing Revenue Account net cost of services in 2004/05 & 2005/06

| 2004/05<br>Net |                                    | 2005/06<br>Expenditure | 2005/06<br>Income | 2005/06<br>Net |
|----------------|------------------------------------|------------------------|-------------------|----------------|
| £' 000         |                                    | £' 000                 | £' 000            | £' 000         |
| 10,863         | Expenditure & income per HRA A/C's | 26,151                 | 18,292            | 7,859          |
| 46             | Add: Transfers from reserves       | 181                    | 0                 | 181            |
| CR 89          | Less: Transfers to reserves        | 0                      | 51                | CR 51          |
| <b>10,820</b>  | <b>TOTAL</b>                       | <b>26,332</b>          | <b>18,343</b>     | <b>7,989</b>   |

### 3. TRADING UNDERTAKINGS

The Council operates the following trading undertakings:

| 2004/05<br>Net | Name of Trading Undertaking                            | 2005/06<br>Expenditure | 2005/06<br>Income | 2005/06<br>Net |
|----------------|--|------------------------|-------------------|----------------|
| £' 000         |  | £' 000                 | £' 000            | £' 000         |
|                | <b>Cultural, Environmental &amp; Planning Services</b> |                        |                   |                |
| 1,145          | Marlowe Theatre  | 5,396                  | 4,354             | 1,042          |
| 190            | Kings Hall   | 265                    | 79                | 186            |
| 52             | Westgate Hall  | 175                    | 101               | 74             |
| 36             | Bandstand  | 63                     | 23                | 40             |
| 15             | Pier Head  | 18                     | 0                 | 18             |
| CR 51          | Markets (incl. boot fairs)                             | 261                    | 309               | CR 48          |
|                | <b>Highways, Roads &amp; Transport Services</b>        |                        |                   |                |
| 108            | Whitstable Harbour                                     | 542                    | 560               | CR 18          |
|                | <b>Trading Services</b>                                |                        |                   |                |
| CR 229         | Industrial Estates                                     | 398                    | 620               | CR 222         |
| CR 548         | Other Estates  | 2,622                  | 3,472             | CR 850         |
| <b>718</b>     | <b>TOTAL</b>   | <b>9,740</b>           | <b>9,518</b>      | <b>222</b>     |

### 4. BUILDING CONTROL TRADING ACCOUNT

The Local Authority Building Control Regulations require the disclosure of information re the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities.

| 2004/05<br>Chargeable | Building Regulations<br>Charging Account | 2005/06<br>Chargeable | 2005/06<br>Non<br>Chargeable | 2005/06<br>Total |
|-----------------------|--|-----------------------|------------------------------|------------------|
| £' 000                |  | £' 000                | £' 000                       | £' 000           |
| 524                   | Expenditure                              | 601                   | 74                           | 675              |
| 587                   | Income                                   | 637                   | 6                            | 643              |
| <b>-63</b>            | <b>Surplus(-) / Deficit for Year</b>     | <b>-36</b>            | <b>68</b>                    | <b>32</b>        |

The building control fee was last increased in April 2004 and there are no increases planned for 06/7. Decisions made in 2005 to improve the standard of service have utilised some of the surplus.

5. TRANSACTIONS ON THE ASSET MANAGEMENT REVENUE ACCOUNT

This account, which was introduced by the 1993 Code, enables the impact of capital charges to be offset in arriving at the total level of expenditure to be financed from government grants and local taxpayers. The entries for the year are shown below:

| 2004/05            |  | 2005 / 06 |               |
|--------------------|--|-----------|---------------|
| £' 000             |  | £' 000    | £' 000        |
| <b>INCOME</b>      |  |           |               |
| 8,356              | Capital charges - General fund                   |           | 8,217         |
| 16,696             | - Housing revenue account                        |           | 14,401        |
| 462                | Transfer from government grants-deferred account |           | 579           |
| 25,514             |  |           | 23,197        |
| <b>EXPENDITURE</b> |  |           |               |
| 6,390              | Provision for depreciation                       | 5,817     |               |
| 1,186              | External interest charges                        | 1,364     |               |
| 7,576              |  |           | 7,181         |
| <b>17,938</b>      | <b>Balance to consolidated revenue account</b>   |           | <b>16,016</b> |

6. FINANCE AND OPERATING LEASES

The authority acquires vehicles and some equipment through operating leases. The amount paid under these arrangements in 2005/06 was £ 149,000 ( 2004/05 - £122,000).

The council has not acquired any assets through finance leases since April 1990. Finance lease payments for the year amounted to £ 200 ( 2004/05 - £ 200).

7. TRANSFERS TO / FROM EARMARKED RESERVES

(a) Investment Interest

Investment Interest earned by balances on reserves has always been credited direct to each reserve. However, interest has to be shown as income to the General fund (under "Interest and investment income") and then shown as a transfer back to each reserve. The amount involved is made up as follows:

| 2004/05 | Category of Transfer | 2005/06   |
|---------|----------------------|-----------|
| £' 000  |                      | £' 000    |
| 97      | Investment Interest  | 75        |
| 97      | <b>TOTAL</b>         | <b>75</b> |

(b) Other Transfers to Reserves

| 2004/05      | Category of Transfer                            | 2005/06      |
|--------------|---|--------------|
| £' 000       |   | £' 000       |
| 532          | Other receipts & donations credited to reserves | 928          |
| 1,567        | Annual transfers from revenue to reserves       | 2,049        |
| <b>2,099</b> | <b>TOTAL</b>                                    | <b>2,977</b> |

The detail of the earmarked reserves involved are set out in the following columns of the table in note 21 to the Consolidated balance sheet on page 30:

Receipts in year (total £928,000) and Transfer from revenue (total £2,049,000).

(c) Revenue financing of fixed assets transferred from reserves

Capital expenditure met from revenue which is matched by a contribution from reserves is shown below:

| 2004/05    | Name of Reserve  | 2005/06    |
|------------|------------------|------------|
| £' 000     |                  | £' 000     |
| 822        | Capital reserve  | 231        |
| 78         | Renewals reserve | 52         |
| 36         | Other reserves   | 38         |
| <b>936</b> | <b>TOTAL</b>     | <b>321</b> |

(d) Other Transfers from reserves

| 2004/05      | Category of Transfer                        | 2005/06      |
|--------------|---|--------------|
| £' 000       |   | £' 000       |
| 1,602        | { Expenditure met from reserves             | 773          |
|              | { Annual transfers from reserves to revenue | 606          |
| <b>1,602</b> | <b>TOTAL</b>                                | <b>1,379</b> |

The detail of the earmarked reserves involved are set out in the following columns of the table in note 21 to the Consolidated balance sheet on page 30:

Transfer to revenue (total £606,000) and Payments in year (total £1,094,000), which covers both expenditure here (total £773,000) and capital expenditure met from reserves (above) (total £321,000).

7. TRANSFERS TO / FROM EARMARKED RESERVES (continued)

(e) Summary of movements in Reserves

| 2004/05      |   | 2005 / 06 |              |
|--------------|---|-----------|--------------|
| £' 000       |   | £' 000    | £' 000       |
| 6,603        | <b>Opening balance</b> (See consolidated balance sheet) |           | 6,261        |
|              | <b>Add: Transfers to reserves-</b>                      |           |              |
| 97           | Investment interest (Note 7a)                           | 75        |              |
| 532          | Other receipts (Note 7b)                                | 928       |              |
| 1,567        | Other transfers (Note 7b)                               | 2,049     |              |
|              |   |           | 3,052        |
| 8,799        |   |           | 9,313        |
|              | <b>Less: Transfers from Reserves-</b>                   |           |              |
| 936          | Financing capital expenditure (Note 7c)                 | 321       |              |
| 1,602        | { Other payments (Note 7d)                              | 773       |              |
|              | { Other transfers (Note 7d)                             | 606       |              |
|              |   |           | 1,700        |
| <b>6,261</b> | <b>Closing balance</b>                                  |           | <b>7,613</b> |

8. CONTINGENT LIABILITY

None

9. SINGLE REGENERATION BUDGET (SRB) GRANT

Until 2004/05, the Council was the accountable body for the Northgate Regeneration SRB5 scheme. The other partnership organisations were : Christ church College, Canterbury College, Canterbury volunteer bureau, Chaucer house, East Kent (EK) council for voluntary service, EK community NHS trust, Enterprise agency of EK, Kent County Constabulary, Kent County Council, lbi.co.uk, Northgate under 5's project, Northgate traders association, Northgate ward development group, Parkside school, Querns' Community Fund.

Until 2004/05, the Council was also the accountable body for the Herne Bay & Whitstable Coastal Regeneration SRB6 scheme.

The other partnership organisations were : Canterbury Christ Church university college, Canterbury College, East Kent Council for voluntary service, Enterprise agency for East Kent, Kent Community housing trust, Herne Bay and district resident's association, Herne Bay youth initiative, Home-start Canterbury and coastal, Kent County Constabulary, Kent County Council (social services) Enterprise agency of East Kent, Whitstable savings club, Whitstable town centre co-ordinator, Herne Bay town & seafront co-ordinator and Whitstable umbrella community centre.

Both SRB5 and SRB6 ended in 2004/05. The only expenditure (£71k) and income (£105k) in 2005/06 relating to SRB activities, include payments in arrears, exit strategy programme and income claimed.

9a. KENT BENEFITS PARTNERSHIP

The Council is the accountable body for the Kent Benefits Partnership. The other partnership bodies are all the district councils in Kent, Medway UA and Kent County Council.

Total expenditure was £533,000 and total income received in the year was £119,000, with the balance being received in advance in 2004/05 and additional grant due to be received in 2006/07.

**NOTES TO CONSOLIDATED REVENUE ACCOUNT (continued)**

**10. MINIMUM REVENUE PROVISION**

The authority is required by Section 63 of the Local Government and Housing Act 1989 to set aside a minimum revenue provision for the redemption of external debt. The method of calculating the provision is defined by statute.

The provision has been charged to service revenue accounts as a depreciation charge for fixed assets relating to that service. The balance has been transferred to the capital financing account.

| 2004/05    |  | General Fund | Housing  | 2005/06 Total |
|------------|--|--------------|----------|---------------|
| £' 000     |  | £' 000       | £' 000   | £' 000        |
| 687        | Non-housing amount                           | 715          | 0        | 715           |
|            | - 4% of capital financing requirement        |              |          |               |
| 0          | Housing amount [Nil from 04/5]               | 0            | 0        | 0             |
| CR 121     | Less: Commutation adjustment                 | -75          | 0        | CR -75        |
| <b>566</b> | <b>Minimum revenue provision</b>             | <b>640</b>   | <b>0</b> | <b>640</b>    |
| 6,390      | Amount charged as depreciation               | 2,640        | 3,177    | 5,817         |
| CR 5,824   | Excess transferred to capital financing a/c. | -2,000       | -3,177   | CR 5,177      |
| <b>566</b> | <b>Minimum revenue provision</b>             | <b>640</b>   | <b>0</b> | <b>640</b>    |

**11. COLLECTION FUND**

The Council has to precept on the collection fund, in the same way as Kent County Council. The actual amount transferred from the collection fund in 2005/06 was £ 7.876 million in line with the Council's original budget. ( 2004/05 - £ 7.457 million).

This amount includes £ 387,000 for Parish Precepts ( 2004/05 - £ 366,000).

**12. AUDIT FEES**

The Council incurred the following fees relating to external audit and inspection:

| 2004/05    |  | 2005/06    |
|------------|--|------------|
| £' 000     | Fees payable to the Audit Commission for                     | £' 000     |
| 106        | External audit services carried out by the appointed auditor | 112        |
| 3          | Statutory inspection   | 0          |
| 50         | Certification of grant claims and returns                    | 16         |
| <b>159</b> | <b>Total</b>   | <b>128</b> |

The figure for 2004/05 covered a period greater than a year as the audit commission changed the audit year to align with the financial year of local and health authorities. The 2004/05 figure for certification of grant claims included £12,000 re 2003/04.

**13. LOCAL AUTHORITY (GOODS AND SERVICES) ACT 1970**

Income and expenditure under this heading relates to goods, services, use of vehicles and maintenance works supplied by the Council for another public body. There were no significant items in 2005/06.



**14. SECTION 137 EXPENDITURE (POWER OF WELL-BEING)**

Section 137 of the Local Government Act 1972 and Section 2 of the Local Government Act 2000 (Power of Well-Being), allow Local Authorities to incur expenditure which in their opinion is in the interests of and will bring direct benefit to their area or inhabitants. Expenditure under these sections cannot be incurred on purposes which are authorised or limited by other legislation. Expenditure under these sections in any financial year must not exceed the product of £1.90 multiplied by the relevant population of the area. Local Authorities must publish a separate account for this expenditure.

Expenditure incurred by the City Council in 2005/06 and included elsewhere in these accounts totals £ 150,000 (2004/05 - £161,000) which is well within the limit allowed of £ 269,000 (2004/05 - £ 265,000).

| 2004/05<br>As restated | Category of Expenditure                        | 2005/06       |
|------------------------|--|---------------|
| <b>£' 000</b>          | <b><u>GRANTS &amp; CONCESSIONARY RENTS</u></b> | <b>£' 000</b> |
| 126                    | Citizens Advice Bureaux                        | 126           |
| 24                     | Whitstable Umbrella                            | 24            |
| 11                     | Enterprise Agency                              | 0             |
| <b>161</b>             | <b>TOTAL</b>                                   | <b>150</b>    |

**15. PUBLICITY**

Expenditure under this heading relates to Publicity (as defined under Section 5 of the Local Government Act 1986). The main items were as follows:

| 2004/05       | Category of Expenditure                          | 2005/06       |
|---------------|--|---------------|
| <b>£' 000</b> |  | <b>£' 000</b> |
| 163           | Recruitment Advertising                          | 137           |
| 67            | Publicity relating to tourism activities         | 68            |
| 52            | Publicity and promotions and corporate marketing | 73            |
| 3             | Other advertising and publicity                  | 2             |
| <b>285</b>    | <b>TOTAL</b>                                     | <b>280</b>    |

**16. OFFICERS' EMOLUMENTS**

The number of employees whose remuneration including termination payments, but excluding pension contributions, was over £ 50,000, in bands of £ 10,000 were :

| 2004/05   | Remuneration Band   | Number of Employees |
|-----------|---------------------|---------------------|
| 11        | £ 50,000 - £ 59,999 | 10                  |
| 2         | £ 60,000 - £ 69,999 | 2                   |
| 2         | £ 70,000 - £ 79,999 | 1                   |
| 1         | £ 80,000 - £ 89,999 | 2                   |
| 1         | £ 90,000 - £ 99,999 | 1                   |
| <b>17</b> | <b>TOTAL</b>        | <b>16</b>           |

**17. MEMBERS' ALLOWANCES**

The total of members' allowances paid in the year was £ 356,000. (2004/05 - £226,000)  
Figures for PC allowances, travel & subsistence and national insurance are included from 2005/06.

**18. PENSION COSTS**

The Council participates in the Local Government Pension Scheme administered by Kent County Council. This is a defined benefit statutory scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level estimated to balance the pensions liabilities with investment assets. The scheme makes payments in the year to retired officers. The contributions were based on a formal actuarial valuation as at 31 March 2004. Under Superannuation Regulations, contribution rates are set to meet 100% of the overall liabilities of the fund. There was an increase in the employer's contributions rate stemming from the 2004 valuation, which took effect from 1 April 2005. The next formal valuation of the fund is due at 31 March 2007.

In accordance with FRS17, the Council's current service contributions of £1,837,000 (2004/05 - £1,936,000), are replaced by Current Service Cost of £2,520,000 (2004/05 - £2,419,000). Past Service Costs are £0 (2004/05 - £0). The impact of settlements & curtailments is £60,000 (2004/05 - £355,000).

In addition in-year capitalised payments of £29,000 (2004/05 - £99,000) were made to the fund in respect of early retirement and discretionary added years.

The service costs figures are based on Regulations as they currently stand, i.e. they allow for members to retire on their "Rule of 85" age, as set out in the Local Government Pension Scheme (Amend) Regs.2005

Further information can be found in Kent County Council's Superannuation Fund's Annual Report which is available upon request from the Investment Section, Sessions House, County Hall, Maidstone, Kent ME14 1XQ.

FRS17 has introduced a requirement to analyse the movement in the City Council's element of the Kent pension fund - the assessed value of which is now included in the consolidated balance sheet.

| 2004/05        | Movement in Pension Deficit during the year.  | 2005/06        |
|----------------|---|----------------|
| <b>£' 000</b>  |   | <b>£' 000</b>  |
| <b>-29,304</b> | <b>Deficit at beginning of the year</b>   | <b>-52,344</b> |
| -2,419         | Current Service cost (charged to consolidated revenue account)                          | -2,520         |
| 0              | Past Service cost (charged to consolidated revenue account)                             | 0              |
| 2,997          | Employer contributions  | 3,110          |
| 335            | Contributions in respect of Unfunded Benefits   | 340            |
| -355           | Impact of settlements and curtailments  | -60            |
|                | Net return on assets:   |                |
| 3,905          | Expected return on employer assets  | 4,220          |
| -4,588         | Interest cost of pension scheme liabilities   | -6,110         |
| -683           |   | -1,890         |
|                | Actuarial gains (loss) (in cash and as a % of total scheme assets or liabilities)       |                |
| 2,390          | Actual less expected return on pension scheme assets                                    | 12,200 (15.7%) |
| -7,310         | Experience gains & losses arising on scheme liabilities                                 | -176 (-0.1%)   |
| -17,995        | Changes in financial assumptions underlying the present value of the scheme liabilities | -14,530        |
| -22,915        | Total actuarial gain (loss) in pension plan (-1.9%)                                     | -2,506         |
| <b>-52,344</b> | <b>Deficit at end of the year</b>   | <b>-55,870</b> |

See note 17 to the consolidated balance sheet for a breakdown of this balance and also the statement of total movements in reserves for the movement of this balance.

**19. RELATED PARTY TRANSACTIONS**

Transactions during the year and year-end balances with related parties are as follows:

|  | Receipts      | Payments      | Debtors at year-end | Creditors at year-end |
|--|---------------|---------------|---------------------|-----------------------|
| Central Government   | <b>£' 000</b> | <b>£' 000</b> | <b>£' 000</b>       | <b>£' 000</b>         |
| Revenue grants   | 47,541        |               | 2,656               |                       |
| Capital grants   | 4,339         |               | 1,666               |                       |
| Kent County Council - Precept  |               | 44,198        |                     | 0                     |
| Kent Police Authority - Precept  |               | 5,588         |                     | 0                     |
| Kent & Medway Fire Authority Precept   |               | 2,880         |                     | 0                     |
| Kent County Council Pension Fund   |               | 3,110         |                     | 320                   |
| [Payment of employer's superannuation contributions in respect of employees] |               |               |                     |                       |

**HOUSING REVENUE ACCOUNT**

| 2004/05       |  | 2005/06       |
|---------------|--|---------------|
| <b>£' 000</b> | <b>INCOME</b>  | <b>£' 000</b> |
| 16,230        | Dwelling rents (gross) (Note 9)                                    | 16,665        |
| 406           | Non-dwelling rents (gross)   | 448           |
| 102           | Leaseholder's charges for services and facilities                  | 105           |
| 1,032         | Other charges for services and facilities                          | 1,074         |
| <b>17,770</b> | <b>TOTAL INCOME</b>  | <b>18,292</b> |
|               | <b>EXPENDITURE</b>   |               |
| 3,180         | Housing revenue account subsidy payable (Note 10)                  | 2,880         |
| 3,640         | Repairs and maintenance  | 3,632         |
| 3,185         | Supervision and management   |               |
|               | -General management  | 3,390         |
| 1,340         | -Special services  | 1,466         |
| 503           | Rents, council tax and insurance                                   | 288           |
| 43            | Increase provision for bad or doubtful debts                       | 44            |
|               | Capital Financing Costs -  |               |
| 13,066        | Cost of Capital charges (Note 6)                                   | 11,224        |
| 3,630         | Depreciation charges (Note 7)                                      | 3,177         |
| 46            | Debt Management Expenses   | 50            |
| <b>28,633</b> | <b>TOTAL EXPENDITURE</b>   | <b>26,151</b> |
| <b>10,863</b> | <b>NET COST OF SERVICES</b>  | <b>7,859</b>  |
| -12,907       | Transfers from AMRA (Note 6)                                       | -11,005       |
| 111           | Pensions interest cost and expected return on pension assets (N12) | 335           |
| 213           | Premium on repurchase of borrowing                                 | 213           |
|               | Investment Income -  |               |
| -31           | Mortgages  | -18           |
| -141          | Notional cash balances   | -202          |
| <b>-1,892</b> | <b>NET OPERATING EXPENDITURE</b>                                   | <b>-2,818</b> |
| 1,800         | Revenue contribution to capital (Note 4)                           | 613           |
| 150           | Contribution to HRA I.T./Subsidence Reserve                        | 350           |
| -108          | Transfer to/from (-) major repairs reserve (Note 3)                | 493           |
| 26            | HRA share of contribution to/from Pensions Reserve (Note 12)       | -191          |
| <b>24</b>     | <b>SURPLUS / DEFICIT (DR) FOR THE YEAR</b>                         | <b>1,553</b>  |
| 3,152         | BALANCE AT 1 APRIL   | 3,176         |
| <b>3,176</b>  | <b>BALANCE AT 31 MARCH</b>   | <b>4,729</b>  |

## NOTES TO THE HOUSING REVENUE ACCOUNT

The Housing Revenue Account (HRA) summarises the transactions relating to the provision, maintenance and sales of Council houses and flats. The account has to be self-financing and there is a legal prohibition on cross subsidy to or from local taxpayers.

### 1. HOUSING STOCK

i) At 31 March 2006, the Council was responsible for managing 5,353 units of accommodation:

| Type of Property     | Number of Bedrooms |              |              |           | Total        |
|----------------------|--------------------|--------------|--------------|-----------|--------------|
|                      | One                | Two          | Three        | Four +    |              |
| Flats-Low Rise       | 1,168              | 319          | 4            | 1         | 1,492        |
| Flats-Medium Rise    | 294                | 350          | 65           | 4         | 713          |
| Flats-High Rise      | 64                 | 69           | 0            | 0         | 133          |
| Houses and bungalows | 357                | 957          | 1,568        | 86        | 2,968        |
| Hostel places        | 47                 | 0            | 0            | 0         | 47           |
| <b>Totals</b>        | <b>1,930</b>       | <b>1,695</b> | <b>1,637</b> | <b>91</b> | <b>5,353</b> |

Plus 8 Basic Homes (shared ownership dwellings)

ii) The movement in Housing stock can be summarised as follows:

|                      | Stock movements      |            |            |           | Stock at<br>31/03/06 |
|----------------------|----------------------|------------|------------|-----------|----------------------|
|                      | Stock at<br>01/04/05 | Sales      | Transfers  | Additions |                      |
| Flats                | 2,376                | -4         | -34        | 0         | 2,338                |
| Houses and bungalows | 2,985                | -14        | -3         | 0         | 2,968                |
| Hostels              | 47                   | 0          | 0          | 0         | 47                   |
| <b>Totals</b>        | <b>5,408</b>         | <b>-18</b> | <b>-37</b> | <b>0</b>  | <b>5,353</b>         |

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

| 2005           | Gross Balance Sheet Value | 2006           |
|----------------|---------------------------|----------------|
| £' 000         |                           | £' 000         |
|                | Operational assets        |                |
| 373,966        | - dwellings               | 309,518        |
| 3,517          | - garages                 | 3,517          |
| 100            | - community centre        | 100            |
|                | Non-operational assets    |                |
| 631            | - land                    | 631            |
| 665            | - shops                   | 665            |
| <b>378,879</b> | <b>TOTAL</b>              | <b>314,431</b> |

### 2. VACANT POSSESSION VALUE

The vacant possession value of dwellings within the HRA as at 1 April was £687,665,000. For the balance sheet, the figure has been reduced to 45% i.e. £309,518,000 to show existing use value as social housing, reflecting the economic cost of providing social housing.

### 3. MAJOR REPAIRS RESERVE

With effect from 1 April 2002, the Government required that the Housing accounts are produced on a Resource Accounting basis. This requires that a 3.5% notional interest charge for the use of fixed assets is charged to the HRA. This charge shows the cost of capital tied up in housing assets. Resource accounting also requires that a charge is made for depreciation which is transferred to a separate Major Repairs Reserve, to finance HRA capital projects.

The housing subsidy for 2005/06 includes a grant in the form of a Major Repairs Allowance (MRA) to resource the Major Repairs Reserve. The MRA is ring fenced for capital expenditure of a housing nature. If any allowance is unspent in one year it can be carried forward to finance capital expenditure in future years within the Major Repairs Reserve. The balance available for allocation in future years at 31 March 2006 is £188,000.

**NOTES TO THE HOUSING REVENUE ACCOUNT (con)**

**3. MAJOR REPAIRS RESERVE (con)**

| 2004/05       | Major Repairs Reserve  | 2005/06       |
|---------------|--|---------------|
| <b>£' 000</b> |  | <b>£' 000</b> |
| 988           | Balance at 1 April   | 188           |
| 3,630         | Transfer from capital financing reserve (HRA depreciation)     | 3,177         |
| 0             | Transfer to(-)/from HRA  |               |
|               | re depreciation on non-dwellings                               | -82           |
| -108          | re excess(-)/shortfall of dwellings depreciation over MRA      | 575           |
| -4,322        | Less : expenditure on Major Repairs financed from this reserve | -3,670        |
| <b>188</b>    | <b>Balance at 31 March</b>                                     | <b>188</b>    |

**4. SUMMARY OF CAPITAL FINANCING**

Capital expenditure of £5,473,000 was spent on housing assets (all on dwellings) within the HRA during 2005/06. This was financed as follows:

| 2004/05       | Capital financing of HRA expenditure         | 2005/06       |
|---------------|--|---------------|
| <b>£' 000</b> |  | <b>£' 000</b> |
| 4,322         | Major Repairs Reserve                        | 3,670         |
| 1,800         | Revenue                                      | 613           |
| 1,043         | Borrowing                                    | 1,190         |
| 517           | Capital receipts                             | 0             |
| 0             | Capital Grant                                | 0             |
| -1,069        | Decrease (-) / Increase in capital creditors | 0             |
| <b>6,613</b>  | <b>Total</b>                                 | <b>5,473</b>  |

**5. SUMMARY OF CAPITAL RECEIPTS**

Housing capital receipts during 2005/06 were as follows:

| 2004/05       | Housing capital receipts                               | 2005/06       |
|---------------|--|---------------|
| As restated   |  |               |
| <b>£' 000</b> |  | <b>£' 000</b> |
| 3,403         | Dwelling sales (net of administration deduction of 18) | 1,896         |
| 19            | Land sales   | 73            |
| 170           | Mortgage repayments and discounts repaid               | 181           |
| <b>3,592</b>  | <b>Total</b>   | <b>2,150</b>  |

**6. COST OF CAPITAL / ASSET MANAGEMENT REVENUE ACCOUNT (AMRA)**

HRA Resource accounting requires that a charge is made to the HRA for the use of fixed assets. The charge is determined by applying a specified notional rate of interest, currently 3.5%, to the net valuation of fixed assets in the Balance Sheet. This charge is included in the expenditure section of the HRA within net cost of services and reversed out via the Asset Management Revenue Account. It is replaced by the 'actual' interest payable by the HRA, calculated in accordance with the Item 8 Determination (Local Government and Housing Act 1989), to ensure that the new cost of capital does not have a cost implication to Council tenants.

| 2004/05       | HRA asset management revenue account (AMRA)                     | 2005/06       |
|---------------|---|---------------|
| <b>£' 000</b> | <b>INCOME</b>   | <b>£' 000</b> |
| 13,066        | Capital charges - notional interest                             | 11,224        |
| 3,630         | Capital charges - depreciation                                  | 3,177         |
| 16,696        |   | 14,401        |
|               | <b>EXPENDITURE</b>  |               |
| 3,630         | Provision for depreciation (dwellings 3,095, other property 82) | 3,177         |
| 159           | Item 8 interest calculation                                     | 219           |
| <b>12,907</b> | <b>Balance = Total transfer from AMRA to HRA</b>                | <b>11,005</b> |

**NOTES TO THE HOUSING REVENUE ACCOUNT (con)**

**7. DEPRECIATION OF FIXED ASSETS**

Depreciation of £3,177,100 was charged to the HRA. A depreciation charge for non dwelling housing assets (as well as dwelling assets) has now been made from 2005/06 onwards.

**8. IMPAIRMENT OF FIXED ASSETS**

The Council's Valuation Officer, a member of FRICS, has advised that there were no impairments during the year.

**9. DWELLING RENTS (GROSS)**

This is the total rent income for dwellings for the year after allowance is made for voids etc.

Average rents were £62.57 per week in 2005/06 ( £ 59.70 in 2004/05).

Rents were increased on 1st April 2005 by an average of £2.87 per week.

**10. HOUSING SUBSIDY**

The Government used to pay a subsidy to the Housing Revenue Account. It was based upon a notional account representing the Government's assessment of what the Council should be collecting and spending. However now that rent rebates have transferred to the general fund, the "subsidy" has become a "payment" to the government. It is made up as follows:

| 2004/05       | Housing subsidy                      | 2005/06       |
|---------------|--------------------------------------|---------------|
| <b>£' 000</b> |                                      | <b>£' 000</b> |
| 6,933         | Management and Maintenance Allowance | 7,506         |
| 3,522         | Major Repairs Allowance              | 3,670         |
| 931           | Charges for Capital                  | 1,007         |
| 0             | Rent rebates                         | 0             |
| 11,386        |                                      | 12,183        |
| -14,518       | Notional Rent                        | -15,036       |
| -48           | Interest on Receipts                 | -27           |
| DR 3,180      | <b>Total</b>                         | DR 2,880      |

**11. RENT ARREARS**

The figures are as follows:

| 2004/05       |  | 2005/06       |
|---------------|--|---------------|
| <b>£' 000</b> |  | <b>£' 000</b> |
| 898           | Gross Rent Arrears at 31 March                                   | 836           |
| 175           | Prepayments of Rent  | 179           |
| 723           | Net Rent Arrears at 31 March                                     | 657           |
| 771           | Provision for bad debts at 31 March                              | 777           |
| <b>%</b>      |  | <b>%</b>      |
| 5.5           | Gross rent arrears as a proportion of gross dwelling rent income | 5.0           |

**12. HRA SHARE OF PENSIONS**

FRS17 has introduced a requirement to analyse the movement in the HRA share of the City Council's element of the Kent pension fund (see also note 18 to the consolidated revenue account). However so that there is no demand on housing rents, the entries are reversed out via the Pensions reserve.

The figures are as follows:

| 2004/05       |   | 2005/06       |
|---------------|---|---------------|
| <b>£' 000</b> |   | <b>£' 000</b> |
| 79            | HRA share of current service cost less employer contributions | 121           |
| -216          | HRA share of past service cost less employer contributions    | -265          |
| -137          | Adjustment to "General management" line of HRA statement      | -144          |
| 111           | HRA share of pensions interest cost and expected return on    | 335           |
| -26           | pensions assets   | 191           |
| 26            | HRA share of contributions to/from Pensions Reserve           | -191          |
| 0             | Net effect on HRA balance                                     | 0             |

**CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH**

| 2005<br>As restated |                |  | 2006     |                |
|---------------------|----------------|--|----------|----------------|
| £ ' 000             | £ ' 000        |  | £ ' 000  | £ ' 000        |
| 169                 |                | <b>NET FIXED ASSETS</b>                      |          |                |
|                     |                | Intangible assets                            | 1        | 241            |
|                     |                | Tangible assets                              | 1, 3 & 4 |                |
|                     |                | Operational assets-                          |          |                |
| 373,966             |                | Council dwellings                            |          | 309,518        |
| 59,090              |                | Other land and buildings                     |          | 63,980         |
| 22,291              |                | Infrastructure assets                        | 5        | 24,818         |
| 2,143               |                | Vehicles, plant and equipment                |          | 1,717          |
| 1,718               |                | Community assets                             |          | 1,762          |
|                     |                | Non-operational assets-                      |          |                |
| 64,301              |                | Investment properties                        |          | 67,360         |
| 4,243               |                | Surplus assets, held for disposal            |          | 4,186          |
|                     | 527,921        |  |          | 473,582        |
|                     |                | <b>LONG-TERM DEBTORS</b>                     | 7        |                |
| 322                 |                | Mortgages                                    |          | 242            |
| 39                  |                | Housing act advances                         |          | 34             |
| 317                 |                | Miscellaneous loans                          |          | 406            |
|                     | 678            |  |          | 682            |
|                     | 528,599        | <b>TOTAL LONG-TERM ASSETS</b>                |          | 474,264        |
|                     |                | <b>CURRENT ASSETS</b>                        |          |                |
| 139                 |                | Stocks in hand                               | 8        | 146            |
| 12,471              |                | Debtors                                      | 10       | 13,706         |
| ( 4,330 )           |                | Less : Provision for Bad Debts               | 11       | ( 3,585 )      |
| 366                 |                | Payments in Advance                          |          | 376            |
| 20,025              |                | Investments (Short-term)                     | 12       | 25,866         |
| 453                 |                | Cash in hand                                 |          | 407            |
|                     | 29,124         |  |          | 36,916         |
|                     | 557,723        | <b>TOTAL ASSETS</b>                          |          | 511,180        |
|                     |                | <b>CURRENT LIABILITIES</b>                   |          |                |
| 11,790              |                | Creditors                                    | 13       | 11,719         |
| 1,567               |                | Deposits & receipts in advance               |          | 2,310          |
| 7,146               |                | Short-term borrowing                         |          | 7,156          |
| 736                 |                | Bank overdraft                               |          | 1,785          |
|                     | 21,239         |  |          | 22,970         |
|                     | 536,484        | <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> |          | 488,210        |
| 14,763              |                | Long-term borrowing                          | 14       | 17,762         |
| 322                 |                | Deferred capital receipts                    | 15       | 242            |
| 52,344              |                | Pensions liability                           | 17       | 55,870         |
|                     | 67,429         |  |          | 73,874         |
|                     | <b>469,055</b> | <b>TOTAL ASSETS LESS LIABILITIES</b>         |          | <b>414,336</b> |
|                     | <b>£ ' 000</b> | <b>FINANCED BY:</b>                          |          | <b>£ ' 000</b> |
|                     | 423,628        | Fixed asset restatement account              | 20       | 364,191        |
|                     | 78,664         | Capital financing account                    | 20       | 78,565         |
|                     | 7,180          | Government grants - deferred                 | 16       | 10,674         |
|                     | ( 1,418 )      | Deferred premiums                            | 9        | ( 1,180 )      |
|                     | 1,273          | Usable capital receipts reserve              | 20       | 3,074          |
|                     | ( 52,344 )     | Pensions reserve                             | 17       | ( 55,870 )     |
|                     | 188            | Major repairs reserve                        |          | 188            |
|                     | 6,261          | Earmarked reserves                           | 21       | 7,613          |
|                     |                | Revenue Balances                             |          |                |
|                     |                | General Fund                                 |          | 2,035          |
|                     |                | Collection Fund Revenue Account              |          | 317            |
|                     |                | Housing Revenue Account                      |          | 4,729          |
| 1,928               |                |  |          |                |
| 519                 |                |  |          |                |
| 3,176               |                |  |          |                |
|                     | 5,623          |  |          | 7,081          |
|                     | <b>469,055</b> | <b>TOTAL EQUITY</b>                          |          | <b>414,336</b> |

The 2005 figures have been restated by adding £7m to loans < 1year and reducing long-term loans by £7m. Three assets (value £156,000) have been transferred from investment properties to surplus assets. Two pavilions (value £73,000) have been transferred from investment properties to other land & buildings.

**NOTES TO CONSOLIDATED BALANCE SHEET**

**1. FIXED ASSETS**

Following the introduction of capital accounting, fixed assets are valued using the bases set out in note 3 below, any differences being credited or debited to the fixed asset restatement account. Infrastructure assets and community assets are included in the balance sheet at historical cost, net of depreciation. Three assets (value £156,000) have been transferred from investment properties to surplus assets. Two pavilions (value £73,000) have been transferred from investment properties to other land & buildings. Both these transfers have been shown as a restatement at 1 April.

**Movements in fixed assets during the year are listed in the two tables which follow:**

| Gross book value at 1 April<br>As restated |   | Additions     | Disposals    | Revaluations   | Transfers | Gross book value at 31 March |
|--|---|---------------|--------------|----------------|-----------|------------------------------|
| £' 000                                     |   | £' 000        | £' 000       | £' 000         | £' 000    | £' 000                       |
| 223  | <u>Intangible assets</u><br>Software licences | 130           | 0            | 0              | 0         | 353                          |
|  | <u>Tangible assets</u>                        |               |              |                |           |                              |
|  | <u>Operational assets-</u>                    |               |              |                |           |                              |
| 373,966                                    | Council dwellings                             | 5,473         | 1,138        | -68,783        | 0         | 309,518                      |
| 62,968                                     | Other land & buildings                        | 1,735         | 0            | 1,303          | 0         | 66,006                       |
| 30,851                                     | Infrastructure                                | 3,208         | 0            | 64             | 0         | 34,123                       |
| 8,402                                      | Vehicles, plant, furniture & equipment        | 353           | 771          | -34            | 0         | 7,950                        |
| 1,724                                      | Community assets                              | 0             | 0            | 45             | 0         | 1,769                        |
|  | <u>Non-operational assets -</u>               |               |              |                |           |                              |
| 64,310                                     | Investment properties                         | 0             | 1,597        | 4,647          | 0         | 67,360                       |
| 4,243                                      | Surplus assets                                | 17            | 64           | -10            | 0         | 4,186                        |
| <b>546,687</b>                             | <b>TOTAL</b>                                  | <b>10,916</b> | <b>3,570</b> | <b>-62,768</b> | <b>0</b>  | <b>491,265</b>               |

| Net book value at 1 April<br>As restated |   | Depreciation   |              |                                    |                 | Net book value at 31 March |
|--|---|----------------|--------------|------------------------------------|-----------------|----------------------------|
|  |   | Accum. 1 April | During year  | Written out on disposals & revals. | Accum. 31 March |                            |
| £' 000                                   |   | £' 000         | £' 000       | £' 000                             | £' 000          | £' 000                     |
| 169                                      | <u>Intangible assets</u><br>Software licences | 55             | 57           | 0                                  | 112             | 241                        |
|  | <u>Tangible assets</u>                        |                |              |                                    |                 |                            |
|  | <u>Operational assets-</u>                    |                |              |                                    |                 |                            |
| 373,966                                  | Council dwellings                             | 0              | 3,095        | 3,095                              | 0               | 309,518                    |
| 59,090                                   | Other land & buildings                        | 3,878          | 1,174        | 3,026                              | 2,026           | 63,980                     |
| 22,291                                   | Infrastructure                                | 8,560          | 745          | 0                                  | 9,305           | 24,818                     |
| 2,143                                    | Vehicles, plant, furniture & equipment        | 6,259          | 745          | 771                                | 6,233           | 1,717                      |
| 1,718                                    | Community assets                              | 6              | 1            | 0                                  | 7               | 1,762                      |
|  | <u>Non-operational assets -</u>               |                |              |                                    |                 |                            |
| 64,301                                   | Investment properties                         | 9              | 0            | 9                                  | 0               | 67,360                     |
| 4,243                                    | Surplus assets                                | 0              | 0            | 0                                  | 0               | 4,186                      |
| <b>527,921</b>                           | <b>TOTAL</b>                                  | <b>18,767</b>  | <b>5,817</b> | <b>6,901</b>                       | <b>17,683</b>   | <b>473,582</b>             |

| The main items of capital expenditure were:                                | £' 000        |
|--|---------------|
| Council dwellings  | 5,473         |
| Coast protection   | 2,886         |
| Surestart & other community development                                    | 1,566         |
| Call centre & I.T.Developments   | 460           |
| Disabled facilities grants, housing assistance and private sector renewal. | 863           |
| Highways & transport   | 910           |
| Leisure & culture schemes  | 130           |
| Public conveniences refurbishment, play areas & other environment schemes  | 155           |
| Historic buildings grants & other regeneration & planning schemes          | 247           |
| Other items  | 194           |
| <b>TOTAL</b>   | <b>12,884</b> |



1. FIXED ASSETS (con)

| 2004/05       | Capital Expenditure and Financing  | 2005/06 |               |
|---------------|--|---------|---------------|
| £ ' 000       |  | £ ' 000 | £ ' 000       |
| 19,462        | <b>Opening Capital Financing Requirement</b>                                   |         | 21,332        |
|               | <b>Capital Expenditure in year:</b>  |         |               |
| 9,762         | Operational assets   | 10,769  |               |
| 110           | Non-operational assets   | 17      |               |
| 126           | Intangible assets  | 130     |               |
| 2,087         | Deferred charges   | 1,823   |               |
| 20            | Long term debtors  | 145     |               |
|               |  |         | 12,884        |
|               | <b>Sources of Finance</b>  |         |               |
| -1,914        | Capital receipts   | -1,054  |               |
| -2,339        | Government & other capital grants  | -4,779  |               |
| -5,416        | Revenue & reserves   | -4,624  |               |
| -566          | Revenue provision for repayment of loans (MRP)                                 | -640    |               |
|               |  |         | -11,097       |
| <b>21,332</b> | <b>Closing Capital Financing Requirement</b>                                   |         | <b>23,119</b> |
|               | <b>Explanation of movements in year</b>  |         |               |
| 869           | Increase in underlying need to borrow-supported by govt.financial assistance   |         | 911           |
| 1,001         | Increase in underlying need to borrow-unsupported by govt.financial assistance |         | 876           |
| <b>1,870</b>  | <b>Increase in Capital Financing Requirement</b>                               |         | <b>1,787</b>  |

The rules for financing capital investment changed in line with the Prudential Code for Borrowing as from 1 April 2004. One of the main changes is that capital is now financed on an accrued basis, whereas previously only cash payments had been financed. Another change is the introduction of the capital financing requirement which is calculated from elements of the balance sheet (see below). The above table reconciles this calculation with movements during the year.

| 2004/05       | Capital Financing Requirement calculation from balance sheet items | 2005/06       |
|---------------|--|---------------|
| £ ' 000       |  | £ ' 000       |
| 527,921       | Fixed Assets   | 473,582       |
| 678           | Long term debtors  | 682           |
| 528,599       |  | 474,264       |
| -423,628      | Fixed Asset Restatement Account                                    | -364,191      |
| -78,664       | Capital Financing Account  | -78,565       |
| -7,180        | Government & other capital grants deferred                         | -10,674       |
| -322          | Deferred capital receipts  | -242          |
| <b>18,805</b> |  | <b>20,592</b> |
| 2,527         | Add : item A adjustment  | 2,527         |
| <b>21,332</b> | <b>Adjusted closing Capital Financing Requirement</b>              | <b>23,119</b> |

2. DEFERRED CHARGES MOVEMENTS

Deferred charges represents costs to be charged to revenue in future years which are not represented by tangible fixed assets e.g. grants given to private householders for improvements. The code of practice now recommends that deferred charges are written out to revenue over 1 year.

| Balance at 1 April | Category                          | Expd.        | Govt. Grants | Write-down   | Balance at 31 March |
|--------------------|-----------------------------------|--------------|--------------|--------------|---------------------|
| £ ' 000            |                                   | £ ' 000      | £ ' 000      | £ ' 000      | £ ' 000             |
| 0                  | Improvement grants                | 794          | 339          | 455          | 0                   |
| 0                  | Historic building grants          | 276          | 1            | 275          | 0                   |
| 0                  | Housing association grants        | 46           | 0            | 46           | 0                   |
| 0                  | Other incl. parish council grants | 707          | 356          | 351          | 0                   |
| <b>0</b>           | <b>TOTAL</b>                      | <b>1,823</b> | <b>696</b>   | <b>1,127</b> | <b>0</b>            |

3. FURTHER INFORMATION RE FIXED ASSETS IN THE BALANCE SHEET AT CURRENT VALUE

|                        | Date of last valuation | Basis of valuation | Internal Valuer          |
|------------------------|------------------------|--------------------|--------------------------|
| Operational assets-    |                        |                    |                          |
| Council dwellings      | March 2005             | A                  | Martin Bovingdon , FRICS |
| Other land & buildings | April 00 - March 2006  | B                  | Martin Bovingdon , FRICS |
| Non-operational assets | April 00 - March 2006  | C                  | Martin Bovingdon , FRICS |

**Bases of valuation**

- A Open market basis but discounted to allow for the "Right to buy valuations"
- B Either
  - (a) Open market value for existing use where there was sufficient evidence of market transactions for that use
  - or (b) Depreciated replacement cost (DRC) where the asset is of a specialised nature or where there is no evidence of market value of suitably comparable properties
- C Open market basis

4. ASSETS HELD

Canterbury City Council owned the following assets as at 31 March :

| 2005<br>As restated | OPERATIONAL ASSETS          | 2006      | 2005<br>As restated | OPERATIONAL ASSETS (Con.)                              | 2006    |
|---------------------|-----------------------------|-----------|---------------------|--|---------|
| 5,417               | <b>COUNCIL DWELLINGS</b>    | 5,361     |                     | <b>VEHICLES , PLANT,<br/>FURNITURE &amp; EQUIPMENT</b> |         |
|                     | <b>LAND</b>                 |           |                     |  |         |
| 2                   | Caravan sites               | 2         | 4                   | Light vans   | 4       |
| 3                   | Markets                     | 3         | 1                   | Boat   | 1       |
| 1                   | Multi- storey car parks     | 1         | 1                   | Fork lifts   | 1       |
| 35                  | Surface car parks           | 35        | 4                   | Refuse freighters                                      | 4       |
| 12                  | Residents car parks         | 12        |                     | Wave, tide and recording equipment                     | var.    |
| 3                   | Park & Ride car parks       | 3         | var.                | Car park CCTV machines                                 | var.    |
| 1                   | Coach park                  | 1         | var.                | Lifeline machines                                      | var.    |
|                     | <b>BUILDINGS</b>            |           | var.                | Trade refuse bins                                      | var.    |
| 2                   | Halls                       | 2         | var.                | Domestic bins  | var.    |
| 1                   | Theatre                     | 1         | var.                | Recycling bins   | var.    |
| 2                   | Leisure centres             | 2         |                     |  |         |
| 2                   | Sports centre               | 2         |                     |  |         |
| 1                   | Swimming pool               | 1         |                     | <b>COMMUNITY ASSETS</b>                                |         |
| 6                   | Museums                     | 6         | 521 ac.             | Parks and recreation grounds                           | 521 ac. |
| 4                   | Civic/divisional offices    | 4         | 3                   | Cemeteries (land only)                                 | 3       |
| 1                   | Guildhall / Tower House     | 1         | 14                  | Allotments   | 14      |
| 3                   | Visitor information centres | 3         | var.                | Museum exhibits and paintings                          | var.    |
| 32                  | Public conveniences         | 32        | var.                | Civic regalia  | var.    |
| 9                   | Workshop / Stores           | 9         | 10                  | Historic buildings                                     | 9       |
| 0                   | Childrens centre            | 1         |                     |  |         |
| 1                   | Community centre            | 1         |                     |  |         |
|                     | <b>INFRASTRUCTURE</b>       |           |                     | <b>NON-OPERATIONAL ASSETS</b>                          |         |
| 13 Mi.              | of coastline, of which      | 13 Mi.    | 3                   | Industrial estates                                     | 3       |
| 10 Mi.              | are council responsibility  | 10 Mi.    | 110                 | Commercially let sites                                 | 103     |
| 9 Mi.               | are protected by defences   | 9 Mi.     |                     |  |         |
| 2                   | Cliff retaining walls       | 2         | 57                  | Non commercially let sites                             | 57      |
| 2,700 m.            | Riverside walls             | 2,700 m.  |                     |  |         |
| var.                | St.lighting & name plates   | var.      | 1                   | Harbour (Whitstable)                                   | 1       |
| var.                | Bus shelters & seats        | var.      | 11                  | Property awaiting development                          | 11      |
| var.                | Pedestrian signs            | var.      | 20                  | Surplus assets   | 19      |
| 4                   | Pedestrian areas            | 4         | 13                  | Vacant lands   | 13      |
| var.                | Footbridges                 | var.      | 0                   | Assets under construction                              | 0       |
| 61,520 m.           | Drains                      | 61,520 m. |                     |  |         |

5. COMMITMENTS UNDER CAPITAL CONTRACTS

The following significant capital contracts have been entered into by the Council at 31 March 2006 which involve commitments in 2006/07 and beyond:

| Scheme  | Estimate | Estimate |
|---|----------|----------|
|   | 2006/07  | 2007/08  |
|   | £' 000   | £' 000   |
| Whitstable Coastal Defences                   | 4,330    | 26       |
| Coast protection works - Strategic monitoring | 550      | 500      |

6. ASSETS HELD UNDER FINANCE LEASES

The original total capital value of finance lease agreements at 31 March 2006 is approximately £ 193,000 of which the outstanding obligations amount to only £ 1,000.

Lease payments for the year amounted to £ 200 (2004/05 - £ 200).

The Council has not acquired any assets through finance leases since April 1990. All but one of these leases were for a primary period of 5 years. Since the outstanding obligations are not material, these have not been reflected in the consolidated balance sheet.

For details of operating leases see note 19.

7. LONG-TERM DEBTORS

| Balance at 1 April | Category             | Advances Repaymt. |             | Write-Offs | Balance at 31 March |
|--------------------|----------------------|-------------------|-------------|------------|---------------------|
|                    |                      | during year       | during year |            |                     |
| £ ' 000            |                      | £ ' 000           | £ ' 000     | £ ' 000    | £ ' 000             |
| 322                | Mortgages            | 0                 | 80          | 0          | 242                 |
| 39                 | Housing Act Advances | 0                 | 5           | 0          | 34                  |
| 317                | Miscellaneous Loans  | 145               | 56          | 0          | 406                 |
| 678                | TOTAL                | 145               | 141         | 0          | 682                 |

8. STOCKS IN HAND

| 31 March 2005 | Category                    | 31 March 2006 |
|---------------|-----------------------------|---------------|
| £ ' 000       |                             | £ ' 000       |
| 47            | Tourist information centres | 44            |
| 92            | Other                       | 102           |
| 139           | TOTAL                       | 146           |

9. DEFERRED PREMIUMS

| 31 March 2005 | Category  | 31 March 2006 |
|---------------|---|---------------|
| £ ' 000       |   | £ ' 000       |
| 1,113         | Premiums paid on premature redemption of PWLB loans | 900           |
| 305           | - HRA share   | 280           |
| 1,418         | TOTAL   | 1,180         |

As a result of various debt restructures between 1998/99 and 2003/04, which are also referred to in Note 14 below, the above relates to premiums paid on premature redemption of loans.

10. DEBTORS

| 31 March 2005 | Category                | 31 March 2006 |
|---------------|-------------------------|---------------|
| £ ' 000       |                         | £ ' 000       |
| 1,720         | Sundry debtors          | 2,597         |
| 3,257         | Government departments  | 4,707         |
| 555           | Other local authorities | 652           |
| 2,204         | Council taxpayers       | 2,135         |
| 1,368         | NNDR ratepayers         | 620           |
| 898           | Housing rents           | 836           |
| 81            | Employee loans          | 45            |
| 2,388         | Other                   | 2,114         |
| <b>12,471</b> | <b>TOTAL</b>            | <b>13,706</b> |

Note : The increase in Government departments is mainly due to the increase in DWP - Housing Benefits from £1,253,000 to £2,416,000, DFES - Surestart Programme from £0 to £964,000, Defra - Coast Protection from £113k to £702k offset by reduction in contribution to the NDR pool from £1,277,000 to £0. The increase in sundry debtors is mainly due to Ravensft Properties Ltd re rent income re Whitefriars.

11. PROVISION FOR BAD DEBTS

| 31 March 2005 | Category          | 31 March 2006 |
|---------------|-------------------|---------------|
| £ ' 000       |                   | £ ' 000       |
| 1,100         | Council taxpayers | 1,067         |
| 729           | NNDR ratepayers   | 343           |
| 810           | Housing           | 796           |
| 1,691         | Other             | 1,379         |
| <b>4,330</b>  | <b>TOTAL</b>      | <b>3,585</b>  |

12. INVESTMENTS

| Value at 31 March 2005 | Rate   | Name  | Maturity   | Cost          | Value at 31 March 2006 |
|------------------------|--------|---|------------|---------------|------------------------|
| £ ' 000                | %      | Internally Managed                                  |            | £ ' 000       | £ ' 000                |
| 1,000                  | 5.0700 | Nationwide Building Society                         | 24/02/2006 | 0             | 0                      |
| 1,000                  | 4.8100 | Newcastle Building Society                          | 16/05/2005 | 0             | 0                      |
| 0                      | 4.4900 | DePfa Bank plc                                      | 20/04/2006 | 1,000         | 1,000                  |
| 0                      | 4.5100 | EBS Building Society                                | 20/04/2006 | 1,000         | 1,000                  |
| 0                      | 4.6800 | Nottingham Building Society                         | 15/12/2006 | 1,000         | 1,000                  |
| 0                      | 4.5100 | Stroud & Swindon Building Society                   | 26/04/2006 | 1,000         | 1,000                  |
| 0                      | 4.5100 | West Bromwich Building Society                      | 26/04/2006 | 1,000         | 1,000                  |
| 50                     | 7.5625 | A.D.C.(Properties) Ltd.<br>(Debenture Stock)        | 28/07/2011 | 50            | 50                     |
| 2,874                  |        | Global treasury funds plc. (MMF)                    |            | 5,010         | 5,011                  |
|                        |        | <b>Externally Managed</b>                           |            |               |                        |
| 7,601                  |        | Invesco Asset Management Ltd.                       |            | 7,601         | 7,966                  |
| 7,500                  |        | Investec Guinness Flight Investment Management Ltd. |            | 7,500         | 7,839                  |
| <b>20,025</b>          |        | <b>TOTAL</b>  |            | <b>25,161</b> | <b>25,866</b>          |

13. CREDITORS

| 31 March 2005 | Category                       | 31 March 2006 |
|---------------|--------------------------------|---------------|
| £ ' 000       |                                | £ ' 000       |
|               | <b>Sundry creditors</b>        |               |
| 3,727         | - Revenue Items                | 3,728         |
| 2,657         | - Capital Items                | 2,420         |
| 1,623         | <b>Government departments</b>  | 1,681         |
|               | <b>Other local authorities</b> |               |
| 1,085         | - Revenue Items                | 909           |
| 43            | - Capital Items                | 22            |
| 1,157         | <b>Council taxpayers</b>       | 1,166         |
| 796           | <b>NNDR ratepayers</b>         | 785           |
| 175           | <b>Housing rents</b>           | 180           |
| 527           | <b>Other</b>                   | 828           |
| <b>11,790</b> | <b>TOTAL</b>                   | <b>11,719</b> |

14. LONG-TERM BORROWING

| 31 March 2005<br>as restated | Source of loan                              | Range of interest rates payable (%) | 31 March 2006 |
|------------------------------|---|-------------------------------------|---------------|
| £ ' 000                      |   |                                     | £ ' 000       |
| 14,750                       | Public works loan board                     | 3.80 - 10.50                        | 17,750        |
| 13                           | Other bonds & mortgages                     | 5.625 - 5.750                       | 12            |
| <b>14,763</b>                | <b>TOTAL</b>                                |                                     | <b>17,762</b> |
|                              | <b>An analysis of loans by maturity is:</b> |                                     |               |
| £ ' 000                      |   |                                     | £ ' 000       |
| 2,000                        | Maturing in 1-2 years                       |                                     | 3,000         |
| 0                            | Maturing in 2-5 years                       |                                     | 0             |
| 6,750                        | Maturing in 5-10 years                      |                                     | 2,250         |
| 6,013                        | Maturing in over 10 years                   |                                     | 12,512        |
| <b>14,763</b>                | <b>TOTAL</b>                                |                                     | <b>17,762</b> |

The 2004/05 figures have been restated by adding £7m to loans < 1year and reducing 1-2yr.loans by £7m. Four debt restructures took place in 2003/04 in order to generate revenue savings and also to take advantage of the chance to charge General Fund premiums to the Provision for Credit Liabilities (PCL).

15. DEFERRED CAPITAL RECEIPTS

Deferred capital receipts are amounts principally derived from sales of assets which will be received in instalments over agreed periods of time. They arise principally from mortgages on sales of council houses, which form the main part of mortgages under long term debtors.

| Balance 1 April |                  | Additional Financing | Reduced Financing | Balance 31 March |
|-----------------|------------------|----------------------|-------------------|------------------|
| £ ' 000         |                  | £ ' 000              | £ ' 000           | £ ' 000          |
| 322             | <b>Mortgages</b> | 0                    | 80                | 242              |

**16. GOVERNMENT (& OTHER) CAPITAL GRANTS - DEFERRED ACCOUNT**

This account was created as a result of the capital accounting requirements. When government or other capital grants are applied to finance the acquisition or enhancement of fixed assets, they have to first be credited to this account; and then only credited to revenue over the life of the scheme.

| 2004/05        | Movements in the year                      | Gov't Grants  | External cap.conts. | 2005/06        |
|----------------|--|---------------|---------------------|----------------|
| <b>£ ' 000</b> |  |               |                     | <b>£ ' 000</b> |
| 6,167          | Balance at 1 April                         | 6,867         | 313                 | 7,180          |
| 951            | Grants received-                           |               |                     |                |
| 524            | DEFRA grant - Recycling & coast protection | 2,119         | 0                   | 2,119          |
|                | Other capital grants                       | 1,597         | 357                 | 1,954          |
| 7,642          |  | 10,583        | 670                 | 11,253         |
| 462            | Less : Amount written-out to revenue       | 532           | 47                  | 579            |
| <b>7,180</b>   | <b>Balance at 31 March</b>                 | <b>10,051</b> | <b>623</b>          | <b>10,674</b>  |

**17. PENSIONS**

As part of the terms and conditions of its officers and other employees, the Council offers retirement benefits. Although these will not be payable until employees retire, the Council has a commitment to make these payments that needs to be disclosed at the time that employees earn their future entitlements. The council participates in the Local Government Pension Scheme administered by Kent County Council. This is a defined benefit statutory scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level estimated to balance the pensions liabilities with investment assets.

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. These liabilities have been assessed by Hymans Robertson, an independent firm of actuaries. The percentage assumptions per annum as at 31 March 2006, (2005 in brackets), are Price increases 3.1%(2.9), Salary increases 4.6%(4.4), Pension increases 3.1%(2.9), Discount rate 4.9%(5.4). The discount rate employed for the 2005/06 financial year is the yield available on long-dated, high quality bonds. This is a different rate to that used prior to 2004/05 and has thus increased the value of liabilities.

Assets in the superannuation fund are valued at fair value, principally market value for investments, and consist of the following categories by proportion, together with their expected rate of return:

| L.T.Return at 31 Mar 2005 | Assets value at 31 March 2005 | Assets (Employer) | Long Term Return at 31 March 2006 | Assets value at 31 March 2006 |
|---------------------------|-------------------------------|-------------------|-----------------------------------|-------------------------------|
| % per annum               | £ ' 000                       |                   | % per annum                       | £ ' 000                       |
| 7.7                       | 42,135                        | Equities          | 7.4                               | 55,110                        |
| 4.8                       | 8,022                         | Bonds             | 4.6                               | 9,730                         |
| 5.7                       | 6,202                         | Property          | 5.5                               | 7,030                         |
| 4.8                       | 4,657                         | Cash              | 4.6                               | 6,000                         |
| 6.9                       | <b>61,016</b>                 | <b>Total</b>      | 6.6                               | <b>77,870</b>                 |

| 2005           | Net Pension Liability as at 31 March   | 2006           |
|----------------|--|----------------|
| <b>£ ' 000</b> |  | <b>£ ' 000</b> |
| 61,016         | <b>Estimated Employer Assets (A)</b>   | 77,870         |
| 113,360        | <b>Total Value of Liabilities (B)</b>  | 133,740        |
| 52,344         | <b>Net Pension Liability (B) - (A)</b> | 55,870         |

A table showing the movement in this balance is set out in note 18 to the consolidated revenue statement. Under the requirements of FRS17, a pensions liability was created in the balance sheet. However so that FRS17 has no effect on demands on Council Tax, and there is no demand on earmarked reserves, the Pensions Reserve holds an equal and opposite balance. The movements in these reserves reflect the net change in pensions liability recognised in the consolidated revenue account.

Regulations laid on 30 March 2006 give retiring members the option to increase the lump-sum amount taken at retirement. The actuaries strongly believe that it is not appropriate to rush into making an allowance for commutation in the above FRS17 figures simply because it might make the FRS17 disclosures look better. They believe a more considered approach will prove to be the more appropriate course of action.

18. ANALYSIS OF NET ASSETS EMPLOYED

An analysis of the 'Total Equity', as shown in the Consolidated Balance Sheet, by fund is as follows:-

| 31 March 2005 |                |                                 | 31 March 2006 |                | 31 March 2006<br>Total |
|---------------|----------------|---------------------------------|---------------|----------------|------------------------|
| FUND          |                |                                 | FUND          |                |                        |
| General Fund  | Housing        |                                 | General Fund  | Housing        |                        |
| £ ' 000       | £ ' 000        | <b>BALANCE SHEET ITEM</b>       | £ ' 000       | £ ' 000        | £ ' 000                |
| 117,942       | 305,686        | Fixed asset restatement account | 124,980       | 239,211        | 364,191                |
| 8,779         | 69,885         | Capital financing account       | 7,571         | 70,994         | 78,565                 |
| 7,046         | 134            | Government grants - deferred    | 10,542        | 132            | 10,674                 |
| -305          | -1,113         | Deferred premiums               | -280          | -900           | -1,180                 |
| 178           | 1,095          | Usable capital receipts reserve | 2,029         | 1,045          | 3,074                  |
| -52,344       | 0              | Pensions reserve                | -55,870       | 0              | -55,870                |
| 0             | 188            | Major repairs reserve           | 0             | 188            | 188                    |
| 5,787         | 474            | Earmarked reserves              | 6,918         | 695            | 7,613                  |
| 2,447         | 3,176          | Revenue Balances                | 2,352         | 4,729          | 7,081                  |
| <b>89,530</b> | <b>379,525</b> | <b>TOTAL</b>                    | <b>98,242</b> | <b>316,094</b> | <b>414,336</b>         |

19. OPERATING LEASES

The authority acquires some equipment (for car parks, sports & phone system) through operating leases.

The future cash payments required under these leases are:

| Details of period   | Commitment in |                 |
|---|---------------|-----------------|
|   | 2006/07       | 2007/08 onwards |
| Those operating leases in which the commitment expires within that year | £ ' 000<br>0  | £ ' 000<br>0    |
| expires in the second to fifth years from the balance sheet date        | 128           | 253             |
| expires over five years from the balance sheet date                     | 25            | 153             |
| <b>TOTAL</b>  | <b>153</b>    | <b>406</b>      |

20. MOVEMENT ON RESERVES

For details of movements on the Fixed Asset Restatement account, Capital Financing account and the Usable Capital Receipts Reserve, see the statement of 'Total movements on reserves', introduced by the 1995 code.

21. EARMARKED RESERVES

| Balance at 1 April | Name of Reserve            | Note | Interest Receipts | Transfer from revenue | Receipts in year | Transfers between reserves | Transfer to revenue | Payments in year | Balance at 31 March |
|--------------------|----------------------------|------|-------------------|-----------------------|------------------|----------------------------|---------------------|------------------|---------------------|
| £ ' 000            |                            |      | £ ' 000           | £ ' 000               | £ ' 000          | £ ' 000                    | £ ' 000             | £ ' 000          | £ ' 000             |
|                    | <b>Capital Reserves:</b>   |      |                   |                       |                  |                            |                     |                  |                     |
| 145                | Capital reserve            | (a)  | 0                 | 0                     | 51               | 35                         | 0                   | 231              | 0                   |
|                    | <b>Revenue Reserves:</b>   |      |                   |                       |                  |                            |                     |                  |                     |
| 0                  | LABGI Reserve              | (b)  | 0                 | 533                   | 0                | 0                          | 0                   | 0                | 533                 |
| 0                  | LAMP Project Reserve       | (c)  | 0                 | 0                     | 160              | 0                          | 0                   | 0                | 160                 |
| 155                | Early retirement           | (d)  | 0                 | 110                   | 0                | 0                          | 99                  | 0                | 166                 |
| 129                | Superann.backfunding       | (e)  | 0                 | 134                   | 0                | 0                          | 43                  | 0                | 220                 |
| 459                | Computer/equipment         | (f)  | 10                | 211                   | 0                | -35                        | 0                   | 186              | 459                 |
| 407                | Insurance reserve          | (g)  | 19                | 0                     | 0                | 0                          | 23                  | 0                | 403                 |
| 290                | Liability insurance        | (h)  | 8                 | 0                     | 0                | 0                          | 0                   | 0                | 298                 |
| 267                | NDR reserve                | (i)  | 0                 | 0                     | 0                | 0                          | 0                   | 0                | 267                 |
| 309                | Open spaces maintenance    | (j)  | 0                 | 0                     | 0                | -14                        | 17                  | 0                | 278                 |
| 381                | Benefits grant income      | (k)  | 0                 | 191                   | 0                | 0                          | 70                  | 0                | 502                 |
| 471                | Benefits overpayments      | (l)  | 0                 | 117                   | 0                | 0                          | 0                   | 0                | 588                 |
| 479                | External interest          | (m)  | 0                 | 0                     | 0                | 0                          | 120                 | 0                | 359                 |
| 82                 | Local plan inquiry         | (n)  | 3                 | 46                    | 0                | 0                          | 0                   | 0                | 131                 |
| 234                | Tenterden drive            | (o)  | 0                 | 0                     | 0                | 0                          | 0                   | 0                | 234                 |
| 0                  | Subsidence Reserve         | (p)  | 0                 | 200                   | 0                | 0                          | 0                   | 0                | 200                 |
| 368                | St.Aug.Hosp.Site Vill.Hall | (q)  | 7                 | 0                     | 0                | 180                        | 0                   | 265              | 290                 |
| 188                | Commuted sums              | (r)  | 0                 | 0                     | 0                | -138                       | 2                   | 0                | 48                  |
| 675                | Section 106 receipts       | (s)  | 15                | 0                     | 493              | -28                        | 15                  | 246              | 894                 |
| 1,222              | Other reserves             |      | 13                | 507                   | 224              | 0                          | 217                 | 166              | 1,583               |
| <b>6,261</b>       | <b>TOTAL RESERVES</b>      |      | <b>75</b>         | <b>2,049</b>          | <b>928</b>       | <b>0</b>                   | <b>606</b>          | <b>1,094</b>     | <b>7,613</b>        |

Notes:

- (a) The Capital reserve is used to finance new capital expenditure without recourse to external borrowing. It is generally now only used to cover slippage from the previous year.
- (b) The Local Authority Business Growth Incentive (LABGI) reserve holds the LABGI grant received in February 2006 to be used in the 2006/07 budget. This is assessed on the amount of growth in the rateable value of businesses in the area above a standard increase.
- (c) The LAMP project reserve holds the amount of additional income raised from land charges to pay for the new computerised land charges system (before paying over to the contractors)
- (d) The Early retirement reserve was set up in 1999/2000 by transferring £470,000 from the Housing Act Advances reserve to finance the additional payments required by the Kent superannuation fund as a result of early retirements following the council's restructure.
- (e) The Superannuation backfunding reserve was set-up in 1999/2000 to hold the difference between the backfunding contributions collected and that required by the Kent superannuation fund. When the backfunding rate increases to a rate that is higher than the rate being deducted, which will occur from 2002/03 onwards, the excess will be paid to the Kent superannuation fund (from this reserve).
- (f) The Computer / equipment reserve was created in 1995/96 to finance computers and equipment which need replacing.
- (g) The Insurance reserve is used to meet claims on the council for which external insurances have not been effected.  
This reserve covers three broad areas of insurable risks:
  - (i) Professional indemnity; (covers losses resulting from professional negligence)
  - (ii) All risks cover for equipment under £5,000 in value
  - (iii) Sold Council houses - latent defects (i.e. defects discovered at a later date which could not reasonably have been identified at the time of sale).

The current balance on the reserve held for each risk is roughly in the proportions 70%, 10%, 20%, so e.g. approximately £ 280,000 is held to cover professional indemnity (which could involve major sums).



**21. EARMARKED RESERVES (continued)**

- (h) The Liability insurance reserve covers public liability claims under £5,000. (Claims over £5,000 being covered by external insurance). Claims tend to take many years before settlement is agreed, therefore the balance has to cover prior year outstanding claims and future liabilities.
- (i) The NDR reserve was created to cover back-dated assessments of NDR on council properties on which NDR is payable, but have not yet been assessed by the valuation office. Now that the liability on some properties has passed the statutory period, some of this reserve will be transferred back to revenue.
- (j) The Open spaces maintenance reserve holds the balance from commuted payments from developers (under section 106 agreements) based on 20 years maintenance costs of spaces taken over by the the council. The balance for each development is transferred to revenue over 20 years.
- (k) The Benefits grant income reserve holds additional housing benefit subsidy income arising from the final claim being greater than assumed in the accounts. The balance is being transferred back to revenue. The opening balance is the balance of the 2002/03 claim and the receipt in the year relates to the 2004/05 claim.
- (l) The Benefits overpayment reserve was created this year to hold the excess of overpayments which have now been identified by the benefits computer system compared with the balance in the accounts. The balance will be credited back to revenue over a number of years, starting from 2006/07.
- (m) The External interest reserve was created in 1997/98 from the existing premature debt repayment reserve and was augmented by the investment interest earned above the original forecast in 1998/99 2000/01 and 2002/03 which was due to good fund management performance.  
It can be used both to cover any premium payable on the premature repayment of debt, to cover any poor performance by Fund Managers and to reduce future interest payments on fixed interest loans.
- (n) The local plan enquiry reserve evens out the impact of costs which arise on a periodic basis for the local plan enquiry.
- (o) The Tenterden drive reserve is an insurance receipt in 2003/04 following a gas explosion, to pay for replacement housing (probably in 2006/07).
- (p) The subsidence reserve was created in 2005/06 to cover liabilities arising from subsidence of housing stock properties now that they are not covered within the council's insurance policy.
- (q) The St. Augustine's Hospital site village hall reserve is a receipt from the developer in 1998/99 which was subject to repayment if the village hall was not built within 5 years. A further sum of £236,000 was received in 2003/04, and payments have been made in 2004/05.
- (r) Various commuted sums were received in 2002/03 from developers, the principal one being £88,000 re play area development which was used in 2004/05.
- (s) This holds the balance of section 106 planning receipts which have been received from developers. until they are applied to the purpose for which they were received.

**22. GENERAL NOTE**

This balance sheet brings together the balances for all the Council's funds, but balances on transactions between funds of the authority are eliminated.

**23. MATERIAL POST BALANCE SHEET EVENTS**

There have been no material post balance sheet events.

## STATEMENT OF TOTAL MOVEMENTS IN RESERVES

This statement, introduced by the 2000 code, shows all the recognised gains and losses of the authority during the period.

| 2004/05         |  | £' 000   | 2005/06         |
|-----------------|--|----------|-----------------|
|                 |  | £' 000   | £' 000          |
|                 | Surplus / (deficit) for the year:  |          |                 |
| (152)           | - General Fund   | 107      |                 |
| 519             | - Collection Fund Revenue Account  | (202)    |                 |
| 24              | - Housing  | 1,553    |                 |
| (342)           | Add back : Movements on earmarked reserves   | 1,352    |                 |
| (800)           | Add back : Movement on Major Repairs Reserve   | 0        |                 |
| (125)           | Deduct : Appropriation from pensions reserve   | (1,020)  |                 |
| (22,915)        | Actuarial gains / (losses) relating to pensions (see footnote)                                 | (2,506)  |                 |
| <b>(23,791)</b> | <b>Total increase / (decrease) in revenue resources</b>  |          | <b>(716)</b>    |
| 3,853           | Capital receipts received in the year (gross)  | 4,531    |                 |
| (2,561)         | Less: Contribution to housing pooled capital receipts  | (1,676)  |                 |
| (1,914)         | Less: Receipts used to finance new capital investment  | (1,054)  |                 |
| <b>(622)</b>    | <b>Total increase / (decrease) in realised capital resources (note 1)</b>                      |          | <b>1,801</b>    |
| 17,794          | Gains / (losses) & depn. written out on revaluation of fixed assets                            | (55,867) |                 |
| 0               | Impairment losses on fixed assets  | 0        |                 |
| <b>17,794</b>   | <b>Total increase / (decrease) in unrealised value of fixed assets (note 2a)</b>               |          | <b>(55,867)</b> |
| <b>(3,267)</b>  | <b>Value of assets sold, disposed of or decommissioned (note 2b)</b>                           |          | <b>(3,570)</b>  |
| 1,914           | Capital receipts set aside (& applied)   | 1,054    |                 |
| (833)           | Revenue resources set aside  | (1,153)  |                 |
| 1,013           | Movement on Government Grants Deferred   | 3,494    |                 |
| 237             | Movement on Deferred premiums  | 238      |                 |
| <b>2,331</b>    | <b>Total increase / (decrease) in amounts set aside to finance capital investment (note 3)</b> |          | <b>3,633</b>    |
| <b>(7,555)</b>  | <b>Total recognised gains and losses</b>   |          | <b>(54,719)</b> |

For details of the movement in the pensions reserve see note 18 to the consolidated revenue account.

### NOTES TO STATEMENT OF TOTAL MOVEMENTS IN RESERVES

#### 1. USABLE CAPITAL RECEIPTS RESERVE

These are capital receipts which may be used to finance future capital expenditure.

| 2004/05<br>Total | Movements in realised capital resources                                      | General<br>Fund | Housing      | 2005/06<br>Total |
|------------------|--|-----------------|--------------|------------------|
|                  |  | £' 000          | £' 000       | £' 000           |
| 3,853            | Capital receipts received in the year (gross)                                | 2,381           | 2,150        | 4,531            |
| (2,561)          | Less: Contribution to housing pooled capital receipts                        | 0               | (1,676)      | (1,676)          |
| (1,914)          | Less: Receipts used to finance new capital investment                        | (530)           | (524)        | (1,054)          |
| <b>(622)</b>     | <b>Total increase / (decrease) in realised capital resources in the year</b> | <b>1,851</b>    | <b>(50)</b>  | <b>1,801</b>     |
| 1,895            | Balance at 1 April   | 178             | 1,095        | 1,273            |
| <b>1,273</b>     | <b>Balance at 31 March</b>   | <b>2,029</b>    | <b>1,045</b> | <b>3,074</b>     |

Note : Only 25% of receipts from council house sales and 50% of other housing capital receipts are usable. The remainder used to be set aside in the capital financing reserve which forms part of the provision for credit liabilities account. However from 1st April 2004 these have had to be paid into a government pool. General fund capital receipts are 100% usable.

#### 2. FIXED ASSET RESTATEMENT ACCOUNT

This account was created as a result of the capital accounting requirements. The balance represents the difference between the valuation of assets under the previous system of capital accounting and their subsequent revaluation. The account is written down by the net book value of assets as they are disposed of and debited with the deficits or surpluses arising on revaluations.

**NOTES TO STATEMENT OF TOTAL MOVEMENTS IN RESERVES (continued)**

| <b>2004/05<br/>Total</b> | <b>FIXED ASSET RESTATEMENT ACCOUNT<br/>2a. Movements in unrealised value of fixed assets</b> | <b>General<br/>Fund</b> | <b>Housing</b> | <b>2005/06<br/>Total</b> |
|--------------------------|--|-------------------------|----------------|--------------------------|
| <b>£' 000</b>            |  | <b>£' 000</b>           | <b>£' 000</b>  | <b>£' 000</b>            |
| 14,164                   | Gains/losses on revaluation of fixed assets in year  | 5,664                   | (68,432)       | (62,768)                 |
| 3,630                    | Depreciation written out on revaluations and disposals of fixed assets.                      | 3,806                   | 3,095          | 6,901                    |
| 0                        | Less: Impairment losses on fixed assets  | 0                       | 0              | 0                        |
| 17,794                   | <b>Total increase / (decrease) in unrealised value of fixed assets in the year</b>           | 9,470                   | (65,337)       | <b>(55,867)</b>          |
| (3,267)                  | <b>2b. Value of assets sold or disposed of</b>   |                         |                |                          |
|                          | Amounts written off fixed assets balances for disposals in current year.                     | (2,432)                 | (1,138)        | <b>(3,570)</b>           |
| 14,527                   | Total movement on reserve in year.   | 7,038                   | (66,475)       | (59,437)                 |
| 409,101                  | Balance at 1 April   | 117,942                 | 305,686        | 423,628                  |
| <b>423,628</b>           | <b>Balance at 31 March</b>   | <b>124,980</b>          | <b>239,211</b> | <b>364,191</b>           |

**3. CAPITAL FINANCING ACCOUNT & GOVERNMENT GRANTS DEFERRED**

The capital financing account includes amounts set aside from revenue resources or capital receipts for the acquisition of fixed assets and amounts in respect of other capital financing transactions.

Details of government grants deferred are set out in note 16 to the consolidated balance sheet

| <b>2004/05<br/>Total</b> | <b>Movements in amounts set aside to finance capital investment</b>                      | <b>&lt;Gov't grants deferred&gt;</b> |  | <b>&lt;-Capital Financing Account-&gt;</b> |                | <b>2005/06<br/>Total</b> |
|--------------------------|--|--------------------------------------|--|--|----------------|--------------------------|
|                          |  |                                      |  | <b>General<br/>Fund</b>                    | <b>Housing</b> |                          |
| <b>£' 000</b>            |  |                                      |  | <b>£' 000</b>                              | <b>£' 000</b>  | <b>£' 000</b>            |
| 1,914                    | Capital receipts set aside (& applied) in year   |                                      |  | 1,054                                      | 0              | 1,054                    |
|                          | - useable capital receipts applied   |                                      |  |  |                |                          |
| 1,914                    | <b>Total capital receipts set aside (&amp; applied) in year</b>                          |                                      |  | 1,054                                      | 0              | <b>1,054</b>             |
| 4,322                    | Revenue resources set aside in year  |                                      |  |  |                |                          |
|                          | - capital expenditure financed from major repairs resv.                                  |                                      |  | 0  | 3,670          | 3,670                    |
| 2,736                    | - capital expenditure financed from revenue  |                                      |  | 340  | 613            | 953                      |
| 149                      | - capital expenditure financed from government grants                                    |                                      |  | 10   | 0              | 10                       |
| 462                      | - gov't grants-deferred written-out to revenue   |                                      |  | 576  | 3              | 579                      |
| (5,824)                  | - less: minimum revenue provision (less depreciation provision)                          |                                      |  | (2,000)                                    | (3,177)        | (5,177)                  |
| 0                        | - less: premium on loans repaid  |                                      |  | 0  | 0              | 0                        |
| (2,618)                  | - less: write down of deferred charges   |                                      |  | (1,127)                                    | 0              | (1,127)                  |
| (60)                     | - less: repayments of housing act advances, housing associations and miscellaneous loans |                                      |  | (61)                                       | 0              | (61)                     |
| (833)                    | <b>Total revenue resources set aside in year</b>   |                                      |  | <b>(2,262)</b>                             | <b>1,109</b>   | <b>(1,153)</b>           |
| 1,475                    | Government grants def'd (see note 16)  |                                      |  |  |                |                          |
| (462)                    | Grants applied to capital investment   | 4,073                                |  |  |                | 4,073                    |
|                          | Amounts credited to asset management revenue account in year                             | (579)                                |  |  |                | (579)                    |
| 1,013                    | <b>Movement on government grants def'd</b>   | 3,494                                |  |  |                | <b>3,494</b>             |
| 2,094                    | <b>Total increase \ (decrease) in amounts set aside to finance capital investment</b>    | 3,494                                |  | (1,208)                                    | 1,109          | <b>3,395</b>             |
| 83,750                   | Balance at 1 April   | 7,180                                |  | 8,779                                      | 69,885         | 85,844                   |
| <b>85,844</b>            | <b>Balance at 31 March</b>   | <b>10,674</b>                        |  | <b>7,571</b>                               | <b>70,994</b>  | <b>89,239</b>            |

78,565

**CASH FLOW STATEMENT**

| 2004/05  |  | 2005/06 |          |        |
|----------|--|---------|----------|--------|
| £' 000   | <b>REVENUE ACTIVITIES</b>                                  | £' 000  | £' 000   | £' 000 |
|          | <b>CASH OUTFLOWS</b>                                       |         |          |        |
| 22,497   | Employment costs   | 22,401  |          |        |
| 26,810   | Other operating costs                                      | 31,812  |          |        |
| 41,574   | Kent County Council precept                                | 44,198  |          |        |
| 5,196    | Kent Police Authority precept                              | 5,588   |          |        |
| 2,733    | Kent & Medway Fire Authority Precept                       | 2,880   |          |        |
| 13,548   | Housing benefit paid out                                   | 14,594  |          |        |
| 31,509   | Non-domestic rates paid to national pool                   | 35,896  |          |        |
| 2,561    | Payments to the capital receipts pool                      | 1,676   |          |        |
| 146,428  |  |         | 159,045  |        |
|          | <b>CASH INFLOWS</b>  |         |          |        |
| 6,424    | Net rents (after rebates)                                  | 6,063   |          |        |
| 50,718   | Council tax receipts                                       | 53,067  |          |        |
| 31,008   | Local Non-domestic rate receipts                           | 37,682  |          |        |
| 3,698    | Non-domestic rate receipts from national pool              | 4,029   |          |        |
| 6,567    | Revenue support grant                                      | 6,552   |          |        |
| 23,336   | DWP grants for housing rebates                             | 25,546  |          |        |
| 7,119    | DWP grant for council tax rebates                          | 6,418   |          |        |
| 2,525    | Other government grants (Note 4)                           | 3,521   |          |        |
| 20,032   | Cash received for goods and services                       | 19,919  |          |        |
| 1,663    | Other operating cash receipts                              | 3,087   |          |        |
| -153,090 |  |         | -165,884 |        |
| -6,662   | <b>REVENUE ACTIVITIES NET CASH FLOW (Note 1)</b>           |         |          | -6,839 |
|          | <b>RETURNS ON INVESTMENTS &amp; SERVICING OF FINANCE</b>   |         |          |        |
|          | <b>CASH OUTFLOWS</b>                                       |         |          |        |
| 1,005    | Interest paid  |         | 1,301    |        |
|          | <b>CASH INFLOWS</b>  |         |          |        |
| -1,266   | Interest received  |         | -1,280   |        |
| -261     | <b>NET INTEREST</b>  |         |          | 21     |
|          | <b>CAPITAL ACTIVITIES</b>                                  |         |          |        |
|          | <b>CASH OUTFLOWS</b>                                       |         |          |        |
| 10,425   | Purchase of fixed assets                                   | 10,916  |          |        |
| 3,321    | Deferred charges   | 1,968   |          |        |
| 13,746   |  |         | 12,884   |        |
|          | <b>CASH INFLOWS</b>  |         |          |        |
| 3,793    | Sales of fixed assets                                      | 4,463   |          |        |
| 2,307    | Capital grants received (Note 5)                           | 3,272   |          |        |
| 60       | Other capital cash receipts                                | 68      |          |        |
| -6,160   | (Principal repayments of HAA/Misc.Loans)                   |         | -7,803   |        |
| 7,586    | <b>CAPITAL ACTIVITIES NET CASH FLOW</b>                    |         |          | 5,081  |
| 663      | <b>NET CASH INFLOW/OUTFLOW BEFORE FINANCING</b>            |         |          | -1,737 |
|          | <b>MANAGEMENT OF LIQUID RESOURCES</b>                      |         |          |        |
| 644      | Net increase / decrease in short-term investments (Note 2) |         |          | 5,841  |
|          | <b>FINANCING</b>   |         |          |        |
|          | <b>CASH INFLOWS</b>  |         |          |        |
| -3,111   | New loans raised (Note 2)                                  |         | -2,999   |        |
| 25       | New short-term loans raised (Note 2)                       |         | -10      |        |
| -3,086   | <b>FINANCING NET CASH FLOW</b>                             |         |          | -3,009 |
| -1,779   | <b>INCREASE (-) / DECREASE IN CASH (Note 3)</b>            |         |          | 1,095  |

**NOTES TO CASH FLOW STATEMENT**

**1. RECONCILIATION OF REVENUE SURPLUS TO REVENUE ACTIVITIES NET CASHFLOW**

| 2004/05 |               |   | 2005/06 |               |
|---------|---------------|---|---------|---------------|
| £' 000  |               |   | £' 000  | £' 000        |
|         |               | <b>Surplus / Deficit (DR) for the year -</b>                          |         |               |
| DR      | 152           | General Fund Revenue Account  |         | 107           |
|         | 24            | Housing Revenue Account   |         | 1,553         |
|         | 519           | Collection Fund   |         | DR 202        |
|         | 391           |   |         | 1,458         |
|         |               | <b>Non-Cash Transactions</b>  |         |               |
|         | 566           | Add : Minimum revenue provision                                       | 640     |               |
|         | 7,058         | Add : Revenue financing of capital expenditure                        | 4,624   |               |
|         | 2,561         | Less: Con.from usable capital receipts to housing pooling             | 1,676   |               |
|         | 2,700         | Add : Financing of current year capital creditors                     | 0       |               |
|         | 7,763         |   |         | 3,588         |
|         | 2,196         | Add: Contributions to reserves  | 3,052   |               |
|         | 2,538         | Less: Contributions from reserves                                     | 1,700   |               |
| DR      | 342           | (See Note 7e to Consolidated revenue account)                         |         | 1,352         |
| DR      | 800           | Add/Less: Contribution to/from major repairs reserve                  |         | 0             |
|         |               | <b>Items classified in another part of cash flow statement</b>        |         |               |
|         | 1,005         | Add: Interest paid  | 1,301   |               |
|         | 1,266         | Less: Interest received   | 1,280   |               |
| DR      | 261           |   |         | 21            |
|         | -6,751        |   |         | -6,419        |
|         |               | <b>Items on an accruals basis</b>                                     |         |               |
|         | -6            | Less/Add: Increase/decrease in stocks                                 | -7      |               |
|         | -819          | Less/Add: Increase/decrease in debtors<br>(net of bad debt provision) | -1,980  |               |
|         | 8             | Less/Add: Increase/decrease in payments in advance                    | -10     |               |
|         | 237           | Add/Less: Increase/decrease in deferred premiums                      | 238     |               |
|         | 447           | Add/Less: Increase/decrease in creditors                              | -71     |               |
|         | 12            | Add/Less: Increase/decrease in deposits                               | 743     |               |
|         | 32            | Less: Accrual of capital grants & capital income                      | 1,507   |               |
|         | 89            |   |         | -420          |
|         | <b>-6,662</b> | <b>Revenue Activities Net Cash Flow</b>                               |         | <b>-6,839</b> |

**NOTES TO CASH FLOW STATEMENT (continued)**

**2. RECONCILIATION OF CASH FLOWS TO NET DEBT & SHORT-TERM INVESTMENT LEVELS**

| <b>2004/05</b> |                        | <b>Balance<br/>1.4.05<br/>As restated</b> | <b>Balance<br/>31.3.06</b> | <b>Movement<br/>in the year</b> |
|----------------|------------------------|---|----------------------------|---------------------------------|
| <b>£' 000</b>  |                        | <b>£' 000</b>                             | <b>£' 000</b>              | <b>£' 000</b>                   |
| 644            | Short-term investments | 20,025                                    | 25,866                     | 5,841                           |
| -3,111         | Long-term borrowing    | -14,763                                   | -17,762                    | -2,999                          |
| 25             | Short-term borrowing   | -7,146                                    | -7,156                     | -10                             |

For details of short-term investments see note 12 to the Consolidated balance sheet

For details of long-term borrowing see note 14 to the Consolidated balance sheet

**3. INCREASE / DECREASE IN CASH**

Cash is defined as cash in hand and deposits repayable on demand, less overdrafts.

| <b>2004/05</b> |                | <b>Balance<br/>1.4.05</b> | <b>Balance<br/>31.3.06</b> | <b>Movement<br/>in the year</b> |
|----------------|----------------|---------------------------|----------------------------|---------------------------------|
| <b>£' 000</b>  |                | <b>£' 000</b>             | <b>£' 000</b>              | <b>£' 000</b>                   |
| 1,650          | Bank overdraft | -736                      | -1,785                     | -1,049                          |
| 129            | Cash in hand   | 453                       | 407                        | -46                             |
| <b>1,779</b>   |                |                           |                            | <b>-1,095</b>                   |

**4. ANALYSIS OF OTHER GOVERNMENT GRANTS (REVENUE ACTIVITIES)**

| <b>2004/05</b> |   | <b>2005/06</b> |
|----------------|---|----------------|
| <b>£' 000</b>  |   | <b>£' 000</b>  |
| 1,003          | Housing / council tax benefit administration            | 1,022          |
| 487            | Public safety, recycling & other grants                 | 375            |
| 360            | Sure Start grant  | 973            |
| 0              | Local authority business growth incentive grant (LABGI) | 533            |
| 196            | NNDR collection costs                                   | 196            |
| 479            | Planning delivery grant                                 | 422            |
| <b>2,525</b>   |   | <b>3,521</b>   |

The LABGI grant above is a new grant from 2005/06 received if the % increase in rateable value of business rate property in the district in the year exceeds a target value.

**5. ANALYSIS OF CAPITAL GRANTS**

| <b>2004/05</b> |  | <b>2005/06</b> |
|----------------|--|----------------|
| <b>£' 000</b>  |  | <b>£' 000</b>  |
| 326            | Specified grant (re Housing improvement grants)      | 339            |
| 350            | Implementing electronic government grant (IEG)       | 150            |
| 1,047          | DEFRA grants - Coast protection, recycling & harbour | 1,839          |
| 0              | Sure Start grant                                     | 424            |
| 584            | Others   | 520            |
| <b>2,307</b>   |  | <b>3,272</b>   |

**THE COLLECTION FUND**

**INCOME AND EXPENDITURE ACCOUNT**

| 2004/05<br>As restated |   | Note  | 2005/06        |
|------------------------|---|-------|----------------|
| <b>£ ' 000</b>         | <b>INCOME</b>   |       | <b>£ ' 000</b> |
| 50,563                 | Council Tax (net of benefits & transitional relief)               |       | 52,854         |
| 7,057                  | Transfers from General Fund<br>- Council Tax benefits             |       | 7,619          |
| 31,189                 | Income from business ratepayers                                   | 5     | 37,438         |
| 1                      | Contributions<br>- Adjustments of previous years community charge |       | 0              |
| 88,810                 |   |       | 97,911         |
|                        | <b>EXPENDITURE</b>  |       |                |
|                        | Precepts and demands:   | 2     |                |
| 41,574                 | - Kent County Council   |       | 44,198         |
| 5,196                  | - Kent Police Authority   |       | 5,588          |
| 2,733                  | - Kent & Medway Fire & Rescue Authority                           |       | 2,880          |
| 7,428                  | - Canterbury City Council (incl. Parishes)                        |       | 7,908          |
| 56,931                 | Business rate   | 5     | 60,574         |
| 30,993                 | - Payment to national pool  |       | 37,242         |
| 196                    | - Costs of collection   |       | 196            |
| -157                   | Bad and doubtful debts<br>- Write-offs                            |       | -132           |
| 324                    | - Provisions  |       | 231            |
| 4                      | Contributions<br>- From previous year's Collection Fund surplus   |       | 2              |
| 88,291                 |   |       | 98,113         |
| <b>519</b>             | <b>NET FUND SURPLUS / DEFICIT (DR) FOR YEAR</b>                   |       | <b>DR 202</b>  |
| 0                      | COLLECTION FUND BALANCE AT 1 APRIL                                |       | 519            |
| <b>519</b>             | <b>COLLECTION FUND BALANCE AT 31 MARCH</b>                        | 2 & 3 | <b>317</b>     |

## NOTES TO THE COLLECTION FUND ACCOUNTS

### 1. GENERAL NOTE

This account represents the statutory requirement for billing authorities to maintain a separate Collection Fund. The account is consolidated with the Council's accounts. The accounts have been prepared on the accruals basis. Under the 1993 code there is no requirement to publish a separate Collection Fund Balance Sheet.

### 2. "NEW" COLLECTION FUND ELEMENT

The items within the above account that relate to the "New" Collection Fund ( i.e. excluding any adjustments relating to Community Charge) are as follows:

| 2004/05 |            |  | 2005/06 |            |
|---------|------------|--|---------|------------|
| £ ' 000 |            |  | £ ' 000 |            |
| DR      | 57,161     | Precepts (excluding distribution of previous year's deficit)   | DR      | 60,324     |
| DR      | 167        | Write-Off Provision  | DR      | 99         |
| DR      | 57,328     |  | DR      | 60,423     |
|         | 57,620     | Council tax (incl. benefits & subsidy scheme)                  |         | 60,473     |
|         | 292        | Surplus / Deficit (DR)   |         | 50         |
|         | 230        | Precepts - Distribution of previous year's surplus(DR)/deficit | DR      | 250        |
| DR      | 5          | Balance at 1 April   |         | 517        |
|         | <b>517</b> | <b>Balance at 31 March</b>                                     |         | <b>317</b> |

£230,000 of the estimated deficit at 31 March 2004 was forecast and notified to KCC & KPA in January 2004. The net share was as follows: KCC £181,155; KPA £20,169; CCC £28,676.

£250,000 of the estimated surplus at 31 March 2005 was forecast and notified to KCC, KPA and KMF & RA in December 2004. The net share was as follows: KCC £182,617; KPA £22,815; KMF&R £11,952; CCC £32,616. An estimated break-even position at 31 March 2006 was forecast and notified to KCC, KPA and KMF & RA in January 2006.

### 3. "OLD" COLLECTION FUND ELEMENT

The items within the above account that relate to the "Old" Collection Fund (i.e. adjustments relating to Community Charge) are as follows:-

| 2004/05 |          |   | 2005/06 |          |
|---------|----------|---|---------|----------|
| £ ' 000 |          |   | £ ' 000 |          |
|         | 1        | Adjustments to previous year's community charges.         |         | 0        |
| DR      | 4        | Contribution from previous year's collection fund surplus | DR      | 2        |
| DR      | 3        | Deficit   | DR      | 2        |
|         | 5        | Balance at 1 April  |         | 2        |
|         | <b>2</b> | <b>Balance at 31 March</b>                                |         | <b>0</b> |

A £ 4,000 contribution was deducted from 2004/05 Council Tax bills as the "old" collection fund was then in surplus. This contribution was close to the above balance at 31st March 2004.

A £ 2,300 contribution was deducted from 2005/06 Council Tax bills as the "old" collection fund was then in surplus. This contribution was close to the above balance at 31st March 2005.



4. COUNCIL TAX

The Council's tax base i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply ) converted to an equivalent number of band D dwellings , was calculated as follows:

| 2004/05<br>Band D<br>Equivalent<br>Dwellings | Band | Estimated Number of<br>Taxable Properties<br>after effect of discounts | Ratio  | 2005/06<br>Band D<br>Equivalent<br>Dwellings |
|--|------|--|--------|--|
| 3,046  | A    | 4,562  | 6 / 9  | 3,041  |
| 8,295  | B    | 10,786   | 7 / 9  | 8,389  |
| 14,039                                       | C    | 16,059   | 8 / 9  | 14,275                                       |
| 9,753  | D    | 10,012   | 9 / 9  | 10,012                                       |
| 6,865  | E    | 5,763  | 11 / 9 | 7,044  |
| 4,781  | F    | 3,354  | 13 / 9 | 4,844  |
| 2,945  | G    | 1,769  | 15 / 9 | 2,948  |
| 146  | H    | 70   | 18 / 9 | 140  |
| 49,870                                       |      | 52,375   |        | 50,693                                       |
| 99.0%  |      | Multiplied by Collection Rate  |        | 99.0%  |
| <b>49,371</b>                                |      | <b>COUNCIL TAX BASE</b>  |        | <b>50,186</b>                                |

5. INCOME FROM BUSINESS RATES

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area which are based on local rateable values multiplied by a uniform rate in the pound. The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR pool) managed by Central Government. Authorities then receive back their share of the pool based on a standard amount per head of the local adult population. The amounts in these accounts can thus be analysed as follows:

| 2004/05             |   | 2005/06        |
|---------------------|---|----------------|
| <b>£ ' 000</b>      |   | <b>£ ' 000</b> |
| ( 85,518) X (45.6p) | Non-domestic rateable value ( 107,925 )     |                |
| 38,996              | multiplied by small business rate ( 41.5 p) | 44,789         |
| 8,003               | Less: allowances and other adjustments      | 7,547          |
| 30,993              | Net contribution due to NNDR national pool  | 37,242         |
| 196                 | Cost of Collection                          | 196            |
| <b>31,189</b>       | <b>Income from business ratepayers</b>      | <b>37,438</b>  |

There was a general revaluation of all properties effective from 1 Apr 2005 and a small business rate multiplier was introduced.

## 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 Director of Corporate Services.
- ◆ to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- ◆ Approve the statement of accounts

The Director of Corporate Services' responsibilities:

The Director of Corporate Services 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 of Practice").

In preparing this statement of accounts, the Director of Corporate Services has:

- ◆ selected suitable accounting policies and then applied them consistently
- ◆ made judgements and estimates that were reasonable and prudent
- ◆ complied with the Code of Practice.

The Director of Corporate Services has also:

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

The Statement of Accounts presents fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2006.

Signed \_\_\_\_\_

Director of Corporate Services

Date \_\_\_\_\_

## **STATEMENT ON INTERNAL CONTROL / CORPORATE GOVERNANCE TO THE 2005/06 ACCOUNTS.**

### **CORPORATE GOVERNANCE**

The Council is committed to the highest standards of corporate governance and is ensuring that it complies with relevant statutory requirements and recommendations from its auditors.

Canterbury City Council comprises 50 elected members. It is supported by a team of paid officers led by the Chief Executive as Head of Paid Service. There are separate posts of Monitoring Officer and Director of Corporate Services to ensure independence in the giving of advice to members.

The Council has established an employee code of conduct based around the 7 Nolan Principles on standards in Public Life to secure integrity within its operations. In addition Council Members have their own code of conduct and there is a Standards Committee.

## **STATEMENT OF INTERNAL CONTROL**

### **1. SCOPE OF RESPONSIBILITY**

Canterbury City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. It also has a duty under the Local Government Act 1999 to secure continuous improvement in how its functions are exercised.

In discharging this overall responsibility Canterbury City Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

### **2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL**

The system of internal control is designed to promote effective risk taking to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve aims and objectives. It 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 the risks to the achievement of its 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.

The system of internal control has been in place at Canterbury City Council for the year ended 31<sup>st</sup> March 2006 and up to the date of approval of the annual report and accounts.

### **3. THE INTERNAL CONTROL ENVIRONMENT**

This is comprised of a number of elements, which together provide layers for control at both strategic and operational levels for the management of risk. The key elements are set out in the table below together with an outline of further actions to be carried out to enhance the control environment.

| DESCRIPTION OF KEY ELEMENTS   | INTERNAL CONTROL  | PLANNED ENHANCEMENTS  | FUTURE |
|---|---|---|--------|
| <p>1. Establishing and monitoring the achievement of the authority's objectives</p> | <p>The Council has produced a Corporate Plan covering the period April 2004 – March 2008. This is reviewed annually to ensure that it remains relevant to the council's developing policies. Obsolete actions are deleted and new ones added. The Corporate plan was updated in March 2006. Progress against the Corporate plan is reported on a regular basis to the Executive the last report being on 21/07/2005.</p> <p>60 Best Value Performance Indicators (BVPI's) for which the council is responsible, plus 35 Key Local Performance Indicators (KLPI's) covering major areas of council spending not covered by BVPI's have been chosen for monitoring council performance.</p> <p>Where appropriate, these are monitored by both officers and members on a quarterly basis, (others are monitored annually). Reports on performance against targets are made to the Scrutiny Management &amp; Review sub-Committee of the Overview &amp; Scrutiny Committee.</p> <p>The Council has identified priority BVPI's largely centred around direct service delivery. These are given higher precedence for improvement because of their impact upon the public.</p> <p>The Local Strategic Partnership, of which the Council is a member has produced a Community Strategy covering 6 of the 7 themes in the draft Corporate Plan. This is an inter-agency plan projecting 10 -15 years ahead and was adopted in April 2003. There are 95 key actions in this plan.</p> <p>The Partnership Executive monitors the Community Strategy annually. The second annual report was produced in July 2005.</p> | <p>The new Corporate Management System (PRISM), which includes Performance, Risk Management and Service Planning was implemented in April 2006. Training sessions for key staff will take place in May 2006. Further training sessions for other relevant staff will be arranged during 2006.</p> <p>The advantages of this system are to bring together performance monitoring, risk management and service planning under a single corporate system. This will facilitate monitoring of the overall delivery of council strategies and the management of risk.</p> <p>Updates to and reviews of the Corporate Plan are reported to management and members (with additions and deletions) as the plan moves forwards. A composite copy of the plan including these and review documents will be made available on the intranet / council site to show the current "state of play".</p> |        |

| <b>DESCRIPTION OF KEY ELEMENTS</b>   | <b>INTERNAL CONTROL</b>  | <b>PLANNED ENHANCEMENTS</b>   | <b>FUTURE</b> |
|--|--|---|---------------|
| <p>1. Establishing and monitoring the achievement of the authority's objectives (cont)</p> | <p>The Community Strategy action plan was reviewed by the Executive Board of the Local Strategic Partnership (LSP) and was made available in the Autumn of 2005.</p> <p>A newsletter detailing performance against the actions in the Community Strategy was sent to the wider LSP in May 2005.</p> <p>Local Strategic Partnership Executive Board Meetings held quarterly throughout year.</p> <p>2005/06 Best Value Performance Plan published and available on Web Site BVPP reported annually to Executive. Annual Report to Executive monitors progress on targets.</p> | <p>Corporate Plan will be reviewed in 2007 ready for publication in 2008 – moving forward to 2012</p> <p>A consultative exercise will be carried out to ensure that the Corporate Plan for 2008-2012 reflects the new priorities of the Community Strategy.</p> |               |

| DESCRIPTION OF KEY ELEMENTS                              | INTERNAL CONTROL   | PLANNED ENHANCEMENTS  | FUTURE |
|--|--|---|--------|
| <p>2. The facilitation of policy and decision-making</p> | <p>The Council has adopted a detailed Constitution as set out in the Council yearbook. This covers rules of procedure for council business, committee structure and terms of reference, delegations and protocols.</p> <p>There is an Executive Committee, which takes all policy decisions within the Policy and Budget framework.</p> <p>The Council's Management Team comprising the Chief Executive and the two other strategic directors, the Council's Head of Democratic and Legal Services (who is also the monitoring officer), the Head of Housing &amp; Community Development and the Head of Policy and Improvement meets on a regular weekly basis to consider both strategic and operational issues. Management Team and those who have an input on specific implications review all committee reports.</p> <p>On a monthly basis an Extended Management Team meeting takes place and is attended by Directors and all Heads of Service.</p> <p>A number of working groups have been created to facilitate consideration of key issues facing the council and these all report through Management Team to the relevant Council Committee(s)</p> <p>In addition to the above there are many complementary Council Strategies, (as listed in the Council year-book) which have been determined by members. These have been produced for each of the themes within the Corporate Plan and include action plans and priorities for the effective targeting of resources.</p> | <p>The Council will take into account the Local Government White Paper expected later this year which should set the direction for the Neighbourhood working agenda</p> <p>The new corporate management system (PRISM) will enable these to be monitored more effectively as this links together the separate strategies.</p> |        |

| DESCRIPTION OF KEY ELEMENTS   | INTERNAL CONTROL  | PLANNED ENHANCEMENTS  | FUTURE |
|---|---|---|--------|
| <p>3. Ensuring compliance with established policies, laws and regulations:-</p> | <p>The Council Year book contains key controls and regulations including:</p> <p>Council's Constitution<br/> Budget and Policy Framework Procedure Rules<br/> Financial Regulations,<br/> Standing Orders with respect to Contracts,<br/> Delegations to Officers,<br/> Code of Conduct for Employees,<br/> Members Code of Conduct</p> <p>Each Department produces detailed Service Plans setting out key objectives and actions. These are derived from many sources, the most significant of which are:</p> <p>Corporate Plan,<br/> Medium-term Financial Strategy<br/> Best Value Performance Plan<br/> Corporate Property Strategy<br/> Equalities Strategy</p> <p>Financial Regulations and Contract Standing Orders have been reviewed to reflect current developments. The changes came into effect in May 2005.</p> <p>Finance training for senior managers was delivered during the period January to March 2006 to raise awareness of these regulations / orders and associated guidance such as the procurement strategy and corporate governance arrangements.</p> | <p>The Council's Constitution and other key documents and regulations are reviewed annually.</p> <p>Changes are made to Contract Standing Orders, Financial Regulations and the Employee Code of Conduct as appropriate.</p> <p>The Employee Code of Conduct will be reviewed when the national code is produced.</p> |        |



| DESCRIPTION OF KEY ELEMENTS  | INTERNAL CONTROL  | PLANNED ENHANCEMENTS   | FUTURE |
|--|---|--|--------|
| <p>How risk management is embedded in the activity of the council.</p> | <p>A Risk Management / Corporate Governance working group has been established from key officers within the Council to implement and develop the Risk Management policy by establishing appropriate assessment and review procedures and identifying training needs.</p> <p>An annual Corporate Governance compliance statement is signed by each Head of Service as part of the process for producing the Annual Service Plans. Risks identified during this planning process are incorporated into service action plans.</p> <p>The Head of Internal Audit meets with Heads of Service to identify and discuss key risk areas and how they are currently managed. The annual audit plan, which is approved by Members each year, is derived partly from these discussions.</p> <p>The Project Management Toolkit includes the need to identify risks associated with any project.</p> | <p>Risk management training will be delivered to members. This will be at two levels: a general raising of awareness of all members and more detailed training for members of the new Audit Committee.</p> <p>An independent chair will be appointed to lead this committee.</p> |        |
| <p>How leadership is given to the risk management process.</p>         | <p>The Council has adopted a Risk Management Policy, aimed at best practice in the identification, evaluation and cost-effective control of risks to ensure that they are either eliminated or reduced to an acceptable level.</p> <p>The Corporate Governance / Risk Management group, chaired by a Director, meets on a regular quarterly basis to progress the Council's approach to Risk Management.</p>  | <p>The new Corporate Management System (PRISM) implemented in April 2006 will be used to assist in the identification of key risks by linking these to monitoring of the performance plan.</p>   |        |

| DESCRIPTION OF KEY ELEMENTS   | INTERNAL CONTROL   | PLANNED ENHANCEMENTS  | FUTURE |
|---|--|---|--------|
| <p>How leadership is given to the risk management process (cont)</p>  | <p>Reports are made twice-yearly to members on the key risks facing the council.</p> <p>Identification of new risks is now an integral part of departmental management processes by including this as a standing item at departmental team meetings</p> <p>This includes production of a risk register, which is updated each quarter and reported to members half-yearly.</p> <p>During the budget process, there is provision for growth bids to be included to manage key risks where additional resources are required.</p>  | <p>Quarterly reports on the key risks facing the council will be made to members of the new Audit Committee</p> <p>The production of action plans to manage and monitor key risks will be developed on a more formal basis to ensure that funding priorities are identified for reducing specific risks.</p> <p>The new Corporate Management System (PRISM) will be used to identify key risks by linking these to monitoring of the performance plan and generating the risk register.</p> |        |
| <p>How staff are trained or equipped to manage risk in a way, which is appropriate to the authority &amp; their duties.</p> | <p>The work of the Corporate Governance / Risk Management group has involved raising awareness among group members and staff. Training was delivered to senior officers during 2005/06 through: the staff away day, as one element of the Management Development Programme, and at a Managers Awayday.</p> <p>The Project Management Toolkit specifically includes risk management issues.</p> <p>The Partnerships Checklist produced in January 2005 out of the Scrutiny review is now part of the project management toolkit and covers consideration of the risks associated with partnerships.</p> | <p>The work of the Corporate Governance / Risk Management group will continue to identify training as necessary.</p>  |        |

| DESCRIPTION OF KEY ELEMENTS   | INTERNAL CONTROL   | PLANNED ENHANCEMENTS   | FUTURE |
|---|--|--|--------|
| <p>4. Ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which functions are exercised, having regard to a combination of economy, efficiency and effectiveness as required by the Best Value duty.</p> | <p>The Budget Monitoring Process and the work associated with producing and effecting the Annual Service Plan ensures that officer attention is directed to the efficient and effective use of resources.</p> <p>The Council has adopted a Strategic Improvement Plan. This is reviewed every 6 months by Management Team and submitted to the Executive each year for approval and to Overview and Scrutiny for monitoring.</p> <p>The Council is required by the Office of the Deputy Prime Minister (ODPM) to produce an Annual Efficiency Statement (as required by the Gershon review) that sets out where it intends to deliver efficiency savings of 2.5% per annum over the years 2004/05 to 2006/07. This was completed for 2005/06, returns sent and savings targets achieved.</p> | <p>The Annual Service Plan process from 2006/07 includes a section on the identification of both cashable and non-cashable efficiency savings.</p> <p>Unit costs for key elements of the service are recorded as a means of identifying opportunities for efficiency savings and where improvements can be made.</p> |        |

| DESCRIPTION OF KEY ELEMENTS  | INTERNAL CONTROL   | PLANNED ENHANCEMENTS  | FUTURE |
|--|--|---|--------|
| <p>5. The financial management of the authority and the reporting of financial management.</p>     | <p>There is a comprehensive budgeting and budget-monitoring system, annual budgets and both quarterly and monthly budget-monitoring reports that monitor the delivery of the 4 - year medium-term financial strategy. Quarterly results are reported against budget, revised forecasts are produced regularly.</p> <p>To assist in the management of assets to fund revenue and capital projects a Corporate Investment Funding Team (CIFT) was re-launched in March 2005. Its particular brief is to identify investment opportunities and sources of funding in line with strategic corporate priorities and to establish project management systems for capital projects. CIFT oversees the development and monitoring of four key strategies: Corporate Property Strategy, Housing HRA Business Plan, ICT Strategy, Capital Strategy. It also monitors bidding for external funding.</p> <p>The Council has adopted an Anti Fraud and Corruption Policy and Whistleblowing Policy to enable staff and others to make public interest disclosures with confidence. This policy was updated in January 2005 and is available on the intranet. Ongoing training is given each year covering new staff and those who have not attended before.</p> |   |        |
| <p>6. The performance management of the authority and the reporting of performance management.</p> | <p>The Council has developed a corporate planning process, which integrates with service and financial planning. The Council has set out its key objectives in its Corporate Plan.</p>   | <p>The new corporate management system (PRISM) implemented in April 2006 will integrate performance management with service planning and risk management.</p> |        |

#### 4. REVIEW OF EFFECTIVENESS

Canterbury City Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. This review is informed by the work of internal auditors and the executive managers, within the authority who have responsibility for the development and maintenance of the control environment, and also by comments made by external auditors and other review agencies and inspectorates.

This review included the following elements during the year 2005/06

| SOURCE  | REVIEW ACTIVITY  | FUTURE ENHANCEMENTS  |
|---|--|--|
| Internal Audit Assurance                      | <p>The Council approves annually the audit plan setting out the programme of work for reviewing and monitoring the activities of the Council, in particular its internal financial controls.</p> <p>It has adopted an Audit Charter, which requires an annual report to be made to members on the results of audit work during the year of account.</p> <p>The annual report for 2005/06 gave assurance that in general systems are sound and that the main risks facing the council relate to corporate capacity, major projects and the management of some of its contracts.</p> | <p>From June 2006 Internal audit will report to a separately constituted Audit Committee, which has the review and monitoring of risk management and internal control as its prime aims.</p> <p>The Audit Charter will be amended to take account of these new arrangements.</p> |
| Independent Corporate Governance Health Check | An annual Corporate Governance Health check is undertaken by an independent auditor engaged through Internal Audit utilising the CIPFA/SOLACE matrix. This report includes a number of minor recommendations for improvements in corporate governance arrangements   | A revised version of the CIPFA / SOLACE matrix is expected in 2006/07 and will be used for future reviews.   |

| SOURCE  | REVIEW ACTIVITY  | FUTURE ENHANCEMENTS  |
|---|--|--|
| <p>Audit Commission work –<br/>The draft Annual Audit &amp; Inspection Letter dated April 2006 includes the following statements:</p> | <p>“We have not identified and significant weaknesses in the internal control framework.”</p> <p>“Internal Audit complies with CIPFA’s code of internal audit practice and is an effective function of the council. We rely on its work.”</p> <p>“The council generally has appropriate arrangements in place in relation to internal control.”</p> <p>“The council has appropriate arrangements in place to prevent and detect fraud and corruption.”</p> <p>There are some minor recommendations as to improvements, which could be made to further strengthen these controls.</p> | <p>The relevant actions from the Audit &amp; Inspection Letter will be incorporated into the council’s improvement plan.</p>   |
| <p>Best Value / Scrutiny Reviews</p>  | <p>During the year 2005/06, scrutiny reviews were completed in respect of:</p> <ul style="list-style-type: none"> <li>• Planning Enforcement</li> <li>• Community Safety</li> <li>• Manston Airport</li> <li>• Taxi Operations</li> <li>• The Council’s Approach to Gypsy and Traveller issues</li> </ul> <p>The action plans from scrutiny reviews are monitored on a six-monthly basis by the Scrutiny Management &amp; Review sub – committee.</p>  | <p>In the year 2006/07:<br/>Best Value / Scrutiny reviews are planned for:</p> <ul style="list-style-type: none"> <li>• Highways Operations</li> <li>• Consultation</li> <li>• Canterbury City Centre Development</li> <li>• Westgate Towers &amp; Surrounding Area</li> </ul> |

| SOURCE  | REVIEW ACTIVITY   | FUTURE ENHANCEMENTS  |
|---|---|--|
| <p>Audit Commission - Use of Resources Judgement</p>                  | <p>This judgement forms part of the annual audit &amp; Inspection letter. The Council, following an appeal against elements within the overall scoring, has been judged as 3 which equates to 'consistently above minimum requirements - performing well. The internal control element was scored as 2 - adequate performance.</p> <p>This judgement reflected a lack of monitoring and compliance with the code of conduct in recording gifts and hospitality. An officer and a member, who were highly likely to receive gifts and hospitality, failed to complete the registers, but this remained undetected.</p> <p>The Council Improvement Plan is reported to officers on a six-monthly basis and to Members annually.</p> | <p>The relevant actions from the Audit &amp; Inspection Letter will be incorporated into the council's improvement plan.</p>                                 |
| <p>Review by Risk Management / Corporate Governance working group</p> | <p>The quarterly meetings of this group consider the key risks and internal control issues facing the council.</p> <p>During the year recommendations were made in respect of the following:</p> <p>Identification of new risks / Corporate Governance issues</p> <p>This is now a standing item on the Management Team agenda to ensure that any emerging risks are identified at the earliest point.</p>  | <p>Use will be made of the new Corporate Management System (PRISM) to monitor risks in the context of performance monitoring and operational management.</p> |

## 5. SIGNIFICANT INTERNAL CONTROL ISSUES

| COMMENTS   | ACTION REQUIRED  | TIMETABLE        | RESPONSIBLE OFFICER(S)      | MONITORING METHOD   |
|--|--|------------------|-----------------------------|---|
| <p><b>1. Business Continuity</b></p> <p>The arrangements for dealing with a total or major loss of the civic offices need to be improved further to provide a more robust business continuity plan.</p> <p>An overall business continuity plan has been developed but further work is needed to ensure that individual plans have been documented for those services identified as critical.</p> | <p>To continue developing the Council's Business Continuity arrangements to ensure the continued corporate capacity of the organisation to meet demands.</p> <p>Specifically to ensure that individual business continuity plans have been developed for those systems identified as business critical.</p>                                    | <p>July 2006</p> | <p>All Heads of Service</p> | <p>Emergency Planning sub-group to escalate to Management Team where deadlines on production of individual plans are not met.</p> |
| <p><b>2. Infrastructure</b></p> <p>Some major maintenance needs are being addressed by larger projects dependent upon external funding and substantial internal contributions.</p> <p>If these projects do not proceed satisfactorily, maintenance needs will have to be funded internally or alternative steps taken e.g. reduction in service / closure.</p>                                   | <p>To develop a long - term plan, (20 years +) for all of its major buildings, which recognise the need for major refurbishments in the future.</p> <p>Identify future funding sources or where appropriate to set aside a sinking fund to address these long term funding requirements or alternatively ensure capital programme funding.</p> | <p>Ongoing</p>   | <p>CIFT</p>                 | <p>Management Team</p>  |



| COMMENTS   | ACTION REQUIRED  | TIMETABLE                                      | RESPONSIBLE OFFICER(S)  | MONITORING METHOD                                       |
|--|--|--|---|---|
| <b>2. Infrastructure (cont)</b>  |  |  |   |   |
| <p>Other buildings face similar demands for major refurbishment/ building maintenance expenditure.</p> <p>Similar pressures exist for non-operational property, e.g. Wincheap</p> <p>The council has retained repairing obligations as a result of a number of recently constructed community facilities. No provision has been made for long-term repairs, which will arise eventually.</p> | <p>Assess the repairing obligations of the council for these and any other recently acquired properties and ensure adequate long-term budget provision is made for major repairs and renewals.</p>         | <p>October 2006 for Budget process 2007/08</p> | <p>Head of Property Services in conjunction with relevant Head of service</p> | <p>Budget process</p>                                   |
| <b>3. Staff Training &amp; Development</b>   |  |  |   |   |
| <p>The Council needs to address current and emerging Personnel and Training issues to maintain the overall corporate capacity of the organisation to deliver service improvements and efficiency savings.</p>  | <p>Specific Targets are:<br/> Review and update recruitment policy<br/> Review training needs and deliver as necessary.<br/> Review induction procedure<br/> Review discipline and grievance procedure</p> | <p>From September 2006<br/> July 2006</p>      | <p>Head of Personnel</p>  | <p>Director of Corporate Services / Management Team</p> |

| COMMENTS   | ACTION REQUIRED  | TIMETABLE   | RESPONSIBLE OFFICER(S)   | MONITORING METHOD                                       |
|--|--|---|--------------------------|---|
| <p>The Council needs to address current and emerging Personnel and Training issues to maintain the overall corporate capacity of the organisation to deliver service improvements and efficiency savings.<br/>(cont)</p>   | <p>Implement audit recommendations regarding audit of Criminal Record Bureau (CRB) checks<br/>Implement staff competencies project.<br/>Review/revise performance appraisal process.</p>   | <p>July 2006<br/>Phased approach<br/>April 2007</p> | <p>Head Personnel of</p> | <p>Director of Corporate Services / Management Team</p> |
| <p><b>4. Corporate Capacity</b></p>  |  |   |                          |   |
| <p>The pace of change and ambitious work programme has a number of impacts:-</p> <ul style="list-style-type: none"> <li>a) Pressure upon individual key officers</li> <li>b) Pressure to omit internal control processes to shorten the time to meet deadlines.</li> <li>c) Failure to invest in the long- term capacity of the organisation through appropriate management and staff training due to individual officers not having time to commit to this</li> </ul> | <p>In conjunction with 3 above, ensure that staff are not only trained for their multiple responsibilities but receive the support and resources they need to deliver both new projects and existing services.<br/>Specifically this will require prioritising new initiatives and setting realistic timescales to deliver them within budget and staff resources.</p> | <p>December 2006</p>                                | <p>Chief Executive</p>   | <p>Management Team</p>                                  |

| COMMENTS   | ACTION REQUIRED   | TIMETABLE | RESPONSIBLE OFFICER(S) | MONITORING METHOD |
|--|---|-----------|------------------------|-------------------|
| <p><b>5. Contract Management</b></p> <p>Improvements are required in some areas of contract management and monitoring to ensure that value for money is being achieved consistently across all areas.</p> <p>The critical nature of having single suppliers for many of its services requires establishing and maintaining good working relationships across all areas of work to optimise the benefits of working in partnership.</p> <p>There are opportunities for improved financial management information and greater alignment of computerised information systems to show value for money is being achieved and to reduce duplicate recording of shared information.</p> | <p>To improve the communication and partnership working with its main contractors to reduce the risk of service failure and to ensure that it enhances its ability to meet other corporate objectives.</p> <p>Specifically:-</p> <ul style="list-style-type: none"> <li>a) to ensure that contractors provide regular, accurate and timely financial and performance information to enable contract performance to be monitored</li> <li>b) To ensure that robust inspection and monitoring systems exist for all areas of activity.</li> <li>c) To ensure that similar reporting and monitoring routines are applied to its major partnerships.</li> <li>d) To identify opportunities for the purchase of common systems to avoid duplication where there is a business case.</li> </ul> |           | All Heads of Service   | Management Team   |

## 6. OVERALL ASSESSMENT

The Council has authorised the Director of Corporate Services to oversee the development of a system of continuous review of corporate governance throughout the organisation and to report annually on this process.

As a result of this review, including findings from other internal and external audits, we are satisfied that, except for the matters listed under 5, above, corporate governance arrangements are sound and are operating effectively.

Signed .....  
Leader of the Council

Signed .....  
Chief Executive