

Gravesham Borough Council

# Financial Statement

2017-18

01



Safer Gravesham

04



Sound & self-sufficient council

02



Stronger Gravesham

03



Sustainable Gravesham





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**FINANCIAL REVIEW**

**and**

**STATEMENT OF ACCOUNTS**

**for the year ending**

**31 March 2018**

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**STUART J BOBBY CPFA**

**Director – Corporate Services**

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## 1. Introduction from the Director (Corporate Services)

- 1.1. I am pleased to present Gravesham Borough Council's annual Statement of Accounts for the year ending 31 March 2018. The Statement has been prepared in accordance with the requirements of the CIPFA Code of Practice on Local Authority Accounting 2017/18 and is intended to allow interested parties to:
- Understand the overarching financial position of the Council and the outturn for 2017/18;
  - Have confidence in how the Council has used and accounted for the public funds that it holds;
  - Be assured that the financial position of the Council is sound and secure.
- 1.2. The Statement is accompanied by this Narrative Report, intended to provide interested parties with an understanding of the Council, its financial performance and the economy, efficiency and effectiveness with which resources have been deployed over the financial year.
- 1.3. During 2017/18 the Council progressed with its proactive response to the financial challenges facing local government as a whole through the continued delivery of the *Bridging the Gap* programme of activity, intended to provide a robust and stable financial basis on which to deliver quality council services. The delivery of the *Bridging the Gap* activity alongside in-year savings against budgets and further diversification of investment activity has enabled the Council to balance and deliver on its 2017/18 budget and effectively manage its resources during the year. The financial statements demonstrate that the financial standing of the Council continues to be robust.
- 1.4. In setting the General Fund Budget for 2018/19, the Council has been able to further recognise base budget reductions of £0.8m from its *Bridging the Gap* programme, building on the £1.1m base budget reductions realised in setting the budget for 2017/18. The General Fund Budget for 2018/19 reflects a 13.9% reduction on the budget requirement for 2016/17 and demonstrates the Council's ongoing commitment to ensuring it remains financially sound. This activity, alongside achievement of Business Rates Pilot Status in 2018/19 and changes to council tax referendum thresholds for 2018/19 and 2019/20 have had the effect of pushing back the point at which further savings are required to be delivered by the Council until 2021-22. This provides time for the Council to properly consider and plan how further savings of £1.0m above those already identified can and will be delivered.
- 1.5. During 2017/18, the Council continued its commitment to involvement in projects intended to have positive impacts on the borough and the lives of local residents. Initiatives delivered in the last year designed to realise our vision for the borough have included;
- **Extension of the Council's Property Acquisitions Strategy:** the council made a further £10m of investment balances available during the year to purchase commercial property that returns a higher annual revenue income stream than that currently achieved by placing funds with Banks, Building Societies and Money Market Funds. This builds on the three commercial properties acquired under the Strategy in the previous financial year.

- **Further diversification of the council's investment portfolio:** to complement its investment portfolio, during the year the Council placed £10m in diversified income funds, with returns anticipated to be higher than has been achieved through placing these monies with more traditional investments.
- **New Homes:** the Council continued to deliver against its commitment to provide quality social housing for the local community, with completion of seven units across two sites at Tooley Street and Farlow Close. The Council also purchased a further 23 properties from the market during the year and commenced the development of 10 new homes at Packham Road, Northfleet. Planning permission was also granted for 17 new homes at St Hilda's Way, Gravesend with construction expected to commence autumn 2018.

The Council also continued in its housing enabling function, working with its affordable housing partners who delivered 82 new affordable homes across several sites in the borough during the year.

All the homes delivered or planned are to be allocated to applicants within the local community.

- **Waste Project:** the final phase of the new waste and recycling project was implemented in 2017/18 with black waste bins given to households, complementing the existing recycling bins and the weekly food waste collection service. The new service has had an immediate impact with the council now recycling 40.7% of all household waste, the highest ever level, as it works towards the government's 2020 target of 50%.
- 1.6.** The 2018/19 Local Government Finance Settlement confirmed the Government's continued reduction of the total level of funding for local government, with overall local government funding for 2018/19 reducing by 5.37% compared to funding available in 2017/18.
- 1.7.** There continues to be uncertainty around the way in which local government will be funded from 2020/21, with the Spending Review planned for 2019, the outcome of the Fair Funding Review unknown at this time and discussions ongoing on the future design of the Business Rates System. It also remains unclear as to the consequences felt from the UK's decision to leave the European Union. In light of these potential pressures on the horizon, the Council will continue its progressive but pragmatic approach to the way it operates and delivers services to its communities. The Medium Term Financial Strategy and Corporate Plan set out a clear statement of intent as to how the Council will ensure it remains financially sustainable in the longer term and will continue to deliver the services that are important to the communities in Gravesham.

*Stuart Bobby*

Stuart J Bobby

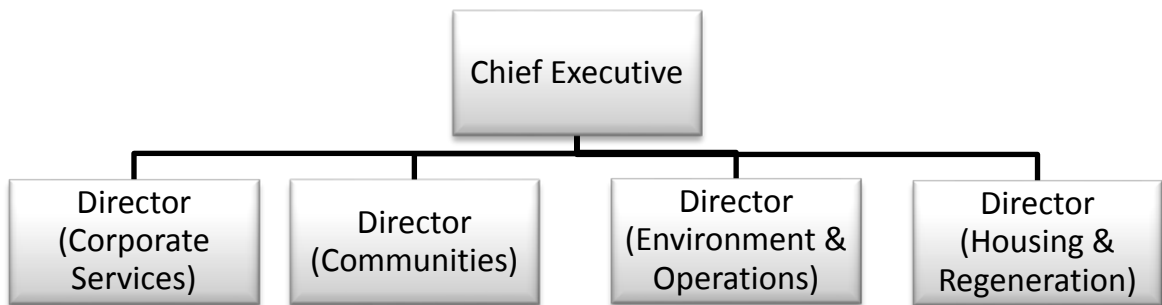
Director (Corporate Services) and Chief Financial Officer

## **2. The Borough of Gravesham**

- 2.1.** Gravesham is located on the south bank of the River Thames in the north of Kent approximately 32km (20 miles) east of London. Covering an area of 105km<sup>2</sup> (40 miles<sup>2</sup>) it stretches from the River Thames in the north to the crest of the North Downs in the south. The borough has a striking urban-rural split; the rural area to the south of the borough and to the east of Gravesend makes up 78% of the whole borough and is largely constituted of Green Belt land.
- 2.2.** As at mid-2016, [Gravesham](#) had a population of 106,200, the 2<sup>nd</sup> lowest figure across the 12 Kent districts and representing a growth rate of 8.9% in the last 10 years. Despite the comparatively small resident population, [Gravesham](#) presents the third highest population density in Kent (10.7 persons per hectare (p/h)), behind only Dartford (14.4 p/h) and Thanet (13.6 p/h).
- 2.3.** The [population](#) of the borough is extremely diverse with a vibrant mix of people; 14% of the borough's population were born outside of the UK and 23% of residents are of an ethnicity other than 'white British'. In 2016, the average [age](#) for a Gravesham resident was 39.1 years, up from 38.7 years in 2011 and 38.2 years in 2001. There are an estimated 2,400 residents in Gravesham aged over 85 years and [projections](#) suggest this age group will double in size by 2036. Over the same period the '0-14' age group, as a percentage of the overall resident population, is forecast to fall from 19.6% to 18.3%.
- 2.4.** According to the [Annual Survey of Hours and Earnings 2017](#), average full-time weekly earnings for residents in the borough were £545.40, representing the fourth lowest figure across Kent districts and £29.50 (5.1%) below the Kent district average. For Gravesham residents working part-time, average weekly earnings were £164.90, the 2<sup>nd</sup> lowest figure in Kent and £21.60 (11.6%) below the Kent average.
- 2.5.** As at March 2018, across Kent districts Gravesham had the fifth highest rate of people claiming [unemployment benefits](#) (JSA or Universal Credit) at 2.2%, higher than the county average of 1.9% but representative of the national average. In line with most other Kent districts, proportionately the largest level of unemployment in terms of population age groups in Gravesham is amongst those aged 18-24, with 3.5% unemployed as at March 2018, ahead of the overall Kent figure (3.1%).
- 2.6.** As at January 2018, there were 10,117 primary school pupils in [Gravesham](#), with the borough having capacity for 9,798, the largest level of oversubscription in Kent. Conversely, Gravesham is under-subscribed at secondary level with a capacity of 8,046 and only 7,692 pupils. 12.1% of all pupils are eligible for free school meals, the sixth highest figure across Kent. As at January 2018, 25.9% of primary school pupils do not have English as a first language. Gravesham's figure is considerably ahead of all other local districts, with the Kent average at 12.2%. At secondary school level, 21.2% of pupils do not have English as a first language, again the highest figure in Kent and well ahead of the county average of 9.1%.

### 3. Gravesham Borough Council

- 3.1. Gravesham Borough Council is a multi-functional organisation responsible for a wide range of services to the public and the community it serves. The community is represented by 44 elected Members, working on behalf of the 18 Wards within the borough. The political leadership of the Council is currently provided by the Conservative Group with the political composition of the Council being Conservative Group – 24 and Labour Group – 20.
  
- 3.2. The Council has adopted the Leader and Cabinet model as its political management structure. The Leader of the Council has responsibility for the appointment of Members of the Cabinet, the allocation of Portfolios and the delegation of Executive Functions. On 18 April 2017, Councillor David Turner was elected as the new Leader of the Council following a period as Acting Leader.
  
- 3.3. The decision-making processes of the Council are set out in the Constitution, with decisions taken primarily by Cabinet or the individual Cabinet Members held to account by the Overview Scrutiny Committee which is chaired by the Leader of the Labour Party, Councillor John Burden.
  
- 3.4. Supporting the Elected Members is an organisational structure led by the Council’s Management Team. The current Management Team structure has been in place since January 2016 and is designed to strengthen the capacity to drive the changes required to reduce the Council’s net budget position, in light of ongoing Central Government austerity measures. Management Team meetings are also attended by the Council’s Monitoring Officer (or their delegated deputy) to ensure that the key statutory officers are represented at the most senior level of the Council.



- 3.5. In April 2017 the Council employed 513 people across two main sites: the Civic Centre in Gravesend and the Brookvale Depot in Northfleet. By March 2018 this had reduced by some 4.3% to 491.
  
- 3.6. Further information on the governance arrangements of the Council, including the Annual Governance Statement, can be found at: [www.gravesham.gov.uk/corporategovernance](http://www.gravesham.gov.uk/corporategovernance)

## 4. Our Strategy and Business Model

- 4.1. The Council operates within a strict financial and regulatory environment. The actions of the Council are subject to internal review by the Council's Management Team and Elected Members as well as external review from the residents of Gravesham, the Council's External Auditor and other regulating bodies.
- 4.2. The Corporate Plan is the key document for setting the strategic direction of the Council. The plan is developed through consideration of local priorities, understanding the key community characteristics of the borough, consultation with residents, businesses and key stakeholders in the borough and government policies. The Corporate Plan 2015-2019: Delivering for the Community was adopted by Full Council in October 2015 and set the four strategic objectives of the Council as being:

**Safer Gravesham** – where local residents and visitors can live, work and travel in a safe, clean and green borough.

**Stronger Gravesham** – a healthier more cohesive community where children have the best start in life and people are proud to call home.

**Sustainable Gravesham** – a thriving and sustainable local economy, built on the foundations of high quality regeneration and development projects.

**Sound and self-sufficient council** – a well-run and innovative council supporting its staff to realise commercial opportunities whilst transforming its services to deliver at the best possible value for money.





- 4.3. The Cabinet drives the successful implementation of this plan, with responsibility for working with and holding council officers to account in the delivery of the four strategic objectives. The Council recognises that it cannot achieve its vision for the borough on its own and is increasingly working with partners to achieve these objectives.



## 5. Key Performance Indicators – Our Performance in 2017/18

5.1. The Council operates a Performance Management Framework (PMF), allowing it to evaluate whether strategic objectives are being achieved, and provide accountability in the use of resources to the local community and other interested parties. There is periodical reporting of performance information to the Council’s Senior Management Team, Members and the general public. Performance information is generally collected from systems within the Council and independently verified.

5.2. Key areas of performance during 2017/18 were:

Corporate Objective	Performance measure		2017-18 outturn	
	PM 1	% of waste from households recycled	40.7%	
	PM 3	% of broadly compliant food establishments <sup>i</sup>	95%	
	PM 5	Average time taken to re-let local authority housing	28 days	
	PM 6	% of presented households prevented from becoming homeless	19.9%	
	PM 7	Retail vacancy % rate <sup>ii</sup>	8.4%	
	PM 8	% of planning applications processed inside set timescales	(Major)	81%
			(Non-Major)	80%
	PM 9	% of Council Tax collected	97.0%	
	PM 10	% of NNDR collected	98.1%	

5.3. Further details of the Council’s performance during 2017/18 can be found at: [www.gravesham.gov.uk/performance](http://www.gravesham.gov.uk/performance)

<sup>i</sup> Figure correct as at April 2018.

<sup>ii</sup> Figure correct as at April 2018.

## 6. Financial Review

### 6.1. General Fund

- 6.1.1. The revenue account known as the General Fund relates to the day-to-day operational cost of providing the Council's services.
- 6.1.2. In February 2017 the Council set its Budget Requirement for 2017/18 at £13.20m, largely financed by £2.94m of retained Business Rates, £2.02m of Government Grants (Revenue Support Grant & New Homes Bonus), £6.80m of Council Tax income (including £0.30m for Parish Precepts) and use of £1.44m of Working Balances held by the Council. To support the budget, the Council agreed an increase of 2.65% in the level of Council Tax from that charged in 2016/17. This resulted in a Band D Council Tax amount for the Council of £191.61, an equivalent increase of less than 10 pence per week.
- 6.1.3. During the year, the Council regularly reviewed its performance against its Budget Requirement, with these reports available publicly from the Council website. The final outturn position for the year is shown in the table below, together with how this expenditure was financed.

General Fund Revenue Outturn 2017/18	Original Budget	Outturn	Variance over/(under)
	£'000	£'000	£'000
All Directorate - Salaries	9,830	9,495	(335)
Chief Executive	(123)	(125)	(2)
Communities	(4,980)	(5,662)	(682)
Corporate Services	2,602	2,150	(452)
Environment & Operations	1,449	1,522	73
Housing & Regeneration	498	295	(203)
Non-Directorate Specific	1,097	1,097	0
<b>Directorate total</b>	<b>10,373</b>	<b>8,772</b>	<b>(1,601)</b>
Interest & Investment Income	(461)	(615)	(154)
Government Grant Funding	(387)	(883)	(496)
Transfers to/(from) Reserves	(906)	503	1,409
Transfers to/(from) Balances	1,636	1,636	0
Transactions below the line	2,949	2,949	0
<b>Budget Requirement</b>	<b>13,204</b>	<b>12,362</b>	<b>(842)</b>
Business Rate Income	(2,943)	(3,041)	(98)
Revenue Support Grant	(598)	(598)	0
New Homes Bonus	(1,426)	(1,432)	(6)
Council Tax Income	(6,386)	(6,386)	0
Parish Precepts	(299)	(299)	0
Transfers to/(from) the Collection Fund	(113)	(113)	0
Use of Working Balances	(1,439)	(1,439)	0
<b>Budget Shortfall / (Underspend)</b>	<b>0</b>	<b>(946)</b>	<b>(946)</b>

- 6.1.4. The General Fund outturn was better than originally budgeted, primarily due to action taken by the council during the year to realise base budget reductions through the delivery of *Bridging the Gap* activity. Action to manage vacancies and other workforce matters resulted in employee-related costs being lower than originally anticipated and in-year pressures were effectively managed. The Council also benefitted from growth in the level of business rates retained, primarily as a result of the Council being part of the Kent Business Rates Pool. These contributed to a reduced need to call on the Council's Working Balances.
- 6.1.5. Full details, including notes on individual variances within directorates can be found within the Outturn Report as considered at Finance & Audit Committee on Tuesday 24<sup>th</sup> July 2018. Papers for the committee can be accessed at: [www.gravesham.gov.uk/finance-audit](http://www.gravesham.gov.uk/finance-audit)

### **6.2. Housing Revenue Account**

- 6.2.1. The Housing Revenue Account (HRA) reflects the income and expenditure related to the provision of housing accommodation by the Council.
- 6.2.2. In February 2017, the Council set the 2017/18 budget on the basis that the HRA would produce a balanced position at year-end, with planned expenditure being met by anticipated income in the year. As with the General Fund, the Council regularly reviewed the performance of the HRA against budget during the year, with these reports also available publicly from the Council website.
- 6.2.3. The final outturn position for the year is shown in the next table.

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Housing Revenue Account Out-turn 2017/18	Original Budget	Outturn	Variance over/(under)
	£'000	£'000	£'000
<b>Income</b>			
Dwelling Rents	(25,474)	(25,705)	(231)
Other Rental Income	(23)	(25)	(2)
Service Charges	(1,314)	(1,468)	(154)
Non Dwelling Income	(257)	(277)	(20)
Supporting People Fund - Service Charge	(295)	(365)	(70)
Supporting People Fund - Grant	(267)	(267)	0
Other Income	(458)	(472)	(14)
<b>Total Income</b>	<b>(28,088)</b>	<b>(28,579)</b>	<b>(491)</b>
<b>Expenditure</b>			
Supervision and Management	5,671	5,462	(209)
Repairs and Maintenance	8,021	6,983	(1,038)
Depreciation	5,968	6,645	677
Supporting People Fund - Expenditure	760	708	(52)
Capital Financing Costs	11,568	5,961	(5,607)
<b>Total Expenditure</b>	<b>31,988</b>	<b>25,759</b>	<b>(6,229)</b>
Net transfers to/(from) Reserves	(3,900)	2,820	6,720
<b>Net (Surplus)/Deficit for the year</b>	<b>0</b>	<b>0</b>	<b>0</b>

6.2.4. The difference between the original Budget and final outturn was mainly due to a change in the funding source for capital works, effective management of vacant posts higher than expected income from rents and non-dwelling fees and charges and work undertaken during the year to improve the efficiency and effectiveness of the repairs and maintenance function.

6.2.5. Full details, including notes on individual variances within directorates can be found within the Outturn Report as considered at Finance & Audit Committee on Tuesday 24th July 2018. Papers for the committee can be accessed at:  
[www.gravesham.gov.uk/finance-audit](http://www.gravesham.gov.uk/finance-audit)

### 6.3. Capital Expenditure (General Fund and HRA)

6.3.1. Capital Expenditure relates to expenditure to acquire, construct, enhance or replace tangible non-current assets such as land, buildings or major pieces of equipment that will be used to provide services over a number of years in the form of a capital programme to achieve the Council's strategic objectives and priorities.

6.3.2. In 2017/18 the Council spent £4.40m on General Fund capital schemes, including further investment of £1.08m associated with the programme of commercial property acquisitions as part of its *Bridging the Gap* activity, intended to provide the Council

with a new revenue stream to help the Council respond to the ongoing financial pressures it faces.

- 6.3.3. For Housing Services, expenditure was £13.35m and included works to replace roofs, windows and doors on properties within the Council's housing stock as well as furtherance of the Council's New Build and Acquisition programme to increase the supply of social housing for the residents of Gravesham.

### **6.4. Treasury Management Performance**

- 6.4.1. Total investment balances as at 31 March 2018 stood at £31.32m, (31 March 2017, £33.47m). During 2017/18 the Council continued to operate a prudent investment strategy whilst also seeking to diversify the investment tools it utilised as a way of maximising returns in what continued to be a difficult investment market. This saw extending its investment portfolio to include Multi-Asset Funds, alongside Property Funds and shorter-term deposits with the UK banking sector and Money Market Funds.
- 6.4.2. The Council also had £93.99m long-term borrowing as at 31 March 2018 (31 March 2017, £98.08m), primarily in the form of £89.92m million Public Works Loans Board (PWLB) borrowing undertaken in relation to HRA self-financing. This represents a decrease of £3.98m in long-term borrowing from 2016/17 and is due in the main to the repayment of the loans necessary to support the HRA self-financing settlement payment to Central Government.
- 6.4.3. The council achieved an average rate of return of 0.448% on its internally managed cash flow investments (including cash equivalents) for the year (2016/17, 0.575%). The average rate of return on Property Funds was 4.13% (2016/17, 4.27%).
- 6.4.4. The Council will continue to actively seek new and innovative projects to deliver its Corporate Plan objectives and as furtherance to its activity to secure long-term financial sustainability. These projects may require forward-funding to realise ongoing revenue benefits for the Council. The most appropriate source of any funding will be determined at the point at which the required investment in the project is to be made.

### **6.5. The Level of Working Balances and Reserves**

- 6.5.1. The Council's General Fund working balances stood at £7.31m as at 31 March 2018, while HRA working balances stood at £3.00m.
- 6.5.2. The Council also holds earmarked reserves, kept for specific types of expenditure in the future. The total amount of earmarked reserves held as at 31 March 2018 (for General Fund and HRA purposes) is £14.94m (£11.68m at 31st March 2017).

## 7. Commentary on the Primary Financial Statements for 2017/18

A summary of the Primary Financial Statements is provided below:

### 7.1 The Comprehensive Income and Expenditure Statement (CIES) (Page 39)

7.1.1. The CIES reports on how the authority has performed during the year and whether its operations have resulted in a surplus or a deficit. The CIES shows a surplus on the provision of services of £16.05m during 2017/18.

Comprehensive Income & Expenditure Statement	2016/17 Actual	Movement during year	2017/18 Actual
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cost of Services	(23,305)	26,975	3,670
Other Income and Expenditure	(12,238)	(7,486)	(19,724)
(Surplus) or Deficit on Provision of Services	(35,543)	19,489	(16,054)
Other Comprehensive Income and Expenditure	3,760	(14,189)	(10,429)
<b>Total Comprehensive Income and Expenditure</b>	<b>(31,783)</b>	<b>5,300</b>	<b>(26,483)</b>

### 7.2. The Balance Sheet (Page 40)

7.2.1. The Council's Balance Sheet provides a snapshot of its financial position, showing what it owns and what it owes at the end of the financial year. The Council continues to maintain a strong Balance Sheet.

7.2.2. During 2017/18, the Council has seen a greater increase in its assets than its liabilities, resulting in an increase in its net worth during the year of £26.48m.

Balance Sheet	31st March 2017	Movement during year	31st March 2018
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Non-current Assets	385,066	27,311	412,377
Current Assets	31,937	(12,550)	19,387
Current Liabilities	(16,207)	3,158	(13,049)
Total Non-Current Assets plus Net Current Assets	400,796	17,919	418,715
Non-Current Liabilities	(170,920)	8,564	(162,356)
<b>Total Assets less Liabilities</b>	<b>229,876</b>	<b>26,483</b>	<b>256,359</b>
Financed by:			
Unusable Reserves	(194,479)	(22,798)	(217,277)
Usable Reserves	(35,397)	(3,685)	(39,082)
<b>Total Net Worth</b>	<b>(229,876)</b>	<b>(26,483)</b>	<b>(256,359)</b>

### 7.3. The Movement in Reserves Statement (MIRS) (Page 41)

7.3.1. The MIRS shows movements in level of reserves held between the end of the last financial year and the end of the current financial year. The MIRS is separated between those reserves that are available for use in funding ongoing revenue expenditure (Usable Reserves), and those that are required to be held for accounting purposes (Unusable Reserves).

7.3.2. The MIRS shows that the total reserves of the Council increased during 2017/18 by £26.48m, primarily due to the increase in the level of Unusable Reserves at the end of the year.

Movement in Reserves Statement	Usable Reserves	Unusable Reserves	Total Reserves
	£'000	£'000	£'000
Balance at 31st March 2017	(35,397)	(194,479)	(229,876)
(Increase)/decrease in year	(3,685)	(22,798)	(26,483)
<b>Balance at 31st March 2018</b>	<b>(39,082)</b>	<b>(217,277)</b>	<b>(256,359)</b>

### 7.4. The Cash Flow Statement (Page 42)

7.4.1. The Cash Flow Statement sets out the Council's cash receipts and payments during the year for both capital and revenue purposes. It summarises in simple terms sources of financing, and how funds were spent.

7.4.2. During 2017/18, the Council's level of cash and cash equivalents decreased by £7.01m, largely due to further movements in acquiring Investment Properties, and investments in Property Funds.

Cash Flow Statement	2016/17	Movement during year	2017/18
	£'000	£'000	£'000
Net (Surplus) or Deficit on the Provision of Services	(33,002)	16,948	(16,054)
Adjustment to the net (surplus)/deficit on the provision of services	12,570	(8,325)	4,245
Net Cash Flows from Operating Activities	(20,432)	8,623	(11,809)
Net cash flows from investing activities	22,270	(6,347)	15,923
Net cash flows from financing activities	5,520	(2,620)	2,900
Net (increase) or decrease in cash or cash equivalents	7,358	(344)	7,014
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>7,716</b>	<b>(7,014)</b>	<b>702</b>

## 8. Principal Risks and Uncertainties

- 8.1. The Council has a long-established process in place to identify the principal risks that may influence or impact on the delivery of services. The process requires judgements to be made on the likelihood and impact of a potential risk and enables the Council to develop and implement appropriate controls to manage or mitigate these risks to reduce the impact on the Council. The Council maintains a Corporate Risk Register which is updated at least annually and reviewed during the year by officers and the Finance & Audit Committee, which is charged with maintaining an overview of the Council's risk and governance framework.
- 8.2. The next table sets out the identified key risks to the achievement of the Council's strategic priorities in 2017/18:

<b>Key risks to the achievement of the Council's strategic priorities in 2017/18</b>			
<b>Risk</b>	<b>Assessed Risk Score</b>	<b>Mitigating Actions</b>	<b>Target Risk Score for year end</b>
<b>Ongoing financial viability of the Council</b>	20	Active monitoring of budgets and key areas of income and expenditure by budget holders, Management Team and Members.	20
		Enhancement of the functionality and increased self-serve usage of the Council's Financial Management System.	
		Diversification of investment activity to increase financial returns.	
		Sound and realistic Medium Term Financial Strategy and Medium Term Financial Plan in place. Policy decision to retain a level of working balances on the General Fund to protect the Council against financial shocks.	
		Implementation of <i>Bridging the Gap</i> activity	
		Implementation of recommendations derived from the Service Review Process.	
<b>Changes in national priorities and legislative change</b>	15	Monthly policy briefings prepared providing updates on the development of key issues, six-monthly legislative briefings to Senior Officers and Members. Specific training opportunities for officers and Members.	10
		Communication channels in place with partner organisations to identify ways in which non-direct policies may affect services and/or to ensure that joint working can continue wherever possible.	



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Key risks to the achievement of the Council's strategic priorities in 2017/18			
Risk	Assessed Risk Score	Mitigating Actions	Target Risk Score for year end
<b>Organisational capacity/ resilience</b>	15	Monitoring and allocation of resources to critical tasks and services.	10
		Encouragement of staff (including the provision of training) to enable more flexible working across the organisation through the offering of opportunities for redeployment, secondments and project work.	
		Ongoing provision and review of initiatives to support the workforce.	
		Maintaining an open relationship with local and regional union representatives.	
<b>Housing Revenue Account Services</b>	12	Officer working group established as required to progress options available to GBC in bridging the gap resulting from government's announcement re rent reductions.	12
		Active monitoring of budgets and key areas of income and expenditure by budget holders, Management Team and Members.	
		Sound and realistic Medium Term Financial Strategy and Business Plan in place. Policy decision to retain a level of working balances on the Housing Revenue Account to protect the Council against financial shocks.	

- 8.3.** The table above does not include risks that are below the Council's strategic risk tolerance threshold; these risks will be monitored and managed through the operational risk registers of council departments. Further information on the Council's Risk Management arrangements can be found within the Policies, strategies, open data area of the Council's website:  
<http://www.gravesham.gov.uk/home/about-the-council/policies-strategies-open-data/strategies>

## **9. 2018/19 and Beyond**

- 9.1.** The financial environment within which the Council operates will remain challenging in 2018/19. Central government funding decisions continue to have a disproportionate impact on Shire Districts such as Gravesham, with Shire Districts being the only tier of local government to experience a cut in Core Spending Power in each year from 2016/17 to 2019/20. In 2018/19 Gravesham will have the fifth lowest level of spending power per dwelling in Kent at £243. This is a reduction of 7.3% (£19 per dwelling) compared to the equivalent Core Spending Power measure in 2017/18. The final design of long-term funding arrangements are also unclear, with the outcomes of the 2019 Spending Review, Fair Funding Review and the final design of the Business Rates Retention System unlikely to be known any time soon. The consequences of the UK leaving the European Union in March 2019 may create further pressure on political processes and the financial standing of the Council.
- 9.2.** The Council has placed itself in a strong position with its current financial plans and focus will remain on ensuring these are sustainable and robust, and that both revenue and capital resources are aligned with key policy priorities. The Council's medium term financial projections currently indicate that it can produce a balanced General Fund budget for 2018/19 and the two following years, and the Council will continue to deliver the planned work streams set out in the Medium Term Financial Strategy to optimise and innovate service delivery whilst maintaining financial discipline.

## **10. Other Useful Information**

- 10.1.** As a public sector body, the Council is committed to being open, transparent and accountable in the way it works. Information on the Council's decision-making arrangements, Management Structure, Member Remuneration as well as contractual arrangements and spend data can be found on the Transparency pages of the Council website: [www.gravesham.gov.uk/transparency](http://www.gravesham.gov.uk/transparency)

## **11. 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 Director (Corporate Services);
- 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 31 May by the Director (Corporate Services), and that the audited statement of accounts is approved prior to 31 July by the relevant body. In Gravesham, that body is the Finance & Audit Committee to which the Council has delegated the appropriate authority.

### **The Director (Corporate Services) - Responsibilities**

The Director (Corporate Services) 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 Director (Corporate Services) 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 Director (Corporate Services) 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 Director (Corporate Services)**

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 2018.

*Stuart Bobby*

Stuart J Bobby CPFA

Date: 24 July 2018

### **Certification of Chair of Finance & Audit Committee**

I confirm that the adoption process for the 2017/18 Statement of Accounts has been formally completed and that the Financial Review and Statement of Accounts for the year ended 31 March 2018 was considered and approved by Gravesham Borough Council at the meeting of the Finance & Audit Committee on 24 July 2018.

*Karen Hurdle*

Cllr Karen J Hurdle

Date: 24 July 2018

## **12. ACCOUNTING POLICIES, STANDARDS AND CRITICAL JUDGEMENTS**

### **12.1. General**

Local Authorities are required to prepare their annual financial statements by the Accounts & Audit (England) Regulations 2015. The regulations require these statements to be prepared in accordance with 'proper accounting practice'.

Each year CIPFA produces a "Code of Practice on Local Authority Accounting in the United Kingdom" (The Code). The Code has been defined as proper accounting practice for the purpose of preparing the annual financial statements of the council and 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 following Accounting Policies set out the general principles used by Gravesham Borough Council to prepare its annual financial statements.

### **12.2. Accounting Concepts & Qualitative Characteristics**

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

#### **Relevance**

In accordance with IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, the accounts are prepared 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 to enable comparison between financial periods. To aid comparability, the Council applies its accounting policies consistently both during the year and between years.

#### **Understandability**

Every effort is made to make the accounts as easy to understand as possible. Nevertheless, there is an assumption that the reader has a reasonable knowledge of accounting and local government. Where the use of technical terms is unavoidable, explanations are 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. Bills for Council Tax and Non-Domestic Rates are recorded as issued at 31 March and no attempt is made to accrue for bills due but not processed at the year-end. The Council has set a de-minimis level of £750 for final accounts accrual adjustments.

### **Going Concern**

The accounts are prepared 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 is included in the accounts.

### **12.3. Revenue Recognition**

Activity is accounted for in the year that it takes place, not necessarily 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.
- Revenue from Council Tax and Non-Domestic Rates is measured at the full amount receivable, as they are non-contractual, non-exchange transactions. Revenue from non-exchange transactions is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the Council and the amount of revenue can be measured reliably.
- 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.

### **12.4. 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.

### 12.5. 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. Available for sale assets are shown in the Balance Sheet at fair value, and all other investments are shown at their nominal value. Internally managed short-term highly liquid investments of three months or less from the date of acquisition are recognised as cash equivalents.

### 12.6. Assets Held for Sale (Current Assets)

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

### 12.7. 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.

In defining capital expenditure, the Council operates a de minimis level of £12,000 for non-current 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 plus any costs associated with bringing the asset into use. The measurement of an asset acquired other than through purchase is deemed to be its fair value.

In accordance with The Code, Property Plant and Equipment is further classified as:

- Council Dwellings
- Other Land and Buildings \*
- Infrastructure assets
- Vehicles, Plant and Equipment
- Community Assets
- Assets under Construction

Each of these asset classifications are valued on the base 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 & Assets Under Construction – Depreciated Historical Cost
- Dwellings – current value, determined using the basis of Existing Use Value for Social Housing
- Surplus Assets – fair value, estimated at highest and best use
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use

## ACCOUNTING POLICIES

Where there is no market-based evidence of current value because of the specialist nature of an asset, Depreciated Replacement Cost is used as an estimate of current 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 current value.

\*These asset categories are revalued on a five-year rolling cycle. The programme of revaluations is continuing on this cyclical basis although values of those assets falling between scheduled valuation dates are reviewed annually to ensure that any material changes to asset valuations is adjusted in the interim period, as they occur.

### - Depreciation

Depreciation is provided for on those 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.
- full depreciation is calculated in the year of disposal

The standard useful lives for each category of asset are up to the following number of years:

Asset	Depreciation Methodology
Operational Land	Depreciation is not normally provided for freehold Land. 50 years (usually relating to car parks)
Operational Buildings	Usually 50 years, although this can vary according to the individual asset
Non-Operational Buildings	60 years depending on the individual asset
Council Dwellings	Suitable components are identified and valued at Beacon level, together with an estimate of each component's useful life which together form the basis of the annual depreciation calculation.
Infrastructure	40 Years
Vehicles, Plant & Equipment	Vehicles & Plant - 10 Years depending on the type of asset  IT Equipment - 7 years depending on the nature of the asset  Non-IT Equipment - 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.

Depreciation is not normally provided for on freehold land and certain 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 Assistant Director (Corporate Services) in accordance with CIPFA's accounting arrangements. Valuations are undertaken by suitably qualified internal staff, or external firms as practicable in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors.

Fixed plant and machinery is included in the valuation of buildings. Operational Properties are valued on open market (existing use) basis, or where this cannot be assessed because there is no market for the subject asset, the Depreciated Replacement Cost.

Council Dwellings are valued on Existing Use Value for Social Housing (EUV-SH).

### - Components

The Council's policy is to account for components where the total asset has a gross book value in excess of £1m and where any individual component has a value in excess of £100,000. With regard to HRA dwellings, the major common components are identified within each Beacon type, and the value of each component divided by its useful life provides the annual depreciation charge.

### - Impairment

Assets are assessed at each year end to establish the possibility of impairment. Where indications exist and are estimated to be material, the asset is revalued and if lower than the carrying value, 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 previous 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 lines in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service lines 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

Income from the disposal of Property, Plant and Equipment is accounted for on an accruals basis. Such income, following payment of any 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 within Usable Capital Receipts.

When an asset is disposed of or decommissioned, any receipt arising (net of selling costs) is set against the carrying value of the asset 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.



Proceeds in excess of £10,000 are categorised as capital receipts. A proportion of sales proceeds relating to HRA disposals is payable to the Government under pooling arrangements. 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.

Net receipts are credited to the Usable Capital Receipts Reserve to 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 via the Movement in Reserves Statement.

Any amounts written-off following a disposal 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.

### **12.8. 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.

Intangible assets are measured at cost and are not subject to revaluations, they are amortised over their economic lives on a straight-line basis, typically over a period of 5 years.

### **12.9. Heritage Assets**

Separate disclosure of the carrying amounts of the council's heritage assets is required at 'valuation', where that 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 users of the accounts. Thus assets identified as Heritage Assets by Gravesham are reflected in the accounts at their insurance valuation, which is reviewed annually.

The initial recognition of the asset is in accordance with our accounting policy on recognising Property, Plant & Equipment (See 12.7). 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, that asset is not be recognised on the Balance Sheet, and an appropriate disclosure is made instead.

Due to the historic nature of the assets within this category, depreciation is not applied.

### **12.10. 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.

Properties are not depreciated but are revalued annually to market conditions at year-end. Gains and losses on revaluation are posted to the Financing & Investment line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains/losses on disposal.

### 12.11. 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 exceed accumulated gains held in the Revaluation Reserve)
- amortisation of intangible fixed assets used by the relevant service

### 12.12. 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 outgoing grants, or expenditure on property not owned by the authority. Such expenditure incurred during the year is charged to the relevant service 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 is made. This 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.

### 12.13. 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 and contributions are carried within the Authority's Balance Sheet as creditors. When conditions are satisfied, grant and contribution amounts are released to the individual Service Revenue Accounts within the Comprehensive Income and Expenditure Statement.

Capital grants and contributions are credited to the Taxation and Non-Specific Grant line in the Comprehensive Income & Expenditure Statement where conditions are satisfied. Capital grants that have not yet been used to finance capital expenditure are posted to the Capital Grants Unapplied Reserve; those that have been applied are credited to the Capital Adjustment Account.

### 12.14. 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).

### 12.15. 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 and 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.

### 12.16. 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, with the exception set out above (policy 2).

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 debt impairment provision.

Interest payable is accrued to 31 March annually on all loans outstanding at that date. Interest on short-term investments due, but not received as at 31 March is also 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.

### 12.17. Stocks and Long Term Contracts

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

Work-in-progress, representing uncompleted rechargeable jobs as at 31 March annually, 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.

### 12.18. Cost of Management and Support Services

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

- the apportionment basis is derived from the estimated percentage allocations of the entire service across other services to whom activities relate
- costs are allocated based on the original budget set rather than the actual outturn for the year.

These exceptions are 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.

### 12.19. Provisions

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the authority has an obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation. When payments are eventually made, they are charged to the provisions carried in the balance sheet. Any under/over provision is then released/charged to revenue once the obligation has completed.

### 12.20. 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.

**12.21. Investments**

Long-term investments are shown in the Balance Sheet at the original purchase price plus related costs (brokerage, fees, etc.). Available for sale assets are shown in the Balance Sheet under current assets at fair value, and all other short-term investments are shown under current assets at the actual sums lent.

**12.22. VAT**

VAT, whether of a capital or revenue nature, is included in the Comprehensive Income and Expenditure Statement only to the extent it is unrecoverable. The Council's partial exemption status is reviewed on an annual basis.

**12.23. Employee Benefits**

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

**Benefits payable during employment:**

- 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 e.g. long-service awards

**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 authority.

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.

**Post-employment benefits:**

As part of the terms and conditions of employment of its employees, the Council offers retirement benefits. Although these benefits are not actually payable until employees retire, the commitment that the authority has to make those future payments must be recognised at the time that employees earn their entitlement. The Local Government Pension Scheme is administered by Kent County Council – this is a funded defined benefit final salary scheme, meaning that both the Council 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 employer 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, any such variance is 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

## ACCOUNTING POLICIES

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 2016 and changes to contribution rates as a result of that valuation will take effect from 1 April 2017.

- Service Cost comprising:
  - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. [Note that the treatment of past service costs will depend on the decisions of the authority about how they are allocated to service segments]
  - Net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period - taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising :
  - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Contributions paid to the Kent County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

**12.24. 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, NDR, Rents, Sundry Debtors etc. are based on historical evidence and the methodology and individual percentages applied to calculate the provisions are reviewed regularly.

**12.25. 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. 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.

**12.26. 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.

**12.27. 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. 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.

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 loan, 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 borrower, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. The impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited 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 is also 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.

**12.28. 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.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available for Sale Assets. Where assets are identified as impaired, 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 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).

**12.29. Fair Value Measurement**

The authority measures some of its non-financial assets and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) In the principal market for the asset or liability, or
- b) In the absence of a principal market, in the most advantageous market for the asset or liability.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy as follows:

- Level 1 – quote prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2 – inputs other than quote prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.



### **12.30. 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 also disclosed to the reader of the Statement of Accounts 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'.

After the Balance Sheet date, the council entered into an agreement to redevelop land belonging to the council in Gravesend Town Centre. The council will retain the freehold of the development site and enter into a leasing structure that would see the council holding a long-term operational lease on the site in exchange for an annual lease payment. This is considered to be a non-adjusting event.

### **12.31. 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.

### **12.32. Council Tax & Non-Domestic Rate (NDR) Income**

The Council is a billing authority and as such is required to bill local residents and businesses for Council Tax and Non-Domestic (Business) Rates. The Council acts as an agent on behalf of the major precepting authorities, Kent County Council, the Kent Police and Crime Commissioner and the Kent and Medway Fire & Rescue Authority for Council Tax, and Kent County Council, Kent Fire & Rescue Service and the Government for Non-Domestic Rates.

Accordingly, the debtors and creditors in the Balance Sheet only show the amount owed by and to taxpayers in respect of Council Tax and Non-Domestic Rates for the element relating to Gravesend Borough Council. Amounts relating to major precepting authorities will be shown as net debtors or creditors on the Balance Sheet.

The amount shown in the Comprehensive Income and Expenditure Statement as the demand on the Collection Fund includes the accrued amount of Council Tax and Non-Domestic Rates 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.

### **12.33. Prior Period Adjustments**

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

There are no prior period adjustments that have required consideration in preparing the financial statements for 2017/18.

### 12.34. Accounting Standards that have been issued but have not yet been adopted

The Code requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

**IFRS9 – Financial Instruments** – effective from 1 January 2018, this Standard will implement a change to the classification and measurement of financial assets and the accounting treatment of gains and losses on investments. The full impact of this new Standard is still currently being assessed and is dependent on the final arrangements in place at the time of implementation. As an indication of potential impact, the Council experienced a gain on applicable financial assets in 2017/18 of £0.38m, and a loss on applicable financial assets in 2016/17 of £0.11m.

**IFRS15 – Revenue from Contracts with Customers** – presents new requirements for the recognition of revenue, based on a five-stage revenue recognition model. It is anticipated that these changes will not have a material impact on the Council's accounts.

**IFRS16 - Leases** - the Standard will require local authorities that are lessees to recognise assets and liabilities for all leases with a term of more than twelve months unless the underlying asset is of low value. It is anticipated that these changes will not have a material impact on the Council's accounts.

### 12.35. Critical Judgments in applying Accounting Policies

In applying the accounting policies, the Council has had to make certain judgments about complex transactions or those involving uncertainty about future events.

The critical judgments made in the Statement of Accounts are:

- **Future Funding for Local Government** – Whilst the government have put in place a four-year offer in respect of Settlement Funding, there remains a high degree of uncertainty around future levels of funding for local government, particularly 2020. The impact of the decision for the UK to leave the European Union is also unknown. The Council forecasts its financial standing through its Medium Term Financial Plan and has set out proposals to manage its future financial position within its Medium Term Financial Strategy. The Council is of the view that the level of uncertainty is not yet significant enough in terms of impact to warrant an impairment of assets due to the need to close facilities and reduce levels of service provision.
- **Group Accounting** - The Council 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.
- **Joint Working** – The Council operates a number of joint working arrangements with other neighbouring local authorities. The Council believes that it is not necessary to impair any non-current assets in light of these working arrangements and any current proposals for changes to the way the services are to be delivered by the Council.
- **Doubtful Debts** – The Council has made judgements about the level of doubtful debts and allowances that it needs to provide for. These judgements are based on historical experience of debtor defaults.
- **Business Rates Appeals Provision** - The Council has made judgements about the level of the Business Rates appeals that it needs to provide for. These are based on the latest Valuation Office (VOA) ratings list of appeal overlaid with independent analytical information regarding the likely success of these appeals.

## ACCOUNTING POLICIES

- **Kent & Medway Business Rates Pilot** – The Council will be part of the Kent & Medway Business Rates Pilot for 2018/19. The financial statements for 2017/18 are unaffected by this decision.
- **Providing for Potential Liabilities** – The Council has made judgments about the likelihood of pending liabilities and whether a provision or a contingent liability should be made. The judgments are based on the degree of certainty around the results of pending actions.
- **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 Council 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 in these circumstances. If funding streams were reduced, in so far that it results in the reduction of service delivery or closure of facilities, this could result in the impairment of assets due to obsolescence. However, the Authority has determined that the level of uncertainty at this time is not sufficient to indicate this course of action.

## ACCOUNTING POLICIES

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

The items in the Authority's Balance Sheet at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as shown in the next table:

Item	Uncertainties	Effect if Actual Result Differs from Assumptions
<b>Property, Plant and Equipment</b>	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 Council 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 £96,460 for every year that useful lives had to be reduced.
<b>Pensions Liability</b>	Estimation of the net liability to pay pensions depends on a number of complex judgments 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 engaged to provide the Authority with expert advice about the assumptions to be applied.	A 0.1% decrease in the discount rate (the Merrill Lynch AA rated corporate bond curve) would result in an increase in the liability of £3.10m.  A 1 year reduction in life expectancy assumptions would result in a £6.60m decrease in the pension liability.
<b>Business Rates</b>	The Business Rates Retention Scheme exposes the Council to unprecedented volatility in the level of appeals in business rates. The timing of business rates appeal decisions and the financial impact of these decisions are difficult to forecast.	Sensitivity modelling on our assumptions indicates that including all open appeals would increase the appeals provision by £0.11m. The Council share of that increase in provision would be £0.05m (40%).

### 12.37. Material Items of Income and Expense

There were no material items of income and expense.

# **CORE FINANCIAL STATEMENTS**

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## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2016/17	Comprehensive Income & Expenditure Statement		2017/18	
Net Cost		Expenditure	Income	Net Cost
£'000		£'000	£'000	£'000
194	Chief Executive's Directorate	203	0	203
8,181	Communities Directorate	9,093	(2,722)	6,371
3,017	Corporate Services Directorate	37,728	(34,740)	2,988
3,144	Environment & Operations Directorate	7,194	(4,008)	3,186
(11,314)	Housing & Regeneration Directorate - HRA Services	18,505	(28,967)	(10,462)
(29,744)	HRA revaluations (Note 13.6)	(1,847)	0	(1,847)
1,787	Housing & Regeneration Directorate - Other Services	3,166	(1,138)	2,028
1,430	Non Directorate Specific	1,203	0	1,203
<b>(23,305)</b>	<b>Net Cost of Services</b>	<b>75,245</b>	<b>(71,575)</b>	<b>3,670</b>
(1,289)	Other Operating Expenditure/(Income) (Note 13.2)			(4,379)
3,308	Financing and Investment Income and Expenditure (Note 13.3)			(2,307)
(14,257)	Taxation and Non-Specific Grant Income (Note 13.4)			(13,038)
<b>(35,543)</b>	<b>(Surplus)/Deficit on the Provision of Services</b>			<b>(16,054)</b>
(3,633)	Surplus or Deficit on revaluation of non-current assets (Note 13.15.1)			(2,998)
152	Revaluation of available-for-sale assets			(357)
7,241	Remeasurements of the net defined benefit liability (Note 13.23)			(7,074)
<b>3,760</b>	<b>Other Comprehensive Income &amp; Expenditure</b>			<b>(10,429)</b>
<b>(31,783)</b>	<b>Total Comprehensive Income &amp; Expenditure</b>			<b>(26,483)</b>

## BALANCE SHEET

At 31 March 2017	Balance Sheet		At 31 March 2018	
£'000		Notes	£'000	£'000
	Property, Plant and Equipment	13.6		
	Operational assets			
306,605	- council dwellings		313,369	
36,136	- other land and buildings		37,234	
2,946	- vehicles, plant and equipment		3,983	
1,643	- infrastructure assets		1,497	
2,892	- community assets		2,892	
	Non-operational assets			
760	- assets under construction		1,981	
50	- land and buildings		79	
<b>351,032</b>	<b>Total Property, Plant and Equipment</b>		<b>361,035</b>	
158	Intangible Assets		281	
20,900	Investment Properties	13.9	27,390	
3,084	Heritage assets	13.8	3,404	
314	Long Term Debtors		324	
9,578	Long term Investments		19,943	51,342
<b>385,066</b>	<b>Total Non-Current Assets</b>		<b>412,377</b>	
30	Inventories		10	
14,551	Short -term Debtors (Gross)	13.10	14,952	
(6,405)	Debt Impairment Provision		(6,764)	
7,716	Cash and Cash Equivalents	13.11	702	
16,045	Investments		10,487	
0	Assets Held For Sale		0	19,387
<b>417,003</b>	<b>Total Assets</b>		<b>431,764</b>	
	Current Liabilities:			
(3,873)	Short-term Borrowing		(4,471)	
(12,334)	Short-term Creditors	13.12	(8,578)	(13,049)
<b>400,796</b>	<b>Total Assets less Current Liabilities</b>		<b>418,715</b>	
	Long Term Liabilities:			
(70,166)	Liability Related to Defined Benefit Pension Scheme	13.23	(66,317)	
(98,082)	Long-term Borrowing	13.27	(93,900)	
(691)	Capital Grants Receipts in Advance	13.13	(543)	
(1,981)	Provisions	13.14	(1,596)	
(170,920)	Total Long-term Liabilities		(162,356)	
<b>229,876</b>	<b>Total Net Assets</b>		<b>256,359</b>	
	Financed by:			
(194,479)	Unusable Reserves	13.15	(217,277)	
(35,397)	Usable Reserves	13.16	(39,082)	(256,359)
<b>(229,876)</b>	<b>Total Reserves</b>		<b>(256,359)</b>	



## MOVEMENT IN RESERVES STATEMENT

Financial Year 2017/18	General Fund Balance	Earmarked Reserves	HRA	Major Repairs Reserve	Capital Receipts	Grants and Cont unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2017</b>	(6,162)	(11,683)	(3,000)	(1,722)	(11,573)	(1,257)	(35,397)	(194,479)	(229,876)
(Surplus)/Deficit on Provision of Services	(3,104)		(12,950)				(16,054)		(16,054)
Other Comprehensive Expenditure or Income								(10,429)	(10,429)
<b>Total Comprehensive Expenditure and Income</b>	(3,104)		(12,950)				(16,054)	(10,429)	(26,483)
Adjustment between accounting basis and funding basis (Note 13.17)	1,524		10,130	745	(699)	669	12,369	(12,369)	0
<b>Net (increase)/decrease before transfers to Earmarked Reserves</b>	(1,580)		(2,820)	745	(699)	669	(3,685)	(22,798)	(26,483)
Transfers to/(from) Earmarked Reserves (Note 13.16.3)	437	(3,257)	2,820				0		0
<b>(Increase)/Decrease in year</b>	(1,143)	(3,257)	0	745	(699)	669	(3,685)	(22,798)	(26,483)
Balance at 31 March 2018	(7,305)	(14,940)	(3,000)	(977)	(12,272)	(588)	(39,082)	(217,277)	(256,359)

Financial Year 2016/17	General Fund Balance	Earmarked Reserves	HRA	Major Repairs Reserve	Capital Receipts	Grants and Cont unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2016</b>	(6,095)	(9,490)	(3,000)	(1,127)	(9,362)	(2,057)	(31,131)	(166,962)	(198,093)
(Surplus)/Deficit on Provision of Services	2,629		(38,172)				(35,543)		(35,543)
Other Comprehensive Expenditure or Income								3,760	3,760
<b>Total Comprehensive Expenditure and Income</b>	2,629		(38,172)				(35,543)	3,760	(31,783)
Adjustment between accounting basis and funding basis (Note 13.17)	(3,045)		36,328	(595)	(2,211)	800	31,277	(31,277)	0
<b>Net (increase)/decrease before transfers to Earmarked Reserves</b>	(416)		(1,844)	(595)	(2,211)	800	(4,266)	(27,517)	(31,783)
Transfers to/(from) Earmarked Reserves (Note 13.16.3)	349	(2,193)	1,844				0		0
<b>(Increase)/Decrease in year</b>	(67)	(2,193)	0	(595)	(2,211)	800	(4,266)	(27,517)	(31,783)
Balance at 31 March 2017	(6,162)	(11,683)	(3,000)	(1,722)	(11,573)	(1,257)	(35,397)	(194,479)	(229,876)

## CASH FLOW STATEMENT

2016/17	Cash Flow Statement	2017/18	
£'000		£'000	£'000
(33,002)	<b>a) Net (Surplus) or Deficit on the Provision of Services</b>		(16,054)
	<b>b) Adjustment to the net (surplus)/deficit on the provision of services for non-cash movements</b>		
(7,710)	Depreciation and amortisation of non-current assets	(8,417)	
(2,414)	Impairment and downward valuations	(651)	
28,261	Impairment reversals (including writing out depreciation)	1,847	
620	Movement in market value of investment property	5,411	
554	Movement in impairment provision for bad debts	(359)	
(3,320)	Movement in revenue creditors	3,581	
25	Movement in revenue debtors	1,085	
9	Movement in inventories	(20)	
(2,184)	Movement in pension liability	(3,225)	
(1,798)	Carrying amount of non-current assets sold	(1,348)	
(812)	Carrying amounts of non-current assets de-recognised	0	
(2,598)	Other non-cash items charged to the net surplus or deficit on the provision of services	(251)	
<u>(24,369)</u>			<u>(18,401)</u>
	<b>c) Adjustment for items in the net (surplus)/deficit on the provision of services that are investing and financing activities</b>		
3,907	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	6,550	
30	Other Receipts for investing activities	42	6,592
<u>(20,432)</u>	<b>d) Net Cash Flows from Operating Activities</b>		<u>(11,809)</u>
	<b>e) Investing Activities</b>		
21,124	Purchase of property, plant and equipment, investment property and intangible assets	17,410	
4,707	Purchase of Short Term and Long Term Investments	4,450	
376	Other Payments for investing activities	655	
(3,907)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(6,550)	
(30)	Other Receipts for investing activities	(42)	
<u>22,270</u>	Net cash flows from investing activities		<u>15,923</u>
	<b>f) Financing Activities</b>		
2,416	Other receipts from financing activities	(684)	
3,104	Repayments of short and long term borrowing	3,584	
0	Other payments for financing activities	0	
<u>5,520</u>	Net cash flows from financing activities		<u>2,900</u>
<u>7,358</u>	<b>g) Net movements in year excluding non-cash items</b>		<u>7,014</u>
15,074	<b>h) Cash and cash equivalents at the beginning of the reporting period</b>		7,716
(7,358)	<b>i) Net increase or (decrease) in cash or cash equivalents</b>		(7,014)
<u>7,716</u>	<b>j) Cash and cash equivalents at the end of the reporting period</b>		<u>702</u>

**13. NOTES TO THE CORE FINANCIAL STATEMENTS**

The notes that follow have been provided in support of the four core statements. Some are detailed breakdown of figures presented on the statements whilst others give additional information provided for disclosure purposes.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 13.1. Expenditure and Funding Analysis

Financial Year 2017/18	Total reported out- turn in EFA format (Note 2)	Adjustments to arrive at the net amount chargeable to balances	Net Expenditure chargeable to the General Fund and HRA balances	Adjustments between Funding and Accounting Basis (Note 3)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000
Chief Executive	39	164	203	0	203
Communities	(3,863)	10,234	6,371	0	6,371
Corporate Services	5,971	(2,983)	2,988	0	2,988
Environment & Operations	2,580	606	3,186	0	3,186
Housing & Regeneration - HRA Services	(2,820)	641	(2,179)	(10,130)	(12,309)
Housing & Regeneration - Other Services	2,948	(920)	2,028	0	2,028
Non-Directorate Specific	1,097	106	1,203	0	1,203
<b>Net cost of services</b>	<b>5,952</b>	<b>7,848</b>	<b>13,800</b>	<b>(10,130)</b>	<b>3,670</b>
Other income and expenditure - HRA Services	0	(2,444)	(2,444)	0	(2,444)
Other income and expenditure - Other Services	(10,352)	(5,404)	(15,756)	(1,524)	(17,280)
<b>(Surplus) or deficit</b>	<b>(4,400)</b>	<b>0</b>	<b>(4,400)</b>	<b>(11,654)</b>	<b>(16,054)</b>
Opening General Fund and HRA Balance (Note 1)			(20,845)		
(Surplus)/Deficit on General Fund and HRA Balance in Year			(4,400)		
<b>Closing General Fund and HRA Balance as at 31 March 2018</b>			<b>(25,245)</b>		

#### 13.1.1 Note 1 to the 2017/18 Expenditure and Funding Analysis

Analysis of Balances 2017/18	Opening Balance	(Surplus)/Deficit in Year	Closing Balance as at 31 March 2018
	£'000	£'000	£'000
General Fund	(6,162)	(1,143)	(7,305)
Earmarked Reserves	(11,683)	(3,257)	(14,940)
Housing Revenue Account	(3,000)	0	(3,000)
<b>Total Balances</b>	<b>(20,845)</b>	<b>(4,400)</b>	<b>(25,245)</b>

The Expenditure and Funding analysis is intended to explain the main adjustments from net expenditure chargeable to the General Fund and HRA to arrive at the amounts in the Comprehensive Income and Expenditure Statement.

## NOTES TO THE CORE FINANCIAL STATEMENTS

Financial Year 2016/17	Total reported out- turn in EFA format (Note 2)	Adjustments to arrive at the net amount chargeable to balances	Net Expenditure chargeable to the General Fund and HRA balances	Adjustments between Funding and Accounting Basis (Note 3)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000
Chief Executive	4	190	194	0	194
Communities	4,695	3,486	8,181	0	8,181
Corporate Services	5,182	(2,165)	3,017	0	3,017
Environment & Operations	3,163	(19)	3,144	0	3,144
Housing & Regeneration - HRA Services	(1,844)	(2,886)	(4,730)	(36,328)	(41,058)
Housing & Regeneration - Other Services	1,954	(167)	1,787	0	1,787
Non-Directorate Specific	1,266	164	1,430	0	1,430
<b>Net cost of services</b>	<b>14,420</b>	<b>(1,397)</b>	<b>13,023</b>	<b>(36,328)</b>	<b>(23,305)</b>
Other income and expenditure - HRA Services	0	1,192	1,192	0	1,192
Other income and expenditure - Other Services	(16,680)	205	(16,475)	3,045	(13,430)
<b>(Surplus) or deficit</b>	<b>(2,260)</b>	<b>0</b>	<b>(2,260)</b>	<b>(33,283)</b>	<b>(35,543)</b>
Opening General Fund and HRA Balance (Note 1)			(18,585)		
(Surplus)/Deficit on General Fund and HRA Balance in Year			(2,260)		
<b>Closing General Fund and HRA Balance as at 31 March 2017</b>			<b>(20,845)</b>		

### 13.1.2 Note 1 to the 2016/17 Expenditure and Funding Analysis

Analysis of Balances 2016/17	Opening Balance	(Surplus)/Deficit in Year	Closing Balance as at 31 March 2017
	£'000	£'000	£'000
General Fund	(6,095)	(67)	(6,162)
Earmarked Reserves	(9,490)	(2,193)	(11,683)
Housing Revenue Account	(3,000)	0	(3,000)
<b>Total Balances</b>	<b>(18,585)</b>	<b>(2,260)</b>	<b>(20,845)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 13.1.3 Note 2 to the 2017/18 Expenditure and Funding Analysis

Reconciliation between out-turn and EFA 2017/18	General Fund as reported at outturn	HRA as reported at outturn	Total outturn	Adjustments	Total reported out-turn in EFA format
	£'000	£'000	£'000	£'000	£'000
All Directorate - Salaries	9,495		9,495	(9,495)	0
Chief Executive	(125)		(125)	164	39
Communities	(5,662)		(5,662)	1,799	(3,863)
Corporate Services	2,150		2,150	3,821	5,971
Environment & Operations	1,522		1,522	1,058	2,580
Housing & Regeneration	295	(2,820)	(2,525)	2,653	128
Non-Directorate Specific	1,097		1,097	0	1,097
<b>Directorate total</b>	<b>8,772</b>	<b>(2,820)</b>	<b>5,952</b>	<b>0</b>	<b>5,952</b>
Interest & Investment Income	(615)		(615)	615	0
Government Grant Funding	(883)		(883)	883	0
Transfers to/(from) Reserves	503	2,820	3,323	(3,323)	0
Transfers to/(from) Balances	1,636		1,636	(1,636)	0
Transactions below the line	2,949		2,949	(2,949)	0
Other income and expenditure	0		0	(6,898)	(6,898)
<b>Budget Requirement</b>	<b>12,362</b>	<b>0</b>	<b>12,362</b>	<b>(13,308)</b>	<b>(946)</b>
Business Rate Income	(3,041)		(3,041)	3,041	0
Revenue Support Grant	(598)		(598)	598	0
New Homes Bonus	(1,432)		(1,432)	1,432	0
Council Tax Income	(6,386)		(6,386)	6,386	0
Parish Precepts	(299)		(299)	299	0
Transfers to/(from) the Collection Fund	(113)		(113)	113	0
Use of Working Balances	(1,439)		(1,439)	1,439	0
<b>Budget Shortfall / (Underspend)</b>	<b>(946)</b>	<b>0</b>	<b>(946)</b>	<b>0</b>	<b>(946)</b>
<b>Reconciliation to EFA</b>					
<b>Directorate total</b>					<b>5,952</b>
Other income and expenditure in outturn				(6,898)	
Less movements in reserves items:					
<i>Transfers to/(from) Reserves (adjusted within outturn presentation)</i>				(3,257)	
<i>Transfers to/(from) Balances</i>				(1,636)	
<i>Use of Working Balances</i>				1,439	
Other income and expenditure in EFA					(10,352)
<b>(Surplus) or deficit in EFA</b>					<b>(4,400)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 13.1.3 Note 2 to the 2016/17 Expenditure and Funding Analysis

Reconciliation between out-turn and EFA 2016/17	General Fund as reported at outturn	HRA as reported at outturn	Total outturn	Adjustments	Total reported out-turn in EFA format
	£'000	£'000	£'000	£'000	£'000
All Directorate - Salaries	10,189		10,189	(10,189)	0
Chief Executive	(158)		(158)	162	4
Communities	384		384	4,311	4,695
Corporate Services	2,467		2,467	2,715	5,182
Environment & Operations	2,017		2,017	1,146	3,163
Housing & Regeneration	99	(1,844)	(1,745)	1,855	110
Non-Directorate Specific	1,266		1,266	0	1,266
<b>Directorate total</b>	<b>16,264</b>	<b>(1,844)</b>	<b>14,420</b>	<b>0</b>	<b>14,420</b>
Interest & Investment Income	(502)		(502)	502	0
Government Grant Funding	(408)		(408)	408	0
Transfers to/(from) Reserves	827	1,844	2,671	(2,671)	0
Transfers to/(from) Balances	1,848		1,848	(1,848)	0
Transactions below the line	(3,642)		(3,642)	3,642	0
Other income and expenditure	0		0	(15,157)	(15,157)
<b>Budget Requirement</b>	<b>14,387</b>	<b>0</b>	<b>14,387</b>	<b>(15,124)</b>	<b>(737)</b>
Business Rate Income	(3,041)		(3,041)	3,041	0
Revenue Support Grant	(1,237)		(1,237)	1,237	0
New Homes Bonus	(1,848)		(1,848)	1,848	0
Council Tax Income	(6,050)		(6,050)	6,050	0
Parish Precepts	(279)		(279)	279	0
Transfers to/(from) the Collection Fund	(151)		(151)	151	0
Use of Working Balances	(2,518)		(2,518)	2,518	0
<b>Budget Shortfall / (Underspend)</b>	<b>(737)</b>	<b>0</b>	<b>(737)</b>	<b>0</b>	<b>(737)</b>
<b>Reconciliation to EFA</b>					
<b>Directorate total</b>					<b>14,420</b>
Other income and expenditure in outturn				(15,157)	
Less movements in reserves items:					
<i>Transfers to/(from) Reserves (adjusted within outturn presentation)</i>				(2,193)	
<i>Transfers to/(from) Balances</i>				(1,848)	
<i>Use of Working Balances</i>				2,518	
<b>Other income and expenditure in EFA</b>					<b>(16,680)</b>
<b>(Surplus) or deficit in EFA</b>					<b>(2,260)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 3.1.3 Note 3 to the Expenditure and Funding Analysis

Adjustments from General Fund and HRA balances to arrive at the Comprehensive Income and Expenditure Statement 2017/18	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Chief Executive				0
Communities				0
Corporate Services				0
Environment & Operations				0
Housing & Regeneration - HRA Services	(4,020)	523	(6,633)	(10,130)
Housing & Regeneration - Other Services				0
Non-Directorate Specific				0
<b>Net cost of services</b>	<b>(4,020)</b>	<b>523</b>	<b>(6,633)</b>	<b>(10,130)</b>
Other income and expenditure from the funding analysis	(4,271)	2,702	45	(1,524)
<b>Difference between General Fund &amp; HRA surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(8,291)</b>	<b>3,225</b>	<b>(6,588)</b>	<b>(11,654)</b>

Adjustments from General Fund and HRA balances to arrive at the Comprehensive Income and Expenditure Statement 2016/17	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Chief Executive				0
Communities				0
Corporate Services				0
Environment & Operations				0
Housing & Regeneration - HRA Services	(30,718)	299	(5,909)	(36,328)
Housing & Regeneration - Other Services				0
Non-Directorate Specific				0
<b>Net cost of services</b>	<b>(30,718)</b>	<b>299</b>	<b>(5,909)</b>	<b>(36,328)</b>
Other income and expenditure from the funding analysis	1,322	1,885	(162)	3,045
<b>Difference between General Fund &amp; HRA surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(29,396)</b>	<b>2,184</b>	<b>(6,071)</b>	<b>(33,283)</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 13.2. Other Operating Expenditure/Income

2016/17		2017/18		
Net Expenditure	Other Operating Expenditure	Expenditure	Income	Net Expenditure
£'000		£'000	£'000	£'000
279	Parish Precepts	299		299
40	Levies	42		42
531	Payments to the Housing Capital Receipts Pool	524		524
(2,109)	(Gains)/Losses on the disposal of non-current assets	1,348	(6,550)	(5,202)
(30)	Other capital receipts		(42)	(42)
<b>(1,289)</b>	<b>Total</b>	<b>2,213</b>	<b>(6,592)</b>	<b>(4,379)</b>

### 13.3. Financing and Investment Income and Expenditure

2016/17		2017/18		
Net Expenditure	Financing and Investment Income and Expenditure	Expenditure	Income	Net Expenditure
£'000		£'000	£'000	£'000
2,716	Interest Payable and Receivable	3,218	(649)	2,569
2,128	Pensions Interest cost and return on pension assets	1,853		1,853
(171)	Trading Operations (see below)	658	(877)	(219)
(1,365)	Investment Properties (inc fair value changes)	(5,304)	(1,206)	(6,510)
<b>3,308</b>	<b>Total</b>	<b>425</b>	<b>(2,732)</b>	<b>(2,307)</b>

The following (surpluses)/deficits have been realised in relation to Trading Operations carried out during 2017/18:

2016/17		2017/18		
Net Expenditure	Trading Operations	Expenditure	Income	Net Expenditure
£'000		£'000	£'000	£'000
(148)	Industrial Estates	12	(160)	(148)
(28)	Spotlites Café	238	(265)	(27)
5	Trade Refuse Services	408	(452)	(44)
<b>(171)</b>	<b>Total</b>	<b>658</b>	<b>(877)</b>	<b>(219)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 13.4. Taxation and Non-Specific Grant 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.

2016/17	Taxation and Non-specific Grant Income	2017/18
<i>£'000</i>		<i>£'000</i>
(6,472)	Council Tax Income	(6,647)
(2,749)	Business Rates Income	(3,126)
(3,493)	Non-Ringfenced Government Grants	(2,916)
(1,543)	Capital Grants & Contributions	(349)
<u>(14,257)</u>	<b>Total</b>	<u>(13,038)</u>

### 13.5. Expenditure and Income analysed by nature

2016/17	Expenditure and Income Analysed by Nature	2017/18		
Total Net Expenditure		General Fund Net Expenditure	HRA Net Expenditure	Total Net Expenditure
<i>£'000</i>		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
	Expenditure			
17,065	Employee expenses	14,268	3,016	17,284
27,343	Other service expenses	45,290	6,328	51,618
531	Payments to Housing Capital Receipts Pool	524	0	524
8,218	Depreciation, amortisation & impairment	1,796	6,646	8,442
(2,139)	(Gains)/losses on disposal of non-current assets	0	(5,202)	(5,202)
5,386	Interest payments	2,214	2,857	5,071
319	Precepts & levies	341	0	341
15,494	Support service recharges	9,670	3,494	13,164
<u>72,217</u>	<b>Total Expenditure</b>	<u>74,103</u>	<u>17,139</u>	<u>91,242</u>
	Income			
(41,971)	Fees and charges and other service income	(17,710)	(28,098)	(45,808)
(9,221)	Income from Council Tax and Business Rates	(9,773)	0	(9,773)
(40,532)	Government grants and contributions	(37,635)	(267)	(37,902)
(15,494)	Support service recharges	(11,474)	(1,690)	(13,164)
(542)	Interest and investment income	(615)	(34)	(649)
<u>(107,760)</u>	<b>Total Income</b>	<u>(77,207)</u>	<u>(30,089)</u>	<u>(107,296)</u>
<u>(35,543)</u>	<b>(Surplus)/Deficit on the Provision of Services</b>	<u>(3,104)</u>	<u>(12,950)</u>	<u>(16,054)</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 13.6. Property Plant and Equipment

Financial Year 2017/18	Property, plant & equipment							Total
	Operational Assets					Non-Op Assets		
	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infra-structure Assets	Community Assets	Assets Under Construction	Other Land & Buildings	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>								
<b>As at 1 April 2017</b>	306,605	36,870	6,843	2,218	2,892	760	51	356,239
Additions	10,983	327	1,606	0	0	2,935	0	15,851
Revaluation increases/(decreases) recognised in Revaluation Reserve	0	1,987	0	0	0	0	25	2,012
Revaluation increases/(decreases) recognised in Surplus/Deficit on Provision of Services	(4,555)	(321)	0	0	0	0	(368)	(5,244)
Derecognition - disposals	(1,377)	0	0	0	0	0	0	(1,377)
Assets reclassified	1,714	(373)	0	0	0	(1,714)	373	0
Other movements in cost or valuation	(1)	0	0	0	0	0	1	0
<b>As at 31 March 2018</b>	<b>313,369</b>	<b>38,490</b>	<b>8,449</b>	<b>2,218</b>	<b>2,892</b>	<b>1,981</b>	<b>82</b>	<b>367,481</b>
<b>Accumulated Depreciation and Impairments</b>								
<b>As at 1 April 2017</b>	0	(734)	(3,897)	(575)	0	0	(1)	(5,207)
Depreciation Charge for year	(6,430)	(1,221)	(568)	(147)	0	0	(6)	(8,372)
Accumulated depreciation written out to the Revaluation Reserve	0	744	0	0	0	0	0	744
Accumulated depreciation written out to the Surplus/Deficit on the Provision of Services	6,401	50	0	0	0	0	9	6,460
Impairment (losses) recognised in the Revaluation Reserve	0	(75)	0	0	0	0	0	(75)
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	0	(25)	0	0	0	0	0	(25)
Accumulated depreciation and impairment written back on disposal	29	0	0	0	0	0	0	29
Reclassifications	0	5	0	0	0	0	(5)	0
Other movements in depreciation and impairment	0	0	(1)	1	0	0	0	0
<b>As at 31 March 2018</b>	<b>0</b>	<b>(1,256)</b>	<b>(4,466)</b>	<b>(721)</b>	<b>0</b>	<b>0</b>	<b>(3)</b>	<b>(6,446)</b>
<b>Net Book Value</b>								
<b>At 31 March 2018</b>	<b>313,369</b>	<b>37,234</b>	<b>3,983</b>	<b>1,497</b>	<b>2,892</b>	<b>1,981</b>	<b>79</b>	<b>361,035</b>
<b>At 1 April 2017</b>	<b>306,605</b>	<b>36,136</b>	<b>2,946</b>	<b>1,643</b>	<b>2,892</b>	<b>760</b>	<b>50</b>	<b>351,032</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

<b>Property, plant &amp; equipment</b>								
	Operational Assets					Non-Op Assets		Total
	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infra-structure Assets	Community Assets	Assets Under Construction	Other Land & Buildings	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>								
<b>As at 1 April 2016</b>	275,555	35,502	5,966	2,218	2,892	1,022	22	323,177
Additions	7,635	2,023	877	0	0	693	217	11,445
Revaluation increases/decreases recognised in Revaluation Reserve	0	2,434	0	0	0	0	0	2,434
Revaluation increases/(decreases) recognised in Surplus/Deficit on Provision of Services	23,995	(2,663)	0	0	0	0	(239)	21,093
Derecognition - disposals	(1,535)	(316)	0	0	0	0	0	(1,851)
Assets reclassified	955	(51)	0	0	0	(955)	51	(0)
Other movements in cost or valuation	0	(59)	0	0	0	0	0	(59)
<b>As at 31 March 2017</b>	<b>306,605</b>	<b>36,870</b>	<b>6,843</b>	<b>2,218</b>	<b>2,892</b>	<b>760</b>	<b>51</b>	<b>356,239</b>
<b>Accumulated Depreciation and Impairments</b>								
<b>As at 1 April 2016</b>	0	(1,683)	(3,320)	(428)	0	0	0	(5,431)
Depreciation Charge for year	(5,779)	(1,161)	(577)	(148)	0	0	0	(7,665)
Accumulated depreciation written out to the Revaluation Reserve	0	1,602	0	0	0	0	0	1,602
Accumulated depreciation written out to the (Surplus)/Deficit on the Provision of Services	5,747	734	0	0	0	0	0	6,481
Impairment (losses) recognised in the Revaluation Reserve	0	(250)	0	0	0	0	0	(250)
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0
Accumulated depreciation and impairment written back on disposal	32	21	0	0	0	0	0	53
Reclassifications	0	1	0	0	0	0	(1)	0
Other movements in depreciation and impairment	0	2	0	1	0	0	0	3
<b>As at 31 March 2017</b>	<b>0</b>	<b>(734)</b>	<b>(3,897)</b>	<b>(575)</b>	<b>0</b>	<b>0</b>	<b>(1)</b>	<b>(5,207)</b>
<b>Net Book Value</b>								
<b>At 31 March 2017</b>	<b>306,605</b>	<b>36,136</b>	<b>2,946</b>	<b>1,643</b>	<b>2,892</b>	<b>760</b>	<b>50</b>	<b>351,032</b>
<b>At 1 April 2016</b>	<b>275,555</b>	<b>33,819</b>	<b>2,646</b>	<b>1,790</b>	<b>2,892</b>	<b>1,022</b>	<b>22</b>	<b>317,746</b>

Revaluations of the Council's assets are carried out on a five yearly cycle as per paragraph 12.7 of the Accounting Policies. For 2017/18, valuations were carried out internally by the Council's Principal Estates Surveyor, Sarah London, BSc (Hons) MRICS, on behalf of the Council's Property Services Manager and based on a valuation date of 1 April 2017. In addition, a further review was carried out at the end of the year resulting in the values of some assets being restated.

In 2017/18, the Council made two changes to its accounting estimates for property, plant and equipment.

- The valuations of some operational assets have been based on estimated income & expenditure for the month of March. This has not resulted in a material impact to the accounts.
- The Nationwide Price Index has been applied to the Council Dwellings valuation. In previous years, the valuation has been amended based on HM Land Registry UK price index, which would have resulted in the valuation being £6.4m higher than currently disclosed.

## NOTES TO THE CORE FINANCIAL STATEMENTS

Wilks Head & Eve, Chartered Surveyors and Town Planners carried out a valuation of Council Dwellings at 31 March 2016. A desktop revaluation of Council Dwellings was carried out by suitably qualified officers of the Council as at 31 March 2018. The carrying value of Council Dwellings has increased by 2.1% since March 2017; this represents the annual change in house prices published on the Nationwide Price Index. These adjustments have resulted in a net increase in value of £1.85m, which has been shown separately within the Comprehensive Income & Expenditure Statement.

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

### 13.7. Depreciation and Impairment

Service revenue accounts are charged with depreciation during the year to properly reflect the cost of utilising assets in the provision of the council services. For 2017/18 the total depreciation charges were £8.37m (£7.67m, 2016/17), including £6.64m to the HRA. A reversing entry ensures that the overall revenue effect is neutral and that no cost falls to the local taxpayer.

During 2017/18 the Council has recognised a Net total loss of £0.65m (£2.17m, 2016/17) within the Comprehensive Income and Expenditure Statement, where there are no accumulated revaluation gains held within the Revaluation Reserve Account. Reversals of previous losses have been recognised for £1.85m (£28.04m 16/17). An Impairment review has identified one asset as being impaired by £100,000 as at 31 March 2018.

The HRA depreciation and impairment is disclosed in note 14.3 of the notes to the HRA.

### 13.8. Heritage Assets

Heritage Assets where the Council holds information on an asset's cost or value are detailed in the table below. Where the Council does not hold information on cost or value, and it is considered that the cost of obtaining this information outweighs the benefit to the reader of the accounts, assets 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.

31st March 2017	Heritage Assets	31st March 2018
£'000		£'000
203	Fort Gardens - Bandstand	224
1,830	Clock Tower	2,017
50	Puji Memorial	80
23	Mayoral Chains	23
182	Civic regalia	182
86	Museum exhibits	95
710	Woodlands Park Bunker	783
3,084	Total	3,404

**13.9. Investment Properties**

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. Valuations were assessed by the Council's Principal Estates Surveyor, Sarah London, BSc (Hons) MRICS, on behalf of the Council's Property Services Manager.

The fair value of Investment Properties on the Balance Sheet as at 31 March 2018 is £27.39m (at 31 March 2017 £20.90m).

**13.10. Debtors**

Short-term debtors are shown below under the specific categories defined within the code of practice guidance.

31st March 2017	Short term Debtors	Movement	31st March 2018
£'000		£'000	£'000
430	Central government bodies	381	811
1,302	Other local authorities	(567)	735
12,819	Other entities and individuals	587	13,406
<u>14,551</u>	<b>Total</b>		<u>14,952</u>

**13.11. Cash and Cash Equivalents**

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

31st March 2017	Cash and Cash Equivalents	Movement	31st March 2018
£'000		£'000	£'000
226	Cash in Hand/(Overdrawn)	(93)	133
7,490	Short Term Deposits	(6,921)	569
<u>7,716</u>	<b>Total Cash &amp; Cash Equivalents</b>	<u>(7,014)</u>	<u>702</u>
15,074	Balance brought forward at 1 April		7,716
(7,358)	Movement in year		(7,014)
<u>7,716</u>	<b>Balance carried forward at 31 March</b>		<u>702</u>

The net movement between 2016/17 and 2017/18 is largely attributable to further diversification of the Council's investment activity, including the purchase of investment property and investments in multi-asset funds.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 13.12. Creditors

Creditors are shown in the next table under the specific categories defined within the code of practice guidance.

31st March 2017	Short term Creditors	31st March 2018
£'000		£'000
(4,722)	Central government bodies	(2,137)
(1,449)	Other local authorities	(492)
(6,163)	Other entities and individuals	(5,949)
<b>(12,334)</b>	<b>Total</b>	<b>(8,578)</b>

### 13.13. Capital Grants and Contributions Received in Advance

Capital Grants and Contributions received in advance	Balance at 31st March 2017	Receipts	Transfer to Third Party Account	Recognised as Income	Balance at 31st March 2018
	£'000	£'000	£'000	£'000	£'000
Land Securities - Springhead	(250)	0	0	0	(250)
S106 Springhead Leisure Contribution	0	(150)	0	0	(150)
Capital Contributions - Landseer Avenue	(74)	0	0	74	0
S106 Capital Contribution Wales E.Milton Road	(53)	0	53	0	0
S106 Capital Contribution Whitehill Road Open Space	(52)	0	0	0	(52)
Other Small Grants and Contributions	(262)	(50)	84	137	(91)
<b>Total Capital Grants and Contributions received in advance</b>	<b>(691)</b>	<b>(200)</b>	<b>137</b>	<b>211</b>	<b>(543)</b>

### 13.14. 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. Councils (and other creditors) will be liable to repay sums that have previously been paid out on their behalves in settlement of claims, hence calls on the council's contribution will be required. A provision in the sum of the council's estimated maximum liability of £170,000 was made in the 2011/12 accounts, with £26,000 utilised during 2013/14 and a further £17,000 utilised in 2016/17. There has been no further call on the provision balance of £127,000 to 31 March 2018.

Under the new arrangements introduced from 1 April 2013, the authority and other business rates preceptors assume liability for bearing the cost (via the Collection Fund) of refunding ratepayers who successfully appeal against the rateable value of their commercial properties. The Council held a provision of £1.85m in 2016/17, which represents its share of any rate refunds arising from successful appeals. In 2017/18 this provision was reduced by £0.38m, giving a total provision of £1.47m.

The Council has total provisions of £1.60m.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 13.15. Unusable Reserves

Unusable reserves are unrealised gains and losses on assets, and adjustment accounts that absorb the difference between the outcome of applying proper accounting practices and the requirements of statutory arrangements for funding expenditure. Below is a summary of those reserves.

31st March 2017	Unusable Reserves	31st March 2018
£'000		£'000
(24,226)	Revaluation Reserve (note 13.15.1)	(26,432)
(240,909)	Capital Adjustment Account (note 13.15.2)	(257,353)
105	Financial Instruments Adjustment Account (note 13.15.3)	87
336	Accumulated Absences Account (note 13.15.4)	337
(62)	Deferred Capital Receipts Reserve	(53)
70,166	Pensions Reserve (Note 13.23)	66,317
6	Collection Fund Adjustment Account (note 15.5)	72
105	Available-for-Sale Financial Instruments Adjustment Account	(252)
<u>(194,479)</u>	<b>Total Unusable Reserves</b>	<u>(217,277)</u>

#### 13.15.1. Revaluation Reserve Account

The Revaluation Reserve Account summarises the net gains or losses arising from 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;
- Used in the provision of services and the gains are consumed through depreciation;
- 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 1 April 2007 onwards.

2016/17	Revaluation Reserve	2017/18
(21,392)	Balance at 1 April	(24,226)
(6,031)	Upward revaluation of assets	(3,135)
2,397	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	137
<u>(3,634)</u>	<b>Surplus or Deficit on the revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<u>(2,998)</u>
648	Difference between fair value depreciation and historic cost depreciation	792
152	Accumulated gains on assets sold or scrapped	0
800	<b>Amount written off to the Capital Adjustment Account</b>	792
<u>(24,226)</u>	Balance at 31 March	<u>(26,432)</u>



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 13.15.2. Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve 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.

2016/17	Capital Adjustment Account	2017/18
£'000		£'000
	<b>Sources of Finance</b>	
(1,207)	Capital Receipts	(5,378)
(1,165)	Government grants and contributions (received in year)	(479)
(1,178)	Government grants and contributions (brought forward)	(793)
(5,369)	Major Repairs Reserve	(7,382)
(8,919)		(14,032)
	<b>Sums set aside from revenue</b>	
(2,918)	Direct revenue contributions	(1,540)
(3,217)	Minimum revenue provision (MRP)	(3,893)
(6,135)	Increase or decrease during year	(5,433)
	<b>Removal of items not chargeable to Fund Balances</b>	
7,665	Depreciation charged in the year	8,372
45	Amortisation charged in the year	45
2,356	Revaluation losses - PPE	768
(29,744)	Reversal of impairment losses - HRA	(1,846)
(185)	Reversal of impairment losses - GF	(117)
(620)	Revaluation (gains)/losses - Investment properties	(5,411)
1,798	Disposals in the year	1,348
376	Revenue expenditure met from capital under statute	655
(18,309)	Increase or decrease during year	3,814
(33,363)	Total accounting adjustments between funding basis under statute	(15,651)
	<b>Write Down of Revaluation Reserve</b>	
(152)	Accumulated Gains on disposed assets	0
(648)	Revaluation Reserve depreciation	(792)
(800)		(792)
(34,163)	<b>Increase or decrease during year</b>	(16,443)
(206,745)	Balance brought forward at 1 April	(240,909)
(34,163)	Movement in year	(16,443)
(240,909)	<b>Balance carried forward at 31 March</b>	(257,352)

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 13.15.3. 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.

2016/17	Financial Instruments Adjustment Account	2017/18
<i>£'000</i>		<i>£'000</i>
(17)	Private Sector renovation loans	(18)
(17)	Total increase/(decrease) in Financial Instruments	(18)
122	Balance brought forward at 1 April	105
(17)	Movement in year	(18)
105	Balance carried forward at 31 March	87

### 13.15.4. 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.

2016/17	Accumulated Absences Account	2017/18
<i>£'000</i>		<i>£'000</i>
(249)	Reversal of accrual from preceding year	(336)
336	Amount accrued at the end of the current year	337
87	Total increase/(decrease) in Accumulated Absences Account	1
249	Balance brought forward at 1 April	336
87	Movement in year	1
336	Balance carried forward at 31 March	337

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 13.16. Usable 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.

31st March 2017	Usable Reserves	31st March 2018
£'000		£'000
(11,573)	Capital Receipts Reserve	(12,272)
(8,850)	Earmarked Reserves	(13,203)
(2,833)	Revenue Grants not yet applied	(1,737)
(1,257)	Grants & Contributions Unapplied	(588)
(1,722)	Major Repairs Reserve	(977)
(6,162)	General Fund Balance	(7,305)
(3,000)	Housing Revenue Account Balance	(3,000)
<u>(35,397)</u>	<b>Total Usable Reserves</b>	<u>(39,082)</u>

#### 13.16.1. Capital Receipts Reserve

2016/17	Capital Receipts Reserve	2017/18
£'000		£'000
(3,907)	Cash proceeds from the disposal of non-current assets	(6,550)
(30)	Other capital receipts	(43)
(12)	Transfer from Deferred Capital Receipts	(8)
531	Payment to Housing Capital Receipts Pool (Note 14.7)	524
1,207	Applied in Capital Financing	5,378
<u>(2,211)</u>	<b>Total (increase)/decrease</b>	<u>(699)</u>
(9,362)	Balance brought forward at 1 April	(11,573)
(2,211)	Movement in year	(699)
<u>(11,573)</u>	<b>Balance carried forward at 31 March</b>	<u>(12,272)</u>

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 14.7 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 13.16.2. Grants and Contributions Unapplied

Grants & Contributions Unapplied	Balance at 31st March 2017	Transfer from General Fund Balance	Applied in capital financing	Balance at 31st March 2018
	£'000	£'000	£'000	£'000
Performance Reward Grant	(128)	0	128	0
Public Realm Improvement & Maint Funds	(89)	(124)	0	(213)
CLG - Transport Quarter Stage 3	(500)	0	277	(223)
CLG - Localised Council Tax Support	(89)	0	0	(89)
Disabled Facilities Grants	(378)	0	378	0
Coastal Communities Market Capital	(10)	0	10	0
Gravesend Ferry	(8)	0	0	(8)
Land at South of Hever Court Road	(55)	0	0	(55)
<b>Total (increase)/decrease</b>	<b>(1,257)</b>	<b>(124)</b>	<b>793</b>	<b>(588)</b>
Balance brought forward at 1 April	(2,057)			(1,257)
Movement in year	800			669
<b>Balance carried forward at 31 March</b>	<b>(1,257)</b>			<b>(588)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 13.16.3. Earmarked Reserves

Expenditure funded from an earmarked reserve is charged direct to revenue, and not to the reserve, with the equivalent funding being shown as Contributions from Reserves. The following statement shows the expenditure and income in respect of Earmarked Reserves for the year:

31st March 2017	Earmarked Reserves	Transfer from balances	Applied in revenue financing	Transfer between reserves	31st March 2018
£'000		£'000	£'000	£'000	£'000
(327)	Planning Policy Reserve	(100)	34	0	(393)
(484)	Asset Enhancement Reserve	(600)	180	0	(904)
(349)	Spend to Save Reserve (Inc. Digital Team)	(16)	217	0	(148)
(656)	Leisure Centres Reserve	(404)	53	0	(1,007)
(276)	Corporate Priorities Reserve	0	136	0	(140)
(103)	Town Pier Pontoon Reserve	(13)	25	0	(91)
(100)	Local Authority Mortgage Scheme Reserve	0	0	0	(100)
(89)	Elections Reserve	(60)	0	0	(149)
(500)	Business Rates Collection Fund Reserve	0	0	0	(500)
(10)	IT Infrastructure Reserve	(75)	0	0	(85)
(112)	DSO Vehicle Capital Reserve	(107)	188	0	(31)
(338)	Freighter Replacement Reserve	(221)	0	0	(559)
(245)	NNDR Growth Fund Reserve	(209)	7	0	(447)
(150)	Lower Thames Crossing Reserve	0	0	0	(150)
0	Woodville Repairs Reserve	(57)	0	0	(57)
0	Investment Interest Equalisation Reserve	(500)	0	0	(500)
0	Commercial Income Protection Reserve	(100)	0	0	(100)
(300)	Service Review Reserve	0	42	0	(258)
(100)	Playgrounds Reserve	0	0	0	(100)
(49)	Decriminalisation Reserve	(42)	49	0	(42)
(40)	Borough Market Reserve	0	40	0	0
(4,228)	<b>Sub-total - Specific GF Earmarked Reserves</b>	<b>(2,504)</b>	<b>971</b>	<b>0</b>	<b>(5,761)</b>
(2,833)	Revenue Grants not yet applied	(382)	1,478	0	(1,737)
(7,061)	<b>Total GF Earmarked Reserves</b>	<b>(2,886)</b>	<b>2,449</b>	<b>0</b>	<b>(7,498)</b>
(4,622)	HRA General Reserve	(2,820)	0	0	(7,442)
(11,683)	<b>Total All Earmarked Reserves</b>	<b>(5,706)</b>	<b>2,449</b>	<b>0</b>	<b>(14,940)</b>
(9,490)	Balance brought forward at 1 April				(11,683)
(2,193)	Movement in year				(3,257)
(11,683)	<b>Balance carried forward at 31 March</b>				<b>(14,940)</b>

These reserves have been established for the following purposes:-

**Planning Policy Reserve** – To meet the financial liabilities arising from the development and maintenance of the Gravesham Local Development Scheme.

**Asset Enhancement Reserve** – To assist in meeting obligations arising from the maintenance or development of council assets over the forthcoming financial years.

**Spend to Save Reserve** – To assist in delivering savings over the forthcoming medium term financial plan period.

## NOTES TO THE CORE FINANCIAL STATEMENTS

**Leisure Centres Reserve** – To contribute to major infrastructure liabilities that may accrue in relation to Leisure Centres.

**Corporate Priorities Reserve** - To deliver specific items in line with the Council's Corporate Plan.

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

**Local Authority Mortgage Scheme (LAMS) Reserve** – To meet potential liabilities from default on mortgages provided through LAMS.

**Elections Reserve** – To assist in meeting the costs associated with the borough election cycle.

**Business Rates Collection Fund Equalisation Reserve** – To smooth the timing differences bought about by the accounting arrangements for business rates.

**IT Infrastructure Reserve** – To enable the Council to better plan for investment in improving and developing its IT infrastructure and use of digital technology.

**DSO Vehicle Capital Reserve** – To hold annual contributions towards the replacement of DSO vehicles and proceeds from the disposal of redundant vehicles.

**Freighter Replacement Reserve** – To hold annual contributions to the replacement of waste collection freighters and proceeds from the disposal of redundant vehicles.

**NNDR Growth Fund Reserve** – To hold growth fund monies for Gravesham generated from retained business rate growth as a result of the Council being part of the Kent Business Rates Pool.

**Lower Thames Crossing Reserve** – To provide for any potential costs incurred by the Authority in relation to opposing the Secretary of State preferred route for the new Lower Thames Crossing.

**Woodville Repairs Reserve** – To assist with the on-going maintenance costs in respect of The Woodville.

**Investment Interest Equalisation Reserve** – To meet any obligations arising from the implementation of IFRS9 or shortfalls in budgeted investment income returns.

**Commercial Income Protection Reserve** – To meet any maintenance and upkeep requirements of assets purchased under the Council's Commercial Property Acquisition Strategy or to smooth the impact on the General Fund revenue budget of any unplanned void periods.

**Service Review Reserve** – To provide funding for one-off costs associated with the Service Review work strand of the Medium Term Financial Strategy.

**Playgrounds Reserve** – To provide for replacement play equipment within the borough.

**Decriminalisation Reserve** – To provide replacement equipment and uniforms as and when required.

## NOTES TO THE CORE FINANCIAL STATEMENTS

**Borough Market Reserve** – To hold Gravesham Borough Council's match funding (to external grant income) in order to facilitate the borough market refurbishment project.

**Revenue Grants not yet applied** – To hold various revenue grants received until such time as they are applied to General Fund revenue expenditure in future years.

**HRA General Reserve** – To meet future Housing Revenue Account priorities or mitigate against future funding obligations.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 13.17. Adjustments Between Accounting Basis and Funding Basis under Regulations

Adjustments between Accounting Basis and Funding Basis under regulations - 2017/18	General Fund Balance	HRA	Major Repairs Reserve	Capital Receipts	Grants and Cont unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<i>Adjustments primarily involving the Capital Adjustment Account</i>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>						
Charges for depreciation of non-current assets	(1,735)	(6,637)				8,372
Charges for impairment of non-current assets	0	1,847				(1,847)
Revaluation gains/losses on Property, plant and equipment	(651)	0				651
Movement in the fair value of Investment Properties	5,411					(5,411)
Amortisation of intangible assets	(36)	(9)				45
Capital Grants & Contributions applied	441	38				(479)
Revenue expenditure funded from capital under statute (REFCUS)	(655)					655
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	0	(1,348)				1,348
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>						
Statutory provision for the financing of capital investment (MRP)	389	3,504				(3,893)
Capital expenditure charged against the General Fund and HRA balances (Direct Revenue Financing)	1,492	48				(1,540)
<i>Adjustments primarily involving the Capital Grants Unapplied Account</i>						
Capital Grants & Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	124				(124)	0
Application of grants to capital financing transferred to the Capital Adjustment Account					793	(793)
<i>Adjustments primarily involving the Capital Receipts Reserve</i>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	6,550		(6,550)		0
Other Capital Receipts	15	27		(42)		0
Use of the Capital Receipts Reserve to finance new capital expenditure				5,378		(5,378)
Contribution from the Capital Receipts Reserve to finance the payments to the Governments capital receipts pool	(524)			524		0
<i>Adjustments primarily involving the Deferred Capital Receipts Reserve</i>						
Transfer from Deferred Capital Receipts Reserve upon the receipt of cash				(9)		9
<i>Adjustments primarily involving the Major Repair Reserve</i>						
Reversal of Major Repairs Allowance credited to the HRA		6,637	(6,637)			0
Use of the Major Repair Reserve to finance new capital expenditure			7,382			(7,382)
<i>Adjustments primarily involving the Financial Instruments Adjustment Account</i>						
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	19					(19)
<i>Adjustments primarily involving the Pensions Reserve</i>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(5,378)	(1,140)				6,518
Employer's pensions contributions and direct payments to pensioners payable in the year	2,676	617				(3,293)
<i>Adjustments primarily involving the Collection Fund Adjustment Account</i>						
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	(151)					151
Amount by which non-domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from Non-domestic Rate Income calculated for the year in accordance with statutory requirements	84					(84)
<i>Adjustment primarily involving the Accumulated Absences Account</i>						
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	3	(4)				1
<b>(Increase)/Decrease in year</b>	<b>1,524</b>	<b>10,130</b>	<b>745</b>	<b>(699)</b>	<b>669</b>	<b>(12,369)</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

Adjustments between Accounting Basis and Funding Basis under regulations - 2016/17	General Fund Balance	HRA	Major Repairs Reserve	Capital Receipts	Grants and Cont unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<i>Adjustments primarily involving the Capital Adjustment Account</i>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>						
Charges for depreciation of non-current assets	(1,701)	(5,963)				7,664
Charges for impairment of non-current assets	186	29,744				(29,930)
Revaluation gains/losses on Property, plant and equipment	(2,294)	(61)				2,355
Movement in the fair value of Investment Properties	620					(620)
Amortisation of intangible assets	(36)	(9)				45
Capital Grants & Contributions applied	1,125	40				(1,165)
Revenue expenditure funded from capital under statute (REFCUS)	(376)					376
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	(145)	(1,653)				1,798
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>						
Statutory provision for the financing of capital investment (MRP)	193	3,024				(3,217)
Capital expenditure charged against the General Fund and HRA balances (Direct Revenue Financing)	746	2,172				(2,918)
<i>Adjustments primarily involving the Capital Grants Unapplied Account</i>						
Capital Grants & Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	378				(378)	0
Application of grants to capital financing transferred to the Capital Adjustment Account					1,178	(1,178)
<i>Adjustments primarily involving the Capital Receipts Reserve</i>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	500	3,407		(3,907)		0
Other Capital Receipts	13	17		(30)		0
Use of the Capital Receipts Reserve to finance new capital expenditure				1,207		(1,207)
Contribution from the Capital Receipts Reserve to finance the payments to the Governments capital receipts pool	(531)			531		0
<i>Adjustments primarily involving the Deferred Capital Receipts Reserve</i>						
Transfer from Deferred Capital Receipts Reserve upon the receipt of cash				(12)		12
<i>Adjustments primarily involving the Major Repair Reserve</i>						
Reversal of Major Repairs Allowance credited to the HRA		5,964	(5,964)			
Use of the Major Repair Reserve to finance new capital expenditure			5,369			(5,369)
<i>Adjustments primarily involving the Financial Instruments Adjustment Account</i>						
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	17					(17)
<i>Adjustments primarily involving the Pensions Reserve</i>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(4,921)	(868)				5,789
Employer's pensions contributions and direct payments to pensioners payable in the year	3,036	569				(3,605)
<i>Adjustments primarily involving the Collection Fund Adjustment Account</i>						
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	41					(41)
Amount by which non-domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from Non-domestic Rate Income calculated for the year in accordance with statutory requirements	135					(135)
<i>Adjustment primarily involving the Accumulated Absences Account</i>						
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	(31)	(55)				86
<b>(Increase)/Decrease in year</b>	<b>(3,045)</b>	<b>36,328</b>	<b>(595)</b>	<b>(2,211)</b>	<b>800</b>	<b>(31,277)</b>

**13.18. 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. Such disclosures enable readers of the accounts to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to operate freely with the Council.

**Central Government**

Central Government has significant influence over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates 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 separately identified within Note 13.4.

**Elected Members and Officers**

Elected Members and Senior Officers of the Council have direct control and influence over the Council's financial and operating policies. The key sources used to identify material related party transactions for Senior Officers and Members are Registers of Interests and disclosures of pecuniary interests at council meetings. Details of these declarations can be viewed for each councillor at:

<http://www.gravesham.gov.uk/your-councillor>

The information is supplemented by the Council requiring Members and Senior Officers to annually declare whether they, close family or anyone in the same household have been involved in any material transactions with the Council. Returns were received from all Councillors and Chief Officers for the 2017/18 financial year and the following relationships were be considered material.

<b>Officer/ Member</b>	<b>Nature of Related Party Transaction</b>	<b>Value of Transactions</b>
Cllr Samir Jassal	Council Representative on Groundwork South Team Green	£48,000
Cllr Lesley Boycott	Council Representative on Gravesham Citizens Advice Bureau Payment by the Council to Gravesham Citizens Advice Bureau Use of Premises at Civic Centre	£93,490 £11,500

**Other Public Bodies & Partnership Working**

The Chief Legal Officer and Monitoring Officer of Medway Council has been designated as the Monitoring Officer for Gravesham Borough Council. The fee for these services in 2017/18 paid to Medway Council was £10,000.

The Council works with a number of partner organisations. Details of these arrangements are published in the Corporate Register of Partnerships which can be viewed at:

<http://www.gravesham.gov.uk/partnership-register>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 13.19. Member Allowances

Member allowances (including all payments in relation to remuneration) to the value of £290k were paid during 2017/18 (2017/18, £248k) in accordance with the Gravesham Borough Council Members' Allowances Scheme. Member allowances were increased from the 2017/18 Municipal year following a review of allowance levels and recommendations made by the Independent Remuneration Panel.

Further details are published on our website: [www.gravesham.gov.uk/MemberAllowances](http://www.gravesham.gov.uk/MemberAllowances)

### 13.20. Officer Remuneration and Exit Packages

This note provides details of senior officers' remuneration, the number of employees earning above £50,000 per annum, and exit packages.

"Remuneration" incorporates basic pay, allowances & expenses and exit packages (where payable directly to the employee).

#### Senior Officers

In the case of senior officers, pension contributions are also disclosed (including pension-based exit packages). These contributions are amounts paid by the authority into the Kent County Council pension fund, but not directly receivable by the employee. Shaded posts fulfil statutory roles.

Senior Officer Remuneration 2017/18	Pay and allowances	Compensation for loss of office	Pension	Total remuneration
	£'000	£'000	£'000	£'000
Chief Executive	127	-	-	127
Director (Communities)	95	-	14	109
Director (Corporate Services)	87	-	13	100
Director (Environment & Operations)	95	-	14	109
Director (Housing & Regeneration)	95	-	15	110
<b>Total</b>	<b>499</b>	<b>-</b>	<b>56</b>	<b>555</b>

Following the departure of the Assistant Director (Governance & Law) at the end of 2016/17, the Monitoring Officer role is now provided via a shared service agreement with Medway Council.

Senior Officer Remuneration 2016/17	Pay and allowances	Compensation for loss of office	Pension	Total remuneration
	£'000	£'000	£'000	£'000
Chief Executive	126	-	-	126
Director (Communities)	94	-	13	107
Director (Corporate Services)	83	-	11	94
Director (Environment & Operations)	95	-	13	108
Director (Housing & Regeneration)	94	-	14	108
Assistant Director (Governance & Law)	75	44	10	129
<b>Total</b>	<b>567</b>	<b>44</b>	<b>61</b>	<b>672</b>

The contribution rate for employer pension increased to 15.8% in 2017/18 (14.5% in 2016/17). Additionally, a lump sum of £1,190,000 has been paid as a "past service contribution". This amount is not included in the pension contributions for 2017/18 shown in the table above.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Employees earning above £50,000

2016/17	Employees earning above £50,000		2017/18
nos			nos
	Remuneration band		
6		£50,001 - £55,000	18
1		£55,001 - £60,000	4
4		£60,001 - £65,000	1
2		£65,001 - £70,000	2
-		£70,001 - £75,000	3
2		£75,001 - £80,000	3
1		£80,001 - £85,000	-
-		£85,001 - £90,000	3
-		£90,001 - £95,000	-
-		£95,001 - £100,000	-
1		£100,001 - £105,000	-
17		Total	34

The bandings exclude the remuneration of individuals already included within the senior officer tables, but do incorporate exit packages directly payable where appropriate. Following the 2% pay award which came into effect from 1<sup>st</sup> April 2017, additional officers previously outside the scope of this analysis are now included.

### Exit Packages

The number of exit packages, both by type and banding are shown in the table below. Exit packages include both payments made directly to individuals, and other costs such as payments to Kent County Council in respect of pension benefits e.g. where retirement has been taken early but with preserved pension rights.

Exit packages Cost band (including special payments)	Number of compulsory		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
	nos	nos	nos	nos	nos	nos	£'000	£'000
£1-£20,000	6	-	2	3	8	3	65	42
£20,001-£40,000	-	-	3	1	3	1	90	27
£40,001-£60,000	-	-	1	-	1	-	44	-
£60,001-£80,000	-	-	1	-	1	-	60	-
£80,001-£100,000	-	-	-	1	-	1	-	89
Total	6	-	7	5	13	5	259	158

### 13.21. External Audit Costs

The Council incurred the following fees relating to external audit, grant certification and other services in 2017/18.

2016/17	External Audit Costs		2017/18
£'000			£'000
53	Fees payable with regard to external audit services carried out for the year		53
15	Fees payable for the certification of grant claims and returns for the year		15
17	Fees payable in respect of other services provided during the year*		(8)
85	Total		60

\* Relates largely to lower costs than initially estimated regarding additional PPE / Fixed Asset Register work carried out in 2016/17 but finalised in 2017/18.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 13.22. Construction Contracts (Commitments under Capital Contracts)

The Council has approved expenditure in future years of £56.63m (2016/17, £60.25m) under its capital programme of which £4.64m (2016/17, £5.75m) had been contracted as at 31 March 2018. The split between schemes contracted and not contracted is as follows:

Expenditure approved and contracted at 31 Mar 2017	Expenditure approved but not contracted at 31 Mar 2017	Commitments under Capital Contracts	Expenditure approved and contracted at 31 Mar 2018	Expenditure approved but not contracted at 31 Mar 2018
£'000	£'000		£'000	£'000
2,850	9,133	Improvement Programme	2,410	6,097
272	3,228	Health & safety works	277	4,067
0	13,017	Replacement Programme	0	15,942
1,432	22,725	New building programme	1,733	19,574
0	0	Housing computer system & IT Equipment	20	600
0	2,700	Renovation grants	0	2,700
0	0	HRA Play Equipment	0	80
1,194	3,699	General Fund capital schemes	204	2,921
<b>5,748</b>	<b>54,502</b>	<b>Total</b>	<b>4,644</b>	<b>51,981</b>

### 13.23. 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. A formal valuation of the Kent County Council Pension Fund for funding purposes took place as at 31 March 2016, and has been incorporated into the year-end actuary report for IAS19 accounting.

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 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:

## NOTES TO THE CORE FINANCIAL STATEMENTS

2016/17	Pension Costs - Transactions relating to retirement benefits	2017/18
£'000		£'000
	<i>Comprehensive Income &amp; Expenditure Statement</i>	
3,356	Current service cost	4,418
106	Past service costs	53
58	Administrative Expenses	53
141	Unfunded benefits	141
3,661		4,665
2,128	Net interest expense	1,853
5,789	<i>Net charge to Comprehensive Income &amp; Expenditure Statement</i>	6,518
(2,184)	<i>Movement on Pensions Reserve</i>	(3,225)
3,605	<i>Employer's contributions payable to LGPS</i>	3,293

### Assets and Liabilities in Relation to Retirement Benefits

The underlying assets and liabilities for retirement benefits attributable to the Council at 31 March 2018 are as follows:

2016/17	Assets and liabilities relating to retirement benefits	2017/18
£'000		£'000
(175,988)	Present value of the defined benefit obligation	(174,367)
107,741	Fair value of plan assets	109,847
(68,247)	Net liability arising from defined benefit obligation	(64,520)
(1,919)	Present value of unfunded liabilities	(1,797)
(70,166)	<i>Total net liability</i>	(66,317)

Gravesham Borough Council's net liability on the Kent County Council Pensions Fund has decreased from £70.17m at the previous year-end to £66.32m at 31st March 2018. This is a net decrease in liability of £3.85m as a result of the change in assumptions over the year, as both the discount rate and future expected inflation have slightly decreased.

The liabilities show the underlying commitments that the Council has in the long term to pay retirement benefits. The net pension liability is matched by an equivalent Pensions Reserve of £66.32m. 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.

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).

## NOTES TO THE CORE FINANCIAL STATEMENTS

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;

2016/17	Present value of Scheme liabilities	2017/18
£'000		£'000
(150,658)	Scheme Liabilities brought forward	(177,907)
(3,356)	Current service cost	(4,418)
(5,348)	Interest cost	(4,742)
(780)	Contributions from scheme participants	(745)
	Remeasurement gains/losses:	
3,078	- actuarial gains/losses arising from changes in demographic assumptions	0
(33,058)	- actuarial gains/losses arising from changes in financial assumptions	6,282
(106)	Past service cost	(53)
5,176	Benefits paid	5,419
7,145	Experience loss/(gain) on defined benefit obligation	0
<u>(177,907)</u>	<i>Total value of liabilities</i>	<u>(176,164)</u>

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

2016/17	Fair value of Scheme assets	2017/18
£'000		£'000
89,917	Scheme Assets brought forward	107,741
3,220	Interest income	2,889
	Remeasurement gains/losses:	
15,481	- the return on plan assets, excluding the amount included in the net interest expense	792
113	- other	0
3,464	Contribution from employer	3,152
780	Contribution from employees into the scheme	745
(5,176)	Benefits paid	(5,419)
(58)	Administrative expenses	(53)
<u>107,741</u>	<i>Total value of liabilities</i>	<u>109,847</u>

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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Scheme History

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

2013/14	2014/15	2015/16	2016/17	Pension Costs - scheme history	2017/18
£'000	£'000	£'000	£'000		£'000
81,796	89,524	89,917	107,741	Fair value of scheme assets	109,847
(134,487)	(156,151)	(150,658)	(177,907)	Present value of scheme liabilities	(176,164)
(52,691)	(66,627)	(60,741)	(70,166)	Surplus/deficit	(66,317)
3,057	5,490	(1,977)	15,481	Return on assets less interest	792
6,031	53	14	7,145	Experience loss/(gain) on defined benefit obligation	0

The total contribution expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2019 is £2.98m.

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

### 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 2016.

The main assumptions used in their calculations are shown in the following tables. Where actual data is available, the actual rate of increase is also noted.

The discount rate employed equates to the net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve, in accordance with CIPFA guidance.

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



## NOTES TO THE CORE FINANCIAL STATEMENTS

2016/17		2017/18	
Assumptions used		Assumptions used	
%		%	
	Long term expected return on assets		
	Mortality assumptions (years)		
23.00	Longevity at 65 for current pensioners (men)	23.10	
25.00	Longevity at 65 for current pensioners (women)	25.20	
25.10	Longevity at 65 for future pensioners (men)	25.30	
27.40	Longevity at 65 for future pensioners (women)	27.50	
	Other assumptions		
3.60	RPI increases	3.35	
2.70	CPI increases	2.35	
4.20	Salary increases	3.85	
2.70	Pension increases	2.35	
2.70	Discount rate	2.55	

2016/17		Employer asset share - bid value		2017/18	
£'000	%			£'000	%
76,036	70.57	Equities		73,301	66.73
804	0.75	Gilts		840	0.77
10,496	9.74	Other bonds		10,503	9.56
13,426	12.46	Property		13,811	12.57
2,753	2.56	Cash		3,640	3.31
4,226	3.92	Target return portfolio		7,752	7.06
<b>107,741</b>	<b>100.00</b>	<b>Total</b>		<b>109,847</b>	<b>100.00</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 13.24. Capital Expenditure and Capital Financing

In addition to utilising revenue funds in providing services to the public, the Council spends money procuring and maintaining the assets it needs to provide those services. The table below shows the total amounts incurred for the year together with the sources of finance and the authority's reduced borrowing requirement.

2016/17	Capital Expenditure and Financing	2017/18
£'000		£'000
105,765	<i>Opening Capital Financing Requirement</i>	112,544
	<b>Capital Investment</b>	
11,445	Property, Plant and Equipment	15,851
188	Heritage Assets	0
0	Local Authority Mortgage Scheme (LAMS)	(2,000)
44	Intangible Assets	168
9,780	Investment Properties	1,079
376	Revenue Expenditure Funded from Capital under statute	655
<u>21,833</u>		<u>15,753</u>
	<b>Sources of Finance</b>	
(1,207)	Capital Receipts	(5,378)
(1,165)	Government grants and contributions (received in year)	(479)
(1,178)	Government grants and contributions (brought forward)	(793)
(5,369)	Application of Reserves	(7,382)
<u>(8,919)</u>		<u>(14,032)</u>
	<b>Sums set aside from revenue</b>	
(2,918)	Direct revenue contributions	(1,540)
(3,217)	Minimum revenue provision (MRP)	(3,893)
<u>(6,135)</u>		<u>(5,433)</u>
<u>112,544</u>	<i>Closing Capital Financing Requirement</i>	<u>108,832</u>
	<b>Explanation of movements in year</b>	
	<i>Total increase/(decrease) in underlying need to borrowing</i>	
6,779	(unsupported by Government financial assistance)	(3,712)
<u>6,779</u>	<b>Increase/(Decrease) in Capital Financing Requirement</b>	<u>(3,712)</u>

### 13.25. Contingent Assets

#### VAT claim on Royal Mail Postal Services

The Council is one of a number of local authorities who have jointly lodged a Group Litigation Order with the High Court in respect of embedded VAT paid on postal services provided by the Royal Mail since 1973.

### 13.26. Contingent Liabilities

#### Interest on Late Payments

The Public Contract Regulations 2015 provide for suppliers to demand a late payment fee from the council where invoices are not paid in accordance with the terms of the Regulations.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 13.27. Financial Instruments and Financial Risks

#### (a) Financial Instruments – Classifications

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 shown below.

<b>Liabilities</b>	<b>Assets</b>
<ul style="list-style-type: none"> <li>• Trade payables and other payables</li> <li>• Borrowings</li> <li>• Financial guarantees</li> </ul>	<ul style="list-style-type: none"> <li>• Bank deposits</li> <li>• Trade receivables</li> <li>• Other receivables and advances</li> <li>• Investments</li> </ul>

#### Financial Instruments – Balances

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

31 March 2017		Financial Instruments - Balances	31 March 2018	
Long-Term	Short-Term		Long-Term	Short-Term
£'000	£'000		£'000	£'000
(98,082)	(3,595)	Financial liabilities (principal amount)	(93,900)	(4,193)
0	(278)	Financial liabilities (interest amount)	0	(278)
0	0	LAMS (KCC contribution)	0	0
(98,082)	(3,873)	Total borrowings	(93,900)	(4,471)
0	(4,892)	Total creditors	0	(4,627)
0	(1)	Financial Guarantees	0	0
(98,082)	(8,766)	<b>Total financial liabilities</b>	(93,900)	(9,098)
21	11,490	Loans and receivables	21	3,000
0	2,000	LAMS (Lloyds deposit)	0	0
9,556	12,045	Available-for-sale financial assets	19,922	7,487
9,577	25,535	<b>Total investments</b>	19,943	10,487
0	226	Cash In Hand	0	133
2	0	Loans and receivables	0	0
0	7,691	Financial assets carried at contract amounts	0	8,339
312	0	Soft loans provided	324	0
9,891	33,452	<b>Total financial assets</b>	20,267	18,959

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 market; and/or
- Estimating using a valuation technique.

## NOTES TO THE CORE FINANCIAL STATEMENTS

The Local Authority Mortgage Scheme (LAMS) ceased in January 2018. Both the £2m investment with Lloyds redeemed and Kent County Council's contribution of £1m was returned during 2017/18. The associated financial guarantee is longer required to be provided.

The Council made no further loans to private sector residents during 2017/18. The balance of the outstanding soft loans is detailed below:

2016/17	Financial Instruments - Soft loans	2017/18
£'000		£'000
301	Opening balance	312
(7)	Loan repayments	(7)
18	Fair value adjustment	19
0	Increase in the discounted amount	0
<b>312</b>	<b>Balance carried forward</b>	<b>324</b>
312	Nominal value carried forward	324

### (b) 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 Instruments - Gains/losses	Financial liabilities measured at amortised cost	Financial assets Loans and receivables	Total
	£'000	£'000	£'000
Interest expense	(3,218)	0	(3,218)
Interest income	0	649	649
<b>Total expense/income in the Surplus/Deficit on the Provision of Services</b>	<b>(3,218)</b>	<b>649</b>	<b>(2,569)</b>
Gains on revaluation	0	19	19
<b>Revaluation surplus in Other Comprehensive Income and Expenditure</b>	<b>0</b>	<b>19</b>	<b>19</b>
<b>Total financial assets</b>	<b>(3,218)</b>	<b>668</b>	<b>(2,550)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### (c) 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.

Balance sheet and fair values are shown in the tables below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities
- Level 2 – fair value is calculated from inputs other than those quoted prices that are observable for the asset or liability
- Level 3 – fair value is determined using unobservable inputs e.g. non-market data such as cash flow forecasts or estimated credit worthiness

Carrying amount 2016/17	Fair value 2016/17	<b>Financial Instruments - Fair values of liabilities</b>	Fair Value Hierarchy Level	Carrying amount 2017/18	Fair value 2017/18
£'000	£'000			£'000	£'000
		<b>Liabilities held at amortised cost</b>			
(243)	(252)	PWLB debt (EIP loan)	2	(162)	(166)
(93,424)	(100,663)	PWLB debt (Maturity loan)	2	(89,920)	(94,506)
(8,000)	(10,214)	LGS Investment plc	2	(8,000)	(9,472)
		<b>Liabilities for which fair value is not disclosed</b>			
(10)	(10)	Other short term borrowing		(11)	(11)
(4,892)	(4,892)	Short term creditors		(4,627)	(4,627)
(1,000)	(1,000)	LAMS (KCC contribution)		0	0
<b>(107,569)</b>	<b>(117,031)</b>	<b>Total</b>		<b>(102,720)</b>	<b>(108,782)</b>

The fair values of the PWLB loans in the table above have been determined using the rate available for new borrowings.

An increase in the discount rates, which are used to calculate the fair value, of 1% would have resulted in a reduction in the fair value of the PWLB debt and the LGS investment of £5.843m.

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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

Carrying amount 2016/17	Fair value 2016/17	Financial Instruments - Fair values of assets	Fair Value Hierarchy Level	Carrying amount 2017/18	Fair value 2017/18
£'000	£'000			£'000	£'000
		<b>Assets held at fair value</b>			
9,707	9,556	Managed Property Funds	1	9,707	10,176
0	0	Multi Asset Funds	1	10,000	9,746
12,000	12,045	Available for sale Investments	1	7,450	7,487
		<b>Assets for which fair value is not disclosed</b>			
21	21	Long term Investments		21	21
11,000	11,000	Investments		3,000	3,000
490	490	Money Market Loans < 1 year		569	569
2,000	2,000	LAMS Deposit		0	0
2	2	Long term debtors		0	0
7,691	7,691	Short term debtors		8,339	8,339
<b>42,911</b>	<b>42,805</b>	<b>Total</b>		<b>39,086</b>	<b>39,338</b>

The differences are attributable to fixed interest instruments receivable being held by the authority whose interest rate is higher than the prevailing rate estimated to be available at 31 March. This increases the fair value of loans and receivables.

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

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

#### 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 & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

This Council uses the creditworthiness service provided by Capita Asset Services. This service uses a sophisticated modelling approach with credit ratings from all those three agencies mentioned above 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,
- Sovereign ratings to select counterparties from only the most creditworthy 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

The Authority's maximum exposure to credit risk in relation to its investment in banks and building societies is £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 2018 that this was likely to crystallise.

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 as follows:

2016/17		2016/17		Financial Instruments - maturity analysis of liabilities		2017/18		2017/18	
£'000	%			£'000	%			£'000	%
(4,595)	4.48%	Less than 1 year		(4,193)	4.27%				
(4,182)	4.07%	Between 1 and 2 years		(4,819)	4.91%				
(25,421)	24.76%	Between 2 and 5 years		(28,363)	28.91%				
(45,677)	44.49%	Between 5 and 10 years		(49,554)	50.52%				
(22,802)	22.20%	More than 10 years		(11,164)	11.38%				
<b>(102,677)</b>	<b>100.00</b>	<b>Total</b>		<b>(98,093)</b>	<b>100.00</b>				

### Interest rate risk

All borrowings held by the Council are at a fixed interest rate and therefore movements in interest rates do not expose the Council to any risk in respect of these. The Council does however remain exposed to such risk in respect of the interest earned on its investments.

Interest rates have remained at historically low levels over recent years despite an increase in the UK Base Rate from 0.25% to 0.50% in November 2017. The Council's treasury advisors, Link Asset Services, currently project the UK Base Rate to increase to 0.75% in Quarter 4 of 2018.

### Net Asset Value risk

In addition to the investments held in Property Fund, the Council placed investments in Multi Asset Funds in 2017/18 increasing the risk relating to changes in Net Asset Value (NAV).

## NOTES TO THE CORE FINANCIAL STATEMENTS

Estimated interest earned on Property Funds in 2017/18 was £427,000. An increase in the NAV of 5% would lead to an increase in return of £21,352. Decreases in the NAV of 5%, would lead to reduced returns by this amount.

### 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 2018, these bonds were valued at cost at £413.

### 13.28. Leasing

The requirements of the IFRS reporting standards impact significantly on the Council's leasing arrangements. The Council has undertaken 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 satisfy the requirements of IFRS both in representing this document and for future assessment and management of the lease portfolio.

### Operating Leases

The Council uses operating leases to acquire officer and fleet vehicles, computer hardware and printing equipment. The amount paid under these arrangements in 2017/18 was £174,000 (2016/17 £150,000).

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

	Land and property	Vehicles, plant and equipment
	£'000	£'000
Amount payable next year 2018/19	50	158
Amounts payable 2-5 years	130	98
Amount payable 6+	21	0
<b>Total</b>	<b>201</b>	<b>256</b>

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:

	Land and property	Vehicles, plant and equipment
	£'000	£'000
Expiring next year 2018/19	0	26
Expiring 2-5 years	29	132
Expiring 6+	21	0
<b>Total</b>	<b>50</b>	<b>158</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

### Disclosure as a Lessor

The Council acts as a lessor on a portfolio of commercial properties for which rentals for 2017/18 amounted to £1.71m (2016/17 £1.29m). The net book value of these assets within the Balance Sheet is £43.53m (2016/17 £36.24m).

Property	Income 2016/17	Income 2017/18	Balance Sheet value
	£'000	£'000	£'000
Network House, Gillingham	199	242	3,260
Springhead	412	575	10,800
Shops	228	274	2,970
Norfolk Road	126	172	6,600
St Georges	195	146	3,500
St John's House	10	166	2,200
123-127 High Street, Sittingbourne	0	17	1,030
Miscellaneous	115	118	13,170
<b>Total</b>	<b>1,285</b>	<b>1,710</b>	<b>43,530</b>

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

	Land and property
	£'000
Amounts receivable next year 2018/19	1,526
Amounts receivable 2-5 years	5,232
Amounts receivable 6+	25,993
<b>Total</b>	<b>32,751</b>

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:

	Land and property
	£'000
Amounts receivable next year 2018/19	135
Amounts receivable 2-5 years	382
Amounts receivable 6+	1,009
<b>Total</b>	<b>1,526</b>

# Supplementary Financial Statements

## HOUSING REVENUE ACCOUNT

2016/17	Housing Revenue Account Income and Expenditure Statement	2017/18
<i>£'000</i>		<i>£'000</i>
	<b>Expenditure</b>	
7,523	Repairs and maintenance	6,742
4,158	Supervision & management	4,621
57	Rents, rates, taxes and other charges	36
	Depreciation of assets	
5,779	- dwellings	6,430
185	- non-dwellings	207
9	Amortisation of Intangible assets	9
0	Impairment/revaluation of non-current assets	0
(29,744)	Impairment reversal of Council dwellings	(1,847)
(75)	Provision for bad & doubtful debts	214
(12,108)		16,412
	<b>Income</b>	
(26,125)	Dwelling rents	(25,919)
(718)	Non-dwelling rents	(277)
(1,803)	Charges for service & facilities	(1,833)
(278)	Contribution towards expenditure (Supporting people)	(267)
(29)	Other income	(425)
(28,953)		(28,721)
(41,061)	<b>Net cost of HRA Services as included in the Comprehensive Income &amp; Expenditure Statement</b>	(12,309)
(1,768)	Gain or loss on the sale of HRA non-current assets	(5,202)
0	Other capital receipts	(28)
2,726	Interest payable and similar charges	2,568
(39)	Interest and investment income	(34)
(40)	Capital Grants and Contributions	(38)
316	Net pension interest	289
(39,866)	<b>(Surplus)/deficit for the year on HRA Services</b>	(14,754)

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

In 2017/18 individual expenditure and income figures have been categorised consistent with the those used in Budget Monitoring and Outturn Reporting.

This reconciliation statement summarises the differences between the outturn on the HRA Income and Expenditure Accounts and the HRA Balance.

## HOUSING REVENUE ACCOUNT

2016/17	Movement on the Housing Revenue Account Statement	2017/18
<i>£'000</i>		<i>£'000</i>
(3,000)	Balance brought forward at 1 April	(3,000)
(38,172)	(Surplus) or Deficit for the Year on the HRA Income & Expenditure	(12,950)
36,328	Adjustments between accounting basis and funding basis under statute	10,130
(1,844)	<b>Net (increase) or decrease before transfers to or from reserves</b>	(2,820)
1,844	Transfer to/(from) earmarked reserves	2,820
<b>0</b>	<b>Total (increase)/decrease</b>	<b>(0)</b>
(3,000)	Balance carried forward at 31 March	(3,000)

## 14. NOTES TO THE HOUSING REVENUE ACCOUNT

The notes that follow have been provided in support of the Housing Revenue Account. Some are detailed breakdown of figures presented on the statements whilst others give additional information provided for disclosure purposes.

### 14.1. General

The Housing Revenue Account (HRA) 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. Authorities charge rents to cover expenditure in accordance with the legislative framework; 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

### 14.2. Housing Stock

As at 31 March 2018, the Council had 5,686 dwellings (2016/17, 5,677). This represents a net increase in Council housing stock of 9 properties during 2017/18, as a result of the sale of 23 properties under the Right-to-buy scheme, 23 property acquisitions, two flats were converted into four bedsits and the construction of seven new properties.

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

HRA Housing stock					Total HRA assets as at 31 March 2018
	Pre 1919	1919-44	1945-64	Post 1964	
<b>Flats</b>					
- 0 bedroom	0	0	76	49	125
- 1 bedroom	0	18	393	1,218	1,629
- 2 bedrooms	0	1	148	305	454
- 3 bedrooms	0	0	102	229	331
<b>Houses &amp; bungalows</b>					
- 0 bedroom	0	0	2	0	2
- 1 bedroom	0	18	65	104	187
- 2 bedrooms	16	141	349	205	711
- 3 bedrooms	3	793	948	277	2,021
- 4 bedrooms	0	115	94	17	226
<b>Total</b>	19	1,086	2,177	2,404	5,686

## HOUSING REVENUE ACCOUNT

### 14.3. HRA Non-Current Assets

The opening and closing Balance Sheet values for HRA non-current assets are shown below:

<b>HRA Non-current assets</b>							
Financial Year 2017/18	Operational Assets			Non-Op Assets			Total HRA assets
	Council Dwellings	Other Land & Buildings	Assets Under Construction	HRA Non Op Land & Build	Vehicles, Plant & Equipment	Intangible assets	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>							
<b>As at 1 April 2017</b>	306,605	4,651	760	51	264	432	312,763
Additions	10,983	0	1,616	0	33	24	12,656
Revaluation increases/decreases recognised in Revaluation Reserve	0	1	0	0	0	0	1
Revaluation increases/(decreases) recognised in Surplus/Deficit on Provision of Services	(4,555)	0	0	0	0	0	(4,555)
Derecognition - Disposals	(1,377)	0	0	0	0	0	(1,377)
Assets reclassified	1,714	0	(1,714)	0	0	0	0
Other movements in cost or valuation	(1)	(1)	1	0	0	0	(1)
<b>As at 31 March 2018</b>	<b>313,369</b>	<b>4,651</b>	<b>663</b>	<b>51</b>	<b>297</b>	<b>456</b>	<b>319,487</b>
<b>Accumulated Depreciation and Impairments</b>							
<b>As at 1 April 2017</b>	0	(23)	0	(1)	(152)	(397)	(573)
Depreciation/Amortisation Charge for year	(6,430)	(183)	0	(1)	(23)	(9)	(6,646)
Accumulated depreciation written out to the Revaluation Reserve	0	0	0	0	0	0	0
Accumulated depreciation written out to the (Surplus)/Deficit on the Provision of Services	6,401	0	0	0	0	0	6,401
Impairment (losses)/reversals recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0
Accumulated depreciation and impairment written out on disposal	29	0	0	0	0	0	29
Reclassifications	0	0	0	0	0	0	0
Other movements in depreciation and impairment	0	0	0	0	0	0	0
<b>As at 31 March 2018</b>	<b>0</b>	<b>(206)</b>	<b>0</b>	<b>(2)</b>	<b>(175)</b>	<b>(406)</b>	<b>(789)</b>
<b>Net Book Value</b>							
<b>At 31 March 2018</b>	<b>313,369</b>	<b>4,445</b>	<b>663</b>	<b>49</b>	<b>122</b>	<b>50</b>	<b>318,698</b>
<b>At 1 April 2017</b>	<b>306,605</b>	<b>4,628</b>	<b>760</b>	<b>50</b>	<b>112</b>	<b>35</b>	<b>312,190</b>

## HOUSING REVENUE ACCOUNT

HRA Non-current assets							
Financial Year 2016/17	Operational Assets			Non-Op Assets			Total HRA assets
	Council Dwellings	Other Land & Buildings	Assets Under Construction	HRA Non Op Land & Build	Vehicles, Plant & Equipment	Intangible assets	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>							
As at 1 April 2016	275,555	4,122	1,022	(0)	189	432	281,320
Additions	7,635	0	693	0	75	0	8,403
Revaluation increases/decreases recognised in Revaluation Reserve	0	839	0	0	0	0	839
Revaluation increases/(decreases) recognised in Surplus/Deficit on Provision of Services	23,995	(101)	0	0	0	0	23,894
Derecognition - Disposals	(1,535)	(160)	0	0	0	0	(1,695)
Assets reclassified	955	(51)	(955)	51	0	0	0
Other movements in cost or valuation	0	2	0	0	0	0	2
<b>As at 31 March 2016</b>	<b>306,605</b>	<b>4,651</b>	<b>760</b>	<b>51</b>	<b>264</b>	<b>432</b>	<b>312,763</b>
<b>Accumulated Depreciation and Impairments</b>							
As at 1 April 2016	0	(320)	0	0	(136)	(389)	(845)
Depreciation Charge for year	(5,779)	(169)	0	0	(16)	(8)	(5,972)
Accumulated depreciation written out to the Revaluation Reserve	0	414	0	0	0	0	414
Accumulated depreciation written out to the (Surplus)/Deficit on the Provision of Services	5,747	40	0	0	0	0	5,787
Impairment (losses)/reversals recognised in the Revaluation Reserve	0	3	0	0	0	0	3
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0
Accumulated depreciation and impairment written out on disposal	32	10	0	0	0	0	42
Reclassifications	0	1	0	(1)	0	0	0
Other movements in depreciation and impairment	0	(2)	0	0	0	0	(2)
<b>As at 31 March 2017</b>	<b>0</b>	<b>(23)</b>	<b>0</b>	<b>(1)</b>	<b>(152)</b>	<b>(397)</b>	<b>(573)</b>
<b>Net Book Value</b>							
At 31 March 2017	306,605	4,628	760	50	112	35	312,190
At 1 April 2016	275,555	3,802	1,022	(0)	53	43	280,475

The total net book value of HRA non-current assets as at 31 March 2018 is £318.70m (£312.19m at 31<sup>st</sup> March 2017). Within this, the HRA has intangible assets in the form of computer systems valued at £0.05m as at 31 March 2018 (£0.04m at 31 March 2017).

For 2017/18, depreciation and amortisation against the HRA was £6.65m. Depreciation in respect of Council dwellings in 2017/18 was £6.43m (2016/17, £5.78m) and is a real charge to the HRA.

## HOUSING REVENUE ACCOUNT

### 14.4. 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 2016. For the years in between external valuations, a desktop exercise is carried out; as a result of the latest exercise Council dwellings were assessed to have a market valuation of £949.6m. A regional adjustment factor of 33% 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 is £313.37m as at 31 March 2018.

### 14.5. Major Repairs Reserve

This reserve provides resources for capital investment on the Council's housing stock and is funded by depreciation charges on non-current tangible assets. Amortisation on non-tangible assets has not been transferred into the MRR.

2016/17	Major Repairs Reserve	2017/18
£'000		£'000
	Amount transferred in year	
(5,779)	- Dwellings	(6,430)
(185)	- Non-dwellings	(207)
5,369	Amount utilised in capital financing	7,382
(595)	Total (increase)/decrease	745
(1,127)	Balance brought forward at 1 April	(1,722)
(595)	Movement in year	745
(1,722)	Balance carried forward at 31 March	(977)

### 14.6. Financing of HRA Capital Expenditure

Capital expenditure of £12.66m (2016/17, £8.33m) on HRA assets was financed as follows:

2016/17	HRA Financing of capital expenditure	2017/18
£'000		£'000
	<b>Capital expenditure</b>	
8,327	Dwellings	10,983
0	Non-dwellings	1,673
8,327		12,656
	<b>Financed by</b>	
(746)	Capital receipts	(5,188)
(40)	Grants and Contributions	(38)
(5,369)	Major Repairs Reserve	(7,382)
(2,172)	Funded from revenue	(48)
(8,327)		(12,656)



## HOUSING REVENUE ACCOUNT

### 14.7. 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.

An analysis of the total HRA capital receipts received during 2017/18 is shown in the next table:

2016/17	HRA Capital receipts	2017/18
£'000		£'000
	<b>Receipts for the year</b>	
(3,407)	Sale of Council Dwellings	(2,977)
(17)	Repaid Discounts	(27)
(5)	Principal repayment for mortgages	(2)
(3,429)		(3,006)
	<b>Use of receipts</b>	
531	Paid to Housing Capital Receipts Pool	524
130	Capital financing - HRA schemes	120
2,647	Transfer to Earmarked Reserves	2,238
3,308		2,882
(841)	Balance brought forward	(962)
(962)	Total unapplied capital receipts held	(1,086)

### 14.8. Movement on Pensions Reserve

In accordance with Accounting Policy 13.23, the Net Cost of Services has been adjusted to reflect the cost of pensions in accordance with IAS 19 'Employee Benefits'. The adjustment is £0.52m in respect of current and past service cost for 2017/18. However, this was reversed out to the Pensions Reserve so that there was no impact on the HRA.

### 14.9. 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 has 'un-pooled' charges for services that were previously included as part of the tenants' rents.

## HOUSING REVENUE ACCOUNT

### 14.10. 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 decreased to 2.52% (2016/17, 3.56%). The arrears for current tenants and former tenants is shown in the table below together with the amounts written off and provided for during the year, for bad and doubtful debts.

2016/17	HRA Rent and service charges arrears	2017/18
£'000		£'000
783	Current tenant arrears	620
(584)	Rents paid in advance	(734)
994	Former tenant arrears	1,009
<u>1,193</u>		<u>895</u>
(937)	Provision for bad debts	(1,042)
(151)	Rent arrears written off	(110)

### 14.11. Charges for Services and Facilities

The total income accounted for during the year is set out below:

2016/17	HRA Charges for services	2017/18
£'000		£'000
(1,102)	Service charges - tenants	(1,092)
(256)	Service charges - leaseholders	(328)
(72)	Service charges - leaseholders (contribution to capital works)	(48)
(373)	Support charges	(365)
<u>(1,803)</u>		<u>(1,833)</u>

### 14.12. Contribution towards Expenditure

This reflects grant monies received from Kent County Council in respect of the Supporting People Programme (£0.27m).

### 14.13. 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 out by the HRA for self-financing.

### 14.14. 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

2016/17			Income and Expenditure Account			2017/18		
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total		
£'000	£'000	£'000		£'000	£'000	£'000		
<b>Income</b>								
<b><i>Income from Council Tax and Business Rates</i></b>								
	(51,496)	(51,496)	Council Tax Income		(53,847)	(53,847)		
(24,807)		(24,807)	Business Rates Income	(23,023)		(23,023)		
(24,807)	(51,496)	(76,303)	Total Council Tax/Business Rates	(23,023)	(53,847)	(76,870)		
<b><i>Contribution for previous year's deficit:</i></b>								
(438)		(438)	Gravesham Borough Council				0	
(351)		(351)	Kent County Council				0	
		0	Kent Police & Crime Commissioner				0	
(79)		(79)	Kent Fire & Rescue Service				0	
(9)		(9)	Central Government				0	
(25,684)	(51,496)	(77,180)	Total Income	(23,023)	(53,847)	(76,870)		
<b>Expenditure</b>								
<b><i>Precepts, Demands and Shares</i></b>								
12,221		12,221	Central Government	11,608		11,608		
9,777	6,329	16,106	Gravesham Borough Council	9,286	6,685	15,971		
2,200	36,741	38,941	Kent County Council	2,089	39,290	41,379		
	4,932	4,932	Kent Police & Crime Commissioner		5,238	5,238		
244	2,334	2,578	Kent Fire & Rescue Service	232	2,444	2,676		
24,442	50,336	74,778		23,215	53,657	76,872		
<b><i>Apportionment of previous year's surplus:</i></b>								
	101		Gravesham Borough Council		113	113		
	582		Kent County Council		657	657		
	79		Kent Police & Crime Commissioner		88	88		
	38		Kent Fire & Rescue Service		42	42		
			Central Government			0		
24,442	51,136	74,778	Total Expenditure	23,215	54,557	77,772		
<b><i>Charges to Collection Fund</i></b>								
78		78	Transitional Protection	144		144		
(1)	5	4	Amounts written off	(1)	3	2		
129	20	149	Allowance for Debt Impairment	323	487	810		
			Charges to Appeals' Provision	(1,082)		(1,082)		
600		600	Increase (-) /Decrease in Provision for Appeals	119		119		
97		97	Cost of Collection	94		94		
903	25	928	Total Charges	(403)	490	87		
(339)	(335)	(674)	(Surplus) / Deficit arising during the year	(211)	1,200	989		
730	(865)	(135)	(Surplus) / Deficit b/fwd 1st April	391	(1,200)	(809)		
391	(1,200)	(809)	(Surplus) / Deficit c/fwd 31st March	180	0	180		

## 15. NOTES TO THE COLLECTION FUND

The notes that follow have been provided in support of the Collection Fund. Some are detailed breakdown of figures presented on the statements whilst others give additional information provided for disclosure purposes.

### 15.1. 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.

### 15.2. 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 2017/18 was approved on 9 January 2017 as follows:

Band	2016/17			2017/18		
	<i>Estimated Number of properties (Net of exemptions, discounts &amp; reliefs) (a)</i>	<i>Multipliers (b)</i>	<i>Band D equivalents properties (a x b)</i>	<i>Estimated Number of properties (Net of exemptions, discounts &amp; reliefs) (c)</i>	<i>Multipliers (d)</i>	<i>Band D equivalents properties (c x d)</i>
A with disabled relief	1.75	5 /9	0.97	1.76	5 /9	0.98
A	1,955.54	6 /9	1,303.69	2,076.00	6 /9	1,384.00
B	4,777.29	7 /9	3,715.67	5,012.01	7 /9	3,898.23
C	11,403.06	8 /9	10,136.05	11,718.17	8 /9	10,416.15
D	8,411.13	9 /9	8,411.13	8,509.48	9 /9	8,509.48
E	4,101.11	11 /9	5,012.47	4,167.69	11 /9	5,093.84
F	1,877.95	13 /9	2,712.59	1,892.72	13 /9	2,733.93
G	964.27	15 /9	1,607.12	974.76	15 /9	1,624.60
H	87.25	18 /9	174.50	88.07	18 /9	176.14
Tax Base before Council Tax Support			33,074.19			33,837.35
Estimated Collection Rate			98.0%			98.5%
Council Tax Base			32,412.71			33,329.79

The tax rate per Band D property, excluding Parish Council precepts, was £1,600.93 (2016/17, £1,544.36).

## COLLECTION FUND

### 15.3. Income from Business Ratepayers

The Council collects Business Rates from businesses in the borough, based on local rateable values multiplied by a national uniform rate (multiplier). On the 1 April 2013, a system of locally retained business rates was introduced by the government, replacing the former central pooling method of redistribution. The total non-domestic rateable value for the borough at 31 March 2018 was £61.7m (31 March 2017 £62.05m). The respective multipliers for 2017/18 were 47.9p (non-domestic rating multiplier) and 46.6p (small business non-domestic rating multiplier) per £ of rateable value.

### 15.4. Collection Fund Surplus/Deficit

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, and with effect from this financial year, Business Rates. The estimated surplus/deficit on each fund is shared the following year between the relevant preceptors in proportion to the value of their respective precepts. Each of the major preceptors' shares of the surplus/deficit are shown in the table below.

Collection Fund Surplus/deficit 2017/18						
	Gravesham Borough Council	Kent County Council	Kent Police & Crime Com- missioner	Kent Fire & Rescue Service	Central Govern- ment	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Council Tax</b>						
(Surplus)/deficit brought forward	(151)	(876)	(117)	(56)		(1,200)
(Surplus)/deficit for year	151	876	117	56		1,200
(Surplus)/deficit carried forward	0	0	0	0		0
<b>Business Rates</b>						
(Surplus)/deficit brought forward	156	35		4	196	391
(Surplus)/deficit for year	(84)	(19)		(2)	(106)	(211)
(Surplus)/deficit carried forward	72	16		2	90	180

Collection Fund Surplus/deficit 2016/17						
	Gravesham Borough Council	Kent County Council	Kent Police & Crime Com- missioner	Kent Fire & Rescue Service	Central Govern- ment	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Council Tax</b>						
(Surplus)/deficit brought forward	(109)	(630)	(85)	(41)		(865)
(Surplus)/deficit for year	(42)	(246)	(32)	(15)		(335)
(Surplus)/deficit carried forward	(151)	(876)	(117)	(56)		(1,200)
<b>Business Rates</b>						
(Surplus)/deficit brought forward	292	66		7	365	730
(Surplus)/deficit for year	(136)	(31)		(3)	(169)	(339)
(Surplus)/deficit carried forward	156	35		4	196	391

**15.5. Collection Fund Adjustment Account**

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

2016/17	<b>Collection Fund Adjustment Account</b>	2017/18
<i>£'000</i>		<i>£'000</i>
(41)	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	151
(136)	Amount by which non-domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from Non-domestic Rate Income calculated for the year in accordance with statutory requirements	(85)
<b>(177)</b>	<b>Total increase/(decrease) in Collection Fund Adjustment Account</b>	<b>66</b>
183	Balance brought forward at 1 April	6
(177)	Movement in year	66
<b>6</b>	<b>Balance carried forward at 31 March</b>	<b>72</b>

## **16. INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRAVESHAM BOROUGH COUNCIL**

### **Opinion**

We have audited the financial statements of Gravesham Borough Council (the 'Authority') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, Movement in Reserves Statement, the Cash Flow Statement, notes to the financial statements, including a summary of significant accounting policies, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the Collection Fund Statement and associated 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 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.
- 

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Who we are reporting to**

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. 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.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Corporate Services' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Corporate Services' has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's

ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other Information**

The Director of Corporate Services' is responsible for the other information. The other information comprises the information included in the Financial Review and Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Other information we are required to report on by exception under the Code of Audit Practice**

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

### **Opinion on other matter required by the Code of Audit Practice**

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the Financial Review and Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements

### **Matters on which we are required to report by exception**

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or



## INDEPENDENT AUDITORS REPORT

- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters.

### **Responsibilities of the Authority, the Director of Corporate Services and Those Charged with Governance for the financial statements**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Corporate Services. The Director of Corporate Services is responsible for the preparation of the Financial Review and 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 2017/18, which give a true and fair view, and for such internal control as the Director of Corporate Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Corporate Services is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Authority.

The Finance and Audit Committee is Those Charged with Governance.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

#### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

**Responsibilities of the Authority**

The Authority is responsible for putting in place proper arrangements for securing 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.

**Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made 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.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that 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 2018.

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 be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

**Report on other legal and regulatory requirements – Certificate**

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

*Darren Wells*

Darren Wells  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton UK LLP  
2nd Floor  
St John's House  
Haslett Avenue West  
Crawley  
RH10 1HS

27 July 2018

## **17. GLOSSARY OF TERMS**

### **Accounting Period**

The financial year (twelve month period) commencing 1 April and ending 31 March (of the following year).

### **Accounting Policies**

The principles and practises that must be applied to financial statements by a Local Authority to meet the requirements of Central Government, external audit and other accounting bodies.

### **Accrual**

An adjustment for either income that relates to a given period but which is not yet reflected in the accounts or expenses that have been incurred within a given period but not recorded in the accounts to date.

### **Actuarial Gains and Losses**

A professional assessment of the increases or decreases in the projected obligations of a defined benefit pension scheme as a result of a (periodic) re-evaluation of the assumptions made in the previous assessment.

### **Budget**

An estimate of expenditure and income for a set period of time.

### **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 on acquiring fixed and tangible assets (such as land, buildings and equipment) that will be used beyond 31 March or expenditure that adds value or maintains existing fixed assets.

### **Capital Financing**

Funds used to pay for capital expenditure.

### **Capital Receipts**

A receipt of money from the sale of fixed or tangible assets that yield benefit to the Council. 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.

### **Cash and cash equivalents**

Internally managed short-term highly liquid investments (of three months or less from the date of acquisition) are recognised as cash equivalents, being easily convertible into a specified amount of cash.

### **Chartered Institute of Public Finance and Accountancy (CIPFA)**

The principal accounting body dealing with local government finance.

### **Collection Fund**

The Fund in which all the income collected from Council Tax and Business Rates is paid into. The funds that the Council needs to run its services (as set out in its budget) are paid out of the Collection Fund.

### **Community Assets**

Assets that the Council intends to hold in perpetuity, that furthers the social wellbeing and interests of the local community and that may have restrictions placed on their disposal (such as parks and historic buildings).

### **Contingent Asset**

A potential asset for the Council that is dependent on the outcome of a decision or action outside of the Council's control. Typically a contingent asset is related to a legal action involving the authority, the outcome of which is uncertain at the time of preparing the balance sheet.

### **Contingent Liability**

A potential liability for the Council that is dependent on the outcome of a decision or action outside of the Council's control. Typically a contingent liability is related to a legal action involving the authority, the outcome of which is uncertain at the time of preparing the balance sheet.

### **Creditors**

Individuals and organisations that are owed amounts by the Council where payments for goods and services pertaining to the financial year have not been made by 31 March.

### **Current Assets**

A current asset is one that is held as at 31 March of the relevant financial year but expected to be consumed or realised by 31 March the following year.

### **Current Liabilities**

A current liability is one that is held as outstanding as at 31 March of the relevant financial year but expected to be paid or discharged by 31 March the following year.

### **Debtors**

Individuals and organisations that owe amounts to the Authority for goods and services pertaining to the financial year but which have not been received by 31 March.

### **De Minimis**

The Council applies a de-minimis or minimum value of £12,000 for the acquisition, creation or enhancement of fixed assets before this expenditure is treated as capital. Any expenditure below this level is treated as an operational expense in the financial year during which it has been incurred.

### **Depreciation/Amortisation**

The measure of the wearing out, consumption or other reduction in the useful economic life of a fixed or tangible asset.

### **General Fund**

An account providing details of expenditure on day-to-day operational costs of council services excluding those shown in the Collection Fund and those shown in the Housing Revenue Account, which are recorded separately.

### **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 (HRA)**

An account that is kept entirely separate from the General Fund and which includes income and expenditure arising from the provision of housing by the Council as a landlord.

### **Impairment**

Impairment is where the book value (or carrying value) of an asset exceeds the amount that could be recovered through use or sale of the asset.

### **International Financial Reporting Standards (IFRS)**

The standards that have been produced and adopted to govern accounting and the move to more globally recognised practices.

### **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.

### **Kent Business Rates Pool**

The KBRP is a voluntary arrangement between Kent County Council and the majority of Kent Districts which allows member authorities to retain locally a proportion of any growth in business rate income with the aim of furthering economic development across the region.

### **Lease**

A legal contract that allows the use of an asset through a formal rental agreement for a specified period of time at a specified cost. 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 any other lease that is not a finance lease.

### **Liabilities**

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

### **Minimum Revenue Provision**

MRP is a charge those councils that are not debt-free are required to make in their accounts for the repayment of debt and which is needed to finance their capital programme.

**Net Asset Value**

The value of a fund's assets less the value of its liabilities. The measure is often used as a measurement to assist in identifying whether a fund is overvalued or undervalued.

**Non-Current Assets**

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

**Non-Domestic Rate**

Amounts payable to local authorities by organisations or businesses from non-domestic properties.

**Outturn**

The actual results for the financial year specified.

**Overheads**

Management and administrative costs (including those of buildings) - the majority of which are allocated across council services to reflect the true cost of services.

**Precept**

The requests made by precepting authorities to billing authorities, e.g. Gravesham Borough Council. The major precepting authorities are Kent County Council, Kent Police and Crime Commissioner and the Kent and Medway Fire and Rescue Authority. These precepts are shown in the Collection Fund.

Parish Councils are local precepting authorities, e.g. Vigo Parish Council, who raise money by means of a precept on the relevant billing authority's General Fund.

**Property, Plant & Equipment**

All assets with physical substance that are used in the production or supply of goods and services that are expected to be used beyond 31 March of the relevant financial year.

**Public Works Loan Board**

Central Government Agency which lends money to local authorities usually at interest rates which are more favourable than those found elsewhere.

**Reserve**

A sum that has been set aside for use in future and earmarked for spending only on a specific purpose in order to prevent the funds from being used on other items of general expenditure.

**Revaluation Reserve**

This account is the accumulation of net surpluses that have arisen from the revaluation of fixed and tangible assets and is required under fair value accounting to deal with the current values of these assets.

**Revenue Expenditure**

The costs related to the day-to-day running of services such as salaries and energy costs.

### **Revenue Support Grant**

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. These are credited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement. (The Council may also receive other non-specific grants and these are shown with the Revenue Support Grant in the "Taxation and Non-Specific Grant Income" line in the Comprehensive Income and Expenditure Statement.)

### **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 Director (Corporate Services) is the Council's Section 151 Officer.

### **Soft Loans**

These are loans made by the authority 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.

### **Virement**

An approved transfer of funds from one part of a budget to another, usually to meet a planned overspend in one section of a budget and which can be met by a planned underspend in another section of the budget.

### **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.