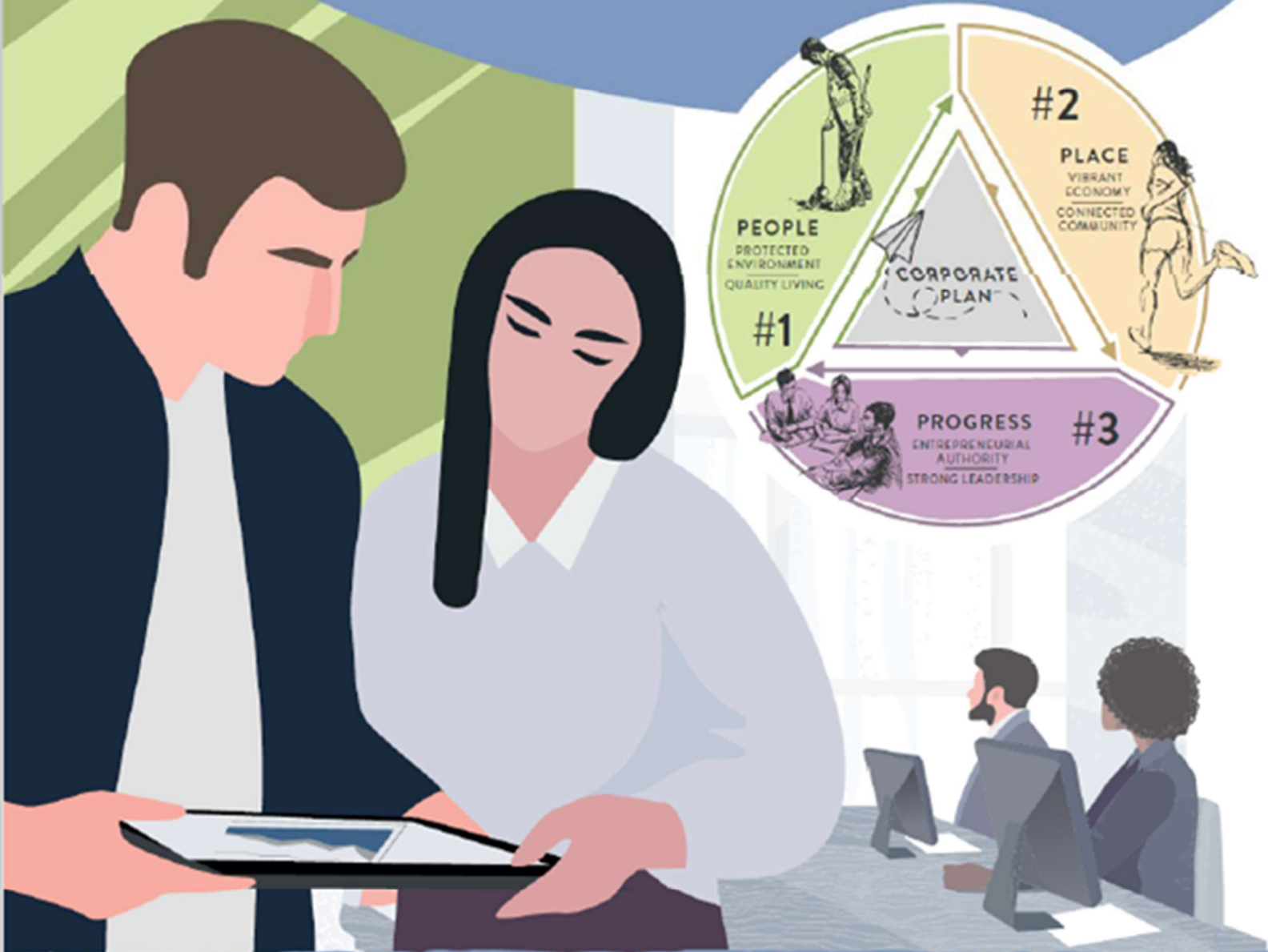


Gravesham Borough Council

# FINANCIAL STATEMENT

2019/20



Delivering a Gravesham to be proud of

Gravesham  
Borough Council





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**FINANCIAL REVIEW**

**and**

**STATEMENT OF ACCOUNTS**

**for the year ending**

**31 March 2020**

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**SARAH PARFITT CPFA**

**Director – Corporate Services**



## INTRODUCTION

<b>Narrative Report</b>	<b>4</b>
1 Introduction from the Director (Corporate Services)	4
2 The Borough of Gravesham	6
3 Gravesham Borough Council	7
4 Our Strategy and Business Model	8
5 Key Performance Indicators – Our Performance in 2019/20	10
6 Financial Review	12
7 Commentary on the Primary Financial Statements for 2019/20	16
8 Principal Risks and Uncertainties	18
9 Impact of COVID-19	21
10 2020/21 and Beyond	22
11 Other Useful Information	22
<b>12 Statement of Responsibilities for the Statement of Accounts</b>	<b>23</b>
<b>13 Accounting Policies, Standards and Critical Judgements</b>	<b>24</b>
<b>14 Core Financial Statements</b>	<b>43</b>
Index to Core Statements and Notes	44
Comprehensive Income and Expenditure Statement	45
Balance Sheet	46
Movement in Reserves Statement	47
Cash Flow Statement	48
Notes to the Core Financial Statements	49
<b>Supplementary Financial Statements</b>	
<b>15 Housing Revenue Account and Notes</b>	<b>98</b>
<b>16 Collection Fund and Notes</b>	<b>106</b>
<b>17 Independent Auditors Report</b>	<b>110</b>
<b>18 Glossary of Terms</b>	<b>117</b>

## **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 2020. The Statement has been prepared in accordance with the requirements of the CIPFA Code of Practice on Local Authority Accounting 2019/20 and is intended to allow interested parties to:
- Understand the overarching financial position of the Council and the outturn for 2019/20;
  - 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. I would like to thank the officers involved in closing the accounts and producing the high quality financial statements that form a significant part of this document.
- 1.3. 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.
- 1.4. During 2019/20 the Council continued its sustained track record of delivery against the *Bridging the Gap* and *Balancing the Budget* programmes. Having commenced in 2016, these programmes had been developed to respond to the continuing financial challenges facing local government and deliver some £4.2m of base budget reductions by the end of the 2019/20 financial year.
- 1.5. In setting the budget for 2020/21 the Council was able to announce the full delivery of the programmes, with £4.25m of base budget reductions delivered. Alongside this, the Council was able to present a fully balanced Medium Term Financial Plan to 2028/29 which made provision during this period for the delivery of a new Leisure Centre, a fully-funded replacement programme for Council-owned play sites, delivery of new housing, an improved Gravesend town centre street scene and seed-funding to take forward the Council's actions to deliver against its commitment to do what is within its powers and resources to become carbon neutral by 2030. This is a truly fantastic achievement and is testament to the strength and determination of both Members and Officers. I would like to take this opportunity to thank everyone who has worked throughout recent years to deliver these savings, balance the Council's budget and provide value for money in the delivery of services, placing the Council in a position to be able to now look forwards and *Deliver a Gravesham to Be Proud Of*.
- 1.6. Following audit challenge during 2020 after the preparation of 2019/20 draft accounts, the Council has sought external advice on the appropriate accounting treatment of the St George's Centre transaction. It has been determined that the transaction between the Council and Aviva Investors is that of a loan arrangement rather than a finance lease, and thus accounts have been re-stated for 2018/19, and re-worked for 2019/20 on that basis. This is explained further in section 13.36, St George's Shopping Centre.

## NARRATIVE REPORT

- 1.7. By the end of the financial year the Council was playing its part in the national response to the Coronavirus (COVID-19) pandemic. The full financial impact of COVID-19 on the Council, our residents and the local, national and international economy could not be known at the date of preparing the accounts but further information on this will be reflected in the Statements for next year.
- 1.8. The revised financial statements demonstrate that the financial standing of the Council continues to be robust, putting it in a strong position to respond to the consequences of the pandemic and the further uncertainty around the way in which local government will be funded in the longer term.
- 1.9. We continue to operate in significantly challenging times; however, the Council focus clearly remains on realising its ambitions for the Borough.

*S J Parfitt*

Sarah J Parfitt CPFA

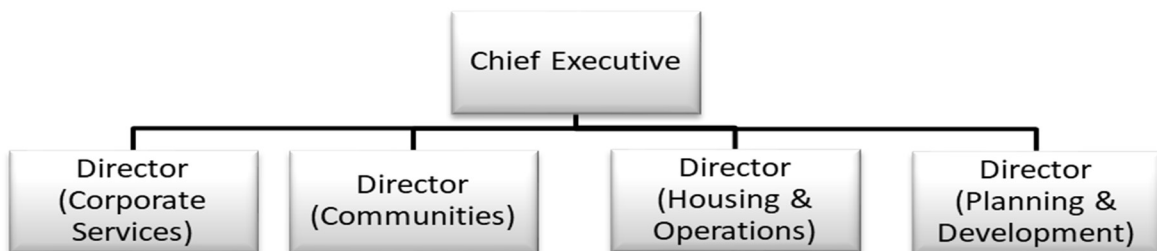
Director (Corporate Services) and Chief Financial Officer

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

- 2.1.** Gravesham is located on the south bank of the River Thames in the north of Kent approximately 32km (20 miles) east of London. Covering an area of 105km<sup>2</sup> (40 miles<sup>2</sup>) it stretches from the River Thames in the north to the crest of the North Downs in the south. The borough has a striking urban-rural split; the rural area to the south of the borough and to the east of Gravesend makes up 78% of the whole borough and is largely constituted of Green Belt land.
- 2.2.** As at mid-2019, Gravesham had a population of 106,900, the lowest figure across the 12 Kent districts and representing a growth rate of 6.7% in the last 10 years. Despite the comparatively small resident population, Gravesham presents the third highest population density in Kent (10.8 persons per hectare (p/h), behind only Dartford (15.5 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 2019, the average age for a Gravesham resident was 39.5 years, up from 38.7 years in 2011 and 38.2 years in 2001. There are an estimated 18,500 residents in Gravesham aged over 65 years and projections suggest this group will increase in size to 26,000 by 2038, at that point surpassing the '0-15' age group, which is estimated to marginally increase from 22,500 to 22,700 over the period.
- 2.4.** According to the Annual Survey of Hours and Earnings 2019, average full-time weekly earnings for residents in the borough were £620.20, representing the sixth highest figure across Kent districts and £4.30 (0.7%) above the Kent district average. Conversely, for Gravesham residents working part-time, average weekly earnings were £171.10, the lowest figure in Kent and £32.50 (16.0%) below the Kent average.
- 2.5.** As at March 2020, across Kent districts Gravesham had the fifth highest rate of people claiming unemployment benefits (Job Seeker's Allowance or Universal Credit) at 3.5%, higher than the county and national averages at 2.9% at 3.0% respectively. In line most other Kent districts, proportionately the largest level of unemployment in terms of population age groups is within the 18-24 category, of which 5.8% are unemployed, higher than the overall Kent figure of 4.6%.
- 2.6.** As at January 2020, there were 10,211 primary school pupils in Gravesham, with the borough having capacity for 9,957, the only oversubscribed district in Kent. Gravesham is equally oversubscribed at secondary level with 8,314 pupils and a capacity of only 8,172 pupils. 16.9% of all pupils are eligible for free school meals, the sixth highest figure across Kent. As at January 2020, 25.7% of primary school pupils do not have English as a first language, the highest figure in Kent with a county average of 12.7%. At secondary school level, 21.9% of pupils do not have English as a first language, again the highest figure in Kent and significantly ahead of the county average of 10.2%.

### 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 2019/20 the borough held local elections and control of the Council moved from the Conservative Group to the Labour Group, with the election of two Independent Members. At the end of the year the political composition of the Council was Labour Group – 22, Conservative Group – 19 and Independents – 2 with one vacant seat.
- 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 and the new political administration has appointed seven members to Cabinet, each with their own specific portfolio of responsibility.
- 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. Management Team meetings are also attended by the Council's Deputy Monitoring Officer to ensure that the key statutory officers are represented at the most senior level of the Council.



- 3.6. During the year there were some limited changes to the responsibilities of Directors and Assistant Directors which saw Housing Service responsibilities transferred between the former Environment & Operations and Housing & Regeneration directorates and these directorates respectively retitled Housing & Operations and Planning & Development.
- 3.7. In April 2019 the Council employed 517 people across two main sites: the Civic Centre in Gravesend and the Brookvale Depot in Northfleet. By March 2020 this had increased by 1.35% to 524.
- 3.8. Further information on the governance arrangements of the Council can be found at <http://www.gravesham.gov.uk/corporategovernance>.
- 3.9. The original 2019/20 Annual Governance Statement was reported to the Finance & Audit Committee in July 2020: ([Public Pack](#))[Agenda Document for Finance and Audit Committee, 21/07/2020 19:30 \(gravesham.gov.uk\)](#). However, an addendum to this document was presented at the Finance and Audit Committee of 21<sup>st</sup> December 2023.



## 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 establishes a vision for the borough and, to that end, the future strategic direction of the Council. The plan is developed in full consideration of: the manifesto pledges of the administration; socio-economic intelligence outlining community need in the borough; consultation with residents; businesses and key stakeholders and the government’s legislative programme.
- 4.3. The Corporate Plan 2019-23: *Delivering a Gravesham to be proud of*, was adopted by Full Council in October 2019 and established three corporate objectives, each with its own portfolio of activities and initiatives:

<b>#1 People</b>	<b>protected environment quality living</b>	<i>A proud community; where residents can call a safe, clean and attractive borough their home.</i>
<b>#2 Place</b>	<b>vibrant economy connected community</b>	<i>A dynamic borough; defined by a vibrant and productive local economy taking advantage of growth in the area, supported by its strong and active community.</i>
<b>#3 Progress</b>	<b>entrepreneurial authority strong leadership</b>	<i>An entrepreneurial authority; commercial in outlook and committed to continuous service improvement, underpinned by a skilled workforce and strong governance environment.</i>

4.4. To be successful, it is vital that all corporate policies, strategies and business plans are fully informed, designed and resourced to support the delivery of our corporate objectives. In doing so, the Council has adopted an ongoing method of engaging all stakeholders: staff; Members; partners and residents; in order to inform, plan, review and ultimately deliver continuous improvement in council services; *the 'Golden Thread'*.



## **5. Our Performance in 2019/20**

**5.1.** In working towards its Corporate Plan objectives and associated policy commitments, throughout 2019/20 the Council continued to design targeted projects and interventions that deliver positive outcomes for local residents. Initiatives delivered in the last year to realise our vision for the borough include:

- **#1 People:** At its Full Council meeting on 25 June 2019, Gravesham Borough Council passed a motion to declare a climate emergency and begin to take action to prepare for the borough to become carbon neutral by 2030.

In order to deliver on this pledge, in December 2019 Full Council approved and adopted a 51 point action plan. Designed in partnership between Members and officers, the Climate Change Action Plan involves a range of actions; from strategic issues such as air quality improvement via transport infrastructure initiatives, through to more ground level activities such as tree planting schemes where the council can directly influence change within the local community.

The Leader of the Council has made clear there is a moral and social duty upon us to act immediately and do whatever we can as a local authority. The package of announced measures, supported by £500,000 of seed funding, represents a major commitment by the Council. Delivery of the project will be overseen by a cross-party Member working group, with an annual report prepared for Full Council throughout the period.

- **#2 Place:** At its heart, the corporate 'Place' objective establishes the Council's role as local place shapers. The Corporate Plan commits the authority to securing much-needed development that addresses local resident need and, ultimately, presents a Gravesham for the future; one in which people choose to live, work and enjoy.

To that end, the investments announced in the annual budget represent a progressive and significant first step:

- The delivery of a new Leisure Centre for Gravesham residents in 2025;
  - A fully-funded replacement programme for Council-owned play sites in the borough from 2020/21;
  - An improved town centre street scene.
- **#3 Progress:** The Council's Corporate Plan established a clear direction of travel in regards to its finances; to become an entrepreneurial local authority. As part of that commitment, in 2019/20 the Council launched its Local Authority Trading Company, with any returns from the company to the Council, as sole Shareholder, to be reinvested in progressive improvements to frontline services.

## NARRATIVE REPORT

**5.2.** The Council operates a Performance Management Framework (PMF), allowing it to evaluate delivery against its adopted corporate objectives and, through a regular reporting programme, provide accountability to residents and stakeholders in the use of its resources.

**5.3.** Key performance outcomes during 2019/20 were:

<b># 1 PEOPLE</b>		
Ref	Performance Indicator	Outturn
P I 8	% of household waste recycled	42.5%
P I 18	Average time taken to re-let council housing	21 days
P I 23	Average processing time for Housing Benefit claims	12.8 days
P I 26	Total number of reported corporate complaints	255
<b># 2 PLACE</b>		
Ref	Performance Indicator	Outturn
P I 28	% rate of vacant town centre retail properties	9%
P I 35	% of 'Major' planning applications processed on time	88.9%
P I 36	% of 'Non-Major' planning applications processed on time	74.7%
P I 42	Total number of patron tickets sold by The Woodville Theatre	51,111
<b># 3 PROGRESS</b>		
Ref	Performance Indicator	Outturn
P I 45	Total rental income from property investments	£1,054,720
P I 48	% of income from commercial activity in relation to net revenue spend	18.6%
P I 49	% of posts involved in shared service arrangements	6.5%
P I 52	% of workforce IT-enabled for remote working	63.7%

**5.4.** Further details of the Council's performance arrangements and reporting products can be found at: [www.gravesham.gov.uk/performance](http://www.gravesham.gov.uk/performance).

## 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 2019 the Council set its Budget Requirement for 2019/20 at £11.47m, largely financed by £3.09m of retained Business Rates, £0.61m of Government Grant funding through the New Homes Bonus Scheme, £7.23m of Council Tax income (including £0.34m for Parish Precepts) and allowing for £0.20m payment to the Collection Fund and the use of £0.74m of Working Balances held by the Council. To support the budget, the Council agreed an increase of 2.97% in the level of Council Tax from that charged in 2018/19. This resulted in a Band D Council Tax amount of £203.13.
- 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 2019/20	Original Budget	Outturn	Variance over/(under)
	£'000	£'000	£'000
All Directorate - Salaries	13,701	13,486	(215)
Chief Executive	(120)	(120)	0
Communities	48	(1,005)	(1,053)
Corporate Services	4,892	4,983	91
Housing & Operations	(697)	(396)	301
Planning & Development	10	(182)	(192)
Non-Directorate Specific	1,075	1,055	(20)
<b>Directorate total</b>	<b>18,909</b>	<b>17,821</b>	<b>(1,088)</b>
Interest & Investment Income	(918)	(620)	298
Government Grant Funding	(1,214)	(1,288)	(74)
Transfers to/(from) Reserves	193	669	476
Transfers to/(from) Balances	611	611	0
Transactions below the line	(6,107)	(6,077)	30
<b>Budget Requirement</b>	<b>11,474</b>	<b>11,116</b>	<b>(358)</b>
Business Rate Income	(3,085)	(3,300)	(215)
Council Tax Income	(6,892)	(6,892)	0
Parish Precepts	(340)	(340)	0
New Homes Bonus	(611)	(611)	0
Transfers to/(from) the Collection Fund	197	197	0
Use of Working Balances	(743)	(743)	0
<b>Budget Shortfall / (Underspend)</b>	<b>0</b>	<b>(573)</b>	<b>(573)</b>

- 6.1.4. The General Fund outturn was better than originally budgeted primarily due to action taken by the Council during the year to realise base budget reductions through the delivery of *Bridging the Gap* 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 controlled.

- 6.1.5. The Council also continued to benefit from membership of the Kent Business Rates Pool in 2019/20.
- 6.1.6. These factors removed the planned need to call on the Council's Working Balances to meet expenditure incurred in the year and resulted in the Council being able to improve its financial resilience by increasing the level of Working Balances held at the end of the financial year.
- 6.1.7. Full details, including notes on individual variances within directorates can be found within the Outturn Report as originally considered by the Cabinet on Monday 29 June 2020. Papers can be accessed at: <https://www.gravesham.gov.uk/cabinet-29-06-20>
- 6.1.8. At the time of preparing the original draft outturn report, the council were unaware that the external auditor was to raise challenges to the accounting treatment applied to the St Georges Shopping Centre transaction that formed part of the 2018/19 audited Statement of Accounts. As a result of external auditor challenge the council sought advice regarding the St George's Transaction which resulted in treatment of the transaction now being a loan arrangement rather than a lease.

### **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 2019, the Council set the 2019/20 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.

## NARRATIVE REPORT

Housing Revenue Account Outturn 2019/20	Original Budget	Outturn	Variance over/(under)
	£'000	£'000	£'000
<b>Income</b>			
Dwelling Rents	(25,031)	(25,666)	(635)
Other Rental Income	(29)	(19)	10
Service Charges	(1,400)	(1,820)	(420)
Non Dwelling Income	(140)	(147)	(7)
Intensive Management Fund - Income	(521)	(517)	4
Other Income	(113)	(151)	(38)
<b>Total Income</b>	<b>(27,234)</b>	<b>(28,320)</b>	<b>(1,086)</b>
<b>Expenditure</b>			
Supervision and Management	5,357	5,952	595
Repairs and Maintenance	7,618	7,395	(223)
Depreciation	6,912	6,953	41
Supporting People Fund - Expenditure	667	640	(27)
Capital Financing Costs	10,190	10,427	237
<b>Total Expenditure</b>	<b>30,744</b>	<b>31,367</b>	<b>623</b>
Net transfers to/(from) Reserves	(3,510)	(3,047)	463
<b>Net (Surplus)/Deficit for the year</b>	<b>0</b>	<b>0</b>	<b>0</b>

6.2.4. The difference between the Original Budget and final outturn was mainly due to the effective management of vacant posts and higher than expected income from rents and non-dwelling fees and charges.

6.2.5. Full details, including notes on individual variances within the table above, can be found within the Outturn Report as considered by the Cabinet on Monday 29th June 2020. Papers can be accessed at: <https://www.gravesham.gov.uk/cabinet-29-06-20>

### 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 2019/20 the Council spent £3.33m on General Fund capital schemes, including £1.82m on works to re-enliven the mall areas St Georges Shopping Centre.

6.3.3. For Housing capital schemes, expenditure was £15.81m and included works to replace roofs, windows and doors on properties within the Council's housing stock as well as furtherance of the 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 2020 stood at £43.00m, (31 March 2019, £46.23m). The Council continued to hold sums related to the future redevelopment of the St George's Shopping Centre. During 2019/20 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 had £100.21m long-term borrowing as at 31 March 2020 (31 March 2019, £113.19m). This represents a decrease of £12.98m in long-term borrowing from 2018/19 and reflects the change in accounting treatment of the St George's Shopping Centre transaction to that of a loan arrangement.
- 6.4.3. The Council achieved an average rate of return of 0.96% on its internally managed cash flow investments (including cash equivalents) for the year (2018/19, 0.76%). The average rate of return on Property Funds was 4.07% (2018/19, 4.05%), with the average rate of return on Multi-Asset Funds being 4.75% (2018/19 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. As at 31 March 2020, the Council's General Fund working balances stood at £8.93m (£8.49m in 2018/19 restated balances). For the HRA, working balances stood at £3.00m as at 31 March 2020 (and also £3.00m for 2018/19).
- 6.5.2. The Council also holds earmarked reserves, kept for specific types of expenditure in the future. The total amount of earmarked reserves, including revenue grants not yet applied, held as at 31 March 2020 (for General Fund and HRA purposes) is £14.94m (£17.33m at 31 March 2019).



## 7. Commentary on the Primary Financial Statements for 2019/20

A summary of the Primary Financial Statements is provided below:

### 7.1 The Comprehensive Income and Expenditure Statement (CIES) (Page 45)

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 £3.09m during 2019/20.

Comprehensive Income & Expenditure Statement	2018/19 Restated Actual £'000	Movement during year £'000	2019/20 Actual £'000
Cost of Services	(589)	13,434	12,845
Other Income and Expenditure	(14,641)	4,886	(9,755)
(Surplus) or Deficit on Provision of Services	(15,230)	18,320	3,090
Other Comprehensive Income and Expenditure	(18,734)	20,508	1,774
<b>Total Comprehensive Income and Expenditure</b>	<b>(33,964)</b>	<b>38,828</b>	<b>4,864</b>

### 7.2. The Balance Sheet (Page 46)

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.

7.2.2. During 2019/20, the Council has seen a small reduction in its net worth during the year of £4.86m.

Balance Sheet	Restated 31st March 2019 £'000	Movement during year £'000	31st March 2020 £'000
Non-current Assets	442,748	(1,807)	440,941
Current Assets	36,742	(2,773)	33,969
Current Liabilities	(14,526)	(9,868)	(24,394)
Total Non-Current Assets plus Net Current Assets	464,964	(14,448)	450,516
Non-Current Liabilities	(174,640)	9,584	(165,056)
<b>Total Assets less Liabilities</b>	<b>290,324</b>	<b>(4,864)</b>	<b>285,460</b>
Financed by:			
Unusable Reserves	(246,425)	1,552	(244,873)
Usable Reserves	(43,899)	3,312	(40,587)
<b>Total Net Worth</b>	<b>(290,324)</b>	<b>4,864</b>	<b>(285,460)</b>

### 7.3. The Movement in Reserves Statement (MIRS) (Page 47)

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 2019/20 by £4.86m.

Movement in Reserves Statement	Usable Reserves	Unusable Reserves	Total Reserves
	£'000	£'000	£'000
Restated Balance at 31st March 2019	(43,899)	(246,425)	(290,324)
(Increase)/decrease in year	3,312	1,552	4,864
<b>Balance at 31st March 2020</b>	<b>(40,587)</b>	<b>(244,873)</b>	<b>(285,460)</b>

### 7.4. The Cash Flow Statement (Page 48)

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 2019/20, there was a small change in the Council's level of cash and cash equivalents, with an increase of £0.15m by year-end.

Cash Flow Statement	Restated 2018/19	Movement during year	2019/20
	£'000	£'000	£'000
Net (Surplus) or Deficit on the Provision of Services	(15,230)	18,320	3,090
Adjustment to the net (surplus)/deficit on the provision of services	(151)	(20,867)	(21,018)
Net Cash Flows from Operating Activities	(15,381)	(2,547)	(17,928)
Net cash flows from investing activities	32,478	(20,074)	12,404
Net cash flows from financing activities	(20,788)	26,167	5,379
Net (increase) or decrease in cash or cash equivalents	(3,691)	3,546	(145)
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>4,393</b>	<b>145</b>	<b>4,538</b>

## 8. Principal Risks and Uncertainties

- 8.1.** The Council has a long-established process in place to identify the principal risks that may influence or impact on the delivery of services. The process requires judgements to be made on the likelihood and impact of a potential risk and enables the Council to develop and implement appropriate controls to manage or mitigate these risks to reduce the impact on the Council. The Council maintains a Corporate Risk Register which is updated at least annually and reviewed during the year by officers and the Finance & Audit Committee, which is charged with maintaining an overview of the Council's risk and governance framework.
- 8.2.** The next table sets out the identified key risks to the achievement of the Council's strategic priorities in 2019/20:

<b>Key risks to the achievement of the Council's strategic priorities in 2019/20</b>			
<b>Risk</b>	<b>Assessed Risk Score</b>	<b>Mitigating Actions</b>	<b>Target Risk Score for year end</b>
<b>Ongoing financial viability of the Council</b>	20	Continued delivery of Bridging the Gap and Balancing the Budget activity approved by Cabinet.	12
		Development of a new Medium Term Financial Strategy for the Council.	
		Continued maintenance of the Medium Term Financial Plan and in-year Financial Modelling.	
		Continuation of the programme of development for the Council's Financial Management System.	
		Compliance with budget monitoring arrangements.	
		Proactive approach to responding to central government consultations on funding for local government.	
<b>Changes in national priorities and legislative change</b>	15	Circulation of in-house monthly policy & legislative briefings.	15
		Proactive arrangements made to respond to consultations from central government departments and agencies and interact with partnership agencies.	
		Member Induction Programme developed to support all Members elected to the Council in the May 2019 Local Elections.	
		Deliver a training and development plan to Members.	

## NARRATIVE REPORT

Key risks to the achievement of the Council's strategic priorities in 2019/20			
Risk	Assessed Risk Score	Mitigating Actions	Target Risk Score for year end
<b>Organisational capacity/ resilience</b>	20	Management Team oversight of recruitment and resourcing to ensure that resources are allocated effectively.	15
		Shared service opportunities to be explored.	
		Conducting of annual staff appraisals and identification of training needs to support workforce development.	
		Holding of Joint Staff Forum meetings and maintenance of active relationships with trade union representatives.	
<b>Implementation of the Homelessness Reduction Act</b>	15	Proactive action to identify any amendment to or changes in additional duties as a result of the Act.	15
		Monitoring of resourcing to ensure ongoing ability to deliver services required.	
		Develop arrangements to sustain service performance following cessation of New Burdens funding.	
<b>Universal Credit</b>	15	Continued liaison and meetings with key agencies such as Job Centre Plus and the Citizens Advice Bureau.	12
		Briefing arrangements maintained to keep Members and staff updated on any changes that occur.	
		Secure ongoing services from the Citizens Advice Bureau to provide Personal Budgeting Support and Assisted Digital Support to claimants	
		Monitor rent accounts of Council-owned dwellings to enable support to be provided to tenants in receipt of UC.	

## NARRATIVE REPORT

Key risks to the achievement of the Council's strategic priorities in 2019/20			
Risk	Assessed Risk Score	Mitigating Actions	Target Risk Score for year end
<b>Withdrawal of the United Kingdom from the European Union</b>	20	Proactive engagement with County-wide contingency planning arrangements.	15
		Business Continuity Plans reviewed and updated to ensure they remain fit for purpose.	
		Planning and preparation for alternative working patterns or greater remote working to enable the Council to respond to any local pressures.	
		Interaction maintained with key partners and supply chain providers to seek assurance on their preparedness.	
<b>Cyberattack resulting in data breach or corruption of data</b>	12	Improve existing controls including additional backup facilities, faster recovery from backups and a partnership approach to proactively monitoring security event information.	12
		Ensure technical protection arrangements and offsite backup arrangements remain operational and are regularly reviewed.	
		Continue to participate in local and national Warning, Advice and Reporting Points and maintain direct engagement with the National Cyber Security Centre and Local Resilience Partnership.	
		Conduct regular exercises to test and assess cyberattack recovery plans.	
		Deliver training to all staff and Members to raise cyber threat awareness and promote good practice to minimise the human risk factor.	

- 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. Impact of COVID-19**

- 9.1.** The COVID-19 pandemic had the most profound impact on the daily lives of UK residents of any event this century; significant societal restrictions on movement and association, coupled with intense harm to the national economy through the enforced closure of businesses and an inevitable loss of jobs.
- 9.2.** The COVID-19 pandemic also had a significant impact on the Council; in the months and years following March 2020 the Council was part of the national response to the pandemic situation whilst continuing to maintain critical service delivery in very challenging circumstances. In the immediate months after March 2020 the Council:
- Acted swiftly to provide suitable accommodation to ensure rough sleepers and the homeless have been able to remain safe.
  - Worked with other partnership organisations to establish business support hubs and community support hubs, working with voluntary sector to support shielded and vulnerable persons and ensure they are provided with food and other essential supplies as needed.
  - Engaged with suppliers and contractors of the Council to manage supply chain risks and ensure that they are able to continue to support the delivery of services during and after the outbreak.
  - Mobilised its workforce to be able to respond to and continue to deliver essential Council services from remote locations.
- 9.3.** The timing of the pandemic means that the financial impact has been primarily been felt by the Council in 2020/21 and future years. This has led to a significant shift in the income streams of the Council; loss of car parking income, deferral of commercial rent, impacts on council tax and business rates payments, loss of income from theatre and leisure facilities and other fees and charges. The Council also incurred additional expenditure to ensure that key services, such as waste collection and homelessness prevention, were maintained alongside the additional support that was provided to the council to its residents, particularly those who were vulnerable.
- 9.4.** Whilst some funding from Central Government was received to manage the impact of COVID-19 on services, this did not fully cover the estimated financial impact on the Council. The full financial impact continues to be felt by the council from changes in behaviours and continued demand for key council services.
- 9.5.** The efforts of the Council in the years running up to March 2020 to reduce its base budget requirement and bolster its Working Balances has certainly provided capacity to absorb some of the financial impact of the COVID-19 pandemic, albeit this and other events since have detrimentally affected the financial sustainability of the Council in the future. The Council continues to monitor and assess its financial position and develop plans to ensure ongoing sustainability in its finances moving forward.

## **10. 2020/21 and Beyond**

- 10.1.** The financial environment within which the Council operates remains challenging with the ongoing effects of COVID-19, the ending of the transitional period for the UK leaving the European Union, the Russian invasion of Ukraine and economic conditions in the UK affecting both demand for services and Council budgets. The Council is also still awaiting Central Government decisions on the final design of long-term funding arrangements for local government. The Council had placed itself in a strong position in 2019/20 and focus continues to remain on ensuring that its financial plans are sustainable and robust within the challenging environment, and that both revenue and capital resources align with key policy priorities.

## **11. Other Useful Information**

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

## **12. 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 July by the Director (Corporate Services), and that the audited statement of accounts is approved prior to 30 November 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 2020.

*S J Parfitt*

Sarah J Parfitt CPFA

Date: 28 February 2024

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

I confirm that the adoption process for the 2019/20 Statement of Accounts has been formally completed and that the Financial Review and Statement of Accounts for the year ended 31 March 2020 was considered and approved by Gravesham Borough Council at the meeting of the Finance & Audit Committee on 21<sup>st</sup> December 2023.

*G Larkins*

Cllr Gavin Larkins

Date: 28 February 2024



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

### **13.1. 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.

### **13.2. 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 Business 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 £2,000 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.

### **13.3. 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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- 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.

### **13.4. 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.

### 13.5. 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. Internally managed short-term highly liquid investments of three months or less from the date of acquisition are recognised as cash equivalents.

### 13.6. 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.

### 13.7. 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 consideration 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

## ACCOUNTING POLICIES

- 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

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
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

## ACCOUNTING POLICIES

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.

### **13.8. 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.

### **13.9. 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 13.7). 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.

### **13.10. Investment Properties**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. The fair value of these assets can be attributed in three ways.

- Level 1 - Quoted prices in active markets for identical assets/liabilities that the authority can access at the measurement date.

## ACCOUNTING POLICIES

- Level 2 - Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.
- Level 3 - Unobservable inputs for the asset or liability.

Properties are subject to revaluation on an annual basis in accordance with market conditions at the year-end.

Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals income received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are, therefore, reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

Investment properties are not subject to depreciation.

### **13.11. 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

### **13.12. 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.

### **13.13. 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.

## ACCOUNTING POLICIES

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.

### 13.14. Leases

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

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

- a charge for the acquisition of the interest in the asset, with a liability in the Balance Sheet at the start of the lease, written down as leasing payments are due, and;
- a finance charge against Net Operating Expenditure in the authority's Comprehensive Income and Expenditure Statement as the leasing payments are due.

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

### 13.15. 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.



**13.16. 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.

**13.17. 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.

**13.18. 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.

**13.19. 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.

**13.20. 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.

### **13.21. 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.

### **13.22. 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.

## ACCOUNTING POLICIES

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 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 amounts recorded in 2019/20 accounts are based on the contribution rates set following the valuation of the Kent County Council Pension Fund for funding purposes as at 31 March 2019. Revised contribution rates will take effect from 1 April 2020.

- 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

## ACCOUNTING POLICIES

- 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.

### **13.23. 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.

### **13.24. 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. This definition applies to the majority of financial liabilities. The only exception to this is borrowing associated with the St George’s Centre / Aviva transaction.

### **13.25. 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.

### **13.26. 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.

## ACCOUNTING POLICIES

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.

### **13.27. 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.

### **13.28. 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.

**13.29. 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.

**13.30. 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.

**13.31. Events after the Balance Sheet Date**

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

Events which arise after the Balance Sheet date and concern conditions which did not exist at that time are detailed in the notes to the core financial statements if they are

of such materiality that their disclosure is required for the fair presentation of the financial statements. These are known as 'non-adjusting events'.

The 2019/20 draft statement of accounts was originally prepared having regarded the St George's Shopping Centre transaction a finance lease, in continuation of the audited accounting treatment applied during 2018/19. However, following subsequent audit challenge, it was established during 2023/24 that the accounting treatment to be applied should be that of a loan arrangement. To this effect the Council has had to restate its relevant financial statements and notes as at 31<sup>st</sup> March 2019.

As a result of ongoing financial challenges and affordability surrounding the Shopping Centre transaction, the Council re-assessed its loan contract with Aviva. The outcome of this has been that in October 2023, the Council exited the arrangement with Aviva, financing its withdrawal by taking out new PWLB loans. Thus financial statements in due course will reflect this revised loan financing arrangement, rather than incorporating the loan repayable to Aviva.

The Council submitted a redemption request to the Lothbury Property Trust in June 2023 to withdraw its investment in the fund. In late 2022 and early 2023, all property funds saw an increase in the level of redemptions, largely due to defined benefit pension funds wishing to exit funds due to the economic climate. The level of redemption request to the Lothbury Fund was a significant proportion of its total fund size and as a result, Lothbury Property Fund suspended redemptions in the fund for a period of 12 months. The Lothbury Property Fund commenced with a planned asset sale and began considering alternative options for the fund going forward. Lothbury were unable to gain sufficient support from investors for a smaller restructured fund and therefore issues all investors with a fund termination notice of 31 December 2023. However, Lothbury has been working on a potential merger with another fund and at an EGM in December, it was agreed that the termination date be extended to 31 March 2024. Negotiations have been ongoing and it is currently seeking agreement to further extend the termination date to 30 June 2024 to allow final terms to be agreed. If the merger does go ahead, the Council will be able to decide whether it wishes its investment to transfer to the newly merged fund or whether it wishes to redeem its investment.

### **13.32. 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.

### **13.33. 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 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.

## ACCOUNTING POLICIES

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.

### 13.34. 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.

Following external audit challenge concerning the creation of a historic revaluation reserve relating to HRA dwellings, an adjustment has been reflected in the current Statement of Accounts between the capital adjustment account and revaluation reserve. This exercise has been treated cumulatively to 2019/20, without also restating 2018/19 accounts, and thus ensures that balance sheet values are correct as at 31<sup>st</sup> March 2020.

### 13.35. 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.

- Annual Improvements to IFRS Standards 2015-2017 Cycle
- 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 now deferred implementation of IFRS16 for local government until 1 April 2024. It is anticipated that these changes will not have a material impact on the Council's accounts.
- IAS28 – Amendments to Investments in Associates and Joint Ventures: Long-term interests in Associates and Joint Ventures. It is anticipated that this change will not have a material impact on the Council's accounts.
- IAS19 – Employee Benefits: Plan Amendments, Curtailment or Settlement. It is anticipated that this change will not have a material impact on the Council's accounts.

### 13.36. 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, and at the time of producing these statements the UK was on the cusp of leaving the EU. 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 Gravesham Community Leisure Limited (GCLL), an Independent Prudential Society that



## ACCOUNTING POLICIES

operates the leisure centres owned by the Authority. Whilst the Council has an interest in GCLL and the entity is delivering a service of its own, it does not have exposure to the risk of a potential loss. Within the contractual agreement between the Council and GCLL, there are clauses relating to “profit sharing” which do not accrue any liability on the Council if operating income achieved is below the set targets. The contract also specifically indemnifies the Council against any losses in the event of the termination of the agreement and the winding up of the GCLL. It is therefore assessed that there is no group relationship.

- **Property, Plant and Equipment** – Assets are depreciated over useful lives that are dependent on critical judgements and 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 asset falls. Similarly, if funding levels were reduced leading to service delivery reductions or the 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. For 2019/20, the valuer has reported a material valuation uncertainty in the light of the COVID-19 pandemic. The values in the report have been used to guide the measurement of the Council's assets at valuation in these financial statements. Having declared this uncertainty, the valuer has continued to exercise professional judgement in providing the valuation, using the best and most reliable information available at that time. The valuation uncertainty would have the greatest impact on Council Dwellings, where a reduction in market values of 10% would decrease the balance sheet values by £32.6m.
- **St Georges Shopping Centre** – Following audit challenge during 2020 after the preparation of 2019/20 draft accounts, the Council has sought external advice on the appropriate accounting treatment of the transaction. It has been determined that the transaction between the Council and Aviva Investors is that of a loan arrangement rather than a finance lease, and thus accounts have been re-stated for 2018/19, and re-worked for 2019/20 on that basis. This includes recognising a loan liability on the Council's balance sheet, additional interest costs in the Comprehensive Income and Expenditure Statement, and the reversal of the previous lease and lease liability entries. The Council's judgement is that only those direct entries which flow through its records and are explicitly inside its accounting boundary, are reflected within the financial statements.

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

The items in the Authority's Balance Sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as shown in the next table:

Item	Uncertainties	Effect if Actual Result Differs from Assumptions
<b>Property Valuations</b>	Revaluations of property, plant and equipment, investment property and surplus assets are estimations of asset values using comparable recent market transactions, depreciated replacement costs, indices, and data	PPE carrying value as at 31 March 2020 is £379.3m, and Investment Property is £39.4m. A 1% movement in the valuation of PPE and IP would therefore change the

## ACCOUNTING POLICIES

	<p>from third parties such as Land Registry and Valuation Office Agency.</p> <p>Additionally, the recent COVID-19 pandemic (as at the time of preparing the original draft accounts) was considered likely to impact upon PPE valuations – see note 14.6.</p> <p>The desk-top valuation of the Council’s social housing stock has been based on the most up to date Land Registry house prices indices information at the date of the valuation. Given the small number of sales of valuations available each year for most of the beacons it is considered that using the Land Registry indices information provides a better overall indication of the overall change in value of the Council’s Housing Stock.</p>	<p>balance sheet carrying value by £4.19m.</p>
<b>Pensions Liability</b>	<p>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.</p> <p>Additionally, at the time of preparing the original 2019/20 accounts, the COVID-19 pandemic was considered likely to impact upon Pensions Funds – see note 14.23. Consequently, less certainty and a higher degree of caution should be attached to the valuations than would normally be the case.</p>	<p>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 £3.16m.</p> <p>A 1 year reduction in life expectancy assumptions would result in a £7.00m decrease in the pension liability.</p>
<b>Business Rates</b>	<p>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.</p>	<p>Sensitivity modelling on assumptions indicates that including all open appeals as at 31 March 2020 would increase the appeals provision by £45,000. The Council share of that increase in provision would be £18,000 (40%).</p>
<b>Allowance for expected credit losses</b>	<p>Officers typically use an aged debt approach when considering allowances for expected credit losses (Collection Fund, Sundry Debt,</p>	<p>If a greater value of debts are non-collectible than allowed for, there will be an additional expense charged</p>

## ACCOUNTING POLICIES

	<p>Housing benefit overpayments, and HRA rents and service charges). Although the exact impact of the COVID-19 pandemic was uncertain at the time of preparing the original 2019/20 accounts, officers considered that more current debts which generally do not attract an allowance would be at greater-risk of non-payment than usual.</p>	<p>to the corresponding Collection Fund, General Fund and HRA accounts. Similarly, if actual credit losses are below the allowance, this has a positive impact as funds will be released.</p>
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# **CORE FINANCIAL STATEMENTS**

**Index to Core Financial Statements**

Comprehensive Income and Expenditure Account	45
Balance Sheet	46
Movement in Reserves Statement	47
Cash Flow Statement	48

**Index to Notes to the Core Financial Statements**

14.0	Analysis of 2018/19 balances re-stated	50
14.1	Expenditure and Funding Analysis	52
14.2	Other Operating Expenditure/Income	58
14.3	Financing and Investment Income and Expenditure	58
14.4	Taxation and Non-Specific Grant Income	59
14.5	Expenditure and Income analysed by nature	59
14.6	Property Plant and Equipment	61
14.7	Depreciation and Impairment	63
14.8	Heritage Assets	64
14.9	Investment Properties	64
14.10	Debtors	65
14.11	Cash and Cash Equivalents	65
14.12	Creditors	65
14.13	Capital Grants and Contributions Received in Advance	66
14.14	Provisions	66
14.15	Unusable Reserves	66
14.16	Usable Reserves	70
14.17	Adjustments Between Accounting Basis and Funding Basis under Regulations	75
14.18	Related Party Transactions	77
14.19	Member Allowances	78
14.20	Officer Remuneration and Exit Packages	78
14.21	External Audit Costs	80
14.22	Construction Contracts (Commitments under Capital Contracts)	80
14.23	Pension Costs	81
14.24	Capital Expenditure and Capital Financing	86
14.25	Contingent Assets	86
14.26	Contingent Liabilities	87
14.27	Financial Instruments and Financial Risks	87
14.28	Leasing	95

**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

2018/19 Restated		2019/20	
Expenditure	Income	Expenditure	Income
£'000	£'000	£'000	£'000
	Net Cost		Net Cost
	£'000		£'000
204	0	521	(23)
9,499	(5,009)	10,804	(6,106)
34,813	(32,873)	32,215	(28,695)
21,012	(28,281)	21,072	(28,270)
(4,723)	0	4,339	0
8,824	(6,394)	9,705	(6,037)
1,670	(586)	1,716	(647)
1,255	0	2,251	0
<b>72,554</b>	<b>(73,143)</b>	<b>82,623</b>	<b>(69,778)</b>
	Net Cost of Services		Net Cost of Services
(642)	(138)	(1,662)	(17)
4,534	(3,553)	7,887	(3,930)
	(14,842)	0	(12,033)
<b>76,446</b>	<b>(91,676)</b>	<b>88,848</b>	<b>(85,758)</b>
	(Surplus)/Deficit on the Provision of Services		(Surplus)/Deficit on the Provision of Services
	(9,142)		(9,142)
	36		36
	(9,628)		(9,628)
	(18,734)		(18,734)
	<b>(33,964)</b>		<b>(33,964)</b>
	Total Comprehensive Income & Expenditure		Total Comprehensive Income & Expenditure
			2,451
			0
			(677)
			1,774
			<b>4,864</b>

## BALANCE SHEET

Restated At 31 March 2019	Balance Sheet		At 31 March 2020	
£'000	Notes	£'000	£'000	
	14.6			
320,205		320,813		
48,734		46,188		
3,662		3,670		
1,350		1,204		
2,877		2,877		
2,694		4,321		
596		246		
380,118				379,319
242		255		
3,545	14.8	3,653		
38,690	14.9	39,400		
337		348		
19,816		17,966		61,622
442,748				440,941
27		38		
17,471	14.10	16,786		
(7,169)		(7,913)		
4,393	14.11	4,538		
22,000		20,500		
20		20		33,969
479,490				474,910
(5,108)	14.27	(13,706)		
(9,418)	14.12	(10,688)		(24,394)
464,964				450,516
(544)	14.13	(531)		
(1,345)	14.14	(1,648)		
(59,563)	14.23	(62,671)		
(113,188)		(100,206)		
(174,640)				(165,056)
290,324				285,460
(246,425)	14.15	(244,873)		
(43,899)	14.16	(40,587)		(285,460)
(290,324)				(285,460)

## MOVEMENT IN RESERVES STATEMENT

Financial Year 2019/20	General Fund Balance	Earmarked Reserves (GF & HRA)	HRA	Major Repairs Reserve	Capital Receipts	Grants and Cont unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Restated Balance at 31 March 2019</b>	(8,493)	(17,323)	(3,000)	(2,055)	(12,698)	(330)	(43,899)	(246,425)	(290,324)
(Surplus)/Deficit on Provision of Services	5,893		(2,803)				3,090		3,090
Other Comprehensive Expenditure or Income								1,774	1,774
<b>Total Comprehensive Expenditure and Income</b>	5,893		(2,803)				3,090	1,774	4,864
Adjustment between accounting basis and funding basis (Note 14.17)	(7,003)		5,850	1,119	73	183	222	(222)	0
<b>Net (increase)/decrease before transfers to Earmarked Reserves</b>	(1,110)		3,047	1,119	73	183	3,312	1,552	4,864
Transfers to/(from) Earmarked Reserves (Note 14.16.3)	668	2,379	(3,047)				0		0
<b>(Increase)/Decrease in year</b>	(442)	2,379	0	1,119	73	183	3,312	1,552	4,864
Balance at 31 March 2020	(8,935)	(14,944)	(3,000)	(936)	(12,625)	(147)	(40,587)	(244,873)	(285,460)

Financial Year 2018/19 - Restated	General Fund Balance	Earmarked Reserves (GF & HRA)	HRA	Major Repairs Reserve	Capital Receipts	Grants and Cont unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2018</b>	(7,305)	(14,940)	(3,000)	(977)	(12,272)	(588)	(39,082)	(217,278)	(256,360)
(Surplus)/Deficit on Provision of Services	(3,461)		(11,769)				(15,230)		(15,230)
Other Comprehensive Expenditure or Income								(18,734)	(18,734)
<b>Total Comprehensive Expenditure and Income</b>	(3,461)		(11,769)				(15,230)	(18,734)	(33,964)
Adjustment between accounting basis and funding basis (Note 14.17)	(1,466)		13,125	(1,078)	(426)	258	10,413	(10,413)	0
<b>Net (increase)/decrease before transfers to Earmarked Reserves</b>	(4,927)		1,356	(1,078)	(426)	258	(4,817)	(29,147)	(33,964)
Transfers to/(from) Earmarked Reserves (Note 14.16.3)	3,739	(2,383)	(1,356)				0		0
<b>(Increase)/Decrease in year</b>	(1,188)	(2,383)	0	(1,078)	(426)	258	(4,817)	(29,147)	(33,964)
Balance at 31 March 2019	(8,493)	(17,323)	(3,000)	(2,055)	(12,698)	(330)	(43,899)	(246,425)	(290,324)



## CASH FLOW STATEMENT

2018/19 Restated*	Cash Flow Statement	2019/20	
£'000		£'000	£'000
(15,230)	<b>a) Net (Surplus) or Deficit on the Provision of Services</b>		3,090
	<b>b) Adjustment to the net (surplus)/deficit on the provision of services for non-cash movements</b>		
(8,808)	Depreciation	(9,682)	
7,482	Movement in valuations	(6,149)	
(77)	Amortisation of non-current assets	(77)	
25	Impairment reversals (including writing out depreciation)		
(405)	Movement in impairment provision for bad debts	(744)	
(1,473)	Movement in creditors	(1,274)	
3,381	Movement in debtors	(1,415)	
16	Movement in inventories	11	
251	Movement in provisions	(303)	
(2,874)	Movement in pension liability	(3,785)	
(1,375)	Carrying amount of non-current assets sold	(1,899)	
662	Other non-cash items charged to the net surplus or deficit on the provision of services	(185)	
<u>(18,425)</u>			<u>(22,412)</u>
	<b>c) Adjustment for items in the net (surplus)/deficit on the provision of services that are investing and financing activities</b>		
2,906	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	4,467	
138	Other Receipts for investing activities	17	4,484
<u>(15,381)</u>	<b>d) Net Cash Flows from Operating Activities</b>		<u>(17,928)</u>
	<b>e) Investing Activities</b>		
24,766	Purchase of property, plant and equipment, investment property and intangible assets	18,439	
55,069	Purchase of Short Term and Long Term Investments	25,000	
	Other Payments for investing activities	17	
(2,906)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(4,467)	
(43,520)	Proceeds from Short Term and Long Term Investments	(26,518)	
(794)	Capital Grants received in year	(50)	
(138)	Other Receipts for investing activities	(17)	
<u>32,478</u>	Net cash flows from investing activities		<u>12,404</u>
	<b>f) Financing Activities</b>		
(24,168)	Cash Receipts of short and long term borrowing	(519)	
(862)	Other movements from financing activities	995	
4,242	Repayments of short and long term borrowing	4,903	
<u>(20,788)</u>	Net cash flows from financing activities		<u>5,379</u>
<u>(3,691)</u>	<b>g) Net movements in year excluding non-cash items</b>		<u>(145)</u>
702	<b>h) Cash and cash equivalents at the beginning of the reporting period</b>		4,393
3,691	<b>i) Net increase or (decrease) in cash or cash equivalents</b>		145
<u>4,393</u>	<b>j) Cash and cash equivalents at the end of the reporting period</b>		<u>4,538</u>

\*2018/19 Restatement relates largely to revised accounting arrangements regarding the St George's Shopping Centre with the transaction now reflected as a loan arrangement rather than a finance lease. This is reflected within changes to the "Movement in Valuations", "Carrying amount of non-current assets sold", "Capital Grants received in year", and "Cash Receipts of short and long term borrowing" lines in the revised note, with the former "Lease incentives received" and "Cash Payment for the reduction of the outstanding liabilities relating to finance leases" lines now removed. Other movements as set out in Note 14.0 relate to a general re-presentation of the Cash Flow Statement, and have a non-material net effect of £178k.

**14. 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

### Note 14.0. Analysis of 2018/19 balances restated – St George’s Shopping Centre & Other Movements

CIES - Net Cost of Services Adjustments	2018/19 Audited Accounts			St George's Centre		Other Movements		2018/19 Restated Accounts		
	Expenditure	Income	Net Cost	Expenditure	Income	Expenditure	Income	Expenditure	Income	Net Cost
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive	204	0	204	0	0	0	0	204	0	204
Communities	9,647	(5,157)	4,490	(148)	148	0	0	9,499	(5,009)	4,490
St George's - Revaluation Loss	84,857	0	84,857	(84,857)	0	0	0	0	0	0
Corporate Services	34,813	(32,873)	1,940	0	0	0	0	34,813	(32,873)	1,940
Environment & Operations	6,830	(5,035)	1,795	0	0	(6,830)	5,035	0	0	0
Housing & Regeneration - HRA	21,012	(28,281)	(7,269)	0	0	0	0	21,012	(28,281)	(7,269)
HRA Revaluations	(4,723)	0	(4,723)	0	0	0	0	(4,723)	0	(4,723)
Housing & Regeneration - Other	3,664	(1,945)	1,719	0	0	(3,664)	1,945	0	0	0
Housing & Operations - Other	0	0	0	0	0	8,824	(6,394)	8,824	(6,394)	2,430
Planning & Development	0	0	0	0	0	1,670	(586)	1,670	(586)	1,084
Non-Directorate Specific	1,255	0	1,255	0	0	0	0	1,255	0	1,255
<b>Net Cost of Services</b>	<b>157,559</b>	<b>(73,291)</b>	<b>84,268</b>	<b>(85,005)</b>	<b>148</b>	<b>0</b>	<b>0</b>	<b>72,554</b>	<b>(73,143)</b>	<b>(589)</b>

Other adjustments - CIES, Balance Sheet & MIRS & Cash Flow Statement		2018/19 Audited Accounts	St George's Adjustments	Other Movements	2018/19 Restated Accounts
		£'000	£'000	£'000	£'000
FII	Interest Payable and Receivable	2,916	1,573		4,489
FII	Investment Properties	(711)	(3,500)		(4,211)
Taxation	Capital Grants & Contributions	(1,087)	294		(793)
B/Sheet	Other Land and Buildings	48,733		1	48,734
B/Sheet	Short-term Borrowing	(6,107)	999		(5,108)
B/Sheet	Short-term Creditors	(9,602)	184		(9,418)
B/Sheet	Capital Grants Received in Advance	(14,493)	13,949		(544)
B/Sheet	Revenue Grants Received in Advance	(8,884)	8,884		0
B/Sheet	Long-term Borrowing	(181,707)	68,519		(113,188)
B/Sheet	Unusable Reserves	(153,094)	(93,331)		(246,425)
MIRS	General Fund balance as at 31 March 2019	(9,288)	795		(8,493)
MIRS	Total Usable Reserves as at 31 March 2019	(44,693)	795	(1)	(43,899)
C/Flow	Net (Surplus) or Deficit on the Provision of Services	71,260	(86,491)	1	(15,230)
C/Flow	Movement in valuations	(84,764)	84,857	7,389	7,482
C/Flow	Impairment reversals	4,723		(4,698)	25
C/Flow	Movement in market value of Investment Property	2,672		(2,672)	0
C/Flow	Carrying amount of non-current assets sold	(4,875)	3,500		(1,375)
C/Flow	Other non-cash items charged to provision of services	(683)		1,345	662
C/Flow	Other Payments for investing activities	822		(822)	0
C/Flow	Capital Grants received in year	(13,952)	13,949	(791)	(794)
C/Flow	Cash Receipts of short and long term borrowing	0	(24,238)	70	(24,168)
C/Flow	Lease Incentives received	(9,068)	9,068		0
C/Flow	Cash Payment - outstanding finance lease liability	778	(778)		0

Following the completion of the 2019/20 draft Statement of Accounts and subsequent external audit process, it was identified that the Council's previous accounting arrangement for the St George's Shopping Centre as a finance lease would be re-categorised as a loan arrangement. This incorporated additional interest charges and reversals of the previous lease incentivisation funds, both impacting upon General Fund balances, and finance lease liability calculations impacting on the balance sheet presentation. As the 2018/19 Statement of Accounts has already been audited, the changes reflecting the revised accounting treatment

## NOTES TO THE CORE FINANCIAL STATEMENTS

for the St George's Shopping Centre have been factored into the prior-year comparator within the 2019/20 Accounts.

A summary of the changes within the Core Financial Statements is shown above; the amendments will also be reflected in the subsequent disclosure notes for each relevant sub-section of the Accounts, in particular for the various components of the Balance Sheet. As there are no specific sub-sections relating to the Cash Flow Statement, significant restatements are shown directly beneath the table on page 48.

In addition to the revised St George's Shopping Centre accounting, there have been further adjustments to reflect the Council's internal reporting and management structure in 2019/20. This chiefly concerns the transfer of Housing Services from the former Housing & Regeneration directorate into Housing & Operations. This has no net impact across the Council as a whole. Lastly, there are also various presentational/rounding adjustments that have been required as a consequence of the other changes implemented – these have no material, or significant impact upon the Accounts.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 14.1. Expenditure and Funding Analysis

Financial Year 2019/20	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	50	447	497	1	498
Communities	3,306	(537)	2,769	1,929	4,698
Corporate Services	7,676	(4,976)	2,700	820	3,520
Housing & Operations - HRA Services	3,047	(56)	2,991	(5,850)	(2,859)
Housing & Operations - Other Services	4,280	(2,928)	1,352	2,316	3,668
Planning & Development	1,454	(417)	1,037	32	1,069
Non-Directorate Specific	1,055	0	1,055	1,196	2,251
<b>Net cost of services</b>	<b>20,868</b>	<b>(8,467)</b>	<b>12,401</b>	<b>444</b>	<b>12,845</b>
Other income and expenditure - HRA Services	0	56	56	0	56
Other income and expenditure - Other Services	(18,931)	8,411	(10,520)	709	(9,811)
<b>(Surplus) or deficit</b>	<b>1,937</b>	<b>0</b>	<b>1,937</b>	<b>1,153</b>	<b>3,090</b>
Opening General Fund and HRA Balance (Note 1)			(28,816)		
(Surplus)/Deficit on General Fund and HRA Balance in Year			1,937		
<b>Closing General Fund and HRA Balance as at 31 March 2020</b>			<b>(26,879)</b>		

#### 14.1.1 Note 1 to the 2019/20 Expenditure and Funding Analysis

Analysis of Balances 2019/20	Opening Balance	(Surplus)/Deficit in Year	Closing Balance as at 31 March 2020
	£'000	£'000	£'000
General Fund	(8,493)	(442)	(8,935)
Earmarked Reserves	(17,323)	2,379	(14,944)
Housing Revenue Account	(3,000)	0	(3,000)
<b>Total Balances</b>	<b>(28,816)</b>	<b>1,937</b>	<b>(26,879)</b>

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

Financial Year 2018/19 - Restated	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
	£'000	£'000	£'000	£'000	£'000
Chief Executive	41	162	203	1	204
Communities	2,790	615	3,405	1,085	4,490
Corporate Services	4,818	(3,116)	1,702	238	1,940
Housing & Operations - HRA Services	(981)	2,114	1,133	(13,125)	(11,992)
Housing & Operations - Other Services	2,662	(1,542)	1,120	1,310	2,430
Planning & Development	1,505	(1,435)	70	1,014	1,084
Non-Directorate Specific	1,092	0	1,092	163	1,255
<b>Net cost of services</b>	<b>11,927</b>	<b>(3,202)</b>	<b>8,725</b>	<b>(9,314)</b>	<b>(589)</b>
Other income and expenditure - HRA Services	0	225	225	0	225
Other income and expenditure - Other Services	(17,834)	5,313	(12,521)	(2,345)	(14,866)
<b>(Surplus) or deficit</b>	<b>(5,907)</b>	<b>2,336</b>	<b>(3,571)</b>	<b>(11,659)</b>	<b>(15,230)</b>
Opening General Fund and HRA Balance (Note 1)			(25,245)		
(Surplus)/Deficit on General Fund and HRA Balance in Year			(3,571)		
<b>Closing General Fund and HRA Balance as at 31 March 2019</b>			<b>(28,816)</b>		

### 14.1.1 Note 1 to the 2018/19 Expenditure and Funding Analysis

Analysis of Balances 2018/19	Opening Balance	Restated (Surplus)/Deficit in Year	Restated Closing Balance as at 31 March 2019
	£'000	£'000	£'000
General Fund	(7,305)	(1,188)	(8,493)
Earmarked Reserves	(14,940)	(2,383)	(17,323)
Housing Revenue Account	(3,000)	0	(3,000)
<b>Total Balances</b>	<b>(25,245)</b>	<b>(3,571)</b>	<b>(28,816)</b>

The 2018/19 outturn in EFA format has been re-presents in line with the CIES re-statement for 2018/19 to reflect changes to the Council's internal reporting and management structure in 2019/20. This is required to allow the EFA analysis to flow between the Council's outturn and statutory reporting. \*As well as the restatement changes described in Note 14.0, "Adjustments between Funding and Accounting Basis" are now re-presented for General Fund services on a directorate basis (previously all shown under "Other Services").

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 14.1.2 Note 2 to the 2019/20 Expenditure and Funding Analysis

Reconciliation between out-turn and EFA 2019/20	General Fund as reported at outturn	HRA as reported at outturn	Total out-turn	Adjustments	Total reported out-turn in EFA format
	£'000	£'000	£'000	£'000	£'000
All Directorate - Salaries	13,486		13,486	(13,486)	0
Chief Executive	(120)		(120)	170	50
Communities	(1,005)		(1,005)	4,311	3,306
Corporate Services	4,983		4,983	2,693	7,676
Housing & Operations	(396)	3,047	2,651	4,676	7,327
Planning & Development	(182)		(182)	1,636	1,454
Non-Directorate Specific	1,055		1,055	0	1,055
<b>Directorate total</b>	<b>17,821</b>	<b>3,047</b>	<b>20,868</b>	<b>0</b>	<b>20,868</b>
Interest & Investment Income	(620)		(620)	620	0
Government Grant Funding	(1,288)		(1,288)	1,288	0
Transfers to/(from) Reserves	669	(3,047)	(2,378)	2,378	0
Transfers to/(from) Balances	611		611	(611)	0
Transactions below the line	(6,077)		(6,077)	6,077	0
Other income and expenditure	0		0	(21,441)	(21,441)
<b>Budget Requirement</b>	<b>11,116</b>	<b>0</b>	<b>11,116</b>	<b>(11,689)</b>	<b>(573)</b>
Business Rate Income	(3,300)		(3,300)	3,300	0
Council Tax Income	(6,892)		(6,892)	6,892	0
Parish Precepts	(340)		(340)	340	0
New Homes Bonus	(611)		(611)	611	0
Transfers to/(from) the Collection Fund	197		197	(197)	0
Use of Working Balances	(743)		(743)	743	0
<b>Budget Shortfall / (Underspend)</b>	<b>(573)</b>	<b>0</b>	<b>(573)</b>	<b>0</b>	<b>(573)</b>
<b>Reconciliation to EFA</b>					
<b>Directorate total</b>					<b>20,868</b>
Other income and expenditure in outturn				(21,441)	
Less movements in reserves items:					
<i>Transfers to/(from) Reserves (adjusted within outturn presentation)</i>				2,378	
<i>Transfers to/(from) Balances</i>				(611)	
<i>Use of Working Balances</i>				743	
Other income and expenditure in EFA					<b>(18,931)</b>
<b>(Surplus) or deficit in EFA</b>					<b>1,937</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 14.1.2 Note 2 to the 2018/19 Expenditure and Funding Analysis

Reconciliation between out-turn and EFA 2018/19	General Fund as reported at outturn*	HRA as reported at outturn	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	(1,201)		(1,201)	3,991	2,790
Corporate Services	2,082		2,082	2,736	4,818
Housing & Operations	1,289	(981)	308	1,373	1,681
Planning & Development	10		10	1,495	1,505
Non-Directorate Specific	1,092		1,092	0	1,092
<b>Directorate total</b>	<b>12,908</b>	<b>(981)</b>	<b>11,927</b>	<b>0</b>	<b>11,927</b>
Interest & Investment Income	(426)		(426)	426	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	(12,651)	(12,651)
<b>Budget Requirement</b>	<b>13,365</b>	<b>0</b>	<b>13,365</b>	<b>(14,089)</b>	<b>(724)</b>
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
<b>Budget Shortfall / (Underspend)</b>	<b>(724)</b>	<b>0</b>	<b>(724)</b>	<b>0</b>	<b>(724)</b>
<b>Reconciliation to EFA</b>					
<b>Directorate total</b>					<b>11,927</b>
Other income and expenditure in outturn				(12,651)	
Less movements in reserves items:					
<i>Transfers to/(from) Reserves (adjusted within outturn 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					<b>(17,834)</b>
<b>(Surplus) or deficit in EFA</b>					<b>(5,907)</b>

\*The 2018/19 outturn has been re-presented in line with the CIES re-statement for 2018/19 to reflect changes to the Council's internal reporting and management structure in 2019/20. This chiefly concerns the transfer of Housing Services from the former Housing & Regeneration directorate into Housing & Operations, and is required here to allow the Expenditure and Funding analysis to flow between the Council's outturn and statutory reporting. Other restatements within the Communities Directorate and Interest & Investment Income headings relate to the revised St George's Shopping Centre accounting arrangements described elsewhere.



## NOTES TO THE CORE FINANCIAL STATEMENTS

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

Adjustments from General Fund and HRA balances to arrive at the Comprehensive Income and Expenditure Statement 2019/20	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Chief Executive	0	1	0	1
Communities	1,631	298	0	1,929
Corporate Services	81	619	120	820
Housing & Operations - HRA Services	468	609	(6,927)	(5,850)
Housing & Operations - Other Services	2,444	0	(128)	2,316
Planning & Development	32	0	0	32
Non-Directorate Specific	0	1,196	0	1,196
<b>Net cost of services</b>	<b>4,656</b>	<b>2,723</b>	<b>(6,935)</b>	<b>444</b>
Other income and expenditure from the funding analysis	(2,469)	1,062	2,116	709
<b>Difference between General Fund &amp; HRA surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>2,187</b>	<b>3,785</b>	<b>(4,819)</b>	<b>1,153</b>

Adjustments from General Fund and HRA balances to arrive at the Comprehensive Income and Expenditure Statement 2018/19 - Restated*	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Chief Executive	0	1	0	1
Communities	826	253	6	1,085
Corporate Services	63	174	2	239
Housing & Operations - HRA Services	(6,811)	442	(6,756)	(13,125)
Housing & Operations - Other Services	996	313	0	1,309
Planning & Development	915	118	(19)	1,014
Non-Directorate Specific		163		163
<b>Net cost of services</b>	<b>(4,011)</b>	<b>1,464</b>	<b>(6,767)</b>	<b>(9,314)</b>
Other income and expenditure from the funding analysis	(3,612)	1,411	(144)	(2,345)
<b>Difference between General Fund &amp; HRA surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(7,623)</b>	<b>2,875</b>	<b>(6,911)</b>	<b>(11,659)</b>

\* In addition to the restatement changes described in Note 14.0, the adjustments shown above for "Capital", "Pensions" and "Other differences" have now been re-presented on a directorate basis for General Fund services (previously all shown under "Other Services").

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 14.1.4 Note 4 to the Expenditure and Funding analysis

2018/19 Restated Income*	Summary of revenue recognised from contracts with service recipients within Expenditure & Funding Analysis	2019/20 Income
£'000		£'000
0	Chief Executive	0
(5,834)	Communities	(7,513)
(134)	Corporate Services	(170)
(28,055)	Housing & Operations - HRA Services	(27,946)
(3,585)	Housing & Operations - Other Services	(3,527)
(472)	Planning & Development	(548)
0	Non-Directorate Specific	0
<u>(38,080)</u>	Revenue recognised within EFA	<u>(39,704)</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>(38,080)</u>	Total revenue recognised from contracts with service recipients within EFA	<u>(39,704)</u>

\*2018/19 income has been re-presented in line with the CIES re-statement for 2018/19 to reflect changes to the Council's internal reporting and management structure in 2019/20. This chiefly concerns the transfer of Housing Services from the former Housing & Regeneration directorate into Housing & Operations.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 14.2. Other Operating Expenditure/Income

2018/19		2019/20		
Net Expenditure	Other Operating Expenditure	Expenditure	Income	Net Expenditure
£'000		£'000	£'000	£'000
323	Parish Precepts	340	0	340
43	Levies	43	0	43
523	Payments to the Housing Capital Receipts Pool	523	0	523
(1,531)	(Gains)/Losses on the disposal of non-current assets	(2,568)	0	(2,568)
(138)	Other capital receipts	0	(17)	(17)
<b>(780)</b>	<b>Total</b>	<b>(1,662)</b>	<b>(17)</b>	<b>(1,679)</b>

### 14.3. Financing and Investment Income and Expenditure

2018/19		2019/20		
Restated Net Expenditure	Financing and Investment Income and Expenditure	Expenditure	Income	Net Expenditure
£'000		£'000	£'000	£'000
4,489	Interest Payable and Receivable	4,709	(338)	4,371
(880)	Other Investment Income	0	(793)	(793)
1,650	Pensions Interest cost and return on pension assets	1,390	0	1,390
(194)	Trading Operations (see below)	657	(883)	(226)
(4,211)	Investment Properties (inc fair value changes)	(718)	(1,916)	(2,634)
127	Financial Instruments	1,849	0	1,849
<b>981</b>	<b>Total</b>	<b>7,887</b>	<b>(3,930)</b>	<b>3,957</b>

The following (surpluses)/deficits have been realised in relation to Trading Operations carried out during 2019/20:

2018/19		2019/20		
Net Expenditure	Trading Operations	Expenditure	Income	Net Expenditure
£'000		£'000	£'000	£'000
(123)	Industrial Estates	8	(147)	(139)
(15)	Spotlites Café	249	(238)	11
(56)	Trade Refuse Services	400	(498)	(98)
<b>(194)</b>	<b>Total</b>	<b>657</b>	<b>(883)</b>	<b>(226)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 14.4. 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.

2018/19 Restated	Taxation and Non-specific Grant Income	2019/20
£'000		£'000
(6,997)	Council Tax Income	(7,220)
(3,819)	Business Rates Income	(2,851)
(1,630)	Business Rates Income - Kent & Medway Business Rates Pilot	0
(1,603)	Non-Ringfenced Government Grants	(1,899)
(793)	Capital Grants & Contributions	(63)
(14,842)	Total	(12,033)

### 14.5. Expenditure and Income analysed by nature

2018/19 Restated Total Net Expenditure*	Expenditure and Income Analysed by Nature	General Fund Net Expenditure	2019/20 HRA Net Expenditure	Total Net Expenditure
£'000		£'000	£'000	£'000
	<b>Expenditure</b>			
21,816	Employee expenses	17,210	4,846	22,056
43,862	Other service expenses	39,789	6,664	46,453
523	Payments to Housing Capital Receipts Pool	523	0	523
5,023	Depreciation, amortisation, impairment & revaluations	4,633	11,269	15,902
(1,531)	(Gains)/losses on disposal of non-current assets	10	(2,578)	(2,568)
6,386	Interest payments	3,389	2,710	6,099
366	Precepts & levies	383	0	383
0	Net Support service recharges	(2,631)	2,631	0
76,445	Total Expenditure	63,306	25,542	88,848
	<b>Income</b>			
(42,918)	Fees and charges and other service income	(15,783)	(28,270)	(44,053)
(12,446)	Income from Council Tax and Business Rates	(10,071)	0	(10,071)
(35,184)	Government grants and contributions	(30,503)	0	(30,503)
(1,127)	Interest and investment income	(1,056)	(75)	(1,131)
(91,675)	Total Income	(57,413)	(28,345)	(85,758)
(15,230)	(Surplus)/Deficit on the Provision of Services	5,893	(2,803)	3,090

\* Restatement in 2018/19 incorporates an adjustment between "Employee expenses" and "Other service expenses" of £4,279k relating to staffing costs within the Council's Direct Services Organisation previously shown as "Other service expenses". There is a reduction of £84,856k within "Depreciation, amortisation, impairment & revaluations" relating to the revised asset accounting arrangements for the St George's Shopping Centre, and a movement of £3,500k within "Other Service Expenses" relating to the reclassification of the asset. Within "Interest payments", there is an increase of £1,573k relating to additional interest costs chargeable for the St George's Shopping Centre / Aviva loan. See Note 14.0 Restatements for further details.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 14.5.1 Government Grants and Contributions

2018/19	Government Grants and Contributions	2019/20		
Total	(significant items from Expenditure & Income by Nature)	General Fund	HRA	Total
£'000		£'000	£'000	£'000
(821)	Disabled Facilities Grant	(651)	0	(651)
(244)	Discretionary Housing Payment Grant	(221)	0	(221)
(318)	Housing Benefit Administration Grant	(285)	0	(285)
(30,877)	Housing Benefit Subsidy	(25,911)	0	(25,911)
(587)	New Homes Bonus Grant	(611)	0	(611)
0	NNDR - Retail Relief	(236)	0	(236)
(762)	NNDR - Small Business Rate Relief	(817)	0	(817)
(1,575)	Other Grants and Contributions under £200k	(1,771)	0	(1,771)
(35,184)	Total - Significant Items	(30,503)	0	(30,503)

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 14.6. Property Plant and Equipment

Financial Year 2019/20	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	Surplus Assets	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation As at 1 April 2019</b>	320,205	50,105	8,849	2,218	2,878	2,694	597	387,546
Additions	12,410	2,425	742	0	0	2,768	0	18,345
Revaluation increases/(decreases) recognised in Revaluation Reserve	0	(3,957)	0	0	0	0	(350)	(4,307)
Revaluation increases/(decreases) recognised in Surplus/Deficit on Provision of Services	(11,014)	(675)	0	0	0	0	0	(11,689)
Derecognition - disposals	(1,929)	0	(630)	0	0	0	0	(2,559)
Assets reclassified	1,142	0	0	0	0	(1,142)	0	0
Other movements in cost or valuation		1	(1)	0	0	1	(1)	0
<b>As at 31 March 2020</b>	<b>320,814</b>	<b>47,899</b>	<b>8,960</b>	<b>2,218</b>	<b>2,878</b>	<b>4,321</b>	<b>246</b>	<b>387,336</b>
<b>Accumulated Depreciation and Impairments As at 1 April 2019</b>	0	(1,371)	(5,187)	(868)	(1)	0	(1)	(7,428)
Depreciation Charge for year	(6,715)	(2,096)	(724)	(146)	0	0	0	(9,681)
Accumulated depreciation written out to the Revaluation Reserve	0	1,757	0	0	0	0	0	1,757
Accumulated depreciation written out to the Surplus/Deficit on the Provision of Services	6,675	0	0	0	0	0	0	6,675
Impairment (losses)/reversals recognised in the Revaluation Reserve	0	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	0
Accumulated depreciation and impairment written back on disposal	39	0	621	0	0	0	0	660
Other movements in depreciation and impairment	0	(1)	0	0	0	0	1	0
<b>As at 31 March 2020</b>	<b>1</b>	<b>(1,711)</b>	<b>(5,290)</b>	<b>(1,014)</b>	<b>(1)</b>	<b>0</b>	<b>0</b>	<b>(8,017)</b>
<b>Net Book Value</b>								
At 31 March 2020	320,813	46,188	3,670	1,204	2,877	4,321	246	379,319
At 1 April 2019	320,205	48,734	3,662	1,350	2,877	2,694	596	380,118

## NOTES TO THE CORE FINANCIAL STATEMENTS

Property, plant & equipment								
Financial Year 2018/19 - Restated*	Operational Assets					Non-Op Assets		Total
	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infra-structure Assets	Community Assets	Assets Under Construction	Surplus Assets	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation As at 1 April 2018</b>	313,369	38,490	8,449	2,218	2,892	1,981	82	367,481
Additions	9,426	535	400	0	0	1,394	196	11,951
Revaluation increases/(decreases) recognised in Revaluation Reserve	0	7,789	0	0	0	0	400	8,189
Revaluation increases/(decreases) recognised in Surplus/Deficit on Provision of Services	(1,822)	(62)	0	0	0	0	0	(1,884)
Derecognition - disposals	(1,274)	(94)	0	0	(14)	0	(46)	(1,428)
Assets reclassified	506	3,463	0	0	0	(680)	(35)	3,254
Other movements in cost or valuation	0	(16)	0	0	0	(1)	0	(17)
<b>As at 31 March 2019</b>	<b>320,205</b>	<b>50,105</b>	<b>8,849</b>	<b>2,218</b>	<b>2,878</b>	<b>2,694</b>	<b>597</b>	<b>387,546</b>
<b>Accumulated Depreciation and Impairments As at 1 April 2018</b>	(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	18	0	0	(1)	0	0	17
<b>As at 31 March 2019</b>	<b>0</b>	<b>(1,371)</b>	<b>(5,187)</b>	<b>(868)</b>	<b>(1)</b>	<b>0</b>	<b>(1)</b>	<b>(7,428)</b>
<b>Net Book Value</b>								
At 31 March 2019	320,205	48,734	3,662	1,350	2,877	2,694	596	380,118
At 1 April 2018	313,369	37,234	3,983	1,497	2,892	1,981	79	361,035

\* Restatement in 2018/19 within Council Dwellings relates to a presentational adjustment of £6,545k between "Revaluation increases/decreases recognised in Surplus/Deficit on the Provision of Services", and "Other movements in cost of valuation" – no change to gross book value of £320,205k. Changes within Other Land & Buildings primarily relate to revised accounting arrangements for the St George's Shopping Centre, with a reduction in "Additions" of £94,404k, an increase in "Revaluation increase/decreases recognised in the Revaluation Reserve" of £4,828k, a reduction in "Revaluation increases/decreases recognised in the Surplus/Deficit on Provision of Services" of £84,683k, and an increase in "Assets reclassified" of £3,500. Other than an overall presentation adjustment of £1k, there is no change to the gross book value of £50,105k.

Revaluations of the Council's assets are carried out on a five yearly cycle as per paragraph 13.7 of the Accounting Policies. For 2019/20, valuations were carried out internally by the Council's Principal Estates Surveyor, Eben Graham, BSc (Hons) MRICS, on behalf of the Council's Service Manager (Property and Regulatory) and based on a valuation date of 1 April 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 2020. The carrying value of Council Dwellings had increased by 0.25% since March 2019; this represents the annual change in Gravesham house prices published on the Land Registry Index.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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.

Further details of the gross book value of Property Plant & Equipment assets and the year of valuations are detailed below:

Financial Year 2019/20	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
Carried at Historic Cost	0	29	8,960	2,218	2,878	4,321	196	18,602
Valued at Current Value in year:								
2019/20	320,814	42,273	0	0	0	0	0	363,087
2018/19	0	1,018	0	0	0	0	50	1,068
2017/18	0	1,659	0	0	0	0	0	1,659
2016/17	0	1,602	0	0	0	0	0	1,602
2015/16	0	1,318	0	0	0	0	0	1,318
<b>Total Cost or Valuation</b>	<b>320,814</b>	<b>47,899</b>	<b>8,960</b>	<b>2,218</b>	<b>2,878</b>	<b>4,321</b>	<b>246</b>	<b>387,336</b>

The impact that COVID-19 had on valuations was discussed with our valuers and their response at the time of initially preparing the 2019/20 accounts is set out below:

“The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuations are therefore reported on the basis of ‘material valuation uncertainty’ as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we will be keeping the valuation of these properties under frequent review.

It is our considered judgement that our valuations are evidence driven and we do not intend to make any un evidenced adjustments to our valuations. The situation is very fast moving and therefore it is sensible to keep the position under review and to revisit the valuations as and when updated market evidence begins to emerge”.

### 14.7. 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 council services. For 2019/20 the total depreciation charges were £9.68m (£8.81m, 2018/19), including £6.72m relating to Council Dwellings within the HRA. A reversing accounting entry ensures that the overall revenue effect is neutral and that no cost falls to the local taxpayer.

The HRA depreciation and impairment is disclosed in note 15.3 of the notes to the HRA.



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 14.8. 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 2019	Heritage Assets	31st March 2020
£'000		£'000
220	Fort Gardens - Bandstand	227
1,979	Clock Tower	2,039
80	Puji Memorial	85
22	Mayoral Chains	23
182	Civic regalia	182
93	Museum exhibits	96
768	Woodlands Park Bunker	791
200	Queen Elizabeth II Statue	210
<b>3,544</b>	<b>Total</b>	<b>3,653</b>

### 14.9. 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, Eben Graham, BSc (Hons) MRICS, on behalf of the Council's Service Manger (Property and Regulatory). For the purposes of investment property fair value was determined at level 2 using market knowledge and indices on market values of compatible properties.

31st March 2019	Investment Properties	31st March 2020
£'000		£'000
12,128	Additions	0
2,672	Revaluation	710
(3,500)	Reclassification	0
<b>11,300</b>	<b>Total increase/(decrease) in</b>	<b>710</b>
27,390	Balance brought forward at 1 April	38,690
11,300	Movement in year	710
<b>38,690</b>	<b>Balance carried forward at 31 March</b>	<b>39,400</b>

The impact that COVID-19 has had on valuations has been discussed with our valuers and their response can be found in note 14.6. This material uncertainty applies to Investment Property valuations the same way as it applies to Property, Plant and Equipment valuations.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 14.10. Debtors

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

31st March 2019	Short term Debtors	Movement	31st March 2020
£'000		£'000	£'000
1,389	Central government bodies	(745)	644
1,543	Other local authorities	145	1,688
14,539	Other entities and individuals	(85)	14,454
<u>17,471</u>	Total		<u>16,786</u>

### 14.11. 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 2019	Cash and Cash Equivalents	Movement	31st March 2020
£'000		£'000	£'000
97	Cash in Hand/(Overdrawn)	(86)	11
4,296	Short Term Deposits	231	4,527
<u>4,393</u>	Total Cash & Cash Equivalents	<u>145</u>	<u>4,538</u>
702	Balance brought forward at 1 April		4,393
3,691	Movement in year		145
<u>4,393</u>	Balance carried forward at 31 March		<u>4,538</u>

The net movement between 2018/19 and 2019/20 is due to increased funds being held in highly liquid Money Market Funds. The Cash In Hand Figure of £11k, as at 31 March 2020, includes £5k held in a separate bank account specifically for the use of the Heritage Quarter Capital project transactions.

### 14.12. Creditors

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

31st March 2019 Restated*	Short term Creditors	31st March 2020
£'000		£'000
(220)	Central government bodies	(1,776)
(2,397)	Other local authorities	(1,035)
(6,801)	Other entities and individuals	(7,877)
<u>(9,418)</u>	Total	<u>(10,688)</u>

\* Restatement in 2018/19 relates to "Other entities and individuals", which has been reduced by £184k due to the removal of lease incentive income following changes in the accounting treatment for the St George's Shopping Centre. See Note 14.0 Restatements for further details.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

Capital Grants and Contributions received in advance	Balance at 31st March 2019 Restated*	Receipts	Transfer to Revenue	Recognised as Income	Balance at 31st March 2020
	£'000	£'000	£'000	£'000	£'000
S106 Land at Dover Road	0	(50)	0	0	(50)
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	(259)	0	0	0	(259)
Other Small Grants and Contributions	(83)	0	0	63	(20)
<b>Total Capital Grants and Contributions received in advance</b>	<b>(544)</b>	<b>(50)</b>	<b>0</b>	<b>63</b>	<b>(531)</b>

\* Restatement in 2018/19 relates to the removal of the former St George's Centre Capital Contribution of £13,949k due to changes in the accounting treatment for the St George's Shopping Centre. This now sees external funds received recognised solely as a loan. See Note 14.0 Restatements for further details.

### 14.14. Provisions

31st March 2019	Provisions	Movement	31st March 2020
£'000		£'000	£'000
(127)	Municipal Mutual Insurance Company	0	(127)
(1,218)	Business Rates Appeals	(303)	(1,521)
<b>(1,345)</b>	<b>Total held</b>	<b>(303)</b>	<b>(1,648)</b>

### 14.15. Unusable Reserves

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

31st March 2019 Restated*	Unusable Reserves	31st March 2020
£'000		£'000
(34,559)	Revaluation Reserve (note 14.15.1)	(46,340)
(271,522)	Capital Adjustment Account (note 14.15.2)	(263,398)
67	Financial Instruments Adjustment Account (note 14.15.3)	50
362	Accumulated Absences Account (note 14.15.4)	359
(47)	Deferred Capital Receipts Reserve	(40)
59,563	Pensions Reserve (Note 14.23)	62,671
(201)	Collection Fund Adjustment Account (note 16.5)	64
(88)	Pooled Investment Funds Adjustment Account	1,761
<b>(246,425)</b>	<b>Total Unusable Reserves</b>	<b>(244,873)</b>

\* Restatement in 2018/19 relates to amendments within the "Capital Adjustment Account" and "Revaluation Reserve" due to changes in the accounting treatment for the St George's Shopping Centre. See the Capital Adjustment Account, Revaluation Reserve and Note 14.0 Restatements for further details.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 14.15.1. Revaluation Reserve Account

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

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

The closing balance on the Revaluation Reserve Account represents the net gain realised on non-current assets from 1 April 2007 onwards.

2018/19 Restated*	Revaluation Reserve	2019/20
£'000		£'000
(26,434)	Balance at 1 April	(34,559)
(10,030)	Upward revaluation of assets	(5,899)
888	Downward revaluation of assets	8,350
(9,142)	<b>Surplus or Deficit on the revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	2,451
933	Difference between current value depreciation and historic cost	1,608
	Historic HRA valuation adjustment	(15,852)
84	Accumulated gains on assets sold or scrapped	12
1,017	<b>Amount written off to the Capital Adjustment Account</b>	(14,232)
(34,559)	Balance at 31 March	(46,340)

- The historic HRA valuation adjustment of £15,852k shown in the table above relates to a reconstruction of the Revaluation Reserve for HRA Council Dwellings, as a cumulative adjustment since 2007.
- The corresponding entry is within the Capital Adjustment Account, and thus as both accounts form part of the Council's Unusable Reserves, there is no overall the change within this section of the Council's Balance Sheet.
- Valuations of HRA Council Dwellings (as disclosed within the Property, Plant and Equipment Notes) are unaffected by this adjustment, nor are there any changes to the Council's HRA balance or HRA General Reserve.
- Restatement in 2018/19 relates to a changes of £6,046k within the Upward revaluation of assets line arising from revised accounting arrangements for the St George's Shopping Centre.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 14.15.2. Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve Account to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. The account contains accumulated gains and losses on Investment Properties. 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.

2018/19 Restated*	Capital Adjustment Account	2019/20
£'000		£'000
	<b>Sources of Finance</b>	
(2,102)	Capital Receipts	(4,042)
(793)	Government grants and contributions (received in year)	(63)
(258)	Government grants and contributions (brought forward)	(177)
(5,695)	Major Repairs Reserve	(8,031)
(8,848)		(12,313)
	<b>Sums set aside from revenue</b>	
(3,379)	Direct revenue contributions	(5,007)
(4,521)	Minimum revenue provision (MRP)	(5,441)
(7,900)	Increase or decrease during year	(10,448)
	<b>Removal of items not chargeable to Fund Balances</b>	
8,808	Depreciation charged in the year	9,681
77	Amortisation charged in the year	77
(4,792)	Revaluation gains/losses	5,086
0	Reversal of impairment losses - HRA	(5)
(25)	Reversal of impairment losses - GF	(76)
(2,672)	Revaluation (gains)/losses - Investment properties	(710)
1,375	Disposals in the year	1,899
822	Revenue expenditure met from capital under statute	701
3,593	Increase or decrease during year	16,653
(13,155)	Total accounting adjustments between funding basis under statute	(6,108)
	<b>Write Down of Revaluation Reserve</b>	
(84)	Accumulated Gains on disposed assets	(11)
(931)	Revaluation Reserve depreciation - General Fund	(1,609)
0	Historic HRA valuation adjustment	15,852
(1,015)		14,232
(14,170)	<b>Increase or decrease during year</b>	<b>8,124</b>
(257,352)	Balance brought forward at 1 April	(271,522)
(14,170)	Movement in year	8,124
(271,522)	<b>Balance carried forward at 31 March</b>	<b>(263,398)</b>

\* Restatement in 2018/19 is due to changes in the accounting treatment for the St George's Shopping Centre. The most significant change is the removal of the previous revaluation loss of £84,857k relating to the St George's Shopping Centre finance lease, as the arrangement is now reflected as a loan - see Note 14.0 Restatements for further details. Other presentational adjustments across the revaluation lines have also been made which have no

## NOTES TO THE CORE FINANCIAL STATEMENTS

overall net impact. Additionally, £3,500k has been removed from the "Disposals in Year" line reflecting the St George's Shopping Centre asset being reclassified, rather than disposed.

### 14.15.3. Financial Instruments Adjustment Account

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

2018/19	Financial Instruments Adjustment Account	2019/20
<i>£'000</i>		<i>£'000</i>
(20)	Private Sector renovation loans	(17)
(20)	Total increase/(decrease) in Financial Instruments	(17)
87	Balance brought forward at 1 April	67
(20)	Movement in year	(17)
67	Balance carried forward at 31 March	50

### 14.15.4. Accumulated Absences Account

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

2018/19	Accumulated Absences Account	2019/20
<i>£'000</i>		<i>£'000</i>
(337)	Reversal of accrual from preceding year	(362)
362	Amount accrued at the end of the current year	359
25	Total increase/(decrease) in Accumulated Absences Account	(3)
337	Balance brought forward at 1 April	362
25	Movement in year	(3)
362	Balance carried forward at 31 March	359

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 14.16. Usable Reserves

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

31st March 2019 Restated*	Usable Reserves	31st March 2020
£'000		£'000
(12,698)	Capital Receipts Reserve	(12,625)
(15,504)	Earmarked Reserves	(13,079)
(1,819)	Revenue Grants not yet applied	(1,865)
(330)	Capital Grants & Contributions Unapplied	(147)
(2,055)	Major Repairs Reserve	(936)
(8,493)	General Fund Balance	(8,935)
(3,000)	Housing Revenue Account Balance	(3,000)
(43,898)	Total Usable Reserves	(40,587)

\* Restatement in 2018/19 relates to a reduction in the General Fund Balance of £795k arising from changes in the accounting treatment for the St George's Shopping Centre. This primarily is attributable to additional interest costs chargeable to the General Fund under the revised loan accounting arrangement. See Note 14.0 Restatements for further details.

#### 14.16.1. Capital Receipts Reserve

2018/19	Capital Receipts Reserve	2019/20
£'000		£'000
(2,906)	Cash proceeds from the disposal of non-current assets	(4,467)
(138)	Other capital receipts	(17)
(6)	Transfer from Deferred Capital Receipts	(7)
522	Payment to Housing Capital Receipts Pool (Note 15.7)	522
2,102	Applied in Capital Financing	4,042
(426)	Total (increase)/decrease	73
(12,272)	Balance brought forward at 1 April	(12,698)
(426)	Movement in year	73
(12,698)	Balance carried forward at 31 March	(12,625)

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 15.7 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

### 14.16.2. Grants and Contributions Unapplied

Grants & Contributions Unapplied	Balance at 31st March 2019	Transfer to General Fund Balance	Applied in capital financing	Balance at 31st March 2020
	£'000	£'000	£'000	£'000
CLG - Transport Quarter Stage 3	(179)	0	176	(3)
CLG - Localised Council Tax Support	(89)	0	0	(89)
Gravesend Ferry	(7)	7	0	0
Land at South of Hever Court Road	(55)	0	0	(55)
<b>Total (increase)/decrease</b>	<b>(330)</b>	<b>7</b>	<b>176</b>	<b>(147)</b>
Balance brought forward at 1 April	(588)			(330)
Movement in year	258			183
<b>Balance carried forward at 31 March</b>	<b>(330)</b>			<b>(147)</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 14.16.3. Earmarked Reserves

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

31st March 2019	Earmarked Reserves	Transfer from balances	Applied in revenue financing	Transfer between reserves	31st March 2020
£'000		£'000	£'000	£'000	£'000
(420)	Planning Policy Reserve	(50)	101	0	(369)
(1,377)	Asset Enhancement Reserve	(100)	157	0	(1,320)
(157)	Spend to Save Reserve	(3)	0	0	(160)
(1,326)	Leisure Centres Reserve	(356)	33	0	(1,649)
(310)	Corporate Priorities Reserve	0	60	0	(250)
(99)	Town Pier Pontoon Reserve	(12)	0	0	(111)
(50)	Local Authority Mortgage Scheme Reserve	0	25	0	(25)
(172)	Elections Reserve	(22)	120	0	(74)
(666)	Business Rates Collection Fund Reserve	0	166	0	(500)
(305)	IT Infrastructure Reserve	(75)	40	0	(340)
(414)	DSO Vehicle Capital Reserve	(105)	417	0	(102)
(780)	Waste Freighter Replacement Reserve	(222)	0	0	(1,002)
(478)	NNDR Growth Fund Reserve	(170)	60	0	(588)
(150)	Lower Thames Crossing Reserve	0	0	0	(150)
(170)	Woodville Repairs Reserve	(57)	0	0	(227)
(500)	Investment Interest Equalisation Reserve	0	0	0	(500)
(700)	Housing & Commercial Growth Fund	0	0	0	(700)
(422)	St George's Income Protection Reserve	(526)	0	0	(948)
(424)	Commercial Income Protection Reserve	(59)	0	0	(483)
(247)	Service Review Reserve	0	6	0	(241)
(167)	Playgrounds Reserve	0	50	0	(117)
(85)	Decriminalisation Reserve	(100)	0	0	(185)
(9,419)	<b>Sub-total - Specific GF Earmarked Reserves</b>	(1,857)	1,235	0	(10,041)
(6,085)	HRA General Reserve	(147)	3,194	0	(3,038)
(15,504)	<b>Total Specific Earmarked Reserves</b>	(2,004)	4,429	0	(13,079)
(1,819)	GF Revenue Grants not yet applied	(212)	166	0	(1,865)
(17,323)	<b>Total All Earmarked Reserves</b>	(2,216)	4,595	0	(14,944)
(14,940)	Balance brought forward at 1 April				(17,323)
(2,383)	Movement in year				2,379
(17,323)	<b>Balance carried forward at 31 March</b>				(14,944)

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.

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

**Lower Thames Crossing Reserve** – To provide for any 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.

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

**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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

Adjustments between Accounting Basis and Funding Basis under regulations - 2019/20	General Fund Balance	HRA	Major Repairs Reserve	Capital Receipts	Grants and Cont unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<i>Adjustments primarily involving the Capital Adjustment Account</i>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>						
Charges for depreciation of non-current assets	(2,763)	(6,919)				9,682
Charges for impairment of non-current assets	76	5				(81)
Revaluation gains/losses on Property, plant and equipment	(747)	(4,337)				5,084
Movement in the fair value of Investment Properties	710	0				(710)
Amortisation of intangible assets	(60)	(17)				77
Capital Grants & Contributions applied	62	0				(62)
Revenue expenditure funded from capital under statute (REFCUS)	(701)					701
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	(10)	(1,889)				1,899
Amounts of non-current assets de-recognised within the Comprehensive Income and Expenditure Statement						0
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>						
Statutory provision for the financing of capital investment (MRP)	703	4,738				(5,441)
Capital expenditure charged against the General Fund and HRA balances (Direct Revenue Financing)	1,523	3,484				(5,007)
<i>Adjustments primarily involving the Capital Grants Unapplied Account</i>						
Capital Grants & Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(7)				7	0
Application of grants to capital financing transferred to the Capital Adjustment Account					176	(176)
<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	4,467		(4,467)		0
Other Capital Receipts	17	0		(17)		0
Use of the Capital Receipts Reserve to finance new capital expenditure				4,042		(4,042)
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	(522)			522		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		6,913	(6,913)			0
Use of the Major Repair Reserve to finance new capital expenditure			8,032			(8,032)
<i>Adjustments primarily involving the Financial Instruments Adjustment Account</i>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	17					(17)
<i>Adjustments primarily involving the Pensions Reserve</i>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(5,936)	(1,466)				7,402
Employer's pensions contributions and direct payments to pensioners payable in the year	2,760	857				(3,617)
<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	19					(19)
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	(284)					284
<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	(11)	14				(3)
<i>Adjustment primarily involving the Pooled Investment Funds Adjustment Account</i>						
Reversal of Pooled Investment Movements	(1,849)					1,849
<b>(Increase)/Decrease in year</b>	<b>(7,003)</b>	<b>5,850</b>	<b>1,119</b>	<b>73</b>	<b>183</b>	<b>(222)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

Adjustments between Accounting Basis and Funding Basis under regulations - 2018/19 Restated*	General Fund Balance	HRA	Major Repairs Reserve	Capital Receipts	Grants and Cont unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<i>Adjustments primarily involving the Capital Adjustment Account</i>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>						
Charges for depreciation of non-current assets	(2,035)	(6,773)				8,808
Charges for impairment of non-current assets	25	0				(25)
Revaluation gains/losses on Property, plant and equipment & Heritage Assets	200	4,593				(4,793)
Movement in the fair value of Investment Properties	2,672					(2,672)
Amortisation of intangible assets	(60)	(17)				77
Capital Grants & Contributions applied	17	776				(793)
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	(128)	(1,247)				1,375
Amounts of non-current assets de-recognised within the Comprehensive Income and Expenditure Statement						0
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>						
Statutory provision for the financing of capital investment (MRP)	420	4,101				(4,521)
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		6,773	(6,773)			
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
Other Movements	(2)	(1)				3
<b>(Increase)/Decrease in year</b>	<b>(1,466)</b>	<b>13,125</b>	<b>(1,078)</b>	<b>(426)</b>	<b>258</b>	<b>(10,413)</b>

\* Restatement in 2018/19 is due to changes in the accounting treatment for the St George's Shopping Centre. The most significant change in this note is a movement of £84,947k within the General Fund "Revaluation gains/losses on Property, Plant & Equipment" line. This sees the removal of the previous finance lease classification, with the arrangement now reflected as a loan. Additionally, £3,500k has been removed from the "Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and

## NOTES TO THE CORE FINANCIAL STATEMENTS

Expenditure Statement" relating to the St George's Shopping Centre, with this asset now reclassified rather than presented as a disposal. See Note 14.0 Restatements for further details.

### 14.18. Related Party Transactions

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Such disclosures enable readers of the accounts to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to operate freely with the Council.

#### Central Government

Central Government has significant influence over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are separately identified within 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.

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 currently serving Members and Senior Officers for the 2019/20 financial year and the following relationships were considered to be material.

Officer/ Member	Nature of Related Party Transaction	Value of Transactions
Cllr John Burden and Cllr Shane Mochrie-Cox	Directors - Gravesham Network Development Community Interest Company	
	Payments by the Council to Gravesham Network Development Community Interest Company	£104,547
Cllr. Lauren Sullivan	Council Representative on board of Citizens Advice Bureau (CAB)	
	Payment by the Council to CAB	£93,490
	Use of Premises at Civic Centre	£11,000

#### 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 2019/20 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:

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

### Rosherville Limited

On 17 December 2019, the Council established a Local Authority Trading Company (LATCo) Holding Company. The LATCo has been registered with Companies House under the name Rosherville Limited. The Board of Rosherville Limited comprises of Members and Senior Officers of the Council, Cllr Lenny Rolles, Cllr Sarah Gow, Cllr Tony Rice, Director (Community Services) and Assistant Director (Corporate Services). The Chief Legal Officer and Monitoring Officer from Medway Council is Company Secretary. Rosherville Limited did not incur any financial transactions during 2019/20.

### 14.19. Member Allowances

Member allowances (including all payments in relation to remuneration) to the value of £293k were paid during 2019/20 (2018/19, £292k) in accordance with the Gravesham Borough Council Members' Allowances Scheme.

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

### 14.20. Officer Remuneration and Exit Packages

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

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

#### Senior Officers

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

Senior Officer Remuneration 2019/20	Pay and allowances	Compensation for loss of office	Pension	Total remuneration
	£'000	£'000	£'000	£'000
Chief Executive	131	-	-	131
Director (Communities)	99	-	15	114
Director (Corporate Services)	99	-	15	114
Director (Housing & Operations)	99	-	15	114
Director (Planning & Development)	99	-	15	114
<b>Total</b>	<b>527</b>	<b>-</b>	<b>60</b>	<b>587</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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
<b>Total</b>	<b>515</b>	<b>-</b>	<b>58</b>	<b>573</b>

Following some limited changes to the responsibilities of Directors and Assistant Directors during 2019/20, the former Environment & Operations and Housing & Regeneration directorates have been adjusted to Housing & Operations and Planning & Development respectively. This reflects the transfer of Housing Services from Housing & Regeneration to Housing & Operations.

The contribution rate for employer pension remained at 15.8% in 2019/20 – the same level as in 2018/19. Additionally, a lump sum of £1,247,000 has been paid as a “past service contribution”. This amount is not included in the pension contributions for 2019/20 shown in the table above.

### Employees earning above £50,000

2018/19	Employees earning above £50,000	2019/20
nos		nos
	Remuneration band	
9	£50,001 - £55,000	4
12	£55,001 - £60,000	11
2	£60,001 - £65,000	3
-	£65,001 - £70,000	3
2	£70,001 - £75,000	2
3	£75,001 - £80,000	-
3	£80,001 - £85,000	3
2	£85,001 - £90,000	1
-	£90,001 - £95,000	2
-	£95,001 - £100,000	1
-	£100,001 - £105,000	-
<b>33</b>	<b>Total</b>	<b>30</b>

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.



## NOTES TO THE CORE FINANCIAL STATEMENTS

Exit packages Cost band (including special payments)	Number of compulsory		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
	nos	nos	nos	nos	nos	nos	£'000	£'000
£1-£20,000	1	-	2	1	3	1	40	2
£20,001-£40,000	-	1	2	1	2	2	63	71
£40,001-£60,000	-	-	-	-	-	-	-	-
£60,001-£80,000	1	-	-	-	1	-	73	-
£80,001-£100,000	-	-	-	-	-	-	-	-
<b>Total</b>	<b>2</b>	<b>1</b>	<b>4</b>	<b>2</b>	<b>6</b>	<b>3</b>	<b>176</b>	<b>73</b>

### 14.21. External Audit Costs

The Council incurred the following fees relating to external audit, grant certification and other services in 2019/20.

2018/19	External Audit Costs	2019/20
£'000		£'000
41	Fees payable with regard to external audit services carried out for the year*	54
20	Fees payable for the certification of grant claims and returns for the year	32
1	Fees payable in respect of other services provided during the year	5
<b>62</b>	<b>Total</b>	<b>91</b>

\*This includes £5k relating to an additional fee for 2018/19 notified in 2019/20.

The Council has agreed a revised fee with Grant Thornton (the Council's External Auditors) for £83k regarding audit work on the updated 2019/20 accounts (currently shown at £54k in the table above).

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

The Council has approved expenditure in future years of £93.70m (2018/19, £84.88m) under its capital programme of which £41.87m (2018/19, £12.71m) had been contracted as at 31 March 2020. The split between schemes contracted and not contracted is as follows:

Expenditure approved and contracted at 31 Mar 2019	Expenditure approved but not contracted at 31 Mar 2019	Commitments under Capital Contracts	Expenditure approved and contracted at 31 Mar 2020	Expenditure approved but not contracted at 31 Mar 2020
£'000	£'000		£'000	£'000
4,886	272	Improvement Programme	12,475	0
1,152	766	Health & safety works	1,945	1,714
3,610	12,402	Replacement Programme	3,165	10,886
2,694	24,387	New building programme	14,080	14,482
0	3,192	Renovation grants	0	3,374
0	680	Other HRA Schemes	0	1,396
370	30,471	General Fund capital schemes	10,204	19,981
<b>12,712</b>	<b>72,170</b>	<b>Total</b>	<b>41,869</b>	<b>51,833</b>

**14.23. Pension Costs**

**Participation in the Pension Scheme**

Employees of Gravesham Borough Council may participate in the Kent County Council Pension Fund, part of the Local Government Pension Scheme, a defined benefit statutory scheme. The fund is administered by Kent County Council in accordance with the Local Government Pension Scheme Regulations 2007-08 as amended. A formal valuation of the Kent County Council Pension Fund for funding purposes took place as at 31 March 2019, and has been incorporated into the year-end actuary report for IAS19 accounting.

As required under IAS 19 'Employee Benefits', the valuation method used is the projected unit method of valuation. With this method, where the age profile of the active membership is rising, the current service cost will increase as the members of the scheme approach retirement.

**Transactions Relating to Retirement Benefits**

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, in accordance with IAS19, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Comprehensive Income and Expenditure Statement after Net Operating Expenditure. This ensures there is no cost to the local taxpayer.

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

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

2018/19	Pension Costs - Transactions relating to retirement benefits	2019/20
£'000		£'000
	<i>Comprehensive Income &amp; Expenditure Statement</i>	
4,329	Current service cost	4,676
108	Past service costs	1,128
55	Administrative Expenses	68
140	Unfunded benefits	141
4,632		6,013
1,650	Net interest expense	1,389
6,282	<i>Net charge to Comprehensive Income &amp; Expenditure Statement</i>	7,402
(2,874)	<i>Movement on Pensions Reserve</i>	(3,785)
3,408	<i>Employer's contributions payable to LGPS</i>	3,617

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Assets and Liabilities in Relation to Retirement Benefits

The underlying assets and liabilities for retirement benefits attributable to the Council at 31 March 2020 are as follows:

2018/19	Assets and liabilities relating to retirement benefits	2019/20
£'000		£'000
(175,086)	Present value of the defined benefit obligation	(167,564)
117,160	Fair value of plan assets	106,420
<u>(57,926)</u>	Net liability arising from defined benefit obligation	<u>(61,144)</u>
(1,637)	Present value of unfunded liabilities	(1,527)
<u>(59,563)</u>	<i>Total net liability</i>	<u>(62,671)</u>

Gravesham Borough Council's net liability on the Kent County Council Pensions Fund has increased from £59.56m at the previous year-end to £62.67m at 31st March 2020. This is a net increase in liability of £3.11m, largely 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 £62.67m. 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).

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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

2018/19	Present value of Scheme liabilities	2019/20
£'000		£'000
(176,164)	Scheme Liabilities brought forward	(176,723)
(4,329)	Current service cost	(4,676)
(4,437)	Interest cost	(4,181)
(767)	Contributions from scheme participants	(853)
	Remeasurement gains/losses:	
10,003	- actuarial gains/losses arising from changes in demographic assumptions	2,271
(6,107)	- actuarial gains/losses arising from changes in financial assumptions	12,798
(108)	Past service cost	(1,128)
5,186	Benefits paid	5,952
0	Experience loss/(gain) on defined benefit obligation	(2,551)
<b>(176,723)</b>	<b>Total value of liabilities</b>	<b>(169,091)</b>

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

2018/19	Fair value of Scheme assets	2019/20
£'000		£'000
109,847	Scheme Assets brought forward	117,160
2,787	Interest income	2,792
	Remeasurement gains/losses:	
5,732	- the return on plan assets, excluding the amount included in the net interest expense	(11,445)
0	- other	(396)
3,268	Contribution from employer	3,476
767	Contribution from employees into the scheme	853
(5,186)	Benefits paid	(5,952)
(55)	Administrative expenses	(68)
<b>117,160</b>	<b>Total value of liabilities</b>	<b>106,420</b>

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

### Scheme History

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:

## NOTES TO THE CORE FINANCIAL STATEMENTS

2015/16	2016/17	2017/18	2018/19	Pension Costs - scheme history	2019/20
£'000	£'000	£'000			£'000
89,917	107,741	109,847	117,160	Fair value of scheme assets	106,420
(150,658)	(177,907)	(176,164)	(176,723)	Present value of scheme liabilities	(169,091)
(60,741)	(70,166)	(66,317)	(59,563)	Surplus/deficit	(62,671)
(1,977)	15,481	792	5,732	Return on assets less interest	(11,445)
14	7,145	0	0	Experience loss/(gain) on defined benefit obligation	(2,551)

The total contribution at outturn made to the Local Government Pension Scheme by the Council in the year to 31 March 2020 is £3.26m. This comprises both 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 2019.

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.

Valuations techniques are used to determine the fair values of directly held property and pooled property funds. Where possible these valuation techniques are based on observable data, but where this is not possible, management uses the best available data. Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property. Due to the outbreak of COVID-19, as at the valuation date, valuers considered that they attach less weight to previous market evidence for comparison purposes to inform opinions of value. Valuations are therefore reported on the basis of "material uncertainty" as per VPS3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation than would normally be the case.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

2018/19		2019/20	
Assumptions used		Assumptions used	
%		%	
	Long term expected return on assets		
	Mortality assumptions (years)		
22.00	Longevity at 65 for current pensioners (men)	21.80	
24.00	Longevity at 65 for current pensioners (women)	23.70	
23.70	Longevity at 65 for future pensioners (men)	23.20	
25.80	Longevity at 65 for future pensioners (women)	25.20	
	Other assumptions		
3.40	RPI increases	2.80	
2.40	CPI increases	2.00	
3.90	Salary increases	3.00	
2.40	Pension increases	2.00	
2.40	Discount rate	2.35	

2018/19		Employer asset share - bid value		2019-20	
£'000	%			£'000	%
80,339	68.57	Equities		65,469	61.52
770	0.66	Gilts		827	0.78
10,668	9.11	Other bonds		13,871	13.03
14,072	12.01	Property		14,480	13.61
2,044	1.74	Cash		2,785	2.62
9,267	7.91	Target return portfolio		8,988	8.44
117,160	100.00	Total		106,420	100.00

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 was the possibility that they too could be deemed to have breached age discrimination rules, potentially requiring the scheme to be amended. Known as the McCloud/Sargeant judgement, the Council received notification in the annual Pension Fund report of the potential liability resulting from this, which is incorporated into the annual IAS19 disclosures. The estimated figure for Gravesham was £1,127,000 and it is shown within the “past service cost” element of the “Present value of scheme liabilities” table above.

On February 2018, the International Accounting Standards Board issued amendments to the IAS19 standard regarding changes to the measurement of pension benefit arising from settlements and curtailments. The estimate for Gravesham provided in the annual Pension Fund report was £1,000, which is also included within the “past service cost” element of the “Present value of scheme liabilities” table above.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 14.24. Capital Expenditure and Capital Financing

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

2018-19 Restated*	Capital Expenditure and Financing	2019/20
£'000		£'000
108,832	<i>Opening Capital Financing Requirement</i>	117,039
	<b>Capital Investment</b>	
11,951	Property, Plant and Equipment	18,345
17	Heritage Assets	0
37	Intangible Assets	90
12,128	Investment Properties	0
822	Revenue Expenditure Funded from Capital under statute	701
<u>24,955</u>		<u>19,136</u>
	<b>Sources of Finance</b>	
(2,102)	Capital Receipts	(4,042)
(793)	Government grants and contributions (received in year)	(62)
(258)	Government grants and contributions (brought forward)	(177)
(5,695)	Application of Reserves	(8,032)
<u>(8,848)</u>		<u>(12,313)</u>
	<b>Sums set aside from revenue</b>	
(3,379)	Direct revenue contributions	(5,007)
(4,521)	Minimum revenue provision (MRP)	(5,441)
<u>(7,900)</u>		<u>(10,448)</u>
<u>117,039</u>	<i>Closing Capital Financing Requirement</i>	<u>113,414</u>
	<b>Explanation of movements in year</b>	
8,207	<i>Total increase/(decrease) in underlying need to borrowing</i> (unsupported by Government financial assistance)	(3,625)
<u>8,207</u>	<b>Increase/(Decrease) in Capital Financing Requirement</b>	<u>(3,625)</u>

\* Restatement in 2018/19 is due to changes in the accounting treatment for the St George's Shopping Centre. A reduction in "Property Plant of Equipment" of £94,404k relates to the removal of the lease liability valuation of the Centre. There is a reduction in "Government Grants and contributions received in year" of £294k relating to the removal of the capital expenditure being financed from the St George's Centre Capital contribution, and a decrease in MRP of £778k relating to finance lease MRP adjustments. In each case the change has arisen as the receipt of external sums relating to the Shopping Centre is now accounted for as a loan transaction, rather than the previous finance lease accounting. See Note 14.0 Restatements for further details.

### 14.25. Contingent Assets

#### VAT claim on Royal Mail Postal Services

During 2019/20 the Council was one of a number of local authorities who 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. In July 2022 the Council formally withdrew from these proceedings.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 14.26. Contingent Liabilities

#### Interest on Late Payments

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

#### Business Rates – Automated Teller Machines (ATM's)

At the time of originally preparing the 2019/20 accounts, there had been a recent UK Supreme Court ruling (20 May 2020) *Cardtronics UK Ltd and others v Sykes and others (Valuation Officers)* ruling that for all types of ATMs they would no longer be viewed as separate hereditaments where sited in supermarkets and convenience stores, and that therefore no additional business rates could be charged for having them on site in any capacity. Consequently, the rating list was amended where appropriate. It can now be considered that the financial impact was not material due to the low rateable value (typically £1,000 to £6,000) attributable to the individual ATMs.

### 14.27. 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 2019 Restated*	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value through Profit and Loss	19,816	17,966	0	0	0	0	0	0
Amortised Cost								
Principal	0	0	337	348	22,000	20,500	9,879	8,427
Cash & Cash Equivalents (CCE)	0	0	0	0	4,393	4,538	0	0
<b>Total Financial Assets</b>	<b>19,816</b>	<b>17,966</b>	<b>337</b>	<b>348</b>	<b>26,393</b>	<b>25,038</b>	<b>9,879</b>	<b>8,427</b>
Non-Financial Assets	0	0	0	0	0	0	423	446
<b>Total</b>	<b>19,816</b>	<b>17,966</b>	<b>337</b>	<b>348</b>	<b>26,393</b>	<b>25,038</b>	<b>10,302</b>	<b>8,873</b>

\* Restatement in 2018/19 is due to a category amendment of £19,816k now shown under "Fair Value through Profit and Loss".



## NOTES TO THE CORE FINANCIAL STATEMENTS

Financial Liabilities	Non-Current Borrowings		Current Borrowings		Current Creditors	
	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020
	Restated*		Restated *		Restated *	
	£'000	£'000	£'000	£'000	£'000	£'000
Amortised Cost						
Principal	113,188	100,206	4,831	13,431	7,119	8,615
Loans Accrued Interest	0	0	277	276	0	0
<b>Total Financial Liabilities</b>	<b>113,188</b>	<b>100,206</b>	<b>5,108</b>	<b>13,707</b>	<b>7,119</b>	<b>8,615</b>
Non-Financial Liabilities	0	0	0	0	2,299	2,073
<b>Total</b>	<b>113,188</b>	<b>100,206</b>	<b>5,108</b>	<b>13,707</b>	<b>9,418</b>	<b>10,688</b>

\* Restatement in 2018/19 is due to changes in the accounting treatment for the St George's Shopping Centre. The removal of the finance lease of £92,626k under non-current borrowings and £999k under current borrowings relates to the transaction no longer being accounted for in this way. There is an increase in the principal non-current borrowing of £24.107m reflecting the change in accounting following the recognition of the transaction as a loan. The creditor figure has also been amended to remove the Finance Lease revenue transaction.

31 March 2019 Restated *			Borrowings		31 March 2020	
Long Term	Current		Long Term	Current		
£'000	£'000		£'000	£'000		
81,081	4,819	PWLB	75,663	5,418		
24,107	0	Aviva Investors Loan	24,543	0		
8,000	0	Other Market Loans	0	8,000		
0	12	Temporary Loans	0	13		
<b>113,188</b>	<b>4,831</b>	<b>Total Borrowings</b>	<b>100,206</b>	<b>13,431</b>		

\* Restatement in 2018/19 is due to changes in the accounting treatment for the St George's Shopping Centre. The value of the loan from Aviva Investors as at 31 March 2019 was £24.107m.

### 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:

## NOTES TO THE CORE FINANCIAL STATEMENTS

2018/19 Restated *			2019/20		
Surplus/Deficit on the provision of Services	Other Comprehensive Income / Expenditure	Total	Surplus/Deficit on the provision of Services	Other Comprehensive Income / Expenditure	Total
£'000	£'000	£'000	£'000	£'000	£'000
					Net gains/losses on:
127	0	127			Financial Asset measured at fair value through profit or loss
127	0	127	1,849	0	1,849
			1,849	0	1,849
					Interest Income:
(247)	0	(247)			Financial Asset measured at amortised cost
(880)		(880)	(338)	0	(338)
					Financial Asset measured at fair value through profit and loss
(1,127)	0	(1,127)	(793)	0	(793)
			(1,131)	0	(1,131)
4,736	0	4,736	4,709	0	4,709
					Interest Expense

\* Restatement in 2018/19 is to show income from financial assets measured at fair value through profit and loss and the gain on financial assets measured at fair value through profit and loss against (Surplus)/Deficit on the provision of service.

### 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.

Recurring Fair Value Measurements	Input level in Fair Value Hierarchy	Valuation technique used to measure Fair Value	Fair Value	
			31 March 2019	31 March 2020
			£'000	£'000
<b>Fair value through Profit and Loss</b>				
Lothbury Property Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	5,178	4,986
Hermes Property Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	3,238	3,190
CCLA Property Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	1,916	1,848
JP Morgan Multi Asset Income Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	4,850	4,144
Jupiter Distribution and Growth Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	2,738	2,157
Aberdeen Diversified Income Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	1,876	1,622
			19,796	17,947

## NOTES TO THE CORE FINANCIAL STATEMENTS

The Council holds units within three property funds and three multi asset funds, the fair value has been calculated using quoted share prices. There was a downward movement of £1.85m of the Fair Value of the units held in these funds between 31 March 2019 and 31 March 2020. The fund values as at 31 March 2020 were significantly affected by the COVID-19 pandemic. Multi Asset Funds valuations were affected by disinvestment in the equity market as investors moved to more secure investments and Property Fund Managers considered that they could attach less weight to previous market evidence for comparison purposes, to inform opinions of value (see page 88 for more details).

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, fair value is estimated using new borrowing (certainty rate) discount rates from the PWLB;
- For non-PWLB loans payable, fair value is estimated using the new borrowing certainty rate with a similar duration to the remaining period of the loan;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- 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 2019 Restated *			31 March 2020		
Carrying Amount	Fair Value		Fair Value Hierarchy Level	Carrying Amount	Fair Value
£'000	£'000			£'000	£'000
85,900	92,052	PWLB	2	81,081	85,032
24,107	20,910	Aviva Investors Loan	2	24,543	20,580
8,000	8,910	Other Market Loans	2	8,000	8,328
12	12	Temporary Loans		13	13
7,119	7,119	Short Term Creditors		8,615	8,615
125,138	129,003	<b>Total</b>		122,252	122,568

\* Restatement as at 31 March 2019 is due to changes in the accounting treatment for St George's Shopping Centre. The removal of the Finance Lease valued at £93.625m relates to the transaction no longer being treated in this way, and instead there is a loan shown in the table above from Aviva Investors. The creditor figure has also been removed to the Finance Lease revenue transaction.

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 2020) arising from a commitment to pay interest to lenders above current market rates.

## NOTES TO THE CORE FINANCIAL STATEMENTS

The fair value of Public Works Loan Board (PWLB) loans of £85.032m 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.

The fair value of the Aviva Investors Loan measures £20.580m. In the absence of a substantial active market for a similar transaction, the valuation has been made by the comparison of the fixed term financial liability with a comparable PWLB loan using the new borrowing certainty rate with the same/similar duration to the remaining period of the loan. A margin is added based on the assumed original loan interest rate compared to the equivalent PWLB loan on the loan issue date. The fair value of this transaction would have been £18.169m as at 31 March 2020 (18.378m as at 30 March 2019), if rates had been 1% higher.

31 March 2019			31 March 2020	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£'000	£'000		£'000	£'000
22,000	22,000	Fixed Term Investment	20,500	20,500
4,393	4,393	Cash and Cash Equivalents	4,538	4,538
337	337	Long-term debtors	348	348
9,879	9,879	Short-term debtors	8,427	8,427
36,609	36,609	Total	33,813	33,813

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

### Impact of COVID-19 on Property Fund Investment Valuations

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on the 11th March 2020, has impacted global financial markets.

Market activity has been impacted in many sectors. As at the valuation date, the Council’s external Property Fund Managers considered that they could attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that they were faced with an unprecedented set of circumstances on which to base a judgement.

The fund valuations are, therefore, reported on the basis of ‘material valuation uncertainty’ as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to their valuation than would normally be the case.

### 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 Link 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.

The Authority's maximum exposure to credit risk in relation to its investments in financial institutions of £25.03m 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 2020 that this was likely to crystallise.

## NOTES TO THE CORE FINANCIAL STATEMENTS

	Fitch Credit Rating	Balance at 31 March 2020	Historic Experience of Default	Estimated maximum exposure to default at 31 March 2020
		£'000	%	£'000
Deposits with Banks and Financial Institutions				
Lloyds	A	3,000	0.0061%	0
Lloyds	A	2,000	0.0061%	0
Lloyds	A	2,000	0.0126%	0
Lloyds	A	1,000	0.0126%	0
Lancashire County Council	AAA	3,000	0.0210%	1
Santander UK	A+	1,000	0.0130%	0
Natwest	A+	5,000	0.0291%	1
Santander UK	A+	2,000	0.0048%	0
Santander UK	A+	1,500	0.0048%	0
Invesco	AAA	689	0.0001%	0
Insight Sterling Liquidity Fund	AAA	3,837	0.0001%	0
Aberdeen	AAA	1	0.0001%	0
<b>Total</b>		<b>25,027</b>		<b>2</b>

The estimated maximum exposure to default as at 31 March 2020 is based on historic experience of default. The current COVID-19 pandemic could have an impact on credit risk, the quantum of which cannot be assessed.

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 2019 Restated*		Maturity Profile		31 March 2020	
£'000	%			£'000	%
4,831	4.09%	Less than 1 year		13,431	11.82%
13,418	11.37%	1 - 2 years		7,184	6.32%
23,315	19.76%	2 - 5 years		25,141	22.12%
52,348	44.36%	5 - 10 years		43,338	38.14%
24,106	20.43%	More than 10 years		24,543	21.60%
118,019	100.00%	<b>Total</b>		113,637	100.00%

\* Restatement as at 31 March 2019 is due to changes in the accounting treatment for the St George's Shopping Centre transaction. The transaction is now treated as a long term loan and therefore the value of the loan is shown as maturing in more than 10 years. The %'s have also been amended across all years to reflect the change following the inclusion of this loan.

### Interest rate risk

All PWLB borrowings held by the Council are at a fixed interest rate and therefore movements in interest rates do not expose the Council to a risk in respect of these. The loan with Aviva Investors is linked to RPI and therefore the Council is exposed to interest rate changes for this financial instrument. The loan is subject to a maximum RPI increase of 5%, and the Council exited this arrangement in October 2023. Therefore, the Council's exposure is limited both in value and duration.

The Council remains exposed to such risk in respect of the interest earned on its investments.

### 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 2020, these bonds were valued at cost at £413.

**14.28. Leasing**

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

**Operating Leases**

The Council uses operating leases to acquire officer and fleet vehicles, computer hardware and printing equipment. The amount paid under these arrangements in 2019/20 was £132,000 (2018/19 £207,000).

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

	Land and property	Vehicles, plant and equipment
	£'000	£'000
Amount payable next year 2020/21	51	74
Amounts payable 2-5 years	196	75
Amount payable 6+	51	0
<b>Total</b>	<b>298</b>	<b>149</b>

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

	Land and property	Vehicles, plant and equipment
	£'000	£'000
Expiring next year 2020/21	0	20
Expiring 2-5 years	0	54
Expiring 6+	51	0
<b>Total</b>	<b>51</b>	<b>74</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

### Disclosure as a Lessor

The Council acts as a lessor on a portfolio of commercial properties for which rentals for 2019/20 amounted to £2.55m (2018/19 £2.23m).

The net book value of these assets within the Balance Sheet is £56.71m (2018/19 £55.80m).

Property	Income 2018/19	Income 2019/20	Balance Sheet value
	£'000	£'000	£'000
Network House, Gillingham Business Park	242	176	3,230
Industrial Units, Springhead Enterprise Park	713	770	17,450
Site at Stuart Road, Gravesend	377	511	7,910
District Shopping Centres	281	302	3,322
Industrial Units, Norfolk Road	306	306	7,120
St John's House, Dartford	126	145	2,220
123-127 High Street Shop, Sittingbourne	85	85	1,100
Miscellaneous Properties	102	253	14,357
<b>Total</b>	<b>2,232</b>	<b>2,548</b>	<b>56,709</b>

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

	Land and property
	£'000
Amounts receivable next year 2020/21	2,281
Amounts receivable 2-5 years	6,298
Amounts receivable 6+	6,503
<b>Total</b>	<b>15,082</b>

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

	Land and property
	£'000
Amounts receivable next year 2020/21	59
Amounts receivable 2-5 years	1,269
Amounts receivable 6+	953
<b>Total</b>	<b>2,281</b>

# Supplementary Financial Statements

## HOUSING REVENUE ACCOUNT

2018/19	Housing Revenue Account Income and Expenditure Statement	2019/20
£'000		£'000
	<b>Expenditure</b>	
7,258	Repairs and maintenance	7,035
6,808	Supervision & management	6,958
12	Rents, rates, taxes and other charges	9
	Depreciation of assets	(1)
6,572	- dwellings	6,716
201	- non-dwellings	204
16	Amortisation of Intangible assets	17
17	Impairment/revaluation of non-current assets	(6)
(4,723)	Impairment/Impairment Reversals of Council dwellings	4,339
148	Provision for bad & doubtful debts	140
16,309		25,411
	<b>Income</b>	
(25,863)	Dwelling rents	(25,666)
(273)	Non-dwelling rents	(147)
(2,000)	Charges for service & facilities	(2,337)
(165)	Other income	(120)
(28,301)		(28,270)
(11,992)	<b>Net cost of HRA Services as included in the Comprehensive Income &amp; Expenditure Statement</b>	(2,859)
(1,642)	Gain or loss on the sale of HRA non-current assets	(2,578)
0	Other capital receipts	0
2,456	Interest payable and similar charges	2,383
(54)	Interest and investment income	(75)
(776)	Capital Grants and Contributions	0
239	Net pension interest	326
(11,769)	<b>(Surplus)/deficit for the year on HRA Services</b>	(2,803)

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

In 2019/20 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

2018/19	Movement on the Housing Revenue Account Statement	2019/20
<i>£'000</i>		<i>£'000</i>
(3,000)	Balance brought forward at 1 April	(3,000)
(11,769)	(Surplus) or Deficit for the Year on the HRA Income & Expenditure	(2,803)
13,125	Adjustments between accounting basis and funding basis under statute	5,850
1,356	<b>Net (increase) or decrease before transfers to or from reserves</b>	3,047
(1,356)	Transfer to/(from) earmarked reserves	(3,047)
0	<b>Total (increase)/decrease</b>	0
(3,000)	Balance carried forward at 31 March	(3,000)

## 15. 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.

### 15.1 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.

### 15.2 Housing Stock

As at 31 March 2020, the Council had 5,685 dwellings (2018/19, 5,685). This represents an overall static effect in Council housing stock since 2019/20, as a result of the sale of 33 properties under the Right-to-buy scheme and 33 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 2020
	Pre 1919	1919-44	1945-64	Post 1964	
<b>Flats</b>					
- 0 bedroom	0	0	76	49	125
- 1 bedroom	0	18	393	1,214	1,625
- 2 bedrooms	0	1	151	316	468
- 3 bedrooms	0	0	102	232	334
<b>Houses &amp; bungalows</b>					
- 0 bedroom	0	0	2	0	2
- 1 bedroom	0	18	65	107	190
- 2 bedrooms	16	138	347	215	716
- 3 bedrooms	3	781	939	277	2,000
- 4 bedrooms	0	114	94	17	225
<b>Total</b>	<b>19</b>	<b>1,070</b>	<b>2,169</b>	<b>2,427</b>	<b>5,685</b>

## HOUSING REVENUE ACCOUNT

### 15.3 HRA Non-Current Assets

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

<b>HRA Non-current assets</b>							
Financial Year 2019/20	Operational Assets			Non-Op Assets			<b>Total HRA assets</b>
	Council Dwellings	Other Land & Buildings	Assets Under Construction	HRA Non Op Land & Build	Vehicles, Plant & Equipment	Intangible assets	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation As at 1 April 2019</b>	320,205	4,254	1,545	400	308	456	327,168
Additions	12,409	0	2,736	0	14	0	15,159
Revaluation increases/decreases recognised in Revaluation Reserve	0	165	0	0	0	0	165
Revaluation increases/(decreases) recognised in Surplus/Deficit on Provision of Services	(11,014)	6	0	0	0	0	(11,008)
Derecognition - Disposals	(1,929)	0	0	0	0	0	(1,929)
Assets reclassified	1,142	0	(1,142)	0	0	0	0
Other movements in cost or valuation		(1)	0	0	1	0	0
<b>As at 31 March 2020</b>	<b>320,813</b>	<b>4,424</b>	<b>3,139</b>	<b>400</b>	<b>323</b>	<b>456</b>	<b>329,555</b>
<b>Accumulated Depreciation and Impairments As at 1 April 2019</b>	0	(16)	0	0	(203)	(422)	(641)
Depreciation/Amortisation Charge for year	(6,716)	(180)	0	0	(24)	(17)	(6,937)
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	6,675	0	0	0	0	0	6,675
Impairment (losses)/reversals recognised in the Revaluation Reserve	0	0	0	(350)	0	0	(350)
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	41	0	0	0	0	0	41
Reclassifications	0	0	0	0	0	0	0
Other movements in depreciation and impairment	0	0	0	0	0	0	0
<b>As at 31 March 2020</b>	<b>0</b>	<b>(196)</b>	<b>0</b>	<b>(350)</b>	<b>(227)</b>	<b>(439)</b>	<b>(1,212)</b>
<b>Net Book Value</b>							
At 31 March 2020	320,813	4,229	3,139	50	96	17	328,344
At 1 April 2019	320,205	4,238	1,545	400	105	34	326,527

## HOUSING REVENUE ACCOUNT

<b>HRA Non-current assets</b>							
Financial Year 2018/19 - Restated	Operational Assets			Non-Op Assets			Total HRA assets
	Council Dwellings	Other Land & Buildings	Assets Under Construction	HRA Non Op Land & Build	Vehicles, Plant & Equipment	Intangible assets	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>							
<b>As at 1 April 2018</b>	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	(1,822)	(17)	0	0	0	0	(1,839)
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		0	0	0	0	0	0
<b>As at 31 March 2019</b>	<b>320,205</b>	<b>4,254</b>	<b>1,545</b>	<b>400</b>	<b>308</b>	<b>456</b>	<b>327,168</b>
<b>Accumulated Depreciation and Impairments</b>							
<b>As at 1 April 2018</b>	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
<b>As at 31 March 2019</b>	<b>0</b>	<b>(16)</b>	<b>0</b>	<b>0</b>	<b>(203)</b>	<b>(422)</b>	<b>(641)</b>
<b>Net Book Value</b>							
<b>At 31 March 2019</b>	<b>320,205</b>	<b>4,238</b>	<b>1,545</b>	<b>400</b>	<b>105</b>	<b>34</b>	<b>326,527</b>
<b>At 1 April 2018</b>	<b>313,369</b>	<b>4,445</b>	<b>663</b>	<b>49</b>	<b>122</b>	<b>50</b>	<b>318,698</b>

\* Restatement in 2018/19 relates to a presentational adjustment within Council Dwellings of £6,545k between "Revaluation increases/decreases recognised in Surplus/Deficit on the Provision of Services", and "Other movements in cost of valuation" – no change to gross book value of £320,205k

The total net book value of HRA non-current assets as at 31 March 2020 is £328.34m (£326.53m at 31<sup>st</sup> March 2019). Within this, the HRA has intangible assets in the form of computer systems valued at £0.02m as at 31 March 2020 (£0.03m at 31 March 2019).

For 2019/20, depreciation and amortisation against the HRA was £6.94m. Depreciation in respect of Council dwellings in 2019/20 was £6.72m (2018/19, £6.57m) and is a real charge to the HRA.

## HOUSING REVENUE ACCOUNT

### 15.4 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 £972.16m. 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 £320.82m as at 31 March 2020. The impact of COVID-19 is upon valuations is set out further under note 14.6.

### 15.5 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.

2018/19	Major Repairs Reserve	2019/20
£'000		£'000
	Amount transferred in year	
(6,572)	- Dwellings	(6,716)
(201)	- Non-dwellings	(197)
5,695	Amount utilised in capital financing	8,032
(1,078)	Total (increase)/decrease	1,119
(977)	Balance brought forward at 1 April	(2,055)
(1,078)	Movement in year	1,119
(2,055)	Balance carried forward at 31 March	(936)

### 15.6 Financing of HRA Capital Expenditure

Capital expenditure of £15.16m (2018/19, £10.78m) on HRA assets was financed as follows:

2018/19	HRA Financing of capital expenditure	2019/20
£'000		£'000
	<b>Capital expenditure</b>	
9,426	Dwellings	12,409
1,357	Non-dwellings	2,750
10,783	Total	15,159
	<b>Financed by</b>	
(1,938)	Capital receipts	(3,643)
(3,113)	Grants and Contributions	0
(5,695)	Major Repairs Reserve	(8,032)
(37)	Funded from revenue	(3,484)
(10,783)	Total	(15,159)



## HOUSING REVENUE ACCOUNT

### 15.7 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 2019/20 is shown in the next table:

2018/19	HRA Capital receipts	2019/20
£'000		£'000
<b>Receipts for the year</b>		
(2,906)	Sale of Council Dwellings	(4,467)
(97)	Repaid Discounts	0
<b>(3,003)</b>	<b>Total</b>	<b>(4,467)</b>
<b>Use of receipts</b>		
523	Paid to Housing Capital Receipts Pool	522
11	Capital financing - HRA schemes	420
2,236	Transfer to Capital Receipts Reserve	3,684
<b>2,770</b>	<b>Total</b>	<b>4,626</b>
(1,086)	Balance brought forward	(1,319)
<b>(1,319)</b>	<b>Total unapplied capital receipts held</b>	<b>(1,160)</b>

### 15.8 Movement on Pensions Reserve

In accordance with Accounting Policy 13.22, the Net Cost of Services has been adjusted to reflect the cost of pensions in accordance with IAS 19 'Employee Benefits'. The adjustment is £0.61m in respect of current and past service cost for 2019/20. However, this was reversed out to the Pensions Reserve so that there was no impact on the HRA.

### 15.9 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 Intensive Housing Management Programme, the Council has 'un-pooled' charges for services that were previously included as part of the tenants' rents.

## HOUSING REVENUE ACCOUNT

### 15.10 Rent and Service Charge Arrears

At the end of the year, arrears as a proportion of gross rent and service charge income for current and former tenants had decreased to 3.00% (2018/19, 3.31%). The arrears for current tenants and former tenants are shown in the table below together with the amounts written off and provided for during the year, for bad and doubtful debts.

2018/19	HRA Rent and service charges arrears	2019/20
£'000		£'000
741	Current tenant arrears	952
(731)	Rents paid in advance	(849)
1,120	Former tenant arrears	1,118
<u>1,130</u>	<b>Total</b>	<u>1,221</u>
(1,154)	Provision for bad debts	(1,184)
(35)	Rent arrears written off	(144)

### 15.11 Charges for Services and Facilities

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

2018/19	HRA Charges for services	2019/20
£'000		£'000
(1,184)	Service charges - tenants	(1,241)
(290)	Service charges - leaseholders	(303)
(37)	Service charges - leaseholders (contribution to capital works)	(276)
(489)	Support charges	(517)
<u>(2,000)</u>	<b>Total</b>	<u>(2,337)</u>

### 15.12 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.

### 15.13 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

2018/19			Income and Expenditure Account			2019/20		
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total		
£'000	£'000	£'000		£'000	£'000	£'000		
<b>Income</b>								
<b><i>Income from Council Tax and Business Rates</i></b>								
	(57,150)	(57,150)	Council Tax Income		(61,097)	(61,097)		
(24,618)		(24,618)	Business Rates Income	(24,512)		(24,512)		
(24,618)	(57,150)	(81,768)	Total Council Tax/Business Rates	(24,512)	(61,097)	(85,609)		
<b><i>Contribution for previous year's deficit:</i></b>								
			0 Gravesham Borough Council		(31)	(31)		
			0 Kent County Council		(183)	(183)		
			0 Kent Police & Crime Commissioner		(25)	(25)		
			0 Kent Fire & Rescue Service		(11)	(11)		
			0 Central Government			0		
(24,618)	(57,150)	(81,768)	Total Income	(24,512)	(61,347)	(85,859)		
<b>Expenditure</b>								
<b><i>Precepts, Demands and Shares</i></b>								
			Central Government	12,080		12,080		
9,782	7,028	16,810	Gravesham Borough Council	9,664	7,232	16,896		
14,428	42,067	56,495	Kent County Council	2,174	44,090	46,264		
	5,749	5,749	Kent Police & Crime Commissioner	242	6,554	6,796		
245	2,566	2,811	Kent Fire & Rescue Service		2,638	2,638		
24,455	57,410	81,865		24,160	60,514	84,674		
<b><i>Apportionment of previous year's surplus:</i></b>								
			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		
24,455	57,410	81,865	Total Expenditure	24,160	60,514	84,674		
<b><i>Charges to Collection Fund</i></b>								
146		146	Transitional Protection	(74)		(74)		
	10	10	Amounts written off		4	4		
(210)	(20)	(230)	Allowance for Debt Impairment	286	679	965		
(51)		(51)	Charges to Appeals' Provision			0		
(577)		(577)	Increase (-) /Decrease in Provision for Appeals	758		758		
95		95	Cost of Collection	92		92		
(597)	(10)	(607)	Total Charges	1,062	683	1,745		
(760)	250	(510)	(Surplus) / Deficit arising during the year	710	(150)	560		
180	0	180	(Surplus) / Deficit b/fwd 1st April	(580)	250	(330)		
(580)	250	(330)	(Surplus) / Deficit c/fwd 31st March	130	100	230		

## 16. 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.

### 16.1 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.

### 16.2 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 2019/20 was approved on 17 January 2019 as follows:

Band	2018/19			2019/20		
	<i>Estimated Number of properties (Net of exemptions, discounts &amp; reliefs) (a)</i>	<i>Multipliers (b)</i>	<i>Band D equivalents properties (a x b)</i>	<i>Estimated Number of properties (Net of exemptions, discounts &amp; reliefs) (c)</i>	<i>Multipliers (d)</i>	<i>Band D equivalents properties (c x d)</i>
A with disabled relief	1.75	5 /9	0.97	2.50	5 /9	1.39
A	2,409.23	6 /9	1,606.15	2,136.25	6 /9	1,424.17
B	5,267.31	7 /9	4,096.80	5,126.21	7 /9	3,987.05
C	11,927.25	8 /9	10,602.00	11,831.40	8 /9	10,516.81
D	8,595.27	9 /9	8,595.27	8,675.46	9 /9	8,675.46
E	4,128.66	11 /9	5,046.14	4,181.68	11 /9	5,110.94
F	1,899.18	13 /9	2,743.26	1,903.57	13 /9	2,749.61
G	980.24	15 /9	1,633.73	979.36	15 /9	1,632.26
H	90.75	18 /9	181.50	87.75	18 /9	175.50
Tax Base before Council Tax Support			34,505.82			34,273.19
Estimated Collection Rate			98.5%			99.0%
Council Tax Base			33,988.23			33,930.46

The tax rate per Band D property, excluding Parish Council precepts, was £1,773.46 (2018/19, £1,679.62).

### 16.3 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 2020 was £64.8m (31 March 2019 £64.3m). The respective multipliers for 2019/20 were 50.4p (non-domestic rating multiplier) and 49.1p (small business non-domestic rating multiplier) per £ of rateable value.

## COLLECTION FUND

### 16.4 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 2019/20						
	Gravesham Borough Council	Kent County Council	Kent Police & Crime Com- missioner	Kent Fire & Rescue Service	Central Government	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Council Tax</b>						
(Surplus)/deficit brought forward	31	183	25	11	-	250
(Surplus)/deficit for year	(19)	(110)	(14)	(7)	-	(150)
(Surplus)/deficit carried forward	12	73	11	4	-	100
<b>Business Rates</b>						
(Surplus)/deficit brought forward	(232)	(432)	-	(6)	90	(580)
(Surplus)/deficit for year	284	(53)	-	7	472	710
(Surplus)/deficit carried forward	52	(485)	-	1	562	130

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
<b>Council Tax</b>						
(Surplus)/deficit brought forward	0	0	0	0	-	0
(Surplus)/deficit for year	31	183	25	11	-	250
(Surplus)/deficit carried forward	31	183	25	11	-	250
<b>Business Rates</b>						
(Surplus)/deficit brought forward	72	16	-	2	90	180
(Surplus)/deficit for year	(304)	(448)	-	(8)	0	(760)
(Surplus)/deficit carried forward	(232)	(432)	-	(6)	90	(580)

**16.5 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.

2018/19	Collection Fund Adjustment Account	2019/20
£'000		£'000
31	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	(19)
(304)	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	284
(273)	<b>Total increase/(decrease) in Collection Fund Adjustment Account</b>	<b>265</b>
72	Balance brought forward at 1 April	(201)
(273)	Movement in year	265
(201)	<b>Balance carried forward at 31 March</b>	<b>64</b>

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

### **Report on the Audit of the Financial Statements**

#### **Qualified opinion**

We have audited the financial statements of Gravesham Borough Council (the 'Authority') for the year ended 31 March 2020 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, notes to the financial statements, and Accounting Policies, Standards and Critical Judgements. 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 2019/20.

In our opinion, except for the possible effects of the matters described in the basis for qualified opinion section of our report, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2020 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### **Basis for qualified opinion**

##### ***St George's Shopping Centre***

Note 13.36 to the financial statements discloses the Authority's critical judgement in respect of its accounting policy for the financing of the regeneration of the St George's Shopping Centre and associated properties. The liability for this financing is included in the financial statements with an amortised cost of £24.5 million as at 31 March 2020, and £24.1 million as at 31 March 2019. We disagree with the Authority's judgement that only those direct entries which flow through its records in respect of this matter should be reflected within its financial statements. In our judgement, the substance of the transactions should determine whether they fall within the Authority's accounting boundary, rather than whether the Authority was a party to those transactions. .

Furthermore, we were unable to obtain sufficient appropriate audit evidence in respect of the amortised cost of the liability recognised in the financial statements. This was because the Authority was not able to provide us with sufficiently detailed information in respect of the transactions that took place between the Authority's commercial partners regarding this matter.

For this reason, we were also unable to conclude on the reasonableness of the Authority's accounting treatment for an embedded prepayment option (which the Authority has deemed to be closely related to the host liability contract and which therefore has not been accounted for separately) and the appropriateness of Retail Price Index assumptions included in the calculation of the effective interest rate. Consequently, we were unable to determine whether any adjustments to the financial statements were necessary in respect of this matter. Any

such adjustments could have had an impact on the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Movement in Reserves Statement, the Cash Flow Statement and related notes including disclosures relating to the fair value of the financial instrument and the prior year restatements relating to this matter.

**Revaluation Reserve**

Note 14.15.1 to the financial statements discloses the balance and movements in the Authority's Revaluation Reserve. The Authority accounted for all revaluation gains/losses relating to council dwellings by making an adjustment between the Capital Adjustment Account and the Revaluation Reserve. In our judgement, the Authority should have accounted for all revaluation gains/losses relating to council dwellings through either the Surplus/Deficit on Provision of Services or Other Comprehensive Income and Expenditure as appropriate, and restated prior year comparatives, including opening balances, accordingly. The Authority have not adopted the accounting treatment that we believe to be appropriate because they have not undertaken, and will not undertake, the work required to do so. Consequently, we were unable to determine whether any adjustments to the financial statements were necessary in respect of this matter. Any such adjustments could have had an impact on the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Cashflow Statement and related notes, including Note 14.15 on Unusable Reserves, and prior year comparatives.

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 qualified 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)' 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.

In our evaluation of the Director (Corporate Services)' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.



However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority will continue in operation.

### **Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings and property investments**

We draw attention to Notes 14.6, 14.9, 14.23 and 14.27 to the financial statements, which describe the effects of the Covid-19 pandemic on the valuation of the Authority's land and buildings (including council dwellings, other land and buildings and investment properties), the Authority's share of the pension fund's property investments, and the authority's own investments in pooled property funds as at 31 March 2020. As disclosed in notes 14.6, 14.9, 14.23 and 14.27 to the financial statements, the outbreak of Covid-19 meant that the valuers considered that they could attach less weight to previous market evidence for comparison purposes to inform opinions of value. A material valuation uncertainty was therefore disclosed in the Authority's property valuer's report, the pension fund's property valuation reports and the property funds' valuers' reports. Our opinion is not modified in respect of this matter.

### **Other information**

The Director (Corporate Services) is responsible for the other information. The other information comprises the information included in the Financial Review and Statement of Accounts 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.

As described in the basis for qualified opinion section of our report:

- our audit opinion is qualified because of disagreement over whether transactions between the Authority's commercial partners in respect of the St George's Shopping Centre and associated properties fall within the Authority's accounting boundary. We have concluded that other information in respect of this matter is materially misstated for the same reason
- we were unable to satisfy ourselves concerning:
  - the amortised cost of the liability recognised in the financial statements relating to St George's Shopping Centre and associated properties and
  - the reasonableness of the Authority's accounting treatment for an embedded prepayment option and the appropriateness of the Retail Price Index assumptions included in the calculation of the effective interest rate

## INDEPENDENT AUDITORS REPORT

We have concluded that where the other information refers to these matters, it may be materially misstated for the same reason

- we were unable to satisfy ourselves concerning the accounting for revaluation entries related to council dwellings. We have concluded that where the other information refers to these matters, it may be materially misstated for the same reason.

### **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 Edition' 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.

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

Except for the possible effects of the matters described in the basis for qualified opinion section of our report, 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 Financial Review and Statement of Accounts 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, 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 2019/20, 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

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

#### **Adverse conclusion**

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, because of the significance of the matters described in the basis for adverse conclusion section of our report, we are not satisfied that, in all significant respects, the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

#### **Basis for adverse conclusion**

In June 2018, the Authority entered into a financing arrangement for the regeneration of the St George's Shopping Centre in Gravesend and associated properties ('the transaction'). We challenged the Authority's accounting treatment for the transaction during the 2019/20 audit and it was subsequently revised by the Authority. Following this revision, our consideration of the Authority's arrangements for securing economy, efficiency, and effectiveness in its use of resources identified the following matters:

- There were significant weaknesses and limitations in the level of independent advice and due diligence that were undertaken to support the Authority's decision to progress the transaction in May 2018

## INDEPENDENT AUDITORS REPORT

- The decision was made to proceed with the transaction before a key piece of due diligence from treasury management advisors had been properly considered
- The financial consequences of adverse economic scenarios arising from the transaction and mitigating actions were not fully communicated to members
- Professional advice was not obtained on the accounting treatment for the transaction, and to properly understand its financial impact
- Members were not provided with the information they needed to make an informed and appropriate decision on the transaction
- The timing of key approval meetings for the transaction on the same evening provided no time or space to reflect or seek further detail and advice between meetings, while the delegation of the final decision to officers, in consultation with leading members, removed the potential for further member scrutiny

These matters reflect significant weaknesses in the Authority's arrangements for informed decision making and sustainable resource deployment.

These matters are evidence of weaknesses in proper arrangements for:

- Acting in the public interest, through demonstrating and applying the principles and values of sound governance
- Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management
- Reliable and timely financial reporting that supports the delivery of strategic priorities
- Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.

### **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 April 2020, 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

## INDEPENDENT AUDITORS REPORT

proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

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.

*Paul Dossett*

Paul Dossett, Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor

London

**28 February 2024**

## **18. 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 was a voluntary arrangement for 2018/19 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 was 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.



## GLOSSARY OF TERMS

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.