

# Audit Committee – Supplementary agenda No. 3

**A meeting of the Audit Committee will be held on:**

**Date:** 17 July 2014

**Time:** 7.00pm

**Venue:** Meeting Room 2 - Level 3, Gun Wharf, Dock Road, Chatham ME4 4TR

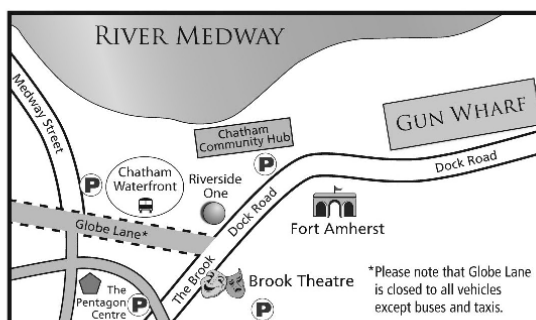
## Items

5. **Statement of Accounts 2013/2014**

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**Date: 16 July 2014**



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Income, Expenses, gains and Losses

	2013/2014					2012/2013				
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Assets and Liabilities at Fair Value through Profit and Loss	Total	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Assets and Liabilities at Fair Value through Profit and Loss	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Interest expense	(12,018)	0	0	0	(12,018)	(9,889)				(9,889)
Losses on derecognition	0	0	0	0	0					0
Reductions in fair value	0	0	0	0	0					0
Fee expense	0	0	0	0	0					0
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>(12,018)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(12,018)</b>	<b>(9,889)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(9,889)</b>
Interest income	0	2,961	0	45	3,006		3,869	0	243	4,112
Interest income accrued on impaired financial assets	0	0	0	0	0					0
Increases in fair value	0	0	0	0	0					0
Gains on derecognition	0	0	0	0	0					0
Fee income	0	0	0	0	0					0
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>2,961</b>	<b>0</b>	<b>45</b>	<b>3,006</b>	<b>0</b>	<b>3,869</b>	<b>0</b>	<b>243</b>	<b>4,112</b>
Gains on revaluation	0	0	0	0	0					0
Losses on revaluation	0	0	0	0	0					0
Amounts recycled to the surplus or deficit on the Provision of Services after Impairment	0	0	0	0	0					0
<b>Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net gain/(loss) for the year</b>	<b>(12,018)</b>	<b>2,961</b>	<b>0</b>	<b>45</b>	<b>(9,012)</b>	<b>(9,889)</b>	<b>3,869</b>	<b>0</b>	<b>243</b>	<b>(5,777)</b>

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

Exit package cost band (including special payments)	Number of compulsory redundancies			Number of other departures agreed			Total number of exit packages by cost band			Total cost of exit packages in each band £		
	2013/14			2013/14			2013/14			2013/14		
	Schools	Non- School	Total	Schools	Non- School	Total	Schools	Non- School	Total	Schools	Non- School	Total
£0 - £20,000	12	11	23	14	33	47	26	44	70	115,491	307,134	422,625
£20,001 - £40,000	0	5	5	1	3	4	1	8	9	27,630	187,252	214,882
£40,001 - £60,000	0	0	0	0	1	1	0	1	1	0	45,936	45,936
£60,001 - £80,000	0	0	0	0	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>12</b>	<b>16</b>	<b>28</b>	<b>15</b>	<b>37</b>	<b>52</b>	<b>27</b>	<b>53</b>	<b>80</b>	<b>143,121</b>	<b>540,322</b>	<b>683,443</b>

Exit package cost band (including special payments)	Number of compulsory redundancies			Number of other departures agreed			Total number of exit packages by cost band			Total cost of exit packages in each band £		
	2012/13			2012/13			2012/13			2012/13		
	Schools	Non- School	Total	Schools	Non- School	Total	Schools	Non- School	Total	Schools	Non- School	Total
£0 - £20,000	27	11	38	5	14	19	32	25	57	130,892	167,129	298,021
£20,001 - £40,000	1	6	7	0	3	3	1	9	10	25,432	256,186	281,618
£40,001 - £60,000	0	0	0	0	1	1	0	1	1	0	49,816	49,816
£60,001 - £80,000	0	1	1	0	0	0	0	1	1	0	70,594	70,594
£80,001 - £100,000	0	0	0	0	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>28</b>	<b>18</b>	<b>46</b>	<b>5</b>	<b>18</b>	<b>23</b>	<b>33</b>	<b>36</b>	<b>69</b>	<b>156,324</b>	<b>543,726</b>	<b>700,050</b>

The total cost of £683,443 in the table above for exit packages has been charged to the Authority's Comprehensive Income and Expenditure Statement in the current year.

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## HRA Income and Expenditure Statement

This statement analyses in more detail the income and expenditure on HRA services included in the whole authority Surplus or Deficit on the Provision of Services. It shows that the Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. The authority charges rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

2012/13 £'000		Notes	2013/14 £'000
	<b>Expenditure</b>		
2,210	Repairs & maintenance		2,640
3,595	Supervision and management		3,915
165	Rents, rates, taxes and other charges		163
140	Rent Rebate Subsidy Limitation	8	97
3,950	Depreciation and impairment of non-current assets	11	5,723
63	Debt management costs		63
104	Movement in the allowance for bad debts	9	92
0	Sums directed by the Secretary of State that are expenditure in accordance with the Code		0
<b>10,227</b>	<b>Total Expenditure</b>		<b>12,693</b>
	Income		
(12,021)	Dwelling rents		(12,639)
(179)	Non-dwelling rents		(183)
(1,072)	Charges for services and facilities		(1,227)
(20)	Contributions towards expenditure		(52)
0	Reimbursement of Costs		(7)
0	Sums directed by the Secretary of State that are income in accordance with proper practices		0
<b>(13,292)</b>	<b>Total Income</b>		<b>(14,108)</b>
	Net Cost of Housing Revenue Account Services as included in the whole authority Comprehensive Income and Expenditure Statement		(1,415)
98	HRA services share of Corporate and Democratic Core		98
(43)	HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services		(105)
<b>(3,010)</b>	<b>Net Expenditure/(Income) for Housing Revenue Account Services</b>		<b>(1,421)</b>
	<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:</b>		
(606)	(Gain) or loss on sale of HRA non-current assets		905
2,511	Interest payable and similar charges	*1	2,477
(81)	Interest and investment income		(26)
83	Net interest on the net defined benefit liability (asset)		160
0	Capital grants and contributions receivable		0
<b>(1,103)</b>	<b>Deficit/(Surplus) for the year on Housing Revenue Account Services</b>		<b>2,095</b>

\*1 - As a result of the withdrawal of HRA subsidy and the introduction of self-financing, the HRA now makes a debt repayment and pays additional interest on the additional debt burden of £19.144m.

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## Movement on the Housing Revenue Account Statement

This statement shows the how the HRA Income and Expenditure Account surplus or deficit for the year reconciles to the movement on the Housing Revenue Account Balance for the year end.

2012/13 £'000		2013/14 £'000
(4,835)	<b>Balance on the HRA at the end of the previous reporting period</b>	(4,346)
(1,103)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	2,095
(77)	Adjustments between accounting basis and funding basis under statute	(3,385)
<b>(1,179)</b>	<b>Net (increase) or decrease before transfers to or from reserves</b>	<b>(1,290)</b>
(132)	Transfers (to) or from HRA reserves	3
0	Transfers (to) or from GF reserves	2,000
1,800	Contribution to capital expenditure from reserves	1,664
<b>489</b>	<b>(Increase) or decrease in year on the HRA</b>	<b>2,377</b>
<b>(4,346)</b>	<b>Balance on the HRA at the end of the current reporting period</b>	<b>(1,969)</b>

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## Notes to the Housing Revenue Account

### 1. Adjustments between accounting basis and funding basis under statute

2012/13		2013/14
£'000		£'000
<b>ADJUSTMENTS PRIMARILY AFFECTING THE CAPITAL ADJUSTMENT ACCOUNT:</b>		
(3,351)	Charges for depreciation and impairment of non-current assets	(3,362)
(571)	Revaluation losses on Property, Plant and Equipment	(2,350)
(719)	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	(1,628)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL RECEIPTS RESERVE:</b>		
1,325	Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	723
(16)	Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(0)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE MAJOR REPAIRS RESERVE:</b>		
3,351	Reversal of Major Repairs Allowance credited to HRA	3,362
<b>ADJUSTMENTS PRIMARILY INVOLVING THE FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT:</b>		
(12)	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	(12)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE PENSIONS RESERVE:</b>		
(300)	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(372)
210	Employer's pension contributions and direct payments to pensioners payable in the year	258
<b>ADJUSTMENTS PRIMARILY INVOLVING THE ACCUMULATED ABSENCES ACCOUNT:</b>		
7	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	(5)
(77)	<b>TOTAL ADJUSTMENTS</b>	<b>(3,385)</b>

### 2. Transfers to or from (earmarked) reserves

In 2013/14, £0.040m was transferred from the HRA balance to fund HRA earmarked reserves (£0.006m in 2012/13). The following table shows an analysis of the amounts held in HRA earmarked reserves and the amounts set aside in year and the amounts posted back from earmarked reserves to meet expenditure in 2013/14:

	Balance 1 April 2012	Transfers in 2012/2013	Transfers out 2012/2013	Balance 31 March 2013	Transfers in 2013/2014	Transfers out 2013/2014	Balance 31 March 2014
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Housing Revenue Account</b>							
HRA IT Reserve	(39)	(6)	8	(37)	0	37	0
Major Repair Reserve	(348)	(5,838)	5,900	(286)	(5,872)	6,020	(138)
<b>Total</b>	<b>(387)</b>	<b>(5,844)</b>	<b>5,908</b>	<b>(323)</b>	<b>(5,872)</b>	<b>6,057</b>	<b>(138)</b>

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### 3. HRA Non-Current Assets

In accordance with Government guidelines, dwellings have been valued at their 'existing use with vacant possession' based upon beacon values and then reduced to reflect 'existing use for social housing'. This value is included within the Balance Sheet. The market value at 1 April 2012 and 31 March 2013 is estimated to be £311,658,427. The 'discounted' existing use value reflects the economic cost to government of providing council housing at less than market rents.

	Dwellings	Other Land and Buildings	Total
	£'000	£'000	£'000
Cost or Valuation 1 April 2013	102,511	6,182	108,693
Additions	4,968	245	5,213
Donations	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	0	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(5,199)	(502)	(5,701)
Derecognition – disposals	(403)	(1,464)	(1,867)
Derecognition - Surplus Assets	0	0	0
Assets reclassified (to)/from Held for Sale	0	0	0
Other movements in cost or valuation	93	122	215
<b>As at 31 March 2014</b>	<b>101,970</b>	<b>4,584</b>	<b>106,554</b>
Depreciation as at 1 April 2013	(2,914)	(430)	(3,344)
Depreciation charge	(3,062)	(300)	(3,362)
Depreciation written out to the Revaluation Reserve			0
Depreciation written out to the Surplus//Deficit on the Provision of Services	2,922	430	3,351
Derecognition – disposals	11	106	117
Derecognition - Surplus Assets			0
Assets reclassified (to)/from Held for Sale			0
Other movements in depreciation and impairment	(7)		(7)
<b>As at 31 March 2014</b>	<b>(3,050)</b>	<b>(195)</b>	<b>103,309</b>
<b>Net Book Value</b>			
As at 31 March 2013	99,597	5,752	105,350
As at 31 March 2014	98,920	4,389	103,309

The impairments shown in the table above relate to various garage sites and have been calculated due to poor condition of various garages/sites which means that they are no longer available for the use they were originally built for. Therefore, the value assigned to these particular units relates to a land value only. The change in use has resulted in an impairment in their value.

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