

Gravesham Borough Council

Financial Statement

2018-19

01



Safer
Gravesham

04



Sound &
self-sufficient
council

02



Stronger
Gravesham

03



Sustainable
Gravesham





FINANCIAL REVIEW

and

STATEMENT OF ACCOUNTS

for the year ending

31 March 2019

STUART J BOBBY FCPFA

Director – Corporate Services

NARRATIVE REPORT

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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 2019. The Statement has been prepared in accordance with the requirements of the CIPFA Code of Practice on Local Authority Accounting 2018/19 and is intended to allow interested parties to:
 - Understand the overarching financial position of the Council and the outturn for 2018/19;
 - 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. When setting the General Fund Budget for 2018/19, the Council was able to 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. During 2018/19 the Council pressed ahead with this proactive programme of activity to respond to the unrelenting financial challenges facing local government, with the programme expanded in November 2018 to include a further £1.3m of *Balancing the Budget* initiatives to respond to further budget pressures identified at the start of the 2018 calendar year.
- 1.4. In setting the budget for 2019/20 a further £1.6m of base budget reductions have been reflected in the Medium Term Financial Plan of the Council. This activity has had the effect of pushing back the point at which further savings are currently required to be delivered by the Council until 2023/24. This provides time for the Council to properly consider and plan how further savings can and will be delivered in light of the significant uncertainty on the horizon highlighted at Section 9 of this Narrative Report.
- 1.5. The financial statements demonstrate that the financial standing of the Council continues to be robust. I would like to take this opportunity to thank all officers who have worked throughout the year to deliver these savings, balance the Council's budget and provide value for money in the delivery of council services. I would also thank the officers involved in closing the accounts and producing the high quality financial statements that form a significant part of this document.
- 1.6. In working towards its four Corporate Plan objectives, and associated policy commitments, throughout 2018/19 the Council continued to deliver targeted projects and interventions designed to have positive impacts on the lives of local residents. Initiatives delivered in the last year to realise our vision for the borough include;

Safer Gravesham - the Council implemented the final phase of its new waste and recycling project in 2017/18 with black waste bins given to households, complementing the existing recycling bins and the weekly food waste collection service. Having now completed its first full year of operation, 2018/19 saw the newly finalised service oversee a record level of recycling for the Council; at 42.2%, the Council continues in its efforts towards the government's 2020 target of 50%.

Stronger Gravesham - the Council continued to deliver against its commitment to provide quality affordable housing for the local community with 96 completed units in 2018/19; 61 for shared ownership and 35 for affordable rent. The Council itself delivered 11 units, two of which are fully wheelchair compliant (Kitchener Avenue and Alders Court). The Council also continued in its housing enabling function, working with its affordable housing partners who delivered the remaining 85 new affordable homes across several sites in the borough.

Sustainable Gravesham - In 2018/19, planning permission was granted for the refurbishment and improvement of the St George's Shopping Centre in Gravesend. Working in partnership with Reef Group, the refurbishment of the St George's Shopping Centre forms one part of the wider Gravesend Heritage Quarter project, which will bring new life and activity to the centre of Gravesend. Alongside new homes being built, the development will see new shops, leisure attractions and office space being created across the sites as well as a new hotel.

Sound and Self-Sufficient Council - the Council extended its financial commitment to its Property Acquisition Strategy to £26.2 million. Through the programme the Council aims 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. With interests in seven commercial properties by the end of 2018-19, the Council's commitment of £21.8 million generates annual rental income of £1.5 million, supporting the continued delivery of core services.

- 1.7. There continues to be significant uncertainty around the way in which local government will be funded from 2020/21, with the Spending Review planned for later in 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 remains unclear as to the consequences felt from any action the UK decides to take in implementing its decision to leave the European Union. Closer to home, the Council will be welcoming a new political administration in May 2019 and adopting a new Corporate Plan later in the year. This will be supported by a new Medium Term Financial Strategy for the Council, setting out clear statement of intent as to how the Council will ensure it remains financially sustainable in the longer term, whilst continuing to deliver the services that are important to the communities in Gravesham.

- 1.8.** These are challenging times, but the Council is in a strong position to positively respond and adapt to ensure the realisation of its ambitions for the Borough.

S J Bobby

Stuart J Bobby FCPFA

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 105km² (40 miles²) 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-2017, Gravesham had a population of 106,100, the 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 (14.8 p/h) and Thanet (13.7 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 2017, the average age for a Gravesham resident was 39.3 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 2018, average full-time weekly earnings for residents in the borough were £576.90, representing the fifth lowest figure across Kent districts and £21.20 (3.5%) below the Kent district average. For Gravesham residents working part-time, average weekly earnings were £186.20, the third lowest figure in Kent and £21.60 (4.9%) below the Kent average.
- 2.5.** As at March 2019, across Kent districts Gravesham had the fifth highest rate of people claiming unemployment benefits (JSA or Universal Credit) at 2.8%, higher than the county average of 2.4% 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 is within the 18-24 category, of which 4.5% are unemployed, higher than the overall Kent figure of 3.8%.
- 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

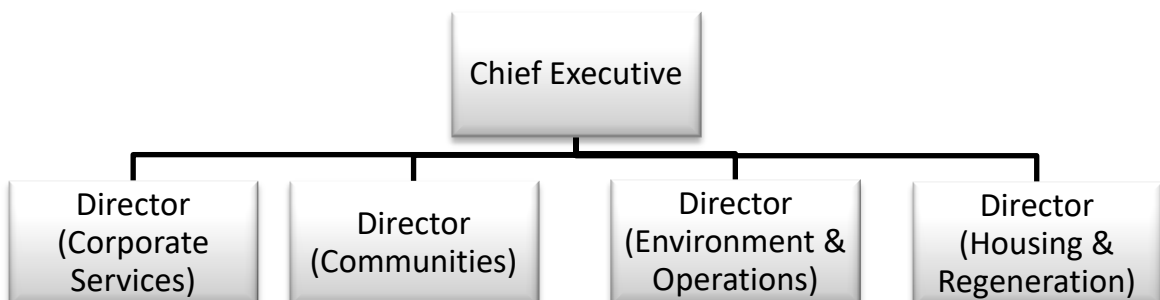
- 3.1.** Gravesham Borough Council is a multi-functional organisation responsible for a wide range of services to the public and the community it serves. The community is represented by 44 elected Members, working on behalf of the 18 Wards within the borough.

- 3.2.** During 2018/19 the council experienced unprecedented political change with twelve councillors, previously within the Conservative Group and including the Leader of the Council, forming a separate political group known as ‘Gravesham Independent Conservatives’. This left the council in a no overall control situation with three Groups, none of which had an overall majority. This resulted in the political composition of the Council being Labour Group – 20, Conservative Group – 12 and Gravesham Independent Conservatives Group – 12.

- 3.3.** 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. As a consequence of the political changes described in the paragraph above, the allocation of Portfolios and the delegation of Executive Functions was changed in the second half of the financial year and passed to Members of the GIC (where they were not Members of the previously existing Cabinet).

- 3.4.** 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 Opposition.

- 3.5.** Supporting the Elected Members is an organisational structure led by the Council’s Management Team. The current Management Team structure was put in place in January 2016 and was 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.



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- 3.6.** In April 2018 the Council employed 491 people across two main sites: the Civic Centre in Gravesend and the Brookvale Depot in Northfleet. By March 2019 this had increased by 5.3% to 517, principally due to the launch on 1st January 2019 of a shared Licensing Service between the council and Medway Council (hosted by Gravesham) and planned growth in the Council's repairs and maintenance service.
- 3.7.** Further information on the governance arrangements of the Council, including the Annual Governance Statement, can be found at:
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.

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 2018/19

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 2018/19 were:

Corporate Objective	Performance measure		2018-19 outturn	
	PM 1	<i>% of waste from households recycled</i>	42.2%	
	PM 3	<i>% of broadly compliant food establishmentsⁱ</i>	94.5%	
	PM 4	<i>% of total housing rent collected (including arrears)</i>	99.5%	
	PM 5	<i>Average time taken to re-let local authority housing</i>	23 days	
	PM 7	<i>Retail vacancy % rateⁱⁱ</i>	9.9%	
	PM 8	<i>% of planning applications processed inside set timescales</i>	<i>(Major)</i>	58%
			<i>(Non-Major)</i>	74%
	PM 9	<i>% of Council Tax collected</i>	96.9%	
	PM 10	<i>% of NNDR collected</i>	99.1%	

5.3. Further details of the Council’s performance during 2018/19 can be found at: www.gravesham.gov.uk/performance

ⁱ Figure correct as at April 2019.

ⁱⁱ Figure correct as at April 2019.

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 2018 the Council set its Budget Requirement for 2018/19 at £12.62m, largely financed by £3.68m of retained Business Rates, £0.59m of Government Grant funding through the New Homes Bonus Scheme, £7.02m of Council Tax income (including £0.32m for Parish Precepts) and use of £1.33m 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 2017/18. This resulted in a Band D Council Tax amount for the Council of £197.28.
- 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 2018/19	Original Budget	Outturn	Variance over/(under)
	£'000	£'000	£'000
All Directorate - Salaries	10,243	9,762	(481)
Chief Executive	(124)	(126)	(2)
Communities	(458)	(1,349)	(891)
Corporate Services	2,678	2,082	(596)
Environment & Operations	1,723	1,360	(363)
Housing & Regeneration	43	(61)	(104)
Non-Directorate Specific	1,092	1,092	0
Directorate total	15,197	12,760	(2,437)
Interest & Investment Income	(677)	(1,073)	(396)
Government Grant Funding	(904)	(1,016)	(112)
Transfers to/(from) Reserves	1,515	3,739	2,224
Transfers to/(from) Balances	1,036	1,793	757
Transactions below the line	(3,544)	(3,633)	(89)
Budget Requirement	12,623	12,570	(53)
Business Rate Income	(3,679)	(5,145)	(1,466)
Council Tax Income	(6,705)	(6,705)	0
Parish Precepts	(322)	(322)	0
New Homes Bonus	(587)	(587)	0
Transfers to/(from) the Collection Fund	0	0	0
Use of Working Balances	(1,330)	(1,330)	0
Budget Shortfall / (Underspend)	0	(1,519)	(1,519)

- 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* and *Balancing the Budget* 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.

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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 and the Kent & Medway Business Rates Retention Pilot. These factors removed the planned need to call on the Council's Working Balances to meet expenditure incurred in the year.

- 6.1.5. Full details, including notes on individual variances within directorates can be found within the Outturn Report as considered by the Cabinet on Monday 3rd June 2019. Papers for the committee can be accessed at: www.gravesham.gov.uk/cabinet

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 2018, the Council set the 2018/19 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.

Housing Revenue Account Outturn 2018/19	Original Budget	Outturn	Variance over/(under)
	£'000	£'000	£'000
Income			
Dwelling Rents	(25,299)	(25,716)	(417)
Other Rental Income	(33)	(59)	(26)
Service Charges	(1,380)	(1,473)	(93)
Non Dwelling Income	(327)	(312)	15
Supporting People Fund - Income	(522)	(490)	32
Other Income	(112)	(904)	(792)
Total Income	(27,673)	(28,954)	(1,281)
Expenditure			
Supervision and Management	6,015	5,948	(67)
Repairs and Maintenance	7,767	7,521	(246)
Depreciation	6,814	6,790	(24)
Supporting People Fund - Expenditure	667	532	(135)
Capital Financing Costs	6,539	7,182	643
Total Expenditure	27,802	27,973	171
Net transfers to/(from) Reserves	(129)	981	1,110
Net (Surplus)/Deficit for the year	0	0	0

6.2.4. The difference between the Original Budget and final outturn was mainly due to the 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 housing service, in particular 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 by the Cabinet on Monday 3rd June 2019. Papers for the committee can be accessed at: www.gravesham.gov.uk/cabinet

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 2018/19 the Council spent £13.35m on General Fund capital schemes, including further investment of £12.05m 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. The Council also entered into an agreement for redevelopment of the St George's Shopping Centre. The scheme, which commenced in April 2019, will see some £14.20m invested in reinvigorating the shopping centre, located in the heart of Gravesend.

6.3.4. For Housing Services, expenditure was £11.60m 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 2019 stood at £46.23m, (31 March 2018, £31.32m), boosted primarily due to the council holding sums related to the future redevelopment of the St George's Shopping Centre. During 2018/19 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. The Council continued to have holdings in Property Funds and Multi-Asset Funds, as well as maintaining shorter-term deposits with the UK banking sector and Money Market Funds.

6.4.2. The Council also had £89.08m long-term borrowing as at 31 March 2019 (31 March 2018, £93.90m), primarily in the form of £81.08m Public Works Loans Board (PWL) borrowing undertaken in relation to HRA self-financing. This represents a decrease of £4.82m in long-term borrowing from 2017/18 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 0.76% on its internally managed cash flow investments (including cash equivalents) for the year (2017/18, 0.448%). The average rate of return on Property Funds was 4.05% (2017/18, 4.13%), with the average rate of return on Multi-Asset Funds being 4.28%.
- 6.4.4. The Council continues to be proactive in identifying and implementing 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 £9.29m as at 31 March 2019, while HRA working balances stood at £3.00m (working balances at 31 March 2018 were £7.31m and £3.00m respectively).
- 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 2019 (for General Fund and HRA purposes) is £17.33m (£14.94m at 31 March 2018).

7. Commentary on the Primary Financial Statements for 2018/19

A summary of the Primary Financial Statements is provided below:

7.1 The Comprehensive Income and Expenditure Statement (CIES) (Page 43)

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 deficit on the provision of services of £71.26m during 2018/19. However, it should be noted that within this total, £84.86m relates to the St George's Shopping Centre revaluation loss.

Comprehensive Income & Expenditure Statement	2017/18 Actual	Movement during year	2018/19 Actual
	£'000	£'000	£'000
Cost of Services	3,670	80,598	84,268
Other Income and Expenditure	(19,724)	6,716	(13,008)
(Surplus) or Deficit on Provision of Services	(16,054)	87,314	71,260
Other Comprehensive Income and Expenditure	(10,429)	(2,259)	(12,688)
Total Comprehensive Income and Expenditure	(26,483)	85,055	58,572

7.2. The Balance Sheet (Page 44)

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, however 2018/19 shows the effect of the St George's Shopping Centre revaluation loss of £84.86m.

7.2.2. During 2018/19, the Council has seen a greater reduction in the value of its assets than its liabilities, resulting in a decrease in its net worth during the year of £58.57m.

Balance Sheet	31st March 2018	Movement during year	31st March 2019
	£'000	£'000	£'000
Non-current Assets	412,377	30,369	442,746
Current Assets	19,387	17,355	36,742
Current Liabilities	(13,049)	(2,660)	(15,709)
Total Non-Current Assets plus Net Current Assets	418,715	45,064	463,779
Non-Current Liabilities	(162,356)	(103,636)	(265,992)
Total Assets less Liabilities	256,359	(58,572)	197,787
Financed by:			
Unusable Reserves	(217,277)	64,183	(153,094)
Usable Reserves	(39,082)	(5,611)	(44,693)
Total Net Worth	(256,359)	58,572	(197,787)

7.3. The Movement in Reserves Statement (MIRS) (Page 45)

- 7.3.1. The MIRS shows movements in the 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 decreased during 2018/19 by £58.57m, primarily due to the decrease in the level of Unusable Reserves at the end of the year. This, in part, was due to the £84.86m revaluation loss relating to the St George's Shopping Centre.

Movement in Reserves Statement	Usable Reserves	Unusable Reserves	Total Reserves
	£'000	£'000	£'000
Balance at 31st March 2018	(39,082)	(217,277)	(256,359)
(Increase)/decrease in year	(5,611)	64,183	58,572
Balance at 31st March 2019	(44,693)	(153,094)	(197,787)

7.4. The Cash Flow Statement (Page 46)

- 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 2018/19, the Council's level of cash and cash equivalents increased by £4.39m, largely due to transactions associated with the St George's Shopping Centre.

Cash Flow Statement	2017/18	Movement during year	2018/19
	£'000	£'000	£'000
Net (Surplus) or Deficit on the Provision of Services	(16,054)	87,314	71,260
Adjustment to the net (surplus)/deficit on the provision of services	4,245	(94,368)	(90,122)
Net Cash Flows from Operating Activities	(11,809)	(7,054)	(18,862)
Net cash flows from investing activities	15,923	4,219	20,142
Net cash flows from financing activities	2,900	(7,871)	(4,971)
Net (increase) or decrease in cash or cash equivalents	7,014	(10,705)	(3,691)
Cash and cash equivalents at the end of the reporting period	702	3,691	4,393

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 2018/19:

Key risks to the achievement of the Council's strategic priorities in 2018/19			
Risk	Assessed Risk Score	Mitigating Actions	Target Risk Score for year end
Ongoing financial viability of the Council	20	Achievement of Business Rates Retention Pilot Status for 2018/19	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.	
		Delivery of <i>Bridging the Gap</i> activity	
		Robust budget monitoring arrangements.	
Changes in national priorities and legislative change	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, including planned induction and refresher training. Proactive arrangements to respond to consultations.	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 2018/19			
Risk	Assessed Risk Score	Mitigating Actions	Target Risk Score for year end
Organisational capacity/ resilience	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.	
100% Business Rates Retention Scheme	15	Proactive arrangements to respond to consultations from central government on the design and technical principles of the new scheme.	15
		Active monitoring of the potential impact of any scheme design on the council.	
Implementation of the Homelessness Reduction Act	20	Ongoing review and monitoring of resourcing available to deliver new legislative requirements under the Act.	15
		Monitoring of demand for services to be monitored and presented to Management Team and Cabinet on a quarterly cycle.	
		Implementation of appropriate software to assist in managing demand for services.	
Universal Credit	15	Maintaining an open relationship with Job Centre Plus Senior Officers and the Citizen's Advice Bureau. Providing briefings to staff and Members.	12
		Arrangements put in place to ensure customers are informed and are able to access help and support with claiming Universal Credit and managing their finances.	
General Data Protection Regulations (GDPR)	15	Formation of an Information Governance Group to oversee implementation of controls to meet the requirements of the regulations. Training and awareness raising of staff who access and use personal data.	12

- 8.3.** The previous table 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. 2019/20 and Beyond

- 9.1.** The financial environment within which the Council operates will remain challenging with yet more uncertainty in 2019/20. 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 2019/20 Gravesham will have the fifth lowest level of spending power per dwelling in Kent at £246. Despite it being less than nine months until the Council has to set its budget for the 2020/21 financial year, 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 until Autumn 2019. The delay in the UK leaving the European Union and the impact of any decision on this during 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 2020/21 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

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 2019.

S J Bobby

Stuart J Bobby FCPFA

Date: 29 July 2019

Certification of Chair of Finance & Audit Committee

I confirm that the adoption process for the 2018/19 Statement of Accounts has been formally completed and that the Financial Review and Statement of Accounts for the year ended 31 March 2019 was considered and approved by Gravesham Borough Council at the meeting of the Finance & Audit Committee on 23 July 2019.

G Singh

Cllr Gurbax Singh

Date: 29 July 2019

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

In accordance with IFRS15, revenue is accounted for at the point at which services are delivered to service recipients, not necessarily when cash payments are made or received. In particular:

- Revenue from the provision of goods and 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 Business 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 and services are recorded as expenditure when they are consumed – where there is a gap between the date supplies or services are received and their consumption; they are held 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

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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.

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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 the following categories:

- Financial assets at amortised costs
- Financial assets at fair value through other comprehensive income, and
- Financial assets at fair value through profit and loss

The classification is determined by the cash flow and business model characteristics of the financial assets, as set out in The Code, and is determined at the time of initial recognition.

12.27. Financial Assets at Amortised Cost

Financial assets measured at amortised cost are those held with the objective to collect contractual cash flows and where the cash flows are solely payments of principal and interest. This includes most trade receivables, loans receivable and other simple investments.

After initial recognition, these financial assets are measured at amortised cost using the effective interest method, less any impairment. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the life of the financial asset to the gross carrying amount of the financial asset.

For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

When soft loans are made (loans at less than market rates), a loss is recorded in the CIES for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the principal outstanding.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

12.28. Financial Assets at Fair Value Through Other Comprehensive Income

Financial assets measured at fair value through other comprehensive income are those held whose objective is achieved by both collecting contractual cash flows and selling financial assets and where the cash flows are solely payments of principal and interest.

12.29. Financial Assets at Fair Value Through Profit and Loss

Financial assets measured at fair value through profit or loss are those that are not otherwise measured at amortised cost or fair value through other comprehensive income. They are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus of Deficit on the Provisions of Services.

The fair value measurements of the financial assets are based on the following techniques:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels

- Level 1 – quoted 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 assets or liability.

Any gains or losses that arise on derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

12.30. Expected Credit Loss

For all financial assets measured at amortised cost or at fair value through other comprehensive income, the Council recognises expected credit losses on the financial instrument. The Code requires that local authorities shall not recognise a loss allowance for expected credit losses on financial assets where the counterparty for a financial asset is central government or a local authority for which relevant statutory provisions prevent default.

The Council adopts the simplified approach to impairment, in accordance with the Code, and measures the loss allowance for trade receivables, contract assets and lease receivables at an amount equal to lifetime expected credit losses. For other financial assets, the loss allowance is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial instrument has increased significantly since initial recognition, otherwise at an amount equal to 12-month expected credit losses.

For financial assets that have become credit impaired since initial recognition, expected credit losses at the reporting date are measured as the difference between

the net present value of all the contractual cash flows that are due to the Council in accordance with the contract for the instrument and the net present value of all the cash flows that the Council expects to receive, discounted at the original effective interest rate. Any adjustment is recognised in the Surplus or Deficit on the Provision as an impairment gain or loss.

12.31. Fair Value Measurement of non-financial assets

The authority measures some of its non-financial assets at fair value at each reporting date. Fair value is the price that would be received to sell such 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.

12.32. Events after the Balance Sheet Date

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

Events which arise after the Balance Sheet date and concern conditions which did not exist at that time are detailed 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'.

There is a high level of uncertainty regarding the implications of the United Kingdom leaving the European Union. The flexible extension of Article 50 until 31st October 2019 remains in place. If a withdrawal agreement is ratified by the UK and EU before October, the extension will be terminated. This is considered to be a non-adjusting event at the date of the Balance Sheet date.

12.33. 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.

12.34. Council Tax & Business Rate (NDR) Income

The Council is a billing authority and as such is required to bill local residents and businesses for Council Tax and Business (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 Business 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 Business Rates for the element relating to Gravesham 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 Business 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.

12.35. 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 2018/19.

12.36. 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.

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. CIPFA/LASAAC have deferred implementation of IFRS16 for local government until 1 April 2020. It is anticipated that these changes will not have a material impact on the Council's accounts.

IAS 40 Investment Property: Transfers of Investment Property – the Standard provides clarification on of the instances in which a property can be reclassified as investment property. It is anticipated that these changes will not have a material impact on the Council's accounts.

IFRIC 22 Foreign Currency Transactions and Advance Consideration - this provides requirements for the exchange rate to be used in reporting foreign currency payments that are made in advance of obtaining or delivering services or goods. The Council does not have any material transactions within the scope of the amendment.

IFRIC 23 Uncertainty over Income Tax Treatments – this provides additional guidance on income tax treatment where there is uncertainty. This will have no impact on Council currently, and may have minimal impact on any future group accounts the Council may be required to prepare.

IFRS 9 Financial instruments: Prepayment Features with Negative Compensation – the Standard is to be amended to clarify that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest. This is expected to have no impact on the Council's accounts.

12.37. 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** – there remains a high degree of uncertainty around future levels of funding for local government, particularly for 2020/2021. The delay in the UK leaving the European Union and the impact of this on funding 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.
- **Kent & Medway Business Rates Pilot** – The Council was part of the Kent & Medway Business Rates Pilot for 2018/19. The financial statements for 2018/19 include income arising from membership of this scheme.
- **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

ACCOUNTING POLICIES

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.

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

The items in the Authority's Balance Sheet at 31 March 2019 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
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 by £174,180 for every year that useful lives had to be reduced.
Pensions Liability	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 £3.08m. A 1 year reduction in life expectancy assumptions would result in a £6.16m decrease in the pension liability.
Business Rates	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 £0.21m. The Council share of that increase in provision would be £0.08m (40%).

ACCOUNTING POLICIES

Item	Uncertainties	Effect if Actual Result Differs from Assumptions
Fair Value measurement of investment property	The Council's valuers will use valuation techniques to determine the fair value of investment property, in line with how market participants would price the property. This will be based on observable data as far as possible but this may not always be available. In that case, the valuers use the best information available.	Estimated fair values may differ from the actual prices that could be achieved.
UK leaving the EU	There is a high level of uncertainty regarding the implications of the United Kingdom leaving the European Union. It is not possible to anticipate any impact the final course of action determined by Government will have on the value of both financial and non-financial assets held by the Council or its Pension Liability.	Impairment allowances may need to be increased. Changes to discount rates and value of fund investments could impact on the net pension liability of the Council. The value of financial assets may reduce.

12.38. Material Items of Income and Expense

In June 2018 the Council entered into an agreement with Aviva Investors Commercial Assets GP Limited and Reef Estates Group to redevelop the St George's Shopping Centre. The scheme, which commenced in April 2019, will see some £14.20m invested in reinvigorating the shopping centre located in the heart of Gravesend. The scheme is being taken forward to stabilise and invigorate the retail environment.

The scheme is funded through an income strip structure, which effectively provides forward-funding by the investor to deliver regeneration of the shopping centre. In return, the Council will be liable to make ongoing lease payments to the investor over a 50 year period.

CORE FINANCIAL STATEMENTS

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COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2017/18 Restated Net Cost*	Comprehensive Income & Expenditure Statement	Expenditure	Income	Net Cost
£'000		£'000	£'000	£'000
203	Chief Executive's Directorate	204	0	204
6,084	Communities Directorate	9,647	(5,157)	4,490
0	St George's Centre - Revaluation Loss	84,857	0	84,857
1,798	Corporate Services Directorate	34,813	(32,873)	1,940
2,959	Environment & Operations Directorate	6,830	(5,035)	1,795
(8,658)	Housing & Regeneration Directorate - HRA Services	21,012	(28,281)	(7,269)
(1,847)	HRA revaluations (Note 13.6)	(4,723)	0	(4,723)
1,928	Housing & Regeneration Directorate - Other Services	3,664	(1,945)	1,719
1,203	Non Directorate Specific	1,255	0	1,255
3,670	Net Cost of Services	157,559	(73,291)	84,268
(4,379)	Other Operating Expenditure/(Income) (Note 13.2)			(780)
(2,307)	Financing and Investment Income and Expenditure (Note 13.3)			2,908
(13,038)	Taxation and Non-Specific Grant Income (Note 13.4)			(15,136)
(16,054)	(Surplus)/Deficit on the Provision of Services			71,260
(2,998)	Surplus or Deficit on revaluation of non-current assets (Note 13.16.1)			(3,096)
(357)	Revaluation of available-for-sale assets			0
0	Financial Instruments measured at Fair Value			36
(7,074)	Remeasurements of the net defined benefit liability (Note 13.24)			(9,628)
(10,429)	Other Comprehensive Income & Expenditure			(12,688)
(26,483)	Total Comprehensive Income & Expenditure			58,572

*2017/18 has been re-stated to reflect a re-allocation of expenditure between the General Fund and HRA, albeit which has no net impact across the Council as a whole.

Prior Period Adjustment - Comprehensive Income & Expenditure Statement 2017/18	Audited 2017/18 Accounts Net Cost	Adjustments between Directorate headings	Restated 2017/18 Accounts Net Cost
	£'000	£'000	£'000
Chief Executive's Directorate	203	0	203
Communities Directorate	6,371	(287)	6,084
St George's Centre - Revaluation Loss	0	0	0
Corporate Services Directorate	2,988	(1,190)	1,798
Environment & Operations Directorate	3,186	(227)	2,959
Housing & Regeneration Directorate - HRA Services	(10,462)	1,804	(8,658)
HRA revaluations (Note 13.6)	(1,847)	0	(1,847)
Housing & Regeneration Directorate - Other Services	2,028	(100)	1,928
Non Directorate Specific	1,203	0	1,203
Net Cost of Services	3,670	0	3,670

A prior-period adjustment to re-categorise HRA-related expenditure previously included within the 2017/18 Comprehensive Expenditure & Income Statement under other service headings, has taken place as described in the table above. The net effect of the adjustments (included within the 2017/18 Net Cost of Services) is nil across the Council as a whole. Corresponding amendments have been made to the HRA Income and Expenditure Statement and Expenditure & Funding Analysis, which correlate directly to the revised Comprehensive Income and Expenditure net costs above.

BALANCE SHEET

At 31 March 2018	Balance Sheet		At 31 March 2019	
£'000		Notes	£'000	£'000
	Property, Plant and Equipment	13.6		
	Operational assets			
313,369	- council dwellings		320,205	
37,234	- other land and buildings		48,733	
3,983	- vehicles, plant and equipment		3,662	
1,497	- infrastructure assets		1,350	
2,892	- community assets		2,877	
0	Non-operational assets			
1,981	- assets under construction		2,694	
79	- land and buildings		596	
<u>361,035</u>	Total Property, Plant and Equipment		<u>380,117</u>	
281	Intangible Assets		242	
3,404	Heritage assets	13.8	3,544	
27,390	Investment Properties	13.9	38,690	
324	Long Term Debtors		337	
19,943	Long term Investments		19,816	62,629
<u>412,377</u>	Total Non-Current Assets		<u>442,746</u>	
10	Inventories		27	
14,952	Short -term Debtors (Gross)	13.10	17,471	
(6,764)	Debt Impairment Provision		(7,169)	
702	Cash and Cash Equivalents	13.11	4,393	
10,487	Investments		22,000	
0	Assets Held For Sale		20	36,742
<u>431,764</u>	Total Assets		<u>479,488</u>	
	Current Liabilities:			
(4,471)	Short-term Borrowing		(6,107)	
(8,578)	Short-term Creditors	13.12	(9,602)	(15,709)
<u>418,715</u>	Total Assets less Current Liabilities		<u>463,779</u>	
	Long Term Liabilities:			
(543)	Capital Grants Receipts in Advance	13.13	(14,493)	
0	Revenue Grants Receipts in Advance	13.14	(8,884)	
(1,596)	Provisions	13.15	(1,345)	
(66,317)	Liability Related to Defined Benefit Pension Scheme	13.24	(59,563)	
(93,900)	Long-term Borrowing	13.28	(181,707)	
<u>(162,356)</u>	Total Long-term Liabilities		<u>(265,992)</u>	
<u>256,359</u>	Total Net Assets		<u>197,787</u>	
	Financed by:			
(217,277)	Unusable Reserves	13.16	(153,094)	
(39,082)	Usable Reserves	13.17	(44,693)	(197,787)
<u>(256,359)</u>	Total Reserves		<u>(197,787)</u>	

MOVEMENT IN RESERVES STATEMENT

Financial Year 2018/19	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
Balance at 31 March 2018	(7,305)	(14,940)	(3,000)	(977)	(12,272)	(588)	(39,082)	(217,277)	(256,359)
(Surplus)/Deficit on Provision of Services	83,028		(11,768)				71,260		71,260
Other Comprehensive Expenditure or Income								(12,688)	(12,688)
Total Comprehensive Expenditure and Income	83,028		(11,768)				71,260	(12,688)	58,572
Adjustment between accounting basis and funding basis (Note 13.18)	(88,750)		13,124	(1,077)	(426)	258	(76,871)	76,871	0
Net (increase)/decrease before transfers to Earmarked Reserves	(5,722)		1,356	(1,077)	(426)	258	(5,611)	64,183	58,572
Transfers to/(from) Earmarked Reserves (Note 13.17.3)	3,739	(2,383)	(1,356)				0		0
(Increase)/Decrease in year	(1,983)	(2,383)	0	(1,077)	(426)	258	(5,611)	64,183	58,572
Balance at 31 March 2019	(9,288)	(17,323)	(3,000)	(2,054)	(12,698)	(330)	(44,693)	(153,094)	(197,787)

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
Balance at 31 March 2017	(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)
Total Comprehensive Expenditure and Income	(3,104)		(12,950)				(16,054)	(10,429)	(26,483)
Adjustment between accounting basis and funding basis (Note 13.18)	1,524		10,130	745	(699)	669	12,369	(12,369)	0
Net (increase)/decrease before transfers to Earmarked Reserves	(1,580)		(2,820)	745	(699)	669	(3,685)	(22,798)	(26,483)
Transfers to/(from) Earmarked Reserves (Note 13.17.3)	437	(3,257)	2,820				0		0
(Increase)/Decrease in year	(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)

CASH FLOW STATEMENT

2017/18	Cash Flow Statement	2018/19	
£'000		£'000	£'000
(16,054)	a) Net (Surplus) or Deficit on the Provision of Services		71,260
	b) Adjustment to the net (surplus)/deficit on the provision of services for non-cash movements		
(8,417)	Depreciation and amortisation of non-current assets	(8,885)	
(651)	Impairment and downward valuations	(84,764)	
1,847	Impairment reversals (including writing out depreciation)	4,723	
5,411	Movement in market value of investment property	2,672	
(359)	Movement in impairment provision for bad debts	(405)	
3,581	Movement in revenue creditors	(1,473)	
1,085	Movement in revenue debtors	3,381	
(20)	Movement in inventories	17	
(3,225)	Movement in pension liability	(2,874)	
(1,348)	Carrying amount of non-current assets sold	(4,875)	
(251)	Other non-cash items charged to the net surplus or deficit on the provision of services	(683)	
(18,401)			(21,906)
	c) Adjustment for items in the net (surplus)/deficit on the provision of services that are investing and financing activities		
6,550	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,906	
42	Other Receipts for investing activities	138	3,044
(11,809)	d) Net Cash Flows from Operating Activities		(18,862)
	e) Investing Activities		
17,410	Purchase of property, plant and equipment, investment property and intangible assets	24,767	
4,450	Purchase of Short Term and Long Term Investments	11,549	
655	Other Payments for investing activities	822	
(6,550)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,906)	
0	Capital Grants received in year	(13,952)	
(42)	Other Receipts for investing activities	(138)	
15,923	Net cash flows from investing activities		20,142
	f) Financing Activities		
0	Cash Receipts of short and long term borrowing		
(684)	Other receipts from financing activities	(862)	
3,584	Repayments of short and long term borrowing	4,181	
0	Lease incentives received	(9,068)	
0	Cash Payment for the reduction of the outstanding liabilities relating to finance leases	778	
0	Other payments for financing activities	0	
2,900	Net cash flows from financing activities		(4,971)
7,014	g) Net movements in year excluding non-cash items		(3,691)
7,716	h) Cash and cash equivalents at the beginning of the reporting period		702
(7,014)	i) Net increase or (decrease) in cash or cash equivalents		3,691
702	j) Cash and cash equivalents at the end of the reporting period		4,393

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 2018/19	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	41	163	204	0	204
Communities	2,642	2,210	4,852	0	4,852
St George's Centre - Revaluation Loss	0	84,857	84,857	0	84,857
Corporate Services	4,818	(1,572)	3,246	0	3,246
Environment & Operations	2,363	(312)	2,051	0	2,051
Housing & Regeneration - HRA Services	(981)	52	(929)	(13,124)	(14,053)
Housing & Regeneration - Other Services	1,804	52	1,856	0	1,856
Non-Directorate Specific	1,092	163	1,255	0	1,255
Net cost of services	11,779	85,613	97,392	(13,124)	84,268
Other income and expenditure - HRA Services	0	225	225	0	225
Other income and expenditure - Other Services	(18,481)	(83,502)	(101,983)	88,750	(13,233)
(Surplus) or deficit	(6,702)	2,336	(4,366)	75,626	71,260
Opening General Fund and HRA Balance (Note 1)			(25,245)		
(Surplus)/Deficit on General Fund and HRA Balance in Year			(4,366)		
Closing General Fund and HRA Balance as at 31 March 2019			(29,611)		

13.1.1 Note 1 to the 2018/19 Expenditure and Funding Analysis

Analysis of Balances 2018/19	Opening Balance	(Surplus)/Deficit in Year	Closing Balance as at 31 March 2019
	£'000	£'000	£'000
General Fund	(7,305)	(1,983)	(9,288)
Earmarked Reserves	(14,940)	(2,383)	(17,323)
Housing Revenue Account	(3,000)	0	(3,000)
Total Balances	(25,245)	(4,366)	(29,611)

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 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)	Restated Net Expenditure in the Comprehensive Income and Expenditure Statement*
	£'000	£'000	£'000	£'000	£'000
Chief Executive	39	164	203	0	203
Communities	(3,863)	9,947	6,084	0	6,084
Corporate Services	5,971	(4,173)	1,798	0	1,798
Environment & Operations	2,580	379	2,959	0	2,959
Housing & Regeneration - HRA Services	(2,820)	2,445	(375)	(10,130)	(10,505)
Housing & Regeneration - Other Services	2,948	(1,020)	1,928	0	1,928
Non-Directorate Specific	1,097	106	1,203	0	1,203
Net cost of services	5,952	7,848	13,800	(10,130)	3,670
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)
(Surplus) or deficit	(4,400)	0	(4,400)	(11,654)	(16,054)
Opening General Fund and HRA Balance (Note 1)			(20,845)		
(Surplus)/Deficit on General Fund and HRA Balance in Year			(4,400)		
Closing General Fund and HRA Balance as at 31 March 2018			(25,245)		

*2017/18 has been re-stated to reflect a re-allocation of expenditure between the General Fund and HRA, albeit which has no net impact across the Council as a whole.

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)
Total Balances	(20,845)	(4,400)	(25,245)

NOTES TO THE CORE FINANCIAL STATEMENTS

13.1.2 Note 2 to the 2018/19 Expenditure and Funding Analysis

Reconciliation between out-turn and EFA 2018/19	General Fund as reported at out-turn	HRA as reported at out-turn	Total out-turn	Adjustments	Total reported out-turn in EFA format
	£'000	£'000	£'000	£'000	£'000
All Directorate - Salaries	9,762		9,762	(9,762)	0
Chief Executive	(126)		(126)	167	41
Communities	(1,349)		(1,349)	3,991	2,642
Corporate Services	2,082		2,082	2,736	4,818
Environment & Operations	1,360		1,360	1,003	2,363
Housing & Regeneration	(61)	(981)	(1,042)	1,865	823
Non-Directorate Specific	1,092		1,092	0	1,092
Directorate total	12,760	(981)	11,779	0	11,779
Interest & Investment Income	(1,073)		(1,073)	1,073	0
Government Grant Funding	(1,016)		(1,016)	1,016	0
Transfers to/(from) Reserves	3,739	981	4,720	(4,720)	0
Transfers to/(from) Balances	1,793		1,793	(1,793)	0
Transactions below the line	(3,633)		(3,633)	3,633	0
Other income and expenditure	0		0	(13,298)	(13,298)
Budget Requirement	12,570	0	12,570	(14,089)	(1,519)
Business Rate Income	(5,145)		(5,145)	5,145	0
Council Tax Income	(6,705)		(6,705)	6,705	0
Parish Precepts	(322)		(322)	322	0
New Homes Bonus	(587)		(587)	587	0
Transfers to/(from) the Collection Fund	0		0	0	0
Use of Working Balances	(1,330)		(1,330)	1,330	0
Budget Shortfall / (Underspend)	(1,519)	0	(1,519)	0	(1,519)
Reconciliation to EFA					
Directorate total					11,779
Other income and expenditure in outturn				(13,298)	
Less movements in reserves items:					
<i>Transfers to/(from) Reserves (adjusted within out-turn presentation)</i>				(4,720)	
<i>Transfers to/(from) Balances</i>				(1,793)	
<i>Use of Working Balances</i>				1,330	
Other income and expenditure in EFA					(18,481)
(Surplus) or deficit in EFA					(6,702)

NOTES TO THE CORE FINANCIAL STATEMENTS

13.1.2 Note 2 to the 2017/18 Expenditure and Funding Analysis

Reconciliation between out-turn and EFA 2017/18	General Fund as reported at out-turn	HRA as reported at out-turn	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
Directorate total	8,772	(2,820)	5,952	0	5,952
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)
Budget Requirement	12,362	0	12,362	(13,308)	(946)
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
Budget Shortfall / (Underspend)	(946)	0	(946)	0	(946)
Reconciliation to EFA					
Directorate total					5,952
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)
(Surplus) or deficit in EFA					(4,400)

NOTES TO THE CORE FINANCIAL STATEMENTS

13.1.3 Note 3 to the Expenditure and Funding Analysis

Adjustments from General Fund and HRA balances to arrive at the Comprehensive Income and Expenditure Statement 2018/19	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	(6,810)	442	(6,756)	(13,124)
Housing & Regeneration - Other Services				0
Non-Directorate Specific				0
Net cost of services	(6,810)	442	(6,756)	(13,124)
Other income and expenditure from the funding analysis	86,475	2,432	(157)	88,750
Difference between General Fund & HRA surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	79,665	2,874	(6,913)	75,626

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
Net cost of services	(4,020)	523	(6,633)	(10,130)
Other income and expenditure from the funding analysis	(4,271)	2,702	45	(1,524)
Difference between General Fund & HRA surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(8,291)	3,225	(6,588)	(11,654)

NOTES TO THE CORE FINANCIAL STATEMENTS

13.1.4 Note 4 to the Expenditure and Funding analysis

207/18	Summary of revenue recognised from contracts with service recipients within Expenditure & Funding Analysis	201/8/19
Income		Income
£'000		£'000
0	Chief Executive	0
(4,140)	Communities	(5,834)
(130)	Corporate Services	(134)
(2,739)	Environment & Operations	(3,202)
(28,229)	Housing & Regeneration - HRA Services	(28,055)
(637)	Housing & Regeneration - Other Services	(855)
0	Non-Directorate Specific	0
<u>(35,875)</u>	Revenue recognised within EFA	<u>(38,080)</u>
0	Other income - HRA Services	0
0	Other income - Other Services	0
<u>0</u>	Other income recognised within EFA	<u>0</u>
<u>(35,875)</u>	Total revenue recognised from contracts with service recipients within EFA	<u>(38,080)</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

13.2. Other Operating Expenditure/Income

2017/18		2018/19		
Net Expenditure	Other Operating Expenditure	Expenditure	Income	Net Expenditure
£'000		£'000	£'000	£'000
299	Parish Precepts	323		323
42	Levies	43		43
524	Payments to the Housing Capital Receipts Pool	523		523
(5,202)	(Gains)/Losses on the disposal of non-current assets	1,375	(2,906)	(1,531)
(42)	Other capital receipts		(138)	(138)
(4,379)	Total	2,264	(3,044)	(780)

13.3. Financing and Investment Income and Expenditure

2017/18		2018/19		
Net Expenditure	Financing and Investment Income and Expenditure	Expenditure	Income	Net Expenditure
£'000		£'000	£'000	£'000
3,065	Interest Payable and Receivable	3,163	(247)	2,916
(496)	Other Investment Income		(880)	(880)
1,853	Pensions Interest cost and return on pension assets	1,650		1,650
(219)	Trading Operations (see below)	622	(816)	(194)
(6,510)	Investment Properties (inc fair value changes)	898	(1,609)	(711)
0	Financial Instruments	127		127
(2,307)	Total	6,460	(3,552)	2,908

The following (surpluses)/deficits have been realised in relation to Trading Operations carried out during 2018/19:

2017/18		2018/19		
Net Expenditure	Trading Operations	Expenditure	Income	Net Expenditure
£'000		£'000	£'000	£'000
(148)	Industrial Estates	12	(135)	(123)
(27)	Spotlites Café	237	(252)	(15)
(44)	Trade Refuse Services	373	(429)	(56)
(219)	Total	622	(816)	(194)

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.

2017/18	Taxation and Non-specific Grant Income	2018/19
£'000		£'000
(6,647)	Council Tax Income	(6,997)
(3,126)	Business Rates Income	(3,819)
0	Business Rates Income - Kent & Medway Business Rates Pilot	(1,630)
(349)	Non-Ringfenced Government Grants	(1,603)
0	Capital Grants & Contributions	(1,087)
(10,122)	Total	(15,136)

13.5. Expenditure and Income analysed by nature

2017/18 Restated Total Net Expenditure*	Expenditure and Income Analysed by Nature	General Fund Net Expenditure	2018/19 HRA Net Expenditure	Total Net Expenditure
£'000		£'000	£'000	£'000
	Expenditure			
17,284	Employee expenses	14,473	3,028	17,501
50,429	Other service expenses	42,892	9,117	52,009
524	Payments to Housing Capital Receipts Pool	523	0	523
3,771	Depreciation, amortisation, impairment & revaluations	87,796	2,083	89,879
(5,202)	(Gains)/losses on disposal of non-current assets	14	(1,545)	(1,531)
5,071	Interest payments	2,118	2,695	4,813
341	Precepts & levies	366	0	366
13,164	Support service recharges	9,920	3,835	13,755
85,382	Total Expenditure	158,102	19,213	177,315
	Income			
(39,948)	Fees and charges and other service income	(14,491)	(29,153)	(43,644)
(9,773)	Income from Council Tax and Business Rates	(12,446)	0	(12,446)
(37,902)	Government grants and contributions	(35,083)	0	(35,083)
(13,164)	Support service recharges	(11,981)	(1,774)	(13,755)
(649)	Interest and investment income	(1,073)	(54)	(1,127)
(101,436)	Total Income	(75,074)	(30,981)	(106,055)
(16,054)	(Surplus)/Deficit on the Provision of Services	83,028	(11,768)	71,260

* Restatement within 2017/18 relates to revaluation gains and losses now included within "Depreciation, amortisation, impairment & revaluations", whereas previously these were within "Other service income" and "Other service expenses" respectively.

NOTES TO THE CORE FINANCIAL STATEMENTS

13.6. Property Plant and Equipment

Financial Year 2018/19	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
Cost or Valuation As at 1 April 2018	313,369	38,490	8,449	2,218	2,892	1,981	82	367,481
Additions	9,426	94,939	400	0	0	1,394	196	106,355
Revaluation increases/(decreases) recognised in Revaluation Reserve	0	2,961	0	0	0	0	400	3,361
Revaluation increases/(decreases) recognised in Surplus/Deficit on Provision of Services	4,723	(84,745)	0	0	0	0	0	(80,022)
Derecognition - disposals	(1,274)	(94)	0	0	(14)	0	(46)	(1,428)
Assets reclassified	506	(37)	0	0	0	(680)	(35)	(246)
Other movements in cost or valuation*	(6,545)	(1,408)	0	0	0	(1)	0	(7,954)
As at 31 March 2019	320,205	50,106	8,849	2,218	2,878	2,694	597	387,547
Accumulated Depreciation and Impairments As at 1 April 2018	(0)	(1,256)	(4,466)	(721)	0	0	(3)	(6,446)
Depreciation Charge for year	(6,572)	(1,368)	(721)	(147)	0	0	0	(8,808)
Accumulated depreciation written out to the Revaluation Reserve	0	1,218	0	0	0	0	0	1,218
Accumulated depreciation written out to the Surplus/Deficit on the Provision of Services	6,545	174	0	0	0	0	0	6,719
Impairment (losses)/reversals recognised in the Revaluation Reserve	0	(205)	0	0	0	0	0	(205)
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	27	23	0	0	0	0	2	52
Other movements in depreciation and impairment	0	16	0	0	(1)	0	0	15
As at 31 March 2019	0	(1,373)	(5,187)	(868)	(1)	0	(1)	(7,430)
Net Book Value								
At 31 March 2019	320,205	48,733	3,662	1,350	2,877	2,694	596	380,117
At 1 April 2018	313,369	37,234	3,983	1,497	2,892	1,981	79	361,035
Nature of Asset Holding								
Owned	320,205	38,893	3,662	1,350	2,877	2,694	596	370,277
Finance Lease	0	9,840	0	0	0	0	0	9,840
Total	320,205	48,733	3,662	1,350	2,877	2,694	596	380,117

* This represents the reversal of accumulated depreciation written out for assets that have subsequently been revalued during the year

NOTES TO THE CORE FINANCIAL STATEMENTS

Financial Year 2017/18	Property, plant & equipment							
	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	
Cost or Valuation As at 1 April 2017	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	1,846	(321)	0	0	0	0	(368)	1,157
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*	(6,402)	0	0	0	0	0	1	(6,401)
As at 31 March 2018	313,369	38,490	8,449	2,218	2,892	1,981	82	367,481
Accumulated Depreciation and Impairments As at 1 April 2017	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
As at 31 March 2018	0	(1,256)	(4,466)	(721)	0	0	(3)	(6,446)
Net Book Value								
At 31 March 2018	313,369	37,234	3,983	1,497	2,892	1,981	79	361,035
At 1 April 2017	306,605	36,136	2,946	1,643	2,892	760	50	351,032

* This represents the reversal of accumulated depreciation written out for assets that have subsequently been revalued during the year

Revaluations of the Council's assets are carried out on a five yearly cycle as per paragraph 12.7 of the Accounting Policies. For 2018/19, 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 31 March 2019. In addition, a further review was carried out at the end of the year resulting in the values of some assets being restated.

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 2019. The carrying value of Council Dwellings has increased by 2.2% since March 2018; this represents the annual change in house prices published on the Land Registry Index. These adjustments have resulted in a net increase in value of £4.72m, 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 2018/19 the total depreciation charges were £8.81m (£8.37m, 2017/18), including £6.77m to the HRA. A reversing entry ensures that the overall revenue effect is neutral and that no cost falls to the local taxpayer.

During 2018/19 the Council has recognised a Net total loss of £8.62m (£0.65m, 2017/18) 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 £0.55m (£1.85m 2017/18). An Impairment review has identified two impaired assets at a total value of £280,000 as at 31 March 2019.

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 2018	Heritage Assets	31st March 2019
£'000		£'000
224	Fort Gardens - Bandstand	220
2,017	Clock Tower	1,979
80	Puji Memorial	80
23	Mayoral Chains	22
182	Civic regalia	182
95	Museum exhibits	93
783	Woodlands Park Bunker	768
0	Queen Elizabeth II Statue	200
<u>3,404</u>	Total	<u>3,544</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

31st March 2018	Investment Properties	31st March 2019
£'000		£'000
1,079	Additions	12,128
5,411	Revaluation	2,672
0	Derecognition	(3,500)
<u>5,411</u>	Total increase/(decrease) in	<u>11,300</u>
20,900	Balance brought forward at 1 April	27,390
6,490	Movement in year	11,300
<u>27,390</u>	Balance carried forward at 31 March	<u>38,690</u>

During 2018/19 the Council entered into a Finance Lease agreement for the St George's Shopping Centre, the Investment Property was de-recognised during the year and the finance lease has been recognised within Operational Property, Plant & Equipment.

13.10. Debtors

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

31st March 2018	Short term Debtors	Movement	31st March 2019
£'000		£'000	£'000
811	Central government bodies	578	1,389
735	Other local authorities	808	1,543
13,406	Other entities and individuals	1,133	14,539
<u>14,952</u>	Total		<u>17,471</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

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 2018	Cash and Cash Equivalents	Movement	31st March 2019
£'000		£'000	£'000
133	Cash in Hand/(Overdrawn)	(36)	97
569	Short Term Deposits	3,727	4,296
<u>702</u>	Total Cash & Cash Equivalents	<u>3,691</u>	<u>4,393</u>
7,716	Balance brought forward at 1 April		702
(7,014)	Movement in year		3,691
<u>702</u>	Balance carried forward at 31 March		<u>4,393</u>

The net movement between 2017/18 and 2018/19 is due to increased funds being held in highly liquid Money Market Funds. The Cash In Hand Figure of £0.097m, as at 31 March 2019, includes £35.04k held in a separate bank account specifically for the use of the Heritage Quarter Capital project transactions.

13.12. Creditors

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

31st March 2018	Short term Creditors	31st March 2019
£'000		£'000
(2,137)	Central government bodies	(220)
(492)	Other local authorities	(2,397)
(5,949)	Other entities and individuals	(6,985)
<u>(8,578)</u>	Total	<u>(9,602)</u>

13.13. Capital Grants and Contributions Received in Advance

Capital Grants and Contributions received in advance	Balance at 31st March 2018	Receipts	Transfer to Revenue	Recognised as Income	Balance at 31st March 2019
	£'000	£'000	£'000	£'000	£'000
Land Securities - Springhead	(250)	0	0	250	0
S106 Springhead Leisure Contribution	(150)	0	0	0	(150)
S106 Capital Contribution Whitehill Road Open Space	(52)	0	0	0	(52)
S106 Bluewater Gravesend Town Centre Improvement	0	(259)	0	0	(259)
St George's Centre Capital Contribution	0	(14,243)	0	294	(13,949)
Other Small Grants and Contributions	(91)	0	2	6	(83)
Total Capital Grants and Contributions received in advance	<u>(543)</u>	<u>(14,502)</u>	<u>2</u>	<u>550</u>	<u>(14,493)</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

13.14. Revenue Grants Received in Advance

In 2018/19 the Council received £9.22m as an incentive relating to the St George's shopping centre finance lease. £148k has been applied to revenue in 2018/19 and £184k has been treated as a short term creditor under note 13.12. The balance of £8.88m is being treated as a Long Term receipt in advance.

13.15. Provisions

31st March 2018	Provisions	Movement	31st March 2019
£'000		£'000	£'000
(127)	Municipal Mutual Insurance Company	0	(127)
(1,469)	Business Rates Appeals	251	(1,218)
<u>(1,596)</u>	Total	<u>251</u>	<u>(1,345)</u>

13.16. 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 2018	Unusable Reserves	31st March 2019
£'000		£'000
(26,432)	Revaluation Reserve (note 13.16.1)	(28,513)
(257,353)	Capital Adjustment Account (note 13.16.2)	(184,236)
87	Financial Instruments Adjustment Account (note 13.16.3)	67
337	Accumulated Absences Account (note 13.16.4)	362
(53)	Deferred Capital Receipts Reserve	(47)
66,317	Pensions Reserve (Note 13.24)	59,563
72	Collection Fund Adjustment Account (note 15.5)	(201)
(252)	Available-for-Sale Financial Instruments Adjustment Account	0
0	Pooled Investment Funds Adjustment Account	(89)
<u>(217,277)</u>	Total Unusable Reserves	<u>(153,094)</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

13.16.1. 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.

2017/18	Revaluation Reserve	2018/19
(24,226)	Balance at 1 April	(26,432)
(3,135)	Upward revaluation of assets	(3,984)
137	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	888
(2,998)	Surplus or Deficit on the revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(3,096)
792	Difference between fair value depreciation and historic cost depreciation	931
0	Accumulated gains on assets sold or scrapped	84
792	Amount written off to the Capital Adjustment Account	1,015
(26,432)	Balance at 31 March	(28,513)

NOTES TO THE CORE FINANCIAL STATEMENTS

13.16.2. 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. 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.

2017/18	Capital Adjustment Account	2018/19
£'000		£'000
Sources of Finance		
(5,378)	Capital Receipts	(2,102)
(479)	Government grants and contributions (received in year)	(1,087)
(793)	Government grants and contributions (brought forward)	(258)
(7,382)	Major Repairs Reserve	(5,695)
(14,032)		(9,142)
Sums set aside from revenue		
(1,540)	Direct revenue contributions	(3,379)
(3,893)	Minimum revenue provision (MRP)	(5,299)
(5,433)	Increase or decrease during year	(8,678)
Removal of items not chargeable to Fund Balances		
8,372	Depreciation charged in the year	8,808
45	Amortisation charged in the year	77
768	Revaluation losses - PPE	122
0	Revaluation losses - PPE Finance Lease	84,857
(1,846)	Reversal of impairment losses - HRA	(4,723)
(117)	Reversal of impairment losses - GF	(215)
(5,411)	Revaluation (gains)/losses - Investment properties	(2,672)
1,348	Disposals in the year	4,875
655	Revenue expenditure met from capital under statute	822
3,814	Increase or decrease during year	91,951
(15,651)	Total accounting adjustments between funding basis under statute	74,131
Write Down of Revaluation Reserve		
0	Accumulated Gains on disposed assets	(84)
(792)	Revaluation Reserve depreciation	(931)
(792)		(1,015)
(16,443)	Increase or decrease during year	73,116
(240,909)	Balance brought forward at 1 April	(257,352)
(16,443)	Movement in year	73,116
(257,352)	Balance carried forward at 31 March	(184,236)

NOTES TO THE CORE FINANCIAL STATEMENTS

13.16.3. 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.

2017/18	Financial Instruments Adjustment Account	2018/19
<i>£'000</i>		<i>£'000</i>
(18)	Private Sector renovation loans	(20)
(18)	Total increase/(decrease) in Financial Instruments	(20)
105	Balance brought forward at 1 April	87
(18)	Movement in year	(20)
87	Balance carried forward at 31 March	67

13.16.4. 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.

2017/18	Accumulated Absences Account	2018/19
<i>£'000</i>		<i>£'000</i>
(336)	Reversal of accrual from preceding year	(337)
337	Amount accrued at the end of the current year	362
1	Total increase/(decrease) in Accumulated Absences Account	25
336	Balance brought forward at 1 April	337
1	Movement in year	25
337	Balance carried forward at 31 March	362

NOTES TO THE CORE FINANCIAL STATEMENTS

13.17. 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 2018	Usable Reserves	31st March 2019
£'000		£'000
(12,272)	Capital Receipts Reserve	(12,698)
(13,203)	Earmarked Reserves	(15,504)
(1,737)	Revenue Grants not yet applied	(1,819)
(588)	Capital Grants & Contributions Unapplied	(330)
(977)	Major Repairs Reserve	(2,054)
(7,305)	General Fund Balance	(9,288)
(3,000)	Housing Revenue Account Balance	(3,000)
<u>(39,082)</u>	Total Usable Reserves	<u>(44,693)</u>

13.17.1. Capital Receipts Reserve

2017/18	Capital Receipts Reserve	2018/19
£'000		£'000
(6,550)	Cash proceeds from the disposal of non-current assets	(2,906)
(43)	Other capital receipts	(138)
(8)	Transfer from Deferred Capital Receipts	(7)
524	Payment to Housing Capital Receipts Pool (Note 14.7)	523
5,378	Applied in Capital Financing	2,102
<u>(699)</u>	Total (increase)/decrease	<u>(426)</u>
(11,573)	Balance brought forward at 1 April	(12,272)
(699)	Movement in year	(426)
<u>(12,272)</u>	Balance carried forward at 31 March	<u>(12,698)</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

13.17.2. Grants and Contributions Unapplied

Grants & Contributions Unapplied	Balance at 31st March 2018	Transfer from General Fund Balance	Applied in capital financing	Balance at 31st March 2019
	£'000	£'000	£'000	£'000
Public Realm Improvement & Maint Funds	(213)	0	214	1
CLG - Transport Quarter Stage 3	(223)	0	44	(179)
CLG - Localised Council Tax Support	(89)	0	0	(89)
Gravesend Ferry	(8)	0	0	(8)
Land at South of Hever Court Road	(55)	0	0	(55)
Total (increase)/decrease	(588)	0	258	(330)
Balance brought forward at 1 April	(1,257)			(588)
Movement in year	669			258
Balance carried forward at 31 March	(588)			(330)

NOTES TO THE CORE FINANCIAL STATEMENTS

13.17.3. 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 2018	Earmarked Reserves	Transfer from balances	Applied in revenue financing	Transfer between reserves	31st March 2019
£'000		£'000	£'000	£'000	£'000
(393)	Planning Policy Reserve	(100)	73	0	(420)
(904)	Asset Enhancement Reserve	(528)	55	0	(1,377)
(148)	Spend to Save Reserve (Inc. Digital Team)	(9)	0	0	(157)
(1,007)	Leisure Centres Reserve	(375)	56	0	(1,326)
(140)	Corporate Priorities Reserve	(200)	30	0	(310)
(91)	Town Pier Pontoon Reserve	(13)	5	0	(99)
(100)	Local Authority Mortgage Scheme Reserve	0	50	0	(50)
(149)	Elections Reserve	(23)	0	0	(172)
(500)	Business Rates Collection Fund Reserve	(166)	0	0	(666)
(85)	IT Infrastructure Reserve	(220)	0	0	(305)
(31)	DSO Vehicle Capital Reserve	(435)	52	0	(414)
(559)	Freighter Replacement Reserve	(221)	0	0	(780)
(447)	NNDR Growth Fund Reserve	(281)	250	0	(478)
(150)	Lower Thames Crossing Reserve	0	0	0	(150)
(57)	Woodville Repairs Reserve	(157)	44	0	(170)
(500)	Investment Interest Equalisation Reserve	0	0	0	(500)
0	Housing & Commercial Growth Fund	(700)	0	0	(700)
0	St George's Income Protection Reserve	(422)	0	0	(422)
(100)	Commercial Income Protection Reserve	(413)	89	0	(424)
(258)	Service Review Reserve	0	11	0	(247)
(100)	Playgrounds Reserve	(67)	0	0	(167)
(42)	Decriminalisation Reserve	(43)	0	0	(85)
(5,761)	Sub-total - Specific GF Earmarked Reserves	(4,373)	715	0	(9,419)
(7,442)	HRA General Reserve	2,339	(982)	0	(6,085)
(13,203)	Total Specific Earmarked Reserves	(2,034)	(267)	0	(15,504)
(1,737)	Revenue Grants not yet applied	(414)	332	0	(1,819)
(14,940)	Total All Earmarked Reserves	(2,448)	65	0	(17,323)
(11,683)	Balance brought forward at 1 April				(14,940)
(3,257)	Movement in year				(2,383)
(14,940)	Balance carried forward at 31 March				(17,323)

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 the council's assets over the forthcoming financial years.

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

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

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

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 costs incurred by the Authority in relation to assessing/seeking mitigation of any potential environmental or other impacts on the borough and its residents of the Secretary of State's preferred route for a 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.

Housing and Commercial Growth Fund Reserve – To hold monies generated from the 2018/19 Kent & Medway Business Rates Pilot to be directed towards driving future growth in Gravesham.

St George's Shopping Centre Income Protection Reserve – To negate any impact on the General Fund revenue budget from lost rental income, void periods and non-recoverable service charges, particularly during the early phase of the projects' construction and re-enlivening works.

Commercial Income Protection Reserve – To meet any maintenance and upkeep requirements of assets purchased under the Council's Commercial Property Acquisition

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

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

13.18. Adjustments Between Accounting Basis and Funding Basis under Regulations

Adjustments between Accounting Basis and Funding Basis under regulations - 2018/19	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>						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for depreciation of non-current assets	(2,035)	(6,773)				8,808
Charges for impairment of non-current assets	0	4,723				(4,723)
Revaluation gains/losses on Property, plant and equipment	(84,747)	(17)				84,764
Movement in the fair value of Investment Properties	2,672					(2,672)
Amortisation of intangible assets	(60)	(17)				77
Capital Grants & Contributions applied	311	776				(1,087)
Revenue expenditure funded from capital under statute (REFCUS)	(822)					822
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	(3,514)	(1,361)				4,875
Amounts of non-current assets de-recognised within the Comprehensive Income and Expenditure Statement						0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Statutory provision for the financing of capital investment (MRP)	1,198	4,101				(5,299)
Capital expenditure charged against the General Fund and HRA balances (Direct Revenue Financing)	1,004	2,375				(3,379)
<i>Adjustments primarily involving the Capital Grants Unapplied Account</i>						
Capital Grants & Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	0				0	0
Application of grants to capital financing transferred to the Capital Adjustment Account					258	(258)
<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	2,906		(2,906)		0
Other Capital Receipts	41	97		(138)		0
Use of the Capital Receipts Reserve to finance new capital expenditure				2,102		(2,102)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals		0		0		0
Contribution from the Capital Receipts Reserve to finance the payments to the Governments capital receipts pool	(523)			523		0
<i>Adjustments primarily involving the Deferred Capital Receipts Reserve</i>						
Transfer from Deferred Capital Receipts Reserve upon the receipt of cash				(7)		7
<i>Adjustments primarily involving the Major Repair Reserve</i>						
Reversal of Major Repairs Allowance credited to the HRA		6,772	(6,772)			0
Use of the Major Repair Reserve to finance new capital expenditure			5,695			(5,695)
<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	20					(20)
<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	(5,182)	(1,100)				6,282
Employer's pensions contributions and direct payments to pensioners payable in the year	2,750	658				(3,408)
<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	(31)					31
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	304					(304)
<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	(9)	(16)				25
<i>Adjustment primarily involving the Pooled Investment Funds Adjustment Account</i>						
Reversal of Pooled Investment Movements	(127)					127
(Increase)/Decrease in year	(88,750)	13,124	(1,077)	(426)	258	76,871

NOTES TO THE CORE FINANCIAL STATEMENTS

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>						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
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
Amounts of non-current assets de-recognised within the Comprehensive Income and Expenditure Statement						0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
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 towards administrative costs of non-current asset disposals		0		0		0
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
(Increase)/Decrease in year	1,524	10,130	745	(699)	669	(12,369)

13.19. 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 the Note on Taxation and Specific Grant Income.

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>

This 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 Chief Officers and all but two Members for the 2018-19 financial year and the following relationship was considered to be material.

Officer/ Member	Nature of Related Party Transaction	Value of Transactions
Cllr Gary Harding	Council Representatives on Gravesham Citizens Advice Bureau	
	Payment by the Council to Gravesham Citizens Advice Bureau	£111,490
	Use of Premises at Civic Centre	£11,000
Cllr John Burden	Director - Gravesham Network Development Community Interest Company	
	Payments by the Council to Gravesham Network Development Community Interest Company	£42,120

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 2018-19 paid to Medway Council was £10,000.

NOTES TO THE CORE FINANCIAL STATEMENTS

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>

13.20. Member Allowances

Member allowances (including all payments in relation to remuneration) to the value of £292k were paid during 2018/19 (2017/18, £290k) in accordance with the Gravesham Borough Council Members' Allowances Scheme.

Further details are published on our website: www.gravesham.gov.uk/MemberAllowances

13.21. 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 2018/19	Pay and allowances	Compensation for loss of office	Pension	Total remuneration
	£'000	£'000	£'000	£'000
Chief Executive	131	-	-	131
Director (Communities)	97	-	15	112
Director (Corporate Services)	93	-	13	106
Director (Environment & Operations)	97	-	15	112
Director (Housing & Regeneration)	97	-	15	112
Total	515	-	58	573

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
Total	499	-	56	555

The contribution rate for employer pension remained at 15.8% in 2018/19 – the same level as in 2017/18. Additionally, a lump sum of £1,218,000 has been paid as a "past service contribution". This amount is not included in the pension contributions for 2018/19 shown in the table above.

NOTES TO THE CORE FINANCIAL STATEMENTS

Employees earning above £50,000

2017/18	Employees earning above £50,000		2018/19
nos			nos
	Remuneration band		
18	£50,001 - £55,000		9
4	£55,001 - £60,000		12
1	£60,001 - £65,000		2
2	£65,001 - £70,000		-
3	£70,001 - £75,000		2
3	£75,001 - £80,000		3
-	£80,001 - £85,000		3
3	£85,001 - £90,000		2
-	£90,001 - £95,000		-
-	£95,001 - £100,000		-
-	£100,001 - £105,000		-
34	Total		33

The bandings exclude the remuneration of individuals already included within the senior officer tables, but do incorporate exit packages directly payable where appropriate.

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 redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
	nos	nos	nos	nos	nos	nos	£'000	£'000
£1-£20,000	-	1	3	2	3	3	42	40
£20,001-£40,000	-	-	1	2	1	2	27	63
£40,001-£60,000	-	-	-	-	-	-	-	-
£60,001-£80,000	-	1	-	-	-	1	-	73
£80,001-£100,000	-	-	1	-	1	-	89	-
Total	-	2	5	4	5	6	158	176

13.22. External Audit Costs

The Council incurred the following fees relating to external audit, grant certification and other services in 2018/19.

2017/18	External Audit Costs		2018/19
£'000			£'000
53	Fees payable with regard to external audit services carried out for the year		41
15	Fees payable for the certification of grant claims and returns for the year		20
(8)	Fees payable in respect of other services provided during the year*		1
60	Total		62

* Credit of £8,000 in 2017/18 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

13.23. Construction Contracts (Commitments under Capital Contracts)

The Council has approved expenditure in future years of £84.88m (2017/18, £56.63m) under its capital programme of which £12.72m (2017/18, £4.64m) had been contracted as at 31 March 2019. The split between schemes contracted and not contracted is as follows:

Expenditure approved and contracted at 31 Mar 2018	Expenditure approved but not contracted at 31 Mar 2018	Commitments under Capital Contracts	Expenditure approved and contracted at 31 Mar 2019	Expenditure approved but not contracted at 31 Mar 2019
£'000	£'000		£'000	£'000
2,410	6,097	Improvement Programme	4,886	272
277	4,067	Health & safety works	1,152	766
0	15,942	Replacement Programme	3,610	12,402
1,733	19,574	New building programme	2,694	24,387
20	600	Housing computer system & IT Equipment	0	600
0	2,700	Renovation grants	0	3,192
0	80	HRA Play Equipment	0	80
204	2,921	General Fund capital schemes	370	30,471
4,644	51,981	Total	12,712	72,170

13.24. 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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:

2017/18	Pension Costs - Transactions relating to retirement benefits	2018/19
£'000		£'000
	<i>Comprehensive Income & Expenditure Statement</i>	
4,418	Current service cost	4,329
53	Past service costs	108
53	Administrative Expenses	55
141	Unfunded benefits	140
4,665		4,632
1,853	Net interest expense	1,650
6,518	<i>Net charge to Comprehensive Income & Expenditure Statement</i>	6,282
(3,225)	<i>Movement on Pensions Reserve</i>	(2,874)
3,293	<i>Employer's contributions payable to LGPS</i>	3,408

Assets and Liabilities in Relation to Retirement Benefits

The underlying assets and liabilities for retirement benefits attributable to the Council at 31 March 2019 are as follows:

2017/18	Assets and liabilities relating to retirement benefits	2018/19
£'000		£'000
(174,367)	Present value of the defined benefit obligation	(175,086)
109,847	Fair value of plan assets	117,160
(64,520)	Net liability arising from defined benefit obligation	(57,926)
(1,797)	Present value of unfunded liabilities	(1,637)
(66,317)	<i>Total net liability</i>	(59,563)

Gravesham Borough Council's net liability on the Kent County Council Pensions Fund has decreased from £66.32m at the previous year-end to £59.56m at 31st March 2019. This is a net decrease in liability of £6.75m as a result of changes in assumptions over the year relating to investment returns and life expectancy.

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 £59.56m. 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;

2017/18	Present value of Scheme liabilities	2018/19
£'000		£'000
(177,907)	Scheme Liabilities brought forward	(176,164)
(4,418)	Current service cost	(4,329)
(4,742)	Interest cost	(4,437)
(745)	Contributions from scheme participants	(767)
	Remeasurement gains/losses:	
0	- actuarial gains/losses arising from changes in demographic assumptions	10,003
6,282	- actuarial gains/losses arising from changes in financial assumptions	(6,107)
(53)	Past service cost	(108)
5,419	Benefits paid	5,186
0	Experience loss/(gain) on defined benefit obligation	0
(176,164)	Total value of liabilities	(176,723)

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

2017/18	Fair value of Scheme assets	2018/19
£'000		£'000
107,741	Scheme Assets brought forward	109,847
2,889	Interest income	2,787
	Remeasurement gains/losses:	
792	- the return on plan assets, excluding the amount included in the net interest expense	5,732
0	- other	0
3,152	Contribution from employer	3,268
745	Contribution from employees into the scheme	767
(5,419)	Benefits paid	(5,186)
(53)	Administrative expenses	(55)
109,847	Total value of liabilities	117,160

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:

2014/15	2015/16	2016/17	2017/18	Pension Costs - scheme history	2018/19
£'000	£'000	£'000	£'000		£'000
89,524	89,917	107,741	109,847	Fair value of scheme assets	117,160
(156,151)	(150,658)	(177,907)	(176,164)	Present value of scheme liabilities	(176,723)
(66,627)	(60,741)	(70,166)	(66,317)	Surplus/deficit	(59,563)
5,490	(1,977)	15,481	792	Return on assets less interest	5,732
53	14	7,145	0	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 2020 is £3.40m. This comprises both budgeted pension amounts relating to the current staffing establishment, as well as past service contributions.

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

2017/18		2018/19	
Assumptions used		Assumptions used	
%		%	
	Long term expected return on assets		
	Mortality assumptions (years)		
23.10	Longevity at 65 for current pensioners (men)	22.00	
25.20	Longevity at 65 for current pensioners (women)	24.00	
25.30	Longevity at 65 for future pensioners (men)	23.70	
27.50	Longevity at 65 for future pensioners (women)	25.80	
	Other assumptions		
3.35	RPI increases	3.40	
2.35	CPI increases	2.40	
3.85	Salary increases	3.90	
2.35	Pension increases	2.40	
2.55	Discount rate	2.40	

2017/18		Employer asset share - bid value		2018/19	
£'000	%			£'000	%
73,301	66.73	Equities		80,339	68.57
840	0.77	Gilts		770	0.66
10,503	9.56	Other bonds		10,668	9.11
13,811	12.57	Property		14,072	12.01
3,640	3.31	Cash		2,044	1.74
7,752	7.06	Target return portfolio		9,267	7.91
109,847	100.00	Total		117,160	100.00

Guaranteed Minimum Pension – The Guaranteed Minimum Pension (GMP) is the minimum pension that a United Kingdom occupational pension scheme has to provide for those employees who were contracted out of the State Earnings-Related Pension Scheme (SERPS) between 6 April 1978 and 5 April 1997. As at the Balance Sheet date, no work had been undertaken by the Pension Fund Actuary on estimating the potential cost of GMP equalisation; the Local Government Pension Scheme are awaiting direction from H M Treasury before understanding the implications and action required.

Pension Transition Arrangements Age Discrimination – In 2015, the Government introduced reforms to public sector pensions, with most public sector workers moved into new pension schemes. In December 2018 the Court of Appeal ruled that the ‘transitional protection’ offered to some members of the judicial and fire fighters’ schemes as part of the reforms breached age discrimination rules. Whilst the transitional protections in the Local Government Pension Scheme were slightly different, there is the possibility that they too could be deemed to have breached age discrimination rules, potentially requiring the scheme to be amended. Since the Balance Sheet date, additional work has been undertaken by the Pension Fund Actuary on estimating the potential cost of the Pension Transition Arrangements Age Discrimination ruling; the impact of this is £1.2m which is immaterial, and therefore there are no further implications or actions required.

NOTES TO THE CORE FINANCIAL STATEMENTS

13.25. 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.

2017/18	Capital Expenditure and Financing	2018/19
£'000		£'000
112,544	<i>Opening Capital Financing Requirement</i>	108,832
	Capital Investment	
15,851	Property, Plant and Equipment	106,355
0	Heritage Assets	17
(2,000)	Local Authority Mortgage Scheme (LAMS)	0
168	Intangible Assets	37
1,079	Investment Properties	12,128
655	Revenue Expenditure Funded from Capital under statute	822
<u>15,753</u>		<u>119,359</u>
	Sources of Finance	
(5,378)	Capital Receipts	(2,102)
(479)	Government grants and contributions (received in year)	(1,087)
(793)	Government grants and contributions (brought forward)	(258)
(7,382)	Application of Reserves	(5,695)
<u>(14,032)</u>		<u>(9,142)</u>
	Sums set aside from revenue	
(1,540)	Direct revenue contributions	(3,379)
(3,893)	Minimum revenue provision (MRP)	(5,299)
<u>(5,433)</u>		<u>(8,678)</u>
<u>108,832</u>	<i>Closing Capital Financing Requirement</i>	<u>210,371</u>
	Explanation of movements in year	
(3,712)	<i>Total increase/(decrease) in underlying need to borrowing (unsupported by Government financial assistance)</i>	101,539
<u>(3,712)</u>	Increase/(Decrease) in Capital Financing Requirement	<u>101,539</u>

13.26. 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.

13.27. 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

Business Rates – Automated Teller Machines (ATM's)

There is an ongoing legal dispute regarding the payment of business rates on ATM's in supermarkets and shops. The case is currently subject to a decision by the Supreme Court to hear an appeal submitted by the Valuation Office Agency.

13.28. Financial Instruments and Financial Risks

(a) Financial Instruments – Classifications

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non exchange transactions such as those relating to taxes and government grants, do not give rise to financial instruments.

The following categories of financial instrument are carried in the balance sheet.

Financial Assets	Non-Current				Current			
	Investments		Debtors		Investments		Debtors	
	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amortised Cost								
Principal	19,943	19,816	324	337	10,487	22,000	7,705	9,879
Cash & Cash Equivalents (CCE)	0	0	0	0	702	4,393	0	0
Total Financial Assets	19,943	19,816	324	337	11,189	26,393	7,705	9,879
Non-Financial Assets	0	0	0	0	0	0	483	423
Total	19,943	19,816	324	337	11,189	26,393	8,188	10,302

Financial Liabilities	Non-Current Borrowings		Current Borrowings		Current Creditors	
	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019
	£'000	£'000	£'000	£'000	£'000	£'000
Amortised Cost						
Principal	93,900	89,081	4,193	4,831	6,956	8,946
Loans Accrued Interest			278	277		
Finance lease		92,626		999		
Total Financial Liabilities	93,900	181,707	4,471	6,107	6,956	8,946
Non-Financial Liabilities					1,622	2,299
Total	93,900	181,707	4,471	6,107	8,578	11,245

31 March 2018			31 March 2019		
Long Term	Current		Long Term	Current	
£'000	£'000		£'000	£'000	
85,900	4,182	PWLB	81,081	4,819	
8,000	0	Other market debt	8,000	0	
0	11	Temporary Loans	0	12	
93,900	4,193	Total Borrowings	89,081	4,831	

NOTES TO THE CORE FINANCIAL STATEMENTS

Reclassification and remeasurement of financial assets at 1 April 2018

This note shows the effect of reclassification of financial assets following the adoption of IFRS 9 Financial Instruments by the Code of Practice on Local Authority Accounting and the remeasurements of carrying amounts then required.

Reclassification	New Classifications at 1 April 2019			
	Carrying amount brought forward at 1 April 2018	Amortised Cost	Fair Value through Other Comprehensive Income	Fair value through Profit and Loss
	£'000	£'000	£'000	£'000
Previous classifications				
Loans and receivables	12,235	12,215	0	20
Available for Sale	27,409	7,486	0	19,923
Reclassified amounts at 1 April 2018	39,644	19,701	0	19,943

Effect of Asset Reclassification and Remeasurement on the Balance Sheet

This note shows how the new balances at 1 April 2018 for financial assets are incorporated into the Balance Sheet.

New Classifications at 1 April 2018

New Classifications	1 April 2019				
	Amortised Cost	Fair Value through Other Comprehensive Income	Fair value through Profit and Loss	Non-financial instrument balances	Total Balance Sheet carrying amount
	£'000	£'000	£'000	£'000	£'000
Remeasured carrying amounts at 1 April 2018	19,701	0	19,943	0	39,644
Reclassified amounts:					
Non-current investments	0	0	19,943	0	19,943
Long-term debtors	324	0	0	0	324
Current investments	11,189	0	0	0	11,189
Current debtors	7,705	0	0	483	8,188
Total	19,218	0	19,943	483	39,644

Application of classification requirements at 1 April 2018

The following judgements were made in reclassifying financial instruments at 1 April 2018:

The Council holds pooled investments in three property funds and three multi asset funds. As a result of the change in accounting standards for 2018/19 under IFRS 9, MHCLG have agreed a statutory override in relation to pooled investments to delay implementation of IFRS 9 for five years commencing April 2018. The Council will use the statutory override to account for any changed in fair value on its pooled investments.

NOTES TO THE CORE FINANCIAL STATEMENTS

Items of income, expense, gains or losses

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

2017/18			2018/19		
Surplus or (Deficit) on the provision of Services	Other Comprehensive Income % Expenditure	Total	Surplus or (Deficit) on the provision of Services	Other Comprehensive Income % Expenditure	Total
£'000	£'000	£'000	£'000	£'000	£'000
					Net gains/losses on: Financial Asset measured at fair value through profit or loss
496	365	861	880	(127)	753
496	365	861	880	(127)	753
					Interest Income: Financial Asset measured at amortised cost
173	0	173	247	0	247
173	0	173	247	0	247
(3,218)	0	(3,218)	(3,163)	0	(3,163)
					Interest Expense

Fair Value of Financial Assets

Some of the authority's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

NOTES TO THE CORE FINANCIAL STATEMENTS

Recurring Fair Value Measurements	Input level in Fair Value Hierarchy	Valuation technique used to measure Fair Value	Fair Value	
			31 March 2018	31 March 2019
			£'000	£'000
Fair value through Profit and Loss				
Lothbury Property Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	5,161	5,178
Hermes Property Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	3,128	3,238
CCLA Property Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	1,887	1,916
JP Morgan Multi Asset Income Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	4,901	4,850
Jupiter Distribution and Growth Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	2,862	2,738
Aberdeen Diversified Income Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	1,982	1,876
			19,922	19,796

The Council holds units within three property funds and three multi asset funds, the fair value has been calculated using quoted share prices.

Except for financial assets carried at fair value (described in the above table), all other financial liabilities and financial assets represented by amortised cost and long term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB payable, PWLB premature repayment rates/prevaling market rates (*choose which one is being used*) have been applied to provide the fair value under PWLB debt redemption procedures. An additional note to the tables sets out the alternative fair value measurement applying the premature repayment/borrowing rates (*the alternative to the above*), highlighting the impact of the alternative valuation;
- For non-PWLB loans payable, PWLB premature repayment rates/prevaling market rates (*choose which one is being used*) have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;

NOTES TO THE CORE FINANCIAL STATEMENTS

- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

31 March 2018		Fair Value Hierarchy Level	31 March 2019		
Carrying Amount	Fair Value		Carrying Amount	Fair Value	
£'000	£'000		£'000	£'000	
90,082	94,672	PWLB	2	85,900	92,052
8,000	9,472	Market Loans	2	8,000	8,910
11	11	Temporary Loans		12	12
6,956	6,956	Short Term Creditors		7,303	7,303
0	0	Finance Lease	3	93,625	93,625
105,049	111,111	Total		194,840	201,902

The fair value of the 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. This shows a notional future loss (based on economic conditions at 31 March 2019) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £92.05m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

Quantitative information about Fair Value Measurement of Financial Assets using Significant Unobservable Inputs – Level 3

Financial Liability – St George's Shopping Centre Finance Lease

Valuation method – estimated from projected future cash flows of the St George's Shopping Centre using financial modelling undertaken by Jones Lang LaSalle as well as the view of the Council's Property Services Manager.

The Council has assessed the carrying value and the fair value of the St George's Shopping Centre Finance Lease to be the same at £93.625m. This is due to the fact the St George's Shopping Centre is central to the Council's long held objective of redeveloping the area known as the Heritage Quarter and regenerating the Shopping Centre. Given this and the fact that the Council does not intend to sell the asset, given it is the first year of a 50-year redevelopment agreement. Therefore, the Council believes it is appropriate to hold the value of the Finance Lease on the balance sheet at an amount equivalent to the fair value, calculated using projected future cash flows.

Key quantitative assumptions used for valuation:

- Discount Rate – State Aid rate of 0.86% as at 1 June 2018 published by the EU
- Rental payments uplifted by RPI from year 4 of the modelling

NOTES TO THE CORE FINANCIAL STATEMENTS

Sensitivity Analysis

Change in Assumption	Impact on Fair Value
Discount rate used rises by 0.5% to 1.36%	Reduces by £12.612m to £81.014m
Discount rate used falls by 0.5% to 0.36%	Increases by £15.154m to £108.780m
Retail Price index used rises by 0.5% to 3.5%	Increases by £12.685m to £107.490m
Retail Price index used falls by 0.5% to 2.5%	Reduces by £11.848m to £81.777m

31 March 2018			31 March 2019	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£'000	£'000		£'000	£'000
10,487	10,487	Fixed Term Investment	22,000	22,000
702	702	Cash and Cash Equivalents	4,393	4,393
324	324	Long-term debtors	337	337
7,705	7,705	Short-term debtors	9,879	9,879
19,218	19,218	Total	36,609	36,609

Short term investments, debtors and creditors are carried at cost as this is a fair approximation of their value.

Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks. Risk management is carried out by the central treasury team, under policies approved by the Council in the Annual Treasury Management Strategy.

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 investments in financial institutions of £26.30m 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 the 31 March 2019 that this was likely to crystallise.

	Fitch Credit Rating	Balance at 31 March 2019	Historic Experience of Default	Estimated maximum exposure to default at 31 March 2019
		£'000	%	£'000
Deposits with Banks and Financial Institutions				
Cooperative Rabobank	AA-	2,000	0.0016%	0
National Westminster Bank (RFB)	AA-	2,000	0.0167%	0
Cooperative Rabobank	AA-	2,000	0.0068%	0
Toronto Dominion	AA-	2,000	0.0121%	0
Cooperative Rabobank	AA-	1,000	0.0006%	0
Australia and New Zealand Banking Group	AA-	3,000	0.0106%	1
Australia and New Zealand Banking Group	AA-	5,000	0.0114%	1
Santander	AA-	5,000	0.0048%	0
Invesco MMF	AA-	48	0.0001%	0
Goldman Sachs MMF	AA-	1,141	0.0001%	0
Insight MMF	AA-	3,107	0.0001%	0
Total		26,296		2

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 and finance leases, is as follows:

NOTES TO THE CORE FINANCIAL STATEMENTS

31 March 2018		Maturity Profile		31 March 2019	
£'000	%			£'000	%
4,193	4.27%	Less than 1 year		4,831	5.14%
4,819	4.91%	1 - 2 years		13,418	14.29%
28,363	28.91%	2 - 5 years		23,315	24.83%
49,554	50.52%	5 - 10 years		52,348	55.74%
11,164	11.38%	More than 10 years		-	0.00%
98,093	100.00%	Total		93,912	100.00%

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 0.50% to 0.75% in August 2018.

Net Asset Value risk

The Council holds investment units within three managed property funds and three multi asset funds that have been classified as Fair Value through Profit and Loss, however the Council has chosen to use the 5 year statutory override as allowed by CIPFA, therefore any gains or losses on prices will be taken to the Pooled Investment Funds Adjustment Account.

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 2019, these bonds were valued at cost at £413.

13.29. 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 2018/19 was £207,000 (2017/18 £174,000).

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

NOTES TO THE CORE FINANCIAL STATEMENTS

	Land and property	Vehicles, plant and equipment
	£'000	£'000
Amount payable next year 2019/20	44	101
Amounts payable 2-5 years	203	8
Amount payable 6+	44	0
Total	291	109

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 2019/20	0	83
Expiring 2-5 years	0	18
Expiring 6+	44	0
Total	44	101

Disclosure as a Lessor

The Council acts as a lessor on a portfolio of commercial properties for which rentals for 2018/19 amounted to £2.23m (2017/18 £1.71m). The net book value of these assets within the Balance Sheet is £55.80m (2017/18 £43.53m).

Property	Income 2017/18	Income 2018/19	Balance Sheet value
	£'000	£'000	£'000
Network House, Gillingham Business Park	242	242	3,440
Industrial Units, Springhead Enterprise Park	575	713	16,300
Site at Stuart Road, Gravesend	0	377	8,130
District Shopping Centres	274	281	3,330
Industrial Units, Norfolk Road	172	306	6,890
St Georges Shopping Centre, Gravesend	146	0	0
St John's House, Dartford	166	126	2,280
123-127 High Street Shop, Sittingbourne	17	85	1,120
Miscellaneous Properties	118	102	14,312
Total	1,710	2,232	55,802

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

NOTES TO THE CORE FINANCIAL STATEMENTS

	Land and property
	£'000
Amounts receivable next year 2019/20	2,246
Amounts receivable 2-5 years	7,496
Amounts receivable 6+	7,163
Total	16,905

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 2019/20	119
Amounts receivable 2-5 years	1,245
Amounts receivable 6+	882
Total	2,246

Finance Leases

The Council entered into a finance lease agreement in 2018/19, which represents its interest in the St George's Shopping Centre, Gravesend. The Council has recognised a lease liability relating to future rental payments of £94.40m. A right of use asset was also recognised with a value of £94.40m representing the lease liability after deducting lease incentives received of £9.21m. The asset has subsequently been revalued to a value of £9.84m representing the fair value. This value is recorded within Property, Plant and Equipment on the Balance Sheet. In prior years the asset had been categorised as an investment property, this has now been derecognised.

The lease liability is recorded as long-term borrowing in the balance sheet with a value of £94.40m

The table below shows future lease payments at both their expected cash flow and their present value as at the balance sheet date.

	Total Lease Payments £'000	Present Value £'000
Amounts payable next year 2019/20	999	990
Amounts payable 2-5 years	4,404	4,273
Amounts payable over 6 years	116,182	88,362
Total	121,585	93,625

Supplementary Financial Statements

HOUSING REVENUE ACCOUNT

2017/18	Housing Revenue Account	2018/19
Restated*	Income and Expenditure Statement	
£'000		£'000
	Expenditure	
6,742	Repairs and maintenance	7,258
6,425	Supervision & management	6,808
36	Rents, rates, taxes and other charges	12
0	Depreciation of assets	
6,430	- dwellings	6,572
207	- non-dwellings	201
9	Amortisation of Intangible assets	16
0	Impairment/revaluation of non-current assets	17
(1,847)	Impairment reversal of Council dwellings	(4,723)
214	Provision for bad & doubtful debts	148
18,216		16,309
	Income	
(25,919)	Dwelling rents	(25,863)
(277)	Non-dwelling rents	(273)
(1,833)	Charges for service & facilities	(2,000)
(267)	Contribution towards expenditure (Supporting people)	0
(425)	Other income	(165)
(28,721)		(28,301)
(10,505)	Net cost of HRA Services as included in the Comprehensive Income & Expenditure Statement	(11,992)
(5,202)	Gain or loss on the sale of HRA non-current assets	(1,641)
(28)	Other capital receipts	0
2,568	Interest payable and similar charges	2,456
(34)	Interest and investment income	(54)
(38)	Capital Grants and Contributions	(776)
289	Net pension interest	239
(12,950)	(Surplus)/deficit for the year on HRA Services	(11,768)

*2017/18 Supervision and Management has been re-stated to reflect a re-allocation of expenditure between the General Fund and HRA, albeit which has no net impact across the Council as a whole.

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

In 2018/19 individual expenditure and income figures have been categorised consistent with 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

2017/18	Movement on the Housing Revenue Account Statement	2018/19
£'000		£'000
(3,000)	Balance brought forward at 1 April	(3,000)
(12,950)	(Surplus) or Deficit for the Year on the HRA Income & Expenditure	(11,768)
10,130	Adjustments between accounting basis and funding basis under statute	13,124
(2,820)	Net (increase) or decrease before transfers to or from reserves	1,356
2,820	Transfer to/(from) earmarked reserves	(1,356)
(0)	Total (increase)/decrease	0
(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 2019, the Council had 5,685 dwellings (2017/18, 5,686). This represents a net decrease in Council housing stock of one property during 2018/19, as a result of the sale of 21 properties under the Right-to-buy scheme and 20 properties being added to the housing stock through the Council's New Build and Acquisitions programme.

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

HRA Housing stock					Total HRA assets as at 31 March 2019
	Pre 1919	1919-44	1945-64	Post 1964	
Flats					
- 0 bedroom	0	0	76	49	125
- 1 bedroom	0	18	392	1,214	1,624
- 2 bedrooms	0	1	148	306	455
- 3 bedrooms	0	0	101	231	332
- 4 Bedrooms	0	0	0	1	1
Houses & bungalows					
- 0 bedroom	0	0	2	0	2
- 1 bedroom	0	18	65	107	190
- 2 bedrooms	16	140	348	212	716
- 3 bedrooms	3	787	946	280	2,016
- 4 bedrooms	0	114	94	16	224
Total	19	1,078	2,172	2,416	5,685

HOUSING REVENUE ACCOUNT

14.3. HRA Non-Current Assets

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

HRA Non-current assets							
Financial Year 2018/19	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
Cost or Valuation As at 1 April 2018	313,369	4,651	663	51	297	456	319,487
Additions	9,426	0	1,346	0	11	0	10,783
Revaluation increases/decreases recognised in Revaluation Reserve	0	(249)	0	400	0	0	151
Revaluation increases/(decreases) recognised in Surplus/Deficit on Provision of Services	4,723	(17)	0	0	0	0	4,706
Derecognition - Disposals	(1,274)	(94)	0	(46)	0	0	(1,414)
Assets reclassified	506	(37)	(464)	(5)	0	0	0
Other movements in cost or valuation*	(6,545)	0	0	0	0	0	(6,545)
As at 31 March 2019	320,205	4,254	1,545	400	308	456	327,168
Accumulated Depreciation and Impairments As at 1 April 2018	0	(206)	0	(2)	(175)	(406)	(789)
Depreciation/Amortisation Charge for year	(6,572)	(173)	0	0	(28)	(16)	(6,789)
Accumulated depreciation written out to the Revaluation Reserve	0	340	0	0	0	0	340
Accumulated depreciation written out to the (Surplus)/Deficit on the Provision of Services	6,545	0	0	0	0	0	6,545
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	27	23	0	2	0	0	52
Reclassifications	0	0	0	0	0	0	0
Other movements in depreciation and impairment	0	0	0	0	0	0	0
As at 31 March 2019	0	(16)	0	0	(203)	(422)	(641)
Net Book Value							
At 31 March 2019	320,205	4,238	1,545	400	105	34	326,527
At 1 April 2018	313,369	4,445	663	49	122	50	318,698

* This represents the reversal of accumulated depreciation written out for assets that have subsequently been revalued during the year

HOUSING REVENUE ACCOUNT

HRA Non-current assets							
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
Cost or Valuation							
As at 1 April 2017	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	1,846	0	0	0	0	0	1,846
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*	(6,402)	(1)	1	0	0	0	(6,402)
As at 31 March 2018	313,369	4,651	663	51	297	456	319,487
Accumulated Depreciation and Impairments							
As at 1 April 2017	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
As at 31 March 2018	0	(206)	0	(2)	(175)	(406)	(789)

* This represents the reversal of accumulated depreciation written out for assets that have subsequently been revalued during the year

The total net book value of HRA non-current assets as at 31 March 2019 is £326.53m (£318.70m at 31st March 2018). Within this, the HRA has intangible assets in the form of computer systems valued at £0.03m as at 31 March 2018 (£0.05m at 31 March 2018).

For 2018/19, depreciation and amortisation against the HRA was £6.79m. Depreciation in respect of Council dwellings in 2018/19 was £6.57m (2017/18, £6.43m) 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 £970.32m. 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 £320.21m as at 31 March 2019.

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.

2017/18	Major Repairs Reserve	2018/19
£'000		£'000
	Amount transferred in year	
(6,430)	- Dwellings	(6,571)
(207)	- Non-dwellings	(201)
7,382	Amount utilised in capital financing	5,695
<u>745</u>	Total (increase)/decrease	<u>(1,077)</u>
(1,722)	Balance brought forward at 1 April	(977)
745	Movement in year	(1,077)
<u>(977)</u>	Balance carried forward at 31 March	<u>(2,054)</u>

14.6. Financing of HRA Capital Expenditure

Capital expenditure of £10.78m (2017/18, £12.66m) on HRA assets was financed as follows:

2017/18	HRA Financing of capital expenditure	2018/19
£'000		£'000
	Capital expenditure	
10,983	Dwellings	9,426
1,673	Non-dwellings	1,357
<u>12,656</u>		<u>10,783</u>
	Financed by	
(5,188)	Capital receipts	1,938
(38)	Grants and Contributions	3,113
(7,382)	Major Repairs Reserve	5,695
(48)	Funded from revenue	37
<u>(12,656)</u>		<u>10,783</u>

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 2018/19 is shown in the next table:

2017/18	HRA Capital receipts	2018/19
£'000		£'000
Receipts for the year		
(2,977)	Sale of Council Dwellings	(2,906)
(27)	Repaid Discounts	(97)
(2)	Principal repayment for mortgages	0
(3,006)		(3,003)
Use of receipts		
524	Paid to Housing Capital Receipts Pool	523
120	Capital financing - HRA schemes	11
0	Capital financing - other schemes	
2,238	Transfer to Earmarked Reserves	2,236
2,882		2,770
(962)	Balance brought forward	(1,086)
(1,086)	Total unapplied capital receipts held	(1,319)

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 £0.44m in respect of current and past service cost for 2018/19. 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 increased to 3.31% (2017/18, 2.52%). 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.

2017/18	HRA Rent and service charges arrears	2018/19
<i>£'000</i>		<i>£'000</i>
620	Current tenant arrears	741
(734)	Rents paid in advance	(731)
1,009	Former tenant arrears	1,120
<u>895</u>		<u>1,130</u>
(1,042)	Provision for bad debts	(1,154)
(110)	Rent arrears written off	(35)

14.11. Charges for Services and Facilities

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

2017/18	HRA Charges for services	2018/19
<i>£'000</i>		<i>£'000</i>
(1,092)	Service charges - tenants	(1,184)
(328)	Service charges - leaseholders	(290)
(48)	Service charges - leaseholders (contribution to capital works)	(37)
(365)	Support charges	(489)
<u>(1,833)</u>		<u>(2,000)</u>

14.12. HRA Interest payable & Investment Income

This item is the HRA's share of income derived from investments and interest on notional cash balances.

The interest payable is on the loan taken out by the HRA for self-financing.

14.13. 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

2017/18			Income and Expenditure Account	2018/19		
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total
£'000	£'000	£'000		£'000	£'000	£'000
			Income			
			<i>Income from Council Tax and Business Rates</i>			
	(53,847)	(53,847)	Council Tax Income		(57,150)	(57,150)
(23,023)		(23,023)	Business Rates Income	(24,618)		(24,618)
(23,023)	(53,847)	(76,870)	Total Council Tax/Business Rates	(24,618)	(57,150)	(81,768)
			<i>Contribution for previous year's deficit:</i>			
			0 Gravesham Borough Council			0
			0 Kent County Council			0
			0 Kent Police & Crime Commissioner			0
			0 Kent Fire & Rescue Service			0
			0 Central Government			0
(23,023)	(53,847)	(76,870)	Total Income	(24,618)	(57,150)	(81,768)
			Expenditure			
			<i>Precepts, Demands and Shares</i>			
11,608		11,608	Central Government			0
9,286	6,685	15,971	Gravesham Borough Council	9,782	7,028	16,810
2,089	39,290	41,379	Kent County Council	14,428	42,067	56,495
	5,238	5,238	Kent Police & Crime Commissioner		5,749	5,749
232	2,444	2,676	Kent Fire & Rescue Service	245	2,566	2,811
23,215	53,657	76,872		24,455	57,410	81,865
			<i>Apportionment of previous year's surplus:</i>			
	113	113	Gravesham Borough Council			0
	657	657	Kent County Council			0
	88	88	Kent Police & Crime Commissioner			0
	42	42	Kent Fire & Rescue Service			0
		0	Central Government			0
23,215	54,557	77,772	Total Expenditure	24,455	57,410	81,865
			<i>Charges to Collection Fund</i>			
144		144	Transitional Protection	146		146
(1)	3	2	Amounts written off		10	10
323	487	810	Allowance for Debt Impairment	(210)	(20)	(230)
(1,082)		(1,082)	Charges to Appeals' Provision	(51)		(51)
119		119	Increase (-) /Decrease in Provision for Appeals	(577)		(577)
94		94	Cost of Collection	95		95
(403)	490	87	Total Charges	(597)	(10)	(607)
(211)	1,200	989	(Surplus) / Deficit arising during the year	(760)	250	(510)
391	(1,200)	(809)	(Surplus) / Deficit b/fwd 1st April	180	0	180
180	0	180	(Surplus) / Deficit c/fwd 31st March	(580)	250	(330)

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 2018/19 was approved on 10 January 2018 as follows:

Band	2017/18			2018/19		
	<i>Estimated Number of properties (Net of exemptions, discounts & 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 & reliefs) (c)</i>	<i>Multipliers (d)</i>	<i>Band D equivalents properties (c x d)</i>
A with disabled relief	1.76	5 /9	0.98	1.75	5 /9	0.97
A	2,076.00	6 /9	1,384.00	2,409.23	6 /9	1,606.15
B	5,012.01	7 /9	3,898.23	5,267.31	7 /9	4,096.80
C	11,718.17	8 /9	10,416.15	11,927.25	8 /9	10,602.00
D	8,509.48	9 /9	8,509.48	8,595.27	9 /9	8,595.27
E	4,167.69	11 /9	5,093.84	4,128.66	11 /9	5,046.14
F	1,892.72	13 /9	2,733.93	1,899.18	13 /9	2,743.26
G	974.76	15 /9	1,624.60	980.24	15 /9	1,633.73
H	88.07	18 /9	176.14	90.75	18 /9	181.50
Tax Base before Council Tax Support			33,837.35			34,505.82
Estimated Collection Rate			98.5%			98.5%
Council Tax Base			33,329.79			33,988.23

The tax rate per Band D property, excluding Parish Council precepts, was £1,679.62 (2017/18, £1,600.93).

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 2019 was £64.3m (31 March 2018 £61.7m). The respective multipliers for 2018/19 were 49.3p (non-domestic rating multiplier) and 48.0p (small business non-domestic rating multiplier) per £ of rateable value.

COLLECTION FUND

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 2018/19						
	Gravesham Borough Council	Kent County Council	Kent Police & Crime Com- missioner	Kent Fire & Rescue Service	Central Government	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Council Tax						
(Surplus)/deficit brought forward	0	0	0	0	0	0
(Surplus)/deficit for year	31	183	25	11	0	250
(Surplus)/deficit carried forward	31	183	25	11	0	250
Business Rates						
(Surplus)/deficit brought forward	72	16	0	2	90	180
(Surplus)/deficit for year	(304)	(448)	0	(8)	0	(760)
(Surplus)/deficit carried forward	(232)	(432)	0	(6)	90	(580)

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

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.

2017/18	Collection Fund Adjustment Account	2018/19
£'000		£'000
151	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	31
(85)	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	(304)
<u>66</u>	Total increase/(decrease) in Collection Fund Adjustment Account	<u>(273)</u>
6	Balance brought forward at 1 April	72
66	Movement in year	(273)
<u>72</u>	Balance carried forward at 31 March	<u>(201)</u>

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Gravesham Borough Council (the 'Authority') for the year ended 31 March 2019 which comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Movement in Reserves Statement, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Income and Expenditure Account and notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include Accounting Policies, Standards and Critical Judgements, Notes to the Core Financial Statements, Notes to the Housing Revenue Account and Notes to the Collection Fund. 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 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 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 2018/19; 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.

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 (Corporate Services)'s use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director (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 (Corporate Services) is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report, and the Annual Governance Statement, 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 audit 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 statements in the Statement of Accounts, the Narrative Report, and the Annual Governance Statement 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 issue a report 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
- we make 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 make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

Responsibilities of the Authority, the Director (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 set out on page 22, 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 (Corporate Services). The Director (Corporate Services) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Director (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 (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 there is an intention by government that the services provided by the Authority will no longer be provided.

The Finance and Audit Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

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. 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 2019.

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 2019.

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 Gravesham Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

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.

E Jackson

Elizabeth Jackson, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

London
30 July 2019

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.

Fair Value

The best estimate of the potential market price of a good, service, or asset.

Financial Instrument

Monetary contracts between parties that can be created, traded, modified and settled. Examples would include investments in shares and equity instruments, bonds and loans.

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 Pilot

The Kent Business Rates Pilot is a voluntary arrangement approved by the Secretary of State between Kent County Council, Medway Council and all Kent Districts which allows member authorities to retain 100% of any growth in business rate income with the aim of furthering economic development across the region. Maidstone Borough Council is the lead authority for the purposes of cash transactions.

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.

Pooled Investment

An investment that uses funds from a number of individual investors, which are then combined into a single investment fund.

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.

Rateable Value

The VOA gives a rateable value (RV) to each non-domestic property and this is used to calculate a property's business rates.

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

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.

Valuation Office Agency (VOA)

The government agency responsible for valuations and property advice for business and residential properties.

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.