Statement of Accounts

for the Year Ended

31 March 2009

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CANTERBURY
CITY COUNCIL

THE STATEMENT OF ACCOUNTS

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THE STATEMENT OF ACCOUNTS

EXPLANATORY FOREWORD

1. INTRODUCTION

1.1. Changes to the Statement of Accounts

There have been some further changes to the statement in 2008/09 which are preliminary stages towards the adoption of full International Financial Reporting Standards which is being introduced over the next two years. In particular there have been changes to the pension note and the former deferred charges category has been replaced by "Revenue expenditure funded from capital under statute". In addition there have been special Local Authority Accounting Practice (LAAP) bulletins specifying how to calculate and treat the impairment of investments with Icelandic banks in the statement (which allows the impact to be deferred to 2010/11).

1.2. Contents of Statement of Accounts

The council's accounts for the year 2008/09 are set out on pages 13 to 51.
They consist of:

The core financial statements:

(a) the **Income and Expenditure Account** – the council's main revenue account, covering income and expenditure on all services.

(b) the **Statement of Movement on the General Fund Balance** – reconciles the Income and Expenditure account to the General Fund Balance.

(c) the **Statement of Total Recognised Gains and Losses** – brings together all the gains and losses of the council for the year.

(d) the **Balance Sheet** – which sets out the financial position of the council on 31 March 2009.

(e) the **Cash Flow Statement** – which summarises the total movement of the council's funds.

(f) The **notes** to all these core financial statements.

(g) the **Housing Revenue Account Income and Expenditure Account** – which shows income and expenditure on council housing.

(h) the **Collection Fund Accounts** – which show income from council tax and business ratepayers and precept payments to Kent and Canterbury councils.

(i) the **Statement of Responsibilities** for the Statement of Accounts.

1.3 These accounts are supported by the **Statement of Accounting Policies**, (set out on pages 5 to 12) which follows this Foreword and the **Annual Governance Statement** (pages 52 to 66).

1.4. This Foreword (pages 1 to 4) provides a brief explanation of changes to the statement of accounts, the council's outturn financial position for 2008/09 and budget strategy for 2009/10.

2. BUDGET STRATEGY IN 2009/10

The council's budget preparations were developed over the course of the year in order to present estimates for 2009/10-2012/13 to Executive on 22 January 2009 and Full Council on 19 February 2009. This process included a series of councillor meetings (star chambers) with Heads of Service to assess unavoidable growth, mainly reductions in income due to the recession and from the corporate plan, and on proposals for savings. It also took account of the feedback on budget consultation.

The revised strategic issues taken into account (as a result of the credit crunch and worsening economic conditions) were reported in November 2008 as:

(a) Maintain corporate plan ambitions, but with re-assessed priorities based on the new budget position.

(b) Optimise service performance having regard to Performance Indicator measures, Unit Cost information and other comparative data.

(c) Deliver the efficiency targets contained in the projections.

(d) Maximise joint working opportunities by defining a clear vision and timetable for the next three years.

2. **BUDGET STRATEGY IN 2009/10 (continued)**

(e) Deliver high level CAA (Comprehensive Area Assessment) outcomes.
(f) Achieve a balanced budget.
(g) The policy on reserves and balances approved by Council in February 2007.
(h) The demands of the Audit Commission's Use of Resources assessment.

With the threat of capping, the Executive and council considered the position and made changes which enabled the council to limit the council tax increase to 4.47%.

3. **DIFFERENCES BETWEEN PLANS AND OUTTURN FOR 2008/09**

The purpose of this statement is to give an indication in broad terms of the main differences between plans and outturn for 2008/09 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
Expenditure	**£ ' 000**	**£ ' 000**	**£ ' 000**	**£ ' 000**
Net expenditure (excluding Parish precepts)	21,119	21,307	21,829	522
Add : Parish precepts	565	565	565	0
Total Expenditure	**21,684**	**21,872**	**22,394**	**522**
Income				
Revenue support grant	1,535	1,535	1,535	-
NNDR allocation	11,024	11,024	11,024	-
Met by local council taxpayers	9,125	9,125	9,125	-
Collection fund surplus	0	0	0	-
Total Income	**21,684**	**21,684**	**21,684**	-
Deficit / surplus(-) for the year (i.e. amount funded from balances)	**0**	**188**	**710**	**522**
Balance brought forward	2,188	2,342	2,342	-
Balance carried forward	**2,188**	**2,154**	**1,632**	**522**

The actual deficit of 710k agrees with the figure at the top of p.14 (Statement of Movement on General Fund Balance). The income agrees with the sources of finance at the foot of p.13. To reconcile to £22,394k total expenditure above: add £101,513 net operating expenditure on p.13 less £78,748 at the foot of p.14, less £299k LABGI grant and £72k Area based grant on p.13.

The overall position for the financial year 2008/09 was as follows:	**£ ' 000**
Original Budget (excluding Parish Precepts)	**21,119**
£366k underspendings on items in the 2007/08 budget of which £162k were carried forward to 2008/09. (approved Executive Committee on 10 July 2008)	162
Supplementary estimate	26
Approved budget for 2008/09	**21,307**
Actual expenditure	**21,829**
Net overspend	**522**

Major variations between Actual and Approved Budget were:		**£ ' 000**
Underspendings and additional income		
Reduced interest payable (154), minimum revenue provision (45)	-199	
Revenues division - staff savings etc	-146	
Microsoft Licence (-78), Corporate contingencies (-43)	-121	
Staff savings: Finance division(-109), ICT & Cent.Services(-101)	-210	
Legal & Democratic - staff savings etc	-109	
Additional Housing Benefit subsidy	-104	
DC Planning Delivery grant - supplies & services savings	-91	
Parking - savings on salaries and additional PCN income	-83	
Culture & communications - staff savings	-67	
		-1130

3.1. General Fund Revenue Expenditure (continued)

Major variations between Actual and Approved Budget (continued):		£ ' 000
Underspendings and additional income (con) b/f from previous page		-1130
Superannuation backfunding saving	-62	
Outdoor Sports pitches - cost savings and additional income	-56	
Public Safety unit - savings	-53	
Contingent liability park & ride VAT now settled	-46	
Reduced transfer to Housing Benefit Bad Debt provision	-154	
Other savings (Chief Executive -105, Corporate Services -92)	-197	
Other savings (Environment -111, Community services -80)	-191	
		-759
Offset by : Income shortfalls		-1889
Car park income shortfall	654	
Commercial and Industrial estate rent income shortfall	338	
Land charges income shortfall	289	
Development control fees shortfall	166	
Building control fees shortfall	115	
and Overspendings		1562
Marlowe Theatre - overall deficit	204	
Sponsorship	89	
Whitstable and Wincheap regeneration	67	
Visitor information centres - operational deficit	62	
Investment income (203 icelandic less 147 above income for rest)	56	
Council tax - costs recovered (55), Discretionary rate relief (43)	98	
Other (Chief Exec. 42, Corp Servs.151, Environment 71, Corp. 9)	273	
		849
NET OVERSPEND		**522**

Exceptional item: The council successfully reclaimed £2.9 million (including interest) in a claim against H M Revenues and Customs. This was not anticipated in the budget projections and so has been transferred to a reserve to (a) cover any potential shortfall in the return of monies from Icelandic banks and (b) help balance future year's budgets. See note 5 to the core statements.

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:

	Original Estimate	Approved Estimate	Actual	Difference from Original
Expenditure	**£ ' 000**	**£ ' 000**	**£ ' 000**	**£ ' 000**
Repairs and maintenance	3,807	3,807	4,343	536
Supervision and management etc.	6,096	6,096	5,706	-390
(incl. rent, rates & contribution to reserves & bad debt provision)				
Housing subsidy payable	5,030	5,030	5,422	392
Interest and similar charges	465	465	458	-7
Depreciation charge plus MRR transfer	3,708	3,708	3,709	1
Capital expenditure charged to revenue	2,813	4,208	3,462	-746
Total Expenditure	**21,919**	**23,314**	**23,100**	**-214**
Income				
Gross rent income	19,563	19,563	19,343	220
Charges for services and other income	1,302	1,302	1,398	-96
Interest on mortgages and balances	314	314	462	-148
Total Income	**21,179**	**21,179**	**21,203**	**-24**
Surplus(-) / deficit for the year	**740**	**2,135**	**1,897**	**-238**
Balance brought forward	6,555	7,687	7,687	-
Balance carried forward	**5,815**	**5,552**	**5,790**	**-238**

Housing resource accounting introduced the need to charge depreciation on council dwellings which was initially covered by additional housing subsidy. The deficit of £1,897k agrees to p.44.
Note : MRR = major repairs reserve.

3.3. Capital Expenditure

Capital expenditure relates to spending on assets which last for more than one year. The city council spent £17,904,000 on capital schemes in 2008/09. This was financed by grants, capital receipts, revenue and borrowing.

There was slippage in the general fund capital programme, particularly on the Beaney and Marlowe Theatre redevelopments.

	Original Estimate	Approved Estimate incl. c/f's & addns.	Actual	Difference from Approved
	£ ' 000	**£ ' 000**	**£ ' 000**	**£ ' 000**
Housing capital	6,845	8,555	7,494	-1,061
Coast protection capital	620	570	506	-64
Other general fund capital	10,941	13,530	9,904	-3,626
Total Capital Expenditure	**18,406**	**22,655**	**17,904**	**-4,751**

4. FUTURE CAPITAL EXPENDITURE

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

5. BORROWING

The council's long-term debt outstanding decreased from £26.8m in March 2008 to £20.5m in March 2009, whilst its investments decreased from £36.3m to £33.8m (£34.8m less £1.0m impairment of icelandic investments - see note 28) - an increase in net investments of £3.8m. Over 99% of the council's debt is with the Public Works Loan Board and all of its investments are managed internally. The average interest rate for new long-term borrowing in the year was 4.39%.

6. PENSIONS LIABILITY

The statements have to show Canterbury's assessed share of any liability in the KCC superannuation fund. Thus note 15 to the core financial statements on pages 21/22 of the statement shows that the total value of liabilities (i.e. future commitments from the fund) is £107.5m whereas the estimated assets are valued at £60.9m - a net deficit of £46.6m - which is being made up over a number of years by increasing the rates at which contributions are payable into the fund. The deficit has increased by £5.4m from £41.2m at 31 March 2008.

7. CONCLUSION

In a regime of tight revenue controls imposed by the Government, the city council has substantially achieved its revised budget aims, although the credit crunch has caused unprecedented falls in income which has resulted in a net general fund overspend - the first for many years. This has been mitigated by an extensive programme of efficiency reviews and by not filling many vacant posts. There are underspendings in capital 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 11 June 2009

STATEMENT OF ACCOUNTING POLICIES

1. GENERAL PRINCIPLES

The accounting convention adopted is historical cost as modified by the revaluation of certain categories of tangible fixed 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 2008 - A Statement of Recommended Practice" (the 2008 SORP), 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 (BVACOP) 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. INTANGIBLE FIXED ASSETS

Expenditure on assets that do not have physical substance, but are identifiable and controlled by the council (e.g. software licences) is capitalised when it will bring benefits to the council for more than one financial year. The balance is amortised (i.e. written-down) to the relevant service revenue account on a straight-line basis over 5 years. Intangible assets are included in the balance sheet at historical costs, net of the amount written-down to revenue.

3. TANGIBLE FIXED ASSETS

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

3.1 Recognition and accruals

All expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the council and the services that it provides for more than one financial year.

3.2 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:

- 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.

- non-operational assets, i.e. investment properties and assets that are surplus to requirements, are included in the balance sheet at the lower of net current replacement cost and net realisable value.

- 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.

- assets under construction are valued as the cleared site with planning permission for the development.

Net current replacement cost is assessed as:

- non-specialised operational properties – existing use value
- specialised operational properties – depreciated replacement cost
- investment properties and surplus assets – market value.

3.3 Revaluations

Subsequent revaluations of fixed assets are planned at five yearly intervals, for land and buildings, community assets and investment properties, although material changes to asset valuations will be adjusted in the interim period, as they occur. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.
The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

3.4 Impairment

The values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

a. where attributable to the clear consumption of economic benefits – the loss is charged to the relevant revenue account
b. otherwise – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account, but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

3.5 Disposals (and Capital Receipts)

When an asset is disposed of, the value of the asset in the balance sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the government. (It is shown in the statements as "Contribution to housing pooled capital receipts"). The balance of receipts is required to be credited to the Usable Capital Receipts reserve, and can then only be used for new capital investment or set aside to reduce the council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the reserve from the Statement of Movement on the General Fund Balance.

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

4. 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.

Depreciation is provided for assets with a finite useful life (except for investment propeties) according to the following policy:

- dwellings, other operational buildings, infrastructure and equipment 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 over the life of the asset as estimated by the valuer.

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

5. (GOVERNMENT) GRANTS AND CONTRIBUTIONS

Where the acquisition of a depreciating fixed asset (with a finite useful life) 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 29 to the core financial statements). The balance is then written-down to revenue over the useful life of the asset, to match the depreciation charged on the asset to which it relates.

6. CHARGES TO REVENUE FOR FIXED ASSETS

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

i) depreciation attributable to the assets used by the relevant service.
ii) impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service, and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off.
iii) amortisation of intangible fixed assets attributable to the service.

The council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue (known as the "minimum revenue provision") to contribute towards the reduction in its overall borrowing requirement. (This is equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance). Depreciation, impairment losses and amortisations are therefore replaced by the minimum revenue provision in the Statement of Movement on the General Fund Balance. The difference between the two is credited or debited to the Capital Adjustment Account.

7. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Expenditure incurred during the year that may be capitalised under statutory provisions, but which does not result in the creation of tangible assets e.g. improvement grants made and feasibility studies etc, has been charged as expenditure to the relevant service revenue account in the year. Where the council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of council tax.

8. LEASES

8.1 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 33b to the core financial statements.

8.2 Operating Leases

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

9. FINANCIAL LIABILITIES (Borrowings)

9.1 Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For the borrowings that the council has, this means that the amount shown in the Balance Sheet is the outstanding principal repayable plus accrued interest, and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement. For the disclosure note regarding fair value (note 38), the council has based its fair value report on the comparable new borrowing / deposit rate for the same financial instrument from a comparable lender. A consistent approach has been applied to assets and liabilities.

9.2 Repurchase of Borrowing

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments (loans), the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The difference between the amounts charged to the Income and Expenditure Account and the net charge required against the General Fund Balance, is a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

10. FINANCIAL ASSETS (Investments)

Financial assets are classified into two types:

- loans and receivables – assets (investments) that have fixed or determinable payments, but are not quoted in an active market.
- available-for-sale assets - assets (investments) that have a quoted market price and / or do not have fixed or determinable payments.

10.1 Loans and receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the investments that the council has made, this means that the amount shown in the Balance Sheet is the outstanding principal receivable plus accrued interest, and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

In the case of investments with Icelandic banks, the amount shown in the Balance Sheet is the outstanding principal receivable plus accrued interest less impairment where the impairment has been calculated in accordance with the guidance set out in LAAP Bulletin 82. Additional disclosures are made in notes 28 and 39 to the core financial statements.

10.2 Soft Loans

However, the council has made a number of loans to voluntary organisations at less than market rates (known as soft loans). When soft loans are made, a loss is recorded in the Income and Expenditure Account for the present value of the interest that will be foregone over the life of the loan, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the actual interest receivable for the financial year. The difference is credited or debited to the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

10.3 Available-for-sale Assets

Available-for-sale assets are initially measured and carried in the Balance Sheet at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Income and Expenditure Account when it becomes receivable by the Council.

Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

An example of an available-for-sale asset is an investment held with a fund manager, however the council no longer has any investments with fund managers and so does not hold any investments that fall into this category.

11. CURRENT ASSETS AND LIABILITIES

11.1 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, by recording a debtor or creditor in the Balance Sheet. 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.

11.2 Stocks

Stocks are included in the balance sheet at actual cost or net realisable value if lower.

12. 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 35e to the core financial statements. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in the Income and Expenditure Account. An appropriation is made from the reserve back to the General Fund Balance so that there is no impact on council tax.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits. These do not represent usable resources for the council.

13. COSTS OF SUPPORT SERVICES (CENTRAL DEPARTMENTS' EXPENSES)

All costs of overheads and support costs are fully allocated to services in proportion to the benefits received. The bases of allocation used for the main costs of overheads and support costs are outlined below:

Cost	**Basis of Allocation**
Central Departments (Finance, Chief Executive's)	Estimated time spent by staff
Administrative Buildings	Area occupied
Computing	Usage

The only exceptions to the principle of full allocation to services are:
Corporate and Democratic Core – holds costs relating to the council's status as a multi-functional, democratic organisation.
Non Distributed Costs – holds the cost of discretionary benefits awarded to employees retiring early.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Income and Expenditure Account, as part of Net Cost of Services.

14. 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. These contributions were based on formal triennial actuarial valuations. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis.

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

i) The liabilities of the Kent pension scheme attributable to the council are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees.

ii) Liabilities are discounted to their values at current prices, using a discount rate based on the indicative rate of return on the iboxx Sterling Corporates Index, AA over 15 years, at the FRS17 valuation date.

iii) The assets of the Kent pension fund attributable to the council are included in the balance sheet at their fair value:

  i) Quoted securities – current bid price
  ii) Unquoted securities – professional estimate
  iii) Unitised securities – current bid price
  iv) Property – market value

iv) The change in the net pensions liability is analysed into seven components:

  i) Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked.

  ii) Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs.

  iii) Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account

14. PENSION COSTS (continued)

iv) Expected return on assets – the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Income and Expenditure Account

v) Gains / losses on settlements and curtailments – the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs

vi) Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Statement of Total Recognised Gains and Losses

vii) Contributions paid to the Kent pension fund – cash paid as employer's contributions to the pension fund.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund (including accruals).

15. VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs, and all VAT paid is recoverable from them.

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009

2007/08 Net Expenditure		2008/09 Gross Expenditure	2008/09 Income	2008/09 Net Expenditure
£' 000	**EXPENDITURE ON SERVICES** (Note 1)	£' 000	£' 000	£' 000
	Cultural, environmental & planning services			
2,548	Culture and heritage (footnote 5)	16,353	-5,080	11,273
3,645	Recreation, sport & open spaces	4,854	-720	4,134
1,236	Tourism	1,245	-254	991
797	Coast protection	1,785	-922	863
2,800	Waste collection & disposal	3,227	-457	2,770
4,423	Other environmental services	5,321	-698	4,623
4,845	Planning & development services	7,000	-2,799	4,201
	Highways & transport services			
330	Highways	570	-358	212
252	Parking services, public transport & harbour	8,242	-7,751	491
	Housing services			
6,013	Housing Revenue Account (Note 2)	75,767	-20,798	54,969
-98	Housing benefits payments & administration	33,149	-33,135	14
1,354	Other housing services (non HRA)	2,628	-1,415	1,213
	Central services			
1,178	Local tax collection costs	1,568	-537	1,031
237	Council tax benefits	9,707	-9,471	236
288	Other central services	598	-206	392
3,208	**Corporate and Democratic Core** (footnote 5)	5,502	-891	4,611
30	**Non Distributed Costs** - Pensions (Note 15)	1,170	0	1,170
4,581	- Impairment losses re non-operational assets	10,912	0	10,912
37,667	**NET COST OF SERVICES**	189,598	-85,492	104,106
	Corporate income and expenditure			
1,844	Deficit/surplus(-) on the disposal of fixed assets	0	-400	-400
592	Parish council precepts & IDB levy	678	0	678
-2,938	Surplus from trading operations (Note 3)	950	-4,032	-3,082
1,765	Contribn.of housing capital receipts to govt. pool	527	0	527
1,151	Interest payable and similar charges (Note 37)	2,598	-337	2,261
-2,558	Interest and investment income (Note 37)	34	-2,430	-2,396
1,290	Pensions interest cost and expected return on pension assets (Note 15)	2,710	0	2,710
0	Exceptional item - VAT refund from HM Revenue and Customs. (Note 5)	635	-3,526	-2,891
38,813	**NET OPERATING EXPENDITURE**	197,730	-96,217	101,513
	Sources of finance			
-8,596	Demand on the Collection Fund (Note 7)			-9,125
	General government grants -			
-1,744	Revenue support grant			-1,535
-972	LABGI grant			-299
0	Area based grant			-72
-10,390	Distribution from non-domestic rate pool			-11,024
17,111	**SURPLUS (-) / DEFICIT FOR THE YEAR**			**79,458**

The Income and Expenditure Account shows the council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last year. However, the authority is required to raise council tax on a different accounting basis, the main differences being:

1) Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.

2) The payment of a share of housing capital receipts to the Government counts as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than council tax.

3) Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

4) The above includes the notional profit from the sale of fixed assets compared to their net book value. The major item in 2008/09 is the "profit" on the sale of 116-118 Sturry Road, which is reversed out in the next statement. The major item in 2007/08 was the donation of the former housing assets for the housing PFI scheme (see note 31) which had to be shown as a loss.

5) The main reason for the deficit this year is that there is an impairment charge of £79,539k distributed in the net cost of services, (mainly Housing Revenue Account, Non-operational assets, Culture and heritage, and Corporate and Democratic Core) which reflects the general fall in values in both general fund assets and council dwellings, which is reversed out in the next statement.

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE for the YEAR ENDED 31 MARCH 2009

The General Fund Balance compares the council's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure. This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

2007/08 Net Expenditure		2008/09 Net Expenditure
£' 000		£' 000
17,111	Surplus (-) / Deficit for the year on the Income & Expenditure Account	79,458
-17,265	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year.	-78,748
-154	**Increase (-) / Decrease in General Fund Balance for the year**	**710**
-2,188	**GENERAL FUND BALANCE B/F AT 1 APRIL**	**-2,342**
-2,342	**GENERAL FUND BALANCE C/F AT 31 MARCH**	**-1,632**

RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

2007/08 Net Expenditure			2008/09 Net Expenditure
	Amounts included in the Income and Expenditure Account, but required by statute to be <u>excluded</u> when determining the Movement on the General Fund Balance for the year.		
£' 000		£' 000	£' 000
-72	Amortisation of intangible fixed assets.	-69	
-2,867	Depreciation of fixed assets.	-2,784	
-15,064	Impairment of fixed assets.	-79,539	
0	Impairment of financial assets (investments)	-1,046	
816	Government grants deferred and other capital contributions written out to revenue.	598	
-1,517	Revenue expenditure funded from capital under statute (Note 18)	-897	
-59	Repayments of Soft Loans and Housing Act Advances from capital resources.	-49	
-1,844	Net gain / loss(-) on sale of fixed assets.	400	
225	Difference between amounts debited/credited to the I&E a/c and amounts payable/receivable to be recognised under statutory provisions re soft loans and premiums on the early repayment of debt.	352	
-4,320	Net charges made for retirement benefits in accordance with FRS17. (Note 15)	-6,030	
-24,702			**-89,064**
	Amounts <u>not</u> included in the Income and Expenditure Account, but required by statute to be <u>included</u> when determining the Movement on the General Fund Balance for the year.		
762	Minimum revenue provision for capital financing	816	
902	Capital expenditure charged in-year to General Fund Balance	3,805	
-1,765	Contribution from usable capital receipts reserve to meet payments to the Housing Capital Receipts Pool	-527	
4,290	Employer's contributions payable to the Kent Pension Fund and retirement benefits payable direct to pensioners(Note 15)	4,480	
4,189			**8,574**
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year.		
1,998	Transfer to / from (-) HRA balances	-1,897	
539	Transfer to / from major repairs reserve (Note 3 to HRA)	1,076	
711	Net transfer to / from earmarked reserves (Note 35e)	2,563	
3,248			**1,742**
-17,265	**Net additional amount required to be debited or credited to the General Fund balance for the year.**		**-78,748**

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL)

This statement, introduced by the 2006 code, brings together all the gains and losses of the council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of assets and the re-measurement of the net liability to cover the cost of retirement benefits.

2007/08	STRGL		2008/09
£' 000		£' 000	£' 000
	Surplus (-) / deficit for the year:		
17,111	- Income and Expenditure Account	79,458	
27	- Collection Fund Revenue Account	-62	
-8,917	Surplus (-) / loss arising on revaluation of fixed assets (see note 35a to core financial statements)	75	
-8,710	Actuarial gains (-) / losses on pension fund assets & liabilities (see note 15 to core financial statements for details)	3,820	
-489	**Total recognised gains (-) and losses**		**83,291**

This reconciles to the change in the "Total Net Worth" of the balance sheet as follows:

	Total Net Worth		
£' 000			£' 000
450,084	At 31 March 2008	At 31 March 2009	365,612
449,595	At 31 March 2007	At 31 March 2008 (**)	449,744
-489	Change in Total Net Worth		**84,132**
	Less : reduction to opening balance of the capital adjustment account (note 35c) contra government capital grants - deferred account (note 29) re grants received in previous years for non-depreciating assets.		-841
	Adjusted change in Total Net Worth		**83,291**

(**) After restatement. £450,084k as per the 2007/08 statement less £340k increase to the Pension Reserve deficit following a change in the FRS17 valuation.

BALANCE SHEET AS AT 31ST MARCH

2008 As restated				2009	
£ ' 000	£ ' 000	NET FIXED ASSETS	Notes	£ ' 000	£ ' 000
145		**Intangible assets**	16 & 21	98	
		Tangible assets	16 - 21		
		Operational assets-			
310,568		Council dwellings		257,093	
67,188		Other land and buildings		54,223	
28,545		Infrastructure assets		28,048	
1,748		Vehicles, plant and equipment		1,974	
1,779		Community assets		1,812	
		Non-operational assets-			
79,248		Investment properties		68,771	
1,656		Assets under construction		8,165	
5,912		Surplus assets, held for disposal		4,674	
	496,789	**TOTAL FIXED ASSETS**			424,858
	415	Long-Term Debtors	23		762
	497,204	**TOTAL LONG-TERM ASSETS**			425,620
		CURRENT ASSETS			
161		Stocks in hand	24	128	
14,455		Debtors	25	13,705	
-3,290		Less : Provision for Bad Debts	26	-3,519	
653		Payments in Advance		517	
37,212		Investments (Short-term)	28	34,943	
388		Cash in hand		1,088	
	49,579				46,862
	546,783	**TOTAL ASSETS**			472,482
		CURRENT LIABILITIES			
11,169		Creditors	27	13,435	
1,962		Deposits & receipts in advance		694	
7		Short-term borrowing	38	7,506	
1,935		Bank overdraft		0	
	-15,073				-21,635
	531,710	**TOTAL ASSETS LESS CURRENT LIABILITIES**			450,847
		LONG-TERM LIABILITIES			
27,018		Long-term borrowing	39	20,668	
13,738		Government grants deferred	29	17,987	
41,210		Liability related to defined benefit	15	46,580	
	-81,966	pension scheme			-85,235
	449,744	**TOTAL ASSETS LESS LIABILITIES**			**365,612**
	£ ' 000	**FINANCED BY:**	35		£ ' 000
	8,749	Revaluation reserve	35a		7,965
	451,655	Capital adjustment account	35c		374,630
	-1,377	Financial instruments adjustment account	35b		-2,071
	10,636	Usable capital receipts reserve	35d		10,396
	-41,210	Pensions reserve	15		-46,580
	103	Deferred capital receipts	30		66
	188	Major repairs reserve			188
	10,822	Earmarked reserves	35e		13,385
		Revenue Balances			
2,342		General Fund		1,632	
7,687		Housing Revenue Account		5,790	
149		Collection Fund Revenue Account		211	
	10,178				7,633
	449,744	**TOTAL NET WORTH**			**365,612**

The previous year's figures relating to the pension reserve and the liability related to defined benefit pension scheme have been increased by £340k from £40,870k to £41,210 to reflect the change in accounting policy in the way investments in the pension fund are valued.

CASH FLOW STATEMENT

2007/08 As restated		2008/09		
£' 000	**REVENUE ACTIVITIES**	£' 000	£' 000	£' 000
	CASH OUTFLOWS			
25,122	Cash paid to and on behalf of employees	25,524		
41,848	Other operating cash payments	39,888		
49,080	Kent County Council precept paid	51,367		
6,219	Kent Police Authority precept paid	6,576		
3,138	Kent & Medway Fire Authority precept paid	3,272		
16,586	Housing Benefit paid out	19,343		
43,528	National non-domestic rates paid to national pool	42,095		
1,818	Payments to the capital receipts pool	657		
187,339			188,722	
	CASH INFLOWS			
6,465	Net rents (after rebates)	7,091		
59,439	Council tax receipts	61,889		
40,905	Local Non-domestic rate receipts	43,103		
10,390	Non-domestic rate receipts from national pool	11,024		
1,744	Revenue support grant	1,535		
28,938	DWP grants for housing rebates	31,986		
7,945	DWP grant for council tax rebates	8,117		
5,186	Other government grants (Note 43)	4,264		
21,971	Cash received for goods and services	22,650		
707	Other operating cash receipts	5,659		
-183,690			-197,318	
3,649	**REVENUE ACTIVITIES NET CASH FLOW (Note 40)**			-8,596
	RETURNS ON INVESTMENTS & SERVICING OF FINANCE			
	CASH OUTFLOWS			
1,242	Interest paid		1,296	
	CASH INFLOWS			
-2,252	Interest received		-2,100	
-1,010	**NET INTEREST**			-804
	CAPITAL ACTIVITIES			
	CASH OUTFLOWS			
8,516	Purchase of fixed assets	15,536		
0	Soft Loans	600		
8,516			16,136	
	CASH INFLOWS			
2,802	Sales of fixed assets	2,757		
425	Capital grants received (Note 44)	3,768		
56	Other capital cash receipts	49		
-3,283	(Principal repayments of Soft Loans etc)		-6,574	
5,233	**CAPITAL ACTIVITIES NET CASH FLOW**			9,562
7,872	**NET CASH INFLOW/OUTFLOW BEFORE FINANCING**			162
	MANAGEMENT OF LIQUID RESOURCES			
-4,234	Net increase / decrease in short-term investments (Note 41)			-1,553
	FINANCING			
	CASH OUTFLOWS			
2,251	Repayments of long-term borrowing	(Note 41)	8,505	
3,000	Repayments of short-term borrowing	(Note 41)	0	
	CASH INFLOWS			
-8,250	New long-term loans raised	(Note 41)	-2,250	
0	New short-term loans raised	(Note 41)	-7,499	
-2,999	**FINANCING NET CASH FLOW**			-1,244
639	**NET INCREASE (-) / DECREASE IN CASH**	(Note 42)		**-2,635**

The previous year's comparatives have been restated according to LAAP bulletin 81 to reflect the changed treatment of deferred charges which are now revenue expenditure funded from capital under statute (rather than capital outflows). This included £2,531k expenditure and £1,014k grants.

NOTES TO THE CORE FINANCIAL STATEMENTS

1. EXPENDITURE ON SERVICES

The analysis of services contained in this summary account follows the Best Value Accounting Code of Practice (BVACOP). Capital charges for depreciation are included in service expenditure.

2. HOUSING REVENUE ACCOUNT

Reconciliation of figures above to Housing Revenue Account net cost of services in 2007/08 & 2008/09.

2007/08 Net		2008/09 Expenditure	2008/09 Income	2008/09 Net
£' 000		£' 000	£' 000	£' 000
6,025	Expenditure & income per HRA A/C's	75,710	-20,744	54,966
48	Add: Transfers from reserves	57	0	57
-60	Less: Transfers to reserves	0	-54	-54
6,013	**TOTAL**	**75,767**	**-20,798**	**54,969**

3. TRADING UNDERTAKINGS

The council operates the following trading undertakings:

2007/08 Net	Name of Trading Undertaking	2008/09 Expenditure	2008/09 Income	2008/09 Net
£' 000		£' 000	£' 000	£' 000
	Cultural, Environmental & Planning Services			
14	Markets (incl. boot fairs)	296	-229	67
	Trading Services			
-512	Industrial Estates	95	-610	-515
-2,440	Other Estates	559	-3,193	-2,634
-2,938	**TOTAL**	950	-4,032	**-3,082**

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 liasing 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.

2007/08 Chargeable	Building Regulations Charging Account	2008/09 Chargeable	2008/09 Non Chargeable	2008/09 Total
£' 000		£' 000	£' 000	£' 000
653	Expenditure	597	100	697
-515	Income	-496	-1	-497
138	**Surplus(-) / Deficit for Year**	101	99	200

The building control fee was increased in January 2008. There has also been a staff restructure with effect from April 2008 in order to reduce the deficit.

5. EXCEPTIONAL INCOME ITEM

The council has been successful in a "Fleming case" VAT claim against H M Revenue and Customs relating to cultural income 1990 to 1996, parking control notice income and cemetery income 1973 to 1996. It has received £2.9 million for the claim and interest. The other £0.6million share of the claim and interest was paid to the accountancy firm who lodged the claim on our behalf. This income is windfall income to the council, in that it had not been anticipated in the budget projections. It is therefore available to cover any potential shortfall in the return of monies from Icelandic banks, (so the council will not need to use existing reserves) with the balance available to help balance future year's budgets.

6. 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 Unitary Authority and Kent County Council.
Total expenditure was £ 462,000 (2007/08 - £ 489,000) and total income received in the year was £363,000 (2007/08 - £ 454,000), with the balance of £99,000 (2007/08 - £35,000) due to be received next year.

7. 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 2008/09 was £9.125 million in line with the council's original budget. (2007/08 - £8.596 million).

This amount includes £565,000 for Parish Precepts (2007/08 - £482,000) and £0 for the collection fund transfer in 2008/09 for the break-even at 31.3.08. (2007/08 - £0).

8. AUDIT FEES

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

2007/08		2008/09
£' 000	**Fees payable to the Audit Commission for**	£' 000
113	External audit services carried out by the appointed auditor	115
0	Statutory inspection	0
20	Certification of grant claims and returns	35
133	**Total**	**150**

9. 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 2008/09.

10. 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:

2007/08	Category of Expenditure	2008/09
£' 000		£' 000
122	Recruitment advertising	63
75	Publicity relating to tourism activities	84
39	Publicity and promotions and corporate marketing	92
59	Other advertising and publicity	4
295	**TOTAL**	**243**

11. 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 2008/09 and included elsewhere in these accounts totals £140,000 (2007/08 - £141,000) which is well within the limit allowed of £281,000 (2007/08 - £278,000).

2007/08	Category of Expenditure	2008/09
£' 000	GRANTS & CONCESSIONARY RENTS	£' 000
117	Citizens Advice Bureaux	120
23	Whitstable Umbrella	19
1	Canterbury Umbrella	1
141	**TOTAL**	**140**

12. OFFICERS' EMOLUMENTS

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

Number of employees 2007/08	Remuneration Band	Number of Employees 2008/09
18	£ 50,000 - £ 59,999	22
5	£ 60,000 - £ 69,999	7
7	£ 70,000 - £ 79,999	7
1	£ 80,000 - £ 89,999	2
2	£ 90,000 - £ 99,999	1
0	£100,000 - £109,999	2
1	£130,000 - £139,999	0
0	£140,000 - £149,999	1
34	**TOTAL**	**42**

These figures include employee pension contributions.

13. MEMBERS' ALLOWANCES

The total of members' allowances paid in the year was £ 404,600. (2007/08 - £394,000) Figures for PC allowances, travel & subsistence and national insurance are included from 2005/06.

14. RELATED PARTY TRANSACTIONS

The council is required to disclose material transactions with related parties, bodies or individuals that have the potential to control or influence the council or be controlled or influenced by the council. The parties listed are related because of common control by central government and transactions with them are shown below:

	Receipts	Payments	Debtors at year-end	Creditors at year-end
Central Government	£ ' 000	£' 000	£' 000	£' 000
Revenue grants	58,142		3,101	
Capital grants	3,182		75	
Kent County Council - Precept		51,367		0
Kent Police Authority - Precept		6,576		0
Kent & Medway Fire Authority Precept		3,272		0
Kent County Council Pension Fund		4,130		442
[Payment of employer's superannuation contributions in respect of employees]				

15. PENSION COSTS

Participation in pensions schemes.

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

Change of accounting policy.

Under the 2008 SORP, the council has adopted the amendment to FRS17, Retirement benefits. As a result, quoted securities held as assets in the defined benefit scheme are now valued at bid price rather than mid-merket value. The effect of this change is that the value of scheme assets at 31 March 2008 has been restated from £75,470k to £75,130k, a decrease of £340k, resulting in an increase of the pension deficit of £340k from £40,870k to £41,210k.

Transactions relating to retirement benefits.

We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

2007/08	Transactions in the Income and Expenditure Account	2008/09
£' 000	**Net cost of services:**	**£' 000**
3,000	- Current Service cost	2,150
0	- Past Service cost	1,010
30	- Losses (-) / Gains on settlements and curtailments	160
	Net operating expenditure:	
7,150	Interest cost of pension scheme liabilities	8,010
-5,860	Expected return on employer assets	-5,300
4,320	**Net charge to the Income and Expenditure Account**	**6,030**

£' 000	Statement of movement on the General Fund Balance	£' 000
-4,320	- Reversal of net charges made for retirement benefits in accordance with FRS17.	**-6,030**
	Actual amount charged against the General Fund Balance for pensions in the year:	
3,950	Employer contributions payable to the scheme.	**4,130**
340	Unfunded benefits paid	**350**

In addition to the recognised gains and losses included in the Income and Expenditure Account, the following actuarial gains and losses were included in the STRGL:

As restated	Statement of recognised gains and losses (STRGL)	
8,740	Actuarial Losses (-) / Gains	-3,820

Assets and liabilities in relation to retirement benefits.

£' 000	Movement in Defined Benefit Obligation ("liabilities")	£' 000
-132,840	**Opening balance of Defined Benefit Obligation**	**-116,340**
-3,000	Current Service cost	-2,150
0	Past Service cost	-1,010
-30	Losses (-) / Gains on settlements and curtailments	-160
-940	Contributions by members (employees)	-1,040
4,600	Estimated benefits paid	4,670
340	Estimated unfunded benefits paid	350
-7,150	Interest cost of pension scheme liabilities	-8,010
22,680	Actuarial Losses (-) / Gains	16,220
-116,340	**Closing balance of Defined Benefit Obligation ("liabilities")**	**-107,470**

15. PENSION COSTS (continued)

The Past Service Cost figure for this year (in the previous table) includes £20,000 in respect of efficiency and other early retirements and £990,000 in respect of retrospective changes to member benefits that came into effect on 1 April 2008.

2007/08	Movement in Fair Value of employer assets	2008/09
£' 000		£' 000
82,920	**Opening balance of Fair Value of employer assets**	**75,130**
3,950	Employer contributions	4,130
940	Contributions by members (employees)	1,040
340	Contributions in respect of Unfunded Benefits	350
-4,600	Benefits paid	-4,670
-340	Unfunded benefits paid	-350
5,860	Expected return on employer assets	5,300
-13,940	Actuarial gains / losses(-)	-20,040
75,130	**Closing balance of Fair Value of employer assets**	**60,890**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy.

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.

Expected L.T.Return at 31 Mar 2008	Assets value at 31 March 2008		Assets (Employer)	Expected Long Term Return at 31 March 2009	Assets value at 31 March 2009
% per annum	£ ' 000 As stated previously	£ ' 000 As restated		% per annum	£ ' 000
7.7	52,420	52,190	Equities	7.0	40,190
5.7	10,590	10,540	Bonds	5.4	10,350
5.7	8,160	8,120	Property	4.9	5,480
4.8	4,300	4,280	Cash	4.0	4,870
7.0	**75,470**	**75,130**	**Total**	7.0	**60,890**

The above asset values as at 31 March 2009 are at bid value as required under FRS17. In previous accounting periods they were reported at mid-market value. The figures previously disclosed at 31 March 2008 have been adjusted for the estimated bid value of assets at that date.

2008 As restated	Net Pension Liability as at 31 March in Balance Sheet	2009
£ ' 000		£ ' 000
75,130	Fair Value of Employer Assets (A)	60,890
-111,360	Present Value of Funded Liabilities (B)	-102,880
-36,230	Net underfunding in Funded Plans (A) - (B)	-41,990
-4,980	Present Value of Unfunded Liabilities (C)	-4,590
-41,210	Net Pension Liability (A) - (B) - (C) in Balance Sheet	-46,580

The liabilities show the underlying commitments that the council has in the long run to pay retirement benefits. Under the requirements of FRS17, a (net) 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 income and expenditure account.

15. PENSION COSTS (continued)

Historic experience gains and losses

	2006/07 As restated £' 000	2005/06 £' 000	2004/05 £' 000
Difference between expected and actual return on assets.	-530	12,200	2,390
Value of assets	82,920	77,870	61,016
Percentage of assets	**-0.6%**	**15.7%**	**3.9%**
Experience gains / losses(-) on liabilities	300	-176	-7,310
Total present value of liabilities	132,840	133,740	113,360
Percentage of the total present value of liabilities	**0.2%**	**-0.1%**	**-6.4%**
Actuarial gains / losses(-) recognised in STRGL	7,240	-2,506	-22,915
Total present value of liabilities	132,840	133,740	113,360
Percentage of the total present value of liabilities	**5.5%**	**-1.9%**	**-20.2%**

The council has elected not to restate the fair value of scheme assets for 2005/06 and 2004/05 as permitted by FRS 17.

Adding the actuarial gains and losses in 2007/08 and 2008/09 brings the cumulative actuarial loss to 13,261k over the 5-year period.

The employer's contributions for the year 2009/10 are estimated to be £4,370k.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. These liabilities have been assessed by Hymans Robertson, an independent firm of actuaries.

The long-term expected rate of return on assets in the scheme is shown three tables above next to the values of each category of asset.
Other assumptions are set out below:

	Mortality assumptions	**2008/09**
	Longevity at 65 for current pensioners:	**Years**
	Men	21.5
	Women	24.4
	Longevity at 65 for future pensioners:	
	Men	22.6
	Women	25.5
2007/08	**Financial assumptions**	**2008/09**
%		%
3.6	Rate of inflation / pension increase rate	2.9
5.1	Rate of increase in salaries	3.9
7.0	Expected return on assets	6.3
6.9	Rate for discounting scheme liabilities (discount rate)	6.9

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.

16. FIXED ASSETS

Following the introduction of capital accounting, fixed assets are valued using the bases set out in note 19 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.

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

Gross book value at 1 April		Additions	Disposals	Revaluations	Impairments	Reclassifications	Gross book value at 31 March
£' 000	Intangible assets	£' 000	£' 000	£' 000	£' 000	£' 000	£' 000
386	Software licences	0	-19	0	22	0	389
	Tangible assets						
	Operational assets-						
313,705	Council dwellings	7,494	-720	-3,137	-57,652	0	259,690
70,285	Other land & buildings	4,259	0	-2,395	-10,541	-5,196	56,412
39,513	Infrastructure	442	0	0	-17	0	39,938
6,426	Vehicles, plant, furniture & equipment	877	-464	0	-4	0	6,835
1,789	Community assets	18	0	0	16	0	1,823
	Non-operational assets-						
79,248	Investment properties	178	-1,500	18	-9,788	615	68,771
1,656	Under construction	2,268	0	0	-85	4,326	8,165
5,912	Surplus assets	0	-137	134	-1,490	255	4,674
518,920	TOTAL	**15,536**	**-2,840**	**-5,380**	**-79,539**	**0**	**446,697**

Net book value at 1 April		Depreciation					Net book value at 31 March
		Accum. 1 April	During year	Written out on disposals	Written out on revals.	Accum. 31 March	
£' 000	Intangible assets	£' 000	£' 000	£' 000	£' 000	£' 000	£' 000
145	Software licences	241	69	-19	0	291	**98**
	Tangible assets						
	Operational assets-						
310,568	Council dwellings	3,137	2,597	0	-3,137	2,597	**257,093**
67,188	Other land & buildings	3,097	1,261	0	-2,169	2,189	**54,223**
28,545	Infrastructure	10,968	922	0	0	11,890	**28,048**
1,748	Vehicles, plant, furniture & equipment	4,678	636	-453	0	4,861	**1,974**
1,779	Community assets	10	1	0	0	11	**1,812**
	Non-operational assets -						
79,248	Investment properties	0	0	0	0	0	**68,771**
1,656	Under construction	0	0	0	0	0	**8,165**
5,912	Surplus assets	0	0	0	0	0	**4,674**
496,789	TOTAL	**22,131**	**5,486**	**-472**	**-5,306**	**21,839**	**424,858**

The main items of capital expenditure were:	£' 000
Council dwellings	7,494
Leisure & culture schemes incl. Marlowe Theatre & Beaney	6,435
Regeneration & planning schemes & historic buildings grants	324
Disabled facilities grants, housing assistance and private sector renewal.	946
Highways & transport	821
Coast protection	506
Public conveniences refurbishment, play areas & other environment schemes	518
I.T.Developments, harbour and community development	860
TOTAL	**17,904**

17. FIXED ASSETS and the CAPITAL FINANCING REQUIREMENT

2007/08	Capital Expenditure and Financing	2008/09	
£ ' 000		£ ' 000	£ ' 000
23,895	**Opening Capital Financing Requirement**		25,560
	Capital Expenditure in year:		
6,620	Operational assets	13,091	
1,864	Non-operational assets	2,445	
32	Intangible assets	0	
2,531	Revenue expenditure funded from capital under statute	1,768	
0	Long term debtors	600	
11,047			17,904
	Sources of Finance		
-2,616	Capital receipts	-2,518	
-1,394	Government & other capital grants (see footnote to note 18)	-4,877	
-4,610	Revenue & reserves	-7,514	
-762	Revenue provision for repayment of loans (MRP)	-816	
-9,382			-15,725
25,560	**Closing Capital Financing Requirement**		**27,739**
	Explanation of movements in year		
0	Increase in underlying need to borrow-supported by govt.financial assistance		**0**
1,665	Increase in underlying need to borrow-unsupported by govt.financial assistance		**2,179**
1,665	**Increase in Capital Financing Requirement**		**2,179**

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.

2007/08	Capital Financing Requirement calculation from balance sheet items	2008/09
£ ' 000		£ ' 000
496,789	Fixed Assets	424,858
415	Long term debtors (including soft loans at fair value)	762
74	Financial instruments adjustment account re soft loans	240
497,278		425,860
-8,749	Revaluation Reserve	-7,965
-451,655	Capital Adjustment Account	-374,630
-13,738	Government & other capital grants deferred	-17,987
-103	Deferred capital receipts	-66
23,033		**25,212**
2,527	Add : item A adjustment	2,527
25,560	**Adjusted closing Capital Financing Requirement**	**27,739**

18. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

This is a new heading in the 2008 SORP which replaced the old category of deferred charges. For the 2008/09 accounts this expenditure has to be recognised as revenue expenditure and any funding of it by grants has to be recognised as revenue income.

Item of expenditure	Gross Exp'd	Govt. Grants	Net Exp'd
	£' 000	**£' 000**	**£' 000**
Improvement grants	923	-363	560
Historic building grants	40	-1	39
Housing association grants	1	0	1
Other incl. parish council grants	804	-507	297
TOTAL	**1,768**	**-871**	**897**

The financing of this expenditure was: capital receipts £822k, grants £871k, revenue and reserves £75k. Adding the £871k to the £4,006k grants transferred to the government capital grants - deferred account (note 29), reconciles to the total capital grants applied to finance capital expenditure £4,877k (see note 17).

19. 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 2009	A	Martin Bovingdon , FRICS
Other land & buildings	April 03 - March 2009	B	Martin Bovingdon , FRICS
Non-operational assets	April 03 - March 2009	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

20. ASSETS HELD

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

2008	OPERATIONAL ASSETS	2009	2008	OPERATIONAL ASSETS (Con.)	2009
5,306	**COUNCIL DWELLINGS**	5,294		**VEHICLES , PLANT,**	
1,250	**Council Garages**	1,236		**FURNITURE & EQUIPMENT**	
	LAND				
2	Caravan sites	2	3	Light vans	4
3	Markets	3	1	Boats	1
1	Multi- storey car parks	1	1	Fork lifts	1
37	Surface car parks	36	var.	Play area equipment	var.
12	Residents car parks	12	var.	Office equipment	var.
3	Park & Ride car parks	3		Wave, tide and recording	
1	Coach park	1	var.	equipment	var.
	BUILDINGS		var.	Car park CCTV machines	var.
2	Halls	2	var.	Lifeline machines	var.
1	Theatre	0	var.	Trade refuse bins	var.
2	Leisure centres	2	var.	Domestic bins	var.
2	Sports centre	2	var.	Recycling bins	var.
1	Swimming pool	1			
6	Museums	5		**COMMUNITY ASSETS**	
4	Civic/divisional offices	4	521 ac.	Parks and recreation grounds	521 ac.
1	Guildhall / Tower House	1	3	Cemeteries (land only)	3
3	Visitor information centres	1	14	Allotments	14
31	Public conveniences	32	var.	Museum exhibits and paintings	var.
8	Workshop / Stores	8	var.	Civic regalia	var.
1	Childrens centre	1	10	Historic buildings	10
2	Community centres	2			
	INFRASTRUCTURE				
13 Mi.	of coastline, of which	13 Mi.		**NON-OPERATIONAL ASSETS**	
10 Mi.	are council responsibility	10 Mi.	3	Industrial estates	3
9 Mi.	are protected by defences	9 Mi.	2	Enterprise centres	2
2	Cliff retaining walls	2	103	Commercially let sites	106
2,700 m.	Riverside walls	2,700 m.			
var.	St.lighting & name plates	var.	56	Non commercially let sites	59
var.	Bus shelters & seats	var.	1	Harbour (Whitstable)	1
var.	Pedestrian signs	var.	3	Property awaiting development	2
4	Pedestrian areas	4	31	Surplus assets	30
var.	Footbridges	var.	7	Vacant lands	7
61,520 m.	Drains	61,520 m.	0	Assets under construction	4

21. DEPRECIATION

Depreciation is provided for assets with a finite useful life according to the following policy: (a) operational buildings are depreciated unless the amount involved is not material. (b) Newly acquired assets are depreciated from the date of acquisition (where available) nearest the end of the quarter, although assets in the course of construction are not depreciated until they are brought into use. (c) Depreciation is calculated using the straight-line method over the expected useful life of the asset. This is calculated for each asset on an individual basis as follows: infrastructure assets are depreciated over periods varying from 10 to 50 years, operational buildings over periods ranging from 20 to 100 years, and plant, vehicles and equipment are mainly depreciated over 5 years. Intangible assets (e.g. software licences) are amortised (i.e. written-down) to revenue on a straight-line basis over 5 years.

22. COMMITMENTS UNDER CAPITAL CONTRACTS

The following significant capital contracts have been entered into by the council at 31 March 2009 which involve commitments in 2009/10 and beyond:

Scheme	Estimate 2009/10	Estimate 2010/11
	£' 000	£' 000
Whitstable Castle restoration work	2,528	42

Although not let by 31 March 2009, the New Marlowe Theatre contract for both the demolition and construction was awarded on 22 April 2009 for a value of £16,776,000.

23. LONG-TERM DEBTORS

Balance at 1 April	Category	Advances during year	Repaymt. during year	Write-Offs	Balance at 31 March
£ ' 000	**Soft Loans (Miscellaneous Loans)**	£ ' 000	£ ' 000	£ ' 000	£ ' 000
352	**- Actual amount outstanding**	600	-43	0	909
-73	- Adjustment to fair value	-181	14	0	-240
279	**Soft Loans - Fair value**	419	-29	0	669
103	**Mortgages**	0	-37	0	66
33	**Housing Act Advances**	0	-6	0	27
415	**TOTAL**	419	-72	0	**762**

The true balance for Soft Loans at 31 March 2009 of £909,000 has been reduced downwards by £240,000 (contra the Financial Instruments adjustment account) to a "fair value" of £669,000 using a discounted cash flow calculation, to reflect the fact that the repayments are interest free.

24. STOCKS IN HAND

31 March 2008	Category	31 March 2009
£ ' 000		£ ' 000
34	**Tourist information centres**	19
127	**Other**	109
161	**TOTAL**	**128**

25. DEBTORS

31 March 2008	Category	31 March 2009
£ ' 000		£ ' 000
1,833	Sundry debtors	1,945
5,724	Government departments	4,077
691	Other local authorities	997
2,182	Council taxpayers	2,436
979	NNDR ratepayers	1,381
877	Housing rents	879
11	Employee loans	0
2,158	Other	1,990
14,455	**TOTAL**	**13,705**

Note:The decrease in Government departments is mainly due to the decrease in the charging authorities payment to the NDR pool from £2,286,000 to £851,000 and the decrease due from H.M.Revenues and Customs from £931,000 (including the previously disputed payment of VAT re the Park & Ride operation) to £276,000. The increase in other local authority debtors is mainly due to the increase in the performance grant debtor due from KCC from £0 to £251,000.

26. PROVISION FOR BAD DEBTS

31 March 2008	Category	31 March 2009
£ ' 000		£ ' 000
1,105	Council taxpayers	1,225
402	NNDR ratepayers	583
584	Housing	698
737	Benefits	613
462	PCN's and other provisions	400
3,290	**TOTAL**	**3,519**

27. CREDITORS

31 March 2008	Category	31 March 2009
£ ' 000		£ ' 000
	Sundry creditors	
3,018	- Revenue Items	4,204
1,863	- Capital Items	2,653
935	Government departments	1,427
	Other local authorities	
1,623	- Revenue Items	1,803
37	- Capital Items	35
1,250	Council taxpayers	1,206
1,586	NNDR ratepayers	1,336
183	Housing rents	195
674	Other	576
11,169	**TOTAL**	**13,435**

The increase in government departments is mainly due to the regional health board grant of £464,000 received at the year-end but will not be applied until next year. The increase in revenue sundry creditors is mainly due to the increase in benefits payments (from Nil to £1,129,000) and Serco (from £728,000 to £882,000). The increase in capital creditors is mainly due to contractors for reroofing works and bathroom and plumbing works.

28. INVESTMENTS

Value at 31 March 2008	Investment type	Carrying amount				Fair Value at 31 March 2009
		Nominal Value	Accrued Interest	Impair-ment	Total	
£ ' 000	<u>Internally Managed</u>	£ ' 000	£ ' 000	£ ' 000	£ ' 000	£ ' 000
17,000	Banks	16,000	358	-1,046	15,312	15,443
15,000	Building Societies	17,000	826	0	17,826	18,000
32,000					**33,138**	**33,443**
50	Debenture Stock	0			0	0
4,308	Money Market Funds	1,805			1,805	1,805
0	<u>Externally Managed</u>	0			0	0
36,358	**TOTAL**	**34,805**	**1,184**	**-1,046**	**34,943**	**35,248**
854	Plus : accrued interest 2008					
37,212	**TOTAL (including accrued interest)**				**34,943**	**35,248**

The impairment of £1,046k (excluding interest) relates to investments of £4m with the Heritable Bank, a U.K. bank with an Icelandic parent bank, and £2m with the Glitnir Bank, an Icelandic bank. The level of impairment has been calculated using the methodology specified by CIPFA which shows the impairment of the original investment to be £577k. To this is added estimated interest after maturity, at the contracted rates shown below, of £417k which is fully impaired. These amounts have been further impaired by a discounted cashflow calculation to £1,463k (gross of interest). Under current Icelandic law, local authority deposits with Glitnir have priority status above retail deposits. The impairment loss will be significantly greater if this status should no longer apply.

INVESTMENTS IN ICELANDIC BANKS

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidairies of the banks, Heritable and Kaupthing, Singer and Friedlander went into administration. The authority had £6m deposited across 2 of these institutions, with varying maturity dates and interest rates as follows:

Date Invested	Bank	Maturity Date	Amount Invested	Interest Rate	Carrying Amount	Gross Impairment	Impairment excluding interest
			£'000		£'000	£'000	£'000
18/12/07	Heritable Bank Ltd	17/12/08	2,000	6.06%	1,495	661	505
9/01/08	Heritable Bank Ltd	08/01/09	1,000	5.56%	749	319	251
15/1/08	Heritable Bank Ltd	15/1/09	1,000	5.45%	750	317	250
14/3/08	Glitnir Bank	13/3/09	2,000	6.00%	1,960	166	40
	Total		**6,000**		**4,954**	**1,463**	**1,046**

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the authority will be determined by the administrators/receivers.

The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest information available, the authority considers that it is appropriate to consider an impairment adjustment for the deposits, and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators/receivers, it is likely that further adjustments will be made to the accounts in future years.

28. INVESTMENTS (con)

Heritable Bank

Heritable Bank is a UK registered bank under Scottish law. The company was placed in administration on 7 October 2008. The creditor progress report issued by the administrators Ernst and Young, dated 17 April 2009, outlined that the return to creditors was projected to be 80p in the £ by end 2012 with the first dividend payment of 15p in the £ due in the summer of 2009. The authority has therefore decided to recognise an impairment based on it recovering 80p in the £. It is anticipated that there will be some front loading of these repayments and that a final sale of assets will take place after the books have been run down to the end of 2012. Therefore in calculating the impairment the authority has made the following assumptions re timing of recoveries:

July 2009 - 15%, July 2010 - 30%, July 2011 - 15%, July 2012 - 10%, July 2013 - 10%

Recoveries are expressed as a percentage of the authority's claim in the administration, which includes interest accrued up to 6 October 2008.

Glitnir Bank hf

Glitnir Bank hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008, its domestic assets and liabilities were transferred to a new bank (new Glitnir) with the management of the affairs of Old Glitnir being placed in the hands of a resolution committee. Old Glitnir's affairs are being administered under Icelandic law. Old Glitnir's latest public presentation of its affairs was made to creditors on 6 February 2009 and can be viewed on its website. This indicates that full recovery of the principal and interest to 14 November 2008 is likely to be achieved. Recovery is subject to the following uncertainties and risks:

- Confirmation that deposits enjoy preferential creditor status which is likely to have to be tested through the Icelandic courts.
- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the authority's claim, which may be denominated wholly or partly in currencies other than sterling.
- Settlement of the terms of a 'bond' which will allow creditors of Old Glitnir to enjoy rights in New Glitnir.

The authority has therefore decided to recognise an impairment based on it recovering the full amount of principal and interest up to 14 November 2008 in the future. The impairment therefore reflects the loss of interest to the authority until the funds are repaid.

Failure to secure preferential creditor status would have a significant impact upon the amount of the deposit that is recoverable. The total assets of the bank only equate to 40% of its liabilities, assuming that the Bond remains at is current estimated value. Therefore, if preferential creditor status is not achieved, the recoverable amount may only be 40p in the £.

No information has been provided by the resolution committee about the timing of any payments to depositors. Since the value of deposits is small compared to the total asset value of the bank, in calculating the impairment the authority has therefore made an assumption that the repayment of priority deposits will be made by 31 March 2010.

Recoveries are expressed as a percentage of the authority's claim in the administration, which it is expected may validly include interest accrued up to 14 November 2008.

The impairment loss recognised in the Income and Expenditure Account in 2008/09, £1,463,000, has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticiapted loss of interest to the authority until monies are recovered.

Adjustments to the assumptions will be made in future accounts as more information becomes available.

The Authority has taken advantage of the Capital Finance Regulations to defer the impact of the impairment on the General Fund, and a sum of £1,046,000 has been transferred to the Financial Instruments Adjustment Account. The balance of £417,000 relates to interest which has been borne in full by the General Fund.

Discussions are ongoing with the DCLG to amend regulations to allow the authority to charge the relevant proportion of the impairment loss, including lost interest, to the Housing Revenue Account.

29. 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 asset.

2007/08	Movements in the year	Gov't Grants	External cap.conts.	2008/09
£ ' 000				£ ' 000
14,173	Balance at 1 April	13,033	705	13,738
0	Addition to balance re grants where the asset is not being depreciated (contra capital adjustment a/c)	80	761	841
	Grants received-			
3	DEFRA grant - recycling & coast protection	0	0	0
	Other capital grants (applied to fixed assets)			
161	-where the asset is being depreciated	1,060	824	1,884
217	-where the asset is not being depreciated	2,122	0	2,122
14,554		16,295	2,290	18,585
	Less : Amount written-out to revenue			
599	-where the asset is being depreciated	507	91	598
217	-where the asset is not being depreciated	0	0	0
13,738	**Balance at 31 March**	**15,788**	**2,199**	**17,987**

30. 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
103	Mortgages	0	-37	**66**

31. PRIVATE FINANCE INITIATIVE (PFI)

In October 2007 the council entered into an agreement with Kent County Council and nine other Kent district councils to all participate in a Private Finance Inititative (PFI) called 'Better Homes Actives Lives'.

The PFI will generate up to 352 units of social housing across Kent, including 65 apartments for people with learning difficulties, 7 apartments for people with mental health problems and 280 units of sheltered housing for frail older people.

As part of the agreement, Canterbury City Council has donated two properties on a leasehold basis: King Edward Court, Herne Bay, valued at £1,400k and Brymore Road Garages, Canterbury, valued at £425k.

The council will retain ownership of the freehold of both properties and will receive a peppercorn rent for the use of the properties.

Under the agreement, the council will have nomination rights over the occupancy of the properties for the first 30 years, after which there will be the option of retaining the nomination rights or receiving an increased rent.

The King Edward Court scheme is built and fully occupied, and the Brymore Road scheme (now known as Henry Court) is due to be completed in September 2009.

32. ANALYSIS OF NET ASSETS EMPLOYED

An analysis of the 'Total Net Worth' ,as shown in the Balance Sheet, by fund is as follows:

31 March 2008 FUND General Fund as restated	31 March 2008 FUND Housing		31 March 2009 FUND General Fund	31 March 2009 FUND Housing	31 March 2009 Total
£ ' 000	£ ' 000	BALANCE SHEET ITEM	£ ' 000	£ ' 000	£ ' 000
8,744	5	Revaluation reserve	7,844	121	7,965
142,162	309,493	Capital adjustment account	119,300	255,330	374,630
725	652	Financial instruments adjustment account	-1,642	-429	-2,071
9,607	1,029	Usable capital receipts reserve	9,808	588	10,396
-41,210	0	Pensions reserve	-46,580	0	-46,580
103	0	Deferred capital receipts	66	0	66
0	188	Major repairs reserve	0	188	188
9,578	1,244	Earmarked reserves	12,174	1,211	13,385
2,491	7,687	Revenue Balances	1,843	5,790	7,633
132,200	320,298	TOTAL	102,813	262,799	365,612
452,498					

The element of the General Fund net worth at 31 March 2009 that relates to trading operations is £64,077,000 (2007/08 - £76,561,000). This includes £63,188,000 (2007/08 - £75,601,000) in relation to Commercial Property and Industrial Estates which generate rental income of £ 3,802,700 (2007/08 - £ 3,743,600) under operating lease arrangements.

33a. OPERATING LEASES

The authority acquires some equipment (for car parks, sports & phone system) through operating leases.
The amount paid under these arrangements in 2008/09 was £126,000 (2007/08 - £129,000).
The future cash payments required under these leases are:

Details of period	Commitment in 2009/10	Commitment in 2010/11 onwards
Those operating leases in which the commitment	£ ' 000	£' 000
expires within that year	131	0
expires in the second to fifth years from the balance sheet date	0	0
expires over five years from the balance sheet date	0	0
TOTAL	131	0

33b. ASSETS HELD UNDER FINANCE LEASES

The original total capital value of finance lease agreements at 31 March 2009 is approximately £ 193,000 of which the outstanding obligations amount to less than £ 1,000.
Finance lease payments for the year amounted to £ 200 (2007/08 - £ 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.

34. POST BALANCE SHEET EVENTS & AUTHORISATION FOR ISSUE OF STATEMENT OF ACCOUNTS

The statement of accounts was authorised for issue on 30 June 2009 by the Director of Corporate Services. The council has considered events following the balance sheet date and considers that no disclosure is required.

35. SUMMARY INTRODUCTION TO THE DETAIL OF MOVEMENTS ON RESERVES

The council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

Reserve	Balance 1 April 2008 £ ' 000	Net Movement in Year £ ' 000	Balance 31 March 2009 £ ' 000	Purpose of Reserve	Further Detail of Movements
Revaluation Reserve	8,749	-784	7,965	Store of gains on revaluation of fixed assets, not yet realised through sales.	(35a) below.
Capital Adjustment Account	451,655	-77,025	374,630	Store of capital resources set aside to meet past expenditure	(35c) below.
Financial Instruments Adjustment Account	-1,377	-694	-2,071	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments	(35b) below.
Usable Capital Receipts	10,636	-240	10,396	Proceeds of fixed asset sales available to meet future capital investment.	(35d) below.
Pensions Reserve	-41,210	-5,370	-46,580	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 15 to the Core Financial Statements, p.22.
Deferred Capital Receipts	103	-37	66	Represents principal outstanding from mortgages.	Note 30 to the Core Financial Statements, p.31.
Major Repairs Reserve	188	0	188	Resources available to meet capital investment in council housing.	Notes to HRA Statements, page 46.
Earmarked Reserves	10,822	2,563	13,385	Reserves earmarked for specific purposes.	(35e) below.
Revenue Balances - General Fund	2,342	-710	1,632	Resources available to meet future running costs for non-housing services.	Statement of Movement on the General Fund Balance, page 14.
Housing Revenue Account	7,687	-1,897	5,790	Resources available to meet future running costs for council houses.	HRA Statements, page 44.
Collection Fund	149	62	211	Resources available to meet future precept payments.	Collection Fund Statements, page 48.
Total	**449,744**	**-84,132**	**365,612**		

MOVEMENTS ON RESERVES (continued)

35a. REVALUATION RESERVE

This is a new reserve, which was created with a nil balance at 1 April 2007, which shows the net gain (if any) from revaluations made after 1 April 2007 i.e. increases in value as a result of inflation or other factors. It does not represent resources available to support capital financing.

2007/08 Total	REVALUATION RESERVE	General Fund	Housing	2008/09 Total
£' 000		£' 000	£' 000	£' 000
8,884	Change in revaluations of fixed assets in year	-436	113	-323
33	Depreciation written out on revaluations of fixed assets	211	37	248
8,917	**Total decrease (-) / increase in unrealised value of fixed assets in the year. (see STRGL page 15)**	-225	150	**-75**
	Transfers to Capital Adjustment Account (note 35c) -			
-137	Write-out the revaluation gains previously recognised for assets disposed of in current year.	-662	0	**-662**
-31	For additional depreciation following revaluations.	-13	-34	**-47**
8,749	**Total movement in reserve in the year.**	-900	116	-784
0	Balance at 1 April	8,744	5	8,749
8,749	**Balance at 31 March**	7,844	121	**7,965**

35b. FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

This is a new reserve, which was created at 1 April 2007, which provides a balancing mechanism between the different rates at which gains and losses (such as premiums on the early repayment of debt and loans made at less than market value) are recognised under the SORP and are required by statute to be met from the General Fund. It also has to carry the value of any impairments to investments. This reserve does not represent resources available to the council.

31 March 2008	Category	New Advances	Redemp-tions	31 March 2009
£ ' 000	**Premiums paid on premature redemption of PWLB loans.**	£ ' 000	£ ' 000	£ ' 000
-652	- General fund share	0	37	-615
-683	- HRA share	0	164	-519
-1,335	**Total**	0	201	-1,134
	Discounts received on premature redemption of loans.			
0	- General fund share	269	-9	260
31	- HRA share	68	-10	89
-1,304	**Net Total of Premiums / Discounts**	**337**	**182**	**-785**
-73	**Soft Loans (difference between actual value & fair value)**	**-181**	**14**	**-240**
0	**Impairment of investments (see note 28)**	**-1046**	**0**	**-1,046**
-1,377	TOTAL	**-890**	**196**	**-2,071**

There have been various debt restructures between 1998/99 and 2006/07 which have resulted in premiums or discounts on the early repayment of debt, which are being spread over the life of the replacement or original loans (whichever was appropriate). In the 2007/08 statement these were removed from the face of the balance sheet and instead included in the above account. In 2008/09 following sharp falls in investment rates, it was more beneficial to offset potential losses in investment income by redeeming long-term PWLB debt rather than earning investment interest at very low rates. The council therefore redeemed 6 loans between 05/11/2008 and 28/01/2009 totalling £8.5m, at a total discount of £337,000. The discount has to be credited to revenue over 10 years. The estimated cash saving is £279,000 in 2009/10, £238,000 in 2010/11, £73,000 in 2011/12 and then £32,000 ongoing.
The increase in the soft loan figure relates to an interest-free loan of £600,000 advanced to Active Life.
Full details regarding the impairment of investments are set out in note 28.

35c. CAPITAL ADJUSTMENT ACCOUNT

This is also a new reserve, which reflects the timing differences between the historical cost of fixed assets consumed, and the capital financing set aside to pay for them. It was created at 1 April 2007 from the total balance of the previous Fixed Asset Restatement Account and the previous Capital Financing Accounts.

The account accumulates (on the debit side) the write-down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure.

2007/08 Total	CAPITAL ADJUSTMENT ACCOUNT	General Fund	Housing	2008/09 Total
£' 000	**Debits relating to the historical cost of acquiring, creating or enhancing fixed assets,over the life of those assets.**	£' 000	£' 000	£' 000
-6,109	Depreciation of fixed assets in year	-2,853	-2,633	-5,486
	Impairment of fixed assets -			
-10,389	Revaluations downwards	-20,971	-50,958	-71,929
-4,674	Deficit on revaluation and restatement of current year transactions	-550	-7,060	-7,610
31	Additional depreciation transferred from Revaluation Reserve to Capital Adjustment a/c after revaluations	13	34	47
	Debits relating to disposals.			
-6,750	Amounts written off fixed assets balances for disposals in current year.	-2,120	-720	-2,840
2,098	Less depreciation written out on disposals in current year	472	0	472
137	Less : Transfer from Revaluation Reserve to Capital Adjustment account following disposal.	662	0	662
	Debits relating to the historical cost of revenue funded from capital.			
-1,517	Reversal out of revenue expenditure less grants funded from capital under statute	-897	0	-897
-58	Repayments of soft loans and housing act advances.	-49	0	-49
-27,231		-26,293	-61,337	**-87,630**
	Credits relating to resources set aside to finance capital expenditure.			
2,616	- capital expenditure financed from capital receipts	2,518	0	2,518
3,709	- capital expenditure financed from major repairs reserve	0	3,709	3,709
902	- capital expenditure financed from revenue	343	3,462	3,805
816	- government grants deferred written-out to revenue	595	3	598
762	- minimum revenue provision	816	0	816
8,805	**Total credits from resources set aside to finance capital.**	4,272	7,174	**11,446**
-18,426	**Movement in the year.**	-22,021	-54,163	**-76,184**
470,081	**Balance at 1 April**	142,162	309,493	**451,655**
0	Reduction to opening balance contra government capital grants - deferred account (note 29) re grants received in previous years for non-depreciating assets.	-841	0	-841
451,655	**Balance at 31 March**	119,300	255,330	**374,630**

35d. USABLE CAPITAL RECEIPTS RESERVE

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

2007/08 Total	Movements in realised capital resources	General Fund	Housing	2008/09 Total
£' 000		£' 000	£' 000	£' 000
2,858	Capital receipts received in the year (gross)	2,085	720	2,805
-1,765	Less: Contribution to housing pooled capital receipts	0	-527	-527
-2,616	Less: Receipts used to finance new capital investment	-1,884	-634	-2,518
-1,523	**Total increase / (decrease) in realised capital resources in the year**	201	-441	**-240**
12,159	Balance at 1 April	9,607	1,029	10,636
10,636	**Balance at 31 March**	9,808	588	**10,396**

Note : Only 25% of receipts from council house sales and 50% of other housing capital receipts are usable. The remainder has to be paid into a government pool. General fund capital receipts are 100% usable.

35e. EARMARKED RESERVES

			<----------Additions---------->			<---------Reductions----------->			
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
1,379	LABGI reserve	(a)		299			750		928
51	LAMP project reserve	(b)		0			51		0
208	Early retirement	(c)		64			109		163
450	Computer/equipment	(d)	7	35				163	329
178	CCTV Reserve	(e)		53				10	221
394	Insurance reserve	(f)	19				25		388
185	Office equipment	(g)	5	63			22	108	123
296	Liability insurance	(h)	8					1	303
147	NDR reserve	(i)					60		87
191	Regeneration	(j)		0			83		108
0	Restructure resv	(k)				-250			250
245	Open spaces maintenance	(l)					17		228
358	Benefits grant income	(m)					115		243
421	Benefits overpayments	(n)					200		221
0	VAT Recovered reserve	(o)			3,526	250		635	2,641
0	Performance reward grt re	(p)		251					251
654	Kingsmead interest	(q)	300						954
461	CPO Lodgements resv	(r)					115		346
503	External interest	(s)	24				40		487
143	Whit.Harbour gen.resv	(t)		107		0	6	10	234
600	Subsidence reserve	(u)		50				106	544
201	Planning delivery grant	(v)		18				50	169
211	Local plan inquiry	(w)	9	49					269
1,397	Section 106 receipts	(x)	47	37	434		21	121	1,773
153	Car park reserve	(y)		106				14	245
136	Park & Ride VAT reserve	(z)		0			116		20
180	Out of date cheque reserve	(aa)			0		88		92
1,680	Other reserves		10	364	126	0	292	120	1,768
10,822	**TOTAL RESERVES**		429	1,496	4,086	0	2,110	1,338	**13,385**

Notes:

(a) The Local Authority Business Growth Incentive (LABGI) reserve holds the LABGI grant normally received in February each year to be used in the following year's budget plus the balance of grant received in 2008/09. This was assessed on the amount of growth in the rateable value of businesses in the area above a standard increase. In order to cushion the budget impact, because the grant ended in 2008/09, the balance of the reserve is being credited to revenue over the next three years, at a reduced level each year.

(b) 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)

35e. EARMARKED RESERVES (continued)

(c) The Early retirement reserve was set up in 1999/2000 to finance the additional payments required by the Kent superannuation fund as a result of early retirement following the council's restructure.

(d) The Computer/equipment reserve was created in 1995/96 to finance computers and equipment which need replacing.

(e) This reserve is used to finance CCTV equipment.

(f) 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 £270,000 is held to cover professional indemnity (which could involve major sums).

(g) This reserve funds the rolling programme of office equipment renewals.

(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, most of this reserve is being transferred back to revenue.

(j) This reserve was created in 2005/06 to be used for regeneration projects.

(k) This reserve was created in 2008/09 from part of the VAT refund to cover restructure costs.

(l) 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 council. The balance for each development is transferred to revenue over 20 years.

(m) 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.

(n) The Benefits overpayment reserve was created in 2004/05 to hold the excess of overpayments which have been identified by the benefits computer system compared with the balance in the accounts. The balance is being credited back to revenue over a number of years, starting from 2006/07.

(o) This reserve was created in 2008/09 from the VAT refund from HM Revenue and Customs to support the revenue budget over the next few years and to cover any impairment on investments.

(p) This reserve was created in 2008/09 to hold the performance reward grant that is due re 2008/09 although neither the grant or spend will take place until 2009/10.

(q) The Kingsmead interest reserve holds the interest earned on the Kingsmead and other major capital receipts in order to fund the revenue budget from 2009/10, as agreed at full council 21 Feb 2008.

(r) The CPO lodgements reserve was created in 2006/07 from amounts recovered from the land registry 12 years after the original deposit was made. It is being credited back to revenue over four years from 2008/09.

(s) The External interest reserve, created in 1997/98 and increased by investment interest earned above budget from good fund management performance, is now being credited back to revenue over a number of years.

(t) The Whitstable Harbour general reserve holds any surpluses from the ring-fenced account to spend on the Harbour in future years.

(u) 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.

(v) This reserve holds the balance of planning delivery grant, not used in the year of receipt, for future projects and ongoing commitments.

(w) The local plan enquiry reserve evens out the impact of costs which arise on a periodic basis for the local plan enquiry.

(x) This reserve 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.

(y) This reserve was created in the 2006/07 budget strategy to finance work on the council's car parks.

(z) This was created in 2007/08 to make a provision of a % of the VAT liability that H.M. Revenues and Customs deemed to be due on park & ride income, on the basis that it is purely a parking fee and therefore subject to VAT. This was strongly contested. H.M. Revenues and Customs eventually agreed and refunded most of the money in 2008/09, so the reserve has been transferred back to revenue.

(aa) This reserve was created in 2006/07 by transferring from a creditor provision. The balance will be transferred back to revenue if cheques are still unclaimed after a few years.

FINANCIAL INSTRUMENTS

36. FINANCIAL INSTRUMENTS BALANCE

The Balance Sheet has potentially four balances relating to financial instruments:

i) Long-term investments. ii) Current assets - investments. iii) Current liabilities - borrowing repayable on demand or in less than 12 months. iv) Borrowing repayable within a period in excess of 12 months.
The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments.

31 March 2008 Long-Term	31 March 2008 Current		31 March 2009 Long-Term	31 March 2009 Current
£' 000	£' 000	**Borrowings**	£' 000	£' 000
27,018	7	Financial liabilities at amortised cost	20,668	7,506
0	0	Financial liabilities at fair value through profit and loss	0	0
27,018	**7**	**Total Borrowings**	**20,668**	**7,506**
£' 000	£' 000	**Investments**	£' 000	£' 000
0	37,212	Loans and receivables	0	34,943
0	0	Available-for-sale financial assets	0	0
0	**37,212**	**Total Investments**	**0**	**34,943**

37. FINANCIAL INSTRUMENTS GAINS / LOSSES

The gains and losses recognised in the Income and Expenditure Accounts and STRGL in relation to financial instruments are made up as follows:

	Financial Liabilities (Borrowing)	Financial Assets (Investments)		Total
	Liabilities measured at amortised cost	Loans and receivables	Available-for -sale assets	
Interest payable and similar charges	£' 000	£' 000	£' 000	£' 000
Interest payable	-1,201	0	0	
Discounts on the early settlement of borrowing	337	0	0	
Impairment of financial assets (investments)	0	-1,046	0	
Impairment of financial assets (investment interest)	0	-351	0	
Losses on derecognition	0	0	0	
Interest payable and similar charges	**-864**	**-1,397**	0	**-2,261**
Interest and investment income				
Interest income (received)	0	2,079	0	
Interest income (impaired)	0	351	0	
Gains on derecognition	0	0	0	
Interest and investment income	**0**	**2,430**	0	**2,430**
Net gain / loss (-) for the year	**-864**	**1,033**	0	**169**

38. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES CARRIED AT AMORTISED COST

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the Net Present Value of the cash flows that will take place over the remaining term of the instruments, which provides an estimate of the value of payments in the future in today's terms. This is the widely accepted valuation technique commonly used by the private sector. The following assumptions have been used:
i) For PWLB Loans, the new borrowing rate has been used as the discount factor (as opposed to the premature repayment rate). This is because the premature repayment rate includes a margin which represents the lender's profit as a result of rescheduling the loan, which is not included in the fair value calculation. Relevant interest rates at 31 March 2009 were between 4.33% and 4.58%, depending on the maturity date of the loan.

38. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES CARRIED AT AMORTISED COST (continued)

ii) No early repayment or impairment is recognised.
iii) For investments, the discount rate used in the Net Present Value calculation should be equal to the current rate in relation to the same instrument from a comparable lender. This will be the rate applicable in the market on the date of the valuation for an instrument with the same outstanding period to maturity.

The fair values (calculated by Sector, our treasury advisors) are as follows:

31 March 2008 Carrying amount	31 March 2008 Fair value		31 March 2009 Carrying amount	31 March 2009 Fair value
£' 000	£' 000	**Long-Term Borrowing**	£' 000	£' 000
27,008	28,010	Financial liabilities - PWLB Loans	20,663	21,789
10	10	Financial liabilities - Other bonds and mortgages	5	5
		Short-Term Borrowing		
7	7	Financial liabilities - Temporary Loans	7,506	7,526

The fair value is higher than the carrying amount because although the council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the rates available for similar loans at the Balance Sheet date, there are still three old loans totalling £2.5m with rates of 7.625%, 10.25% and 10.5% which account for a fair value of £1,907k higher than the carrying amount. Other than these three, the commitment to pay interest below current market rates reduces the amount that the authority would have to pay if the lender requested or agreed to early repayments of the loans. (It should be noted that the council's average interest payable rate was only 4.66% in 2008/09 compared to 9.22% in 2002/03).

31 March 2008 Carrying amount	31 March 2008 Fair value		31 March 2009 Carrying amount	31 March 2009 Fair value
£' 000	£' 000	**Investments**	£' 000	£' 000
32,854	32,834	Loans and receivables - Banks and Building Societies	33,138	33,443
4,358	4,358	Loans and receivables - Call accounts	1,805	1,805
0	0	Available-for-sale financial assets - Externally Managed	0	0
37,212	37,192		34,943	35,248

The fair value is slightly higher than the carrying amount because the authority's portfolio of investments includes a number of fixed rate investments where the interest rate receivable is slightly higher than the rates available for similar investments at the Balance Sheet date. This guarantee to receive interest above current market rates increases the amount that the council would receive if it agreed to early repayments of the investments. Both the carrying amount and fair value include the accrued interest due.

39. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

i) Credit risk - the possibility that other parties might fail to pay amounts to the council

ii) Liquidity risk - the possibility that the council might not have funds available to meet its commitments to make payments

iii) Market risk - the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates and stock market movements.

The council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management in relation to treasury management is carried out by the Corporate and Treasury Manager in consultation with the Head of Finance, under policies approved by the council in the annual treasury management strategy.

39. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposure to the authority's customers. Deposits are only made with banks and financial institutions if they are rated with a minimum score of F1 or with building societies with more than £1 billion of assets. The lending limits to any one institution are based on the assessed risks and vary between £3million and £5million (as set out in the Executive report - 2 November 2006).

In 2008/09 for the first time, the Council experienced defaults by two of the financial institutions with whom investments had been made. These were the Heritable Bank, a UK bank owned by an Icelandic parent, and the Glitnir Bank, an Icelandic bank. The Council has £4m invested with the Heritable, of which 70-80 per cent is expected to be returned, and £2m invested with Glitnir, all of which is expected to be returned since local authorities are deemed to have priority status. However, the impairment with regard to the investment with Glitnir would be greater if local authority deposits were not deemed to have priority.

Liquidity risk

As the council has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk could have been that it would be bound to replace a significant proportion of its borrowings at a time of unfavourable interest rates. However all loans now have a maturity of more than 10 years and the strategy is to spread the maturity profile of these borrowings and to make early repayments where it is beneficial to do so.

The maturity analysis of financial liabilities is as follows:

31 March 2008	Source of loan	Range of interest rates payable (%)	31 March 2009	
£ ' 000			£ ' 000	
27,008	Public Works Loan Board	3.80 - 10.50	20,663	(incl.interest)
10	Other bonds & mortgages	5.625 - 5.750	5	
27,018	**TOTAL : LONG-TERM BORROWING**		**20,668**	
£ ' 000	**An analysis of loans by maturity is:**		£ ' 000	
0	Maturing in 1-2 years		0	
0	Maturing in 2-5 years		0	
0	Maturing in 5-10 years		0	
27,018	Maturing in over 10 years (20,505 + accrued interest 163)		20,668	
27,018	**TOTAL : LONG-TERM BORROWING**		**20,668**	

Market risk

Interest rate risk

The council is potentially most affected by interest rate risk with regard to any borrowings or investments at variable interest rates, however the council does not currently have any such financial instruments.

The council's borrowings are fixed at periods in excess of 10 years and therefore the market rate risk re borrowings is considered to be negligible. The council's investments are held at fixed rates and are due to mature within 1 year. There is some interest rate risk with regard to the reinvestment of these deposits when they mature, if interest rates should fall.

The council obtained £2,070,000 interest on its investments in 2008/09 (£2,592,000 in 2007/08) - an average interest rate of 4.94% (5.70% in 2007/08). If the average rate had been 1% less (i.e. 3.94%) then the council would have received £419,000 less income.

NOTES TO CASH FLOW STATEMENT

40. RECONCILIATION OF REVENUE SURPLUS TO REVENUE ACTIVITIES NET CASHFLOW

2007/08 As restated		2008/09	
£' 000	**Surplus (-) / Deficit for the year**	**£' 000**	**£' 000**
17,111	General Fund Income and Expenditure Account		79,458
27	Collection Fund		-62
17,138			79,396
	Non-Cash Transactions		
-72	Less : Amortisation of intangible fixed assets.	-69	
-2,867	Less : Depreciation of fixed assets (general fund)	-2,784	
-5,312	Less : Impairment of fixed assets (general fund)	-21,521	
-12,922	Less : Depreciation and Impairment of HRA assets	-60,651	
0	Less : Impairment of financial assets (investments)	-1,046	
816	Add : Government grants deferred and other capital contributions written out to revenue	598	
-59	Less : Repayments of Soft Loans & Housing Act Advances from capital resources	-49	
-1,844	Net gain / loss(-) on sale of fixed assets	400	
225	Difference between amounts debited/credited to the I&E account and amounts payable/receivable to be recognised under statutory provisions re soft loans and premiums on the early repayment of debt.	352	
-4,320	Net charges made for retirement benefits in accordance with FRS17.	-6,030	
4,290	Employer's contributions payable to the Kent Pension Fund & retirement benefits payable direct to pensioners.	4,480	
-22,065			-86,320
	Items classified in another part of cash flow statement		
-1,242	Add: Interest paid	-1,296	
2,252	Less: Interest received	2,100	
1,010			804
-3,917			-6,120
	Items on an accruals basis (assets)		
-6	Add/less : Increase/decrease in stocks	-33	
5,337	Add/less : Increase/decrease in debtors (net of bad debt provision)	-979	
243	Add/less : Increase/decrease in payments in advance	-136	
0	Add/less : Increase/decrease in accrual on investments	330	
-201	Add/less : Increase/decrease def'd premiums less discounts	-519	
	Items on an accruals basis (liabilities)		
2,380	Add/less : Decrease/increase in creditors	-2,266	
-231	Add/less : Decrease/increase in deposits	1,268	
0	Add/less : Decrease/increase in accrual on borrowing	95	
44	Add/less : Accrual of capital grants & capital income	-236	
7,566			-2,476
3,649	**Revenue Activities Net Cash Flow**		**-8,596**

The previous year's comparatives have been restated according to LAAP bulletin 81 to reflect the changed treatment of deferred charges which are now revenue expenditure funded from capital under statute (rather than capital outflows). This included £2,531k expenditure and £1,014k grants.

NOTES TO CASH FLOW STATEMENT (continued)

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

2007/08	Category (excluding accrued interest)	Balance 1.4.08	Balance 31.3.09	Borrowing category transfers	Movement in the year
£' 000		£' 000	£' 000	£' 000	£' 000
-4,234	Short-term investments	36,358	34,805	0	**-1,553**
-5,999	Long-term borrowing	-26,760	-20,505	0	**6,255**
3,000	Short-term borrowing	-7	-7,506	0	**-7,499**

For details of short-term investments see note 28, and for long-term borrowing see note 39.

42. INCREASE / DECREASE IN CASH

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

2007/08		Balance 1.4.08	Balance 31.3.09	Movement in the year
£' 000		£' 000	£' 000	£' 000
-608	Bank overdraft	-1,935	0	1,935
-31	Cash in hand	388	1,088	700
-639				**2,635**

43. ANALYSIS OF OTHER GOVERNMENT GRANTS (REVENUE ACTIVITIES)

2007/08 As restated		2008/09
£' 000		£' 000
1,190	Housing / council tax benefit administration	1,088
986	Public safety, homeless, recycling, improvement & other grants	674
601	Sure Start grant	613
0	Concessionary fares grant	546
559	DEFRA grants - Coast protection	222
972	Local authority business growth incentive grant (LABGI)	299
303	Specified grant (re Housing improvement grants)	363
575	Planning delivery grant (253) NNDR collection costs (206)	459
5,186		**4,264**

The concessionary fares grant is a new grant from 2008/09 to meet some of the increased cost of the new national scheme. The LABGI grant (new from 2005/06) is only received if the % increase in rateable value of business rate property in the district in the year, exceeds a target value.

44. ANALYSIS OF CAPITAL GRANTS

2007/08 As restated		2008/09
£' 000		£' 000
0	Seeda grant	1,950
0	Lottery grant	1,037
43	DEFRA grants - Coast protection & recycling	104
187	Sure Start grant	0
195	Regional housing board (464) and others	677
425		**3,768**

HOUSING REVENUE ACCOUNT INCOME & EXPENDITURE ACCOUNT

2007/08			2008/09
£' 000	**INCOME**		**£' 000**
18,433	Dwelling rents (gross)	(Note 8)	18,854
461	Non-dwelling rents (gross)		489
116	Leaseholder's charges for services and facilities		126
1,347	Other charges for services and facilities		1,275
20,357	**TOTAL INCOME**		**20,744**
	EXPENDITURE		
4,142	Repairs and maintenance		4,343
	Supervision and management		
3,212	-General management		3,128
1,651	-Special services		1,744
272	Rents, council tax and insurance		214
4,138	Negative housing revenue account subsidy payable	(Note 9)	5,422
3,170	Depreciation charges	(Note 6)	2,633
9,752	Impairment of fixed assets	(Note 7)	58,018
52	Debt Management Expenses		56
-7	Increase / decrease (-) in provision for bad or doubtful debts		152
26,382	**TOTAL EXPENDITURE**		**75,710**
6,025	**NET COST OF HRA SERVICES per Income and Expenditure Account**		**54,966**
116	HRA services share of Corporate and Democratic Core		119
6,141	**NET COST OF HRA SERVICES**		**55,085**
237	Interest payable		248
165	Premium on repurchase of borrowing (see p.44)		0
	Interest and investment income -		
-9	Mortgages		-6
-381	Notional cash balances		-456
211	Pensions interest cost and expected return on pension assets (N11)		444
6,364	**SURPLUS(-) / DEFICIT FOR THE YEAR ON HRA SERVICES**		**55,315**

The HRA Income and Expenditure Account shows the council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last year. However the council is required to account for HRA balance on a different basis, the main differences being:
1) Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed. 2) Retirement benefits are charged as amounts become payable to pensions funds and pensioners, rather than as future benefits are earned. 3) Impairment losses of £58,018k from the general fall in prices and the assessed increase in council house values following capital works was less than actual capital expenditure. These are all reversed out in the following statement.

STATEMENT OF MOVEMENT ON THE HRA BALANCE

The HRA Balance compares the council's spending against rents collected in the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure. This reconciliation statement summarises the differences between the outturn on the HRA Income and Expenditure Account and the HRA Balance.

2007/08 Net Expenditure		2008/09 Net Expenditure
£' 000		£' 000
6,364	Surplus (-) / Deficit for the year on the HRA Income and Expenditure Account	55,315
-8,362	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year. (see table below)	-53,418
-1,998	**Increase (-) / Decrease in HRA Balance for the year**	**1,897**
-5,689	**HOUSING REVENUE ACCOUNT BALANCE B/F AT 1 APRIL**	**-7,687**
-7,687	**HOUSING REVENUE ACCOUNT BALANCE C/F AT 31 MARCH**	**-5,790**

NOTE TO THE STATEMENT OF MOVEMENT ON THE HRA BALANCE

2007/08 Net Expenditure			2008/09 Net Expenditure
	Items included in the HRA Income and Expenditure Account, but excluded from the movement on the HRA Balance for the year.		
£' 000		£' 000	£' 000
-9,752	Reversal of impairment losses (Note 7)	-58,018	
3	Government grants deferred w/out to revenue	3	
0	Difference between amounts charged to income and expenditure for premiums and discounts and the charge for the year determined by statute.	154	
-435	Net charges made for retirement benefits in accordance with FRS17 (Note 11)	-550	
-10,184			-58,411
	Items not included in the HRA Income and Expenditure Account, but included in the movement on the HRA Balance for the year.		
539	Transfer to/from (-) major repairs reserve (Note 3)	1,076	
200	Contribution to HRA subsidence and other reserves	-31	
463	Employer's contributions payable to Kent Pension Fund and retirement benefits payable direct to pensioners.	486	
620	Capital expenditure funded by the HRA (Note 4)	3,462	
1,822			**4,993**
8,362	**Net additional amount required by statute to be debited or (credited) to the HRA balance for the year.**		**-53,418**

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 2009, the council was responsible for managing 5,286 units of accommodation:

Type of Property	Number of Bedrooms				Total
	One	Two	Three	Four +	
Flats-Low Rise	1,151	316	5	1	1,473
Flats-Medium Rise	292	350	65	4	711
Flats-High Rise	64	69	0	0	133
Houses and bungalows	354	950	1,538	86	2,928
Hostel places	41	0	0	0	41
Totals	1,902	1,685	1,608	91	**5,286**

Plus 8 Basic Homes (shared ownership dwellings)

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

	Stock movements					**Stock at 31/03/09**
	Stock at 01/04/08	Sales	Transfers	Additions	Re-build	
Flats	2,318	-1	0	0		2,317
Houses and bungalows	2,933	-5	0	0		2,928
Hostels	47	0	0	0	-6	41
Totals	5,298	-6	0	0	-6	**5,286**

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

2008	**Gross Balance Sheet Value**	**2009**
£' 000		**£' 000**
	Operational assets	
313,705	- dwellings	259,690
1,802	- garages	1,880
195	- community centre	410
	Non-operational assets	
978	- land	611
1,127	- shops	1,127
317,807	**TOTAL**	**263,718**

2. VACANT POSSESSION VALUE

The vacant possession value of dwellings within the HRA as at 1 April was £576,984,000. For the balance sheet, the figure has been reduced to 45% i.e. £259,690,000 (after adjusting for the shared equity property) to show existing use value as social housing, reflecting the economic cost of providing social housing.

3. MAJOR REPAIRS RESERVE

With effect from 1 April 2002, the Government required that the Housing accounts are produced on a Resource Accounting basis. This requires that a charge is made for depreciation which is transferred to a separate Major Repairs Reserve, to finance HRA capital projects.

3. MAJOR REPAIRS RESERVE (continued)

The housing subsidy for 2008/09 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 2009 is £188,000.

2007/08	Major Repairs Reserve		2008/09
£' 000			£' 000
188	Balance at 1 April		**188**
3,170	Transfer from capital adjustment account (HRA depreciation)		2,633
	Transfer to(-)/from HRA		
	re depreciation on non-dwellings	-36	
539	re excess(-)/shortfall of dwellings depreciation over MRA	1,112	1,076
-3,709	Less: expenditure on dwellings financed from this reserve		-3,709
188	Balance at 31 March		**188**

4. SUMMARY OF CAPITAL FINANCING

Capital expenditure of £7,494,000 was spent on housing assets (all on dwellings) within the HRA during 2008/09. This was financed as follows:

2007/08	Capital financing of HRA expenditure	2008/09
£' 000		£' 000
3,709	Major Repairs Reserve	3,709
620	Revenue	3,462
324	Borrowing	323
0	Capital receipts	0
0	Capital Grant	0
4,653	**Total**	**7,494**

5. SUMMARY OF CAPITAL RECEIPTS

Housing capital receipts during 2008/09 were as follows:

2007/08	Housing capital receipts	2008/09
£' 000		£' 000
2,333	Dwelling sales (net of administration deduction)	674
0	Land sales	0
65	Mortgage repayments and discounts repaid	46
2,398	**Total**	**720**

6. DEPRECIATION OF FIXED ASSETS

Depreciation of £2,633,000 was charged to the HRA. This comprises £2,597,000 for dwellings and £36,000 for non dwelling housing assets.

7. IMPAIRMENT OF FIXED ASSETS

The council's Valuation Officer, a member of FRICS, has advised that there were no specific impairments during the year, however there was an overall impairment of £58,018,000 made up of £50,958,000 from an assessed overall decrease in housing stock values and £7,060,000 being the difference between £7,494,000 housing capital expenditure and the assessed increase in effective value of only £434,000 (after applying the 45% factor as in note 2 above).

8. DWELLING RENTS (GROSS)

This is the total rent income for dwellings for the year after allowance is made for voids etc.
Average rents were £ 69.25 per week in 2008/09 (£ 65.78 in 2007/08).
Rents were increased on 1st April 2008 by an average of £3.47 per week.

9. 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:

2007/08	Housing subsidy	2008/09
£' 000		£' 000
8,084	Management and Maintenance Allowance	8,200
3,709	Major Repairs Allowance	3,709
911	Charges for Capital	883
0	Rent rebates	0
12,704		12,792
-16,692	Notional Rent	-17,890
-12	Interest on Receipts	-7
-4,000	Sub-Total re Current Year's Subsidy	-5,105
-138	Adjustment re Previous Years Subsidy	-317
-4,138	**Total**	**-5,422**

10. RENT ARREARS

The figures are as follows:

2007/08		2008/09
£' 000		£' 000
877	Gross Rent Arrears at 31 March	879
-183	Prepayments of Rent	-195
694	Net Rent Arrears at 31 March	684
565	Provision for bad debts at 31 March	679
%		%
4.8	Gross rent arrears as a proportion of gross dwelling rent income	4.7

11. 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 15 to the core financial statements). However, so that there is no demand on housing rents, the entries are reversed out via the Pensions reserve. The figures are as follows:

2007/08		2008/09
£' 000		£' 000
-14	HRA share of current service cost less employer contributions	-143
-225	HRA share of past service cost less employer contributions	-237
-239	Adjustment to "General management" line of HRA statement	-380
211	HRA share of pensions interest cost and expected return on	444
-28	pensions assets	64
-435	Net charges made for retirement benefits in accordance with FRS17	-550
463	Employer's contributions payable to the Kent Pension Fund and retirement benefits payable direct to pensioners	486
28	HRA share of contributions to/from Pensions Reserve	-64
0	Net effect on HRA balance	0

THE COLLECTION FUND

INCOME AND EXPENDITURE ACCOUNT

2007/08		Note	2008/09
£ ' 000			£ ' 000
	INCOME		
59,254	Council Tax (net of benefits & transitional relief)		61,992
	Transfers from General Fund		
7,843	- Council Tax benefits		8,633
40,806	Income from business ratepayers	4	43,735
107,903			114,360
	EXPENDITURE		
	Precepts and demands:	2	
49,080	- Kent County Council		51,367
6,219	- Kent Police Authority		6,576
3,138	- Kent & Medway Fire & Rescue Authority		3,272
8,596	- Canterbury City Council (incl. Parishes)		9,125
67,033			70,340
	Business rate	4	
40,603	- Payment to national pool		43,530
203	- Costs of collection		205
	Bad and doubtful debts		
-101	- Write-offs		-103
192	- Provisions		326
	Contributions		
0	- From previous year's Collection Fund surplus		0
107,930			114,298
27	**NET FUND SURPLUS (-) / DEFICIT FOR YEAR**		**-62**
176	COLLECTION FUND BALANCE AT 1 APRIL		149
149	**COLLECTION FUND BALANCE AT 31 MARCH**	2	**211**

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:

2007/08		2008/09
£ ' 000		**£ ' 000**
67,033	Precepts (excluding distribution of previous year's deficit)	70,340
91	Write-Off Provision	223
67,124		70,563
-67,097	Council tax (incl. benefits & subsidy scheme)	-70,625
27	Surplus (-) / Deficit	-62
0	Precepts - Distribution of previous year's surplus / deficit(-)	0
-176	Balance at 1 April	-149
-149	**Balance at 31 March**	**-211**

An estimated break-even position at 31 March 2007 was forecast and notified to KCC, KPA and K&MF&RA in December 2006. A break-even position at 31 March 2008 was notified to all the above in December 2007. Similarly a break-even position at 31 March 2009 was notified to all the above in December 2008.

3. 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:

2007/08 Band D Equivalent Dwellings	Band	Estimated Number of Taxable Properties after effect of discounts	Ratio	2008/09 Band D Equivalent Dwellings
3,012	A	4,511	6 / 9	3,007
8,387	B	10,851	7 / 9	8,440
14,268	C	16,152	8 / 9	14,357
10,151	D	10,270	9 / 9	10,270
7,299	E	5,995	11 / 9	7,327
4,912	F	3,439	13 / 9	4,967
2,995	G	1,815	15 / 9	3,025
136	H	70	18 / 9	140
51,160		53,103		51,533
99.5%		Multiplied by Collection Rate		99.5%
50,904		**COUNCIL TAX BASE**		51,275

4. INCOME FROM BUSINESS RATES

Under the arrangements for uniform business rates, the council collects non-domestic rates for its area which are based on local rateable values multiplied by a uniform rate in the pound. The total amount, less certain reliefs and other deductions, 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:

2007/08			**2008/09**
£ ' 000			**£ ' 000**
(114,622)	X (44.1p)	Non-domestic rateable value (114,141)	
50,548		multiplied by small business rate (45.8 p)	52,276
-9,945		Less: allowances and other adjustments	-8,746
40,603		Net contribution due to NNDR national pool	43,530
203		Cost of Collection	205
40,806		**Income from business ratepayers**	**43,735**

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

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.

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

- 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 2009.

Signed ____________________

Director of Corporate Services

Date 3.9.09

Annual Governance Statement to the 2008/09 Accounts

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. Canterbury City Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Canterbury City Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Canterbury City Council has approved and adopted a local code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government.*

A copy of the local code can be found on our website http://www.canterbury.gov.uk/assets/finance/localcodeofgovernance.pdf or can be obtained from the Assistant Head of Corporate Governance. This statement explains how Canterbury City Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

The purpose of the governance framework

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

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

The governance framework has been in place at Canterbury City Council for the year ended 31 March 2009 and up to the date of approval of the annual report and statement of accounts.

The key elements of the systems and processes that comprise the authority's governance arrangements are set out in the table below:

System & Process	Comment	Evidence
▪ Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users	A vision of what the district will be like in 20 years' time has emerged following extensive consultation with local organisations and residents. This new picture incorporating the hopes and aspirations of the local community follows months of research and consultation. The council has worked with partners to formulate the vision to ensure it meets the needs and potential of Canterbury, Herne Bay, Whitstable and the surrounding villages	Corporate Plan 2008 – 2012
▪ Reviewing the authority's vision and its implications for the authority's governance arrangements	The council's vision is stated in the Corporate Plan, which is reviewed every 4 years. The council has now adopted its third corporate plan, which will last until March 2012. The plan highlights the key priorities for the council over the next four years and how it will assess its performance in achieving these. We will report back to the public and other major stakeholders - like the voluntary sector and local businesses - on what we've achieved against the specific targets we have set ourselves. The quarterly review of the Strategic Risk Register effectively assesses the implications arising from the authority's vision.	Corporate Plan 2008-2012 Audit Committee & Risk register

System & Process	Comment	Evidence
• Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources	Under the Local Government Act 1999, all Councils have a duty of Best Value. Canterbury has a programme of efficiency reviews which is revised each year to make sure it takes into account any new government initiatives, local developments and changes within the Council. The Council monitors its performance against a range of performance indicators including Key Local Performance Indicators and statutory National Performance Indicators. Targets for Corporate Plan actions are set out in our Strategic Plan and targets for indicators are set out in our Annual Report. Performance is reported to the management team and councillors/executive on a quarterly basis. Independent Audit Reviews are carried out annually on a sample of these Performance Indicators to ensure the information used is true and the calculations correct. Audit also checks that the definition of the indicator has been comprehensively understood.	Efficiency Review Programme User satisfaction surveys PRISM (Performance, Risk, Improvement, Service, Management) for Performance Indicators Annual Audit reviews of Performance Indicators.
• Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication	Each member of the Executive has specific portfolio responsibilities - for example culture, tourism, environment, housing and finance. Decision-making is by collective responsibility. This way of working ensures the council is accountable in its decision-making, and therefore more open to public scrutiny. These roles and responsibilities are clearly defined and published in the Executive Minutes. The terms of reference of Committees and officers delegated powers all form part of the Constitution, which is revised regularly and updated. A full revision is carried out each year and was presented to full Council in May 2009 to be agreed and adopted. The Constitution including a summary of roles and responsibilities is available on the authority website and on the Intranet Attendance records of every Councillor can be viewed on the internet, therefore members of the public can check the meetings for which they have responsibility.	Constitution of the Council available on the Website and Intranet. Attendance records for Councillors on the Internet

System & Process	Comment	Evidence
▪ Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff	The Council has adopted the model code of conduct for members and supplementary protocols including the 10 general principles of member conduct. The Code of Conduct for employees is part of the conditions of service, and included in the induction pack given to all new employees. It is also published on the Intranet, which is accessible to all employees. A new Information Security Policy has been written and approved by Members and this includes the Acceptable Use Policy. Officers are also required to certify their acceptance of the Information Security Policy including the Acceptable Use Policy, whenever they sign on to a council computer.	Terms and Conditions of Employment. Council's Constitution Standards Committee Information Security Policy
▪ Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff (cont)	Members' code of conduct is clearly defined in the Constitution of the Council and follows the national standard suggested by Government. Annual reminders are sent to staff and members informing them of their duty to abide by the Code of Conduct and all interests and hospitality received are documented at a central point with a delegated responsible officer. The Personal Development Appraisal (PDA) form incorporates a section on specific council policies and codes which the employee has to acknowledge as being read and understood The policies included are the Information Security Policy, The Code of Conduct for employees, The Equalities and Inclusion Policy and the Anti Fraud, Corruption and Whistle Blowing Policy. Training in the application and enforcement of these policies is covered by the suite of courses offered by the Personnel Section, the most recent addition being the Information Security Policy presented to all staff during a series of "bite sized" training sessions to highlight the importance of understanding and maintaining this policy.	PDA Process Gifts and Hospitality Register Member Declarations of Interest Training courses

System & Process	Comment	Evidence
• Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks	The Director of Corporate Services is responsible for maintaining a continuous review of the authority's Financial Regulations and submitting any additions or changes necessary to Full Council for approval. The Kent Authorities Contract Standing Orders have been adopted at Canterbury with few amendments. Added to this the Procurement team actively encourage leading officers on a project to discuss the procurement of goods and services to ensure all decisions made on expenditure are fair, transparent and open. Independent monitoring of contracts is undertaken to satisfy the council's stakeholders that policies and procedures are followed. The Risk Management Policy of the Canterbury City Council is to adopt 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.	Financial Regulations and Contract Standing Orders available in the Constitution and on the Internet. Risk Management Policy available on the Intranet. Procurement policy on the Internet
• Undertaking the core functions of an audit committee, as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*	An Audit Committee has been established and meets quarterly. The Committee consists of 5 councillors (plus 2 reserves) and an independent Chairman. Their activity and regulatory framework is clearly identified in the Council's Constitution and also on the Council's Web site. The core functions follow CIPFA's practical guidance.	Constitution of the Council Audit Committee Terms of reference

System & Process	Comment	Evidence
▪ Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful	Management at all levels are responsible for ensuring their service is compliant with relevant laws and regulations. The council has extensive, detailed and clear policies and procedures to give guidance to staff and management and to identify responsibilities. A Policies and Procedures Archive (PaPA) is attached to the Council's Intranet site which allows all staff access to every policy or procedure that needs to be complied with. Internal Audit carries out regular reviews of systems ensuring full compliance with relevant laws, regulations, internal policies and procedures. The frequency of each system audited is assessed by a risk scoring mechanism – the higher the risk the more frequent an Audit review is undertaken. Audit Commission carry out annual inspections to verify compliance.	Contract Standing Orders & Purchasing Guidance Financial Regulations PaPA (electronic Policies and Procedures Archive) Annual Audit Plan
▪ Whistle-blowing and other means of receiving and investigating complaints from the public	The Council's Anti Fraud and Corruption Policy includes a section on Whistleblowing procedures and is included on induction courses which all new employees have to attend. Personnel records of training carried out are maintained and regular reports are produced to identify gaps in training. Refresher sessions are organised to ensure all staff are aware of this policy. Posters and leaflets are on show around the council offices to publicise this policy, which is available to all staff on the Intranet (PaPA). All suppliers and contractors have been notified either by email or letter that the Anti Fraud and Corruption Policy including Whistleblowing is to be adhered to by their staff while they are working for the council. All new suppliers are notified of this policy and directed to it on the website. The complaints procedure is available on PaPA to all staff and a range of performance indicators ensure all complaints are dealt with according to this procedure. Results of the indicators are publicised to staff on PRISM. Customers are advised of the procedure both electronically on the authority website and at the council offices via posters and leaflets available in the public areas.	PaPA Anti-fraud & Corruption & Whistle-blowing Policy Induction manual PRISM Leaflets and posters available in the public areas Letters to suppliers and contractors. New suppliers BACS forms

System & Process	Comment	Evidence
▪ Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training	Every officer has a Performance and Development Appraisal (PDA) annually with a 6 monthly review. This identifies the direction they need to work towards, the projects that need to be carried out and if there are any training needs. The competency Framework is also completed at this stage, which looks at the competencies needed for the job and the competencies needed for improvement and promotion. This also identifies training needs. The PDA forms identify training needs and these are listed on the PS2000 Payroll system and used to inform future training sessions that need to be organised. Members are required to attend relevant training to ensure that they are equipped for particular roles. Informed by a member survey and officer assessment, skills training is made available to members generally.	PDA Training Guide on the Intranet Training module on the PS2000 Member Training Programme
▪ Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation	There is a detailed strategy on the website called Getting the Message Across – a Strategy for Marketing, Public Relations and Consultation. Customer Charters identify how we will consult with all stakeholders and encourage communication with all our stakeholders. The Procurement Team, in partnership with other authorities, organise Meet the Buyer events on a regular basis where all suppliers and contractors wanting to work with the council are invited to come and ask questions on how we procure goods and services and how they can be considered for this. The authority also ask the suppliers how they can improve the flow of information to them. All contracted work is advertised on the South East Business Portal, which can be accessed by all suppliers or contractors.	Community Strategy Corporate Plan Strategy for Marketing, Public Relations and Consultation. Charter Mark evidence. South East Business Portal Meet The Buyer event documentation

System & Process	Comment	Evidence
	Corporate Services have a Marketing and Communications Strategy. Several sections within the council have already successfully obtained the Charter Mark and for this purpose have to detail and provide solid evidence that clear channels of communication with all sections of the community and the council's stakeholders have been established and are continually improving. The council is currently undertaking an exercise to achieve the Customer Service Excellence (CSE) standard corporately. CSE is the successor to Chartermark) The sources of communication are: Residents' forums Meet the Buyer events School conferences Residents' surveys Children and Youth team work with young people and consult with them The Council's Neighbourhood Development Team consulted in focus group format.	CSE Application
Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships (*Governing Partnerships: Bridging the Accountability Gap*, Audit Commission, 2005), and reflecting these in the authority's overall governance arrangements.	Article 11 of the constitution offers explanatory notes on joint working arrangements, the procedures for access to information and the delegation of duties under joint working arrangements. The Canterbury District Community Partnership is set up to strengthen the connection between public sector agencies, local government, the voluntary and community sectors, businesses and local residents. There is a very tight protocol which gives clear responsibilities for the Executive Board and all partners. Currently the council is working in partnership with East Kent Authorities and Kent County Council to provide a single Payroll and Human Resource service.	Constitution Partnership Agreements Canterbury District Community Partnership Protocol Shared HR and Payroll project

Review of effectiveness

Canterbury City Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of East Kent Audit Partnerships annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework is given in the table below:

DESCRIPTION OF KEY ELEMENTS	ROLE	REVIEW OF EFFECTIVENESS
1. The Authority	The Authority's objectives are set out in its Corporate Plan. These are based on seven themes, which are: 1. Reputation 2. Focusing on people 3. Creating a quality district 4. Encouraging innovation and enterprise 5. Promoting participation in culture, leisure and play by all 6. Promoting and providing environmental leadership 7. Improving accessibility, links and connectivity.	A wide range of control and reporting mechanisms are in place to monitor performance against the Corporate Plan and Community Strategy. These include both internal mechanisms: such as the Overview and Scrutiny Role, Risk Management, Budget Monitoring & Control, the Performance Management framework and the procedures set out in the Council's Constitution, and externally: Resident / Public consultation and Satisfaction Surveys.
2. The Executive	The role of the Executive is to lead the implementation of council policy within the council's budgetary and control framework.	The Overview and Scrutiny Committee monitor the Executive and there have been a limited number of call-ins during the year 2008/09. The control and reporting mechanism listed under, 1 above also act as a review of the performance of the Executive.

DESCRIPTION OF KEY ELEMENTS	ROLE	REVIEW OF EFFECTIVENESS
3. The Audit Committee	The Audit Committee's role is split into 3 areas: Audit – overseeing and reviewing the results of internal and external audit activity Regularity – overseeing and reviewing procedures relating to contract procedures, financial regulations, codes of conduct, anti-fraud & corruption and whistle-blowing arrangements, risk management and complaints. Accounts – reviewing the annual accounts and considering whether there are any matters of concern to raise	The Audit Committee approved the 2008/09 Audit plan setting out the programme of work for reviewing and monitoring the activities of the Council, in particular its internal financial controls. Quarterly updates of progress against this plan were reported to this committee and a summary annual report in June 2009, including a review of the effectiveness of Internal Audit. Quarterly reports of the Strategic Risk Register are made to this committee. The Annual accounts are considered annually at the June Meeting
4. The Standards Committee	The role of the Standards Committee is to promote high standards of conduct by councillors, to assist them to observe the council's Code of Conduct, and to perform other functions of a similar nature.	The Standards Committee meets on a regular quarterly basis to consider these matters and reports annually on or around June of each year.
5. Internal Audit	The role of Internal Audit can be summarised as "To give an independent opinion on the adequacy, effectiveness and operation of controls within the Authority's systems".	The conclusion in the annual report of the Head of the East Kent Audit Partnership for 2008/09 was "there are no major areas of concern, which would give rise to a qualified audit statement regarding the systems of internal control concerning either the main financial systems or overall systems of corporate governance. "
6. Other reviews / Assurance Mechanism	Performance and Value for Money is achieved through the work of the Policy and Improvement Division and the Scrutiny Committee and the Audit Commission also report on these areas under the Use of Resources Judgements.	Scrutiny reviews concluded during 2008/09 were as follows: Debt Counselling, Beach Huts, Rural Transport and Data Quality

Significant governance issues

The council identifies and monitors significant governance issues through its Strategic Risk Register.

How the council identifies and assesses its corporate risks and how the Risk Register and then the Annual Governance Statement is compiled is set out in detail in the council's **Local Code of Governance** and **Risk Management Policy**, available on the council website.

In summary the risk register is updated from the following sources: -

- Risks identified by individual officers during the course of their work,
- Risk identified from both internal and external audit reports.
- Risk identified within the annual audit interviews.
- Risks identified from assessment carried out in other council reports notably Project Scope & Project Brief documents.
- Risks identified during the course of the Risk Register review process, notably by Heads of Service, Management Team and Audit Committee.
- Risks identified at Management Team, Departmental Team meetings and the Risk Management group; these are standing agenda items.

In summary the risk register is monitored and reviewed quarterly by the following: -

- Heads of Service
- Corporate Governance/Risk Management Officer Group
- Management Team
- Audit Committee
- RISK module on PRISM

The Strategic Risk Register is a public document updated and published quarterly in the agenda of the Audit Committee and available on the council website (www.canterbury.gov.uk).

The significant governance issues identified below are linked thematically with reference to the individual risk listed on the risk register. The steps the council is taking to either control or mitigate these risks are recorded on the risk register including reference to other action plans and reports where appropriate.

Delivering Major Projects

The council is committed to delivering several high profile projects, notably the New Marlowe Theatre. The economic downturn has naturally raised some uncertainty about whether all of these projects can be progressed and in the past year resulted in the Wincheap Regeneration project being discontinued.

Despite the economic situation, and in some cases directly because of it, the council continues to be committed to its major projects due to their importance to the economic and social development of district.

Individually each project has a range of risks, notably the long-term financial commitment. Collectively the delivery of these projects will impact generally on corporate capacity and could impact on the delivery of other corporate aims and services.

Next year will also see a change in the risk profiles of the Marlowe and Beaney projects as they move from the planning phase into the construction phase.

As listed on the Risk Register: -

- The New Marlowe Project.
- Royal Museum & Beaney Institute Redevelopment
- St Peter's & St Dunstan's Regeneration
- Traffic Management
- Football Hub Project
- Herne Bay Regeneration

Maintaining Effective Internal Processes & Strong Internal Controls

The maintenance of effective internal process is intrinsically linked to the effectiveness of the council's governance arrangements, how services are delivered and how it manages its risks. For this reason, they are regularly subject to internal and external review e.g. the Use of Resources assessment; part of the Comprehensive Area Assessment.

Maintaining internal processes can be difficult as they often lack the immediacy of other corporate goals and require an ongoing commitment. Improvement gains made often seem small and yet these processes often directly impact on the community.

Critical amongst the council's internal processes is its system of internal controls. These deal directly with the management of the council's risks. Regular review of these processes supported by internal and external audit is an important part of the overall governance process.

At both national and local levels, there is also public concern over the probity of elected post holders and the council recognises these concerns and the corrosive impact this can have on public trust. The council has in place a combination of governance processes and counter fraud measures intended to ensure anyone elected to represent, work with, or work for the council, acts appropriately.

As listed on the Risk Register: -

- Counter-Fraud & Corruption
- New International Financial Reporting Standards
- Business Continuity (ICT Service)
- Information Management
- Local Development Framework
- Safeguarding Children
- Equalities & Discrimination Legislation
- Succession Planning
- Management Skills & Staff Development

Managing Finances

Council finances have come under increasing pressure as the council has sought to maintain high levels of service with diminished levels of income and government funding.

The main pressures on council funding are: -

1. Central Government - Reduced central government grants and introduction of other initiatives like the National Concessionary Bus Fares Scheme.

2. Inflationary Pressures – Service delivery costs notably the Waste Management contract and Active Life grant, are strongly influenced by energy costs, in particular, fuel costs. The economic downturn has generally lowered costs but energy costs remain high and prone to sudden and disproportionate increases.

3. Reduced Incomes & Charges – Lower incomes notably parking, land charges and commercial rents.

4. Major Projects – Increased financial commitments to major projects like the New Marlowe Theatre and reductions in external regeneration funding.

The council has sought to mitigate these risks within its medium term financial strategy and by seeking greater service efficiencies and direct cost savings. The council's ability, however, to absorb financial risks and increased costs is now much reduced and likely to diminish further.

The council finances have also directly been impacted by the banking crisis and the collapse of the Icelandic banks even though these investments were made prior to the credit rating of these banks being lowered and were in line with the then nationally agreed treasury management guidelines. In total, the council had invested as fixed term deposits, £6 million with two Icelandic banks. The council, along with the other affected local authorities, continues to pursue the recovery of these investments and remains confident that a large proportion of this money will be recovered. The accounts for the year reflect the currently anticipated position, which is that around 80% of the Heritable investment will be returned and all of the Glitnir investment will be returned. The Council can cover the shortfall without impacting on services and council tax levels from a VAT tax windfall.

As listed on the Risk Register: -

- Budget Limitations & Overspends
- Concessionary Bus Travel Scheme
- Land Charges
- Building Maintenance Funding
- Icelandic Bank Deposits

Working with Partners

There has been an emphasis in recent years on greater service delivery through partnerships. These partnerships range from key contractors, notably SERCO, to smaller community based groups. There is now also increased emphasis on the council working in partnership with other local authorities particularly those in the East Kent area through shared services and joint contracts.

The council has given a good degree of consideration to the risks that arise from the different forms of partnership working and developed processes that consider how partnerships are entered into, their ongoing governance, and exit strategies. Successful partnership remains critical to the successful delivery of council services and therefore the risks arising from these are considered regularly within the risk register.

As listed on the Risk Register: -

- Active Life
- Anti-Social Behaviour
- CHARM (Housing Repairs) Contract
- Sure Start
- Housing PFI
- Supporting People
- Horsebridge Arts & Community Centre
- East Kent Local Strategic Partnership
- Shared Landlord Services Project

Responding to Major Emergencies

The council already works with other emergency responders notably Kent County Council in the preparation and testing of emergency plans and business continuity plans. The council has always taken special regard to improving flood resilience within the district and this work continues.

As listed on the Risk Register: -

- Sea Defences & Inland Flooding (Management & Response)
- Business Continuity (General)

Corporate Governance Opinion

The audit committee has advised us on the implications of the result of the review of the effectiveness of the governance framework. The actions listed in the strategic risk register are aimed at addressing risks and ensuring continuous improvement of the governance systems in place.

We will continue to monitor these actions to further enhance our governance arrangements. We are satisfied that these will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed: John Gilbey .... 20th July 2009
Leader

Signed: Colin Carmichael .... 20th July 2009
Chief Executive

on behalf of Canterbury City Council

Independent auditor's report to Members of Canterbury City Council

Opinion on the financial statements

I have audited the Authority accounting statements and related notes of Canterbury City Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account Balance, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Canterbury City Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Director of Corporate Services and auditor

The Director of Corporate Services' responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

I read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword and the content of the Annual Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

Opinion

In my opinion the Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, I am satisfied that, in all significant respects, Canterbury City Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

A. L. Mack

Andy Mack
District Auditor
16 South Park
Sevenoaks
Kent
TN13 1AN

25 September 2009