Gravesham Borough Council

FINANCIAL REVIEW

and

STATEMENT OF ACCOUNTS

for the year ending

31 March 2013

J GIBBS CPFA

Assistant Director – Finance

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EXPLANATORY FOREWORD

Introduction

This foreword provides an explanation of the Council's accounts for the year ending 31 March 2013. The accounts are set out on pages 17 to 89 and are presented in accordance with International Financial Reporting Standards (IFRS). The accounts are supported by the Statement of Accounting Policies and by various notes to the accounts, with both of these sections supporting and providing explanations of the IFRS Financial Statements. There is a glossary of Financial Terms on pages 91 to 93.

The Council's Statement of Accounts are set out in this booklet and consist of the following financial statements as required for IFRS:

- **Movement in Reserves Statement** - this statement provides detailed information on the major reserves held by the Council and is separated between those reserves that are available for use in funding ongoing revenue expenditure and those that are required to be held for accounting purposes. This split of reserves is also repeated at the foot of the Balance Sheet.

- **Comprehensive Income and Expenditure Statement** – this account gives detailed information about total expenditure on the services that we provide. Income for each service is matched against the expenditure to show the net cost of services. The account also shows how much is received from council taxpayers and from general government grants to help meet the cost of services.

- **The Balance Sheet** - the Balance Sheet shows the overall financial position of the Council at the end of the financial year. It shows the balances and reserves at the Authority's disposal and its long-term indebtedness, the non-current assets and net current assets employed in its operations, and summarised information on the non-current assets held.

- **Cash Flow Statement -** this statement summarises the total cash movements during the year for both capital and revenue purposes. The statement summarises in simple terms where the money came from and how it was spent.

The following supplementary Financial Statements are also included for 2012-13:

- **Housing Revenue Account** - this account shows the net cost relating to Council housing and associated services.

- **Statement of Movement on the Housing Revenue Account Balance** - this statement reconciles the Housing Revenue Account Income and Expenditure Account to the Housing Revenue Account Balance as at 31 March 2013.

- **Collection Fund** - there is a statutory requirement for billing authorities to establish and maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and Business Rates. The Collection Fund records the income we receive from local taxpayers and the money that is distributed as precepts. The Collection Fund is consolidated with other accounts of the billing authority within the Balance Sheet.

The accounts are supported by a Statement of Responsibilities, together with various notes.

This foreword provides a brief explanation of the financial aspects of the Council's activities and comments on the main features of the Council's financial position.

The Main Changes to the 2012-13 Statement of Accounts

There have been no material changes to the 2012-13 Statement of Accounts required as a result of changes to Accounting Standards or to The Code issued by CIPFA. Changes have however been implemented in relation to the treatment of grants and contributions received by the Authority, and where necessary, the Financial Statements have been restated to reflect these changes, with this detailed accordingly in the relevant sections.

Summary of Financial Performance in the Year

The General Fund

The Council's financial plans for the year were supported by an increase of 3.48% in the level of Council Tax from that charged in 2011-12. This resulted in a Band D Council Tax of £171.45. The original General Fund net revenue budget of £12,040,010 was approved by Council on 21 February 2012. This budget was largely financed by £5,628,000 of Business Rates and general government grants and £6,323,770 of Council Tax income (including £228,460 from Parish Precepts). It also assumed that the Council would not be transferring any significant amounts to working balances (other than those amounts being received from the New Homes Bonus).

A revised (probable) budget of £11,693,890 (net of the additional transfers to and from working balances and reserves) was approved on 26 February 2013, providing for a forecast budget surplus of £346,120 for the 2012-13 financial year. The final outturn position for 2012-13 was £11,593,790 representing an under spend of £446,220 against the original budget for 2012-13. During 2012-13 Members made decisions to earmark resources into specific reserves and to clear down the balances on two redundant reserves (see note 9C to the Core Financial Statements).

Major Variances

The following analysis has been grouped in accordance with the Portfolios of the Executive Members, which were in place during 2012-13, to present the information in a more local context. The analysis is not therefore directly comparable to the Comprehensive Income and Expenditure Statement. However, the Comprehensive Income and Expenditure Statement includes a number of accounting adjustments, such as International Accounting Standard 19 pension adjustments, and capital and impairment charges within the Net Cost of Services which are subsequently removed so that no cost falls to the local taxpayer. As such, they do not form part of the budget monitoring process. The analysis below does not include these accounting adjustments so as to provide a clearer picture of the individual variances shown at each line. Accordingly, the expenditure and income for each portfolio has been adjusted to negate the effects of these accounting adjustments.

	Original Budget £'000	Adjusted Actual £'000	Variance over/(under) £'000
PORTFOLIO			
Leader	3,030	2,447	(583)
Planning Delivery	631	726	95
Business & Partnerships	1,161	1,328	167
Community & Environment	4,572	3,803	(769)
Public & Private Sector Housing	902	661	(241)
Performance & Administration	1,205	1,157	(48)
Vacancy Savings Target	(200)	0	200
NET SERVICE EXPENDITURE	11,301	10,122	(1,179)
Capital expenditure funded by Balances and Reserves	25	354	329
Reversal of Grants/Contributions	0	771	771
Net transfers to/(from) Reserves	714	347	(367)
BUDGET REQUIREMENT	12,040	11,594	(446)
Amount raised from Council Tax	(6,324)	(6,324)	0
Contribution to previous year's Collection Fund surplus	24	24	0
Revenue Support Grant	(112)	(112)	0
Contribution from Business Rate Pool	(5,628)	(5,628)	0
Net (Surplus) / Deficit 2012-13	0	(446)	(446)

As reported above, expenditure on services, before transfers to reserves and other accounting adjustments, was £446,220 less than the original estimate. The majority of this was caused by:

- Employee costs - Lower than originally anticipated due to vacancies held within various departments as a result of specific management actions introduced during the year to meet reductions in central government funding.
- Supplies and Services - Further to the above, the authority introduced the requirement during 2011-12 for all purchase orders to be approved either by a Director or Assistant Director. This management action has continued in 2012-13, resulting in significant savings on supplies and services during the year.

However there were also areas which did not perform as well as anticipated, that included:

- Fees and Charges – the economic downturn, which began in 2009-10, continued throughout 2012-13 resulting in shortfalls in some of the Council's income streams such as Planning Application Fee income.

The Housing Revenue Account (HRA)

As with the General Fund analysis above, the Housing Revenue Account (for monitoring purposes) is not directly comparable to the Housing Revenue Account shown within the accounts, other than at the bottom line of the Statement of Movement on the Housing Revenue Account balance. The analysis below does not include any accounting adjustments so as to provide a clearer picture of the individual variances shown at each line. Accordingly, the expenditure and income for each area within the Housing Revenue Account has been adjusted to negate the effects of these accounting adjustments.

In 2012-13, the HRA recorded a surplus of £1,704,000 (2011-12, £1,016,000 surplus) on the annual running expenses compared to a budgeted surplus of £499,000, as follows:

	Original Budget £'000	Adjusted Actual £'000	Variance over/(under) £'000
INCOME			
Rents and Service Charges	(24,164)	(24,357)	(193)
Other Income	(479)	(531)	(52)
General Fund Contribution	(11)	(8)	3
TOTAL INCOME	(24,654)	(24,896)	(242)
EXPENDITURE			
Supervision and Management	4,869	4,345	(524)
Supporting People	167	94	(73)
Repairs and Maintenance	11,810	11,598	(212)
Housing Subsidy Payments	0	37	37
Capital Financing Costs	7,309	7,120	(189)
TOTAL EXPENDITURE	24,155	23,194	(961)
Net Transfers to/(from) Reserves	0	(2)	(2)
(SURPLUS)/DEFICIT FOR THE YEAR	(499)	(1,704)	(1,205)

The difference between the actual spending and the original estimate reflects the following:

- Employee costs being lower than originally anticipated due to management action taken to hold vacancies open within various departments as they arose.
- Lower than anticipated debt financing costs arising from the transition to HRA Self-financing, which occurred on 1 April 2012.

Capital

In 2012-13, the Council spent £951,580 on General Fund capital schemes compared to the Original Estimate of £1,442,240 and a Revised Estimate (which includes slippage from 2011-12) of £1,862,350. Slippage occurred mainly on the Town Pier Pontoon, Sports Pitches provision and Disabled Facilities Grants work.

Similarly, for Housing Services, expenditure was £5,717,280 against an Original Estimate of £6,283,790 and a Probable Estimate of £6,216,760. The underlying underspend on housing capital was largely due to slippage on the Structural Repairs and Energy Efficiency Budgets.

The Council had long-term external borrowing of £110,425,000 as at 31 March 2013, which represents a decrease of £6,540,000 due to the repayment of the loans necessary to support the HRA self-financing settlement payment to the CLG department. In practice, these loan repayments are met through the abolition of the national housing subsidy system, and the resulting ability of the authority to retain approximately £6 million in negative subsidy which previously was paid annually to central government.

The level of Capital expenditure is reviewed and approved annually in accordance with the estimated resources available. As at 31 March 2013, the Council had reserves of £3,480,000 of Usable Capital Receipts held for capital expenditure purposes. These reserves are supplemented by balances held in Capital Grants and Contributions Unapplied, and Capital Grants Received in Advance where certain conditions are met, as well as loans raised under Prudential Borrowing, grants, new capital receipts and contributions from the revenue accounts. The approved Capital expenditure budget for 2013-14 is £9,255,600. The estimated total resources for 2013-14 will be sufficient to finance the Council's planned expenditure.

The Primary Financial Statements

A summary of the Primary Financial Statements can be seen below:

The Movement in Reserves Statement (Page 17)

This statement provides detailed information on the major reserves held by the Council and is separated between those reserves that are available for use in funding ongoing revenue expenditure and those that are required to be held for accounting purposes.

Financial Year 2012-13	Total Usable Reserves £'000	Unusable Reserves £'000
Balance as at 31 March 2012 (Restated)	11,713	96,532
Increase/ (Decrease) in year	3,965	7,605
Balance as at 31 March 2013	15,678	104,137

The Comprehensive Income and Expenditure Statement (Page 18)

This statement provides detailed information about total expenditure on the services that we provide. The account also shows how much is received from council taxpayers and from general government grants to help meet the cost of services.

	2011-12 Actual £'000	Movement During the Year £'000	2012-13 Actual £'000
Net Cost of Services	121,827	(123,120)	(1,293)
Other Income and Expenditure	(12,207)	2,846	(9,361)
(Surplus) and Deficit on Provision of Services	**109,620**	**(120,274)**	**(10,654)**
Gains or losses on non-assets and pension assets	14,751	(15,074)	(323)
Total Comprehensive Income and Expenditure	**124,371**	**(135,348)**	**(10,977)**

The Balance Sheet (Page 19)

The Balance Sheet shows the overall financial position of the Council for the year ending 31 March 2013. It shows the balances and reserves at the Authority's disposal and its long-term indebtedness, the non-current assets and net current assets employed in its operations, and summarised information on the non-current assets held.

	Restated 31 March 2012 £'000	Movement During the Year £'000	As At 31 March 2013 £'000
Total Non Current Assets	258,651	8,168	266,819
Total Current Assets	19,342	3,151	22,493
Total Current Liabilities	(9,816)	1,567	(8,249)
Non-current assets plus net current assets	**268,177**	12,886	**281,063**
Non-current Liabilities	(159,932)	(1,316)	(161,248)
Total Assets less Current Liabilities	**108,245**	**11,570**	**119,815**
Financed by:			
Unusable Reserves	96,532	7,605	104,137
Usable Reserves	11,713	3,965	15,678
Net Worth	**108,245**	**11,570**	**119,815**

Gravesham Borough Council's net liability on the Kent County Council Pensions Fund at 31 March 2013 is £49,837,000 (£47,184,000 at 31 March 2012), giving an increase in liability of £2,653,000.

The increase in pension deficit during the year has arisen principally due to the technical increase in the valuation of the liabilities. The liabilities are valued using a real discount rate based on corporate bond yields in excess of expected inflation. Corporate bond yields have steadily fallen during the year leading to an increase in liabilities.

It is important to note that IAS 19 does not have any impact on the actual level of employer contributions. Employers' levels of contribution are determined by triennial actuarial valuations which are based on the Fund's actual investment strategy (rather than being based on corporate bond yields). The next formal valuation commenced on 31 March 2013.

The Cash Flow Statement (Page 20)

The Cash Flow Statement summarises the total cash movements during the year for both capital and revenue purposes. The statement summarises in simple terms where the money came from and how it was spent.

	2011-12 £'000	Movement During the Year £'000	2012-13 £'000
Net (Surplus) or Deficit on the Provision of Services	109,620	(120,273)	(10,654)
Adjust net surplus or deficit on the provision of services for non cash movements	(16,354)	11,782	(4,572)
Adjust net surplus or deficit on the provision of services for items that are investing and financing activities	1,477	149	1,626
Net Cash flows from Operating Activities	**94,743**	**(108,342)**	**(13,599)**
Net Cash flows from Investing Activities	7,947	6,068	14,015
Net Cash flows from Financing Activities	(107,253)	109,821	2,568
Net (increase) or decrease in cash and cash equivalents	**(4,563)**	**7,547**	**2,984**
Cash and cash equivalents at the beginning of the reprting period	(5,878)	(4,563)	(10,441)
Cash and cash equivalents at the end of the reporting period	**(10,441)**	**2,984**	**(7,457)**

The Current Economic Climate

The effects of the downturn in the economy were taken into account when preparing both the original and the probable budgets for 2012-13, and the economic downturn has had an effect on actual expenditure and income figures for 2012-13. The impacts have been on fuel and energy prices, a reduction in income from planning fees and land charges, and lower than budgeted car parking income. The variances against the budget have been carefully managed throughout the year. The Council has continued to see comparatively low levels of income generated through investment activities and the downgrading of many financial institutions and sovereignties has meant that the Treasury Management Strategy has had to be significantly revised during the year.

Treasury Management Performance

The actual income received from investments in 2012-13 was £179,000 (2011-12, £109,000). The overall rate of return for 2012-13 was 0.30% above the 3-month LIBID benchmark (2011-12, 0.11% above the 1-month LIBID benchmark). The slightly increased return above the benchmark and higher overall returns arose proactive management of the authority's cash flows, and generally longer-term investments.

Total investments managed in-house as at 31 March 2013 stood at £15.0 million, whilst the authority also had £110 million of long-term borrowing as at 31 March 2013, primarily in the form of an £8 million Stock Issue loan taken out by the authority in 1995 and due for repayment in 2020, and the balance of £106.2 million Public Works Loans Board (PWLB) borrowing undertaken during the year in relation to HRA self-financing as detailed earlier. Short-term borrowing decreased from £3.4 million to £2.1 million as a result of different HRA self-financing principal repayments due within the next twelve months.

Investments were only made with the institutions listed in the Council's approved lending list. The Council invests for a range of periods dependent on the Council's cash flows, its interest rate view and the interest rates on offer.

The main borrowers continued to be the UK banking sector and Money Market Funds, which are used for short-term deposits. As at 31 March 2013, there was £8.0 million invested in UK banks, £2.0 million in UK Building Societies and £5.0 million was held in Money Market Funds and other forms of short-term investments.

The Level of Reserves and Balances

The Council's level of General Fund balances stood at £3,843,770 as at 31 March 2013. There has been an increase in balances of £1,196,272 from 31 March 2012 to 31 March 2013. An analysis of the movement in the level of reserves can be seen in the table below;

	General Fund £'000
Working Balances as at 1 April 2012	2,648
Budget Variances & Slippage B/Fwd	446
Transfers to/(from) Reserves	(404)
Capital Expenditure met from Balances	354
Transfers to/(from) Balances	800
Working Balances as at 31 March 2013	**3,844**

The Council also holds earmarked reserves, which are kept for specific types of expenditure in the future. Some reserves are held for statutory reasons and some are needed to comply with proper accounting practices. Examples include the decriminalisation reserve and insurance excess reserve. A full list of these reserves as at 31 March 2013 can be seen below;

Reserves (as at 31 March 2013)	2012-13 £'000
Insurance Excess - Vehicles	9
Repairs & Renewals Reserve	95
Spend to Save Reserve	246
Local Development Framework Reserve	188
Corporate Priorities Reserve	96
Buildings Improvement Reserve	131
Leisure Centre Reserve	335
DSO Provision for 3rd Party Insurance	10
Town Pier Pontoon	67
Local Authority Mortgage Scheme	100
Elections Reserve	30
	1,307

2013-14 and Beyond

Local Audit and Accountability Bill

On 13 August 2010, the Secretary of State for Communities and Local Government announced the government's intention to abolish the Audit Commission and create new arrangements for auditing England's local public bodies.

The Audit Commission no longer has an in house audit practice. Instead it contracts to private firms to audit local bodies on its behalf: Gravesham Borough Council's external Auditor being Grant Thornton was appointed on 1st September 2012.

Local Audit is an essential tool for providing assurance that local bodies are spending public money efficiently and effectively. The Local Audit and Accountability Bill aims to deliver the government's commitment to close the Audit Commission and transfer its remaining functions. The Bill will put in place a new local audit and accountability framework for local public bodies in England. This replaces centralised arrangements for the audit of local bodies and gives them the freedom to make their own audit arrangements, with safeguards to ensure auditor independence and the retention of the same high audit standards. Local bodies will have to appoint their own auditor at least once every five years. They will need to consult and take advice of an independent auditor panel. They will need to publish information about the appointment of an auditor within 28 days of making the appointment.

The Bill will also protect the rights of taxpayers to inspect local bodies' accounts and allows them to say if they think there are matters that the auditor should examine.

In addition, the Bill extends the powers of local taxpayers to veto excessive council tax increases through referendums in certain circumstances that must take into account any change in levies paid out to external bodies, such as waste Disposal Authorities, Integrated Transport Authorities, Pension Authorities and Internal Drainage Boards.

The Bill also allows the continuation of the National Fraud Initiative and transfers the powers to run the National Fraud Initiative to the government.

Local Authority Mortgage Scheme

As a result of the current economic environment and the difficulties in obtaining an affordable mortgage many potential homebuyers may remain in affordable housing units, thereby reducing the availability of affordable housing for those who may have a greater need.

To address the shortage in supply of affordable housing to those who need it, and to help the housing market and the local economy in general, a number of Local Authorities have issued mortgages to potential home-buyers.

In May 2012 Cabinet Members agreed in principle, and this was subsequently endorsed by Council in June 2012, to launch a Local Authority Mortgage Scheme (LAMS) in association with Kent County Council and LAMS was introduced in January 2013.

The scheme helps first time buyers who may be struggling to find substantial deposits required by mortgage providers. The authority set aside £1m (matched by KCC) with the lender (Lloyds TSB). The lender still applies their normal strict lending criteria to ensure that borrowers can afford the regular repayments. In simple terms, the applicant is able to take a 95% Loan-To-Value mortgage (LTV), but at 75% LTV rates, as 20% of the initial mortgage is effectively underwritten by the Local Authority (in the form of an indemnity) through use of the initial deposited funds placed with the lender by the Local Authority. As at the end of April 2013, the lender has approved three mortgages, with a further three in the process of being considered for approval. The Council will continue to monitor the arrangement with the Lender.

Local Government Finance Act 2012

In November 2012 the Local Government Finance Act 2012 received royal assent and become law. The Act brought in the introduction of:

- Business Rates Retention Scheme which allows local councils to retain a proportion of business rates they raise locally,
- The introduction of Tax Increment Financing which allows councils to borrow against future Business Rates,
- Localised Support for Council Tax instead of the previous benefit system, and,
- Various changes in the way the Council Tax yield is levied.

This Act is one of the most important enactments to affect funding of local authorities in recent years. The financial effects of these initiatives are not fully known but the Council is continuing to monitor the effects through the Council's Medium Term Financial Plan. It is imperative that the Council continues to maintain sufficient balances to cope with any potential funding changes.

At the next Spending Review on 26 June 2013, the Chancellor will set out how the Treasury will make £11.5bn of overall savings from Government departments for the year 2015-16.

Universal Credit

On 11 February 2013, the Department for Works and Pensions published details of the Universal Credit Local Support Services Framework, providing details of the implementation of the Universal Credit system which will replace the benefit system by bringing many working-age benefits into one payment.

The framework applies to phase 2 of the Universal Credit programme from October 2013 and 2014 and sets out:

- Which people may need help to have access to Universal Credit,
- What services they may need,
- How these services will be provided through locally developed partnerships.

The framework will be defined and an updated version will be published for 2014/15, following feedback from Local Authorities and other delivery partners, as well as experience drawn down from 12 local authority led pilots, six demonstration pilots and the pathfinder operating in the North West.

The Electoral Registration and Administration Act 2013

The Electoral Registration and Administration Act 2013 received royal assent at the end of January 2013 requiring Individual Electoral Registration (IER) to be introduced in Great Britain from the summer of 2014. Funds have been granted by the Cabinet Office and the Council is planning for the transition from the current electoral system to the new IER. The exact financial implications (if any) are unknown at this stage but this will be closely monitored.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

Gravesham Borough Council 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 Gravesham, that officer is the Assistant Director (Finance);

- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and

- Ensure the un-audited Statement of Accounts is certified subject to audit prior to 30 June by the Assistant Director (Finance), and that the audited statement of accounts is approved prior to 30 September by the relevant body. In Gravesham, that body is the Finance & Audit Committee to which the Council has delegated the appropriate authority.

The Assistant Director (Finance) - Responsibilities

The Assistant Director (Finance) is responsible for the preparation of the Council'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 the Statement of Accounts, the Assistant Director (Finance) has:

- selected suitable accounting policies and then applied them consistently;

- made judgements and estimates that were reasonable and prudent; and

- complied with the Code of Practice.

The Assistant Director (Finance) has also:

- kept proper accounting records which were up to date; and

- taken reasonable steps for the prevention and detection of fraud and other irregularities, further details of which are contained in the Annual Governance Statement.

Certification of Assistant Director (Finance)

I hereby certify that the Statement of Accounts presents a true and fair view of the financial position of the Council at the date shown and its income and expenditure for the year ended 31 March 2013.

J Gibbs CPFA Date: 26/09/2013

Certification of Chair of Finance & Audit Committee

I confirm that the adoption process for the 2012-13 Statement of Accounts has been formally completed and that the Financial Review and Statement of Accounts for the year ended 31 March 2013 was approved by Gravesham Borough Council at the meeting of the Finance & Audit Committee on 18 September 2013.

Cllr Collin Caller Date: 26/09/2013

MOVEMENT IN RESERVES STATEMENT

Financial Year 2011-12 (Restated)	General Fund Balance £'000	General Fund Earmarked Reserves £'000	HRA £'000	Capital Receipts £'000	Grants & Contributions Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2011	**3,111**	**1,598**	**2,591**	**2,445**	**138**	**9,883**	**220,870**	**230,753**
Surplus/(Deficit) on Provision of Services	(1,432)	0	(108,189)	0	0	(109,621)	0	(109,621)
Other Comprehensive Expenditure or Income	0	0	0	0	0	0	(13,879)	(13,879)
Total Comprehensive Expenditure and Income	**(1,432)**	**0**	**(108,189)**	**0**	**0**	**(109,621)**	**(13,879)**	**(123,500)**
Adjustment between accounting basis and funding basis (Note 11)	1,082	0	109,205	175	(5)	110,458	(110,458)	0
Net increase/(decrease) before transfers to Earmarked Reserves	**(350)**	**0**	**1,016**	**175**	**(5)**	**837**	**(124,337)**	**(123,500)**
Transfers to/(from) Earmarked Reserves	(113)	113	0	(20)	0	(20)	0	(20)
Increase/(Decrease) in year	**(463)**	**113**	**1,016**	**156**	**(5)**	**817**	**(124,337)**	**(123,520)**
Restatement (see Note 2)	0	0	0	0	1,013	1,013	0	1,013
Balance at 31 March 2012	**2,648**	**1,711**	**3,607**	**2,601**	**1,146**	**11,713**	**96,532**	**108,245**

Financial Year 2012-13	General Fund Balance £'000	General Fund Earmarked Reserves £'000	HRA £'000	Capital Receipts £'000	Grants & Contributions Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2012	**2,648**	**1,711**	**3,607**	**2,601**	**1,146**	**11,713**	**96,532**	**108,245**
Surplus/(Deficit) on Provision of Services	80	0	10,574	0	0	10,654	0	10,654
Other Comprehensive Expenditure or Income	0	0	0	0	0	0	323	323
Total Comprehensive Expenditure and Income	**80**	**0**	**10,574**	**0**	**0**	**10,654**	**323**	**10,977**
Adjustment between accounting basis and funding basis (Note 11)	2,170	0	(8,870)	862	(868)	(6,706)	6,706	0
Net increase/(decrease) before transfers to Earmarked Reserves	**2,250**	**0**	**1,704**	**862**	**(868)**	**3,948**	**7,029**	**10,977**
Transfers to/(from) Earmarked Reserves	(1,054)	(404)	0	17	1,458	17	**576**	593
Increase/(Decrease) in year	**1,196**	**(404)**	**1,704**	**879**	**590**	**3,965**	**7,605**	**11,570**
Balance at 31 March 2013	**3,844**	**1,307**	**5,311**	**3,480**	**1,736**	**15,678**	**104,137**	**119,815**

COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2013

2011-12 Actual £'000		2012-13 Exp £'000	2012-13 Inc £'000	2012-13 Net Cost £'000
1,411	Central Services to the Public	2,089	(799)	1,290
3,794	Cultural and Related Services	5,274	(1,873)	3,401
3,820	Environmental and Regulatory Services	4,516	(943)	3,573
2,681	Planning Services	3,500	(1,388)	2,112
(462)	Highways and Transportation Services	1,525	(1,879)	(354)
3,680	Housing Services	50,358	(61,809)	(11,451)
1,671	Corporate & Democratic Core	1,921	(684)	1,237
(555)	Other Services	2,867	(3,991)	(1,124)
105,705	Exceptional Items (Note 6)	0	0	0
82	Non Distributed Costs	23	0	23
121,827	**NET COST OF SERVICES**	72,073	(73,366)	(1,293)
72	Other Operating Expenditure (Note 12)			(198)
1,512	Financing and Investment Income and Expenditure (Note 13)			3,806
(13,791)	Taxation and Non-Specific Grant Income (Note 14)			(12,969)
109,620	**(SURPLUS) OR DEFICIT ON PROVISION OF SERVICES**			(10,654)
(2,118)	(Surplus) or Deficit on revaluation of non-current assets			(1,901)
16,869	Actuarial (gains) or losses on pension assets and liabilities (Note 29)			1,578
14,751	**OTHER COMPREHENSIVE INCOME AND EXPENDITURE**			(323)
124,371	**TOTAL COMPREHENSIVE INCOME AND EXPENDITURE**			(10,977)

At 31 March 2012 (Restated) £'000	BALANCE SHEET	At 31 March 2013 Notes	£'000	£'000
	Property, Plant and Equipment	19		
	Operational assets			
214,414	- council dwellings			219,064
22,310	- other land and buildings			22,751
1,485	- vehicles, plant and equipment			1,379
188	- infrastructure assets			2,148
2,474	- community assets			2,666
2,991	- heritage assets	20		3,577
	Non-operational assets			
2,011	- assets under construction			0
4,170	- land and buildings			4,437
250,043	**Total Non Current Assets**			256,022
421	Intangible Assets			345
7,900	Investment Properties	24		8,160
286	Long Term Debtors	26		2,292
258,650	**Total Long-term Assets**			266,819
24	Inventories		18	
12,999	Short -term Debtors (Gross)	26	12,549	
(4,121)	Debt Impairment Provision	26	(4,532)	
10,441	Cash and Cash Equivalents	28	7,457	
0	Investments		7,000	
19,343				22,492
277,993	**Total Assets**			289,311
	Current Liabilities:			
3,367	Short-term Borrowing	33	2,132	
6,449	Short-term Creditors	27	6,117	8,249
268,177	**Total Assets less Current Liabilities**			281,062
	Long Term Liabilities:			
47,184	Liability Related to Defined Benefit Pension Scheme	29	49,837	
111,951	Long-term Borrowing	33	110,425	
627	Capital Grants Receipts in Advance	37	816	
170	Provisions	36	170	
159,932	**Total Long-term Liabilities**		161,248	
108,245	**NET ASSETS**			**119,815**
	FINANCED BY:			
	Unusable Reserves			
12,623	Revaluation Reserve	10A		14,524
131,358	Capital Adjustment Account	10B		139,541
(123)	Employees Reserve	10D		(146)
121	Deferred Receipts			106
15	Collection Fund Adjustment Account			115
(278)	Financial Instruments Adjustment Account	10C		(166)
(47,184)	Pensions Reserve	29		(49,837)
96,532				104,137
	Usable Reserves			
2,601	Usable Capital Receipts	9A		3,480
1,146	Grants & Contributions Unapplied	9B		1,736
1,711	Earmarked Reserves	9C		1,307
6,255	Revenue Balances	15		9,155
108,245	**TOTAL RESERVES**			**119,815**

CASH FLOW STATEMENT

2011-12 £'000	CASH FLOW STATEMENT	2012-13 £'000	2012-13 £'000
109,620	**a) Net (Surplus) or Deficit on the Provision of Services**		**(10,654)**
	b) Adjust net (surplus) or deficit on the provision of services for noncash movements		
(5,949)	Depreciation	(6,299)	
(5,713)	Impairment and downward valuations	(5,869)	
0	Revaluation Gain	10,360	
(512)	Increase in impairment provision for bad debts	(411)	
1,551	Movement in Creditors	332	
(4,219)	Movement in Debtors	(450)	
2	Movement in Stock (Inventories)	(6)	
358	Movement in Pension liability	(1,075)	
(921)	Carrying amount of non-current assets sold	(875)	
(633)	Net Interest payable	0	
(135)	Soft Loans	(20)	
(183)	Other non-cash items charged to the net surplus or deficit on the provision of services	(258)	
93,266			(15,225)
	c) Adjust for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities		
(109)	Proceeds from short term and long term investments	(49)	
1,586	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,675	
94,743	**d) Net Cash Flows from Operating Activities**		**(13,599)**
	e) Investing Activities		
7,692	Purchase of Property, plant and equipment, investment property and intangible assets	8,341	
0	Purchase of Short Term and Long Term Investments	7,000	
255	Other Payments for investing activities	373	
0	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,699)	
7,947	**Net cash flows from investing activities**		14,015
	f) Financing Activities		
0	Cash Receipts of short and long term borrowing	(1,002)	
(1,355)	Other receipts from financing activities	(276)	
348	Repayments of short and long term borrowing	3,769	
0	Other payments for financing activities	77	
(106,246)	HRA Self Financing Loan	0	
(107,253)	**Net cash flows from financing activities**		**2,568**
(4,563)	**g) Net (increase) or decrease in cash or cash equivalents**		**2,984**
(5,878)	**h) Cash and cash equivalents at the beginning of the reporting period**		(10,441)
(10,441)	**i) Cash and cash equivalents at the end of the reporting period**		(7,457)

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies

1.1 General

Local Authorities are required to produce their annual financial statements in accordance with International Financial Reporting Standards (IFRS).

Each year CIPFA produces a “Code of Practice on Local Authority Accounting in the United Kingdom” (The Code) to assist practitioners interpret the requirements of IFRS. The Code is based on approved accounting standards, comprising International Accounting Standards (IAS), International Financial Reporting Standards (IFRSs) approved by the International Accounting Standards Board, International Public Sector Accounting Standards (IPSAS) and the Urgent Issues Task Force’s (UITF) Abstracts.

The accounting policies that have been adopted are set out in the following paragraphs. Where an accounting policy has not been adopted, or where it has been varied, then a note to that effect has been provided.

1.2 Accounting Concepts & Qualitative Characteristics

In general, the accounts are prepared on the basis of historical cost modified by the revaluation of land and buildings, subject to and in accordance with the fundamental accounting concepts set out below:

Relevance

In accordance with IAS 8, Accounting Polices, Changes in Accounting Estimates and Errors, the accounts are prepared so as to provide readers with information about the Council’s financial performance and position that is useful for assessing the stewardship of public funds.

Reliability

The accounts are prepared on the basis that the financial information contained within them is reliable, i.e. they are free from material error, deliberate or systematic bias, complete within the bounds of materiality and represent faithfully what they intend to represent. Where there is uncertainty in measuring or recognising the existence of assets, liabilities, income and expenditure then caution or prudence has been used as a basis to inform the selection and application of accounting policies and estimation techniques.

Comparability

The accounts are prepared so as to enable comparison between financial periods. To aid comparability the Council has applied its accounting policies consistently both during the year and between years.

Understandability

Every effort has been made to make the accounts as easy to understand as possible. Nevertheless, an assumption has been made that the reader will have a reasonable knowledge of accounting and local government. Where the use of technical terms has been unavoidable, an explanation has been provided in the Glossary of Terms.

Materiality

Certain information may be excluded from the accounts on the basis that the amounts involved are not material either to the fair presentation of the financial position and transactions of the Council or to the understanding of the accounts.

Accruals

With the exception of the Cash Flow Statement, the accounts are prepared on an accruals basis. The accruals basis of accounting requires the non-cash effect of transactions to be reflected in the accounts for the year in which those effects are experienced and not in the year in which the cash is actually received or paid.

Going Concern

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

Primacy of Legislative Requirements

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

1.3 Revenue Recognition

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

1.4 Estimation Techniques

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

1.5 Cash and Cash Equivalents

Cash and Cash Equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and are shown on the balance sheet at their nominal value. The authority has defined cash equivalents as including investments with a maturity of three months or less from the date of acquisition.

1.6 Assets Held for Sale (Non Current Assets)

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

1.7 Property, Plant and Equipment

- Recognition

All expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis. Expenditure on the acquisition of an asset, or expenditure which adds to, and not merely maintains, the value of an existing asset, should be capitalised, provided that it yields benefits to the authority and the services it provides for a period of more than one year.

Expenditure that should be capitalised will include:

- Expenditure on the: acquisition, reclamation, enhancement or laying out of land,
- Acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures,
- Acquisition, installation or replacement of movable or immovable plant, machinery, apparatus, vehicles and vessels.

In this context, enhancement means the carrying out of works which are intended to:

- Lengthen substantially the useful life of the asset, or
- Increase substantially the market value of the asset, or
- Increase substantially the extent to which the asset can or will be used for the purposes of or in conjunction with the functions of the Local Authority concerned.

Under this definition, improvement works and structural repairs should be capitalised, whereas expenditure to ensure that the fixed asset maintains its previously assessed standard of performance should be recognised in the revenue account as it is incurred.

In defining capital expenditure, the Council operates a de minimis level of £12,000 for such assets. Any expenditure below this level is charged to revenue in the year of acquisition.

- Measurement

Initially the assets are measured at cost, comprising the purchase price, less any costs associated with bringing the asset into use. The measurement of assets acquired other than through purchase is deemed to be its fair value.

In accordance with The Code, Property Plant and Equipment, can be further analysed as:

- Council Dwellings,
- Other Land and Buildings
- Infrastructure assets,
- Vehicles, Plant, Furniture and Equipment (VPFE),
- Community Assets,
- Assets under Construction.

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

- Infrastructure, Community Assets and Assets Under Construction – depreciated historical cost (DRC),
- Dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH),
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (EUV).

Where there is no market based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. Where non-property assets (such as Vehicles, Plant and Equipment) have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

As the Council's principal assets are revalued, any gains or losses arising from revaluation are reflected in the Revaluation Reserve. The programme of revaluations is continuing on this cyclical basis although material changes to asset valuations will be adjusted in the interim period, as they occur.

- Depreciation

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

- Newly acquired assets are not depreciated in the year of acquisition where this does not have a material effect upon the accounts,
- Depreciation is calculated using the straight-line method.

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

Asset	Depreciation Methodology
Operational Land	30 to 50 years (usually relating to car parks)
Operational Buildings	Usually 50, although this can vary according to the individual asset
Non-Operational Buildings	40 to 60 years depending on the individual asset
Council Dwellings	Use of a notional Major Repairs Allowance as a proxy for depreciation – allowable for a transition period following self-financing.
Infrastructure	40 Years
Vehicles, Plant & Equipment	Vehicles & Plant - 5 to 10 Years depending on the type of asset IT Equipment - 3 to 7 years depending on the nature of the asset Non-IT Equipment - 10 to 20 years depending on the nature of the asset

Provision for depreciation is made by allocating the cost (or revalued amount) less estimated residual value of the assets as closely as possible to the periods expected to benefit from their use.

The useful lives of assets should be estimated on a realistic basis. They should be reviewed regularly and revised where necessary. Where the useful life of a fixed asset is revised, the carrying amount of the fixed asset is depreciated over the revised remaining useful life.

Depreciation is not normally provided for on freehold land and Community Assets (whether operational or non-operational) on the basis that such assets do not have a determinable useful life. Depreciation is also not provided for on assets which are not yet available for use (i.e. assets under construction).

- Valuation

The freehold properties which comprise part of the Council's property portfolio have been valued at the direct request of the Council's Service Manager – Financial Services in accordance with CIPFA's accounting arrangements. Valuations are undertaken by an external firm of surveyors, or by suitably qualified internal staff as practicable, on the under-mentioned basis in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors.

Plant and machinery are included in the valuation of the buildings. Properties regarded by the Authority as Operational were valued on the basis of open market value for their existing use, or, where this could not be assessed because there was no market for the subject asset, the depreciated replacement cost. Properties regarded by the Authority as Non-Operational have been valued on the basis of open market value.

Council dwellings are valued on the basis of Existing Use Value for Social Housing (EUV-SH). Further details are contained in Note 4 to the Housing Revenue Account.

- Components

The IFRS Code requires Local Authorities to identify elements of major assets that have either a capital cost that is significant in relation to the total cost of the asset and/or has a different useful life or depreciation method. The Council's policy is to account for components of assets with a gross book value in excess of £1m and where any individual component has a value in excess of £100,000. The componentisation proposals for the HRA dwelling stock differ from that above. Current guidance allows for the ongoing use of a notional Major Repairs Allowance (a Government determined figure for devaluation of Council Housing Stock) as a proxy for depreciation and this accounting policy will continue for the first five years of the transition to HRA self-financing, pending an alternative method of depreciation being consulted upon and implemented. The requirement to implement component accounting commenced on 1st April 2010 but only applies to properties valued after that date or where there has been significant capital expenditure in respect of the individual asset.

- Impairment

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

Where impairment losses are identified, they are accounted for as follows:

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

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

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

- Disposal

At the point at which the disposal of an asset becomes probable (and the carrying value will be principally recovered through the sale proceeds), the asset is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Depreciation is not charged on Assets Held for Sale.

If an asset no longer meets the criteria to be classified as an Asset Held for Sale, it is reclassified back to non-current assets and valued at the lower of its carrying amount before it was classified as being held for sale (less depreciation, amortisation and revaluations that would have occurred) and its recoverable amount at the date upon which the decision not to sell was reached.

Income from the disposal of Property, Plant and Equipment is accounted for on an accruals basis. Such income, following payment of the pooling liability to central government (in respect of housing capital receipts from the sale of dwellings through the Right to Buy (RTB) scheme), is included in the Balance Sheet as usable capital receipts.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet, together with any receipt from disposal (net of any costs associated with the disposal), are accounted for in the Comprehensive Income and Expenditure Statement, so comprising a gain or loss on disposal. Any remaining 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 is payable to the Government. Following the introduction of self-financing, and a revised RTB scheme, some elements of RTB proceeds have to be recycled to deliver new social housing.

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 General Fund Balance in the Movement in Reserves Statement.

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

1.8 Intangible Assets

Intangible assets are "non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the Local Authority through custody or legal rights". Examples are licences, quotas, patents, copyrights, franchises and trademarks. The most common intangible asset that is held by Local Authorities is purchased software licences.

Control of an intangible asset is normally secured by legal rights: a licence grants access to benefits for a fixed period.

Purchased intangible assets (e.g. software licences) should be capitalised as assets. Internally developed intangible assets should only be capitalised where there is a readily ascertainable market value, which is unlikely to occur in a Local Authority's single entity financial statements.

Software development costs that are directly attributable to bringing a computer system or other computer-operated machinery into working condition for its intended use should be treated as part of the cost of the related hardware rather than as a separate intangible asset.

Intangible assets are amortised on a systematic basis over their economic lives, typically over a period of 5 to 7 years depending upon the nature of the asset. Where access to the economic benefits associated with an intangible asset is achieved through legal rights that have been granted for a finite period, the economic life will not extend beyond that period unless the legal rights are renewable and renewal is assured. The useful economic lives of intangible assets are reviewed at the end of each reporting period and revised if necessary. In amortising an intangible asset a residual value may be assigned to the asset only if such residual value can be measured reliably. In practice the residual value of an intangible asset is usually nil or insignificant. The method of amortisation will reflect the expected pattern of depletion. A straight-line method is therefore chosen unless another method can be demonstrated to be more appropriate.

For intangible assets held at historical cost, General Fund and Housing Revenue Account service revenue accounts are charged with a provision for amortisation and where required, any related impairment loss (due to a clear consumption of economic benefits), for all intangible assets used in the provision of the service.

1.9 Heritage Assets

Separate disclosure of the carrying amounts of the Council's heritage assets is required at 'valuation', whereby valuation can be made by any method that is appropriate and relevant. There is no requirement for valuations to be carried out or verified by external valuers, nor is there any prescribed minimum period between valuations if the authority can demonstrate that such a process would not add value to readers of the accounts. Thus assets identified as Heritage Assets by Gravesham that exceed the de minimis level of £12,000 are reflected in the accounts at their insurance valuation.

Recognition – The Code requires authorities to recognise Heritage Assets where the Authority has information on the cost or value of the asset. The initial recognition of the asset is in accordance with our accounting policy on recognising Property, Plant & Equipment (see para 1.7). Where information on the cost or value is not available, and the cost of obtaining the information outweighs the benefits to the users of the financial statements, we will not recognise that asset on the Balance Sheet, although an appropriate disclosure will be made instead.

Revaluation – The insurance valuations of Heritage Assets will be reviewed annually.

Depreciation – Depreciation is not required on Heritage Assets that have indefinite lives. Due to the historic nature of the Heritage Assets identified by the Authority, we do not apply depreciation charges to assets in this category.

1.10 Investment Properties

Investment Property is property (land and / or buildings) held solely to earn rental income or for capital appreciation or both.

Investment Property is initially recognised at cost, but is subject to valuation at fair value at the end of each accounting period. Losses or gains shall be recognised in the Comprehensive Income and Expenditure Statement.

Depreciation is not charged against Investment Property.

1.11 Charges to Revenue for Non-Current Assets

General Fund service revenue accounts, central support services and trading accounts are charged with the following amounts in relation the use of assets during the year;

- Depreciation attributable to the assets used by the relevant service,
- Revaluation and impairment losses used by the service (where these are above accumulated gains held in the Revaluation Reserve),
- Amortisation of intangible fixed assets used by the relevant service.

On the basis that these items are not chargeable to Council Tax payers, a corresponding entry equal to these charges is taken to the Movement in Reserves Statement (from the Capital Adjustment Account), which ensures that the overall revenue effect is neutral and that no cost falls to the local taxpayer.

The Authority is however required to make an annual contribution towards the reduction in its overall borrowing requirement, refered to as the Minimum Revenue Provision (MRP), a statutory provision for debt repayment. This charge is taken to the Comprehensive Income and Expenditure Statement, against the General Fund Balance. For 2012-13 the MRP charge is based upon the useful lives of the assets financed through the use of borrowing.

1.12 Revenue Expenditure Funded from Capital under Statute

Revenue expenditure funded from capital under statute (REFCUS) represents expenditure that may be capitalised under statutory provisions but does not result in the creation of non-current assets. The expenditure items are generally grants given and expenditure on property not owned by the Authority. Such revenue expenditure incurred during the year should be charged to the relevant service revenue account in the Comprehensive Income and Expenditure Statement. Where the Council has determined to meet the cost of the revenue expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged against the General Fund Balance in the Movement in Reserves Statement so there is no impact on the level of Council Tax.

1.13 Government Grants and Contributions

Government grants and contributions are recognised as due to the Authority when there is reasonable assurance that;

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

Where conditions have not yet been complied with, the grants are carried within the Authority's Balance Sheet as creditors. When conditions are satisfied, amounts are released to the individual Service Revenue Accounts within the Comprehensive Income and Expenditure Statement.

For capital grants, a corresponding entry is taken to the General Fund Balance in the Movement in Reserves Statement to ensure that the overall revenue effect is neutral and that there is no impact upon the tax-payer. Capital grants that have not yet been used to finance capital expenditure are then posted to the Capital Grants Unapplied Reserve; those that have been applied are credited to the Capital Adjustment Account.

1.14 Leases

Rentals payable under operating leases are charged to the Comprehensive Income and Expenditure Statement on a straight line basis over the term of the lease.

Finance leases are accounted for when the risks and rewards relating to the leased asset are substantially transferred to the Council, with rentals payable being apportioned between;

- A charge for the acquisition of the interest in the asset, with a liability in the Balance Sheet at the start of the lease, written down as leasing payments are due, and;

- A finance charge against Net Operating Expenditure in the Authority's Comprehensive Income and Expenditure Statement as the leasing payments are due.

Assets recognised by way of finance leases are treated in the same way as Property, Plant and Equipment assets, with the only notable exception being that depreciation is charged over the term of the lease where this is shorter than asset's estimated useful life. Finance leases are recognised within the Balance Sheet at fair value (at the date of the lease's inception).

1.15 Repurchase of Borrowing

Gains and losses on the repurchase of/or early settlement of borrowing are credited and debited to Financing and Investment Income in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement.

However, where repurchase has taken place as part of a restructuring of the loan portfolio are therefore;

- Old debt is replaced with new debt by means of an exchange of debt instruments between an existing borrower and lender/or the terms of an existing liability are modified, and;

- The terms of the loan debt exchanged are not substantially different or the modification of the terms of an existing liability is not substantial,

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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. In the case of the Housing Revenue Account, in accordance with Local Authority Accounting Panel (LAAP) Bulletin 26 the amount chargeable to the HRA is amortised over a maximum period of 10 years.

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

1.16 Debtors and Creditors

The accounts of the Council are maintained on an accruals basis i.e. 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.

Debts due to the Council are recorded as they become due and the Debtors section of the Balance Sheet represents the amounts due during the year which remain unpaid at the year-end, from which a sum is deducted as a provision for bad debts.

Interest payable has been accrued to 31 March 2013 on all loans outstanding at that date. Interest on short-term investments due, but not received as at 31 March 2013 has also been accrued where this is material.

Instalments of interest on Housing Act advances and deferred payments are brought into account on the day they fall due for payment, irrespective of the period to which they relate.

Housing Revenue Account gross rent income is brought into account for the full year irrespective of debit and collection dates.

1.17 Inventories and Long Term Contracts

Bar, kiosk and other small inventories are valued at cost price.

Work-in-progress, representing uncompleted rechargeable jobs as at 31 March 2013, is valued at cost including an allocation of overheads.

Long Term contracts are defined as “contracts entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or of a combination of assets or services which together constitute a single project) where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods” The Council makes a disclosure in the notes to the Core Financial Statements in respect of any capital contracts that meet this definition.

1.18 Cost of Management and Support Services

The principles recommended by CIPFA (under the Service Reporting Code of Practice 2012-13) on accounting for management and support services have been followed with the following exceptions:

- Cost allocations have been based on the time spent by the various officers on performing duties for all services as estimated on a percentage basis and,

- Costs have been allocated using the probable out-turn unit prices calculated during the year rather than the actual outturn for the year.

These exceptions have been made in order to speed up the preparation of the accounts, the impact of which is not considered to be material.

The cost of computing services is allocated on the basis of actual use and the expenses of administrative buildings are apportioned on the basis of space used.

1.19 Provisions

Provisions represent sums set aside for liabilities or losses which are likely, or certain, to be incurred, but it is uncertain as to the amounts or the dates on which they will arise. Provisions are charged direct to the appropriate revenue account, and when the expenditure is incurred to which the provision relates it is charged direct to the provision.

1.20 Reserves

Amounts set aside for purposes falling outside the definition of provisions are considered as reserves, and transfers to and from them are distinguished from service expenditure disclosed in the Statement of Accounts. Certain items such as the Revaluation Reserve and the Capital Adjustment Account can only be used for specific statutory purposes and thus are not available for discretionary purposes earmarked by the Council, further details of which appear in the Movement in Reserves Statement.

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. Statements concerning the purpose and usage of all provisions and specific reserves appear in the notes to the core financial statements.

1.21 Investments

Long-term investments are shown in the Balance Sheet at the original purchase price plus related costs (brokerage, fees, etc.). Short-term investments are shown in the Balance Sheet as 'Current Assets' at the actual sums lent.

1.22 VAT

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

1.23 Employee Costs

Three categories of employee benefits exist, under IAS 19 and IPSAS 25 Employee Benefits as detailed below.

Benefits payable during employment covers the following:

a) Short-term employee benefits, such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees,

b) Benefits earned by current employees but payable twelve months or more after the end of the reporting period such as long-service leave, jubilee payments and long-term disability benefits.

Where considered of a material nature these are accrued in accordance with the accruals concept adopted by the Authority.

- Termination benefits

This covers costs that are payable as a result of either an employer's decision to terminate an employee's employment before the normal retirement date; or an employee's decision to accept voluntary redundancy in exchange for those benefits. These are often lump-sum payments, but also include enhancement of retirement benefits; and salary until the end of a specified notice period if the employee renders no further service that provides economic benefits to the entity.

In the event of notice of termination being served on an employee the costs of redundancy are accrued to the year that the notice is served, but other costs will be charged to the year they are incurred.

1.24 Provision for Debt Impairment

The provision for bad and doubtful debts is calculated having regard to the nature of the debt, its age and the likelihood of recovery. The calculations for each type of debt, i.e. Council Tax, Business Rates, Rents, Sundry Debtors etc. is based on historical evidence and the methodology and individual percentages applied to calculate the provisions are reviewed regularly.

1.25 Provision for Pensions

As part of the terms and conditions of employment of its employees, the Authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments which therefore need to be disclosed at the time that employees earn their future entitlement. The Local Government Pension Scheme is administered locally by Kent County Council – this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

Under International Accounting Standard 19 (IAS 19), the Authority is required to recognise as an asset or liability the surplus/deficit in the pension scheme. The surplus/deficit in the pension scheme is the excess/shortfall of the value of assets when compared to the present value of the scheme liabilities. A pre-requisite of the introduction of IAS 19 was that it did not impact on taxation requirements. Where the contributions paid to the pension scheme do not match the change in the Authority's recognised liability for the year, the recognised cost of pensions will not match the amount required to be raised in taxation. Any such mismatch is to be dealt with by an equivalent appropriation to or from a pensions reserve. Actuarial gains/losses are shown as movements on the pensions asset/liability account and pensions reserve. There is no impact on the Comprehensive Income and Expenditure Statement. The Balance Sheet shows the net pension asset or liability and an equivalent pension reserve balance.

Contributions to the pension scheme are determined by the Fund's actuary on a triennial basis. The latest formal valuation of the Kent County Council Pension Fund for funding purposes was at 31 March 2010 and changes to contribution rates as a result of that valuation took effect from 1 April 2011. The outcomes of the next formal valuation as at 31 March 2013 will be incorporated in the 2013-14 Financial Statements.

In the case of the HRA, an adjustment is made in respect of current service cost only. An equivalent appropriation to the Pensions Reserve however means that there is no impact on the surplus for the year nor ultimately on rent levels.

Liabilities are discounted to their value at current prices. The discount rate employed is the yield available on long-dated, high quality corporate bonds (as measured by the yield on the Merrill Lynch AA rated corporate bond curve over 15 years). The assets attributable to the Council are included in the Balance Sheet at their fair value. More details are available in the notes.

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

Current Service Cost – the increase in liabilities as result of the years of service earned by employees this year – allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked.

Past Service Cost – the increase in liabilities arising from current-year decisions whose effect relates to years of service earned in earlier years – debited to the surplus/deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.

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 the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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 the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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 surplus/deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.

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

Contributions paid to the Funds – cash paid as employer's contributions to the pension fund.

Statutory provisions limit the Council to only raising Council Tax to cover the amounts payable by the Council to the pension fund in the year. In the Movement in Reserves Statement this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

Further information in respect of the Council's pension commitments and contributions paid can be found in Note 29 to the Core Financial Statements.

1.26 Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For all of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

1.27 Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market,

- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. This means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement.

Any gains and losses that arise on the derecognition (i.e. cessation or transfer of the loan) of the asset are credited/debited to the Comprehensive Income and Expenditure Statement.

Soft Loans

Where the Council makes loans with interest at less than market rates, for instance in respect of Improvement Grants, these are termed “Soft Loans”. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the residents, 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 interest receivable for the financial year – the reconciliation of amounts credited/debited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. This approach will also be adopted where the income pertaining to a capital receipt is received over several years rather than in a lump sum at the time of disposal.

Available for Sale Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. 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.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the surplus/deficit on Revaluation of Available for Sale Assets. The exception is where impairment losses have been incurred – these are debited to the Comprehensive Income and Expenditure Statement, along with any net gain/loss for the asset accumulated in the Reserve. Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement.

Any gains/losses that arise on the derecognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement, along with any accumulated gains/losses previously recognised in the Available for Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

1.28 Group Accounts

The Code of Practice specifies detailed requirements for the production of group accounts and determination of the Authority's relationship with external organisations, namely, where;

- The Authority has an interest in another body and that body is delivering a service or carrying on a trade or business of its own,
- The Authority has access to benefits and exposure to risks inherent in realising those benefits,
- The Authority controls the majority of equity capital or equivalent voting rights or appoints the majority of the governing body,
- The Authority exercises or has the right to exercise dominant influence, and,

- The Authority is able to exercise a significant influence over the entity without support from other participants.

Having undertaken a review of all potential subsidiaries, associates, and joint ventures against the above criteria, it has been determined that the production of group accounts are not necessary in relation to 2012-13.

1.29 Events after the Balance Sheet Date

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

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

Events after the Balance Sheet date should be reflected up to the date when the Statement of Accounts is authorised for issue. The date when the Statement of Accounts was authorised for issue, and who gave that authorisation is disclosed in the notes to the Statement of Accounts, including confirmation that this is the date up to which events after the Balance Sheet date have been considered.

1.30 Contingent Assets/Liabilities

Any contingent assets as at the Balance Sheet date are disclosed within the accounts by way of a note if the inflow of a receipt or economic benefit is probable.

Contingent liabilities as at the Balance Sheet date are disclosed within the accounts by way of a note if a payment or transfer of economic benefit is possible.

1.31 Exceptional Items

Exceptional items are shown separately within the Comprehensive Income and Expenditure Statement where this is necessary to provide a fair presentation of the accounts. In addition, a description of each item is included in a specific note to the accounts.

1.32 Council Tax & Business Rate (NNDR) Income

The Council is a billing Authority and as such is required to bill local residents and businesses for Council Tax and Business Rates. The Council acts as an agent on behalf of the major precepting authorities, Kent County Council, Kent Police Authority and Kent and Medway Towns Fire Authority, for Council Tax and the Government for Business Rates.

As such the accounts only show the amount owed by and to taxpayers in respect of our Council Tax. Major precepting authorities will be shown as net debtors or creditors on the Balance Sheet. Similarly the accounts only show the net debtor or creditor in respect of Business Rates received and paid over to the Government.

The amount shown in the Comprehensive Income and Expenditure Statement as the demand on the collection fund includes the accrued amount of Council Tax collected as well as amounts from previous year's estimates. This adjustment is subsequently reversed within the Movement in Reserves Statement to the Collection Fund Adjustment Account.

1.33 Prior Period Adjustments

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

2. Prior Period Adjustment

A review of grants and contributions during 2012-13 has resulted in the reclassification of £1,013,000 of net contributions previously recognised and held within Creditors (£1,203,000cr) and Capital Grants Receipted in Advance (£190,000dr) to Grants and Contributions Unapplied within the Usable Reserves section of the Balance Sheet. The resulting effect has been to increase the Authority's net Balance Sheet worth as at 31 March 2012 from £107,231,000 to £108,245,000, and accordingly, the Movement in Reserves Statement, Balance Sheet and applicable notes to the accounts have been restated for 2011-12 where necessary.

A review of the Movement in Reserves Statement was carried out in 2012-13 to meet the requirements of the Code of Practice on Local Authority Accounting. To meet these requirement the General Fund and HRA revenue balances are now shown independently (previously consolidated). The changes meant that Note 11 - Adjustments Between Accounting Basis and Funding Basis under Regulations (Page 49) also had to be adjusted for the separation of the reserves. The resulting effect on the overall reserves total is £0.

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

International Accounting Standard 8 requires the Council to disclose the expected impact of new standards that have been issued, but not yet adopted. The standards set out below will be applied for the 2013/14 accounting period.

IAS19 Employee Benefits

The IASB has issued a revised IAS19 standard which will apply for accounting periods beginning on or after 1 January 2013. The main changes are summarised below.

- Removal of gain/loss recognition options (but rarely used/not permitted in the UK),
- Termination Benefits recognition point: now point at which authority cannot withdraw an offer,
- Disclosures: more detailed, principles-based,
- Reclassifications

The amounts recognised in the profit and loss statement (if the revised IAS19 standard was adopted) are:	Year to 31 March 2013 £000's
Service Cost	2,719
Net Interest on the defined liabilty (asset)	2,104
Administration expenses	62
Total	**4,885**
Actual Return on Scheme assets	10,216

IFRS7 Financial Instruments

- New principles-based disclosures to assist users with the effect or potential effect of netting arrangements on the Balance Sheet,
- Includes right of set-off associated with financial assets and liabilities.

4. Critical Judgements in applying Accounting Policies

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision. Furthermore, it is anticipated that expected cuts in government grant funding will not be significantly different to that reflected in the Council's Medium Term Financial Strategy.
- The Authority has a management agreement with Gravesend Community Leisure Limited an Independent Prudential Society that operates the leisure centres owned by the Authority. It has been determined that the Authority does not have control of the Company and it is not a subsidiary of the Authority.
- The cost of the localised Council Tax support scheme can largely be met, if not in full, by the grant from the Department for Work and Pensions.
- The Council will not be significantly better or worse off under the Business Rates Retention scheme than under the current formula government grant funding arrangements.
- The 'New Homes Bonus' scheme where Councils receive non-ringfenced grant based on the delivery of new homes in their area will continue in its current form until at least 2015-16.
- Income from the Councils major income streams will not fall significantly further than current income levels.

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

The items in the Authority's Balance Sheet at 31 March 2013 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Result Differs from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £100,000 for every year that useful lives had to be reduced.
Pensions	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries is enganged to provide the Authority with expert advice about the assumptions to be applied.	A 0.1% change in the discount rate (the Merrill Lynch AA rated corporate bond curve) would result in a change in the liability of £2.8m. A 1 year change in the mortality assumptions would result in a £2.8m change in the pension liability.

6. Material Items of Income and Expense

There has been no exceptional material items of income and expense in the year.

7. Events after the Balance Sheet Date

During August 2013, the Council received nine Letters of Claim from a firm of solicitors in relation to birth defects occurring within the Borough between the years 1996 to 2012. The Letters of Claims have been jointly received by Gravesham Borough Council, Kent County Council and Southern Water Services, and due to the complex nature of the claims, together with the fact that receipt of the letters represents the precursor to commencement of legal proceedings (the outcome of which cannot be foreseen at this time), this is considered to be a non-adjusting Post Balance Sheet event for 2012-13.

8. 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 to be controlled or influenced by the Council. IAS 24 "Related Party Disclosures" was designed to ensure that the financial statements contain the necessary disclosures to draw attention to the possibility that the reported financial position and results have been affected by the existence of related parties and by material transactions within them. The disclosure information is intended to permit readers to judge the extent of any effect.

UK Government

The UK government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 14.

Elected Members and Officers

Elected Members and officers of the Council have direct control over the Council's financial and operating policies. The key data sources used in identifying material related party transactions are for officers and members are:

- The Register of Members' Interests (as maintained in accordance with the Local Authorities (Members' Interests) Regulations 1992),
- Disclosure of direct or indirect pecuniary interests made in accordance with Section 94 of the Local Government Act of 1972.

This has been supplemented by an approach to elected Members and senior management seeking from them a declaration that neither they, nor close family nor anyone in the same household have been involved in any material transactions with the Council.

Returns were received from all Councillors* as were all returns from Chief Officers. For the 2012-13 financial year, there were the following disclosures;

Officer/ Member	Nature of Related Party Transaction	Value of Transaction
Mr K Burbidge	Member of Design South East	£4,200
Cllr J Cubitt	Director of Groundwork Kent and Medway	£1,350
Cllr T Dhesi	Father is president of Guru Nanak Dalbar Gurdwara (GBC has a rental agreement with Gudwara for a car park)	£29,710
Cllr G Handley	Director of Gravesend Fencing	£41,180

Cllr G Handley	Director of Deneholm Fish Bar (51 Deneholm Road, owned by GBC and rented to Cllr G Handley)	Rental Income £10,000 p.a
Mr D Hughes (shared Chief Executive until 31 Jan 2013)	Tonbridge and Malling Borough Council (TMBC) (shared service arrangements) Payable to TMBC Receivable from TMBC	 £240,147 £130,370
Cllr B Sangha	Assistant secretary of Guru Nanak Dalbar Gurdwara (GBC has a rental agreement with Gudwara for a car park)	£29,710
Cllr N Singh-Thandi	Director of Guru Nanak Football Club	£500
Cllr N Singh-Thandi	Trustee of Guru Nanak Dalbar Gurdwara (GBC has a rental agreement with Gurdwara for a car park)	£29,710
Cllr M Snelling (deceased)*	Trustee for Gads Hill House School	£637

* The declaration for Cllr M Snelling (deceased) is based on the related party transaction return for 2011-12 and the Register of Members Interest. Cllr C Dennis (deceased) had no declared related party transactions in 2011-12 nor entries in the Register of Members Interest and therefore it is considered that there are no disclosable entries for 2012-13.

9. Movement on Reserves

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

9A. Usable Capital Receipts

Statement of Capital Receipts	2011-12 £'000	2012-13 £'000
Movements in Year		
- Receipts from sale of assets	1,513	1,684
- Receipts from mortgage repayments	65	8
- Deferred Capital Receipts	7	7
- Amounts applied to finance new capital investment in the year	(915)	(447)
- Appropriation to Income and Expenditure Account to meet payments in respect of the Capital Receipt Pool	(514)	(373)
Total increase/(decrease) in realised capital resources for the year	**156**	**879**
Balance brought forward at 1 April	2,445	2,601
Balance carried forward at 31 March	**2,601**	**3,480**

Usable capital receipts are receipts from the disposal of assets that have not yet been used to finance expenditure or repay debt. As indicated in Note 7 to the Housing Revenue Account, a proportion of specified housing related capital receipts is payable into a Government pool for redistribution. The code requires any amount paid to the pool to be disclosed as expenditure in the Comprehensive Income and Expenditure Statement even though the capital receipts themselves have not been recognised as income within the Comprehensive Income and Expenditure Statement. The deficit is made good by an equivalent appropriation from Usable Capital Receipts.

9B. Grants and Contributions Unapplied

2011-12

Grants & Contributions Unapplied	Balance at 1 April £000	Receipts £000	Applied to Capital £000	Applied to Revenue £000	Balance at 31 March £000
CAPITAL					
CLG Transport Quarter	2,858	(3,164)	20	0	(286)
Performance Reward Grant	(138)	0	5	0	(133)
Various CLG grants	113	(352)	189	0	(50)
Former S.38 (Public Realm)	(106)	0	0	0	(106)
Sub-Total Capital Grants & Contribs Unapplied	**2,727**	**(3,516)**	**214**	**0**	**(575)**
REVENUE					
Various DWP grants	(42)	(113)	0	7	(148)
Corporate Projects Fund	(131)	(7)	0	0	(138)
Safer Stronger Communities	(116)	(99)	116	0	(99)
Various CLG grants	(110)	(41)	0	25	(126)
KCC Supporting People	37	(390)	0	337	(16)
Other Revenue Grants & Contributions	(21)	(66)	0	43	(44)
Sub-Total Revenue Grants & Contribs Unapplied	**(383)**	**(716)**	**116**	**412**	**(571)**
TOTAL GRANTS & CONTRIBUTIONS UNAPPLIED	**2,344**	**(4,232)**	**330**	**412**	**(1,146)**

2012-13

Grants & Contributions Unapplied	Balance at 1 April £000	Receipts £000	Applied to Capital £000	Applied to Revenue £000	Balance at 31 March £000
CAPITAL					
CLG Transport Quarter	(286)	0	0	0	(286)
INTERREG Town Pier Pontoon	0	(196)	156	0	(40)
CLG Disabled Facilities Grant	0	(426)	280	0	(146)
Performance Reward Grant	(133)	0	5	0	(128)
Various CLG grants	(50)	0	17	0	(33)
Former S.38 (Public Realm)	(106)	0	0	17	(89)
Sub-Total Capital Grants & Contribs Unapplied	**(575)**	**(622)**	**458**	**17**	**(722)**
REVENUE					
CLG Weekly Waste Collection	0	(242)	0	0	(242)
Various DWP grants	(148)	(18)	0	35	(131)
Corporate Projects Fund	(138)	(18)	0	0	(156)
CLG High Street Innovation Fund	0	(100)	0	0	(100)
Safer Stronger Communities	(99)	(29)	7	0	(121)
Pujjii Memorial	0	(64)	0	0	(64)
Various CLG grants	(126)	(36)	0	78	(84)
KCC Supporting People	(16)	(266)	0	269	(13)
Other Revenue Grants & Contributions	(44)	(66)	0	7	(103)
Sub-Total Revenue Grants & Contribs Unapplied	**(571)**	**(839)**	**7**	**389**	**(1,014)**
TOTAL GRANTS & CONTRIBUTIONS UNAPPLIED	**(1,146)**	**(1,461)**	**465**	**406**	**(1,736)**

9C. Earmarked Reserves

The following statement shows the expenditure and income in respect of Earmarked Reserves for the year:

	Balance 01-Apr-12 £'000	Exp. 2012-13 £'000	Inc. 2012-13 £'000	Balance 31-Mar-13 £'000
Insurance Excess - Vehicles	11	2	0	9
Decriminalised Parking Reserve	9	9	0	0
Repairs & Renewals Reserve	95	100	100	95
Decriminalisation Reserve	37	38	1	0
Spend to Save Reserve	380	196	62	246
Olympics 2012 Reserve	164	164	0	0
Local Development Framework Reserve	250	62	0	188
Corporate Priorities Reserve	141	45	0	96
Buildings Improvement Reserve	244	130	17	131
Leisure Centre Reserve	155	143	323	335
Pensions Reserve	72	72	0	0
DSO Provision for 3rd Party Insurance	10	0	0	10
Town Pier Pontoon	43	20	44	67
Local Authority Mortgage Scheme	100	0	0	100
Elections Reserve	0	0	30	30
	1,711	**981**	**577**	**1,307**

Expenditure funded by a reserve is charged direct to revenue, and not to the reserve, with an equivalent sum being shown as Contributions from Reserves.

These reserves have been established for the following purposes:-

Insurance Excess - Vehicles and Provision for 3rd Party Insurance - To meet liabilities in respect of insurance excesses for operational vehicles and 3rd party insurance claims.

Decriminalised Reserve and Decriminalised Parking Reserve - To provide replacement equipment and uniforms as and when required.

Repairs and Renewals Reserve - To assist in meeting the backlog in repairs and maintenance works to the Council's assets over the forthcoming financial years.

Spend to Save Reserve - To assist in delivering savings over the forthcoming Medium Term Plan period.

Olympics 2012 Reserve – To assist in delivering the Olympics agenda within Gravesham. Funding of £135,000 towards this reserve was met from Kent Agreement 1 Grant, the balance coming from Gravesham's General Fund Balances.

Local Development Framework Reserve – To meet the financial liabilities arising from the Framework over the next three years.

Corporate Priorities Reserve - To deliver specific items during 2012-13 in line with the Authority's Corporate Plan.

Buildings Improvement Reserve - To assist with funding potential obligations over the forthcoming Medium Term Financial Plan cycle in relation to lease agreements.

Leisure Centre Reserve – To ring-fence accumulated gains arising from the Management Agreement for the Leisure Centres to contribute to any major infrastructure liabilities that may accrue.

Pension Reserve – To assist in meeting the Authority's longer-term liabilities in relation to its Pension Fund administered by Kent County Council.

Town Pier Pontoon – To assist with the ongoing maintenance costs in respect of the town pier pontoon

Local Authority Mortgage Scheme (LAMS) – The Authority has entered into a LAMS agreement with Kent County Council to provide assistance with mortgages for residents in the Gravesham area. The Council has deemed it prudent to set aside a fixed amount in order to cover the possibility of defaults on these mortgages.

Elections Reserve – This reserve has been created in 2012-13 and a contribution of £30,000 made in order to spread the cost of the local election cycle. Further contributions of £30,000 will be made annually to the reserve to fund future local borough elections, which are estimated to cost the authority £120,000 each cycle.

10. Unusable Reserves

	2011-12 Restated £'000	2012-13 £'000
Revaluation Reserve Account	12,623	14,524
Capital Adjustment Account	131,358	139,541
Financial Instruments Adjustment Account	(278)	(166)
Deferred Capital Receipts Reserve (Mortgages)	121	106
Pensions Reserve (Note 29)	(47,184)	(49,837)
Collection Fund Adjustment Account (Note 5 Collection Fund)	15	115
Accumulated Absences Account	(123)	(146)
Total Unusable Reserves	**96,532**	**104,137**

10A. Revaluation Reserve Account

The Revaluation Reserve Account summarises the net gains or losses arising from Operational Asset revaluations during the year. The balance is reduced when assets with previously accumulated gains are:

- Revalued downwards or impaired and the previous gains are lost or,
- Disposed of and the gains are realised in the Comprehensive Income and Expenditure Statement, with the Revaluation Reserve values being written off as part of the disposal.

The closing balance on the Revaluation Reserve Account represents the net gain realised on non-current assets from 2008-09 onwards:

	2011-12 £'000	2012-13 £'000
Council Dwellings	0	0
Other Land and Buildings - GF	2,328	1,743
Other Land and Buildings - HRA	241	22
Community Assets	1	0
Non Operational Land and Buildings - GF	(768)	497
Non Operational Land and Buildings - HRA	(60)	(340)
Heritage Assets - GF	77	586
Total movement on reserve for the year	**1,819**	**2,508**
Adjustment between Historic and Current Depreciation	(284)	(607)
Balance brought forward at 1 April	11,088	12,623
Balance carried forward at 31 March	**12,623**	**14,524**

10B. Capital Adjustment Account

	2011-12 £'000	2012-13 £'000
Revenue Expenditure Funded from Capital under Statute Written Down	(694)	(320)
Capital Expenditure Financed by Revenue	1,595	1,140
Capital Receipts Financing Cap Expenditure	915	447
Government Grants Released	893	227
Capital Expenditure Financed by Commuted Sums	102	0
Minimum Revenue Provision	327	3,495
Grant Funding of REFCUS	409	280
MRA used to Finance Capital Expenditure	4,473	4,575
Reclassification of Assets	0	0
Depreciation Charge for the Year	(5,948)	(6,299)
Impairment Losses	(5,712)	(5,869)
Disposals During the Year	(921)	(875)
Principal Repaid - Transferred Services	17	418
Revaluation Reserve Adjustment	1,411	607
HRA Self Financing Loans	(106,246)	0
Long Term Debtors	(50)	(3)
Revaluation Gains	0	10,360
Total movement on reserve for the year	**(109,429)**	**8,183**
Balance brought forward at 1 April	240,787	131,358
Balance carried forward at 31 March	**131,358**	**139,541**

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve Account to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. The account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve Account was created to hold such gains.

10C. Financial Instruments Adjustment Account

This account is a balancing account to allow for differences in statutory requirements and proper accounting practices on borrowings and investments. This account represents the differences between costs in relation to financial instruments calculated in accordance with the Code where charges are different to those as calculated in accordance with statutory requirements.

	2011-12 £'000	2012-13 £'000
Premiums & discounts	93	92
Private Sector renovation loans	(51)	14
Local Authority Mortgage Scheme	0	6
Total increase/(decrease) in Financial Instruments	42	112
Balance brought forward at 1 April	(320)	(278)
Balance carried forward at 31 March	**(278)**	**(166)**

10D. Accumulated Absences Account

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

	2011-12 £'000	2012-13 £'000
Balance at 1 April	(41)	(123)
Reversal of accrual from preceding year	41	123
Amount accrued at the end of the current year	(123)	(146)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Account on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(82)	(23)
Balance at 31 March	(123)	(146)

11. Adjustments Between Accounting Basis and Funding Basis under Regulations

2011-12 (Restated)	General Fund £'000	HRA £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for impairment of non-current assets	1,906	3,614				(5,521)
Charges for depreciation of non-current assets	1,242	4,574				(5,816)
Movement in the fair value of Investment Properties	192					(192)
Amortisation of intangible assets	74	58				(132)
Capital grants and contributions applied	(1,399)				(5)	1,404
Revenue expenditure funded from capital under statute	694					(694)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	573	347				(920)
Repayment of Long Term Borrowing	(17)					17
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Statutory provision for the financing of capital investment	(327)					327
Capital expenditure charged against the General Fund and HRA balances	(1,321)	(274)				1,595
HRA Self Financing		106,246				(106,246)
Adjustments primarily involving the Capital Receipts Reserve						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(844)	(745)	1,589			
Use of the Capital Receipts Reserve to finance new capital expenditure			(916)			916
Contribution from the Capital Receipts Reserve to finance the payments to the Governments capital receipts pool.	514		(514)			
Adjustments primarily involving the Deferred Capital Receipts Reserve						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement			16			(16)
Adjustments primarily involving the Major Repair Reserve						
Reversal of Major Repairs Allowance credited to the HRA		(4,472)		4,472		0
Use of the Major Repair Reserve to finance new capital expenditure				(4,472)		4,472
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(42)					42
Adjustments primarily involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	2,852	(143)				(2,709)
Employer's pensions contributions and direct payments to pensioners payable in the year	(3,067)					3,067
Adjustment between General Fund and HRA						
Transfer of Revenue Balance						
Adjustments primarily involving the Collection Fund Adjustment Account						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(30)					30
Adjustment primarily involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	82					(82)
Total Adjustments	**1,082**	**109,205**	**175**	**0**	**(5)**	**(110,458)**

2012-13	General Fund £'000	HRA £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Grants & Contributions Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for impairment of non-current assets	157	5,712				(5,869)
Charges for depreciation of non-current assets	1,509	4,674				(6,183)
Movement in the fair value of Investment Properties	(260)					260
Revaluation Gain		(10,100)				10,100
Amortisation of intangible assets	37	79				(116)
Grants and Contributions applied	341				(868)	527
Revenue expenditure funded from capital under statute	320					(320)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		875				(875)
Repayment of Long Term Borrowing	(418)					418
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Statutory provision for the financing of capital investment	(232)	(3,263)				3,495
Capital expenditure charged against the General Fund and HRA balances	(354)	(786)				1,140
Adjustments primarily involving the Capital Receipts Reserve						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(200)	(1,475)	1,675			0
Use of the Capital Receipts Reserve to finance new capital expenditure			(447)			447
Contribution from the Capital Receipts Reserve to finance the payments to the Governments capital receipts pool.	373		(373)			0
Adjustments primarily involving the Deferred Capital Receipts Reserve						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement			8			(8)
Adjustments primarily involving the Major Repair Reserve						
Reversal of Major Repairs Allowance credited to the HRA		(4,575)		4,575		
Use of the Major Repair Reserve to finance new capital expenditure				(4,575)		4,575
Adjustments primarily involving the Financial Instruments Adjustment Account						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(112)					112
Adjustments primarily involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	3,854	(13)				(3,841)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,766)					2,766
Adjustment between General Fund and HRA						
Transfer of Revenue Balance	0					0
Adjustments primarily involving the Collection Fund Adjustment Account						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(100)					100
Adjustment primarily involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	23					(23)
Total Adjustments	**2,172**	**(8,872)**	**863**	**0**	**(868)**	**6,705**

12. Other Operating Expenditure

2011-12 Net Expenditure £'000		2012-13 Expenditure £'000	Income £'000	Net Expenditure £'000
227	Parish Precepts	228	0	228
514	Payments to the Housing Capital Receipts Pool	373	0	373
(669)	(Gains)/Losses on the disposal of non-current assets	875	(1,674)	(799)
72	**TOTAL**	1,476	(1,674)	(198)

13. Financing and Investment Income and Expenditure

2011-12 Net Expenditure £'000		2012-13 Gross Expenditure £'000	Income £'000	Net Expenditure £'000
742	Interest payable and Similar Charges	3,345	0	3,345
701	Pensions Interest cost and return on pension assets	1,288	0	1,288
(109)	Interest receivable and similar income	0	(179)	(179)
(65)	(Gain)/Loss on Trading Undertakings (see below)	693	(606)	87
243	Income and Expenditure in relation to Investment Properties and changes in their fair value	180	(915)	(735)
1,512	**Total**	**5,506**	**(1,700)**	**3,806**

Trading Operations

The following (surpluses)/deficits have been realised in relation to Trading Operations carried out during 2012-13;

2011-12 Net Expenditure £'000		2012-13 Gross Expenditure £'000	2012-13 Income £'000	2012-13 Net Expenditure £'000
(88)	Industrial Estates (not classified as Investment Properties)	175	(153)	22
40	Spotlites Café	167	(116)	51
(17)	Trade Refuse Services	350	(336)	14
(65)	**Total**	**692**	**(605)**	**87**

14. Taxation and Non-Specific Income

The Borough's funding requirements, including those of the parish councils, are met by a demand on the Collection Fund. These are shown as an expenditure item in the Comprehensive Income and Expenditure Statement of the Collection Fund.

Income £'000		Income £'000
(6,113)	Council Tax (see notes to the collection fund)	(6,424)
(4,955)	Business Rates (NNDR)	(5,628)
0	Council Tax Freeze Grant	(147)
(1,740)	Non Ringfenced Government Grants (see table below)	(112)
(990)	Capital Grants and Contributions	(621)
0	Capital Grants Received in Advance	(61)
7	Transfer to the Collection Fund	24
(13,791)	**Total**	**(12,969)**

The following is an analysis of general government grants as per the Comprehensive Income & Expenditure Statement;

2011-12 Income £'000	General Government Grants	2012-13 Income £'000
(1,532)	Revenue Support Grant	(112)
(208)	Area Based Grant	0
(1,740)	**Total**	**(112)**

15. Service Subjective Analysis (Segment Accounting)

Service Subjective Analysis - Segment Reporting 2011-12											
Heading	Leader	Planning Delivery	Business & Partnerships	Community & Environment	Public & Private Sector Housing	Performance & Administration	Total of Services	HRA	NCOS	Corporate Accounting	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Brought Forward	0	0	0	0	0	0	0	0	0	(5,701)	(5,701)
Fees Charges and Other Service Income	(1,599)	(1,913)	(999)	(637)	(133)	(26)	(5,306)	(24,109)	(29,416)	0	(29,416)
Interest and Investment Income	(33)	0	0	0	0	0	(33)	(27)	(60)	(62)	(122)
Income from Council Tax	(30)	0	0	0	0	0	(30)	0	(30)	(12,563)	(12,593)
Government Grants	(203)	(94)	(340)	(208)	(255)	(43,715)	(44,815)	6,044	(38,771)	(1,197)	(39,969)
Other Income	(6,537)	(1,437)	(1,238)	(3,570)	(435)	(4,108)	(17,326)	(3,042)	(20,368)	0	(20,368)
Total income	**(8,403)**	**(3,444)**	**(2,577)**	**(4,415)**	**(823)**	**(47,848)**	**(67,510)**	**(21,135)**	**(88,645)**	**(19,524)**	**(108,169)**
Employee Expenses	**3,541**	**1,919**	1,194	3,978	308	2,217	13,157	2,479	15,635	1,059	16,694
Other Operating Expenses	2,926	641	1,545	3,074	279	252	8,718	114,736	123,453	(308)	123,145
Support Services	3,951	1,751	869	1,733	1,030	4,352	13,686	4,358	18,044	0	18,044
Capital and Financing Charges	771	167	1,515	66	354	59	2,931	7,553	10,484	(110,052)	(99,568)
Interest Payments	51	0	0	0	0	0	51	11	62	672	734
Precepts and Levies	0	0	0	0	0	0	0	0	0	227	227
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	0	0	0	514	514
Gain or Loss on the Disposal of Fixed Assets	0	0	0	0	0	0	0	0	0	(669)	(669)
Other Expenditure	847	0	0	0	0	41,643	42,491	302	42,793	0	42,793
Total Expenditure	**12,088**	**4,478**	**5,122**	**8,850**	**1,971**	**48,523**	**81,034**	**129,439**	**210,472**	**(108,557)**	**101,914**
Net Cost of Services	**3,685**	**1,034**	**2,546**	**4,436**	**1,148**	**675**	**13,524**	**108,304**	**121,827**	**(128,082)**	**(6,254)**

Service Subjective Analysis - Segment Reporting 2012-13

Heading	Leader £'000	Planning Delivery £'000	Business & Partnerships £'000	Community & Environment £'000	Public & Private Sector Housing £'000	Performance & Administration £'000	Total of Services £'000	HRA £'000	NCOS £'000	Corporate Accounting £'000	Total £'000
Brought Forward	0	0	0	0	0	0	0	0	0	(6,255)	(6,255)
Fees Charges and Other Service Income	(691)	(2,148)	(950)	(314)	(142)	(36)	(4,281)	(25,575)	(29,856)	(1,255)	(31,111)
Interest and Investment Income	13	0	0	0	0	0	13	(24)	(11)	(179)	(190)
Income from Council Tax	0	0	0	0	0	0	0	0	0	(12,286)	(12,286)
Government Grants	(595)	(30)	0	(269)	(100)	(45,809)	(46,803)	37	(46,766)	0	(46,766)
Other Income	(6,447)	(1,276)	(1,390)	(3,579)	(562)	(4,569)	(17,823)	(3,089)	(20,912)	(1,514)	(22,426)
Total income	**(7,720)**	**(3,454)**	**(2,340)**	**(4,162)**	**(804)**	**(50,414)**	**(68,894)**	**(28,651)**	**(97,545)**	**(21,489)**	**(119,034)**
Employee Expenses	3,788	1,980	1,116	4,095	304	2,245	13,528	2,429	15,957	410	16,367
Other Operating Expenses	2,579	775	1,744	1,778	649	1,003	8,528	8,261	16,789	2,008	18,797
Support Services	3,267	1,591	735	2,132	920	3,544	12,189	4,132	16,321	172	16,493
Capital and Financing Charges	119	129	1,127	227	0	(11)	1,591	428	2,019	11,265	13,284
Interest Payments	0	0	0	0	0	0	0	29	29	(29)	0
Precepts and Levies	0	0	0	0	0	0	0	0	0	228	228
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	0	0	0	373	373
Gain or Loss on the Disposal of Fixed Assets	0	0	0	0	0	0	0	0	0	(800)	(800)
Other Expenditure	35	2	4	0	4	44,772	44,817	320	45,137	0	45,137
Total Expenditure	**9,788**	**4,477**	**4,726**	**8,232**	**1,877**	**51,553**	**80,653**	**15,599**	**96,252**	**13,627**	**109,879**
Net Cost of Services	**2,068**	**1,023**	**2,386**	**4,070**	**1,073**	**1,139**	**11,759**	**(13,052)**	**(1,293)**	**(7,862)**	**(9,155)**

16. Members' Allowances

Members' allowances (including all payments in relation to remuneration) to the value of £221,375 were paid during 2012-13 (2011-12, £221,504) in accordance with the Gravesham Borough Council Members' Allowances Scheme.

Copies of the Scheme and the details of the allowances paid to elected Members for duties for 2012-13 can be inspected during office hours at the Civic Centre, Windmill Street, Gravesend, Kent, DA12 1AU.

17. Officers' Remuneration and Exit Packages

The number of employees whose remuneration, excluding pension contributions payable by the employer, was £50,000 or more, in bands of £5,000, are set out below. The second table provides additional detailed information in respect of senior officer remuneration.

The third table lists the exit packages that have been agreed by the authority during 2012-13.

2011-12	Remuneration Band	2012-13
3	£50,000 - £54,999	0
6	£55,000 - £59,999	9
1	£60,000 - £64,999	2
2	£65,000 - £69,999	1
3	£70,000 - £74,999	4
1	£75,000 - £79,999	0
0	£80,000 - £84,999	0
0	£85,000 - £89,999	1
3	£90,000 - £94,999	2
0	£95,000 - £99,999	0
0	£100,000 - £104,999	0
0	£105,000 - £109,999	0
0	£110,000 - £114,999	0
0	£115,000 - £119,999	0
0	£120,000 - £124,999	0

2011-12

Post Holder	Salary	Allow-ances	Expenses	Benefits in kind	Compensation for loss of office	Total Remuneration	Pension conts.	Total inc Pensions
Chief Executive	37,990	2,371	223	0	0	**40,584**	10,018	**50,062**
Director (Housing & Regeneration)	83,575	1,683	214	3,528	0	**89,000**	23,631	**112,631**
Director (Finance & Environment)	83,575	1,683	111	5,206	0	**90,575**	22,338	**112,913**
Director (Communities)	83,575	6,807	150	0	0	**90,532**	22,338	**112,870**
Assistant Director (Governance and Law)	65,380	1,683	0	4,721	0	**71,784**	17,571	**89,355**
Assistant Director (Finance)	62,267	1,683	285	4,685	0	**68,920**	16,755	**85,675**
Director (Housing)	34,201	1,131	0	2,442	40,000	**77,774**	15,012	**92,786**

2012-13

Post Holder	Salary	Allow-ances	Expenses	Benefits in kind	Compensation for loss of office	Total Remuner-ation	Pension conts.	Total inc Pensions
Chief Executive	18,838	281	15	846	0	**19,980**		**19,980**
Director (Housing & Regeneration)	83,575	1,683	0	3,528	0	**88,786**	23,631	**112,417**
Director (Finance & Environment)	83,575	1,683	0	5,124	0	**90,382**	22,338	**112,720**
Director (Communities)	83,575	6,807	0	0	0	**90,382**	22,338	**112,720**
Assistant Director (Governance and Law)	65,380	1,683	0	4,305	0	**71,368**	17,571	**88,939**
Assistant Director (Finance)	65,380	1,683	129	4,685	0	**71,877**	17,571	**89,448**

David Hughes continued as the joint Chief Executive of Tonbridge and Malling Borough Council and Gravesham Borough Council from 1 April 2012 to 31 January 2013. During this time he was employed by Tonbridge and Malling Borough Council, and was shared with Gravesham Borough Council on a 50:50 basis, with the cost attributable to Gravesham Borough Council during this period being £68,462. From 1 February 2013 David Hughes was appointed as the full time Chief Executive for Gravesham Borough Council and the table of the senior officer remuneration reflects the fact that the Chief Executive was employed by Gravesham Borough Council from 1 February 2013.

The table above represents the monetary amounts or equivalents paid to officers during the year. Differences between officers are partly attributable to the form in which benefits (e.g. leased cars) are taken.

Pension contributions are those amounts paid by the authority into the KCC pension fund and are not directly receivable by the employee.

Expenses covers such items as train travel when attending external conferences and training events.

Exit Packages

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

	2011-12		2012-13	
	Number of Employees	Total Cost £	Number of Employees	Total Cost £
Compulsory Redundancies				
£0 - £19,999	2	12,183	2	10,292
£20,000 - £49,999	-	-	0	0
Other Agreed Departures				
£0 - £19,999	1	1,684	3	37,963
£20,000 - £49,999	3	82,050	2	53,928
TOTAL	6	95,917	7	102,183

18. External Audit Costs

The Council incurred the following fees relating to external audit and inspection. A new external auditor, Grant Thornton LLP, was appointed with effect from 1 September 2012. Grant Thornton has now replaced the Audit Commission as the Council's external auditing body.

2011-12 £'000		2012-13 £'000
108	Fees payable in respect of external audit services carried out	70
21	Fees payable in respect of the certification of grant claims and returns	11
129		81

19. Property Plant and Equipment

2011-12

	Operational Assets (Restated)						Non-Op Assets		
	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Heritage Assets	Assets Under Construction	Other Land & Buildings	**Total**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
Cost or Valuation									
As at 1 April 2011	286,849	28,402	5,106	355	7,737	2,914	580	7,020	**338,963**
Additions	4,696	182	364	0	171	0	2,111	0	**7,524**
Disposals	(347)	0	0	0	0	0	0	(589)	**(936)**
Revaluation increases recognised in the Revaluation Reserve	0	140	0	0	0	77	0	0	**217**
Revaluation increases/ (decreases) recognised in the Surplus/ Deficit on Provision of Services	0	(1,047)	(7)	0	0	0	0	(413)	**(1,467)**
Reclassifications	680	0	0	0	0	0	(680)	0	**0**
Other Movements	0	(85)	0	0	0	0	0	1	**(84)**
As at 31 March 2011	**291,878**	**27,592**	**5,463**	**355**	**7,908**	**2,991**	**2,011**	**6,019**	**344,217**
Accumulated Depreciation and Impairments									
As at 1 April 2011	(69,425)	(6,850)	(3,588)	(157)	(5,263)	0	0	(1,850)	**(87,133)**
Depreciation charge for year	(4,472)	(1,064)	(271)	(10)	0	0	0	0	**(5,817)**
Accumulated Depreciation and Impairment written back on revaluation	0	2,729	0	0	0	0	0	0	**2,729**
Accumulated depreciation and impairment written back on disposal	0	0	0	0	0	0	0	15	**15**
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	(3,567)	(182)	(119)	0	(171)	0	0	(14)	**(4,053)**
Other Movements	0	85	0	0	0	0	0	0	**85**
As at 31 March 2012	**(77,464)**	**(5,282)**	**(3,978)**	**(167)**	**(5,434)**	**0**	**0**	**(1,849)**	**(94,174)**
Balance Sheet - 31 March 2012	**214,414**	**22,310**	**1,485**	**188**	**2,474**	**2,991**	**2,011**	**4,170**	**250,043**
Balance Sheet - 1 April 2011	**217,424**	**21,552**	**1,518**	**198**	**2,474**	**2,914**	**580**	**5,170**	**251,830**
Nature of Asset Holding									
Owned	214,414	22,310	1,485	188	2,474	2,991	2,011	4,170	**250,043**
Finance Lease	0	0	0	0	0	0	0	0	**0**
Total	**214,414**	**22,310**	**1,485**	**188**	**2,474**	**2,991**	**2,011**	**4,170**	**250,043**

2012-13

	Operational Assets						Non-Op Assets		
	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipmen	Infrastructure Assets	Community Assets	Heritage Assets	Assets Under Construction	Other Land & Buildings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
Cost or Valuation									
As at 1 April 2012	291,878	27,592	5,463	355	7,908	2,991	2,011	6,019	**344,217**
Additions	5,712	43	266	156	121	0	0	0	**6,298**
Disposals	(875)	0	0	0	0	0	0	0	**(875)**
Revaluation increase recognised in Revaluation Reserve	0	1,593	0	0	0	586	0	177	**2,356**
Revaluation increases/(decreases)recognised in Surplus/Deficit on Provision of Services	0	0	0	0	0	0	0	0	**0**
Reclassifications	0	0	0	1,728	92	0	(2,011)	192	**1**
Other movements	0	1	0	0	(1)	0	0	0	**0**
As at 31 March 2013	**296,715**	**29,229**	**5,729**	**2,239**	**8,120**	**3,577**	**0**	**6,388**	351,997
Accumulated Depreciation and Impairments									
As at 1 April 2012	(77,464)	(5,282)	(3,978)	(167)	(5,434)	0	0	(1,849)	**(94,174)**
Depreciation Charge for year	(4,575)	(1,325)	(278)	(5)	0	0	0	0	**(6,183)**
Accumulated Depreciation and Impairment written back on revaluation	0	172	0	0	0	0	0	(21)	**151**
Accumulated depreciation and impairment written back on disposal	0	0	0	81	0	0	0	(81)	**0**
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	4,388	(43)	(94)	0	(20)	0	0	0	**4,231**
Other movements	0	0	0	0	0	0	0	0	**0**
As at 31 March 2013	**(77,651)**	**(6,478)**	**(4,350)**	**(91)**	**(5,454)**	**0**	**0**	**(1,951)**	**(95,975)**
Balance Sheet - 31 March 2013	**219,064**	**22,751**	**1,379**	**2,148**	**2,666**	**3,577**	**0**	**4,437**	**256,022**
Balance Sheet - 1 April 2012	**214,414**	**22,310**	**1,485**	**188**	**2,474**	**2,991**	**2,011**	**4,170**	**250,043**
Nature of Asset Holding									
Owned	219,064	22,751	1,379	2,148	2,666	3,577	0	4,437	**256,022**
Finance Lease	0	0	0	0	0	0	0	0	**0**
Total	**219,064**	**22,751**	**1,379**	**2,148**	**2,666**	**3,577**	**0**	**4,437**	**256,022**

Revaluations of the Council's assets are carried out on a 5 yearly cycle as per para 1.7 of the Accounting Policies. For 2012-13 valuations (excluding Council Dwellings) were carried out by BPS Chartered Surveyors of 82 South Street, Dorking, Surrey, RH4 2HD. The valuations were based on a valuation date of 1 April 2012.

The desktop revaluation of Council Dwellings was carried out by suitably qualified officers of the council.

The methods and significant assumptions applied are in accord with UK Valuation Standards which requires that valuations shall be in accordance with the CIPFA Code. Essentially, fair value is to be interpreted as the amount that would be paid for the asset in its existing use.

20. Heritage Assets

The requirement to separately disclose Heritage Assets on the Council's Balance Sheet was introduced in 2011-12, resulting in the reclassification of a number of existing assets, and the introduction of some assets not previously included within the accounts.

In accordance with the accounting policy (1.9), Heritage Assets have been included based on their insurance valuations which is the best estimate of their value without incurring specialist valuation fees.

	At 1 April 2011 £'000	At 31 March 2012 £'000	At 31 March 2013 £'000
Fort Gardens - Bandstand	67	67	163
Clock Tower	57	57	541
Telegraph Hill - Obelisk	1	1	1
Cobham Woods Mausoleum	2,500	2,575	2,575
Mayoral Chains	23	23	23
Civic Regalia	182	182	188
Museum Exhibits	84	86	86
TOTAL	2,914	2,991	3,577

Heritage Assets where the Council holds information on their cost or value are detailed in the table above. Heritage Assets where the Council does not hold information on their cost or value, and it is considered that the cost of obtaining this information outweighs the benefit to the reader of the accounts, are not included in the Balance Sheet but disclosed in this note. These include the Fort Gardens Tunnels, and various war memorials in the borough.

21. Construction Contracts (Commitments under Capital Contracts)

The Council has approved expenditure in future years of £36,070,850 (2011-12, £8,341,530) under its capital programme of which £8,502,000 (2011-12, £1,496,000) had been contracted as at 31 March 2013. The split between schemes contracted and not contracted are as follows:

Scheme	Expenditure approved and contracted at 31-Mar-13 £'000	Expenditure approved but not contracted 31-Mar-13 £'000
Decent Homes Expenditure	8,100	13,829
Health & Safety Works	282	3,979
Minor/Other Works	120	1,971
Renovation Grants	0	2,360
Other Schemes	0	4,239
GF Capital	0	1,190
TOTAL	8,502	27,568

22. Capital Expenditure and Capital Financing

2011-12 Restated				2012-13		
Non-HRA £'000	HRA £'000	Total £'000		Non-HRA £'000	HRA £'000	Total £'000
8,667	163	8,830	*Opening Capital Financing Requirement*	8,442	106,384	114,826
			Capital Investment			
2,359	5,165	7,524	Property, Plant and Equipment	586	5,712	6,298
0	106,246	106,246	HRA Self Financing	0	0	0
0	0	0	Local Authority Mortgage Scheme (LAMS)	2,000	0	2,000
32	108	140	Intangible Assets	34	7	40
694	0	694	Revenue Expenditure Funded from Capital Under Statute	320	0	320
122	0	122	Long Term Debtors	11	0	11
3,207	111,519	114,726		2,951	5,719	8,669
			Sources of Finance			
389	526	915	Capital Receipts	90	357	447
1,129	275	1,404	Government Grants, other contributions	507	0	507
0	4,472	4,472	Major Repairs Reserve	0	4,575	4,575
346	0	346	Other Reserves	274	0	274
(25)	25	0	Appropriated Assets	(1,388)	1,388	0
			Sums set aside from Revenue			
1,249	0	1,249	Direct revenue contributions	80	786	866
344	0	344	MRP/loans fund principal	650	3,263	3,913
8,442	106,384	114,826		11,180	101,734	112,913
			Explanation of movements in year			
(225)	106,221	105,996	Increase in underlying need to borrowing (unsupported by Government financial assistance)	2,738	(4,650)	(1,913)
(225)	106,221	105,996	*Increase/(decrease) in Capital Financing Requirement*	2,738	(4,650)	(1,913)

The 2011-12 figures have been restated to reflect the revised format of this note and a revised split in the 2011-12 Opening Capital Financing Requirement between the HRA and Non-HRA.

23. Depreciation and Impairment

Service revenue accounts (excluding HRA) have been charged with an annual provision for depreciation during the year of £1,609,000, (£1,344,000, 2011-12) together with any impairment losses arising in respect of fixed asset revaluations. A reversing entry ensures that the overall revenue effect is neutral and that no cost falls to the local taxpayer.

The HRA depreciation is disclosed in note 8 of the notes to the HRA.

Impairment losses totalling £5,869,000 (£5,713,000, 2011-12) have been recognised within the Comprehensive Income and Expenditure Statement during 2012-13, where these are in excess of the accumulated revaluation gains held within the Revaluation Reserve Account.

24. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. There are no restrictions on the Authority's ability to realise the value inherent in its Investment Property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancement.

Investment Properties - Revenue Movements	2011-12 £'000	2012-13 £'000
Rental Income from Investment Property	(954)	(651)
Direct operating expenses from Investment Property	711	193
Net (Gain)/Loss	**(243)**	**(458)**

The market value of Investment Properties on the Balance Sheet as at 31 March 2013 is £8,160,000 (2011-12 £7,900,000). The asset valuations were conducted by BPS Chartered Surveyors.

25. Assets Held for Sale

Assets Held for Sale are those assets that are available for immediate sale, that are being actively marketed and are expected to be sold within one year of the date of classification. As at 31 March 2013 the Council has no properties that satisfy the criteria for classification as Current Assets Held for Sale (2011-12 nil).

26. Debtors

Restated 2011-12 £'000		2012-13 £'000
	Current (falling due within one year)	
2,660	Government departments	2,911
1,630	Kent County Council (inc. Collection Fund)	984
194	Kent Police (Collection Fund)	130
95	Kent Fire and Rescue (Collection Fund)	64
1,689	Housing tenants	2,045
4	Mortgagors (instalments)	3
341	Advance payments	357
839	Council Tax payers	843
0	NNDR ratepayers	141
5,547	Sundry debtors	5,071
0	Holding Accounts	0
12,999		12,549
(4,121)	Debt Impairment Provision	(4,532)
8,878		8,017
	Long-term (falling due after one year)	
1	Car Loans	1
164	Private Sector Renewal Loans	184
93	Travellers Site Lease	87
0	Local Authority Mortgage Scheme (Lloyds)	2,000
28	Mortgagors (principal outstanding)	20
286		2,292
9,164		10,309

The Debt Impairment Provision is in respect of arrears for the following: Housing Rents £1,130,000 (2011-12, £969,000), Council Tax £652,000 (2011-12, £593,000), Costs and Penalties £696,000 (2011-12 £552,000) and Sundry Debtors £2,054,000 (2011-12, £2,007,000).

27. Creditors

2011-12 Restated £'000	Source	2012-13 £'000
69	Government departments	648
430	Kent County Council (inc. Collection Fund)	441
57	Kent Police Authority (Collection Fund)	16
28	Kent Fire and Rescue Service (Collection Fund)	8
401	Housing tenants	504
96	Depositors	103
887	Advance receipts	205
72	Council Tax payers	541
0	NNDR ratepayers	18
123	Accumulated Absences	146
3,948	Sundry creditors	3,156
338	Holding Accounts	331
6,449		6,117

28. Cash and Cash Equivalents

The net balance of Cash and Cash Equivalents at the Balance Sheet date is made up of the following elements.

			Movement
2011-12 £'000		2012-13 £'000	2012-13 £'000
(309)	Cash in hand/(Overdrawn)	(513)	(204)
10,750	Short Term Deposits	7,970	(2,780)
10,441	Balance outstanding at 31 March	7,457	(2,984)

29. Pension Costs

Participation in the Pension Scheme

Employees of Gravesham Borough Council may participate in the Kent County Council Pension Fund, part of the Local Government Pension Scheme, a defined benefit statutory scheme. The fund is administered by Kent County Council in accordance with the Local Government Pension Scheme Regulations 2007-08 as amended. The latest formal valuation of the Kent County Council Pension Fund for funding purposes was at 31 March 2013. As required under IAS 19 'Employee Benefits', the valuation method used is the projected unit method of valuation. With this method, where the age profile of the active membership is rising, the current service cost will increase as the members of the scheme approach retirement.

Transactions Relating to Retirement Benefits

The Council recognises 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, in accordance with IAS19, the charge the Council is 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 of the Comprehensive Income and Expenditure Statement after Net Operating Expenditure. This ensures there is no cost to the local taxpayer.

Under IAS19, the Council is required to provide details of assets and future liabilities for pensions payable to Council staff, both past and present.

The movement in the net pension liability is as follows:

2011-12 £'000		2012-13 £'000
(30,673)	**Surplus/(Deficit) at 1 April**	**(47,184)**
(2,113)	Current Service Cost	(2,645)
3,067	Employer Contributions	2,766
168	Contributions re: Unfunded Benefits	166
0	Past Service Costs	0
(63)	Settlements & Curtailments	(74)
(701)	Net Return on Assets	(1,288)
(16,869)	Actuarial Gains/(Losses)	(1,578)
(47,184)	**Surplus/(Deficit) at 31 March**	**(49,837)**

The following transactions, derived from an Actuarial Valuation for the purposes of IAS19 have been made in the Comprehensive Income and Expenditure Statement during the year:

2011-12 £'000		2012-13 £'000
	Income and Expenditure Account	
2,113	Current service cost	2,645
0	Past service costs	0
63	Settlements and Curtailments	74
(168)	Contributions re: Unfunded Benefits	(166)
2,008		**2,553**
	Net Operating Expenditure:	
5,488	Interest cost	5,347
(4,787)	Expected return on assets in the scheme	(4,059)
701	**Net Charge to the Income and Expenditure Account**	**1,288**
358	Movement on pensions reserve	(1,075)
3,067	**Employers' contributions payable to scheme**	**2,766**

Assets and Liabilities in Relation to Retirement Benefits

The underlying assets and liabilities for retirement benefits attributable to the Council at 31 March 2013 are as follows:

2011-12 £'000		2012-13 £'000
71,023	Estimated assets in scheme	80,123
116,322	Present Value of Scheme Liabilities	128,092
1,885	Present Value of Unfunded Liabilities	1,868
118,207	Total Value of Liabilities	129,960
(47,184)	**Net Asset/(Liability)**	**(49,837)**

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The net pension liability is matched by an equivalent Pensions Reserve of £49,837,000. 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. Barnett Waddingham, an independent firm of actuaries, has assessed the Fund's liabilities.

Gravesham Borough Council's net liability on the Kent County Council Pensions Fund at 31 March 2013 is £49,837,000, (£47,184,000 at 31 March 2012), giving a increase in liability of £2,653,000.

IAS19 does not directly impact on the actual level of employer contributions paid to the Kent County Council Fund. Employers' levels of contributions are determined by triennial actuarial valuations which are based on the Fund's actual investment strategy (rather than being based on corporate bond yields).

The movement to the Fund is set out in more detail in this note to the Core Financial Statements. The total liability has an impact on the net worth of the Authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains sound. The deficit on the scheme will be recovered through increased contributions over the remaining life of the employees as assessed by the actuary.

The reconciliation of the present value of the scheme liabilities is shown below;

2011-12 £'000		2012-13 £'000
100,648	**Liabilities Brought Forward**	**118,207**
2,113	Current Service Cost	2,645
5,488	Interest Cost	5,347
743	Contributions by Employees	698
13,801	Actuarial (gains) and losses	7,674
0	Past Service Costs	0
63	Losses and (gains) on Curtailments	74
(4,481)	Benefits Paid	(4,519)
(168)	Unfunded Benefits Paid	(166)
118,207	**Liabilities Carried Forward**	**129,960**

The reconciliation of fair value of employer assets is shown below;

2011-12 £'000		2012-13 £'000
69,975	**Assets Brought Forward**	**71,023**
4,787	Expected Return on Assets	4,059
743	Contributions by Employees	698
3,067	Contributions by the Employer	2,766
168	Contributions re: Unfunded Benefits	166
(3,068)	Actuarial Gains/(Losses)	6,096
(168)	Unfunded Benefits Paid	(166)
(4,481)	Benefits Paid	(4,519)
71,023	**Assets Carried Forward**	**80,123**

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

Scheme History

2008-09 £'000	2009-10 £'000	2010-11 £'000	2011-12 £'000		2012-13 £'000
46,060	62,077	69,975	71,023	Fair Value of Employer Assets	80,123
(83,750)	(129,150)	(100,648)	(118,207)	Present Value of Defined Benefit Obligation	(129,960)
(37,690)	**(67,073)**	**(30,673)**	**(47,184)**	**Surplus/(Deficit)**	**(49,837)**
(15,190)	13,054	3,625	(3,068)	Experience Gains/(Losses) on Assets	6,096
80	456	11,096	(34)	Experience Gains/(Losses) on Liabilities	(20)

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £49,837,000 has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy as the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2014 is £2,812,000.

Basis for Estimating Assets and Liabilities

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

The main assumptions used in their calculations have been:

2011-12		2012-13
5.80%	**Long Term Expected Rate of Return on Scheme Assets:**	5.80%
	Mortality Assumptions (Years)	
20.0	Longevity at 65 for Current Pensioners (Men)	20.1
24.0	Longevity at 65 for Current Pensioners (Women)	24.1
22.0	Longevity at 65 for Future Pensioners (Men)	22.1
25.9	Longevity at 65 for Future Pensioners (Women)	26.0
	Other Assumptions	
3.3%	Rate of Inflation (RPI)	3.3%
2.5%	Rate of Inflation (CPI)	2.5%
4.7%	Rate of increase in Salaries	4.7%
2.5%	Rate of increase in Pensions	2.5%
5.8%	Expected Return on Assets	5.8%
4.6%	Rate of discounting Scheme Liabilities	4.3%

The discount rate employed is the yield available on long-dated, high quality corporate bonds (as measured by the yield on the Merrill Lynch AA rated corporate bond curve over 19 years), at the IAS19 valuation date, in accordance with CIPFA guidance.

Previously the discount rate employed was measured by the yield on the iBoxx Sterling Corporate Index, AA over 15 years. Had this rate been used in 2013-14 the present value of liabilities would have increased by £6,475,000 and the projected service cost would have increased by £250,000.

Local Government Pension Scheme Assets consist of the following categories, by proportion of the assets held;

2011-12			2012-13	
Fund Value £'000	Proportion %		Fund Value £'000	Proportion %
52,558	74.0	Equities	56,887	71.0
710	1.0	Gilts	0	0.0
7,102	10.0	Bonds	10,416	13.0
6,392	9.0	Property	6,410	8.0
2,841	4.0	Cash	3,205	4.0
1,420	2.0	Target Return Portfolio	3,205	4.0
71,023	**100.0**		**80,123**	**100.0**

History of Experience Gains and Losses

The history of actuarial gains/losses identified as movements on the Pensions Reserve can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities:

2008-09 £'000	2009-10 £'000	2010-11 £'000	2011-12 £'000		2012-13 £'000
(15,190)	13,054	3,625	(3,068)	Experience Gains/(Losses) on Assets	6,096
46,060	62,077	69,975	71,023	Value of Assets	80,123
-33.0%	21.0%	5.2%	-4.3%	Percentage of Assets	7.6%
80	456	11,096	(34)	Experience Gains/(Losses) on Liabilities	(20)
83,750	129,150	100,648	118,207	Total Present Value of Liabilities	129,960
0.1%	0.4%	11.0%	0.0%	Percentage of the Total Present Value of Liabilities	0.0%

Included within “experience gains/losses on liabilities” in the table above is a loss of £1,868,000 (2011-12 £1,885,000) relating to unfunded pension liabilities.

Information can also be found in Kent County Council’s Superannuation Funds Annual Report which is available upon request from the Investment Section, Sessions House, County Hall, Maidstone, Kent, ME14 1XQ.

30. Contingent Assets

A contingent gain/asset arises where a possible asset could arise from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity’s control.

There are no contingent gains/assets relevant to the Authority at this time.

31. Contingent Liabilities

Contingent Liabilities may arise from past events but their existence is uncertain and may arise from circumstances outside of the Authority’s control.

The following areas have been highlighted as potential Contingent Liabilities that may result in additional cost (unbudgeted) to the Authority in the future:

Personal Search Fees
Gravesham Borough Council is a defendant in proceedings brought by a group of Property Search Companies for refunds of fees paid to the Council to access land charges data. In the current litigation the Council faces a claim of around £19,000 plus interest and costs. A second group of Property Search Companies are also seeking to claim refunds although no proceedings have yet been issued. The Council has been informed that the value of those claims at present is around £90,000 plus interest and costs. The second group of Property Search Companies have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

32. Non-Adjusting Events after the Reporting Period

On the 1 April 2013 new arrangements for retention for Business Rates were introduced (see explanatory foreword for detailed description). With the new arrangements the authority assumes liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list.

DCLG announced that they intend to make regulations and issue an accounting direction to allow the cost of this provision to be spread over the five financial years commencing 2013-14. CIPFA will provide the relevant accounting guidance for 2013-14 and beyond.

The Authority estimates that £267,848 be set aside in a provision on 1 April 2013 in relation to Business Rates appeals. The Authority did not spread out this cost in its final NNDR1 submission, and estimated a prudent figure based on a calculation of 1% of the Business Rates yield. This was to maximise income in the future years of the MTFP given financial uncertainties in future years. The Valuation Office (VOA) has provided a list of outstanding appeals as a useful starting point and this must be developed over the coming year, along with historical information on appeals to estimate liability on appeals more precisely in future years. Appeals provision will be a cash adjustment on the Collection Fund, albeit detailed guidance has not yet been issued.

33. Financial Instruments and Financial Risks

(a) Financial Instruments – Classifications

The requirements for accounting for financial instruments are based on IFRS 7 and IFRS 9. The 2010 Code of Practice notes that where they continue to be relevant, the transitional provisions of the UK standards adopted by the 2007 SORP remain.

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

The term ‘financial instrument’ covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives. Typical financial instruments are:

Liabilities

- Trade payables and other payables,
- Borrowings,
- Financial guarantees.

Assets

- Bank deposits,
- Trade receivables,
- Loans receivable,
- Other receivables and advances,
- Investments,
- Derivatives, swaps, forwards, options.

Some types of financial instruments covered by IAS 39 are not covered by the Code because they are not relevant to entities that do not issue equity instruments. These are shown below and are covered in more detail elsewhere in the Council’s Statement of Accounts:-

- Rights and obligations under leases,
- Employers' rights and obligations under pension schemes and
- Joint ventures

Balances in money market funds and call accounts at 31 March 2013 are shown under 'cash and cash equivalents' in the Balance Sheet, as they represent highly liquid investments that are readily convertible to known amounts of cash, with an insignificant risk of changes in value.

(b) Financial Instruments – Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long-Term		Current	
	31-Mar-12 £000s	31-Mar-13 £000s	31-Mar-12 (Restated)£ 000s	31-Mar-13 £000s
Debt principal	111,951	109,425	3,367	2,132
KCC contribution to LAMS	0	1,000	0	0
Total borrowings	**111,951**	**110,425**	**3,367**	**2,132**
Total creditors	0	0	4,409	3,633
Financial Guarantee	0	6	0	0
Cash Overdrawn	0	0	309	513
Total Financial Liabilities	**111,951**	**110,431**	**8,085**	**6,278**
Loans/receivables (principal amount)	1	1	10,750	14,970
LAMS deposit	0	2,000	0	0
Total investments	**1**	**2,001**	**10,750**	**14,970**
Loans and receivables	28	20	0	0
Financial assets carried at contract amounts	0	0	5,547	5,071
Total debtors	**28**	**20**	**5,547**	**5,071**
Soft loans provided	257	272	0	0
Total Financial Assets	**286**	**2,293**	**16,297**	**20,041**

Under accounting requirements the carrying value of the financial instrument value is shown in the Balance Sheet which includes the principal amount borrowed or lent.

Fair value has been measured by:

- Direct reference to published price quotations in active marke; and/or
- Estimating using a valuation technique.

The Council provided a financial guarantee in respect of the Local Authority Mortgage Scheme, which has been initially recognised at fair value. Subsequently this is measured at the higher of the amount recognised initially and the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Assets less when appropriate cumulative amortisation. Therefore, the carrying amount of the financial guarantee would remain at the original amount estimated at inception (less amortisation) unless payment under the guarantee becomes probably at which point the amount of the liability will be determined in accordance with IAS 37.

The Council has made one loan to a private sector resident at less than market rates (soft loans). The details of this are below.

	31-Mar-12 £000s	31-Mar-13 £000s
Opening Balance	187	257
'+ New loans granted	122	1
'- Fair value adjustment	(65)	(4)
'+ Increase in the discounted amount	13	18
Balance carried forward	**257**	**272**
Nominal value carried forward	**257**	**272**

The interest rate at which the fair value of this soft loan has been made is arrived at by taking the PWLB rate equivalent to the remaining life of the loan and adding an allowance for the risk that loan might not be repaid of 2%.

(c) Financial Instruments Gains/Losses

The gains/losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	Financial Liabilities measured at amortised cost £000s	Financial Assets Loans and receivables £000s	Total £000s
Interest expense	(3,344)		(3,344)
Debt Impairment Provision	(4,532)		(4,532)
Interest Income		179	179
Total expense/income in Surplus/Deficit on the Provision of Services	**(7,876)**	**179**	**(7,697)**
Gains on revaluation		14	14
Revaluation surplus in Other Comprehensive Income and Expenditure	**0**	**14**	**14**
Net gain/(loss) for the year	**(7,876)**	**193**	**(7,683)**

As at 31 March 2013 the Authority did not hold any financial assets that were available for sale.

(d) Fair value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried on the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments.

The fair values calculated are as follows:

Restated Carrying Amount 2011-12 £'000	Restated Fair Value 2011-12 £'000		Carrying amount 2012-13 £'000	Fair Value 2012-13 £'000
648	680	PWLB debt (EIP Loan)	567	603
106,246	98,232	PWLB debt (Maturity Loan)	102,983	101,594
8,401	12,254	LGS Investment PLC	8,000	11,866
23	24	Other Short term borrowing	7	7
4,406	4,406	Short Term Creditors	3,633	3,633
0	0	LAMS (KCC Contribution)	1,000	1,000
119,724	**115,596**	**Total**	**116,190**	**118,703**

There are two options for assessing the fair value of the PWLB loans,using either the rate available for new borrowing or the early redemption rate. The fair values of the PWLB loans in the table above have been determined using the rate available for new borrowings.

The fair value of liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.

The fair value of the assets in 2012/13 is equal to the carrying amount of £21,821,000 (£16,271,000 2011/12 restated).

(e) Disclosure of nature and extent of risk arising from Financial Instruments

The Council's activities expose it to a variety of financial risks. The key risks are:

- Credit risk,
- Liquidity, Refinancing and Maturity risk,
- Interest rate risk,
- Price risk,
- Foreign Exchange Risk

The Council's overall risk management procedures focus on the unpredictability of financial markes, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003. The Council complied with the CIPFA Prudential Code and the CIPFA Code of Treasury Management in the Public Services and investment guidance issued through the Act by approving the annual treasury management strategy on 21 February 2012. An update to the treasury management strategy was approved by Council on 7 December 2012 and included revised prudential indicators. Both documents are available on the Council website.

Credit risk

Credit risk arises from deposits with banks and financial institutions (counterparties), as well as credit exposure to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after this initial criteria is applied.

This Council uses the creditworthiness service provided by Sector. This service uses a sophisticated modelling approach with credit ratings from all three agencies – Fitch, Moody's and Standard and Poors, forming the core element. However, it does not rely solely on the current ratings of counterparties but also uses the following overlays:

- Credit watches and credit outlooks from credit rating agencies,
- CDS spreads to give early warning of likely changes in credit ratings,
- Soverign ratings to select counterparties from only the most creditworth countries.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Authority's maximum exposure to credit risk in relation to its investment in banks and building societies of £5m, subject to this not constituting more than 20% of the overall investment balances of the Council at the time of placing such investments and at no point more than 25% of the overall investment balance held, cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at 31 March 2013 that this was likely to crystallise.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect and losses from non-performance by any of its counterparties in relation to deposits and bonds.

Deposits with Banks/Financial Institutions	Value as at 31-Mar-13 £000s	% Default based on previous experience	% Default adjusted for current market conditions	Estimated maximum exposure to default £000s
Barclays	2,000	0.00%	0.00%	0
Lloyds	3,000	0.00%	0.00%	0
Nationwide	2,000	0.00%	0.00%	0
Ignis Sterling Liquidity Class 3 Fund	3,570	0.00%	0.00%	0
Goldman Sachs Sterling Reserves Fund	1,390	0.00%	0.00%	0
Natwest - Special Interest Bearing A/C	1,000	0.00%	0.00%	0
Natwest – 95 Day Notice A/C	2,000	0.00%	0.00%	0
Co-op Public Sector Reserve	10	0.00%	0.00%	0
	14,970			0

The past due amount can be analysed by age as follows:

Counterparty	Credit Rating Criteria Met When Investment Placed?	Credit Rating Criteria Met on 31/03/2013?	Balance Invested as at 31-Mar-13 £000			Total £'000
	YES/NO	YES/NO	Up to 1 month £000s	Up to 6 months £000s	Over 6 months £000s	
Banks - UK	YES	YES	3,010	4,000	1,000	**8,010**
Banks - Non UK	N/A	N/A	0	0	0	**0**
Total Banks			**3,010**	**4,000**	**1,000**	**8,010**
Building Societies – UK	YES	YES	0	2,000	0	**2,000**
Money Market Funds	YES	YES	4,960	0	0	**4,960**
Call Accounts	N/A	N/A	0	0	0	0
Total			**7,970**	**6,000**	**1,000**	**14,970**

A further £2 million was deposited with Lloyds TSB as part of the Local Lend a Hand Mortgage Scheme. This is not included in the table above as it does not form part of the authority's investment balance.

Collateral – During the reporting period the council held no collateral as security.

Liquidity, Refinancing and Maturity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a cash flow management, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The maturity analysis of financial liabilities, excluding sums due from customers, is a follows:

2011-12 £000s	2011-12 %		2012-13 £000s	2012-13 %
3,368	2.92%	Less than 1 year	2,132	1.89%
2,142	1.86%	Between 1 and 2 years	2,065	1.83%
7,809	6.77%	Between 2 and 5 years	10,278	9.13%
33,250	28.83%	Between 5 and 10 years	37,364	33.20%
68,749	59.62%	More than 10 years	60,718	53.95%
115,318	**100.00%**	Total	**112,557**	**100.01%**

Interest rate risk

All borrowings held by the Council are at a fixed interest rate and therefore is only exposed to interest rate movements on its investments.

The interest rates have remained static and at historically low levels over the last couple of years, the Council remains exposed to risk due to potential movements in interest rates. If all interest rates had been 1% higher (with all other variables held constant) the financial effect on investment income would be about £208,500.

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Note – Fair value of Assets and Liabilities carried at Amortised Cost.

Price risk

The Council holds only minimal investments in UK Government bonds and therefore is not exposed to any significant gains or losses arising from movements in the price of these bonds. As at 31 March 2013, these bonds were valued at cost at £413.

Foreign exchange risk

The Council has no financial assets or liabilities held in foreign currency and therefore are not exposed to any gains or losses arising from movements in exchange rates.

34. Leasing

The requirements of the IFRS reporting standards impact significantly on the Council's leasing arrangements. This has led to a detailed review of the leases operated by the Council for both Vehicles Plant and Equipment and for Land and property as both lessee and lessor. The existing lease registers have been amended to satisfy the requirements of IFRS both in representing this document and for future assessment and management of the lease portfolio.

Finance Leases

At 31 March 2013, the Council had not entered into any finance leases, and as such, no non-current assets held on the Balance Sheet are in relation to finance lease arrangements.

Operating Leases

The Council uses "leased cars", fleet vehicles, computer hardware and printing equipment financed under the terms of operating leases. The amount paid under these arrangements in 2012-13 was £533,000 (2011-12, £536,000).

The future cash payments required under these leases are payable as follows:

	Vehicles Plant and Equipment £'000	Land and Property £'000
Amounts payable next year	308	127
Amounts payable in the 2nd to 5th subsequent years	282	110
Amounts payable from the 6th subsequent year onwards	0	21
Total	**590**	**258**

An analysis of the operating lease payments that the Authority is committed to make in the next financial year analysed between those leases that will expire in the next year, in the second to fifth subsequent years, and from the sixth subsequent year onwards:

	Vehicles Plant and Equipment £'000	Land and Property £'000
Expiring in the next financial year	59	79
Expiring in the 2nd to 5th subsequent years	249	28
Expiring from the 6th subsequent year onwards	0	20
Total	**308**	**127**

Disclosure as a Lessor

The Council acts as a lessor on a portfolio of commercial properties for which rentals for 2012-13 amounted to £1,123,000 (2011-12 £1,234,000). The net book value of these assets within the Balance Sheet is £9,990,000 (2011-12 £9,555,000).

Property	Income 2011-12 £'000	Income 2012-13 £'000	Balance Sheet Value £'000	Depreciation £'000
Imperial	173	152	0	0
Springhead			3,560	0
- A	31	31		
- D, E, F, G	22	33		
- H, I	36	-9		
- J1	46	21		
- K + Option	76	45		
- K	14	5		
- Other	155	189		
Brookvale Workshop	14	0	100	0
Miscellaneous	119	116		
Stonebridge Road	7	10	167	0
Shops	218	194	1,563	81
Norfolk Road	128	141	1,800	0
St Georges	195	195	2,800	0
Total	**1,234**	**1,123**	**9,990**	**81**

The future cash receipts expected over the full life of the leases are as follows:

As at 31 March 2013	Land and Property £'000
Amounts receivable next year 2013-14	730
Amounts receivable in the 2nd to 5th subsequent years	1,954
Amounts receivable from the 6th subsequent year onwards	25,539
Total	**28,223**

An analysis of the operating lease sums receivable that the Authority is expected to receive in the next financial year analysed between those leases that will expire in the next year, in the second to fifth subsequent years, and from the sixth subsequent year onwards:

As at 31 March 2013	Land and Property £'000
Amounts receivable next year 2013-14	144
Amounts receivable in the 2nd to 5th subsequent years	161
Amounts receivable from the 6th subsequent year onwards	425
Total	**730**

35. Trust Funds

The Council currently administers five trust funds, all of which are registered charities. In none of these cases does the Council act as sole trustee.

The charities are varied in nature and relate principally to legacies left by individuals. These funds do not represent assets of the Council and, consequently, have not been included in the Balance Sheet. Funds are invested both in external marketable securities and on short-term deposit, either with Banks or Building Societies, or with the Council itself.

The principal fund is the Bonham Hayes Fund established for the relief of poverty in the Parish of Cobham. It had net assets as at 31 March 2012 of £71,535 and in 2012-13 gross income and expenditure were £2,389 and £1,983 respectively. The remaining four funds had a total fund balance of £1,160 and a combined gross income and expenditure of £17 and £0 respectively.

36. Provisions

Municipal Mutual Insurance Company (MMI) was the leading provider of local Authority insurances for many years until 1992 when the company failed and went into 'run-off'. Currently, what remains of MMI is still solvent and the known and anticipated liabilities arising from prior years' insured risks will be met from the company's assets. If a solvent run-off is not achieved, councils (and other creditors) will be liable to repay sums that have previously been paid out on their behalves in settlement of claims. It appears likely that the call on the council's contribution will be required, and for that reason, a provision of the estimated maximum liability of £169,400 was made in the 2011-12 accounts. This provision remains in full for this financial year.

37. Capital Grants Received in Advance

Capital Grants & Contributions in Advance	Balance at 1 April	Receipts	Applied to Capital	Balance at 31 March
	£000	£000	£000	£000
2011-12 (Restated)				
KCC - Town Pier Pontoon	(483)	0	483	0
Union Railways (Infrastructure Maintenance)	(98)	0	19	(80)
Section 106 - Southfields School Site	0	(80)	26	(54)
Section 106 - Land at South of Hever Court Road	(80)	0	0	(80)
Leigh Park Road (HRA)	(118)	0	112	(6)
Christian Fields	(204)	0	0	(204)
Capital Contributions - Landseer Avenue	(74)	0	0	(74)
Other small grants & contributions	(131)	(20)	22	(130)
	(1,188)	**(100)**	**662**	**(627)**
2012-13				
Land Securities - Springhead	0	(250)	0	(250)
Union Railways (Infrastructure Maintenance)	(80)	0	19	(61)
Section 106 - Southfields School Site	(54)	0	42	(12)
Section 106 - Land at South of Hever Court Road	(80)	0	0	(80)
Leigh Park Road (HRA)	(6)	0	0	(6)
Christian Fields	(204)	0	0	(204)
Capital Contributions - Landseer Avenue	(74)	0	0	(74)
Other small grants & contributions	(130)	0	0	(130)
	(627)	**(250)**	**61**	**(816)**

HOUSING REVENUE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2013

2011-12 Actual £'000		2012-13 Actual £'000
	EXPENDITURE	
6,826	Repairs and Maintenance	6,924
5,285	Supervision & Management	5,004
11	Rents, rates, taxes and other charges	11
6,188	Negative HRA Subsidy payable	37
	Depreciation of Non Current Assets [note 8]	
4,472	Dwellings	4,575
160	Non-dwellings	178
3,614	Impairment/Revaluation gain of Non Current	(4,388)
93	Debt Management Costs	77
194	Debt Impairment Provision [note 12]	277
	Sums directed by the Secretary of State	
106,246	Payment to the Secretary of State (Self Financing Settlement)	0
133,089	**Total – Expenditure**	12,695
	INCOME	
(22,053)	Dwelling rents [note 11]	(23,629)
(524)	Non-dwelling rents	(293)
(1,450)	Charges for Services and Facilities [note 13]	(1,587)
(336)	Contribution towards expenditure [note 15]	(267)
(24,363)	**Total – Income**	(25,776)
108,726	**NET COST OF SERVICES AS INCLUDED IN THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**	(13,081)
69	HRA Services Share of Corporate & Democratic Core	38
108,795	**NET INCOME FOR HRA SERVICES (COST IF POSITIVE)**	(13,043)
(398)	Gain/(loss) on sale of HRA non-current assets	(600)
94	Amortised Premiums and Discounts	107
0	Interest Payable and Similar Charges	2,986
(27)	Interest and Investment Income [note 14]	(24)
(275)	Taxation and Non-specific grant income	0
108,189	**(SURPLUS)/DEFICIT FOR THE YEAR ON HRA SERVICES**	(10,574)

STATEMENT OF MOVEMENT ON THE HRA BALANCE

The HRA Income and Expenditure Account shows the Income and Expenditure on HRA services included in the whole authority Income and Expenditure Account.

This reconciliation statement summarises the differences between the out-turn on the HRA Income and Expenditure Accounts and the HRA Balance.

2011-12 Actual £'000		2012-13 Actual £'000
(2,591)	**HRA BALANCE BROUGHT FORWARD**	**(3,607)**
108,189	**(SURPLUS)/DEFICIT FOR THE YEAR ON HRA SERVICES**	**(10,574)**
	ITEMS INCLUDED IN THE HRA INCOME AND EXPENDITURE ACCOUNT BUT EXCLUDED FROM THE MOVEMENT ON HRA BALANCE FOR THE YEAR;	
(3,397)	Adjustments between accounting basis and funding basis under statute	8,356
(106,246)	Self Financing Settlement	0
398	Gain/(Loss) on sale of HRA non-current assets	600
142	HRA share of contributions to or from the Pensions Reserve (Note 10)	13
(109,103)		**8,969**
(102)	Transfer to/(from) Major Repairs Reserve (Note 5)	**(99)**
(1,016)	**(INCREASE) OR DECREASE IN THE HRA BALANCE DURING THE YEAR**	**(1,704)**
(3,607)	**BALANCE ON THE HRA AT THE END OF THE CURRENT YEAR**	**(5,311)**

NOTES TO THE HOUSING REVENUE ACCOUNT

1. General

The Housing Revenue Account (HRA) is subject to a financial regime prescribed by the government whereby it is effectively 'ring-fenced', which means the extent to which rents can be subsidised from the general income of the Council has been limited to special circumstances. Similarly, transfers from the HRA to the General Fund are also subject to control.

2. Housing Stock

As at 31 March 2013, the Council had 5,782 dwellings (2011-12, 5,804). This represents a net reduction in Council housing stock of 22 properties during 2012-13, as a result of the sale of properties under the Right to Buy scheme

A profile of the age and type of dwellings held is set out below:

	AGE				
	Pre 1919	1919-44	1945-64	Post 1964	Total
FLATS					
- 1 bedroom	0	18	479	1,286	1,783
- 2 bedrooms	0	0	152	281	433
- 3 bedrooms	0	0	105	235	340
HOUSES and BUNGALOWS					
- 1 bedroom	0	18	67	104	189
- 2 bedrooms	17	145	356	205	723
- 3 bedrooms	3	814	986	283	2,086
- 4 bedrooms	0	117	95	16	228
TOTALS	**20**	**1,112**	**2,240**	**2,410**	**5,782**

3. HRA Asset Values

The opening and closing Balance Sheet values for HRA assets is shown below:

2011-12 £'000		2012-13 £'000
214,414	Operational Assets- Dwellings	219,064
2,250	Operational Assets-Land & Buildings	2,201
111	Infrastructure Assets	0
1,604	Non Operational Assests	307
129	Vehicles, Plant & Equipment	101
338	Intangible Assets	265
218,846		221,938

4. Vacant Possession Value of HRA Dwellings

Every five years an external valuation of the housing stock is carried out. The most recent full valuation was as at 31 March 2011. For the years between valuations, a desk top exercise is carried out and as a result of this the Council dwellings had a market valuation of £684,574,900 as at 31 March 2013 . However, a regional adjustment factor of 32% is applied to this valuation to reflect the fact that Local Authority housing is let at sub-market rents and to give a valuation on the basis of Existing Use Value for Social Housing (EUV-SH). After applying the regional adjustment factor, the valuation of Council dwellings on the basis of EUV-SH is £219,063,970 as at 31 March 2013.

5. Major Repairs Reserve

This reserve provides resources for major repair to the Council's housing stock

2011-12 £'000		2012-13 £'000
0	**Opening Balance – 1 April**	**0**
	Amount transferred to MRR in year	
4,472	Dwellings	4,575
102	Non-Dwellings	99
	Amounts transferred from MRR in year	
(102)	Non-Dwellings	(99)
(4,472)	Capital financed by the MRR	(4,575)
0	**Closing Balance – 31 March**	**0**

6. Financing of HRA Capital Expenditure

Capital expenditure of £5,717,270 (2011-12, £111,518,000) on HRA assets was financed as follows:

2011-12 £'000		2012-13 £'000
526	Capital Receipts	357
4,472	Major Repairs Reserve	4,574
172	Specified Capital Grants	0
102	Commuted Sums	0
106,246	HRA Self Financing Settlement	0
0	Revenue Contribution to Capital	786
111,518		5,717

With effect from 1 April 2012, the system of capital controls was replaced with a self-financing system whereby the Government has decided a borrowing limit for each local authority (£117,283,000 for Gravesham B.C.). The new system is also governed by CIPFA's *'Prudential Code for Capital Finance in Local Authorities'* and the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003.

7. Capital Receipts

Capital receipts are sums received in respect of the disposal of any interest in an asset. The use of capital receipts is restricted by a general requirement to pool a proportion of these.

A summary of the total capital receipts received during 2012-13 is identified below:

2011-12 £'000		2012-13 £'000
(739)	Sale of Council Dwellings	(1,475)
(22)	Sale of Land	0
(16)	Principal Repayments of Mortgages	(8)
(777)		(1,483)

8. Depreciation

The depreciation charge in respect of Council dwellings in 2012-13 was £4,575,000 (2011-12, £4,471,600) and is a real charge on the HRA. This was calculated on the basis of the Major Repairs Allowance (MRA) receivable in 2012-13, which the Assistant Director (Finance) and the authority's valuer deemed to be a reasonable proxy for depreciation.The HRA depreciation charge in respect of non-dwellings is £178,430 (2011-12, £159,600).

The depreciation charge broken down by the categories of HRA assets is identified below:

2011-12 £'000		2012-13 £'000
4,472	Council Dwellings	4,575
160	Operational Assets	178
4,632		4,753

9. Revaluation Gain of Assets

A revaluation gain of £10,100,000 has arisen from a desk top review of the HRA stock values. Also, impairment of £5,712,000 (2011-12, £3,614,000) has arisen due to the fact that the capital expenditure during 2013-13 did not add value to the council's housing stock. Overall a net revaluation gain of £4,388,000 was registered.

10. Movement on Pensions Reserve

In accordance with Accounting Policy 1.24, the Net Cost of Services has been adjusted to reflect the cost of pensions in accordance with IAS 19 *'Employee Benefits'*. The adjustment is in respect of current service cost only. Adjustments in respect of past service cost, return on assets and interest costs have only been made within the Comprehensive Income and Expenditure Statement, as there is no robust way of apportioning any of these costs to the Housing Revenue Account. The current service cost adjustment amounts to a reduction of £12,720, (2011-12, £142,500) which has been reversed out to the Pensions Reserve in order that there is no impact on the surplus for the year and subsequent rent levels.

11. Dwelling Rents

This item includes all rent rebates granted by the Council to HRA tenants but excluding rental income in respect of empty properties. To comply with the Government's policy on rent restructuring and the Supporting People Programme, the Council as of 2003-04 has 'unpooled' charges for services previously included as part of the tenant's rent (see Note 13 below).

12. Rent and Service Charge Arrears

At the end of the year, arrears as a proportion of gross rent and service charge income for current and former tenants had increased to 5.77% (2011-12, 5.24%). The arrears for current tenants were £718,180 as at 31 March 2013 (2011-12, £599,000). Arrears attributable to former tenants increased to £744,880 as at 31 March 2013 (2011-12, £639,000).

Arrears to the value of £116,300 were written off in 2012-13 (2011-12, £123,000). The provision for bad and doubtful debts was increased during the financial year to £1,129,840 (2011-12, £969,000).

2011-12 £'000		2012-13 £'000
599	Current Tenants Arrears (gross of prepayments)	718
639	Former Tenants Arrears	745
1,238	**Total gross arrears**	**1,463**
123	Rent Arrears Written Off	116
969	Provision for Bad Debts	1,130

13. Charges for Services and Facilities

The total income received is set out below:

2011-12 £'000		2012-13 £'000
(912)	Service Charges - Tenants	(1,006)
(183)	Service Charges - Leaseholders	(213)
(355)	Support Charges	(368)
(1,450)		(1,587)

14. HRA Interest payable & Investment Income

This item is the HRA's share of income derived from investments, mortgages and interest on notional cash balances.
The interest payable is on the loan taken by HRA for self-financing.

2011-12 £'000		2012-13 £'000
(3)	Mortgage Interest	(1)
(24)	Interest on Notional Cash Balance	(23)
0	Interest payable and similar charges	2,986
(27)		2,962

15. Contribution towards Expenditure

This reflects grant monies received from Kent County Council in respect of the Supporting People Programme.

16. Further Information

The Authority is required to provide tenants with further information about housing activities, and copies of this information are available from Gravesham Housing, Civic Centre, Windmill Street, Gravesend, Kent, DA12 1AU.

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT			
2011-12		2012-13	
£'000		£'000	£'000
	INCOME:		
42,733	Income from Council Tax		43,072
	Transfers from General Fund:		
7,996	Council Tax Benefits		8,106
20,740	Income collectable from Business Ratepayers		21,559
	Contributions:		
62	Towards previous year's Collection Fund deficit		203
71,531			72,940
	EXPENDITURE:		
	Precepts and demands:		
(37,035)	Kent County Council	(37,250)	
(4,902)	Kent Police Authority	(4,930)	
(2,402)	Kent & Medway Towns Fire Authority	(2,416)	
(6,083)	Gravesham Borough Council	(6,348)	
(50,422)			(50,944)
	Business Rates:		
(20,738)	Payment to National Pool	(21,012)	
97	Increase in Bad and Doubtful Debts Provision	(448)	
(99)	Costs of Collection	(99)	
(20,740)			(21,559)
	Council Tax		
0	Amounts written off	0	
(113)	Increase in Bad and Doubtful Debts Provision	390	
(113)			390
0	Towards previous year's Collection Fund surplus		0
(71,275)			(72,113)
256	**SURPLUS/(DEFICIT) FOR THE YEAR**		827
(132)	Balance brought forward		124
124	**FUND BALANCE AT 31 MARCH - SURPLUS/(DEFICIT)**		951

NOTES TO THE COLLECTION FUND

1. General

This account represents the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to Business Rates, Council Tax and the distribution to the major preceptors and the General Fund. The account is consolidated with other accounts of the Council.

2. 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) for 2012-13 was approved on 12 January 2012 as follows:

Band	Estimated equivalent no. of taxable properties after effect of discounts	Ratio	Band D Equivalent Dwellings
A*	4.00	5/9ths	2.22
A	2,850.36	6/9ths	1,900.24
B	5,856.24	7/9ths	4,554.85
C	12,884.22	8/9ths	11,452.64
D	8,833.28	9/9ths	8,833.28
E	4,178.42	11/9ths	5,106.96
F	1,832.49	13/9ths	2,646.93
G	912.31	15/9ths	1,520.52
H	83.56	18/9ths	167.12
Totals	37,434.88		36,184.76
Less adjustment for collection rate and contributions in lieu			(633.23)
Add adjustment for Ministry of Defence - Contributions in lieu			0.00
COUNCIL TAX BASE		2012/13	35,551.53

A* = Disabled Band A

The tax rate per Band D property, excluding Parish Council precepts, was £1,425.86 (2011-12, £1,420.10).

3. Income from Business Ratepayers

The Council collects Business Rates for its area, which are based on local rateable values multiplied by a uniform rate. The total amount, less certain reliefs and other deductions, is paid to a central pool (the Business Rates Pool) managed by central government, which in turn pays back to Councils their share of the pool based on a standard amount per head of resident population. The total non-domestic rateable value at 31 March 2013 was £59,504,695. The respective multipliers for the year were 45.8p (non-domestic rating multiplier) and 45.0p (small business non-domestic rating multiplier) per £ of rateable value.

4. Collection Fund Surpluses/Deficits

The Council is required to estimate by 15 January the amount of the surplus/deficit on the Collection Fund for the financial year in respect of Council Tax. The estimated surplus/deficit is to be shared in the following year between the Borough Council, Kent County Council, Kent Police Authority and the Kent and Medway Towns Fire Authority in proportion to the value of their respective precepts. The actual surplus of £951,000 at 31 March 2013 will be taken into account when estimating the surplus/deficit for 2013-14. Each of the major precepting Authorities' share of the surplus/deficit is shown in the table below.

Authority	(Surplus)/Deficit at 31 March 2012 £'000	Movement in the Year £'000	(Surplus)/Deficit at 31 March 2013 £'000
Kent County Council	(91)	608	(699)
Kent Police Authority	(12)	81	(93)
Kent and Medway Towns Fire Authority	(6)	39	(45)
Gravesham Borough Council	(15)	99	(114)
Total	**(124)**	**827**	**(951)**

5. Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax income in the Comprehensive Income and Expenditure Statement as it falls due from council taxpayers compared with the statutory arrangements for paying amounts across to the General Fund from the Collection Fund.

	2011-12 £'000	2012-13 £'000
Balance at 1 April	(15)	15
Amount by which council tax income credited to the Comprehensive Income and Expenditure Account is different from council tax income calculated for the year in accordance with statutory requirements	30	99
Balance at 31 March	15	114

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRAVESHAM BOROUGH COUNCIL

Opinion on the Authority financial statements

We have audited the financial statements of Gravesham Borough Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account, Statement of Movement on the Housing Revenue Account and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of Gravesham Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Assistant Director (Finance) and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Assistant Director (Finance) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Assistant Director (Finance); and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Gravesham Borough Council as at 31 March 2013 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if :

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.
-

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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 to review regularly the adequacy and effectiveness of these arrangements. We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in

place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.
We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, Gravesham Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

Certificate

We certify that we have completed the audit of the financial statements of Gravesham Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Darren Wells
Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Fleming Way , Manor Royal , Crawley, RH10 9GT
Date:

GLOSSARY OF TERMS

ACCOUNTING PERIOD
This is the period covered by the Accounts which is the 12 month period commencing 1 April each year.

ACCOUNTING POLICIES
Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements

AUDIT COMMISSION
An Independent body created by the Local Government Finance Act 1982 with responsibility for the external audit of Local Authority accounts.

CAPITAL ADJUSTMENT ACCOUNT
This account provides a balancing mechanism between the different rates at which assets are depreciated under the Code and are financed through the capital controls system.

CAPITAL EXPENDITURE
Expenditure to acquire non-current assets that will be used in providing services beyond the current accounting period or expenditure that adds value to an existing fixed asset.

CAPITAL FINANCING
Funds used to pay for capital expenditure.

CAPITAL RECEIPTS
Funds received by the Council from the sale of non-current assets. Capital receipts are used to repay the debt on assets financed from loan or to finance new capital expenditure, subject to compliance with statutory requirements.

CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)
The principal accountancy body dealing with local government finance.

COMMUNITY ASSETS
Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions in their disposal. Examples of community assets are parks and historical buildings.

CONTINGENT ASSET
A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Local Authority’s control.

CONTINGENT LIABILITY
A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council’s control. Alternatively, a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of that obligation cannot be measured with sufficient reliability.

CURRENT ASSETS
A current asset is one that is expected to be consumed or realised by the end of the next accounting period.

CURRENT LIABILITIES
A current liability is one that is expected to be paid or discharged by the end of the next accounting period.

DE MINIMIS
The Council applies a de-minimis value of £12,000 for the acquisition, creation or enhancement of non-current assets. Any expenditure below this level is charged to revenue in the year of acquisition.

DEPRECIATION / AMORTISATION
The measure of the wearing out, consumption or other reduction in the useful economic life of a non-current asset.

HOUSING BENEFITS
A system of financial assistance to individuals towards certain housing costs administered by local authorities and subsidised by central government.

HOUSING REVENUE ACCOUNT
A separate account to the General Fund, which includes the expenditure and income arising with the provision of housing accommodation by the Council.

IMPAIRMENT
Impairment is where the value of an asset exceeds the amount that could be recovered through use or sale of the asset.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
The accounting standards that have been produced and adopted to govern accounting and move to a globally similar basis.

INVESTMENTS
Investments fall into two categories. Short-term investments where the duration between the Balance Sheet date and the date the Council intends to redeem the investment is less than one year and long-term investments where the duration between the Balance Sheet date and the date the Council intends to redeem the investment is more than one year. Internally managed short-term highly liquid investments of three months or less from the date of acquisition are recognised as cash equivalents.

LEASES
A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. Leases fall into two categories. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. An operating lease is a lease other than a finance lease.

LIABILITIES
Those amounts which will become payable by the authority in the short or long term.

NON-CURRENT ASSETS
Tangible assets that yield benefits to the Council and the services it provides for a period of more than one year.

MINIMUM REVENUE PROVISION (MRP)

This is the calculation that Councils make for the repayment of debt.

OUTTURN
The actual results for the financial year in question.

OVERHEADS
Management and administrative costs including buildings. The majority of management and administrative costs including buildings are allocated to services.

PRECEPT
The levy made by precepting authorities on billing authorities, e.g. Gravesham Borough Council. The major precepting authorities are Kent County Council, Kent Police Authority and Kent & Medway Towns Fire Authority. Parish Councils, e.g. Vigo Parish Council, also raise money by means of a precept on the relevant billing authority.

REVALUATION RESERVE
This account represents the balance of the net surpluses arising on the revaluation of non-current assets.

REVENUE EXPENDITURE
The costs related to the day-to-day running of services.

REVENUE SUPPORT GRANT (RSG)
A grant paid by Central Government to aid Local Authority services in general, as opposed to specific grants, which may only be used for a specific purpose.

SECTION 151 OFFICER
Section 151 of the Local Government Act 1972 requires the Council to appoint an officer responsible for the proper administration of the Council's financial affairs. The Assistant Director – Finance is the Council's Section 151 Officer.

SOFT LOANS
These are loans made below prevailing interest rates (i.e. interest free or low interest loans) and include loans made to local voluntary sector organisations that undertake activities that the authority considers benefits the local population.

WORKING BALANCES
The revenue reserves of an authority made up of the accumulated surplus of income over expenditure on the General Fund or the Housing Revenue Account which may be utilised to provide for unforeseen circumstances or to ensure that payments can be made pending the receipt of income and may be used to reduce the Council Tax levy.