



Agenda Item No: 6
Report To: Audit Committee
Date of Meeting: 22 June 2017
Report Title: Statement of accounts training
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Portfolio Holder Cllr. Shorter
Portfolio Holder for: Finance & ICT

Summary: This report introduces the Statement of Accounts training and includes:

- Draft Statement of Accounts 2016/17 for Audit (attached)
- Presentation on Statement of Accounts

Key Decision: YES/NO (delete as appropriate)

Significantly Affected Wards: NA

Recommendations: **The Cabinet is recommended to:-**

- I. Note the statement of accounts**
- II. Note the training on accounts**

Policy Overview: NA

Financial Implications: None

Legal Implications NA

Equalities Impact Assessment NA

Other Material Implications: None

Exempt from Publication: **NO**

Background Papers: **None**

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Ashford Borough Council

Statement of Accounts 2016/17

Final Draft to Audit

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Approval of the Statement of Accounts

The Audit Committee at its meeting on the 27th July 2017 approved the Statement of Accounts for the year ended 31 March 2017 in accordance with the Accounts and Audit Regulations 2015.

Signed:

Councillor Waters
Chairman Audit Committee

Narrative Report

Introduction

Local Authority accounts are subject to a number of regulatory requirements and accounting standards. This results in a complex format, which requires the reader to have a reasonable knowledge of accounting terms and presentation. Where the use of technical terms is unavoidable, an explanation is provided in the Glossary (page 81).

The Statement of Accounts

The content and format of the Statement of Accounts is prescribed in the Accounting Code of Practice, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), which has approval from the Financial Reporting Advisory Board. The Statement of Accounts includes the Core Financial Statements and Supplementary Financial Statements along with other statutory sections.

For this year (2016/17), there have been a few changes to the Code with some changes affect this Council.

The Core Financial Statements (page 9 to 14) comprise:

- Movement in Reserves Statement
- Comprehensive Income and Expenditure Statement
- Balance Sheet
- Cash Flow Statement

These statements include a group position, which includes the Council's property company.

There is a new note this year, the Expenditure and Funding Analysis, this note helps to demonstrate the movement from the CIES and the Management

accounts to the movements in reserves, see Note 5.

Overview of 2016/17 Financial Results and Activity

General Fund (i.e. excluding the Housing Revenue Account)

Spending overall for the year, after income and other receipts, was a little above the current budget, however this did include a first quarter transfer to reserves of £550,000 following an earlier reported underspend. There was a significant variance within Treasury Management which related to changes to the MRP policy, additional interest receipts and savings from borrowing decisions. These surpluses have been transferred to reserves to fund future revenue commitments.

The General Fund outturn overleaf excludes the Housing Revenue Account and therefore differs from the statutory presentation of the Comprehensive Income and Expenditure Statement (page 9).

The Council set its budget requirement at £15.5m (amount funded by Government Grant, Business Rates and Council Tax). The Council took the decision to increase Council Tax by £4.55 resulting in a band D at £150 for 2016/17.

Cabinet meetings during the year (September, November, February, and June) received budget monitoring positions, including details of variances. These reports are on the Council's website.

Reserves increased during the year, as the Council has set aside funds to offset future maintenance liabilities. Overall, revenue reserves remain at an appropriate level and afford some flexibility to help with investments to support local growth highlighted in the Corporate Plan.

The Comprehensive Income and Expenditure Statement, and associated notes on page 12, includes:

- the general fund outturn as detailed below
- the Housing Revenue Account income and expenditure

- other notional accounting entries for capital charges, pensions and asset sales.

A reconciliation between the statutory and management accounts is included in note 5, the new Expenditure and Funding Analysis.

During the year, the Council brought the grounds maintenance back to an in-house service. The new service has been branded Aspire and they had been operating for six months in 2016/17.

General Fund Final Outturn 2016/17

Service	Original Budget 2016/17	Revised Budget 2016/17	Final Outturn 2016/17		Variance
	£'000	A £'000	B £'000	B-A £'000	
Head of Corporate & Strategy	1,271	1,417	1,405	(12)	
Head of Cultural Services	2,755	2,837	2,983	146	
Head of Financial Services	2,555	2,558	2,626	68	
Head of Housing Services	916	837	1,019	182	
Head of Environmental & Customer Services	4,963	4,829	4,799	(30)	
Head of Corporate Property & Projects	(1,500)	(1,356)	(1,239)	117	
Head of Health, Parking & Community Safety	838	815	459	(356)	
Head of HR, Communications & Technology	291	203	397	194	
Head of Legal & Democratic	1,380	1,394	1,647	253	
Head of Planning & Development	1,983	1,917	1,837	(80)	
Net Service Expenditure	15,452	15,451	15,933	482	
Capital Charges and net interest	(1,476)	(1,476)	(2,597)	(1,121)	
Levies and Grants	271	271	275	4	
Contribution to Reserves	1,317	1,317	1,984	667	
Net Expenditure	15,564	15,563	15,595	32	
Funded by:					
Government grant	(5,592)	(5,591)	(5,840)	(249)	
Business Rates	(3,410)	(3,410)	(3,113)	297	
Council Tax	(6,562)	(6,562)	(6,604)	(42)	
Total Financing	(15,564)	(15,563)	(15,557)	6	
Outturn reported	0	0	38	38	

Housing Revenue Account (HRA)

There was a comprehensive review of the HRA service during this year which has contributed to the outturn deficit being £2m lower than budgeted, along with £910,000 more income than anticipated, partly due to new build rent income being omitted from the budget, this was reported in the first quarter of 2016/17.

The accumulated HRA reserve balance at 31 March 2017 was £6.8m. In addition, the Major Repairs Reserve stands at £1.4m, which is available to fund the Decent Homes Programme, giving a total balance for HRA Reserves of £8.2m (compared with £8.3m as at 31 March 2016). This year's underspend will

be allocated to resource the HRA's longer-term business plan.

Council dwellings are revalued at the end of each financial year, this year there was a significant movement during the year resulting in a net valuation increase of £25.9m (£12.9m in 2015/16), there have been significant increasing in house prices this year and also partly due to the method of valuation. The EUV-SH (Existing Use Value for Social Housing) uses an adjustment factor which has moved from 32% to 33% so the total housing stock has increased by 1% resulting in a movement of over £2m

Housing Revenue Account Outturn 2016/17

Service	Revised Budget 2016/17 A £'000	Final Outturn 2016/17 B £'000	Variance B-A £'000
Income	(24,227)	(25,137)	(910)
Supervision and Management	4,686	4,531	(155)
Repairs and Maintenance	3,450	3,029	(421)
New Build	800	585	(215)
Other	18,464	18,107	(357)
Net Expenditure	3,173	1,115	(2,058)
Capital Works - Decent Homes	4,424	4,184	(240)
<i>Capital works financed by:</i>			
Major Repairs Allowance (from Self-Financing Determination)	(4,424)	(4,465)	(41)
Contribution to/(from) Major Repairs Reserve	0	281	281
Support costs greater than budget	0	0	0
	3,173	1,115	(2,058)

Capital Expenditure

Capital expenditure is investment in the acquisition, construction, enhancement or replacement of tangible assets such as land, buildings or major items of equipment and intangible assets (such as computer software) which will be used to benefit services over a number of years.

Major projects during 2016/17 included:

- as part of the introduction of a new grounds maintenance service (Aspire) a new depot and equipment were purchased to deliver the service. The total capital spend was £1.7m
- New football pavilion at Spearpoint at a cost of £720k

- £5.4m was spent on the Farrow Court Sheltered Housing redevelopment this year, with phase two now nearing completion. This redevelopment is ongoing with a total budget of £16.4m, with completion expected in 2017/18.
- Spend on existing housing stock amounted to £4.1m to ensure Decent Homes Standards are maintained

In the financial year 2016/17, the outturn for the capital programme was:

Summary of Capital Spending and Financing

	£'000	£'000
<i>Capital investment</i>		
General Fund capital expenditure	6,048	
HRA capital expenditure	10,993	
Total expenditure	<u>17,041</u>	<u>17,041</u>
<i>Sources of finance</i>		
Prudential borrowing		2,074
Capital receipts		
- 1-4-1 capital receipts	56	
- General capital receipts	354	410
Grants and contributions		
- External grants and contributions	2,548	
- Developer contributions	1,214	3,762
Contribution to/(from) Major Repairs Reserve		4,184
Direct revenue contributions		
- Repairs and Renewals Reserve	570	
- General Fund financing	471	
- HRA Revenue contributions	5,489	
- Other revenue contributions	81	6,611
Total financing		<u>17,041</u>

Treasury Management

Borrowing

At 31 March 2017, the Council had long-term and short-term borrowing of £117.7m (£119.7m long term and short-term borrowing at 31 March 2016). These long-term loans were used to fund the housing subsidy buy-out payment to government. The first loan matured this year in March.

Investments

At 31 March 2017, the Council had investments and cash deposits of £24.4m (£25.7m at 31 March 2016) detail in note 21. In 2016/17 the Council continued to maintain a diversified investment portfolio in terms of counterparties and duration of investments, with more long-term investments continuing to be held. This has is in accordance with the objectives of the Treasury Management Strategy adopted by the Council.

Pensions

As part of the Conditions of Employment, the Council must offer staff retirement benefits under statutory requirements. At 31 March 2017, 87% of staff were part of the pension scheme, contributing between 5.5% and 12.5% of salary. The remainder of staff opted out of the scheme. Payments into the pension scheme, investment assets and future liabilities are held and managed by the Kent County Council Pension Fund for all contributing member authorities. For further information see note 28.

Stanhope Private Finance Initiative (PFI)

The PFI agreement for the regeneration of the Stanhope Estate has been ongoing since 2007 the details are in Note 27.

Council owned Companies

The CIPFA Code of Practice requires Local Authorities to consider all their interests and to prepare a full set of group financial statements where they have material interests in subsidiaries, associates or joint ventures.

The Council has two wholly owned subsidiaries, A Better Choice for Property Ltd, and A Better Choice for Building Consultancy Ltd. The interest in the Property Company is considered material and therefore group accounts have been prepared in accordance with IFRS 10.

The Corporate Plan and Medium Term Financial Plan

The Council approved the Corporate Plan in 2015/16, covering the years 2015-2020. The plan includes looking at how the Council can investment in opportunities to become less reliant on Government funding.

During this financial year, the Council has continued work on a number of developments including the redevelopment of Elwick Road. Just after the year end the Council entered into contract with Stanhope PLC (the developer) to take the scheme forward, this is discussed further in Note 32.

The Council also introduced an in house grounds maintenance team, Aspire and one of the key reasons for this decision is to deliver the Attractive Ashford theme of the Corporate Plan.

The Corporate Plan includes four key themes and future projects look to compliment these themes:

- a. Enterprising Ashford
- b. Living Ashford
- c. Active and Creative Ashford
- d. Attractive Ashford

In conjunction with the Corporate Plan the Council has reviewed its medium term financial plan (for the full paper see the cabinet agenda for October 2016)

The Council set its budget for 2017/18 at the February Cabinet meeting to deliver

upon the themes identified above. The budget made use of the new freedom to increase council tax by up to £5 with an increase of £4.00 to £154.00 for a band D property, whilst this ensures that the Council still has the lowest council tax in Kent it has allowed the tax base to grow to cover some of the loss of central government funding.

The budget included an updated Treasury Management Strategy which will cover how cash flows are managed in the coming year, reviewed fees and charges and financial procedures.

The Capital programme was included in the report and with the addition of the Elwick road Scheme (as discussed in Note 32) will represent a considerable investment in the borough and represent a significant cash flow to the council.

The budget report also included an updated Medium Term Financial Plan that was updated to reflect the outcome of the Local Government 4 year settlement offer and government plans to reform business rates and New Homes Bonus. The full budget report can be accessed on the Councils website.

Just after the accounting period the Government announced there will be a General Election in June. Officers will review the Medium Term Financial Plan in light of the policies of the incoming government.

To monitor the Council's performance in delivering the Corporate Plan a performance dashboard has been developed which measures both financial and non-financial performance indicators to assess the delivery of the plan and its impact on key areas. This is reported to the Cabinet quarterly.

EU Referendum

The EU referendum was held on 23 June 2016 at which time the UK decided to exit the European Union. This decision had an adverse effect on asset valuations and property based investments were reduced by 4% of the overall balance however this has slightly reversed with 35% of the loss being recovered.

It is not yet sure how this decision could impact on the Council longer term although it is being monitored so the Council can respond quickly to any adverse effects.

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

Under Law the Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its Officers has the responsibility for the administration of those affairs. In this authority, the Chief Financial Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Responsibilities of the Chief Financial Officer (CFO)

As Chief Finance Officer is responsible, in law, for the preparation of the Authority'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'). There is a responsibility of the CFO to observe the CIPFA statement on the role of the CFO in public service organisations.

In preparing this Statement of Accounts, the CFO has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Codes of Practice.

The CFO has also:

- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts between pages 9 and 79 present a true and fair view of the financial position of Ashford Borough Council at 31 March 2017 and its income and expenditure for the year ended on that date.

Ben Lockwood

Head of Finance & IT and Chief Financial Officer

Date

Core Financial Statements

Comprehensive Income and Expenditure Statement

ABC 2015/16		Group 2015/16			ABC 2016/17		Group 2016/17	
Gross Expenditure £'000	Restated Gross Income £'000	Net Expenditure £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Net Expenditure £'000
1,371	(109)	1,262	1,262	Head of Corporate & Strategy	1,568	(49)	1,519	1,519
(939)	(425)	(1,364)	(1,364)	Head of Cultural Services	3,366	(187)	3,179	3,179
41,413	(41,777)	(364)	(364)	Head of Financial Services	40,608	(39,996)	612	612
3,007	(1,863)	1,144	1,117	Head of Housing Services	3,703	(2,349)	1,354	1,233
5,163	(1,144)	4,019	4,019	Head of Environmental & Customer Services	5,405	(1,181)	4,224	4,224
1,451	(3,180)	(1,729)	(1,729)	Head of Corporate Property & Projects	2,847	(3,714)	(867)	(867)
23,906	(28,517)	(4,611)	(4,611)	Local Authority Housing	17,262	(29,243)	(11,981)	(11,981)
3,380	(2,869)	511	511	Head of Health, Parking & Community Safety	3,496	(2,835)	661	661
340	(90)	250	250	Head of HR, Communications & Technology	450	(91)	359	359
1,412	(173)	1,239	1,239	Head of Legal & Democratic	1,546	(306)	1,240	1,240
3,894	(3,580)	314	314	Head of Planning & Development	3,351	(1,958)	1,393	1,393
1,756	0	1,756	1,756	Non distributed costs	2,225	0	2,225	2,225
86,154	(83,727)	2,427	2,400	Cost of Services	85,827	(81,909)	3,918	3,797
	1,475		1,475	Other operating expenditure				
	494		494	Parish Council Precepts & Levies		1,639		1,639
	(1,022)	947	(1,022)	Payments to the Government Housing Capital Receipts Pool		490		490
				Disposal of non-current assets		(3,817)	(1,688)	(3,817)
				Financing and investment income and expenditure				
	4,922		4,971	Interest payable		4,991		5,114
	2,319		2,319	Net interest on the net defined benefit liability (asset)		2,305		2,305
	(713)		(713)	Interest receivable		(952)		(952)
	0	6,528	(112)	Income, Expenditure and Changes in fair value of Investment Property		0	6,344	(249)
				Taxation and non-specific grant income				
	(7,586)		(7,586)	Income Tax relating to companies		0		50
	(2,329)		(2,329)	Council Tax income		(8,249)		(8,249)
	(6,151)		(6,151)	Non-domestic rates income and expenditure		(3,140)		(3,140)
	(2,982)	(19,048)	(2,982)	Non-ringfenced government grants (Note 12)		(5,727)		(5,727)
				Capital grants received in year		(1,353)	(18,469)	(1,353)
		(9,146)	(9,236)	(Surplus) or Deficit on Provision of Services			(9,895)	(10,092)
	(14,107)		(14,107)	Surplus or deficit on revaluation of Property, Plant and Equipment (see note 14)		(36,899)		(36,899)
	(380)		(380)	Surplus or deficit on revaluation of Available-for- Sale financial Assets		(620)		(620)
	(8,519)		(8,519)	Remeasurements of the net defined benefit liability (See note 28)		13,415		13,415
		(23,006)	(23,006)	Other Comprehensive Income and Expenditure			(24,104)	(24,104)
		(32,152)	(32,242)	Total Comprehensive Income and Expenditure			(33,999)	(34,196)

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation, or rents, to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Telling the story - Prior year adjustment of statement

This year the presentation of the Comprehensive Income and Expenditure Statement has changed, up until this financial year the segments that made up the *cost of services* were set out in the Service Reporting Code for Practice, however this has now changed and the *cost of services* is now to be based on the Management Accounts of the Council.

Restatement of the 2015/16 CIES *cost of services*.

	Central services to the public £'000	Cultural and related services £'000	Environmental and regulatory services £'000	Planning services £'000	Highways and transport services £'000	Local authority housing (HRA) £'000	Other housing services £'000	Corporate and democratic core £'000	Non distributed costs £'000
Cost of Services	1,665	(990)	2,801	887	(899)	(5,128)	(1,046)	3,380	1,756
Head of Corporate & Strategy	0	0	15	(33)	0	0	0	1,280	0
Head of Cultural Services	284	(1,655)	0	5	0	0	0	0	0
Head of Financial Services	996	0	81	0	91	0	(1,858)	328	0
Head of Housing Services	0	0	0	0	0	0	1,041	103	0
Head of Environmental & Customer Services	0	665	3,360	0	0	0	0	(6)	0
Head of Corporate Property & Projects	0	0	9	(1,163)	(346)	0	(229)	0	0
Local Authority Housing	0	0	0	0	0	(5,128)	0	516	0
Head of Health, Parking & Community Safety	98	0	1,057	0	(644)	0	0	0	0
Head of HR, Communications & Technology	0	0	0	0	0	0	0	250	0
Head of Legal & Democratic	330	0	0	0	0	0	0	909	0
Head of Planning & Development	(43)	0	(1,721)	2,078	0	0	0	0	0
Non distributed costs	0	0	0	0	0	0	0	0	1,756
Cost of Services	1,665	(990)	2,801	887	(899)	(5,128)	(1,046)	3,380	1,756

Movement in Reserves Statement

2016/17	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Grants Unapplied Account	Total Usable Reserves (excluding company)	Unusable Reserves (Note 21) (excluding company)	Total Usable Reserves (group)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31st March 2016	(18,055)	(7,868)	(6,056)	(449)	(1,628)	(34,056)	(116,614)	(34,116)
Total Comprehensive Income & Expenditure	(1,474)	(8,421)	0	0	0	(9,895)	(24,104)	(10,092)
Adjustments between accounting and funding basis under regulations	0							
Sources of Finance	1,241	110	411	4,185	1,198	7,145	(7,145)	7,145
Sums set-a-side for capital purposes	2,449	8,115				10,564	(10,564)	10,564
Revenue expenditure charged to capital under statute	(944)	0				(944)	944	(944)
Removal of items not chargeable to Fund Balances	0							0
- Capital adjustment account	(3,763)	(3,117)	0	(5,175)		(12,055)	12,055	(11,858)
- Capital grants unapplied account	3	0			(3)	0		0
- Capital receipts reserve (for HRA, see note 5)	691	4,756	(5,447)			0		0
- Deferred capital receipts reserve	1,357		(58)			1,299	(1,299)	1,299
- Pensions reserve	(1,629)	(328)				(1,957)	1,957	(1,957)
- Collection fund adjustment account	189					189	(189)	189
- Accumulated absences account	0	0				0	0	0
Increase or decrease during 2016/17	(1,880)	1,115	(5,094)	(990)	1,195	(5,654)	(28,345)	(5,654)
Balance at 31st March 2017	(19,935)	(6,753)	(11,150)	(1,439)	(433)	(39,710)	(144,959)	(39,770)

The Movement in Reserves Statement (MiRS) is a summary of the changes that have taken place in the bottom half of the Balance Sheet over the financial year. It does this by analysing:

- the increase or decrease in the net worth of the authority as a result of incurring expenses and generating income
- the increase or decrease in the net worth of the authority as a result of movements in the current or fair value of its assets
- movements between reserves to increase or reduce the resources available to the authority according to statutory provisions.

This year the format of the statement has changed, the General Fund Balance now incorporates the earmarked reserves; the 2015/16 statement has been adjusted to reflect this.

2015/16	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Grants Unapplied Account	Total Usable Reserves	Unusable Reserves (Note 21)	Total Usable Reserves (group)
Restated	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31st March 2015	(16,963)	(5,725)	(3,477)	(82)	(554)	(26,801)	(91,717)	(26,771)
<i>Movements in Reserves</i>								
Total Comprehensive Income & Expenditure	(6,799)	(2,347)	0	0	0	(9,146)	(23,006)	(9,236)
Adjustments between accounting and funding basis under regulations								
Sources of Finance	436	1,392	1,280	4,817	80	8,005	(8,005)	8,005
Sums set-a-side for capital purposes	5,467	4,199				9,666	(9,666)	9,666
Revenue expenditure charged to capital under statute	(1,021)	0				(1,021)	1,021	(1,021)
Removal of items not chargeable to Fund Balances								
- Capital adjustment account	3,291	(10,335)		(5,184)		(12,228)	12,228	(12,228)
- Capital grants unapplied account	0	1,154			(1,154)	0		0
- Capital receipts reserve (for HRA, see note 5)	(446)	4,246	(3,800)			0		0
- Deferred capital receipts reserve	0		(59)			(59)	59	(59)
- Pensions reserve	(1,824)	(426)				(2,250)	2,250	(2,250)
- Collection fund adjustment account	(155)					(155)	155	(155)
- Accumulated absences account	(41)	(26)				(67)	67	(67)
Increase or decrease during 2015/16	(1,092)	(2,143)	(2,579)	(367)	(1,074)	(7,255)	(24,897)	(7,345)
Balance at 31st March 2016	(18,055)	(7,868)	(6,056)	(449)	(1,628)	(34,056)	(116,614)	(34,116)

Balance Sheet

ABC		Group			ABC		Group	
31 March 2016					31 March 2017			
£'000	£'000		Notes	£'000	£'000	£'000	£'000	
335,569	335,569	Property, Plant & Equipment	14	377,243		377,243		
2,414	2,414	Heritage Assets	17	2,446		2,446		
0	3,227	Investment Property	16	0		4,043		
12	12	Intangible Assets		0		0		
16,742	16,642	Long Term Investments	20	14,865		14,522		
4,600	1,538	Long Term Debtors	20	9,509		5,904		
359,337	359,402	Long Term Assets			404,063	404,158		
750	750	Current held for sale		0		0		
3,047	3,047	Short Term Investments	20	2,541		2,541		
0	0	Inventories		0		0		
6,341	6,346	Short Term Debtors	22	8,049		8,064		
4,278	4,314	Cash and Cash Equivalents	38	9,093		9,104		
14,416	14,457	Current Assets			19,683	19,709		
(2,038)	(2,038)	Short Term Borrowing		(3,039)		(3,039)		
(13,058)	(13,103)	Short Term Creditors	23	(16,371)		(16,492)		
(626)	(626)	Current Liabilities	27	(816)		(816)		
(15,722)	(15,767)	Current Liabilities			(20,226)	(20,347)		
(1,424)	(1,424)	Long-term Provisions	26	(1,358)		(1,358)		
(117,664)	(117,664)	Long Term Borrowing	20	(114,664)		(114,664)		
(65,715)	(65,715)	Pension Liability	28	(81,087)		(81,087)		
(22,439)	(22,439)	PFI Liability	27	(21,623)		(21,623)		
(119)	(119)	Finance Lease Liability	25	(119)		(119)		
(207,361)	(207,361)	Long Term Liabilities			(218,851)	(218,851)		
150,670	150,731	Net Assets			184,669	184,669		
		Financing (see MiRS)						
(34,056)	(34,117)	Usable Reserves		(39,710)		(39,770)		
(116,614)	(116,614)	Unusable Reserves	24	(144,959)		(144,959)		
(150,670)	(150,731)				(184,669)	(184,729)		

The Balance Sheet summarises the authority's financial position as at 31 March. In the top half it contains the Council's assets and liabilities held or accrued from other parties. As local authorities do not have equity, the bottom half is comprised of reserves that shows the position of an authorities net worth, they fall into two categories:

- usable reserves, which include the revenue and resources available to meet future expenditure, such as the General Fund Balance and the Capital Receipts Reserve
- unusable reserves, which include unrealised gains and loss or adjustment accounts, such as the Revaluation Reserve or the Pension Reserve

Cash Flow Statement

ABC Restated 2015/16 £'000	Group 2015/16 £'000		Notes	ABC 2016/17 £'000	Group 2016/17 £'000
(9,146)	(9,236)	Net (surplus) or deficit on the Provision of services		(9,895)	(10,092)
(11,461)	(11,349)	Adjustment to the Net surplus or deficit on the provision of services for non-cash movements	33	(10,333)	(10,149)
5,526	5,514	Adjustment for items in the net surplus or deficit on the provision of services that are investing or financing activities	34	5,982	5,982
(15,081)	(15,071)	Net cash flows from operating activities		(14,246)	(14,259)
15,103	17,123	Investing activities	36	6,767	7,334
811	(1,229)	Financing activities	37	2,664	2,135
833	823	Net movements in year excluding non-cash items		(4,815)	(4,790)
5,073	5,073	Cash and cash equivalents at the beginning of the reporting period		4,278	4,250
(795)	(823)	Net increase or (decrease) in cash and cash equivalents		4,815	4,790
4,278	4,250	Cash and cash equivalents at the end of the reporting period	38	9,093	9,040

The Cash Flow Statement summarises the flows of cash that have taken place into and out of the authority's bank accounts over the financial year. It separates the flows into:

- those that have occurred as a result of the authority's operations
- those arising from the authority's investing activities (including cash flows related to noncurrent assets), and
- those attributable to financing decisions.

Notes to the Core Financial Statements

1. Accounting Policies

General Principles

The Statement of Accounts summarises the Authorities transactions for the 2016/17 financial year and its position at the year ending 31 March 2017. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require being prepared in accordance with proper accounting practices. These practices primarily comprise the 'Code of Practice on Local Authority Accounting in the United Kingdom 2016/17' (the Code) and the 'Service Reporting Code of Practice 2016/17', supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

1. Accounting Concepts and Conventions

The Going Concern basis has been selected for the preparation of these accounts based on the assumption that the Council will operate for the foreseeable future.

Qualitative characteristics are the attributes that make the information provided within this Statement of Accounts useful to users. The International Accounting Standards Board (IASB) Framework, sets out the two fundamental qualitative characteristics and four enhancing qualitative characteristics of financial statements, which have been adopted by the Code:

- Fundamental
 - relevance
 - faithful representation
- Enhancing
 - comparability
 - verifiability
 - timeliness
 - understandability

The Code also includes consideration of materiality as a qualitative characteristic, and the Framework considers it as part of the fundamental characteristic of relevance.

2. Accruals of Income and Expenditure

With the exception of the Cash Flow Statement, including its notes, and the Collection Fund, the Statement of Accounts is presented on an accruals basis.

The accruals basis of accounting requires the non-cash effect of transactions to be reflected in the Statement of Accounts for the year in which those effects are experienced, and not in the year in which the cash is actually received or paid. In particular: fees, charges and rents due from customers are accounted for as

income at the date the Council provides the relevant goods or services; interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where income and expenditure have been recognised, but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet, where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. There is a de minimis limit for manual accruals (not automatic accruals) of £5,000 to aid faster closing, transactions below this limit are not accrued for as they are deemed not material to the understanding of these accounts.

3. **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 are used are contained in the relevant Note to the Accounts. Where a change in an estimation technique is material, an explanation is provided of the change and its effect on the results for the current period.

4. **Costs of Internal Support Services**

All costs of management and administration are fully allocated to services. The basis of allocation used for the main costs of management and administration are outlined below:

Cost	Basis of Allocation
Accounting and other services	Budgeted time spent by staff, as predicted by budget managers
Legal services	Actual time spent by staff, as recorded on time recording systems
Administrative Buildings	Area occupied
IT support of corporate financial systems	Actual direct costs (hardware costs etc.) plus cost of estimated staff resources
Network / PC support	Per capita
Executive Support, Call Centre, Customer Contact Centre and Printing	Actual use, as recorded by monitoring systems
Internal Audit	Per audit plan
Payroll and Personnel Costs	Per capita
Debtors and Creditors	Per transaction

5. **Council Tax and National Non-Domestic Rates**

Revenue relating to council tax and business rates is measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions. Revenue is recognised when it is probable that the

economic benefits of the transaction will flow to the Council and the amount of revenue can be measured reliably.

The council tax and business rates income included in the Comprehensive Income and Expenditure Statement is the accrued income for the year, which consists of:

- The Council's council tax precept and business rate share from the Collection Fund i.e. the amount billed for the year; and
- The Council's share of the actual council tax and business rates surplus or deficit on the fund at the preceding year end that has not been distributed or recovered in the current year.

The latter is not required by regulation to be credited to the General Fund and so is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves on the General Fund balance.

The Council, as billing authority, recognises the creditor in its balance sheet for cash collected from taxpayers and businesses on behalf of major preceptors but not yet paid to them, or a debtor for cash paid to major preceptors.

6. Charges to Revenue

Service and Support Service Accounts are debited with amounts to record the cost of holding non-current assets used in the provision of services.

These amounts include the annual provision for depreciation, certain revaluation gains/losses and impairment losses and the amortisation of intangible assets. The amounts are subsequently reversed in the Movement in Reserves Statement to the Capital Adjustment Account so that they do not impact on the amounts required from local taxation.

Capital charges made to the Housing Revenue Account are the amounts as determined by statutory provision.

External interest payable is debited in the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement and amounts set aside from revenue for the repayment of external loans are charged to the General Fund Balance in the Movement in Reserves Statement.

7. Revenue Expenditure Funded from Capital Under Statute

Legislation allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a Property Plant and Equipment. The purpose of this is to enable it to be funded from capital resources rather than being charged to the General Fund and have a direct impact upon Council Tax. These items are generally grants and expenditure on property not owned by the Council.

Such expenditure is charged to Cost of Services in the Comprehensive Income and Expenditure Statement but subsequently reversed in the Movement in Reserves Statement to the Capital Adjustment Account.

8. **Government Grants and Contributions**

Grants received are credited to the Comprehensive Income and Expenditure Statement when the income is recognised once conditions have been met. Revenue Grants specific to a particular service will be shown against the service expenditure line. General Revenue Grants, in the form of Revenue Support Grant and the contribution from the National Non-Domestic Rate Pool, and Capital Grants are credited and disclosed separately in the Taxation and Non-specific Grant Income line in the Comprehensive Income and Expenditure Statement.

Capital Grants and Capital Contributions will subsequently be transferred through the Movement in Reserves Statement to the Capital Adjustment Account or the Grants Unapplied Account, if expenditure has not been incurred.

If conditions have not been met, grants will be held as a creditor (Grants received in advance) on the Balance Sheet until conditions are met or grants are repaid.

9. **VAT**

VAT is accounted for separately and is not included in the Comprehensive Income and Expenditure Statement, whether of a capital or revenue nature. Input VAT, which is not recoverable from HM Revenue and Customs, will be charged to Service Revenue Accounts, or added to capital expenditure as appropriate. The Council's partial exemption status is reviewed on an annual basis.

10. **Heritage Assets**

Heritage assets are carried at valuation (e.g. insurance valuation) rather than fair value, reflecting the fact that exchanges of heritage assets are uncommon. Valuations are determined by the insurance valuation, or where not available the historical cost. Although there are no prescribed minimum periods for review, the assets will be reviewed in line with the insurance policy and material changes will be incorporated into the accounts. A de-minimis level has been set at £10,000 for heritage assets based on the method of valuation above.

11. **Assets Held for Sale (Current Assets)**

These assets have been declared surplus to the Council's operational requirements, are being actively marketed for disposal 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 (market value) of the asset less the costs to sell the asset. Assets held for sale are not subject to depreciation. Potential 'Right-to-buy' sales are not accounted for until the date of sale as they are not actively marketed in any conventional way.

12. **Intangible Assets**

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will benefit the Council for more than one financial year.

An intangible asset is initially measured at cost but will be revalued where the fair value of the asset differs significantly from its carrying value. The depreciable amount is amortised over its useful economic life to the relevant service line in the

Comprehensive Income and Expenditure Statement but subsequently reversed through the Movement in Reserves Statement to the Capital Adjustment Account.

13. **Investment Assets**

These assets are held solely to earn rentals and/or capital appreciation . The property cannot be used for any other purpose to be classed as an investment asset.

They are held initially at cost and subsequently at fair value being the price that would be received to sell such an asset.

Properties are not depreciated but are revalued annually according to market conditions at the year-end.

14. **Property, plant and equipment**

14.1. **Recognition**

All expenditure on the acquisition, creation, or enhancement of these assets is capitalised on an accruals basis. These assets are depreciated on a straight line basis.

14.2. **Recognition Definition**

Property, plant and equipment are tangible assets (i.e. assets with physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period.

The category is split into seven sub categories.

- Council Dwellings;
- Other Land and Buildings;
- Vehicles, Plant, Furniture and Equipment;
- Infrastructure Assets;
- Community Assets;
- Surplus Assets;
- Assets Under Construction.

The Accounting policy for each type of asset is detailed below:

14.3. **Council dwellings**

These assets are held on the balance sheet at fair value but discounted to allow for the Existing Use Value for Social Housing (EUV-SH).

An annual valuation is carried out by a qualified surveyor in accordance with the latest guidance issued by the Royal Institute of Chartered Surveyors (RICS) as at 31 March. Material changes will be reflected in the accounts if they arise after the valuation.

14.4. **Other Land and Buildings**

These assets are held on the balance sheet initially at cost however are revalued and updated with a desktop revaluation annually. All property and land will be fully valued at least once within the 5 year cycle.

IFRS requires the consideration of componentisation for material items of property, plant and equipment, where they are of a material financial nature or have

significantly differing life expectancies. The Council has set a minimum asset value of £1,000,000 and a component size of at least 10% of the value.

14.5. Vehicles, Plant, Furniture and Equipment

These assets are recognised in the balance sheet at cost and are subject to straight-line depreciation over the expected life of the asset.

14.6. Infrastructure Assets

These assets are recognised in the Balance Sheet at cost and are subject to straight-line depreciation over the expected life of the asset.

14.7. Community Assets

These are defined as assets that the local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and allotments. These assets are held on the Balance Sheet at historic cost and are not subject to revaluation or depreciation.

14.8. Assets under Construction

This covers assets currently not yet ready for operational purposes. The Council does not depreciate nor revalue assets under construction. These asset are held at cost on the balance sheet.

14.9. Surplus Assets

These assets are not being used to deliver services and are held at fair value which is the price that would be receivable if sold.

14.10. Valuations

Increases in valuations are matched by credits to the Revaluation Reserve to recognise revaluation gains. However, where the increased valuation follows a previous reduction in the carrying value below its historic cost, gains would be credited to the service expenditure in the Comprehensive Income and Expenditure Statement to reverse the loss previously charged to a service.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

On revaluation, accumulated depreciation is written out.

14.11. Depreciation

Depreciation on assets with a finite useful life, in line with International Accounting Standard (IAS) 16, is calculated on a straight-line basis according to the following policy:

- All assets with a finite useful life are depreciated on a straight-line basis over the asset life. The life of buildings is reviewed as part of the asset revaluation. The life of vehicles, plant and equipment is generally taken to be five years, unless evidence exists to support a longer or shorter life.
- Newly acquired assets and enhancements are not depreciated in year one, assets in the course of construction are not depreciated until they are ready for use, starting in the following year.
- In accordance with recognised accounting practice, land owned by this Council is not depreciated.

For Council Dwellings, the Code allows authorities to use the Major Repairs Allowance as a proxy for depreciation for a five year period from 2012/13, in 2016/17 calculated depreciation instead of using this method. Council Dwellings are revalued annually. Other HRA land and property are valued as above.

14.12. Impairment of Non-current Assets

A review for impairment of a non-current assets, whether carried at historical cost or valuation, is carried out at year-end to ascertain whether events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Examples of events and changes in circumstances that indicate impairment may have been incurred include:

- a significant decline in the asset's fair value during the period;
- evidence of obsolescence or physical damage to the asset;
- a significant adverse change in the statutory or other regulatory environment in which the authority operates;
- a commitment by the authority to undertake a significant reorganisation.

In the event that an impairment is identified, the value will either be written off to the Revaluation Reserve where sufficient reserve levels for that asset exist, or written off to Service Expenditure through the Comprehensive Income and Expenditure Statement where the carrying value falls below the historic value of the asset. Any impairment at the Balance Sheet date is shown in the notes to the core financial statements, along with the name, designation and qualifications of the officer making the impairment.

If the impairment is identified on an investment property, the value is written out to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement.

14.13. Gains or Losses on Disposal of Property Plant and Equipment

When an asset is disposed of or de-commissioned, the carrying value of the asset and any receipts from the sale, together with the costs of disposal, are shown on the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement which, therefore, bears a net gain or loss on disposal. Where the receipt is in excess of £10,000, it is appropriated to the Capital Receipts Reserve, via the Movement in Reserves Statement, where it can be used for any approved capital purpose, e.g. for new capital investment. The carrying value of the disposed asset is appropriated to the Capital Adjustment Account from the Movement on Reserves Statement. Costs of disposal are accounted for within the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

15. Leases

A lease is an agreement whereby the lessor conveys to the lessee, in return for a payment or series of payments, the right to use an asset for an agreed period.

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be

transferred. An operating lease is a lease other than a finance lease. A definition of a lease includes hire purchase arrangements.

15.1. Finance Leases

As lessee, the Council shall recognise finance leases as assets and liabilities at amounts equal to the fair value of the property or, if lower, the present value of the minimum lease payments.

Minimum lease payments are apportioned between the finance charge (interest) and the reduction of the outstanding liability. The finance charge is calculated to produce a constant periodic rate of interest on the remaining balance of the liability.

The Council recognises an asset under a finance lease in the Balance Sheet at an amount equal to the net investment of the lease.

Assets recognised under a finance lease are depreciated; the depreciation policy for leased assets is consistent with the policy for other property, plant and equipment. Where it is not certain that ownership of the asset will transfer at the end of the lease, the asset is depreciated over the shorter of the lease term and its useful economic life. After initial recognition, assets recognised under a finance lease are subject to accounting policies in the same way as any other asset.

As lessor, the Council derecognises the asset and show this as a long term debtor. Lease rentals receivable are apportioned between a charge for the acquisition of capital (applied to write down the lease debtor) and finance income – which is credited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement. The Code required this income to be treated as a capital receipt and therefore, it is reversed out via the Movement in Reserves Statement to the Capital Receipts Reserve. For finance leases that existed at 31st March 2010, regulations allow these capital receipts to remain credited to the Comprehensive Income and Expenditure Statement.

15.2. Operating Leases

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the benefits received by the Council.

16. Current Assets and Liabilities

16.1. Short term Debtors and Creditors

With exception set out above (policy no 2), the Revenue and Capital accounts of the Council are maintained on an accruals basis in accordance with the Code and other relevant IASs. That is, 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.

16.2. **Impairment Allowance for Bad and Doubtful Debts**

The figure shown in the Statement of Accounts for Debtors is adjusted for bad debts. This amount is to provide for debts that are unlikely to be collected in future years. The percentage used to reduce the Debtors figure is based on historical evidence of collection and management judgements.

17. **Contingent Assets and Contingent Liabilities**

Contingent assets are not recognised in the Statement of Accounts. They are disclosed by way of notes if the inflow of a receipt or economic benefit is probable. Such disclosures indicate the nature of the contingent asset and an estimate of its financial effect.

Contingent liabilities are not recognised in the accounting statements. They are disclosed by way of notes if there is a possible obligation which may require a payment or a transfer of economic benefits. For each class of contingent liability, the nature of the liability is disclosed together with a brief description, an estimate of its financial effect, an indication of the uncertainties relating to the amount or timing of any outflow and the possibility of any reimbursement.

18. **Short term and long term Provisions**

The Council sets aside provisions for specific liabilities or losses which are likely or certain to be incurred, but the amounts or the dates on which they will arise are uncertain. The value of the provision must be the best estimate of the likely liability or loss. When utilised, the payment is charged to Provisions and not to Service Expenditure.

19. **Reserves**

The Council holds Usable and Unusable Reserves. Usable Reserves give the Council discretion to meet expenditure without having a direct impact on Council Tax. In contrast, Unusable Reserves do not give the Council such discretion and are kept to manage the accounting processes for non-current assets, financial instruments and employee benefits.

Usable Reserves are created when the Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. These reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. No expenditure is charged directly to a reserve but is charged to the service revenue account within the Comprehensive Income and Expenditure Statement; this is then offset by a reserve appropriation within the Movement in Reserves Statement. The exception is amounts required for the repayment of external loans and for financing capital expenditure from revenue sources. Where this applies, amounts are appropriated from the General Fund Balance in the Movement in Reserves Statement.

The General Fund Balance acts as a working contingency to meet unforeseen and unforeseeable costs including those relating to emergencies. Earmarked reserves, such as the repairs and renewals reserve, are for specific purposes. The Capital Receipts Reserve can only be used for certain statutory purposes such as financing capital expenditure.

The Major Repairs Reserve is required by statutory provision to be set up in relation to the Housing Revenue Account.

20. **Employee Benefits**

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

20.1. **Benefits payable during employment**

- Short-term employee benefits arise during a financial year or are those due to be settled within 12 months of the year-end. They include wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees, and are recognised as an expense for services in the year employees render service to the Council.
- Benefits earned by current employees but payable twelve months or more after the end of the reporting period such as, long-service leave or jubilee payments and long-term disability benefits.

Where considered of a material nature these are accrued.

20.2. **Termination benefits including Exit Packages**

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

In the event of notice of termination being served on an employee, the costs of redundancy are accrued to the year that the notice is served, but other costs will be charged to the year they are incurred. These costs are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement where the Council is committed to the termination of employment.

20.3. **Post-employment benefits**

As part of the terms and conditions of employment of its employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Code requires the Council to account for this benefit at the time that employees earn their future entitlement. The amount charged to the Comprehensive Income and Expenditure Statement for employee's pensions is in accordance with IAS19 Retirement Benefits, subject to the interpretations set out in the Code. This is accounted for in the following ways:

- Pension liabilities, attributable to the Council, are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees based on assumptions about mortality rates, employee turnover rates and projected earnings for current employees etc.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return.
- The assets of the pension fund attributable to the Council are included on the Balance Sheet at their fair value:
 - Quoted securities – current bid price;
 - Unquoted securities – professional estimate;

- Unitised securities – current bid price;
- Property – market value.
- The change in net pensions liability is analysed into five components:
 - Current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the service where employees worked.
 - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the net cost of services in the Comprehensive Income and Expenditure Statement as part of the Non Distributable Costs.
 - Net interest on the net defined benefit liability (asset) – the change during the period in the net liability (asset) that arises from the passage of time. This is debited/ (credited) to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.
 - Gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or actions that reduce the expected future service or actuarial benefits of employees - debited to the net cost of services in the Comprehensive Income and Expenditure Statement as part of the Non Distributable Costs.
 - Actuarial Gains and Losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the assumptions have been updated - debited to the Comprehensive Income and Expenditure Statement.

Under IAS 19, the Council recognises, as an asset or liability, the surplus/deficit in pension costs calculated in accordance with the standard. This surplus/deficit is the excess/shortfall of the value of assets when compared to the present value of the pension liabilities. Where the contributions paid into the Pension Fund do not match the change in the Council's recognised liability for the year, the recognised cost of pensions will not match the amount required to be raised in taxation. Any such mismatch is to be dealt with by an equivalent appropriation to or from the Pension Reserve together with any actuarial gains/losses. The difference between the recognised net pension liability and the amounts attributed to this Council in Kent County Pension Fund are shown in the Balance Sheet as Pensions Liability and this is offset by the Pensions Reserve (an adverse balance).

The Local Government Pension Scheme, applicable to this Council, is administered locally by Kent County Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets over the average future working life of its employees.

Contributions to the pension scheme are determined by the Fund's actuary on a triennial basis. The latest formal valuation of the Kent County Pension Fund was at 31 March 2016 and changes to contribution rates as a result of that valuation did take effect on 1 April 2017.

21. **Financial Instruments**

The Code has significant disclosure requirements relating to Financial Instruments (e.g. loans and investments). They relate to the identification of the various types of Financial Instruments, gains and losses arising from transactions during the

year, comparative valuation statements, and the assessment of risks associated with holding Financial Instruments.

Detailed disclosure of the Council's holding of Financial Instruments is included in Note 20 on page 49.

21.1. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income line in 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 reconciliation of amounts charged to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed in the Movement in Reserves Statement by a transfer to or from Unusable Reserves (Financial Instruments Adjustment Account).

21.2. Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments, but are not quoted in an active market; and,
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

21.3. Loans and Receivables

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

Where assets are identified as impaired because of a likelihood arising from a past event and payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (where specific) or to the Financing and Investment Income line of the Comprehensive Income and Expenditure Statement.

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

21.4. Available-for-sale Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income line of the Comprehensive Income and Expenditure Statement

for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council. Assets are maintained in the Balance Sheet at fair value.

Values are based on the following principles and are given a 'fair value level' based on the accuracy of the valuation (Level 1 being the most reliable estimate):

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

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets line in the Comprehensive Income and Expenditure Statement. Subsequently, this entry is reversed in the Movement in Reserves Statement and debited/credited to the Available-for-Sale Reserve. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement, along with any net gain/loss for the asset accumulated in the Available-for-Sale Reserve.

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

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

21.5. Financial Instrument Risk

The Code requires Authorities to estimate the "Fair Value" of their Financial Instruments and compare them with the carrying amounts which appear on the Balance Sheet. The Fair Value estimate will include the future discounted cash flows associated with the Council's Financial Instruments as at 31 March and should reflect prevailing interest rates as at that date.

The Code identifies the following three types of risk associated with Financial Instruments:

- (a) Credit risk
- (b) Liquidity risk
- (c) Market risk

The Code requires Authorities to produce a sensitivity analysis, detailing the impact of a 1% interest rate change. A full assessment of these risks, including the sensitivity analysis, is included in Note 20 on page 49.

These disclosure requirements are equally applicable to outstanding debtors, see Note 22 on page 53 for an analysis of debtors. In addition to this, a provision for bad debts is also included in the Statement.

22. **Cash and Cash Equivalents**

Cash and cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and are shown on the Balance Sheet at their nominal value; these include investments that can be accessed immediately without incurring a penalty, such as call accounts. Cash and cash equivalents are shown net of any bank overdraft that form part of the Council's cash management.

23. **Private Finance Initiative (PFI)**

PFI contracts are agreements to receive services, where the responsibility for making available Property Plant and Equipment, needed to provide the services, passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes and as the ownership of the Property Plant and Equipment will pass to the Council at the end of the contract at no charge, the Council carries the Property Plant and Equipment used under the contract on the Balance Sheet.

The original recognition of these Property Plant and Equipment was balanced by the recognition of a liability for the amounts due to the scheme operator to pay for the assets net of any capital contributions made.

The stock is recognised at market value less the EUV-SH factor and additions are measured at cost as per the contractor model. Lifecycle costs are accounted for when they occur.

Property Plant and Equipment recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators will be analysed into the following elements:

- Fair value of the services received during the year;
- Finance charge – an interest charge on the balance sheet liability;
- Payment towards the liability.

24. **Group Accounts**

Group Accounts will be prepared in accordance with IFRS 10 (consolidated financial statements) and IFRS 12 (disclosure of interest in other entities), where it is considered that the Council has a material interest in subsidiaries.

Where applicable the following principles will be followed:

Basis of Consolidation

Group Accounts will be prepared on the basis of a full consolidation of the financial transactions and balances of the Council and a relevant subsidiary. Any gains and losses arising from a subsidiary will be fully reflected in the Comprehensive Income and Expenditure Statement, Balance Sheet, Movement in Reserves Statement and Cashflow Statement within the Group column.

Accounting Policies

Group Accounts will be prepared using consistent accounting policies where possible, where there are conflicting policies with IFRS requirements then the requirements of the Code of practice for Local Authority accounting will be adopted for consolidation purposes.

Where Intra-group charges occur they will be removed during consolidation of the accounts

Whether to group account is determined by Qualitative and Quantitative materiality, therefore when considering whether to group not only the values are relevant, the interest to all stakeholders is also taken into account.

25. Exceptional Items and Prior Year Adjustments

Exceptional items are included in the cost of the service to which they relate, or on the face of the Comprehensive Income and Expenditure Account if that degree of prominence is necessary in order to give a fair presentation of the accounts. An adequate description of each exceptional item is given within the notes to the accounts.

Prior year adjustments arise as a result of a change in accounting policies or to correct a material error. When either of the circumstances applies, the Council will show the extent of the adjustment in a table reconciling the adjusted opening and closing balances and/or comparative amounts shown for a prior period.

26. Events after the Balance Sheet Date

Where an event occurs after the Balance Sheet date, favourable or unfavourable, which provides evidence of conditions that existed at the Balance Sheet date, the amounts in the Statement of Accounts and any affected disclosures should be adjusted.

Where an event occurs after the Balance Sheet date and is indicative of conditions that arose after the Balance Sheet date the amounts recognised in the Statement of Accounts should not be adjusted but a disclosure made including:

- the nature of the event;
- an estimate of the financial effect.

Events after the Balance Sheet date should be reflected up to the date when the Statement of Accounts is authorised for issue as per the approved policies by the council.

2. Accounting Standards that have been issued but not adopted

'The Code' requires disclosure of the impact (where material) of an accounting change required by these 'new' standards. This requirement applies to those standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. on or before 1 January 2017 for 2016/17).

The following apply to these Financial Statements:

- Amendments to the reporting of pension fund scheme transaction costs
- Amendments to the reporting of investment concentration (see paragraph 6.5.5.1 (m) of the 2017/18 Code)

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are

- The Council has set budgets, and its medium term financial plans, on the basis of central funding already announced by the Government. If these were to change in the near future, it may well arise that an adjustment in local services will be required to enable the Council to continue as a 'going concern'.
- From April 2013, changes in the accounting for business rates means that the Council is at risk if income is lower than the threshold set by government. In particular, this will be affected by the level of successful appeals by ratepayers against their rateable value, last determined by the Valuation Office Agency with effect from 2010. The Council's budget takes into account the possible effect of these changes but, if these exceed estimates made, the Council will need to make future provision.
- The Council places reliance on external property valuers, actuaries and other professionals for valuations and/or consideration of impairment of its property assets, and pension valuations. Should these be found to be inaccurate, the Council faces the risk of its accounts being qualified. To mitigate this, the Council seeks advice from reputable professionals only.
- The valuers have made a number of assumptions when valuing the Council's properties based on current market conditions. If the valuations were made under different assumptions, there could be significant changes in the accounts.
- The Council has an interest in two subsidiary companies, when determining whether the Council should consolidate factors in relation to qualitative and quantitative elements are used. Following an assessment the Council consolidated A Better Choice for Property based on materiality for both factors. A Better Choice for Building Consultancy has not been consolidated based on it not only being monetarily immaterial but its operations are also very small and not significant based on other Council operations.

4. Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The items in the Authority's Balance Sheet at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from assumptions
Pensions	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.</p> <p>A firm of actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.</p>	<p>A 0.1% change in the discount rate (the iBoxx Corporate Bond Index) would result in a change in the liability of £3.2m.</p> <p>A 1 year change in the mortality assumption would result in a £7.0m change in the pension liability.</p>
NNDR appeals liability	<p>From April 2013, the Council has been responsible for refunding successful appeals against past NNDR liabilities. however from April 2017, Business Rates have been revalued, estimates of the possible effect on this council have been taken into account in these accounts and future funding assumptions. The estimate has been made using an average of (a) the Council's historic experience of appeals with an average 28% of appeals successful resulting in an average 11% movement in rateable value and (b) the national average for appeals applied to the Council's Rateable Value.</p>	<p>If the level of successful appeals exceeds the assumptions already made, the cost will be met from future budgets.</p>
Recovery of Benefit over-payments	<p>These accounts assume that the Council will continue to be able to recover overpaid benefit from Benefit Claimants.</p>	<p>Should the changes being considered by the Government restrict the ability of local authorities to pursue such debts,</p>

Item	Uncertainties	Effect if Actual Results Differ from assumptions
		write-offs of uncollected debt will have to be met from future budgets.
Impairment Allowance for Bad Debts	The Council has impairment allowances for bad debts totalling £2,726,000 approximately 25% of the value outstanding debt, compared to £3,079,000 approximately 32% in 2015/16.	<p>Any decline in rates of collection for debt would result in a need to increase the allowance.</p> <p>This year there is significant movement in the provision however the debtors have increased. This is due to an increase in Government debt owed to the Council (provision not required) and write-offs of aged debts for housing rents and tax collection.</p>

5. Expenditure and Funding Analysis

The Expenditure and Funding Analysis is a new note this year and has the objective to demonstrate to council tax and rent payers how the funding available to the authority (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services. This is in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

The tables below include outturns for adjustments for the whole authority, including HRA and General Fund:

2016/17 Expenditure and Funding Analysis	As reported for resource Management £'000	Adjustment to arrive at the net amount chargeable to GF and HRA balances £'000	Net Expenditure Chargeable to the GF and HRA Balances £'000	Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the CIES £'000
Head of Corporate & Strategy	1,405	132	1,537	(18)	1,519
Head of Cultural Services	2,983	(949)	2,034	1,145	3,179
Head of Financial Services	2,626	(1,948)	678	(66)	612
Head of Housing Services	1,019	(492)	527	827	1,354
Head of Environmental & Customer Services	4,798	(1,211)	3,587	637	4,224
Head of Corporate Property & Projects	(1,239)	(582)	(1,821)	954	(867)
Local authority housing (HRA)	1,115	(18,739)	(17,624)	5,643	(11,981)
Head of Health, Parking & Community Safety	459	265	724	(63)	661
Head of HR, Communications & Technology	397	(85)	312	47	359
Head of Legal & Democratic	1,647	(383)	1,264	(24)	1,240
Head of Planning & Development	1,837	(357)	1,480	(87)	1,393
Non distributed costs	0	2,066	2,066	159	2,225
Net Cost of Service	17,047	(22,283)	(5,236)	9,154	3,918
Other Income & Expenditure	(338)	4,809	4,471	(18,284)	(13,813)
(Surplus) or deficit	16,709	(17,474)	(765)	(9,130)	(9,895)
Opening GF and HR Balance 31 March 2016			(25,923)		
Add surplus on GF and HRA Balance			(26,688)		

Expenditure and Funding Analysis continued

2015/16 Expenditure and Funding Analysis	As reported for resource management	Adjustment to arrive at the net amount chargeable to the GF and HRA balances	Net Expenditure Chargeable to the GF and HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES
	£'000	£'000	£'000	£'000	£'000
Head of Corporate & Strategy	1,268	(10)	1,258	5	1,263
Head of Cultural Services	3,180	(1,181)	1,999	(3,364)	(1,365)
Head of Financial Services	1,923	(2,267)	(344)	(18)	(362)
Head of Housing Services	783	(126)	657	487	1,144
Head of Environmental & Customer Services	4,760	(639)	4,121	(102)	4,019
Head of Corporate Property & Projects	(1,272)	(1,005)	(2,277)	548	(1,729)
Local authority housing (HRA)	(2,121)	(14,800)	(16,921)	12,309	(4,612)
Head of Health, Parking & Community Safety	452	46	498	13	511
Head of HR, Communications & Technology	191	(16)	175	75	250
Head of Legal & Democratic	1,318	(95)	1,223	16	1,239
Head of Planning & Development	2,125	(1,773)	352	(37)	315
Non distributed costs	0	1,710	1,710	46	1,756
Net Cost of Service	12,607	(20,156)	(7,549)	9,978	2,429
Other Income & Expenditure	(14,699)	19,012	4,313	(15,888)	(11,575)
(Surplus) or deficit	(2,092)	(1,144)	(3,236)	(5,910)	(9,146)
Opening GF and HR Balance 31 March 2015			(22,688)		
Add surplus on GF and HRA Balance			(25,924)		

6. Note to the Expenditure and Funding Analysis

2016/17	Depreciation/ impairment reported at Head level £'000	Other adjustments in relation to management reporting £'000	Total to arrive at the amount charged to the GF and HRA £'000	Adjustments for capital purposes £'000	Net change for the Pension Adjustment £'000	Other differences £'000	Total Adjustment between funding and accounting basis £'000
Head of Corporate & Strategy	0	132	132	0	(18)	0	(18)
Head of Cultural Services	(965)	16	(949)	1,165	(20)	0	1,145
Head of Financial Services	0	(1,948)	(1,948)	0	(66)	0	(66)
Head of Housing Services	(111)	(381)	(492)	854	(27)	0	827
Head of Environmental & Customer Services	(76)	(1,135)	(1,211)	688	(51)	0	637
Head of Corporate Property & Projects	(515)	(67)	(582)	984	(30)	0	954
Local authority housing (HRA)	(4,636)	(10,930)	(15,566)	5,701	(58)	0	5,643
Head of Health, Parking & Community Safety	0	265	265	0	(63)	0	(63)
Head of HR, Communications & Technology	0	(85)	(85)	92	(45)	0	47
Head of Legal & Democratic	(18)	(365)	(383)	18	(42)	0	(24)
Head of Planning & Development	0	(357)	(357)	0	(87)	0	(87)
Non distributed costs	0	2,066	2,066	0	159	0	159
Net Cost of Service	(6,321)	(12,789)	(19,110)	9,502	(348)	0	9,154
Other Income & Expenditure	0	4,809	4,809	(20,400)	2,305	(189)	(18,284)
Total	(6,321)	(7,980)	(14,301)	(10,898)	1,957	(189)	(9,130)

Note to the Expenditure and Funding Analysis continued

2015/16	Depreciation reported at Head level £'000	Other adjustments in relation to management reporting £'000	Total to arrive at the amount charged to the GF and HRA £'000	Adjustments for capital purposes £'000	Net change for the Pension Adjustment £'000	Other differences £'000	Total Adjustment between funding and accounting basis £'000
Head of Corporate & Strategy	0	(10)	(10)	0	(3)	8	5
Head of Cultural Services	(903)	(278)	(1,181)	(3,367)	(3)	6	(3,364)
Head of Financial Services	0	(2,267)	(2,267)	0	(14)	(4)	(18)
Head of Housing Services	(112)	(14)	(126)	485	(6)	8	487
Head of Environmental & Customer Services	(155)	(484)	(639)	(90)	(11)	(1)	(102)
Head of Corporate Property & Projects	(486)	(519)	(1,005)	540	(5)	13	548
Local authority housing (HRA)	(5,399)	(9,401)	(14,800)	12,302	(18)	25	12,309
Head of Health, Parking & Community Safety	0	46	46	17	(14)	10	13
Head of HR, Communications & Technology	(7)	(9)	(16)	79	(11)	7	75
Head of Legal & Democratic	(14)	(81)	(95)	14	(10)	12	16
Head of Planning & Development	0	(1,773)	(1,773)	0	(20)	(17)	(37)
Non distributed costs	0	1,710	1,710	0	46	0	46
Net Cost of Service	(7,076)	(13,080)	(20,156)	9,980	(69)	67	9,978
Other Income & Expenditure	0	19,012	19,012	(18,362)	2,319	155	(15,888)
Total	(7,076)	5,932	(1,144)	(8,382)	2,250	222	(5,910)

7. Expenditure and Income Analysed by Nature

2015/16		2016/17		
Totals per CI&ES		Totals per Resources Allocations	Adjustments per Accounting Code	Totals per CI&ES
£'000		£'000	£'000	£'000
(43,613)	Fees, charges and other service income	(14,188)	(29,243)	(43,431)
(40,115)	Grants	(38,478)	0	(38,478)
(83,728)	Total Income	(52,666)	(29,243)	(81,909)
16,648	Employees	14,885	2,157	17,042
8,873	Premises	5,159	3,993	9,152
50,995	Supplies and Services	48,137	2,764	50,901
706	Transport	628	145	773
(10,734)	Recharged from other accounts	(12,323)	1,165	(11,158)
21,392	Recharged to other accounts	9,541	5,784	15,325
(1,820)	Capital Charges	1,308	2,479	3,787
95	Transfers To/From Reserves	5	0	5
86,155	Total Expenditure	67,340	18,487	85,827
2,427	Cost of Services	14,674	(10,756)	3,918
1,475	Parish Council Precepts & Levies	275	1,364	1,639
494	Payments to housing capital receipts pool	0	490	490
(1,022)	Gain or loss on disposal of non-current assets	0	(3,817)	(3,817)
4,922	Interest payable and similar charges	(1,680)	6,671	4,991
2,319	Pension interest cost and expected return on pensions assets	0	2,305	2,305
(713)	Interest receivable and similar income	(952)	0	(952)
(7,586)	Council Tax income	(6,604)	(1,645)	(8,249)
(2,329)	Non-domestic rates	(3,089)	(51)	(3,140)
(6,151)	Non-ringfenced government grants	(5,841)	114	(5,727)
(2,982)	Capital grants and contributions	0	(1,353)	(1,353)
(9,146)	(Surplus) or Deficit on Provision of Services	(3,217)	(6,678)	(9,895)
0	Capital Charges & Interest	0	0	0
0	Transfer to/from reserves	3,258	(3,258)	0
(23,006)	Other Comprehensive Income and Expenditure	0	(24,104)	(24,104)
	Totals of Resources Allocations and Code adjustments	41	(34,040)	
(32,152)	Total Comprehensive Income and Expenditure			(33,999)

This reconciliation shows how the figures in the analysis of service income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

8. Members' Allowances

The Authority paid the following amounts to Members of the Council during the year:

2015/16 £'000		2016/17 £'000
329	Allowances	325
11	Expenses	11
<u>340</u>		<u>336</u>

Further details of this can be accessed at <http://www.ashford.gov.uk/members-allowances>

9. Officers' Remuneration

This note provides the details of Senior Officers' remuneration and the numbers of employees whose remuneration falls into the categories shown. 'Remuneration' for this purpose, means taxable pay, and includes the tax value of other benefits e.g. leased cars, and termination payments. Figures within this note will exclude any payments covered by confidentiality agreements.

Senior Employee Remuneration 2016/17

2016/17		Pay & expenses *	Compensation for Loss of Office	Benefits in kind	Total	Pension contributions	Total remuneration
		£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive	+	106			106	13	119
Deputy Chief Executive		58		4	62	0	62
Corporate Director (Law & Governance)	+	87		4	91	11	102
Corporate Director (Development)		94		4	98	13	111
Head of Corporate Property & Projects		67		4	71	9	80
Head of Health, Parking & Community Safety		69		2	71	9	80
Head of Financial Services	+	70			70	9	79
Head of Housing Services		63			63	8	71
Head of Environmental & Customer Services	**	45			45	6	51
Head of Environmental & Land Management	***	5			5	1	6
Head of HR Communications & Technology		62			62	8	70
Head of Cultural Services		59		4	63	8	71
		<u>785</u>	<u>0</u>	<u>22</u>	<u>807</u>	<u>95</u>	<u>902</u>

*Where an officer is entitled to a lease car, they may instead take a 'cash alternative'. Where this is the case the cash alternative is shown under 'Salary', but where a lease car is taken, the taxable benefit is shown under 'Benefits in Kind'. The taxable benefit is not the same value as the subsidy paid by the Council to the employee.

**The Head of Environmental & Customer Services resigned with effect from 20th November 2016, on an annualised salary of £66,030

***The Head of Environmental and Land Management appointed with effect from 27th February 2017 on an annualised salary of £59,457

+ Officers that also fulfil statutory roles.

Senior Employee Remuneration 2015/16 comparators

2015/16		Pay & expenses *	Compensation for Loss of Office	Benefits in kind	Total	Pension contributions	Total remuneration
Restated		restated		restated			
		£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive +	**	117			117	15	132
Chief Executive +	***	11			11	1	12
Deputy Chief Executive & CFO +		82		4	86	8	94
Corporate Director (Operations)	****	28			28	3	31
Head of Culture & the Environment		83			83	10	93
Head of Housing Services		47			47	6	53
Head of Corporate Property & Projects	*****	27		4	31	4	35
Head of Health, Parking & Community Safety		66		1	67	8	75
Head of Financial Services		68			68	8	76
Head of Communications & Technology		83	30		113	10	123
Head of Legal and Democratic Services +		75		4	79	10	89
Head of Planning & Development		90		4	94	12	106
		<u>777</u>	<u>30</u>	<u>17</u>	<u>824</u>	<u>95</u>	<u>919</u>

**The Chief Executive resigned with effect from 20 February 2016 on an annualised salary of £121,413.

***New Chief Executive started with effect from 20 February 2016 on an annualised salary of £99,357.

****Head of Community & Housing appointed Corporate Director (Operations) from 1 November 2015 on an annualised salary of £81,852.

*****Head of Corporate property & Projects appointed with effect from 1st November 2015 on an annualised salary of £61,503

+ Officers that also fulfil statutory roles.

Other Employee Remuneration by Band

2015/16			2016/17
<i>nos</i>	Remuneration bands		<i>nos</i>
18 *	£50,000 - £54,999		19
7	£55,000 - £59,999		5
5	£60,000 - £64,999		2 *
3	£65,000 - £69,999		2
1 *	£70,000 - £74,999		
	£95,000 - £99,999		1 *
<u>34</u>			<u>29</u>

If figures are marked with an * this indicates bands which include officers who have received redundancy payments within their remuneration for the year.

The bandings only include the remuneration of senior employees and relevant officers which have not been disclosed individually above.

10. Termination Benefits

The Authority terminated the contracts of eight employees in 2016/17 incurring liabilities of £140,339 (£147,451 in 2015/16).

2015/16		Exit package cost band (including special payments)	2016/17	
Voluntary <i>nos</i>	Compulsory <i>nos</i>		Voluntary <i>nos</i>	Compulsory <i>nos</i>
	4	£0 - £19,999	1	5
	4	£20,000 - £39,999	2	
		£40,000 - £59,999		
<u>0</u>	<u>8</u>	Total number included in bandings and in CIES	<u>3</u>	<u>5</u>

11. External Audit Costs

In 2016/17, Ashford Borough Council paid the following fees relating to external audit and inspection:

2015/16 <i>£'000</i>		2016/17 <i>£'000</i>
60	Fees payable with regard to external Audit services carried out by the appointed Auditor for the year	60
8	Fees payable for the certification of grant claims and returns	11
<u>68</u>		<u>71</u>

12. Grant Income

The Authority credited the following material government grants and contributions to the Provision of Services in the Comprehensive Income and Expenditure Statement.

2015/16			2016/17	
£'000	£'000		£'000	£'000
		<i>Credited to Cost of Services</i>		
0		CLG: Refugee Project	414	
95		CLG: Major Sites Planning Grant	130	
149		DWP: Discretionary Housing Payments	92	
469		DWP: Benefit Administration Subsidy	583	
36,123		DWP: Benefits Subsidy	36,087	
0		Home Office: Community Safety	29	
658	37,494	Other government grants	160	37,495
272		KCC: Recycling Credits	284	
119	391	Preceptor Funding For CT Support Scheme	41	325
	<u>37,885</u>	Total credited to Cost of Services		<u>37,820</u>
		<i>Credited to Taxation and Non-specific Grant Income</i>		
		Non-ringfenced government grants:		
2,046		- Rate Support Grant	1,381	
886		- S31 Grant NNDR	670	
69		- Council Tax Freeze Grant	0	
3,150		- New Homes Bonus	3,789	
2,982		- Capital grants and contributions	1,353	
	<u>9,133</u>			<u>7,193</u>
	<u>47,018</u>			<u>45,013</u>

13. General Fund Reserves

This note sets out the split of General Fund reserve balances to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in year.

	Balance at 31st	2016/17		Balance at 31st
	March 2016	Transfers In	Transfers Out	March 2017
	£'000	£'000	£'000	£'000
General fund general reserves	(1,891)	(751)	40	(2,602)
<u>Earmarked general fund reserves</u>				
Fund future expenditure	(7,209)	(4,606)	6,077	(5,738)
Provide for the maintenance of an asset	(1,542)	(3,431)	575	(4,398)
Required by statute reserves	(298)	(6)	26	(278)
Developer contributions	(7,115)	(1,600)	1,796	(6,919)
	<u>(16,164)</u>	<u>(9,643)</u>	<u>8,474</u>	<u>(17,333)</u>

	Balance at 31st	2015/16		Balance at 31st
	March 2015	Transfers In	Transfers Out	March 2016
	£'000	£'000	£'000	£'000
General fund general reserves	(1,359)	(611)	79	(1,891)
<u>Earmarked general fund reserves</u>				
Fund future expenditure	(5,931)	(2,258)	980	(7,209)
Provide for the maintenance of an asset	(3,950)	(785)	3,193	(1,542)
Required by statute reserves	(223)	(75)	0	(298)
Developer contributions	(5,500)	(2,726)	1,111	(7,115)
	<u>(15,604)</u>	<u>(5,844)</u>	<u>5,284</u>	<u>(16,164)</u>

The Purpose of the Earmarked Reserves

The Council has established a number of earmarked reserves for specific purposes. These reserves broadly fall into four classifications:

Fund future expenditure – These have been established specifically to manage fluctuations in expenditure in the future or provide for specific risks that may need to be funded. Examples of these reserves are:

- Elections reserve
- Interest rate reserve
- Members' IT reserve
- Planning appeals
- Hopewell twinning reserve
- Section 106 monitoring fee

Provide for the maintenance of an asset – A general reserve has been established to provide for the maintenance of the Council's assets, in addition to this a number of leases require the Council to put aside money to cover future maintenance liabilities.

Required by statute reserves – A number of the Council's revenue generating activities are governed by statutory provisions that require the Council to breakeven over a number of years. Any surplus generated by these activities is allocated to these reserves to offset future deficits, for example land charges and building control surplus.

Developer contributions – As part of the Planning process developers can be required to pay sums to the Council for the provision and maintenance of community facilities and open space. Often the payment of these amounts occurs over a number of years and is linked to the progress of the development. These monies are held in reserves until needed.

14. Property, Plant and Equipment

Property, Plant & Equipment 2016/17	Council dwellings	Other land & buildings	Vehicles, plant, furniture & equipment	Infra- structure assets	Community assets	Surplus assets	Assets under construction	Total property, plant & equipment	PFI assets included in Property, plant & equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<i>Cost or Valuation</i>									
1 April 2016	325,160	105,655	1,387	2,199	1,716	2,512	2,068	440,697	22,506
Additions	4,184	440	821	158	0	0	10,495	16,098	12
Revaluation increases/decreases recognised in the Revaluation Reserve	30,574	5,482	0	0	0	803	0	36,859	2,167
Revaluation Increases/Decreases recognised in the Provision of Services	0	(1,063)	0	0	0	(132)	0	(1,195)	
Acc Depreciation & Impairment written out	(97,216)	(6,539)	0	0	0	(1,034)	0	(104,789)	(8,205)
Derecognition - disposals	(3,145)	(1,039)	0	0	0	0	0	(4,184)	(141)
Assets reclassified (to)/from Held for Sale	750	0	0	0	0	0	0	750	
Transfer between classes of Assets	0	1,327	0	78	0	1,255	(2,660)	0	
31 March 2017	260,307	104,263	2,208	2,435	1,716	3,404	9,903	384,236	16,339
<i>Accumulated Depreciation and Impairment</i>									
1 April 2016	(93,299)	(11,221)	(379)	0	(229)	0	0	(105,128)	(7,964)
Depreciation charge	(4,620)	(1,525)	(159)	(4)	0	0	0	(6,308)	(290)
Depreciation written out - Revaluation Reserve	4,600	1,428	0	0	0	3	0	6,031	289
Depreciation written out - Provision of Services	0	0	0	0	0	0	0	0	
Impairment recognised in the Revaluation Reserve	92,624	5,112	0	0	0	1,031	0	98,767	7,916
Impairment recognised in the Provision of Services	(1,043)	0	0	0	0	0	0	(1,043)	
Derecognition - disposals	679	9	0	0	0	0	0	688	49
Other movements in Depreciation and Impairment	0	1,034	0	0	0	(1,034)	0	0	0
31 March 2017	(1,059)	(5,163)	(538)	(4)	(229)	0	0	(6,993)	0
<i>Net book value</i>									
31 March 2017	259,248	99,100	1,670	2,431	1,487	3,404	9,903	377,243	16,339
31 March 2016	231,861	94,434	1,008	2,199	1,487	2,512	2,068	335,569	14,542

Property, Plant and Equipment continued

Property, Plant & Equipment 2015/16 Restated	Council dwellings	Other land & buildings	Vehicles, plant, furniture & equipment	Infra- structure assets	Community assets	Surplus assets	Assets under construction	Total property, plant & equipment	PFI assets included in Property, plant & equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<i>Cost or Valuation</i>									
1 April 2015	314,428	82,252	1,054	2,181	1,047	968	5,400	407,330	14,605
Additions	10,967	4,903	333	17	0	384	1,963	18,567	5
Revaluation recognised in the Revaluation Reserve	301	12,324	0	0	669	1,528	0	14,822	
Revaluation recognised in the Provision of Services	(396)	4,397	0	0	0	0	0	4,001	(3)
Derecognition - disposals	(3,221)	(52)	0	0	0	0	0	(3,273)	(43)
Transfer between claesses of Assets	3,081	1,831	0	1	0	(368)	(5,295)	(750)	0
31 March 2016	325,160	105,655	1,387	2,199	1,716	2,512	2,068	440,697	14,564
<i>Accumulated Depreciation and Impairment</i>									
01/04/2015 (restated)	(81,428)	(10,117)	(263)	0	(231)	0	0	(92,039)	(19)
Depreciation charge	(5,367)	(1,522)	(116)	0	(6)	0	0	(7,011)	(340)
Depreciation written out - Revaluation Reserve	24	1,499	0	0	8	0	0	1,531	
Depreciation written out - Provision of Services	5,343	901	0	0	0	0	0	6,244	340
Impairment recognised in the Revaluation Reserve	(24)	(1,708)	0	0	0	0	0	(1,732)	
Impairment recognised in the Provision of Services	(11,847)	(277)	0	0	0	0	0	(12,124)	(3)
Derecognition - disposals	0	3	0	0	0	0	0	3	
31 March 2016	(93,299)	(11,221)	(379)	0	(229)	0	0	(105,128)	(22)
<i>Net book value</i>									
31 March 2016	231,861	94,434	1,008	2,199	1,487	2,512	2,068	335,569	14,542
31 March 2015	233,000	72,135	791	2,181	816	968	5,400	315,291	14,586

Surplus Assets

During the year land and buildings that the Council owns as part of the Commercial Quarter redevelopment has been reclassified as Surplus as at this time it is non-operational, this treatment is set out in the Code of Practice on Local Authority Accounting and is an interim classification until the project commences.

The surplus assets have been valued using IFRS13 fair value level 2 as there are significant observable inputs using land prices in the local authority area.

2015/16		2016/17
£'000		£'000
1,875	Land at Elwick Road	1,950
0	Commercial Quarter & associated land	817
607	Land at Coneybeare, Torrington Road	607
31	Various other land sites	30
<u>2,513</u>		<u>3,404</u>

Movement of Surplus Assets	1st April	Additions & disposals	Transfer between classes of assets	Revaluation gains/ losses	31st March
	£'000	£'000	£'000	£'000	£'000
2016/17	2,513	0	1,255	(364)	3,404
2015/16	969	384	(368)	1,528	2,513
2014/15	968	0	0	1	969

Asset Valuation

A valuation exercise and impairment review was completed by external qualified (RICS) valuers, Wilkes Head and Eve LLP, in accordance with the relevant guidance.

Depreciation

The useful lives and depreciation rates have been used in the calculation of depreciation:

- Council Dwellings – the useful life of 50 years (previously used the Major Repairs Allowance as a proxy for depreciation between 25-60 years)
- Other Land and Buildings – the useful life estimated by a qualified valuer between 15-60 years
- Vehicles, Plant, Furniture & Equipment – subject to professional view on life between 5-15 years.
- Infrastructure – the useful life estimated between 15-60 years

15. Revaluation Gains and Impairments

There have been valuation movements of the HRA Dwellings. Please see the HRA supplementary statement, note 7 on page 74.

General Fund land and buildings were revalued as at 31st March 2017 there have been upward valuations of £6,342,207 recognised through the Revaluation Reserve and downward revaluation movements of £1,171,520 written out through the Consolidated Income and Expenditure Statement.

Assets were valued using information available at 31 January 2017 based on expected valuations as at 31 March 2017. The valuers have reported that there are no further material changes required.

16. Investment Properties (Group Accounts)

Investment properties are wholly owned with the A Better Choice for Property Ltd. Property valuations were made by an independent valuer TaylorRiley Stafford, external qualified (RICS) valuers and are reflected in the group statement and the tables below.

The accuracy of the fair value measurement is classified by 'fair value levels' which are shown under financial instruments at note 19, the valuation of the property portfolio are assessed at level 2.

The cashflow statement has the movements to reflect these purchases.

Group Position 2015/16 £'000		Group Position 2016/17 £'000
3,227	Property Portfolio - Dwellings (A Better Choice for Property)	4,043
<u>3,227</u>		<u>4,043</u>

Movements in Investment Property (A Better Choice for Property)	1st April £'000	Additions & disposals £'000	Revaluation gains/ losses £'000	31st March £'000
2016/17	3,227	567	249	4,043
2015/16	1,096	2,019	112	3,227
2014/15	0	1,113	(17)	1,096

17. Heritage Assets

Following the adoption of FRS30 Heritage assets have been identified and disclosed in these accounts, the following assets are disclosed in the Balance Sheet:

2015/16		2016/17
£'000		£'000
1,001	Windmills at Woodchurch & Willesborough	1,001
403	Doctor Wilkes Hall	424
750	Hubert Fountain (Victoria Park)	750
261	Mayor's regalia, including mace and badges	274
<u>2,415</u>		<u>2,449</u>

During 2016/17 insurance valuations on the above assets were sought and this resulted in Doctor Wilkes Hall increased in value by £21,000 and the Major's regalia increased by £13,000.

18. Capital Expenditure and Capital Financing

This year the Capital Financing Requirement has reduced, this is mainly due to the repayment of Housing Revenue Account Debt of £2m. The approved HRA business plan does intend to re-borrow during the next few years.

2015/16		2016/17
£'000		£'000
156,021	<i>Opening Capital Financing Requirement</i>	157,942
	<i>Capital investment:</i>	
18,567	Property, Plant and Equipment	16,098
3	Intangible Assets	0
1,021	Revenue Expenditure funded from Capital under Statute	944
<u>19,591</u>		<u>17,042</u>
	<i>Sources of Finance:</i>	
(1,280)	Capital Receipts	(411)
(1,828)	Government grants and contributions (received in year)	(1,351)
(80)	Government grants and contributions (brought forward)	(1,198)
<u>(4,816)</u>	Major Repairs Reserve	<u>(4,184)</u>
<u>(8,004)</u>		<u>(7,144)</u>
	Sums set aside from revenue	
(8,722)	- Direct revenue contributions	(7,825)
<u>(944)</u>	- Minimum revenue provision (MRP)	<u>(2,739)</u>
<u>(9,666)</u>		<u>(10,564)</u>
<u>157,942</u>	<i>Closing Capital Financing Requirement</i>	<u>157,276</u>
	<i>Explanation of movements in year</i>	
2,864	Increase in underlying need to borrowing (unsupported by government financial assistance)	2,074
<u>(944)</u>	Provision for the repayment of debt	<u>(2,739)</u>
<u>1,920</u>		<u>(665)</u>

19. Capital Commitments

At 31 March 2017, the Council has an approved capital programme for future years budgeted to cost £16m. The major capital commitments are:

2015/16		2016/17
£'000		£'000
605	Spearpoint pavilion	0
	Repton Park	1,280
	Brisley Farm	110
	<i>Housing Revenue Account - Major Projects</i>	
0	Danemore Sheltered Housing Redevelopment	610
6,600	Farrow Court Sheltered Housing Redevelopment	2,380
0	New Build Programme	8,330
	<i>Housing Revenue Account - Existing Stock</i>	
150	Heating programme	370
870	Kitchen Installations	990
0	Electrical refurbishment	40
0	Bathrooms	630
206	Water mains	170
120	Roof replacements/works	734
250	Re-pointing external walls	72
0	Insulation works	250
0	Window replacement	104

20. Financial Instruments

Long-term 31 March 2016 £'000	Current £'000		Long-term 31 March 2017 £'000	Current £'000
	4,278	<i>Cash and Cash Equivalents</i>		9,093
		<i>Investments</i>		
5,500	3,047	Loans and receivables	3,000	2,541
11,242		Available-for-sale financial assets	11,865	
<u>16,742</u>	<u>3,047</u>	<i>Total Investments</i>	<u>14,865</u>	<u>2,541</u>
		<i>Debtors</i>		
	1,550	Trade Debtors		1,422
4,600		Financial assets carried at contract amounts	9,509	
<u>4,600</u>	<u>1,550</u>	<i>Total included in Debtors</i>	<u>9,509</u>	<u>1,422</u>
		<i>Borrowings</i>		
(117,664)	(2,038)	Financial liabilities at amortised cost	(114,664)	(3,039)
<u>(117,664)</u>	<u>(2,038)</u>	<i>Total included in Borrowings</i>	<u>(114,664)</u>	<u>(3,039)</u>
		<i>Other Long-term Liabilities</i>		
(22,439)	(626)	PFI and finance lease liabilities	(21,623)	(816)
<u>(22,439)</u>	<u>(626)</u>	<i>Total Other Long-term Liabilities</i>	<u>(21,623)</u>	<u>(816)</u>
		<i>Creditors</i>		
	(7,695)	Financial liabilities at amortised cost		(9,149)
(119)		Financial liabilities carried at contract amounts	(119)	
<u>(119)</u>	<u>(7,695)</u>	<i>Total Creditors</i>	<u>(119)</u>	<u>(9,149)</u>

Financial assets carried at contract amounts include loans to the Council's property company, A Better Choice Property Ltd amounting to £3,606,476 as at 31 March 2017 (£3,063,072 as at 31 March 2016). These loans are secured against charges on the properties acquired by the Property Company.

2015/16 £'000		2016/17 £'000
4,922	Interest payable	4,991
(713)	Interest Income	(951)
(380)	Surplus arising from the revaluation of financial assets	(620)
<u>3,829</u>	<i>Net gains/loss for the year</i>	<u>3,420</u>

Fair Values of Assets and Liabilities

Not all of the Financial Instruments are carried in the Balance Sheet at fair value. In particular, long-term loans, receivables and financial liabilities are carried at amortised cost.

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

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities

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

Balance Sheet	Fair Value		Fair Value Level	Balance Sheet	Fair Value
31 March 2016				31 March 2017	
£'000	£'000			£'000	£'000
		Financial Liabilities held at Amortised Cost:			
(117,664)	(128,783)	Long Term loans from PWLB	2	(114,664)	(137,320)
(23,065)	(29,822)	PFI Liabilities	3	(22,439)	(30,707)
(119)	(346)	Lease Payables	3	(119)	(390)
<u>(140,848)</u>	<u>(158,951)</u>	TOTAL		<u>(137,222)</u>	<u>(168,417)</u>
(11,730)		Liabilities for which fair value is not disclosed *		(7,028)	
<u>(152,578)</u>		TOTAL FINANCIAL LIABILITIES		<u>(144,250)</u>	
		*Recorded on balance sheet as:			
(9,692)		Short-term creditors		(3,989)	
(2,038)		Short-term borrowing		(3,039)	
<u>(11,730)</u>				<u>(7,028)</u>	

Balance Sheet	Fair Value		Fair Value Level	Balance Sheet	Fair Value
31 March 2016				31 March 2017	
£'000	£'000			£'000	£'000
		Financial assets held at fair value:			
	2,503	Money market funds	1		6,801
	3,982	Equity funds	1		4,475
	7,160	Property fund	1		7,048
	100	Shares in A Better Choice for Property Ltd.	3		343
		<i>Financial assets held at amortised cost:</i>			
5,500		Long-term loans to local authorities	2	3,000	
<u>5,500</u>	<u>13,745</u>	TOTAL		<u>3,000</u>	<u>18,667</u>
12,687		Assets for which fair value is not disclosed *		13,972	
<u>18,187</u>		TOTAL FINANCIAL ASSETS		<u>16,972</u>	
		* Recorded on balance sheet as:			
1,550		Short-term debtors		1,699	
3,047		Short-term investments		2,541	
4,600		Long-term debtors		9,509	
3,490		Cash and Cash Equivalents		223	
<u>12,687</u>				<u>13,972</u>	

* The fair value of trade and other receivables (e.g. debtors) is taken to be the invoiced or billed amount.

Fair values have been determined with reference to Arlingclose or Bloomberg where applicable.

The fair value of shares in the Council's wholly owned subsidiary 'A Better Choice for Property Ltd. are equal to the total equity of the company, as the Council is the sole shareholder.

Long term debtors are carried at amortised cost.

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

21. Nature and Extent of Risks Arising from Financial Instruments

Risk management in this area is carried out by a central treasury team (supported by specialist external advisors) under policies approved by the Council in the Annual Treasury Management Strategy. The Council provides written principles for risk management, has adopted the CIPFA Treasury Management Code of Practice, and has set Treasury Management indicators to control key Financial Instrument risks in accordance with CIPFA's Prudential Code.

The Council's investment portfolio as at 31 March 2017 was as follows:

Credit Risk

<i>Counter party</i>	<i>Maturity date</i>	<i>Amount</i> <i>£'000</i>	<i>Credit rating</i>
<i>Deposit with other local authorities/government</i>			
Blaenau Gwent	27 Oct 2019	3,026	AA
Newport City Council	10 Jul 2017	2,514	AA
<i>Deposits/investments with other financial institutions</i>			
Santander	Instant	3	A
Goldman Sachs	Instant	51	A
National Westminster Bank	Instant	220	BBB+
Payden		3,000	AA
Invesco MMF		3,750	AA-
City Financial Multi Asset Diversified Fund	2 Days Notice	1,002	NA
UBS Multi Asset Income Fund	2 Days Notice	1,003	NA
M&G Global Dividend Fund	2 Days Notice	1,407	NA
Schroder Income Maximiser Fund	2 Days Notice	1,063	NA
Local Authority Mutual Investment Trust	Variable	7,048	AAA
A Better Choice for Property Ltd.	Variable	343	NA

Credit ratings are assigned to each investment using the lowest rating from the 3 main ratings agencies, Standard and Poor's, Moody's and Fitch Group, or where formal ratings are not provided ratings are applied, where possible, based on the characteristics of the investment, such as money market funds. AAA, AA, A and BBB are considered investment grade products with AAA being the highest level, any investments below BBB would be considered non-investment grade and would not be entered into directly, with the exception of National Westminster Bank who the Council banks with.

The Code requires the Council to estimate the potential maximum exposure to credit risk, based on experience of defaults and collection rates over recent years. However, as the Council has not experienced any defaults on investments, the Council is unable to quantify its exposure with any degree of accuracy.

Credit risk arises from investments, some of the Council's customers commercial rent and trade debtors, excluding Council Tax and Business Rate debts.

The Council has not experienced any losses from default by counterparties in the past in relation to investments. The Council's investments are such that it does not expect any losses by any of its counterparties in relation to investments.

The table below compares the percentage of the Council's investment portfolio that was invested at each credit level at the beginning and at the end of the year.

31 March 2016		31 March 2017
%		%
65	AAA or Local Authority's	12
3	AA-	39
13	A or A+	0
2	BBB	1
17	Unrated Equity Funds	47
0	Unrated Company	1

The overdue amount of debt held within the Council's systems can be analysed by age as follows:

31 March 2016		31 March 2017
£'000		£'000
269	Less than 30 days	451
252	31 days to 90 days	34
181	91 days to 364 days	116
929	More than 1 year	353
<u>1,631</u>		<u>954</u>
(444)	Impairment allowance	(498)

Liquidity Risk

As the Council has ready access to borrowings from the Public Works Loan Board (PWLB), there is no significant risk that it will be unable to raise funds to meet its commitments. Instead, the risk is that the Council may have to re-invest a significant proportion of its investments at a time of unfavourable interest rates.

The future of the PWLB has been subject to consultation and it is recommended that it be abolished with its powers transferred to the Treasury to strengthen its governance arrangements. These proposals are still to be laid before parliament although any change is not anticipated to have any impact over the operational aspects of accessing money, and therefore will not have an impact on the Council's liquidity risk.

All trade and other payable creditors are due to be paid in less than one year.

Market Risk interest rates/prices/exchange rates

The council is exposed to interest rate risk on some of its borrowing and if interest rates had been 1% higher or lower during the year, this would have resulted in an increase or decrease in variable investment income of £207,000 and an increase or decrease in variable loan payments of £70,000. The Council's long-term borrowing is predominantly fixed rate and therefore a material movement is not anticipated.

22. Debtors

These amounts were due to the Council:

31 March 2016			31 March 2017	
£'000	£'000		£'000	£'000
	1,355	Central government bodies		2,338
	0	Other Local Authorities		160
		Other entities and individuals:		
1,054		- Housing Tenants	1,252	
(728)	326	Less: Impairment Allowance	(620)	632
1,616		- Local Taxpayers/ratepayers	1,454	
(699)	917	Less: Impairment Allowance	(349)	1,105
5,395		- Other	5,570	
(1,652)	3,743	Less: Impairment Allowance	(1,756)	3,814
	<u>6,341</u>	Balance at 31st March		<u>8,049</u>

Movement in Debtors is mainly due to:

2015/16		2016/17
£'000		£'000
47	Benefit Subsidy owed by government	756
48	Other amounts owed by government	227
(212)	Amounts owed by housing tenants	198
869	Amounts owed by local taxpayers/ratepayers	(162)
1,063	Movement in payments in advance	112
(2,276)	Amounts owed by Sundry Debtors	223
1,391	Change in Impairment Allowance	354
<u>930</u>	Movement in the year	<u>1,708</u>

Debtors have increased this year this is partly due to additional Government (housing benefits) debtors raised near the end of the financial year.

The bad debt provision has decreased overall, this is due to aged debt write-offs and newer debt being more certain of recovery, i.e. no provision against government debt.

23. Creditors

These amounts were due to be paid by the Council at 31 March 2017

31 March 2016 £'000		31 March 2017 £'000
(1,122)	Central government bodies	(533)
(3,234)	Other Local Authorities	(3,691)
	Other entities and individuals:	
(611)	- Housing Tenants	(891)
(182)	- Local Taxpayers	(192)
(481)	- Business Rate Payers	(646)
(833)	- Developer contributions	(2,639)
(6,595)	- Sundry Creditors	(7,779)
<u>(13,058)</u>		<u>(16,371)</u>

Movement in Creditors is mainly due to:

2015/16 £'000		2016/17 £'000
(860)	NNDR liability	(518)
1,875	Other amounts owed to government	1,107
(1,395)	Amounts owed to Other Local Authorities	(457)
175	Amounts owed by housing tenants	(280)
(10)	Amounts owed by local taxpayers	(10)
427	Amounts owed by Business Rate payers	(165)
(471)	Change in Developer contributions	(1,806)
130	Amounts owed to Sundry Creditors	(1,184)
<u>(129)</u>	Movement in the year	<u>(3,313)</u>

Creditors have increased significantly this year this is due to a number of movements including:

- contributions received from developers that will either pass on to other authorities or where spend has not been identified, or approved internally,
- following the closure of the Collection Fund an increase in the amounts owed to preceptors (other local authorities).
- The increase in the sundry creditors figure is as a result of the Council receiving and accounting for invoices that are not yet due for payment.

24. Unusable Reserves

This category of reserves are held for statutory and accounting purposes, i.e. they are not available for the Council to finance expenditure. They are held for the following purpose:

- *Revaluation Reserve (see note (a))* - Store of gains on revaluation of Property Plant and Equipment not yet realised through sales.
- *Available-for -Sale Financial Instruments Reserve* - Store of gains on revaluation of investments not yet realised through sales.
- *Capital Adjustment Account* - Store of capital resources set aside to meet past expenditure.
- *Financial Instruments Adjustment Account* - Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments.
- *Deferred Capital Receipts* - Recognises that amounts included in long term Debtors will produce capital receipts in the future.
- *Pensions Reserve* - Balancing account to allow inclusion of Pensions Liability in the Balance Sheet.
- *Collection Fund Adjustment Account (see note (b))* - Holds the balance owing to/from the Council at Balance Sheet date.
- *Accumulated Absences Reserve* - The Accumulated Absences Account absorbs the differences between leave accrued but not taken.

Unusable Reserves 2016/17	Revaluation balances			Adjustment accounts				Total Unusable Reserves £'000
	Revaluation Reserve *	Available for Sale Financial Instruments	Capital Adjustment Account *	Deferred Capital Receipts	Pensions Reserve	Collection Fund Adj Acc	Accum -ulated Absences	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Balance at 31st March 2016	(38,078)	(1,164)	(142,741)	(1,537)	65,715	1,005	186	(116,614)
<i>Movements in Reserves during the year</i>								
Other comprehensive income & expenditure	(36,899)	(620)			13,415			(24,104)
Total comprehensive income & expenditure	(36,899)	(620)	0	0	13,415	0	0	(24,104)
Adj between accounting and funding basis			(4,677)	(1,333)	1,957	(189)	1	(4,241)
Net movement before transfers to other reserves	(36,899)	(620)	(4,677)	(1,333)	15,372	(189)	1	(28,345)
Transfers to/from other Unusable reserves	5,061		(5,061)	0				0
Increase or decrease during the year	(31,838)	(620)	(9,738)	(1,333)	15,372	(189)	1	(28,345)
Balance at 31st March 2017	(69,916)	(1,784)	(152,479)	(2,870)	81,087	816	187	(144,959)

* Analysed in tables (a) and (b)

Unusable Reserves 2015/16	Revaluation balances			Adjustment accounts				Total Unusable Reserves £'000
	Revaluation Reserve *	Available for Sale Financial Instruments	Capital Adjustment Account *	Deferred Capital Receipts	Pensions Reserve	Collection Fund Adj Acc	Accum -ulated Absences	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Balance at 31st March 2015	(24,430)	(784)	(137,859)	(1,596)	71,983	850	119	(91,717)
<i>Movements in Reserves during the year</i>								
Other comprehensive income & expenditure	(14,107)	(380)			(8,519)			(23,006)
Total comprehensive income & expenditure	(14,107)	(380)	0	0	(8,519)	0	0	(23,006)
Adj between accounting and funding basis			(4,423)	59	2,251	155	67	(1,891)
Net movement before transfers to other reserves	(14,107)	(380)	(4,423)	59	(6,268)	155	67	(24,897)
Transfers to/from other Unusable reserves	459		(459)					0
Increase or decrease during the year	(13,648)	(380)	(4,882)	59	(6,268)	155	67	(24,897)
Balance at 31st March 2016	(38,078)	(1,164)	(142,741)	(1,537)	65,715	1,005	186	(116,614)

(a) Revaluation Reserve:

2015/16 £'000			2016/17 £'000
	<i>Comprehensive Income and Expenditure Statement</i>		
(14,877)	Revaluation increases/(decreases) recognised in the Revaluation Reserve	(36,890)	
(1,531)	Depreciation written out to the Revaluation Reserve	(9)	
2,301	Impairment losses/(reversals) recognised in the Revaluation Reserve	0	
(14,107)	(Surplus) or deficit on revaluation of non-current assets not posted to the (Surplus) or Deficit on the Provision of Services		(36,899)
	<i>Transfers to/from Capital Adjustment Account</i>		
459	Difference between fair value depreciation and historical cost depreciation	334	
0	Adjustment to opening balance between the reserves	3,831	
0	Accumulated gains on assets sold or scrapped	896	
	Amount written off to the Capital Adjustment Account		5,061
(13,648)	Increase or decrease during year		(31,838)

(b) Capital Adjustment Account

2015/16 £'000			2016/17 £'000
(8,005)	Sources of Finance		(7,145)
(9,666)	Sums set-a-side for capital purposes		(10,564)
1,021	Revenue expenditure met from capital under statute		944
12,227	Removal of items not chargeable to Fund Balances		12,054
(4,423)	Total accounting adjustments between funding basis under statute		(4,711)
(459)	Adjustment with Revaluation Reserve		(5,061)
	Other Adjustment		34
(4,882)	Increase or decrease during year		(9,738)

25. Leases

Council as a Lessee - Operating Leases

The Council has contracts for lease cars, ground maintenance vehicles and photocopier/printer devices as operating leases. The Council was committed as at 31 March 2017 to make the lease payments as per the following table:

2015/16 £'000			2016/17 £'000
156	Within 1 year		225
191	2 - 5 years		420
347			645

Council as a Lessor - Finance Leases

The Council has leased the Ashford Indoor Bowls Centre to the Ashford Indoor Bowls Centre Ltd; the lease is for the majority of the asset's life and therefore is to be treated as a finance lease. The remaining life of this lease is 37 years. The table below shows the income due on this lease:

	Principal receivable	Interest	Total lease payment
	£'000	£'000	£'000
Within 1 year	19	23	42
2 - 5 years	100	110	210
Later than 5 years	936	366	1,302
	<u>1,055</u>	<u>499</u>	<u>1,554</u>

This balance is held within the long-term debtor's line on the balance sheet

Council as a Lessor - Operating Leases

The Council leases out property under operating leases for the different purposes. These include sports facilities, shops, and community assets. The income from these leases, over remaining life of the contracts, calculated at current levels, are detailed in the tables below.

Park Mall Shopping Complex was purchased during 2015/16. The expected future income from the current shop leases are detailed below, the figures include Wilko:

2015/16		2016/17
£'000		£'000
544	Within 1 year	570
1,699	2 - 5 years	1,604
<u>2,080</u>	Later than 5 years	<u>1,389</u>
<u>4,323</u>		<u>3,563</u>

The Council owns International House, which is Town Centre office space. The future income receivable for these leases are detailed below:

2015/16		2016/17
£'000		£'000
1,154	Within 1 year	1,101
1,522	2 - 5 years	2,181
<u>241</u>	Later than 5 years	<u>179</u>
<u>2,917</u>		<u>3,461</u>

The Council owns, and rents out, a number of industrial units on short-term leases. The future income receivable for leases relating to industrial units are detailed below:

2015/16 £'000		2016/17 £'000
173	Within 1 year	323
117	2 - 5 years	263
<u>290</u>		<u>586</u>

The Council also owns various smaller leases including estate shops and other small units, details of future income is detailed in the table below:

2015/16 £'000		2016/17 £'000
253	Within 1 year	282
716	2 - 5 years	687
1,026	Later than 5 years	1,882
<u>1,995</u>		<u>2,851</u>

26. Provisions

2015/16 £'000		2016/17 £'000
(1,384)	Business Rates Appeals	(1,318)
(40)	Municipal Mutual Insurance	(40)
<u>(1,424)</u>		<u>(1,358)</u>

The reasons for movement in provisions are:

2015/16 £'000		2016/17 £'000
(1,265)	Additional provision made in year	(1,515)
1,385	Amounts used in year	1,581
255	Unused amounts reversed in year	0
<u>375</u>	Movement in the year	<u>66</u>

27. PFI and Similar Contracts

Stanhope PFI

On the 13 April 2007 the Council entered into a design, build, finance, and operate contract with the Chrysalis Consortium (the Contractor) for the provision of the regeneration of the Stanhope Estate and housing management services for the duration of the contract. The contract is for 30 years.

The total value of the contract (assuming an annual inflationary increase of 2.5%) was £140m, which included construction costs of £28m net of a capital contribution by the authority. The contract was benchmarked and reduced to

£127m in 2011/12. Details of the PFI assets held on the balance sheet are included in note 1.

Under the terms of the contract the Council is required to make the following payments to the Contractor:

- An annual unitary charge net of deductions for performance
- Capital contributions to infrastructure costs
- Pass through costs e.g. Disabled Facilities Grants.

These payments will be met from:

- The Council's existing revenue budget for the services, rental income and housing subsidy
- PFI Special Grant from Central Government.

The payments to the Provider will be subject to indexation RPIX, and may vary by virtue of certain provisions within the contract. These primarily relate to the following:

- Performance and availability deductions
- changes in law which affect the costs of the service
- variations to the contract which are approved by the Council
- benchmarking of non-property related costs at agreed intervals (undertaken February 2012).

Analysis of minimum forecast Unitary Charge assuming 0% inflation

	Service cost	Life Cycle Costs	Repayment of liability	Interest cost	Total payment
	£'000		£'000	£'000	£'000
Within 1 year	1,194	284	816	1,331	3,625
2 - 5 years	4,648	1,101	3,847	4,808	14,404
6 - 10 years	5,824	2,276	5,023	4,650	17,773
11 - 15 years	5,963	2,649	5,700	3,182	17,494
16 - 20 years	6,050	2,864	7,062	1,214	17,190
21 - 25 years	51	118	(9)	(1)	159
	<u>23,730</u>	<u>9,292</u>	<u>22,439</u>	<u>15,184</u>	<u>70,645</u>

The PFI contract transfers risks from the Council to the contractor, as the Council retains ownership of the assets the risk to the Council in event of a contractor default is low. The Council monitors performance of the contractor against a range of Key Performance Indicators and can deduct money from the unitary payment in the event that these measures are not achieved. A ratchet mechanism in the contract allows penalties to increase in the event of continued performance issues.

Extra Care Housing PFI

During 2007/08, the Council entered into a partnership arrangement with Kent County Council and nine other district councils within Kent to provide new homes for vulnerable people. The overall scheme is being funded by Public Finance Initiative credits over a 30-year period. In the event of the scheme ceasing the Council will be liable for:-

1. Contractor default, £4.275m in year 10, £4.125m in year 20

2. Force Majeure, £4.950m in year 10, £3.675m in year 20

Other Service Contracts

The Council has a refuse collection and street cleansing contract that was entered into on 1 April 2014 and covers three Councils, the equipment can be used in any of the three areas, and therefore as the Council does not have exclusive use of the assets there will not be an embedded finance lease for the new contract. The total value of the contract is estimated to be £97m over 10 years to be allocated between the three contracting authorities.

28. Defined Benefit Pension Schemes

Transactions relating to retirement benefits

The Council recognises the cost of retirement benefits in the Cost of Services, when employees earn these, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against Council Tax is based on the cash payable in the year, so the difference is reversed out. The following transactions have been made in the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement during the year.

2015/16 £'000	Local Government Pension Scheme	2016/17 £'000
	Comprehensive Income & Expenditure Statement	
	<i>Service cost comprising:</i>	
3,269	- current service cost	2,969
0	- past service costs	138
58	Administration expenses	53
	<i>Financing and Investment Income and Expenditure</i>	
2,319	- net interest expense	2,305
5,646	<i>Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>	5,465
	<i>Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	
	Remeasurement of the net defined benefit liability comprising:	
1,833	- return on plan assets (excluding the amount included in net interest expense)	(14,242)
0	- actuarial gains and losses arising on changes in demographic assumptions	(2,590)
(10,364)	- actuarial gains and losses arising on changes in financial assumptions	33,898
12	- other	(3,651)
(8,519)	<i>Total Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	13,415
(2,873)	<i>Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	18,880
	Movement in Reserves Statement	
(5,646)	- reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(5,465)
	- actual amount charged against the General Fund Balance for pensions in the year:	
3,395	employers' contributions payable to scheme	3,508
(2,251)		(1,957)

Pension Assets and Liabilities recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plan is as follows:

2015/16 £'000	Local Government Pension Scheme	2016/17 £'000
(145,549)	Present value of the defined benefit obligation	(176,875)
82,993	Fair value of plan assets	99,059
(62,556)		(77,816)
(3,159)	Other movements in the liability (asset)	(3,271)
(65,715)	Net liability arising from defined benefit liability	(81,087)

The liability shows the Council's underlying long-term commitment to pay retirement benefits. Although the liability has a negative impact on the Council's equity position, statutory arrangements for the funding of the deficit mean that the financial position of the Council remains healthy.

The deficit on the Local Government Pension Scheme will be made good by increased contributions, as assessed by the scheme actuary.

Assets and liabilities in relation to retirement benefits

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets:

2015/16 £'000	Local Government Pension Scheme	2016/17 £'000
83,527	Opening fair value of scheme assets	82,993
2,734	Interest income	2,963
	Remeasurement gain/(loss)	
(1,833)	- return on plan assets, excluding the amount included in net interest expense	14,242
3,395	Contributions from employer	3,508
768	Contributions from employees into the scheme	760
(5,278)	Benefits paid - funded	(5,423)
(262)	Benefits paid - unfunded	(254)
0	Other remeasurement	323
(58)	Administration expenses	(53)
82,993	Closing fair value of scheme assets	99,059

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation):

2015/16 £'000	Local Government Pension Scheme	2016/17 £'000
(155,510)	Opening balance at 1st April	(148,708)
(3,269)	Current service cost	(2,969)
(5,053)	Interest cost	(5,268)
(768)	Contributions from scheme participants	(760)
	Remeasurement (gains)/loss	
0	- actuarial gains/losses arising from changes in demographic assumptions	2,590
10,364	- actuarial gains/losses arising from changes in financial assumptions	(33,898)
0	Past service cost	(138)
5,278	Benefits paid - funded	5,423
262	Benefits paid - unfunded	254
(12)	Experience loss/(gain) on defined benefit obligation	3,328
<u>(148,708)</u>	Closing balance at 31st March	<u>(180,146)</u>

The Pension Fund's assets consist of the following categories, by value of the total assets held:

2015/16 £'000			2016/17 £'000
2,137	Cash and cash equivalents	2.6%	2,531
55,345	Equity instruments:	70.6%	69,910
	Bonds		
735	- gilts	0.7%	739
9,113	- other	9.7%	<u>9,650</u>
12,056	Property	12.5%	12,344
3,607	Target return portfolio	3.9%	3,885
<u>82,993</u>	Total assets		<u>99,059</u>

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 Pension Fund's liabilities were assessed by Barnett Waddingham, an independent firm of actuaries; the last full valuation of the scheme was as at 31 March 2016, the results of this will be implemented from April 2017.

The significant assumptions used by the actuary have been:

2015/16			2016/17
Assumed life expectations from age 65 are:			
Retiring today			
22.9	- Men		23.0
25.3	- Women		25.0
Retiring in 20 years			
25.2	- Men		25.1
27.7	- Women		27.4
Additional assumptions			
- Members will exchange half of their commutable pension for cash at retirement			
- Active members will retire one year later than they are first able to do so without reduction			
3.2%	Rate of inflation - Retail price index (RPI)		3.6%
2.3%	Rate of inflation - Consumer price index (CPI)		2.7%
4.1%	Rate of increase in salaries		4.2%
2.3%	Rate of increase in pensions		2.7%
3.6%	Rate for discounting scheme liabilities		2.7%

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonable changes to the assumptions made above occurring at the end of the reporting period and assumes for each change that the assumptions analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy may increase or decrease for men and women. In practice, this is unlikely to occur and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis did not change from those used in the previous period.

2015/16			2016/17	
Increase in assumption	Decrease in assumption		Increase in assumption	Decrease in assumption
£'000	£'000	Local Government Pension Scheme	£'000	£'000
Longevity (increase or decrease in 1 year)				
153,384	144,178	- Present value of total obligation	183,338	177,013
2,989	2,842	- Projected service cost	4,349	4,140
Rate for discounting scheme liabilities inflation (increase or decrease by 0.1%)				
146,175	151,287	- Present value of total obligation	177,013	183,338
2,848	2,984	- Projected service cost	4,140	4,349
Rate of increase in salaries (increase or decrease by 0.1%)				
148,698	148,450	- Present value of total obligation	180,629	179,667
2,916	2,914	- Projected service cost	4,243	4,243
Rate of increase in pensions (increase or decrease by 1%)				
151,058	146,399	- Present value of total obligation	182,852	177,488
2,983	2,849	- Projected service cost	4,349	4,139

The projected pension expense for the year ended 31 March 2017 are:

	Year to 31 Mar 2017
	£'000
Service Cost	4,243
Net Interest on the defined liability (asset)	2,144
Administration Expenses	63
	<hr/>
	6,450
	<hr/>
Employer contributions	3,120
	<hr/>

29. Related Parties

Under the Accounting Standard IAS24 'Related Party Transactions' the Council must declare any Related Party Transactions between the Council and elected Members, Senior Officers of the Council or any of their close relatives.

United Kingdom Central Government

United Kingdom Central Government has significant influence over the general operations of the Council, it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits).

Members and Senior Officers

All Members and Senior Managers were written to requesting details of any relationships that could result in a related party transaction, for 2016/17, 5 forms were not returned, 2 current Councillors, 1 ex-counsellor, 1 Councillor that passed away in service and 1 ex-staff member. The register of Members interests and the declaration of interests for staff were examined to see whether any declaration was necessary, no material declarations were made.

There is a standing item on each Committee agenda requiring Members to declare any interest in any item to be discussed. The Democratic Services Manager keeps a record of all declarations made at meetings and a Register of Members' Interests, which is available for public inspection.

30. Interest in Companies

The council has two wholly owned subsidiaries, A Better Choice for Property Limited and A Better Choice for Building Consultancy Limited.

There are no significant restrictions on the Council's ability to access or use assets and settle liabilities of the Group.

A Better Choice for Property Limited

The property company has a Facilities Agreement with the Council that enables it to drawdown loans to the value of £10m during the first five years, in £2m tranches, based on sound business plans, that require Council approval.

As at 31 March 2017 the Company has approved drawdown facilities of £6m with £3.645m actually drawn down by way of loans which are at market rates.

The Facilities Agreement does not provide liquidity issues for the Council as drawdowns by the Company can be matched against borrowing by the Council.

In terms of security of loans, the Facilities Agreement has certain financial covenants, which must be reported on an annual basis, one covenant being the ratio of all outstanding loans under the facilities agreements to the market value of the properties not exceeding 1:1. On the 31 March 2017 this ratio was 1.12:1, complying with the agreement. The Council also has charges on all the properties acquired by the property company, these act as security over the loans taken by the Company.

In 2015/16 the Council purchased 100,000 shares in the company with a nominal value of £1 per share. The Council is the sole shareholder of the company which had equity of £343,000 as at 31 March 2017. A further issue of 75,000 shares with a nominal value of £1 per share are accessible to the Council.

A Better Choice for Building Consultancy Limited

The Building Consultancy Company is not considered to represent a material impact on the Council's accounts and therefore is not included within group accounts. 2016/17 was a difficult year for the company losing key members of staff, this has resulted in the Company to making a small loss of around £2,200 in 2016/17. The company had income and expenditure of £75,530 and £77,730 respectively, based on company reporting.

31. Contingent Liabilities

The Council is acting as a guarantor for the Pension Liabilities of Ashford Leisure Trust to permit its entry into the Kent County Council Pension Fund. In the event that the Trust fails to meet its obligations to the Fund the Council will be called upon to cover these liabilities. This cannot be quantified, as these will depend on the strength of the fund at the time and the actuarial assumptions for the valuation of future liabilities.

The Council has entered into two agreements with Kent County Council and South East England Development Agency (SEEDA), now transferred to Homes and Communities Agency (HCA), which includes provision for the repayment of Regional Infrastructure Funding (RIF), used to pay for works to the Drovers Roundabout and the M20 junction 9 and footbridge. Region Infrastructure Funding was paid to KCC for the schemes by SEEDA. A condition of these agreements is that, money collected from developers in respect of these works through the planning process, by Ashford Borough Council, will be paid to HCA. However, the Council's liability is limited to the total amount received in each case.

The Council has entered into an agreement with Homes and Communities Agency (HCA), which include the provision for the repayment of funding used to pay for works relating to the construction of Junction 10A. A condition of these agreements is that, money collected from developers, in respect of these works

through the planning process by Ashford Borough Council, will be paid to HCA. However, the Council's liability is limited to the total amount received in each case.

The Council has agreed to underwrite the rental income and service charge for 24,000 square foot of the new Commercial Quarter building, located in Dover Place car park. Should the areas not be leased the Council will be required to cover the lost income which could amount to a maximum of £600,000

The Council has entered into a Development Funding Agreement for the regeneration of the Elwick Road site. The funding agreement is conditional of a number of events that have not been met at 31 March 2017, but when they are met the Council will be liable to pay the developer for at least 80% of the capitalised value of target rents of the facility, this is approximately £33.6m.

On 7th April the Council is party to an Asset Projection Agreement with Stanhope PLC and High Speed 1 (HS1). This agreement resulted in the Council undertaking to give a commitment to HS1 to underwrite the costs of remedying any incidents that effect the High Speed line as a result of the construction activity on the Elwick site. Under the development agreements this obligation has been passed to the developer and they have provided adequate insurance for this obligation, however the Council would be liable for a payment in the event that the developer and the insurance fail to cover these liabilities.

32. Events after the Balance Sheet Date

Elwick Place development agreement was completed in April and the first phase will be underway in May 2017. For more information see Contingent Liabilities above.

33. Cash Flow Statement – Adjustment to Net Deficit on the Provision of Services for Non Cash Movement

2015/16 Restated £'000		2016/17 £'000
	<i>Adjustment for items that are operating activities</i>	
(7,013)	Depreciation	(6,308)
(1,878)	Impairment and downward valuations	(2,238)
(67)	Amortisation	(12)
(8,958)	Items relating to Capital Adjustment Account	(8,558)
(12)	Deferred sale proceeds	0
1,391	(Increase)/decrease in inventories	354
(461)	Increase/(decrease) in impairment for bad debts	1,354
(103)	(Increase)/decrease in debtors	(3,045)
(2,250)	Increase/(decrease) in creditors	(1,957)
(3,270)	Movement in pension liability	(3,496)
375	Carrying amount of non-currents and Held for Sale sold or derecognised	66
1,827	Contributions to/from Provisions	4,950
	Other non-cash items charged to the net surplus of deficit on the provision of services	
(11,461)	<i>Total non-cash adjustments of operating activities</i>	(10,332)

34. Cash Flow Statement - Adjustment to Net Deficit on the Provision of Services for Investing & Financing Activities

	<i>Adjustment for items that are investing and financing activities</i>	
4,372	Proceeds from the sale of of property, plant and equipment, investment property and intangible assets	6,011
1,154	Capital grants and contributions applied	3
0	Other items for which cash effects are investing or financing cash flows	(32)
5,526	<i>Total non-cash adjustments of investing and financing activities</i>	5,982

35. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2015/16 £'000		2016/17 £'000
3,660	Interest paid	3,651
(297)	Interest received	(398)
(422)	Dividend received	(511)
2,941		2,742

36. Cash Flow Statement - Investing Activities

2015/16			2016/17		
ABC £'000	Group £'000		ABC £'000	Group £'000	
18,542	20,562	Purchase of property, plant and equipment, investment property and intangible assets	15,828	16,395	
8,018	8,018	Purchase of short-term and long-term investments	6,000	6,000	
(4,372)	(4,372)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(6,011)	(6,011)	
(5,931)	(5,931)	Proceeds from short-term and long-term investments	(9,047)	(9,047)	
(1,154)	(1,154)	Other receipts from investing activities	(3)	(3)	
<u>15,103</u>	<u>17,123</u>	<i>Net cash flows from investing activities</i>	<u>6,767</u>	<u>7,334</u>	

37. Cash Flow Statement - Financing Activities

2015/16			2016/17		
ABC £'000	Group £'000		ABC £'000	Group £'000	
773	(1,267)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on Balance Sheet PFI contracts	626	(529)	
38	0	Repayments of short- and long-term borrowing	2,038	0	
	0	Other payments for financing activities	0	0	
<u>811</u>	<u>(1,267)</u>	<i>Net cash flows from financing activities</i>	<u>2,664</u>	<u>(529)</u>	

38. Cash Flow Statement - Makeup of Cash and Cash Equivalents

31 March 2016		31 March 2017
<i>£'000</i>		<i>£'000</i>
57	Cash held by the Council	66
617	Bank Current Accounts	2,003
3,604	Bank Call Accounts	7,024
<u>4,278</u>	Cash and cash equivalents at the end of the reporting period	<u>9,093</u>

Supplementary Single Entity Statements

Housing Revenue Account

The Housing Revenue Account (HRA) is a record of the revenue expenditure and income relating to the Council's housing stock. Its primary purpose is to ensure that expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants; the HRA is a statutory account, ring-fenced from the rest of the General Fund, so that rents cannot be subsidised from council tax (or vice versa).

2015/16 £'000		2016/17 £'000	£'000
	<i>Expenditure</i>		
3,708	Repairs and maintenance	3,805	
5,178	Supervision and management	4,895	
63	Rents, rates, taxes and other charges	15	
1,997	Special services	2,186	
5,400	Depreciation	4,636	
6,899	Impairment of non-current assets	1,066	
179	Debt management costs	82	
(34)	Movement in the allowance for bad debts	53	
<u>23,390</u>	<i>Total Expenditure</i>		<u>16,738</u>
	<i>Income</i>		
(23,985)	Dwelling rents	(23,921)	
(30)	Non-dwelling rents	(25)	
(759)	Charges for services and facilities	(883)	
(165)	Leaseholder charges for services and facilities	(121)	
(578)	Contributions towards expenditure	(1,203)	
0	Sale of land	(90)	
(3,000)	PFI Subsidy receivable	(3,000)	
<u>(28,517)</u>	<i>Total Income</i>		<u>(29,243)</u>
(5,127)	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		(12,505)
516	HRA services' share of Corporate and Democratic Core		524
348	HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services		368
<u>(4,263)</u>	<i>Net Cost for HRA Services</i>		<u>(11,613)</u>
	<i>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:</i>		
(1,025)	Gain or (loss) on sale of HRA non-current assets		(2,167)
	Other capital receipts		
	Payment to Housing Capital Receipts Pool		
3,745	Interest payable and similar charges		3,746
1,414	Interest payable on PFI contracts and Finance Leases		1,368
(113)	Interest and investment income		(31)
441	Net interest on the net defined benefit liability (asset)		386
(2,546)	Capital grants and contributions receivable		(110)
<u>(2,347)</u>	<i>(Surplus) or deficit for the year on HRA services</i>		<u>(8,421)</u>

Movement on the HRA Statement

2015/16 £'000		2016/17 £'000
(5,725)	Balance on the HRA at the end of the previous year	(7,868)
(2,347)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	(8,421)
206	Adjustments between accounting basis and funding basis under statute	9,536
(2,141)	Net (increase) or decrease before transfers to or from reserves	1,115
(7,868)	Balance on the HRA at the end of the current year	(6,753)

Notes to the Housing Revenue Account

1. Number and type of Housing Stock, Balance Sheet Opening and Closing Values

The breakdown of the numbers and types of HRA dwellings at 31 March 2017 is given in the table below:

31 March 2016		31 March 2017
<i>Units</i>	<i>Dwellings by type</i>	<i>Units</i>
3,543	Houses and bungalows	3,490
1,487	Flats, bedsits and maisonettes	1,446
5,030		4,936
(318)	Less properties managed under Stanhope PFI	(316)
4,712		4,620

the opening and closing Balance Sheet values of HRA assets are shown below:

31 March 2016 £'000		31 March 2017 £'000
234,047	Operational assets - dwellings, land and buildings	261,323
3	Non-Operational assets	3
1,084	Assets Under Construction	7,893
235,134		269,219

2. Vacant Possession Value of Dwellings

The vacant possession value of dwellings within the Council's HRA as at 1 April 2016 was £724,566,000 (£704,319,000 as at 1 April 2015). The difference between this and the Balance Sheet value shows the economic cost to Government of providing council housing at less than open market rents.

The valuation exercise was completed by an external valuer, Wilkes Head and Eve.

3. Major Repairs Reserve

2015/16 £'000	Movements in year	2016/17 £'000
(82)	Balance at the end of the previous year	(449)
(5,400)	Amount transferred to the Reserve during the year	(5,190)
4,816	Debits to the Reserve in respect of capital expenditure on HRA land, houses and other property	4,184
217	Reversal of depreciation (other than Council Dwellings)	16
<u>(449)</u>	Balance at the end of the financial year	<u>(1,439)</u>

4. Summary of Capital Expenditure and Financing

2015/16 £'000		2016/17 £'000
	<i>Capital investment:</i>	
4,862	Expenditure on Existing Dwellings	4,184
3,274	Expenditure on New Stock Purchases	0
3,915	Expenditure on new developments (including Assets Under Construcion)	6,809
0	Expenditure on Purchases of Land	0
<u>12,051</u>		<u>10,993</u>
	<i>Sources of Finance:</i>	
(982)	Capital Receipts	(56)
(4,816)	Major Repairs Reserve	(4,184)
(1,392)	External Contributions - HCA Grant	(1,264)
(1,435)	Borrowing	0
(3,426)	Revenue Contribution from the Housing Revenue Account	(5,489)
<u>(12,051)</u>		<u>(10,993)</u>

5. Capital Receipts from Disposal of Assets

2015/16 £'000		2016/17 £'000
(2,997)	Receipts from Right-to-buy sales	(4,340)
0	Receipts from Repairment of Discounts	0
(251)	Receipts from the sale of Housing land	(264)
(1,058)	Other non right-to-buy sales	(241)
<u>(4,306)</u>	Total receipts	<u>(4,845)</u>
59	Costs of disposal	43
<u>(4,247)</u>		<u>(4,802)</u>

6. Depreciation

The Housing Revenue Account for the year includes charges for depreciation of £4,619,000 (2015/16, £5,384,000), as summarised below, it should be noted that up until this financial year the Council used the assumed Major Repairs Allowance within the Housing Revenue Account buyout calculation as a proxy for depreciation for Council Dwellings. This year the Council reverted to using calculated depreciation.

2015/16		2016/17
£'000		£'000
5,367	Council dwellings	4,620
15	Council garages	14
2	PV panels	3
<u>5,384</u>		<u>4,636</u>

7. Valuations

Land and Buildings are held individually and the total housing stock (including land and garages) had increases and decreases in valuation. A total downward valuation of £48,000, of which £23,000 was charged to the Housing Revenue Account with the remainder being written to the Revaluation Reserve.

The value of the housing stock total increased were £30,574,000, all being credited to the Revaluation Reserve Account.

8. Pensions

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when benefits are eventually paid as pensions. However, the charge the Council is required to make against the Housing Revenue Account is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the Housing Revenue Account Balance. The following transactions have been made in the Income and Expenditure Account and the Statement Movement.

2015/16 £'000		2016/17 £'000
	Comprehensive Income & Expenditure Statement	
	<i>Cost of Services:</i>	
621	- current service cost	498
0	- past service costs	23
11	- administration expenses	9
	<i>Financing and Investment Income and Expenditure</i>	
441	- net interest expense cost	386
1,073	<i>Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	916
	Movement in Reserves Statement	
(1,073)	- reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(916)
	- actual amount charged against the General Fund Balance for pensions in the year:	
646	employers' contributions payable to scheme	588

9. Rent Arrears

During the year 2016/17 arrears totalling £161,000 (£88,000 - 2015/16) were written off to the impairment allowance for bad debts held outside the HRA as they were considered to be uncollectable. The balance on the provision at 31 March 2017 was £620,000 (£728,000 at 31 March 2016).

31 March 2016 £'000		31 March 2017 £'000
815	Gross arrears	666
(728)	Provision for Bad Debts	(620)

The majority of this debt (£566,000) is over 26 weeks old and is assumed unrecoverable for accounting purposes, the debt will still be actively pursued.

Collection Fund

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund; it shows the transactions in relation to non-domestic rates, including distribution to government; and council tax, illustrating the way this has been distributed to precepting authorities and the General Fund.

2015/16			2016/17	
Business Rates	Council Tax		Business Rates	Council Tax
£'000	£'000		£'000	£'000
		<i>Income</i>		
	(64,105)	- Council Tax		(68,384)
(45,687)		- Business Rates	(47,204)	
		- Transitional Protection Payments		
<u>(45,687)</u>	<u>(64,105)</u>	<i>Total Income</i>	<u>(47,204)</u>	<u>(68,384)</u>
		<i>Expenditure</i>		
		Precepts, Demand & Shares		
4,188	46,173	- Kent County Council	4,324	49,592
	6,234	- Kent Police Authority		6,657
465	2,993	- Kent and Medway Fire Authority	480	3,150
18,611	7,396	- Ashford Borough Council (including Parish Precepts)	19,216	7,957
23,264		- Central Government	24,020	
<u>46,528</u>	<u>62,796</u>		<u>48,040</u>	<u>67,356</u>
		Charges to the Collection Fund		
0	0	- Write-Offs of uncollectable amounts		
42	553	- (Increase)/Decrease in Bad Debt Provisions	(236)	(1,169)
(380)		- (Increase)/Decrease in Provision for Appeals	(167)	
57		- Disregarded amounts	101	
182		- Costs of Collection Allowance	181	
460		- Transitional Protection Payments	39	
<u>361</u>	<u>553</u>		<u>(82)</u>	<u>(1,169)</u>
		Contributions		
(590)		- Towards previous year's estimated Collection Fund Surpl	(746)	422
<u>46,299</u>	<u>63,349</u>	<i>Total Expenditure</i>	<u>47,212</u>	<u>66,609</u>
612	(756)	Deficit/(Surplus) in Year	8	(1,775)
2,247	(414)	Balance at 1st April	2,859	(1,170)
<u>2,859</u>	<u>(1,170)</u>	Balance at 31st March	<u>2,867</u>	<u>(2,945)</u>
		<i>Apportionment of Balance to Preceptors/Borough Council</i>		
257	(860)	- Kent County Council	258	(2,168)
	(116)	- Kent Police Authority		(291)
29	(56)	- Kent and Medway Fire Authority	29	(138)
1,144	(138)	- Ashford Borough Council	1,147	(348)
1,429		- Central Government	1,433	
<u>2,859</u>	<u>(1,170)</u>		<u>2,867</u>	<u>(2,945)</u>

Notes to the Collection Fund

1. NNDR Rateable Value

Under the arrangements for Uniform Business Rates, the Council collects Non-Domestic Rates for its area, which is based on local rateable values multiplied by a uniform rate. The total amount, less certain reliefs and other deductions, is paid to a central pool; the NNDR pool managed by Central Government, which in turn pays back to authorities their share of the pool, based on a standard amount per head of local population.

2015/16		2016/17
£'000		£'000
	<i>Total Non-Domestic Rateable Values at:</i>	
115,994	- 1st April	114,887
114,887	- 31st March	115,148
(1,107)	Increase/(decrease) in year	261

2015/16		2016/17
p		p
	Uniform rate (multiplier) set by the government:	
48.0	For rateable values below £18,000	48.4
49.3	For rateable values £18,000 and above	49.7

2. Band D Council Tax

The band D level of council tax is the average level of tax charged as prescribed in legislation. When calculating the tax base, the number of properties is converted into band D equivalents and this is used when authorities set their council tax. If a property is within a parished area an additional charge will be made for the Parish Council.

2015/16		2016/17
£		£
1,089.99	Kent County Council	1,133.55
147.15	Kent Police Authority	152.15
70.65	Kent and Medway Fire Authority	72.00
145.45	Ashford Borough Council	150.00
1,453.24	Council Tax - basic amount	1,507.70
29.12	(including Parish Precepts)	31.88
1,482.36	Council Tax - Borough average	1,539.58

3. Council Tax Base

The number of chargeable dwellings in each valuation band (adjusted where discounts apply) converted into an equivalent number of Band D dwellings, was calculated has follows:

Band	2015/16			2016/17		
	<i>Estimated Number of properties (Net of exemptions, discounts & reliefs) (a)</i>	<i>Multipliers (b)</i>	<i>Band D equivalents properties (a x b)</i>	<i>Estimated Number of properties (Net of exemptions, discounts & reliefs) (c)</i>	<i>Multipliers (d)</i>	<i>Band D equivalents properties (c x d)</i>
A with disabled relief	13.30	5 /9	7.40	12.20	5 /9	6.80
A	3,869.30	6 /9	2,579.52	3,881.10	6 /9	2,587.40
B	11,428.80	7 /9	8,889.10	11,316.20	7 /9	8,801.45
C	11,513.80	8 /9	10,234.50	11,647.70	8 /9	10,353.49
D	7,908.70	9 /9	7,908.67	8,158.20	9 /9	8,158.21
E	5,828.70	11 /9	7,123.94	5,847.50	11 /9	7,146.92
F	4,804.70	13 /9	6,940.09	4,851.90	13 /9	7,008.31
G	2,845.10	15 /9	4,741.83	2,877.60	15 /9	4,795.97
H	159.50	18 /9	319.00	162.50	18 /9	325.00
Tax Base before Council Tax Support			48,744.05			49,183.55
Less Council Tax Support			(5,951.12)			(4,991.63)
Tax Base after Council Tax Support			42,792.93			44,191.92
Estimated Collection Rate			99.0%			99.0%
Council Tax Base			42,365.00			43,750.00

4. Precepts

Ashford Borough Council made a significant precept or demand on the Collection Fund:

2015/16		2016/17
£'000		£'000
	Demand	
6,723	- Ashford Borough Council	1,300
<u>1,234</u>	- Parish Precepts	<u>6,657</u>
7,957		7,957

There are 39 Parish Councils that levy precepts within the Borough, the most significant of which were:

2015/16		2016/17
£'000		£'000
303	Tenterden Town Council	368
136	Kingsnorth	142
137	Great Chart with Singleton	153
58	Wye with Hinxhill	85
74	Charing	80

Independent Auditor's report to the Members of Ashford Borough Council

Glossary

Agency Services – services which are performed for another Authority or public body, where the principal Authority responsible for the service reimburses the agent Authority doing the work for the cost of the work carried out.

Amortised – the deduction of capital expenses over a specific period. Similar to depreciation, it is a method of measuring the consumption of the value of long-term assets like equipment or buildings and intangible assets e.g. software.

Appointed Auditors – external auditors of Local Authorities appointed by the Public Sector Audit Appointments Ltd, previously the Audit Commission, in Ashford's case, Grant Thornton carries out this function.

Budget – a statement defining the Council's policies for a year in terms of finance.

Budget Requirement – the estimated revenue expenditure on General Fund services that needs to be financed from Council Tax, after deducting income from fees and charges, certain specific grants and any funding reserves.

Capital Expenditure – spending on the acquisition, construction, enhancement or replacement of tangible assets such as land, buildings or major items of equipment, which will be used to provide services for a number of years. Under statutory determination expenditure on assets not belonging to the council can be treated as capital expenditure.

Capital Financing – funds used to pay for capital expenditure.

Capital Receipts – the proceeds from the disposal of land or other assets. Capital receipts can be used to finance new capital expenditure within the rules set down by the Government, but they cannot be used to finance revenue expenditure. Capital Receipts can be used for debt repayment.

CIPFA – The Chartered Institute of Public Finance and Accountancy is the leading professional accountancy body for public services in the UK. CIPFA has responsibility for setting good practice accounting standards for Local Government.

Collection Fund – a statutory fund maintained by a Billing Authority, which is used to record local taxes and non-domestic rates collected by the Authority, along with payments to major precepting authorities, the national pool of non-domestic rates and its own general fund.

Componentisation – An accounting term that covers the practice of splitting an asset into its component parts (e.g. Walls, Roof, Lift, Boiler) to determine the appropriate value and depreciation basis for each component.

Contingent Liability – a potential liability at the Balance Sheet date. If the liability cannot be estimated reasonably accurately, it must be disclosed as a note to the Statement of Accounts.

Council Tax – the main source of local taxation to Local Authorities. Council Tax is levied on all domestic households within the Council's area.

Council Tax Support – assistance provided to adults on low incomes to help them pay their Council Tax bill. A resident that qualify for this are entitled to a discount on their council tax bill. At its inception, this was 90% funded by Government.

Credit Risk - the possibility that other parties might fail to pay amounts due to the Council

Creditors – money owed by the Council to others.

Debtors – money owed to the Council by others.

Fair Value - is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financial Assets – is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset.

Force Majeure – is a common clause in contracts which essentially frees both parties from liability or obligation when an extraordinary event or circumstance beyond the control of the parties, such as war, strike, riot, crime, act of nature e.g. flooding, earthquake, volcano, prevents one or both parties from fulfilling their obligations under the contract.

General Fund – the main revenue fund of the Authority. Day-to-day spending on services is met from the fund. Spending on the provision of housing, however, must be charged to a separate Housing Revenue Account.

Gross Expenditure – the total cost of providing the Council's services before taking into account income from Government grants and fees and charges for services.

Housing Benefit – the allowance to persons on low income or unable to meet, in whole or part, their rent. Benefit paid to the Authority's own tenant is known as **rent rebate** and that paid to private sector tenants as **rent allowance**.

Housing Revenue Account HRA – account which sets out the expenditure and income arising from the provision of housing. The HRA is funded by specific housing grants and rents payable by the Council's tenants.

Impairment – An accounting term that covers the loss in value of an asset either through consumption of its economic life or a change in its usefulness. For example, fire damage.

Internal Audit – a specialist section of the Council that examines, evaluates and reports on the adequacy of internal control systems and the proper, economic, efficient and effective use of resources.

International Financial Reporting Standards – The accounting standards that have been produced and adopted to govern accounting and move to a globally similar basis.

Liquidity Risk - the possibility that the Council might not have funds available to meet its commitments

Market Risk - the possibility that losses may arise due to changes in interest rates and market prices.

MRP – Minimum Revenue Provision. This is the calculation that Councils make for the repayment of debt.

National Non-Domestic Rate NNDR – a levy on businesses, based on a national rate in the pound set by the Government multiplied by the 'rateable value' of the premises they occupy. Since the localisation of Business rates was introduced, NNDR is collected by Billing Authorities and distributed to Central Government, County and Fire Authorities on the basis of a pre-set formula.

Net Expenditure – gross expenditure minus specific service income and grants, but before deduction of Revenue Support Grant and reallocated NNDR receipts.

Outturn – actual income and expenditure in a financial year.

Partial Exemption– a VAT term which ensures that a Local Authority does not recover VAT on Inputs that relate to the generation of exempt income more than the 5% of the total VAT recovered.

Pension Fund – an employees' pension fund maintained by an Authority, or group of Authorities, in order to make pension payments on retirement of participants. It is financed from contributions from the employing Authority, the employee and investment income. Ashford participates in a pension fund that covers all Kent Authorities.

Precept – the levy made by precepting authorities on Billing Authorities, requiring the latter to collect income from Council taxpayers on their behalf. County councils, police authorities, fire and rescue authorities are major precepting authorities and Parish Councils are local precepting authorities.

Private Finance Initiative PFI – a Central Government initiative which aims to increase the levels of funding available for public services by attracting private sources of finance. The PFI is supported by a number of incentives to encourage Authorities' participation.

Provisions – amounts set aside for specific liabilities or losses which are likely or certain to be incurred, but the amounts or the dates on which they will arise are uncertain. The value of the Provision must be the best estimate of the likely liability or loss.

Reserves – amounts set aside to meet general, rather than specific future expenditure. These include “other reserves” to be spent on specific services or functions and “general reserves” or 'balances' which every Authority must maintain as a matter of prudence. Sums may be put into or taken from reserves at the Council's discretion. The Council also maintains unusable reserves that are established by the code of practice to offset non-current assets.

Revenue Expenditure – the day-to-day running costs of providing services.

Revenue Expenditure Funded from Capital Under Statute – expenditure that does not result in the creation of a Property Plant and Equipment but is classified as capital expenditure for Capital Control purposes.

Revenue Support Grant RSG – a grant paid by Central Government to aid Local Authority services in general, as opposed to specific grants, which may only be used for a specific purpose.

Specific Grants – grants from Central Government which may only be used for a specific purpose.

Treasury Management – management of the Council's cash balances on a daily basis, to obtain the best return while maintaining an acceptable level of risk

An Introduction to your Statement of Accounts 2016/17

Legislative Environment

- CIPFA
- Accounting Code of Practice (The Code)
- Primacy of Legislation

Materiality

- "Information is material if omitting it or misstating it could influence decisions that users make on the basis of financial information about a specific reporting entity. In other words, materiality is an entity-specific aspect of relevance based on the nature or magnitude, or both, of the items to which the information relates in the context of an individual entity's financial report."

Going Concern

- “The concept of a going concern assumes that an authority, its functions and services will continue in operational existence for the foreseeable future. Where this is not the case, particular care will be needed in the valuation of assets, as inventories and property, plant and equipment may not be realisable at their book values and provisions may be needed for closure costs or redundancies.”

Process of Approval

- Draft Statements was produced by – 22 May
- Audit of draft statements – 1 June (for 3 weeks)
- Agree audit amendments – By the end of June
- Audited Accounts approved by Members – 17 July (for 2016/17) by 31 July
- Audit Sign off – 17 July (for 2016/17)

What is in the Statement

- Narrative report
- Statement of Responsibilities – True and Fair
- Core Financial Statements
- Note to the Core Financial Statements
- Housing Revenue Account and Notes
- Collection Fund Statement and Notes
- Auditor's report
- Glossary

The Comprehensive Income and Expenditure Statement

- Shows how the Authority performed during the year
 - Value of all goods and services received
 - All income and expenditure
 - Includes cash and non cash items
- Change in format this year (Statutory 2015/16)
- Cost of services different to the Outturn
 - Expenditure & Funding Analysis

Questions:

Are there any significant changes in expenditure between years?

Does this reflect your view of performance?

Key points of interest

Page 9

- Some service lines include large movements in gross expenditure, this is mainly due to previous years having reversal of impairments, unlike this year
- Revaluation gains on property, plant and equipment to the revaluation reserve of £39m, there were less gains written to the services reversing prior year impairments.
- Reduction in the pensions deficit, is this a sign that the triennial valuation we reduce the deficit projected.

The movement in Reserves Statement

- Level of reserves held by the authority
- Analysed by type (Useable and Unusable)
- Change to GF reserves this year

Questions:

- Do the opening balances agree with previous year?
- Do the figures agree with the other statements?
- Are the levels of reserves in line with expectations?
- Are reserves sufficient?

Key points of interest

Page 11

- Total usable reserves have increased by £5.65m
 - General fund reserves by almost £1.9m (£1.2m to earmarked reserves)
 - Capital Receipts have increased by £5.5m
 - £2.6m for affordable housing (1-4-1 capital receipts)
 - £1.4m other HRA capital receipts
 - £1.5m general fund capital receipt, including Conningbrook land sale
- Unusable reserves have increased due to increases in valuations to assets

The Balance Sheet

- **Property Plant and Equipment**
 - Including Housing Stock
- **Current assets and liabilities**
 - Liquidity
- **Long-term liabilities**
 - Borrowing, PFI, Pensions
- **Provisions**
- **Reserves**

Questions:

Are the changes in year what you expected?

- Property plant and equipment changes in line with projects reported to members?
- Borrowing and investment decisions consistent with cabinet reports?

Are figures explained in notes

Key Points of Interest

Page 13

- Increase in Property, Plant and Equipment, capital expenditure of £17m and increases in asset valuation
- Long term investments have decreased by £1.8m, this is due to investment moving to short-term
- Long term debtors have increased by the loans to the Property Company and deferred capital receipt from the sale of Conningbrook
- Short term investments reduction due to maturing investments held in liquid bank accounts (see cash increase)
- Short term borrowing has increased due to long term borrowing becoming due within one year (see long term borrowing)
- Pension liability, increased by £16m



Other Statements

- **Cash flow statement** - Sets out the Authorities cash receipts and payments during the year, it relates to income and expenditure but it is not necessarily the same
- **Housing Revenue Account** - Shows the transactions in respect of the Council's Housing during the year. This is a ring-fenced fund so it cannot subsidise or be subsidised. This statement is included within the main statements.
- **Collection Fund** - Shows the transactions in respect of the collection of Council Tax and Business Rates during the year.

Disclosure Notes

- **Property Plant and Equipment** - All assets held by the Council excluding Heritage and Intangible (also investment assets however none owned by the Council directly)
- **PFI** - Private Finance Initiative, liability held on the balance sheet
- **Contingent Assets and Liabilities** - Costs or income that may be chargeable to the Council but there is a likelihood that they may not happen but are material
- **Events after the Balance Sheet date** - Draws attention to any significant events after the balance sheet date that would affect the readers view of the accounts.

Expectation on Members

- Members need to gain assurance on the statement of accounts of the Authority and to achieve this may want to challenge the figures included within the statement.