DARTFORD
BOROUGH COUNCIL

STATEMENT OF ACCOUNTS

2015/16

CONTENTS

The Statement of Accounts 2015-16 showing signatures is available for inspection at the Council.

NARRATIVE STATEMENT

Introduction

This Narrative Statement provides a guide to the Council's accounts for the year ending 31 March 2016. The Accounts and Audit Regulations 2015 require the 2015/16 Statement of Accounts to be prepared, and signed, by the responsible officer by 30 June. The statement also provides some analysis of the development and performance of the Council in the financial year and of its position at the end of that year.

The accounts are set out on pages 20 to 110.

The Statement of Accounts comprises:

The Statement of Responsibilities for the Statement of Accounts: this sets out the Council's and the Chief Finance Officer's responsibilities for the statement of accounts. This statement also carries the certification of the Chief Finance Officer.

Movement in Reserves Statement: this statement shows the movement in the year on the different reserves held by the authority, analysed into usable reserves (i.e. those that can be used to fund expenditure or reduce local taxation) and unusable reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund and the Housing Revenue Account for Council Tax setting and dwellings' rent setting purposes. The line titled "Net Increase/Decrease before Transfers to Earmarked Reserves" shows the statutory General Fund and Housing Revenue Account balances, before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Comprehensive Income and Expenditure Statement: 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 to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Balance Sheet: The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example, the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve) where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Cash Flow Statement: this statement brings together the total movements of the Council's assets and liabilities during the financial year; these are inflows and outflows of cash arising from both revenue and capital transactions with third parties.

Notes to the Accounts: the various accounts and statements are supported by detailed notes to help the reader. These include the significant accounting policies adopted by the Council and other explanatory information.

Housing Revenue Account (HRA) and notes: the Council is required by law to account separately for the provision of housing. This account shows the major elements of housing revenue expenditure: repairs and maintenance, administration and financing costs as well as how the expenditure is financed from rents and other income. The HRA Income and Expenditure Statement is supported by a Movement on the HRA Statement.

Collection Fund and notes: there is a statutory requirement for local authorities that bill for council tax and non-domestic rates (billing authorities) to maintain a separate fund to show the transactions in respect of these items and the way in which they have been distributed to precepting authorities.

Glossary: this provides a guide to some of the technical terms used in this document.

Changes to the 2015/16 Statement of Accounts

There are no major changes to the statement of accounts compared to the previous year. Again a review of disclosure notes has been carried out in the year and the accounts have been shortened by removing unnecessary and immaterial disclosures.

Summary of financial performance in the year

The General Fund

The financial statements are produced in accordance with accounting principles. These differ markedly from the internal financial management information used to set budgets and monitor performance.

The General Fund accounts for all revenue services other than those provided in respect of council housing. The budget requirement is the net expenditure on services and is the sum to be met from government grants, retained business rates and council tax.

The Council set its budget requirement for 2015/16 at the budget meeting on 23 February 2015. This allowed for a net increase in reserves and balances of £751,000.
The following table compares the final figures for 2015/16 with the original budget.

	Original Budget £,000	Actual £,000
Net expenditure on services	11,894	10,840
Plus increase in bad debt provision	0	298
Contribution to reserves	2,677	5,015
Budget Requirement	14,571	16,153
Less:		
General government grant	(1,973)	(1,973)
Retained business rates	(2,280)	(5,837)
Council tax freeze grant	(59)	(60)
Other grants	(44)	(14)
New Homes Bonus	(2,677)	(2,656)
Council tax	(5,613)	(5,613)
Contribution from reserves	(1,925)	0
Deficit (Surplus) for the year	0	0

Net expenditure on services (after allowing for an increase in bad debt provision) was £756,000 lower than the original budget. This was mainly caused by increased income from investments and a favourable settlement of the previous year Housing Benefit Subsidy Grant.

There were several other budget variances. Full details can be found in the report to Cabinet on 28 July 2016.

As previously projected, retained business rate income was higher than that budgeted for. The final improvement compared to the budgeted position was £3.5m. Accounting for business rates often includes timing differences related to the collection fund. £1.65m of the identified variance relates to these differences and has been placed into a specific reserve. Another part of the variance relates to last year's gain in business rates of £780,000 now being realised in this year's accounts. Additionally, there is a current year estimated variance of just over £1.1m which is related to continued growth in receipts.

In respect of the Income and Expenditure figures, due to the more favourable outturn position, it was possible to avoid the planned draw-down from reserves and make an additional contribution to specific reserves of £673,000 to help towards meeting the challenge of future resource reductions. The General Fund balance has been maintained at £3m.

Earmarked Reserves

Earmarked Reserves movements not reflected in the table above include expenditure of £1,172,000, and transfers of £1,191,000 from the General Fund into reserves. The total amount carried forward in earmarked revenue reserves was £16m, excluding the Business Rates timing reserve.

The Housing Revenue Account

The Housing Revenue Account accounts for all revenue services in respect of council housing.

The Housing Revenue Account is "ringfenced", i.e. it cannot subsidise or receive subsidies from other accounts. It is also known as the ‘Landlord Account’, as all costs and income relate to the provision of council housing.

The 2015/16 account was budgeted to make a surplus of £65,000; the final outturn was a surplus of £1.82m.

The main areas which had lower than expected expenditure were Planned Repairs 0.263m, Responsive Repairs 0.366m and General Management 0.405m. There was also a reduction in the total contribution made towards capital expenditure of 0.319m. Additionally, as projected, the budgeted Housing Subsidy Limitation transfer of £0.25m between the HRA and General Fund was not required.

The HRA faces a number of new challenges going forward, e.g. higher value council house sales and ongoing rent reductions. The reserve balance of £11.7m will be important in responding to these challenges.

The Capital Programme

The Capital Programme consists of a number of projects where expenditure is incurred on investment in new assets or improving existing ones. Ongoing revenue costs, such as those charged to the General Fund or Housing Revenue Account, cannot be charged to capital.

The Council originally budgeted to spend £21.824m on investment in assets of a capital nature; actual expenditure on the main programme was £22.366m, with an additional £379,000 spend on smaller reserve/externally funded projects. Capital expenditure was funded from capital receipts, government grants, revenue contributions and the Major Repairs Reserve.

The Usable Capital Receipts Reserve had a balance at the beginning of the year of £12.451m. New usable receipts during the year totalled £3.745m, £12.961m was used to finance expenditure, and £0.415m was paid to the Government’s capital receipts pool. In addition, capital receipts of £1.085m, arising from the sale of council housing, were set aside to be used to finance the provision of new social housing under a scheme known as “one for one receipts”. The balance of usable capital receipts carried forward at the end of the year was £3.905m.

The Balance Sheet valuation of property, plant and equipment at the end of the year is £318.3m, an increase of £46.5m on the previous year. The increase is mainly due to revaluations to existing properties.

Capital commitments as at 31 March 2016 stand at £2.68m, compared with £9.61m as at 31 March 2015. Most of this commitment relates to the ongoing completion of the New Build Council Housing.

Non-Financial Performance

The Council measures its performance against a series of performance indicators linked to the Corporate plan. Of these indicators 82% were within target parameters. Improvement has been seen in housing repair completions, long term sickness levels and telephone service levels. Continued increase in the usage of green bins is expected to improve recycling performance, which is currently below target. Further details can be found in the June 2016 Cabinet report.

Influences affecting the Authority's income and expenditure and levels of reserves

The Council has cash and short term investments of approximately £75m, compared to £84m as at 31 March 2015. Whilst these levels are affected by various factors, it is expected that balances will increase over the next 12 months. The movement is mainly due to likely capital receipts although the timing of these is not yet confirmed.

The capital programme for 2016/2017 totals nearly £11.8m, of which £8.7m is for housing. The capital programme is funded from a mixture of capital receipts, grants and contributions, and revenue/reserve contributions. When the budget was set the required capital expenditure outstripped the predicted level of known capital receipts by around £6.3m over the three-year budget, but this position is likely to change over the next year as there is a likelihood of additional capital receipts. If the shortfall is not covered by additional receipts, options at the Council's disposal are to fund from revenue, reserves or to borrow. The Council will not commit expenditure in any year unless resources have first been fully identified and the sustainability of any proposal established.

Recent years have seen significant reductions in government grant, and further significant reductions will occur over the next few years. However, the Council has the opportunity to benefit from increased income from business rates and the New Homes Bonus, although the latter may only be short term. The Council has made significant budget reductions in recent years and has approved a Medium Term Financial Plan to address potential budget gaps in the next few years.

The major financial risks for the Council in the coming years are the further reduction in general and other government income, business rate changes - including appeals and the ongoing consultation for the move towards 100% business rates retention, and changes to New Homes Bonus. The Council continues to review all its operations to ensure the taxpayer is getting value for money. A full service review is planned this autumn to ensure financial resilience in the longer term

At 31 March 2016 the Council had £26m of usable reserves for general use and £11.7m for housing. This is considered prudent and adequate for current estimated needs and unexpected events.

The Council has sufficient balances and earmarked reserves to enable a smooth transition to lower expenditure levels. The main variable risk to cash flows is income from investments and from charges made for the provision of services. Prudent estimates are made for these.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DARTFORD BOROUGH COUNCIL

We have audited the financial statements of Dartford Borough Council (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer (Strategic Director of Internal Services, Section 151 Officer) and auditor

As explained more fully in the Statement of the Chief Financial Officer's (Strategic Director of Internal Services, Section 151 Officer) Responsibilities, the Chief Financial Officer (Strategic Director of Internal Services, Section 151 Officer) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Strategic Director of Internal Services; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Statement and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- present a true and fair view of the financial position of the Authority as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Authority under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

Respective responsibilities of the Authority and auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 20(1)(c) of the Act to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit of the accounts of the Authority in accordance with the requirements of the Act and the Code.

Elizabeth Jackson

Elizabeth Jackson
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

27 September 2016

RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS AND CERTIFICATE OF THE CHIEF FINANCE OFFICER

RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's responsibilities

The Council is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority that officer is the Strategic Director of Internal Services who is the named Chief Finance Officer under section 151 of the Local Government Act 1972.

- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

- to approve the Statement of Accounts.

The Section 151 Officer's responsibilities

The Section 151 officer is responsible 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.

In preparing that statement of accounts, the Section 151 officer has:

- selected suitable accounting policies and then applied them consistently;

- made judgements and estimates that were reasonable and prudent;

- complied with the Code of Practice on Local Authority Accounting.

The Section 151 officer has also:

- kept proper accounting records which were up to date;

- taken reasonable steps for the prevention and detection of fraud and other irregularities.

CHIEF FINANCE OFFICER'S CERTIFICATION TO THE STATEMENT OF ACCOUNTS

I hereby certify that the Statement of Accounts for the year ended 31 March 2016 required by the Accounts and Audit Regulations 2015 gives a true and fair view of the financial position and transactions of the Council, and its income and expenditure for the same year then ended.

S Martin

S.J. MARTIN FCCA
SECTION 151 OFFICER
2 September 2016

APPROVAL OF THE STATEMENT OF ACCOUNTS IN ACCORDANCE WITH THE ACCOUNTS AND AUDIT REGULATIONS 2015

COMPLETION OF THE APPROVAL OF THE ACCOUNTS

The Statement of Accounts was formally approved for publication by the Audit Board on 21 September 2016.

D Hammock

COUNCILLOR D A HAMMOCK
CHAIRMAN OF THE AUDIT BOARD

21 September 2016

ANNUAL GOVERNANCE STATEMENT

FOR THE PERIOD 1 APRIL 2015 TO 31 MARCH 2016

SCOPE OF RESPONSIBILITY

Dartford Borough Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. The Council also has a duty under the Local Government Act 1999 (as amended) to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for implementing proper arrangements for the governance of its affairs, the stewardship of the resources at its disposal and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Council has approved and adopted a Local Code of Corporate Governance (the Local Code), which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. The Local Code is published on the Council's website at www.dartford.gov.uk.

This statement explains how the Council has complied with the Local Code and with meeting the requirements of regulation 4 of the Accounts and Audit Regulations 2015 to review and report on the effectiveness of its system of internal control.

The Council has in place appropriate management and reporting arrangements to enable it to satisfy that its approach to corporate governance is adequate and effective in practice.

In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions, and which include arrangements for the management of risk.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, culture and values, by which the Council is directed and controlled, and by which it, through its activities, can account to, engage with and lead the community. The governance framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

This Annual Governance Statement is produced for the year 1 April 2015 to 31 March 2016 and includes the period up to the date of approval of the statement of accounts.

THE GOVERNANCE FRAMEWORK

The key elements of the systems and processes that comprise the Council's governance arrangements are summarised below:

Identifying and communicating our vision and outcomes for citizens and service users

The Corporate Plan 2014-2017 has been approved by the General Assembly of the Council [22 January 2015 Min 104]. The Corporate Plan is published on the Council's website.

Reviewing our vision and its implications for our governance arrangements

Progress towards the achievement of the objectives is monitored through the Performance Management Framework, with performance reports to Management Team, Cabinet and Policy Overview Committee and through other internal review mechanisms.

Measuring the quality of services for users, to ensure that they are delivered in accordance with the Council's objectives and for ensuring that they represent the best use of resources

The Council measures the quality of service to users through a number of mechanisms including:

- Customer surveys
- Comments, compliments and complaints
- Monitoring against targets and indicators
- Reviews by the Scrutiny Committee and the Policy Overview Committee
- Comparison with similar authorities

Establishing clear channels of communication with all sections of our community and other stakeholders, ensuring accountability and encouraging open consultation

The Council has developed a Consultation and Engagement Strategy to meet its duty to inform, consult and involve people in the delivery of Council services. An Equalities Scheme has been developed to meet the Council's obligations under the Equality Act 2010. The Statement of Community Involvement sets out how the community will be involved in decisions about the Council's Local Plan.

Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication

The Council has an adopted Constitution which details how the Council operates, how decisions are made and the procedures which are to be followed to ensure that these are efficient, transparent and accountable to local people. The Constitution defines the terms of reference for all Council committees. The Cabinet (exercising the executive functions of the Council) is responsible for most decisions. The Cabinet is made up of the Leader and 5 Councillors. The Council elects the Leader and the Leader appoints the Cabinet. Major decisions are published in advance, in the Regulation 9 Notice, and will generally be discussed in a meeting open to the public. All decisions must be in line with the Council's overall policies and budget. Any decisions the Cabinet wishes to take outside the budget or policy framework must be referred to the General Assembly of the Council to decide. There is a Scrutiny Committee that scrutinises the work of the Cabinet. A "call-in" procedure allows Scrutiny Committee to review Cabinet decisions before they are implemented, thus presenting challenge and the opportunity for a decision to be reconsidered.

The Policy Overview Committee reviews general policies and makes recommendations on future policy options to Cabinet.

A Scheme of Delegation to Officers is approved by the General Assembly of the Council. This defines the framework and limits within which officers can take decisions.

<u>Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff</u>

The standards of conduct and personal behaviour expected of Council Members and Officers, its partners and the community are defined and communicated through codes of conduct and protocols. These include:

- Member Code of Conduct
- Employee Code of Conduct
- Regular performance appraisals for staff linked to corporate and service objectives
- An Anti-Fraud and Corruption Strategy
- Member/Officer Protocol
- Whistleblowing Policy
- Annual Monitoring Officer report
- An Audit Board to oversee and monitor the Member Code of Conduct

<u>Whistleblowing and receiving and investigating complaints from the public</u>

The Council's Whistleblowing Policy is reviewed each year and provides for confidential reporting on matters of concern. Informants are requested to be open in their disclosure, but it is recognised that on occasions, informants will wish to remain anonymous.

The Council has an effective Corporate Complaints Procedure. A report is submitted annually to the Audit Board on corporate complaints.

<u>Reviewing and updating standing orders, financial instructions, scheme of delegations and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks</u>

Standing Orders, Contract Standing Orders, Financial Regulations and the Scheme of Delegations to Officers are regularly reviewed as are supporting procedures and manuals.

<u>Compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful</u>

The Council has a duty to ensure that it acts in accordance with the law and various regulations in the performance of its functions. It has developed policies and procedures for its Officers and Members to ensure that, as far as possible, they understand their responsibilities both to the Council and to the public. Key documents and procedures include:

- Standing Orders
- Contract Standing Orders
- Procurement Guide
- Finance Guidance Manual incorporating Financial Regulations
- Money Laundering procedures
- Committee reporting procedure including requirements for the monitoring of legal and financial implications
- Regular training on new legal requirements
- Regular updates from the Head of Legal Services for Members and Officers on key changes to the local authority legal framework

Other key corporate policies on a range of topics such as Equalities, Customer Care, Data Protection, Freedom of Information and Fraud have been adopted. All policies are subject to internal review, to ensure they are adequately maintained and fit for purpose.

Measuring the quality of services for users, for ensuring they are delivered in accordance with our objectives and for ensuring that they represent the best use of resources

The Council, through its budgetary monitoring and control processes, ensures that financial resources are being used in accordance with the budget and corporate policy via regular management reporting to Directors, Finance Portfolio Member and Cabinet.

Financial planning is underpinned by service planning and annual budget reviews to ensure that individual service plans and service improvements are in line with corporate objectives.

Through performance reports, corporate and key service objectives are monitored to ensure that performance targets and indicators are being achieved.

Economic, effective and efficient use of resources is subject to review through the work of the Scrutiny and Policy Overview Committees, Internal and External Audit and annual budget reviews.

Financial Management

Responsibility for ensuring that an effective system of internal financial control is maintained and operated rests with the Section 151 Officer. The systems of internal financial control provide reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The CIPFA Statement on the Role of the Chief Financial Officer is reported to the General Assembly as part of the annual budget report. The Council meets all the governance requirements contained in the statement.

Internal financial control is based on a framework of management information, financial regulations and administrative procedures, which include the segregation of duties where practical, management supervision and a system of delegation and accountability.

In particular, the process in 2015/16 included:

- The setting of a one year detailed budget and Medium Term Financial Plan;
- Monitoring of actual income and expenditure against the annual budget;
- A detailed budget review by officers and Members

- Setting of financial and performance targets;
- Regular reporting of the Council's financial position to Members;
- Clearly defined capital expenditure guidelines;
- Managing risk in key financial service areas.

Effectiveness of Internal Audit

The Internal Audit Team reports to the Managing Director and Management Team, operating under a Charter, which defines its relationship with Council Officers and the Audit Board. The main responsibility of the Internal Audit Team is to provide assurance and advice on the internal control system of the Council to the Management Team and Members. Internal Audit reviews, appraises the adequacy, reliability and effectiveness of internal control within systems and recommends improvement. It also supports management in developing systems, providing advice on risk and control. The controls created by management are evaluated to ensure:

- Council objectives are being achieved;
- Economic and efficient use of resources;
- Compliance with policies, procedures, laws and regulations;
- The safeguarding of Council assets; and
- The integrity and reliability of information and data.

As part of the wider annual review of the governance arrangements and in particular, the system of internal control, the Council is required to undertake an annual review of the effectiveness of the system of internal audit. This review is undertaken annually by the Audit, Risk and Anti-Fraud Manager and considered by the Managing Director. The review has highlighted an area where the Council has not fully complied with the Public Sector Internal Audit Standards (PSIAS). The PSIAS require the Internal Audit activity to be independent and objective, however, during the year the Chief Audit Executive for the Council was the S151 Officer who was not entirely independent due to her operational responsibilities.

This arrangement was of a temporary nature to allow the Audit, Risk and Anti-Fraud Manager to concentrate on implementing the improvements identified within the External Review carried out by PWC in the previous year. Appropriate mitigating actions were put in place to ensure there was no threat to independence from this arrangement. These included ensuring that the Audit, Risk and Anti-Fraud Manager had access to both the Managing Director and the Audit Chair and ensuring all internal audit reviews carried out during the year were summarised for the Audit Board within the Internal Audit progress report. A number of audits were undertaken within the area of responsibility of the S151 Officer, however, she had no direct involvement in these audits other than reviewing the final reports. Moving forward, the Chief Audit Executive role will pass to the Audit, Risk and Anti-Fraud Manager which will ensure the independence and objectivity of the role. Progress has been made against the PWC improvement plan with a number of the actions now having been implemented. These improvements now need to be fully embedded within the organisation. A follow up review is planned within 2016/17. Full details of the external review and progress made has been reported to the Audit Board.. Based on the internal and external reviews the Managing Director has assessed the effectiveness of the system of internal control as “satisfactory” – indicating that there are proper arrangements in place. The full details of the internal review has been reported to the Audit Board, alongside this Annual Assurance Statement, as it is a key element of the review of the system of internal control and governance framework.

Undertaking the core functions of an Audit Board, as identified in CIPFA's Audit Boards – Practical Guidance for Local Authorities

It is a responsibility of the Audit Board (as detailed in the Constitution) to monitor the work of Internal Audit and to ensure that any actions agreed are implemented. Its Terms of Reference are outlined in the Council's Constitution and are reviewed annually.

Performance and Risk Management

The following is the normal procedure for the review of risk:

- Reports on performance, which includes performance indicators and monitoring of key objectives and targets, is reported to management.
- The Council's risk management processes are regularly reviewed and reported to the Audit Board and Cabinet as appropriate.
- Strategic risk is aligned to corporate priorities and reports are produced for Management Team and Members.

A revised risk management process was implemented in 2013/14 and it has been reviewed by senior managers in 2015/16.

The development needs of Members and senior officers in relation to their strategic roles, supported by appropriate training

Members receive training during the year on key topics or where significant changes have occurred or new legislation introduced. Training for officers is considered at the annual appraisal and also during the year, if required.

REVIEW OF EFFECTIVENESS

Dartford Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This review is informed by:

The work of Internal Audit and the Audit, Risk and Anti-Fraud Manager's Annual Report.

- The work of senior managers within the Council who have responsibility for the development and maintenance of the governance environment.
- The work of the Senior Information Risk Owner
- Opinion of the external auditors as expressed in their annual report to the Audit Board.
- Detailed review which is undertaken on behalf of the Management Team.
- Overview conducted by the Management Team.
- Monitoring Officer's Annual Report to the Audit Board.

The following processes have been applied in maintaining and reviewing the effectiveness of the governance framework:

Council

The Corporate Plan, Constitution, budget and other strategies and polices are approved and reviewed by the General Assembly of the Council.

Cabinet

The Cabinet receives reports on financial performance.

Scrutiny Committee and Policy Overview Committee

These Committees have respectively a role in (a) advising on policy and (b) reviewing/scrutinising action and decisions taken.

Audit Board

The Audit Board receives quarterly updates on the assurance which can be placed against various systems and processes during the year, along with an annual assessment at the year end.

The Audit Board reviews reports presented to it by the Audit, Risk and Anti-Fraud Manager on the review of internal control. The Board receives a summary of all internal audit reports and keeps a check on those areas that were assessed as unsatisfactory. Additionally, it reviews the effectiveness of the Council's risk management arrangements.

The Audit Board receives an annual report from the Monitoring Officer on ethical governance arrangements and on the effectiveness of the Corporate Complaints Procedure.

Ethics is a key element of governance and the purpose of the Monitoring Officer's annual review of the Council's ethical governance is to ensure that robust arrangements are in place and that the Council continues to develop and improve management and reporting arrangements so as to satisfy itself that its approach to ethical governance is both adequate and effective in practice.

Senior Information Risk Officer

The ICT Manager has been designated as the Senior Information Risk Officer (SIRO), a role as recommended by LGA and Information Commissioner with responsibility for ensuring that information governance is embedded into the organisation. The SIRO should also ensure that management of personal data related risks are weighed alongside the management of other risks facing the Council, such as financial, legal and operational risk.

Internal Audit

Based on an overview of the work undertaken throughout the year, in conjunction with previous years' work and current risk assessments, the Audit, Risk and Anti-Fraud Manager places a Satisfactory Assurance on the systems of internal control in place.

SIGNIFICANT GOVERNANCE ISSUES

As highlighted earlier within this report, the Chief Audit Executive role should be independent and objective, however, during 2015/16 this role has sat with the S151 Officer who is not independent due to her operational responsibilities. Appropriate steps have been taken to mitigate this potential threat to independence and consequently this has not prevented the Council's corporate governance arrangements from operating effectively during the year. A review of this role has already been undertaken and moving forward the role will pass to the Audit, Risk and Anti-Fraud Manager to ensure the role is both fully independent and objective. On the basis of the detailed review undertaken and consideration of that review by the Managing Director, the Council is satisfied that there are no other significant governance matters that need to be brought to the immediate attention of Members and that the Council's corporate governance arrangements are adequate and operating effectively.

However, the following areas have been highlighted as requiring improvement and/or further development:

- Additional Review of Financial Regulations.
- Review of the Corporate Code of Governance to consider recently published CIPFA document - Delivering Good Governance in Local Government.
- Workforce Strategy

An action plan has been developed to deliver these and other less significant improvements.

Over the ensuing year, the Council will take steps to address the above matters to further enhance its governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Jeremy Kite	G Harris
COUNCILLOR J KITE LEADER OF THE COUNCIL	G J HARRIS MANAGING DIRECTOR
7 September 2016	7 September 2016

MOVEMENT IN RESERVES STATEMENT

The statement below shows the movement in the financial year 2015/16 on the different reserves held by the Authority, analysed into 'Usable Reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and Unusable Reserves.

The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes.

The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund and Housing Revenue Account balances before any discretionary transfers to or from Earmarked Reserves undertaken by the Council.

Movement in Reserves during 2015/16		General Fund Balance £,000	Earmarked GF Reserves £,000	Housing Revenue Account £,000	Capital Grants Unapplied Account £,000	Capital Receipts Reserve £,000	**Total Usable Reserves** £,000	Unusable Reserves £,000	**Total Authority Reserves** £,000
Balance at 31 March 2015		(3,000)	(12,654)	(9,868)	(708)	(12,451)	(38,681)	(170,835)	(209,516)
(Surplus) or deficit on the provision of services		(2,174)	0	(9,529)	0	0	(11,703)	0	(11,703)
Other Comprehensive Income & Expenditure		0	0	0	0	0	0	(39,597)	(39,597)
Total Comprehensive Income and Expenditure		(2,174)	0	(9,529)	0	0	(11,703)	(39,597)	(51,300)
Adjustments between accounting basis and funding basis under regulations	Note 6	(2,860)	0	7,702	(1,082)	8,546	12,306	(12,306)	0
(Net increase) / decrease before transfers to Earmarked Reserves		(5,034)	0	(1,827)	(1,082)	8,546	603	(51,903)	(51,300)
Transfers (to) / from Earmarked Reserves	Note 8	5,034	(5,034)	0	0	0	0	0	0
(Increase) / Decrease in Year		0	(5,034)	(1,827)	(1,082)	8,546	603	(51,903)	(51,300)
Balance at 31 March 2016		(3,000)	(17,688)	(11,695)	(1,790)	(3,905)	(38,078)	(222,738)	(260,816)

Further analysis of the specific adjustments and transfers which have been made to reserves is contained in notes 6 and 7.

The following table shows the comparative information for movements in reserves which took place during the 2014/15 financial year:

Movement in Reserves during 2014/15		General Fund Balance £,000	Earmarked GF Reserves £,000	Housing Revenue Account £,000	Capital Grants Unapplied Account £,000	Capital Receipts Reserve £,000	**Total Usable Reserves** £,000	Unusable Reserves £,000	**Total Authority Reserves** £,000
Balance at 31 March 2014		(3,000)	(14,105)	(8,427)	(719)	(13,426)	(39,677)	(123,717)	(163,395)
(Surplus) or deficit on the provision of services		(2,306)	0	(12,159)	0	0	(14,465)	0	(14,465)
Other Comprehensive Income & Expenditure		0	0	0	0	0	0	(31,657)	(31,657)
Total Comprehensive Income and Expenditure		(2,306)	0	(12,159)	0	0	(14,465)	(31,657)	(46,122)
Adjustments between accounting basis and funding basis under regulations	Note 6	3,758	0	10,718	11	975	15,462	(15,462)	0
(Net increase) / decrease before transfers to Earmarked Reserves		1,452	0	(1,441)	11	975	997	(47,119)	(46,122)
Transfers (to) / from Earmarked Reserves	Note 8	(1,452)	1,452	0	0	0	0	0	0
(Increase) / Decrease in Year		0	1,452	(1,441)	11	975	997	(47,119)	(46,122)
Balance at 31 March 2015		(3,000)	(12,653)	(9,868)	(708)	(12,451)	(38,680)	(170,836)	(209,517)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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 to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

		2015/16 Gross Expenditure £,000	2015/16 Gross Income £,000	2015/16 Net Expenditure £,000	2014/15 Net Expenditure £,000
Central Services		2,564	(1,432)	1,132	1,092
Cultural and Related Services		6,011	(536)	5,475	3,438
Environmental and Regulatory Services		6,446	(1,316)	5,130	4,542
Planning Services		3,655	(1,819)	1,836	1,281
Highways and Transport Services		777	(838)	(61)	0
Housing Services:					
Local Authority Housing (HRA)	Page 90	11,264	(21,549)	(10,285)	(13,082)
Other Housing Services		34,086	(33,002)	1,084	1,242
Corporate and Democratic Core		1,616	0	1,616	1,730
Non-Distributed Costs		0		0	88
Exceptional Items					0
Cost of Services		66,419	(60,492)	5,927	331
Other Operating Expenditure	Note 9	2,226	(4,865)	(2,639)	(3,047)
Financing and Investment Income and Expenditure	Note 10	6,202	(4,951)	1,251	2,655
Taxation and Non Specific Grant Income and Expenditure	Note 11	30,942	(47,184)	(16,242)	(14,405)
Surplus or Deficit on the Provision of Services				(11,703)	(14,466)
(Surplus) / Deficit on the revaluation of non current assets	Note 7			(35,595)	(41,878)
(Surplus) or Deficit on the revaluation of available for sale financial assets	Note 7			950	(1,070)
Remeasurements of the net defined benefit liability (asset)	Note 7			(4,952)	11,291
Total Other Comprehensive Income and Expenditure				(39,597)	(31,657)
Total Comprehensive Income and Expenditure				(51,300)	(46,123)

BALANCE SHEET

		31.03.16 £,000	31.03.15 £,000
Long Term Assets			
Property, Plant and Equipment	Note 12	318,326	271,790
Investment Property	Note 13	13,080	15,646
Intangible Assets		166	215
Long Term Investments	Note 15	0	2
Long Term Debtors	Note 16	17,756	15,690
Total Long Term Assets		349,328	303,343
Current Assets			
Cash and Cash Equivalents	Note 17	17,894	25,049
Inventories		3	3
Short Term Debtors	Note 16	5,955	4,103
Short Term Investments	Note 15	57,481	59,260
Assets Held for Sale	Note 14	500	300
Total Current Assets		81,833	88,715
Current Liabilities			
Short Term Borrowing	Note 15	(4,714)	(4,428)
Short Term Creditors	Note 18	(25,214)	(26,189)
Grants Receipts in Advance - Capital	Note 27	(838)	(3,249)
Provisions	Note 19	(775)	(2,503)
Total Current Liabilities		(31,541)	(36,369)
Net Current Assets		50,292	52,346
Long Term Liabilities			
Long Term Creditors	Note 18	(12,173)	(13,771)
Provisions	Note 19	(4,229)	(1,605)
Long Term Borrowing	Note 15	(64,736)	(69,476)
Net Pensions Liability	Note 32	(57,666)	(61,321)
Total Long Term Liabilities		(138,804)	(146,173)
Total Net Assets		260,816	209,516
Financed by:			
Usable Reserves			
Usable Capital Receipts Reserve	Note 6	(3,905)	(12,451)
Earmarked Reserves	Note 8	(17,688)	(12,654)
Capital Grants Unapplied Reserve	Note 6	(1,790)	(708)
General Fund		(3,000)	(3,000)
Housing Revenue Account	HRA	(11,695)	(9,868)
Unusable Reserves			
Capital Adjustment Account	Note 7	(176,868)	(162,165)
Revaluation Reserve	Note 7	(85,014)	(51,106)
Available-for sale Financial Instruments	Note 7	(423)	(1,374)
Collection Fund	Note 7	487	(1,899)
Pensions Reserve	Note 7	57,666	61,321
Deferred Capital Receipts Reserve	Note 7	(18,586)	(15,612)
Total Net Worth		(260,816)	(209,516)

These financial statements replace the unaudited financial statements certified by Sarah Martin on 8 June 2016.

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as Operating, Investing and Financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

CASH FLOW STATEMENT

		2015/16 £,000	2014/15 £,000
Net surplus or (deficit) on the provision of services		11,703	14,466
Adjustments to net surplus or deficit on the provision of services for non cash movements		12,972	11,211
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(11,838)	(5,102)
Net cash flows from operating activities	Note 20	12,837	20,575
Investing activities	Note 21	(11,896)	(19,728)
Financing activities	Note 22	(8,096)	5,636
Net increase (decrease) in cash and cash equivalents		(7,155)	6,483
Cash and cash equivalents at the beginning of the reporting period	Note 17	25,049	18,566
Cash and cash equivalents at the end of the reporting period	Note 17	17,894	25,049

1 Accounting Policies

General Principles

The Statement of Accounts summarises the Authority's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require it to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Reporting Code of Practice for Local Authorities 2015/16, 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.

Accruals and Revenue Recognition

Expenditure and Income are accounted for in the year that it takes place, not simply when cash payments are made or received and relate to activity on all of the Council's functions including non-exchange transactions e.g. Council Tax, Housing Rents and Business Rates. In particular:

- revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that the economic benefits or service potential associated with the transaction will flow to the Authority;

- revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that the economic benefits or service potential associated with the transaction will flow to the Authority;

- supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;

- expenses in relation to services received, including those from employees, are recorded as expenditure when the services are received rather than when payments are made;

- Revenue relating to such things as council tax, business rates, etc shall be measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates;

- interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;

- Where revenue 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 debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months of the Balance Sheet date and are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off;
- amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance).

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance [MRP or loans fund principal], by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Discounted Sales Scheme

During 2013/14 the Council identified monies due to it in respect of discounts provided by two third parties on sales of new dwellings on a development scheme in the borough.

The income due is based on a percentage of the market value of the properties and becomes due to the Council upon either the first sale of the property or after 25 years if no sale takes place.

To determine the fair value of the asset at the balance sheet date each year the following method will be used:

- Adjust the historic sale figure by appropriate price indices to reflect the gross income due at the balance sheet date
- Estimate the likely income stream based on disposals of properties over the 25 year period.
- In order to reflect that the income will come in the future these values are discounted, using an appropriate rate of discount to be determined by the Council and its advisers.

Indices and discount rates are reviewed annually, and the value is updated for any sales that have occurred, to reflect the estimated position at 31 March.

Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within twelve months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees. Such benefits are recognised as an expense for services in the year in which employees render service to the Authority. The calculated cost of unpaid benefits owing to employees at year end is not considered material, so no accrual has been made in the accounts for this.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Comprehensive Income and Expenditure Statement at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are made to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

Employees of the Council are generally eligible to be members of the Local Government Pensions Scheme, administered by Kent County Council.

The scheme provides defined benefits (retirement lump sums and pensions) to its members, linked to their length of service as employees of the Council, including transferred-in service from past employers.

The local government scheme is accounted for as a defined benefits scheme. The liabilities of the Kent County Council pension scheme 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, etc., and projections of earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality (AA) corporate bonds. At March 2016 the discount rate was 3.5%.

The assets of the Kent County Council pension scheme, attributable to the Council, are included in the Balance sheet at their fair value, as follows:

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 the following components:

Service Cost

- current service cost: the increase in liabilities as a result of years of service earned this year (allocated to the revenue accounts of services for which the employees worked, in the Comprehensive Income and Expenditure Statement).
- past service cost: the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years (debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs).
- net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time (charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments).

Remeasurement

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuary has updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Contributions paid to the Kent County Council pension fund:- cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

Statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund, or directly to pensioners, in the year, not the amount calculated according to the relevant accounting standards. In the Movement in

Reserves Statement, appropriations are required, to and from the Pensions Reserve, to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners, or any amounts payable to the fund but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award, and are accounted for using the policies as are applied to the Local Government Pension Scheme.

Events After the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

Financial Instruments

Financial Liabilities
Financial Liabilities are recognised in the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure 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 effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. This means that the amount presented in the Balance Sheet is the outstanding principal repayable and the interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Financial Assets
The Council's financial assets (investments) are classified into two types:

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

Loans and Receivables
Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument, and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure 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 Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest), and the interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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

Available for sale Assets
Available for sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument, and are initially measured and carried at fair value. Fair value at the balance sheet date for this class of investments was determined by reference to the market price as at 31 March 2016. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price;
- other instruments with fixed and determinable payments – discounted cash flow analysis;
- equity shares with no quoted market prices – independent appraisal of company valuations.

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

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

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. The exception is where impairment losses have been incurred. These are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or 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 that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account.

Community Infrastructure Levy

The Authority has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on 'new build' (chargeable developments for the Authority) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement, in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges may be used to fund revenue expenditure.

Heritage Assets

A Heritage Asset is a tangible or intangible asset that is intended to be preserved in trust for future generations because of its historical, artistic, scientific, technological, geophysical or environmental qualities and is held principally for its contribution to knowledge and culture. The value of Heritage Assets held by the Council is not material and therefore is not recognised on the balance sheet.

Interest in Companies or Other Entities

The Council does not have material interests in companies, nor in other entities that have the nature of subsidiaries; accordingly group accounts have not been prepared. The Council is a shareholder in the Bridge Estate Management Company Limited. To date the company's activities have been very limited and are not considered material; and it is not considered that the preparation of group accounts would aid in the understanding of the financial standing of the Council.

Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of council services or is held for sale.
Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use.

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

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

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

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

Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Authority as a joint operator recognises its:

- assets, including its share of any assets held jointly;
- liabilities, including its share of any liabilities incurred jointly;
- revenue from the sale of its share of the output arising from the joint operation;
- share of the revenue from the sale of the output by the joint operation;
- expenses, including its share of any expenses incurred jointly.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy, where fulfilment of the arrangement is dependent on the use of specific assets.

<u>The Authority as Lessor</u>

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund balance, and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve in the Movement in Reserves Statement. The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund balance in the Movement in Reserves Statement.

Operating Leases
Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the other operating expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease.

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015/16 (SeRCOP). The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multifunctional, democratic organisation,
- Non-Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition
Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. Expenditure above £10,000 is capitalised; amounts below this sum are charged directly to revenue.

Measurement
Assets have been valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation principles and Guidance Notes issued by the Royal

Institution of Chartered Surveyors (RICS). They have been classified in accordance with the IFRS Code.

Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV),
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.
Where non-property assets have short useful lives or low values (or both), the depreciated historical cost basis is used as a proxy for fair value.
Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount was not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. (Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service).

The schedule of valuations for operational property is shown in note 12. The date of revaluation for Property, Plant and Equipment assets valued during the year is usually 1 April 2015. Investment Properties have been revalued as at 31 March 2016. Council dwellings are revalued annually using the Beacon principle. The asset valuations in these accounts have been prepared by the Council's Consultant Valuer, Richard Robson BSc MRICS and by Michael Rogers LLP (HRA Beacon properties only). The valuations were produced in accordance with guidelines issued by CIPFA, and in accordance with the Royal Institute of Chartered Surveyors' current guidance notes for Asset Valuation.

The basis for Council dwellings' valuations is Existing Use Value for Social Housing (EUV-SH). Under this method the vacant possession value of the dwellings is reduced to 32% of the market value, to reflect their occupation by secure tenants. A full valuation of the Beacon properties in undertaken every five years, but an annual adjustment to reflect market changes is made in the intervening years. The date of valuation for Housing Revenue Account dwellings was 31 March 2016.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Gains can also be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for in the following ways:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

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.

Impairment
Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where such indications exist, and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for in the following ways:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- where there is no balance in the Revaluation Reserve, or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation
Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction). Depreciation is calculated on the following bases:

- dwellings – straight-line allocation over 60 years, the useful life of the property as estimated by the valuer,
- other buildings – reducing balance charge over the useful life of the property as estimated by the valuer, (ranges from 10-60 years).
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet on a reducing balance basis, as advised by a suitably qualified officer, (ranges from 3-10 years).

- Infrastructure – reducing balance charge over the useful lives of the assets, (ranges from 10-35 years).

Expenditure on the acquisition or enhancement of an asset is not depreciated in the year it is incurred unless the value is significant.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Components
The IFRS code requires local authorities to identify elements of major assets that either have a capital cost that is significant in relation to the total cost of the asset and/or have a different useful life or depreciation method. The Council accounts for components for individual assets with a gross book value in excess of £1m, and where any individual component has a value in excess of £100,000.

The treatment of components for the Housing Revenue Account dwellings differs from that shown above. The component policy for the HRA dwelling stock has been compiled based on advice received from external valuers and officers. The criterion for this asset class is if an individual component has a value in excess of 20% of the average dwelling valuation. The Council has not implemented component accounting for the HRA stock as no individual components meet the Council's criterion.

Disposals and Non-current Assets Held for Sale
When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value, less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criterion to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale, adjusted for the depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are also credited to the same line in the Comprehensive Income and Expenditure Statement, as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts in excess of £10,000 received for a disposal are categorised as capital receipts. A proportion of certain receipts relating to housing disposals is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts

Reserve, and can then only be used for new capital investment. Receipts are appropriated to the reserve from the General Fund balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund balance in the Movement in Reserves Statement.

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made, but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential

Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure. Certain reserves are kept to manage the accounting processes for non-current assets and retirement benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

Value Added Tax

VAT has been included in the income and expenditure accounts, whether of a capital or revenue nature, only to the extent that it is irrecoverable.

2 Accounting Standards that Have Been Issued but Have Not Yet Been Adopted

The 2015/16 Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. The Code requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year

The standards introduced in the 2015/16 Code that are relevant are

- Amendments to IAS 19 *Employee Benefits* (Defined Benefit Plans: Employee Contributions)
- Annual Improvements to IFRSs 2010 – 2012 Cycle
- Amendment to IFRS 11 *Joint Arrangements* (Accounting for Acquisitions of Interests in Joint Operations)
- Amendment to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* (Clarification of Acceptable Methods of Depreciation and Amortisation)
- Annual Improvements to IFRSs 2012 – 2014 Cycle
- Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative)
- The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis
- The changes to the format of the Pension Fund Account and the Net Assets Statement.

Appendix C of the 2016/17 Code will provide details of the disclosures required. The Council considers that these proposed changes will have a minimal impact on future statements. However, in the 2016/17 year the comparator 2015/16 Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement must reflect the new formats and reporting requirements as a result of the Telling the Story review of the presentation of local authority financial statements.

3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1 the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The Council's aggregate interest in the discounted sales scheme is continuing to rise as the development progresses, (285 properties as at 31 March 2016). The Historic costs of the sales since the commencement of the scheme have been uplifted to March 2016 prices by using the land registry indices for the South East, relevant to the respective balance sheet dates.

The Council's income from this scheme is variable and dependant on the individual owner occupiers' decisions to sell or not. During the 2015-16 financial year 14 properties were sold and the Council continues to use a prudent estimate of future sales, i.e. that they fall equally over the period of the scheme.

The Council considers that the future value of its interest needs to be reduced in the statement of accounts by applying a net present value to the gross figure in order to reflect the long term, future value of anticipated income. A discount rate of 2% has been applied, being the Bank of England forecast for long term inflation.

It has been determined that the discounted sales scheme receivable is not a financial instrument as the Council's rights under the scheme do not meet the definition of a financial asset. This is because the Council's legal charge over the properties concerned does not arise from a contractual relationship between the Council and the purchasers of the property. Additionally, the Council has offered no consideration to the owners of the property in return for the economic benefits received.

There is still a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and/or reduce levels of service provision.

The Council is liable for losses on business rates arising from valuation appeals in respect of 2015/16 and earlier years. The total rateable value for these appeals on 1 April 2016 was £106m, of which the Council's share was £42m; (£103m and £42m respectively at 1 April 2015).

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future, or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other related factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

There are three items in the balance sheet where actual results could be materially different from assumptions and estimates:

Pensions Liability

The Council's Balance Sheet as at 31 March 2016 includes an amount of £56.67m for pension liability for which it is considered there is a significant risk of material adjustment in the forthcoming financial year. Detailed information regarding the assessment of valuation and any risk is covered in Note 32.

Investment Property – The Bridge

The Balance Sheet includes a value for The Bridge investment property of £6.923m (£8.828m in 2014/15). The Bridge is a development the Council has entered into in partnership with Prologis. The value of the investment property is based on future estimated cash flows to the Council. These will vary each year and will, in part, be determined by the property market; The Bridge is revalued each year and the balance sheet adjusted accordingly.

Property Valuations

Valuations were carried out by external Valuers. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. These methods involve comparisons with prevailing market conditions. Any uncertainty would have the greatest effect on Social Housing assets where a reduction in market values of 10% would decrease holding values by £26m.

Provision for Business Rate Valuation Appeals

A provision has been made for the potential effect of outstanding appeals in respect of rating list entries relating to the Collection Fund.

The provision for business rate valuation appeals is based on the latest list of outstanding rating list proposals provided by the Valuation Office and is an estimate based on changes in comparable hereditaments, market trends and other valuation issues, including the potential for some proposals to be withdrawn. If the rate and value of successful appeals were 1% higher than estimated there would be a shortfall of £1.49m in the collection fund provision.

Fair Value Measurements

When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities.

Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the authority's external valuer).

Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in notes below.

The authority uses the discounted cash flow (DCF) model to measure the fair value of some of its investment properties. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates – adjusted for regional factors (for both investment properties and some financial assets)
Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the relevant assets.

5 Events After The Reporting Period

The Statement of Accounts was approved and authorised for issue on 21 September 2016 by the Audit Board, and this is the date to which events after the Balance Sheet date have been considered for inclusion in the financial statements.

6 Adjustments Between Accounting Basis and Funding Basis Under Regulations, including Usable Reserves Disclosure

Details of movements in the Authority's usable reserves are set out in the Movement in Reserves Statement and the tables later in this note. The movements are summarised in the table below.

	Movements in Year				
	2014/15 £'000	CI&ES £'000	MIRS (note 6) £'000	Reserves £'000	2015/16 £'000
General Fund Balance	3,000	8,798	(13,832)	5,034	3,000
Housing Revenue Account	9,869	9,529	(7,703)	0	11,695
Capital Grants Unapplied	708	0	1,082	0	1,790
Capital Receipts Reserve	9,501	0	(9,030)	0	471
"One for One" Receipts	2,950	0	484	0	3,434
Total	26,028	18,327	(28,999)	5,034	20,390

The Usable Reserves are composed of:

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to paid and out of which all its liabilities are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

Housing Revenue Account Balance

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure, as defined by the 1989 Act, that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Major Repairs Reserve

The Authority is required to maintain the Major Repairs Reserve, which controls the application of the Major Repairs Allowance (MRA). The MRA is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA.

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the nature of capital expenditure against which it can be applied and/or the financial year in which this can take place.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

'One for One' Receipts

This is a part of the capital receipts reserve and is broken down here for additional disclosure; these receipts arise from the sale of Council properties via the Right to Buy. The receipts must be held separately and used to fund the provision of new social housing, within three years of receipt.

Adjustments Between Accounting Basis and Funding Basis Under Regulations

The table below details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year, in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

	Usable Reserves				
2015/16	General Fund Balance £,000	Housing Revenue Account £,000	Major Repairs Reserve £,000	Capital Grants Unapplied £,000	Capital Receipts Reserve £,000
Adjustments to the Revenue Resources					
Pensions Costs	(1,014)	(283)	0	0	0
Council Tax and NDR	(2,386)	0	0	0	0
Reversal of entries in relation to Capital Expenditure	(9,438)	(5,512)	0	0	0
Total Adjustments to Revenue Resources	**(12,838)**	**(5,795)**	**0**	**0**	**0**
Adjustments Between Revenue and Capital Resources					
Transfer of Cash Sale Proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	2,507	2,319	0	0	(4,826)
Transfer from Deferred Capital Receipts on receipt of cash	(1)	0	0	0	(4)
Recognition of Long Term Debtor re Discounted Sales Scheme	3,716	0	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(416)	0	0	0	416
Capital expenditure financed from the General Fund and Housing Revenue Account Balances	98	3,874	0	0	0
Statutory provision for the repayment of debt	39	4,443	0	0	0
Transfer from HRA to Major Repairs Reserve	0	2,861	(2,861)	0	0
Total Adjustments between Revenue and Capital Resources	**5,943**	**13,497**	**(2,861)**	**0**	**(4,414)**
Adjustments to Capital Resources					
Capital Grants Applied to Finance Capital expenditure	2,941	0	0	12	0
Capital Grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,094	0	0	(1,094)	0
Use of the Major Repairs Reserve to finance capital expenditure	0	0	2,861	0	0
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0	0	12,960
Total Adjustments to Capital Reserves	**4,035**	**0**	**2,861**	**(1,082)**	**12,960**
Total Adjustments	**(2,860)**	**7,702**	**0**	**(1,082)**	**8,546**

2014/15	Usable Reserves: General Fund Balance £,000	Housing Revenue Account £,000	Major Repairs Reserve £,000	Capital Grants Unapplied £,000	Capital Receipts Reserve £,000
Adjustments to the Revenue Resources					
Pensions Costs	(1,024)	(256)	0	0	0
Council Tax and NDR	3,629	0	0	0	0
Reversal of entries in relation to Capital Expenditure	(4,109)	(2,844)	0	0	0
Total Adjustments to Revenue Resources	**(1,504)**	**(3,100)**	**0**	**0**	**0**
Adjustments Between Revenue and Capital Resources					
Transfer of Cash Sale Proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	889	3,083	0	0	(3,975)
Recognition of Long Term Debtor re Discounted Sales Scheme	3,521	0	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(363)	0	0	0	363
Capital expenditure financed from the General Fund and Housing Revenue Account Balances	47	3,646	0	0	0
Statutory provision for the repayment of debt	38	4,443	0	0	0
Transfer from HRA to Major Repairs Reserve	0	2,646	(2,646)	0	0
Total Adjustments between Revenue and Capital Resources	**4,132**	**13,818**	**(2,646)**	**0**	**(3,612)**
Adjustments to Capital Resources					
Capital Grants Applied to Finance Capital expenditure	1,131	0	0	11	0
Use of the Major Repairs Reserve to finance capital expenditure	0	0	2,646	0	0
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0	0	4,587
Total Adjustments to Capital Reserves	**1,131**	**0**	**2,646**	**11**	**4,587**
Total Adjustments	**3,759**	**10,718**	**0**	**11**	**975**

7 Unusable Reserves

2015/16 £,000		2014/15 £,000
(176,868)	Capital Adjustment Account	(162,165)
(85,014)	Revaluation Reserve	(51,106)
487	Collection Fund Adjustment Account	(1,899)
57,666	Pensions Reserve	61,321
(18,586)	Deferred Capital Receipts Reserve	(15,612)
(423)	Available for Sale Financial Instruments Account	(1,374)
(222,738)		(170,835)

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. The account contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the authority. The account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

2015/16 £,000		CAPITAL ADJUSTMENT ACCOUNT	2014/15 £,000	
	(162,165)	Balance as at 1 April		(152,090)
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
8,008		Charges for depreciation and impairment of non-current assets	1,961	
120		Amortisation of intangible assets	129	
2,878		Revenue expenditure funded from capital under statute	2,248	
3,293		Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,883	
	14,299			7,221
	0	Adjusting amounts written out of the Revaluation Reserve		(271)
	14,299	Net written out amount of the cost of non-current assets consumed in the year		6,950
		Capital financing applied in the year:		
(12,961)		Use of the Capital Receipts Reserve to finance new capital expenditure	(4,587)	
(2,861)		Use of the Major Repairs Reserve to finance new capital expenditure	(2,646)	
(2,875)		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	0	
(77)		Application of grants to capital financing from the Capital Grants Unapplied Account	(1,142)	
(4,482)		Statutory Provision for the financing of capital investment charged against the General Fund and HRA balances	(4,481)	
(3,972)		Capital expenditure charged against the General Fund and HRA balances	(3,693)	
(1,342)		Adjustment re Historic Cost Depreciation	(208)	
	(28,570)			(16,757)
	(432)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(268)
	(176,868)	Balance as at 31 March		(162,165)

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its property, plant and equipment.
The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services as the gains are consumed through depreciation, or
- disposed of and the gains realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2015/16 £,000		REVALUATION RESERVE	2014/15 £,000	
	(51,106)	Balance as at 1 April		(9,707)
(40,318)		Upward revaluation of assets	(46,218)	
4,723		Downward revaluation of assets and impairment losses not charged to the surplus or deficit on the provision of services	4,340	
	(35,595)	Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services		(41,878)
1,342		Difference between fair value depreciation and historical cost depreciation	479	
345	1,687	Amount written off to the Capital Adjustment Account		479
	(85,014)	Balance at 31 March		(51,106)

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax and business rates payers, compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

COLLECTION FUND ADJUSTMENT ACCOUNT	2015/16 £,000	2014/15 £,000
Balance at 1 April	(1,899)	1,730
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(71)	(90)
Amount by which non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non domestic rates income calculated for the year in accordance with statutory requirements	2,457	(3,539)
Balance at 31 March	487	(1,899)

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds, or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve shows a shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

PENSIONS RESERVE	2015/16 £,000	2014/15 £,000
Balance at 1 April	61,321	48,750
Remeasurements of the net defined benefit liability (asset)	(4,952)	11,291
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the provision of Services	4,029	3,877
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,732)	(2,597)
Balance at 31 March	57,666	61,321

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets for which cash settlement has yet to take place. Under statutory arrangements the authority does not treat these gains as usable for financing new capital expenditure until they are backed by capital receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve. The Council has identified monies due to it in respect of discounts provided by two third parties on sales of new dwellings on a development in the borough. These receipts will arise over the next 25 years, as relevant properties are sold, and they are shown on the balance sheet and within Long Term Debtors in note 16 to the accounts.

DEFERRED CAPITAL RECEIPTS RESERVE	2015/16 £,000	2014/15 £,000
Balance at 1 April	(15,612)	(12,096)
Discounted Sale Scheme	(2,979)	(3,520)
Transfer to the Capital Receipts Reserve upon receipt of cash	5	4
Balance at 31 March	(18,586)	(15,612)

Available for Sale Financial Instruments Account

The Available for Sale Financial Instruments Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains thereon, per statutory provisions.

AVAILABLE FOR SALE FINANCIAL INSTRUMENTS ACCOUNT	2015/16 £,000	2014/15 £,000
Balance at 1 April	(1,374)	(304)
Upward revaluation of investments	(391)	(1,150)
Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	196	77
Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	1,146	3
Balance at 31 March	(423)	(1,374)

8 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in Earmarked Reserves to provide financing for future expenditure plans, and the amounts posted back from Earmarked Reserves to meet General Fund expenditure in 2015/16.

	Balance at 1 April 2014 £,000	Transfers Out 2014/15 £,000	Transfers In 2014/15 £,000	Balance at 31 March 2015 £,000	Transfers Out 2015/16 £,000	Transfers In 2015/16 £,000	Balance at 31 March 2016 £,000
Identified Initiatives	(2,487)	336	(127)	(2,278)	433	(380)	(2,225)
Additional Pensions	(2,000)	0	0	(2,000)	0	0	(2,000)
Acacia	(469)	66	0	(403)	120	0	(283)
Structural Changes and Partnering	(575)	0	0	(575)	15	0	(560)
Default and Exceptional Loss	(530)	120	(20)	(430)	0	(143)	(573)
Feasibility and Service Provision	(450)	56	0	(394)	90	(296)	(600)
Minor Insurance Liabilities	(100)	0	0	(100)	0	0	(100)
Investment Volatility	(300)	0	0	(300)	0	(700)	(1,000)
Museum Donation Box	(13)	0	0	(13)	0	(1)	(14)
Replacement and Renewals	(505)	0	(6)	(511)	47	(181)	(645)
Corporate Property Maintenance	(500)	0	0	(500)	31	(31)	(500)
Homelessness	(300)	0	0	(300)	0	0	(300)
New Homes Bonus	(2,339)	1,476	(2,238)	(3,101)	285	(2,657)	(5,473)
Environmental and Waste Management	(314)	158	(593)	(749)	151	(152)	(750)
NNDR Deficit Reserve	(2,223)	2,223	0	0	0	(1,665)	(1,665)
Exceptional Cost Overrun	(1,000)	0	0	(1,000)	0	0	(1,000)
Total	(14,105)	4,435	(2,984)	(12,654)	1,172	(6,206)	(17,688)

9 Other Operating Expenditure

	2015/16 £,000	2014/15 £,000 Restated
Parish Council precepts	1,111	1,069
Levies	0	132
Payments to the Government Housing Capital Receipts Pool	416	363
(Gains)/Losses on the disposal of non current assets	(450)	(1,090)
Notional Income Discounted Sale Scheme	(3,716)	(3,521)
Total Other Operating Expenditure	(2,639)	(3,047)

10 Financing and Investment Income & Expenditure

		2015/16 £,000	2014/15 £,000
Interest payable and similar charges		1,738	1,833
Net interest on the net defined benefit (liability)		1,919	2,090
Interest receivable and similar income		(1,304)	(459)
Income and expenditure in relation to investment properties		(670)	(541)
Changes in the fair value of investment property	Note 13	(432)	(268)
Total Financing and Investment Income and Expenditure		1,251	2,655

11 Taxation and Non Specific Grant Income and Expenditure

		2015/16 £,000	2014/15 £,000
Council Tax Income		(6,795)	(6,595)
NNDR Tariff		30,252	29,685
NNDR Income Share		(33,873)	(32,856)
Business Rates Levy		844	553
Section 31 Business Rates Grants	Note 27	(604)	(400)
Non-Ringfenced Government Grants	Note 27	(4,702)	(4,792)
Capital Grants and Contributions	Note 27	(1,364)	0
Total Taxation and Non Specific Grant Income		(16,242)	(14,405)

12 Property, Plant and Equipment

Movements on Balances

Movements in 2015/16

	Council Dwellings £,000	Other Land and Buildings £,000	Vehicles, Plant, Furniture& Equipment £,000	Infrastructure Assets £,000	Community Assets £,000	Surplus Assets £,000	Assets Under Construction £,000	**Total Property, Plant and Equipment** £,000
Cost or Valuation								
at 1 April 2015	231,182	33,810	6,275	3,236	8,017	0	3,241	285,763
Additions	6,722	8,933	283	34	1,819	0	2,003	19,794
Revaluation increases / (decreases) recognised in the Revaluation Reserve	25,401	(697)	0	0	0	2,549	0	27,253
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	0	(184)	0	0	0	0	0	(184)
Derecognition - Disposals	(1,170)	0	0	0	0	0	0	(1,170)
Derecognition - Other	0	0	(1,064)	0	0	0	0	(1,064)
Assets reclassified	0	1,670	0	0	(525)	2,288	(3,128)	305
Impairment	(1,439)	(1,204)	0	0	0	(1,571)	0	(4,214)
At 31 March 2016	260,696	42,328	5,494	3,270	9,311	3,266	2,116	326,483
Accumulated Depreciation and Impairment								
At 1 April 2015	(2,646)	(4,855)	(5,048)	(1,059)	(363)	0	0	(13,971)
Depreciation charge	(2,861)	(1,429)	(363)	(95)	0	0	0	(4,748)
Depreciation written out to Surplus/Deficit on provision of Services	0	834	0	0	0	0	0	834
Reversed on revaluation	5,507	3,157	0	0	0	0	0	8,664
Derecognition - Other	0	0	1,064	0	0	0	0	1,064
At 31 March 2016	0	(2,293)	(4,347)	(1,154)	(363)	0	0	(8,157)
Net Book Value at 31 March 2016	260,696	40,035	1,147	2,116	8,948	3,266	2,116	318,326

During 2015/16 the Council spent £19.908m on works to its asset portfolio. A little under half of this sum (£8.74m) related to the refurbishment of the Fairfield complex, while £8.73m was spent on HRA dwelling stock assets including a programme of new build/acquisitions. The Council sold 22 dwellings with a total balance sheet valuation of £1.17m under the Right to Buy scheme during 2015/16.

Movements on Balances

Movements in 2014/15

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	**Total Property, Plant and Equipment**
	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Cost or Valuation							
at 1 April 2014	185,904	35,122	6,190	3,234	7,721	346	238,518
Additions	6,292	123	85	1	296	2,895	9,692
Revaluation increases / (decreases) recognised in the Revaluation Reserve	41,366	512	0	0	0	0	41,878
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	0	(1,546)	0	0	0	0	(1,546)
Derecognition - Disposals	(2,014)	0	0	0	0	0	(2,014)
Impairment	(365)	(101)	0	0	0	0	(466)
Other movements in cost or valuation	0	(300)	0	0	0	0	(300)
At 31 March 2015	231,182	33,810	6,275	3,236	8,017	3,241	285,763
Accumulated Depreciation and Impairment							
At 1 April 2014	(2,173)	(5,796)	(4,677)	(964)	(363)	0	(13,973)
Depreciation charge	(2,646)	(1,269)	(371)	(95)	0	0	(4,381)
Reversed on revaluation	2,173	2,209	0	0	0	0	4,382
At 31 March 2015	(2,646)	(4,855)	(5,048)	(1,059)	(363)	0	(13,971)
Net Book Value at 31 March 2015	228,536	28,955	1,227	2,177	7,654	3,241	271,792

Depreciation

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

Council Dwellings	60 years
Other Land and Buildings	10-60 years
Vehicles, Plant and Equipment	3-10 years
Infrastructure	10-35 years

Capital Commitments

At 31 March 2016 the Authority was contractually committed to existing contracts for the construction or enhancement of property, plant and equipment with an outstanding commitment of £0.145m, and was also committed to new contracts starting in 2016/17 with a value of £2.530m for 2016/17 and future years. Similar commitments at 31 March 2015 totalled £9.601m.

Revaluations

The Authority carries out a rolling programme of valuations, in accordance with the IAS16 requirements, to ensure that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years.
The Council introduced a desk-top evaluation process to determine whether or not the carrying values for those assets not valued in a particular year differed materially from the amount that would be given by a full valuation carried out on 31 March. The result of this exercise for 2015/16 identified a variation in values of £0.287m, which is not considered to be material against a net operational asset base of £40m.

Valuations were carried out by external Valuers. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

With regard to PPE properties valued as at 1 April 2015, these were split between properties / land that were valued on an 'Existing Use value' basis (such as Civic Offices and the Car Parks) and those valued on Depreciated Replacement Cost (DRC) such as Public Conveniences, Theatre, Football Stadium etc. An existing use value involves analysing other market transactions, in terms of purchase price, rents, yields etc. and making adjustments to relate this evidence to the subject property and, where appropriate, making allowances for cost of acquisition etc. The relevant factors in terms of adjustments relate to tenure (in particular the terms of any leases), age, location, use, condition and suitability of the property for its intended use.

With regard to DRC properties the Valuer relied on the rebuilding costs supplied by the RICS Building Cost Information Service and made assumptions based on the life expectancy of building components based on his knowledge of the property type and any other information supplied.

	Council dwellings £'000	Other land and buildings £'000	Total £'000
Valued at fair value as at:			
01 April 2015*	260,696	37,162	297,858
01 April 2014	0	108	108
01 April 2013	0	1,446	1,446
01 April 2012	0	203	203
01 April 2011	0	1,117	1,117
Total Cost or Valuation	260,696	40,036	300,732

* Fairfield valued as at February 2016, when it became operational
* Council dwellings valued as at 31/3/16

Surplus Assets: land at Stone Lodge was revalued at Fair Value as at 31 March 2016. The valuation technique was based on Significant Observable Inputs – level 2, i.e. it was based on the market approach using current market conditions and recent sales or lettings evidence and other relevant information for similar assets in Dartford Borough, or other suitably comparable locations. Where appropriate, adjustments have been made to the comparable evidence to relate these directly to the subject asset. Market conditions are such that similar assets are actively sold or let and the level of observable inputs are significant, leading the assets being categorised at Level 2 in the fair value hierarchy.

13 Investment Properties

The following table summarises the movement in the fair value of investment properties over the year:

	2015/16 £,000	2014/15 £,000
Balance at 1 April	15,646	16,202
Additions:		
Construction	0	44
Reclassifications	(830)	0
Disposals	(2,168)	(868)
Net gains/(losses) from fair value adjustments	432	268
Balance at 31 March	13,080	15,646

Fair Value Hierarchy

Details of the authority's investment properties and information about the fair value hierarchy as at 31 March 2016 and 2015 are as follows:

Recurring fair value measurements using:	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2016
	£,000	£,000	£,000
Commercial units	12,741	339	13,080
Total	12,741	339	13,080

Recurring fair value measurements using:	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2015
	£,000	£,000	£,000
Commercial units	15,307	339	15,646
Total	15,307	339	15,646

Transfers between Levels of the Fair Value Hierarchy

There were no transfers between Levels during the year

Valuation Techniques used to Determine Level 2 and 3 Fair Values for Investment Properties

Significant Observable Inputs – Level 2

The fair value for the commercial investment portfolio has been based on the market approach using current market conditions and recent sales or lettings evidence and other relevant information for similar assets in Dartford Borough, or other suitably comparable locations. Where appropriate, adjustments have been made to the comparable evidence to relate these directly to the subject properties. Market conditions are such that similar properties are actively sold or let and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

Significant Unobservable Inputs – Level 3

The Stone Lodge Bowls Club is let on a lease with just under 20 years unexpired, has been valued on a traditional rent and yield basis and would be typically classified as a level 2 Fair Value Investment Lease. However, any rent increases are totally based on a profits basis with the underlying presumption for any increase being that the tenant club will improve profitability during the course of the lease. The Council is totally reliant upon the financial information provided by the Tenant. Ordinarily, current market rent and the potential for rental growth are significant observable inputs. In this case there are no comparable transactions within the market that can be relied on.

Consequently, the only means of valuing the asset is to adopt the rent passing and to apply a capitalisation rate that reflects the risks associated with this investment. As there are no directly comparable investments, the inputs must be treated as unobservable (and there is no reasonably available information that indicates that market participants would use different assumptions). The asset is therefore categorised as Level 3.

Highest and Best Use of Investment Properties

In estimating the fair value of the authority's investment properties, the highest and best use of the properties is their current use.

Valuation Techniques

There has been no change in the valuation techniques used during the year for investment properties.

Quantitative Information about Fair Value Measurement of Investment Properties using Significant Unobservable Inputs – Level 3

Asset	As at 31/3/2016 £,000	Valuation technique used to measure fair value	Unobservable Inputs	Range	Sensitivity
Stone Lodge Bowls Club	339	Yield applied to passing rent. Rent is historic and not based on market evidence. No comparable transactions to support assumed yield.	Rent Growth: Vacancy levels: Discount Rate:	N/A N/A 11.5%	Rent based on historic rental values dating back 30 years.

14 Assets Held for Sale

Non-current	31.03.16 £,000	31.03.15 £,000
Balance at 1 April	300	0
Assets newly classified as held for sale:		
Property, Plant and Equipment	525	300
Revaluation losses	(25)	0
Assets Sold	(300)	0
Total	500	300

15 Financial Instruments

Categories of Financial Instruments
The following categories of financial instrument are carried in the Balance Sheet:

	Long Term		Current	
Investments and Cash	31 March 2016 £,000	31 March 2015 £,000	31 March 2016 £,000	31 March 2015 £,000
Loans and Receivables	0	0	17,412	21,803
Available for Sale Financial Assets	0	2	57,963	62,506
Total Investments and Cash	0	2	75,375	84,309
Debtors				
Loans and Receivables (Operational Debtors) *	1,848	1,865	3,901	1,650
Total Debtors	1,848	1,865	3,901	1,650
Borrowings				
Financial Liabilities at Amortised Cost	64,736	69,476	4,714	4,428
Total Borrowings	64,736	69,476	4,714	4,428
Creditors				
Financial Liabilities at Amortised Cost	12,173	13,771	9,628	5,025
Total Creditors	12,173	13,771	9,628	5,025

*Current debtors and creditors in the above table reflect only those debtors and creditors appropriate to this note and therefore exclude statutory items. A reconciliation of the figures used above to the total in notes 16 and 19 is set out in the table below.

	Debtors (Note 16)				Creditors (Note 18)			
	Long Term		Current		Long Term		Current	
	31 March 2016 £,000	31 March 2015 £,000	31 March 2016 £,000	31 March 2015 £,000	31 March 2016 £,000	31 March 2015 £,000	31 March 2016 £,000	31 March 2015 £,000
Amounts included as Financial Instruments	1,848	1,865	3,901	1,650	12,173	13,771	9,628	5,025
Statutory Amounts	0	0	2,054	2,453	0	0	15,586	21,164
Discounted Sales Scheme	15,908	13,825	0	0	0	0	0	0
Total used in Specific Notes	**17,756**	**15,690**	**5,955**	**4,103**	**12,173**	**13,771**	**25,214**	**26,189**

Income, Expense, Gains and Losses

	2015/2016				2014/2015			
	Financial Liabilities	Financial Assets			Financial Liabilities	Financial Assets		
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and Receivables	Financial Assets: Available for sale assets	**2015/16 Total**	Financial Liabilities measured at amortised cost	Financial Assets: Loans and Receivables	Financial Assets: Available for sale assets	**2014/15 Total**
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Interest Expense	(1,738)	0	0	0	(1,831)	0	0	0
Losses on derecognition	0	0	(99)	(99)	0	0	0	0
Total expense in Surplus or Deficit on the Provision of Services	**(1,738)**	**0**	**(99)**	**(99)**	**(1,831)**	**0**	**0**	**0**
Interest income	0	332	302	634	0	316	140	456
Gains on derecognition	0	0	772	772	0	0	3	3
Total income in Surplus or Deficit on the Provision of Services	**0**	**332**	**1,074**	**1,406**	**0**	**316**	**143**	**459**
Gains on revaluation	0	0	196	196	0	0	1,149	1,149
Losses on revaluation	0	0	(391)	(391)	0	0	(77)	(77)
Net gain/(loss) for the year	**(1,738)**	**332**	**780**	**1,112**	**(1,831)**	**316**	**1,215**	**1,531**

Fair Value of Assets and Liabilities

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

Financial assets measured at fair value				
Recurring fair value measurements	Input level in fair value hierachy	Valuation technique used to measure fair value	Fair Value as at 31.03.2016 £,000	Fair Value as at 31.03.2015 £,000
Available for sale				
External pooled fund investments	Level 1	Unadjusted quoted prices in active markets for identical holdings	41,437	35,728
Money market fund investments	Level 1	Unadjusted quoted prices in active markets for identical holdings	9,504	15,766
Other financial instruments classified as available for sale	Level 1	Unadjusted quoted prices in active markets for identical holdings	7,022	11,012
Total			57,963	62,506

The 'other financial instruments classified as for available sale' consisted entirely of certificate of deposit (CD) investments as at the Balance sheet date. These were valued by the Council's custodian using the unadjusted market rate for the holding prevailing on the valuation date.

There has been no change in the valuation technique used during the year for the financial instruments, nor has there been any transfer between input levels 1 and 2.

The Fair Values of Financial Assets and Liabilities that are not measured at Fair Value (but for which Fair Value Disclosures are required)

Except for the financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets held by the authority are classified as loans and receivables or long-term debtors and creditors and are carried in the Balance Sheet at amortised cost.

All loans and receivables as at the Balance Sheet date were short term (instant access account deposits and short term fixed deposits maturing within 12 months), they were not impaired and were held at amortised cost. Fair value disclosure is not required.

The fair values, where disclosure is required, are as follows:

	31 March 2016		31 March 2015	
	Carrying Amount £,000	Fair Value £,000	Carrying Amount £,000	Fair Value £,000
Financial Liabilities				
Borrowing	69,450	71,926	73,904	80,283

The 2015/16 Code of Practice requires the Fair Values of these assets and liabilities to be disclosed for comparison purposes. 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.

The Council's debt outstanding at 31 March 2016 consisted solely of loans from the Public Works Loan Board (PWLB). The PWLB has provided the Council with Fair Value amounts in relation to its debt portfolio; these have been assessed by calculating the amounts the Council would have had to pay to extinguish the loans on these dates. This is a Level 2 valuation – other significant observable inputs. A maturity analysis of this debt is shown below:

Time to Maturity (years)	**31 March 2016 £'000's**
Not over 1	4,443
Over 1 but not over 2	4,443
Over 2 but not over 5	13,330
Over 5 but not over 10	23,618
Over 10 but not over 20	20,984
Over 20 but not over 30	2,360
Total	**69,178**

16 Debtors

Long Term Debtors

	Balance as at 31.03.16 £'000	New Advances £'000	Amounts Repaid £'000	Balance as at 31.03.15 £'000
Mortgages Outstanding Loans on Council Houses	6	0	(4)	10
	6	0	(4)	10
Finance Leases	1,776	0	(1)	1,777
	1,776	0	(1)	1,777
Discounted Sales Scheme	15,908	2,820	(737)	13,825
	15,908	2,820	(737)	13,825
Other				
Works in Default	12	1	(6)	17
Car Loans to Employees	54	26	(33)	61
	66	27	(39)	78
Total	17,756	2,847	(781)	15,690

Short Term Debtors

	31.03.16 £,000	31.03.15 £,000
Gross amounts owing at year end		
Central Government Bodies	656	849
Other Local Authorities	633	336
Other Entities and Individuals	9,542	7,674
	10,831	8,859
Less Provision for Bad Debts analysed below	(4,876)	(4,756)
Total	5,955	4,103

Provision for Bad Debts	Balance as at 31 March 2015 £,000	Amounts Written Off £,000	Adjustments to Provisions £,000	Balance as at 31 March 2016 £,000
General Fund	2,555	(41)	298	2,812
Housing Revenue Account	950	(17)	76	1,009
Collection Fund - Council Tax	505	(56)	62	511
Collection Fund - NNDR	746	(357)	155	544
	4,756	(471)	591	4,876

17 Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements:

	31.03.16 £,000	31.03.15 £,000
Cash held by the Authority	6	7
Bank current accounts	511	(257)
Short term deposits in Money Market Funds and Instant Access Deposit Accounts	17,377	25,299
Total	17,894	25,049

18 Creditors

Long Term Creditors	31.03.16 £,000	31.03.15 £,000
Section 106 Agreements	(3,553)	(2,840)
Embedded Leases - Principal Outstanding	0	(39)
The Bridge	(8,043)	(10,329)
Other Long Term Creditors	(577)	(563)
Total	(12,173)	(13,771)

Short Term Creditors	31.03.16 £,000	31.03.15 £,000
Central Government Bodies	(7,404)	(11,746)
Other Local Authorities	(6,860)	(6,765)
NHS Bodies	(1)	(2)
Other Entities and Individuals	(10,949)	(7,676)
Total	(25,214)	(26,189)

19 Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

	2014/15 £'000	New Provision	Amounts Used	2015/16 £'000
Municipal Mutual Insurance Company	(159)	0	0	(159)
Business Rate Valuation Appeals	(3,949)	(1,825)	928	(4,846)
Balance Carried Forward	(4,108)	(1,825)	928	(5,005)

Municipal Mutual Insurance Company (MMI)

The Council continues to have probable obligations in relation to the “Scheme of Arrangement” set up after Municipal Mutual Insurance Company (MMI) failed and went into run off. The sum will be revised in future years as further information becomes available.

Provision for Business Rate Valuation Appeals

A provision is made against the potential effect of outstanding appeals in respect of rating list entries relating to the Collection Fund:

The provision for business rate valuation appeals is based on the latest list of outstanding rating list proposals provided by the Valuation Office and is an estimate based on changes in comparable hereditaments, market trends and other valuation issues, including the potential for some proposals to be withdrawn. Specific knowledge about individual or a group of appeals is applied to the likelihood of success and the provision is based upon the results of similar claims in the area or elsewhere. A particular example of this is doctors surgeries where a number of appeals have been successful resulting in around 60% reductions in Rateable Value. This specific knowledge increased the appeal provision by £284,000 compared to average figures for other appeal types.

The provision is split between current and long term liabilities in the Balance Sheet, the current element £0.775m and the long term element is £4.07m.

20 Operating Activities (Cash Flow Statement)

The cash flows for operating activities include the following items:

	2015/16 £,000	2014/15 £,000
Interest received	1,223	449
Interest paid	(1,749)	(1,849)

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

	2015/16 £,000	2014/15 £,000
Depreciation	1,778	464
Impairment and downward valuations	6,231	1,547
Amortisation	120	129
Increase/(decrease) in Interest Creditors	(11)	(16)
Increase/(decrease) in Creditors	411	7,647
(Increase)/decrease in Interest Debtors	(82)	(10)
(Increase)/decrease in Debtors	(874)	(3,184)
Movement in pension liability	1,297	1,280
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	3,638	2,883
Movement in investment property values	(432)	(268)
Contributions to (from) provisions	896	740
	12,972	11,212

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

Proceeds from the sale of property plant and equipment, investment property and intangible assets	(7,803)	(3,972)
Capital Grants credited to surplus or deficit on the provision of services	(4,035)	(1,129)
	(11,838)	(5,101)

21 Investing Activities (Cash Flow Statement)

	2015/16 £,000	2014/15 £,000
Purchase of property, plant and equipment, investment property and intangible assets	(19,199)	(10,189)
Purchase of short-term and long-term investments	(85,100)	(68,942)
Other payments for investing activities	(27)	(28)
Proceeds from the sale of short term and long term investments	85,932	54,292
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	4,835	3,976
Capital grants	1,624	1,129
Other receipts from investing activities	39	33
Net Cash flow from Investing Activities	(11,896)	(19,729)

22 Financing Activities (Cash Flow Statement)

	2015/16 £,000	2014/15 £,000
Council Tax and NNDR adjustments	(3,614)	10,118
Repayment of short-term and long-term borrowing	(4,443)	(4,443)
Cash payments for the reduction of the outstanding liabilities relating to finance leases	(39)	(38)
Net Cash flow from Financing Activities	(8,096)	5,637

23 Amounts Reported for Resource Allocation Decisions

The net cost of services in the Comprehensive Income & Expenditure Statement is presented at a generalised level and follows statutory practice. For these reasons it may not be in sufficient depth or a suitable format for users of the accounts. A 'Segment Report' is included on the following pages to further analyse the amounts shown under net cost of services. Segments can be broadly defined as separate parts of service provision. These are often the same as standard service headings required for Best Value Accounting but may differ because of the internal reporting structure.

The Segment Report which follows groups the information on the basis of 'Directorates'. These are areas of the organisation under the control of separate Directors. This structure is used when reporting to management and Members. Expenditure and Income is also analysed by subjective in this report, following the CIPFA standard subjective headings such as employees, premises, supplies and services and transport etc.

As the report is based upon the internal financial reporting structure, a number of items are excluded. Some funding by reserves, for instance, are items of expenditure that occur on a non-recurring basis and are separately reported to management. Other items, such as depreciation and pensions adjustments, are excluded from reports as these are not 'cash' items.

2015-16	Employee Expenses £,000	Other Service Expenditure £,000	Total Expenditure £,000	Government Grants & Contributions £,000	Fees & Charges £,000	Other Income £,000	Total Income £,000	Net Expenditure £,000
Managing Director	210	20	230	0	0	0	0	230
Strategic Director External Services	3,442	7,704	11,146	(154)	(2,121)	(2,929)	(5,204)	5,942
Strategic Director Internal Services	3,777	35,985	39,762	(28,353)	(529)	(5,380)	(34,262)	5,500
GENERAL FUND	7,429	43,709	51,138	(28,507)	(2,650)	(8,309)	(39,466)	11,672
HOUSING REVENUE ACCOUNT	2,338	9,078	11,416	(261)	(757)	(20,754)	(21,772)	(10,356)
TOTAL	9,767	52,787	62,554	(28,768)	(3,407)	(29,063)	(61,238)	1,316

2014-15	Employee Expenses £,000	Other Service Expenditure £,000	Total Expenditure £,000	Government Grants & Contributions £,000	Fees & Charges £,000	Other Income £,000	Total Income £,000	Net Expenditure £,000
Managing Director	214	16	230	0	0	0	0	230
Strategic Director External Services	3,361	7,527	10,888	(659)	(2,097)	(2,384)	(5,140)	5,748
Strategic Director Internal Services	3,819	35,761	39,580	(28,999)	(596)	(4,410)	(34,005)	5,575
GENERAL FUND	7,394	43,304	50,698	(29,658)	(2,693)	(6,794)	(39,145)	11,553
HOUSING REVENUE ACCOUNT	2,019	6,289	8,308	(260)	(761)	(20,420)	(21,441)	(13,133)
TOTAL	9,413	49,593	59,006	(29,918)	(3,454)	(27,214)	(60,586)	(1,580)

RECONCILIATION OF DIRECTORATE INCOME AND EXPENDITURE TO COST OF SERVICES IN THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	2015/16			2014/15		
	General Fund £,000	HRA £,000	Total £,000	General Fund £,000	HRA £,000	Total £,000
Net expenditure in the Directorate Analysis	11,672	(10,356)	1,316	11,553	(13,133)	(1,580)
Items not in Directorate Analysis but in Comprehensive Income and Expenditure Statement						
Depreciation and Impairment	3,925	0	3,925	2,261	0	2,261
Finance Leases	160	0	160	160	0	160
Support charge to HRA	(832)	0	(832)	(871)	0	(871)
Expenditure from Reserves	(117)	0	(117)	(56)	0	(56)
Changes in Bad Debt Provision	298	0	298	490	0	490
Outside Control Accounts	(155)	0	(155)	(161)	0	(161)
Pension - Past Service Costs	0	0	0	88	0	88
Pension adjustment	(360)	(94)	(454)	(580)	(161)	(741)
	2,919	(94)	2,825	1,331	(161)	1,170
Items in Directorate Analysis but not in Comprehensive Income and Expenditure Statement						
Levies to Government Agency	0	0	0	(132)	0	(132)
Interest and Investment Income	1,048	0	1,048	215	0	215
Movement in Fair Value of Investment Property	0	68	68	0	117	117
Net Income for Investment Properties	514	156	670	377	164	541
	1,562	224	1,786	460	281	741
Cost of Services	16,153	(10,226)	5,927	13,344	(13,013)	331

RECONCILIATION TO SUBJECTIVE ANALYSIS 2015/16

2015/16	Directorate Analysis £,000	Services and Support Services not in Analysis £,000	Amounts not reported to management for decision making £,000	Amounts not included in CI&ES £,000	Cost of Services £,000	Corporate Amounts £,000	Total £,000
Fees, charges & other service income	(32,470)	0	510	955	(31,005)	0	(31,005)
Past service pension adjustment	0	0	0	0	0	(2,296)	(2,296)
Deferred sale income	0	0	0	0	0	(3,714)	(3,714)
Disposal of fixed assets	0	0	0	0	0	(1,149)	(1,149)
Depreciation, amortisation and impairment	0	0	(2,671)	0	(2,671)	0	(2,671)
Interest and investment income	0	0	155	1,729	1,884	(2,139)	(255)
Movement in fair value of investment property	0	0	68	0	68	(516)	(448)
Income from council tax	0	0	0	0	0	(6,795)	(6,795)
Government grants and contributions	(28,768)	0	0	0	(28,768)	(40,390)	(69,158)
Total Income	(61,238)	0	(1,938)	2,684	(60,492)	(56,999)	(117,491)
Employee expenses	9,767	(832)	(360)	0	8,575	0	8,575
Other service expenses	52,787	0	(325)	(1,120)	51,342	162	51,504
Pensions interest cost and expected return on pensions assets	0	0	(92)	0	(92)	4,215	4,123
Depreciation, amortisation and impairment	0	0	6,597	0	6,597	0	6,597
Movement in fair value of investment property	0	0	0	0	0	83	83
Interest payments	0	0	0	(3)	(3)	1,741	1,738
Precepts & levies	0	0	0	0	0	1,111	1,111
Payments to Housing Capital Receipts Pool	0	0	0	0	0	416	416
(Gain) or loss on disposal of fixed assets	0	0	0	0	0	699	699
Non domestic rates /tariff/safety net	0	0	0	0	0	30,942	30,942
Total expenditure	62,554	(832)	5,820	(1,123)	66,419	39,369	105,788
Surplus or deficit on the provision of services	1,316	(832)	3,882	1,561	5,927	(17,630)	(11,703)

RECONCILIATION TO SUBJECTIVE ANALYSIS 2014/15

2014/15	Directorate Analysis £,000	Services and Support Services not in Analysis £,000	Amounts not reported to management for decision making £,000	Amounts not included in CI&ES £,000	Cost of Services £,000	Corporate Amounts £,000	Total £,000
Fees, charges & other service income	(30,668)	0	211	1,184	(29,273)	0	(29,273)
Deferred sale income	0	0	0	0	0	(3,521)	(3,521)
Disposal of fixed assets	0	0	0	0	0	(3,974)	(3,974)
Depreciation, amortisation and impairment	0	0	(1,131)	0	(1,131)	(546)	(1,677)
Interest and investment income	0	0	164	592	756	(3,539)	(2,783)
Movement in fair value of investment property	0	0	0	0	0	(369)	(369)
Income from council tax	0	0	0	0	0	(6,595)	(6,595)
Government grants and contributions	(29,918)	0	0	0	(29,918)	(39,631)	(69,549)
Total Income	(60,586)	0	(756)	1,776	(59,566)	(58,175)	(117,741)
Employee expenses	9,412	(871)	(492)	0	8,049	0	8,049
Other service expenses	49,594	0	222	(1,183)	48,633	0	48,633
Pensions interest cost and expected return on pensions assets	0	0	(161)	0	(161)	5,004	4,843
Depreciation, amortisation and impairment	0	0	3,391	0	3,391	169	3,560
Movement in fair value of investment property	0	0	117	0	117	100	217
Interest payments	0	0	0	0	0	1,835	1,835
Precepts & levies	0	0	0	(132)	(132)	1,200	1,068
Payments to Housing Capital Receipts Pool	0	0	0	0	0	363	363
(Gain) or loss on disposal of fixed assets	0	0	0	0	0	2,885	2,885
Non domestic rates /tariff/safety net	0	0	0	0	0	31,822	31,822
Total expenditure	59,006	(871)	3,077	(1,315)	59,897	43,378	103,275
Surplus or deficit on the provision of services	(1,580)	(871)	2,321	461	331	(14,797)	(14,466)

24 Members' Allowances

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

	2015/16 £,000	2014/15 £,000
Allowances	344	342
Expenses	2	0
Total	346	342

25 Officers' Remuneration and Termination Benefits

The remuneration paid to the Authority's senior employees in 2015/16 was as follows:

Post title	Salary, Fees and Allowance £	Benefits in Kind £	Pension Contributions £	Total Remuneration 2015/16 £	Total Remuneration 2014/15 £
Managing Director	109,118	1,544	0	110,662	109,094
Strategic Director - External	102,742	916	15,103	118,761	117,019
Strategic Director - Internal	102,742	0	13,425	116,167	104,913
Head of Legal Services	48,863	974	7,183	57,020	56,173
Head of Housing	66,712	0	9,100	75,812	74,659
Head of Regeneration	66,712	0	9,100	75,812	74,659
Head of Finance and Resources*	0	0	0	0	1,535
	496,889	3,434	53,911	554,234	538,052

* *Post now deleted*

The Authority's employees (including those detailed above) receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration Band £		£	2015/16 Total No.	2014/15 Total No.
50,000	-	54,999	3	5
55,000	-	59,999	1	3
60,000	-	64,999	7	3
65,000	-	69,999	3	3
70,000	-	74,999	0	0
75,000	-	79,999	0	0
80,000	-	84,999	0	0
85,000	-	89,999	0	0
90,000	-	94,999	0	1
95,000	-	99,999	0	0
100,000	-	104,999	2	1
105,000	-	109,999	0	1
110,000	-	114,999	1	0
Total			17	17

Termination Benefits and Exit Packages

Exit packages include compulsory and voluntary redundancy costs, pension contributions in respect of added years, ex-gratia payments and other departure costs.

The following gives an analysis of amounts included in the Comprehensive Expenditure and Income Statement.

	2015/16				2014/15			
	Compulsory Redundancy		Other Departures		Compulsory Redundancy		Other Departures	
	Number	£	Number	£	Number	£	Number	£
Up to £20,000	1	11,898	1	2,349	1	390	0	0

26 External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections provided by the Authority's external auditors:

	2015/16 £,000	2014/15 £,000
Fees payable for external audit services:		
Financial Statements/Scale Fee	46	62
Composite Certification Fee (includes Whole of Government Accounts)	23	18
Total	69	80

The certification fee for 2015/16 was £16,125. The figure above includes an additional certification fee of £7,000 for work relating to a 2014/15 claim.

27 Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16.

		2015/16 £,000	2014/15 £,000
Credited to Taxation and Non Specific Grant Income	Note 11		
Capital Grants and Contributions		(1,364)	0
Revenue Support Grant		(1,973)	(2,770)
Section 31 Business Rates Grants		(604)	(400)
New Homes Bonus Grant		(2,656)	(1,947)
Council Tax Freeze Grant		(60)	(59)
Miscellaneous Grants		(13)	(16)
Total		(6,670)	(5,192)

	2015/16 £,000	2014/15 £,000
Credited to Services		
Housing Benefits (DWP)	(27,601)	(28,283)
Green Deal Energy (DECC)	(2,412)	(784)
Housing Benefits Administration (DWP)	(372)	(403)
Supporting People (KCC)	(261)	(259)
Disabled Facilities Grant (DCLG)	(259)	(213)
New Burdens (DCLG)	(117)	0
Local Council Tax Support Scheme (KCC)	(104)	(104)
Local Council Tax Support Scheme (DCLG)	(100)	(109)
Weekly Waste Collection (DCLG)	0	(567)
Town Centre Heritage (Heritage Lottery Fund)	0	(132)
Other Miscellananeous Grants and Contributions	(590)	(517)
Total	(31,816)	(31,371)

The Council is also holding the following capital grants and contributions.

	2015/16 £,000	2014/15 £,000
Grants Receipts in Advance - Current		
Department of Energy & Climate Change - Green Deal	(838)	(3,249)
Total	(838)	(3,249)

	2015/16 £,000	2014/15 £,000
Capital Grants Unapplied		
Performance Reward Grant	(137)	(137)
Sustrans (Connect 2)	0	(54)
NW Kent College (Suscon)	0	(2)
Community Infrastructure Levy	(1,115)	0
Other Third Party	(538)	(515)
Total	(1,790)	(708)

28 Related Parties

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by it. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently, or might have secured the ability to limit another party's ability to bargain freely with the Authority.

Central Government

Central government has significant control over the general operations of the Authority – 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 Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the Comprehensive Income and Expenditure Statement and in notes 11 and 27.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2015/16 is shown in Note 24.

Members have been asked to declare whether they, or any member of their close family, have had any significant interest in any company or voluntary organisation that had any financial dealing with the Council during the 2015/16 financial year. A significant interest would include transactions exceeding £10,000 in total or a major shareholding in a company where the shareholding exceeds 25% of the total shares.

Declarations are as follows:

Councillor Allen is a trustee of Age UK North West Kent. The Council gave a grant of £11,500 to Age UK North West Kent in 2015/16.

Councillor Kite is the Leader of the Council and is a voluntary, unpaid and non-shareholding Director of Dartford Football Club (1992) Limited. The Council made payments of £104,090 in 2015/16 to Dartford Football Club (1992) Limited to provide community facilities at Princes Park in accordance with service agreements.

Councillors Burrell, Lees and Lampkin are Trustees of Dartford Citizens Advice Bureau (CAB). The Council has a service agreement with the CAB at a cost to the Council of £99,750.

The above named Councillors declared interests at the relevant meetings and took no part in relevant discussions.

Officers

Senior officers have been asked to declare whether they, or any member of their close family, have had any significant interest in any company or voluntary organisation that had any financial dealing with the Council during the 2015/16 financial year. A significant interest would include transactions exceeding £10,000 in total or a major shareholding in a company where the shareholding exceeds 25% of the total shares. No declarations have been made.

Other Public Bodies

The Authority has a shared services arrangement with Sevenoaks District Council to provide various services, namely: Revenues, Benefits, Audit and Anti-Fraud, and Environmental Health. The relevant costs to the Council are accounted for within the Comprehensive Income and Expenditure Statement.

29 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed.

	2015/16 £,000	2014/15 £,000
Opening Capital Financing Requirement	74,811	79,294
Capital Investment		
Property, Plant and Equipment	19,795	9,692
Investment Properties	2	44
Intangible Assets	72	82
Revenue Expenditure Funded from Capital Under Statute	2,878	2,248
Sources of Finance		
Capital Receipts	(12,961)	(4,587)
Government Grants and Other Contributions	(2,952)	(1,142)
Major Repairs Reserve	(2,862)	(2,645)
Direct Revenue Contributions	(3,972)	(3,693)
Notional MRP/Loan Fund Principal	(37)	(39)
Voluntary MRP	(4,443)	(4,443)
Closing Capital Financing Requirement	70,331	74,811
Explanations of movement in year		
Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	(4,443)	(4,443)
Assets acquired under finance leases	(37)	(39)
Increase /(Decrease) in Capital Financing Requirement	(4,480)	(4,482)

30 Leases

Authority as Lessee

Operating Lease

The Authority's refuse and waste collection contract conveys the right to use and control specific assets, namely refuse collection vehicles. Under IFRIC 4 this has been recognised as an arrangement containing a lease, which is also referred to as an 'embedded lease'. The implied lease is disclosed in accordance with IAS 17 and the relevant section of the Code. The future minimum notional payments due under the lease in future years are:

Property, Plant and Equipment - Embedded leases	31 March 2016 £,000	31 March 2015 £,000
Not later than one year	251	0
Later than one year and not later than five years	564	0
Total	815	0

Payments made under the embedded lease during the final year totalled £188,000 (2014/15 £39,000).

Authority as Lessor

Finance Leases

The Authority owns two properties which are leased out on finance leases. The first is Crown Buildings, comprising the Court House and Offices. The Court House is leased to Central Government and the offices are leased to BizNiz Point Dartford Lease Limited. Both are on 125 year leases which end in February 2113. The second property is 'Air and Breathe', a nightclub which is leased to Luminar Gems Limited, and has a remaining term of 24 years.

The Authority has a gross investment in the leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Authority in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

	31 March 2016 £,000	31 March 2015 £,000
Finance Lease debtor (net present value of minimum lease payments):		
- current	177	177
- non-current	1,594	1,596
Total	1,771	1,773
Unguaranteed residual value of property	179	179
Fair value at inception of lease	1,776	1,779
Unearned finance income	12,634	12,831
Gross investment in the lease	**14,410**	**14,610**

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 2016 £,000	31 March 2015 £,000	31 March 2016 £,000	31 March 2015 £,000
Not later than one year	200	200	200	200
Later than one year and not later than five years	798	798	798	798
Later than five years	13,412	13,612	13,233	13,433
Total	**14,410**	**14,610**	**14,231**	**14,431**

Operating Leases

The Authority leases out property under operating leases both on commercial and non-commercial terms.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31 March 2016 £,000	31 March 2015 £,000
Not later than one year	534	559
Later than one year and not later than five years	1,840	1,879
Later than five years	37,405	37,082
Total	**39,779**	**39,520**

31 Impairment losses

The Code requires disclosure by class of assets of the amounts for impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. These disclosures are consolidated in Note 12, reconciling the movement over the year in property, plant and equipment balances.

As at 31 March 2016, the Authority has recognised the following impairment loss on its assets.

Acacia

During 2015/16 it was decided that some elements of this complex are surplus to requirements as they form part of a redevelopment project. The elements of the overall complex that have been identified as surplus have been reclassified at the balance sheet date and their value has been impaired to nil. The loss incurred due to this impairment is £1.571m and £0.323m of this has been written off against the Revaluation Reserve, with the balance being charged to CI&ES and then reversed through MIRS to the CAA

In addition to these, there have been revaluation movements affecting land and property valuations across the Council's property portfolio that are specific to individual assets. The Council's Valuer has reported, however, that there are no general factors affecting the portfolio that require any impairment of value to be disclosed.

32 Defined Benefit Pension Schemes

Characteristics of Defined Benefit Plans and Associated Risks

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. Funding levels are monitored on an annual basis. The fund is valued once every three years and the latest valuation was at 31 March 2013. The valuation disclosed a net deficit of £23.9m and a change in contribution rates as a result of that valuation took effect from 1 April 2014. All local authority funds are in deficit, and all local authority employers in the Kent Fund are in deficit. The employer's contribution has been agreed with the actuary and is based on the aim of eliminating the deficit over 17 years. The weighted average duration of the defined benefit obligation for scheme members remains at 17 years for 2015/16, no change from 2014/15.

The Local Government Pension Scheme (LGPS) is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2014, and is contracted out of the State Second Pension and benefits accrued up to 31 March 2016 are based on final salary and length of service on retirement. Changes to the LGPS came into effect from 1 April 2014 and any benefits accrued from this date will be based on career average revalued salary, with various protections in place for those members in the scheme before the changes took effect.

The administering authority for the fund is Kent County Council. The Pension Fund Committee oversees the management of the fund whilst the day to day fund administration is undertaken by a team within the administering authority. Where appropriate, some functions are delegated to the fund's professional advisers.

As administering authority to the fund, Kent County Council, after consultation with the fund actuary and other relevant parties, is responsible for the preparation and maintenance of the

Funding Strategy Statement and the Statement of Investment Principles. These should be amended when appropriate based on the fund's performance and funding. The next actuarial valuation of the fund will be carried out as at 31 March 2016 and will set contributions for the period from 1 April 2017 to 31 March 2020. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

In general, participating in a defined benefit pension scheme means that the employer is exposed to a number of risks:

- Investment risk. The fund holds investment in asset classes, such as equities, which have volatile market values and, while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges;

- Interest rate risk. The fund's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the fund holds assets such as equities the value of the assets and liabilities may not move in the same way;

- Inflation risk. All of the benefits under the fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation;

- Longevity risk. In the event that the members live longer than assumed a deficit will emerge in the fund. There are also other demographic risks.

In addition, as many unrelated employers participate in the Kent County Council Pension Fund, there is an orphan liability risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers. All of the risks above may also benefit the employer e.g. higher than expected investment returns or employers leaving the fund with excess assets which eventually get inherited by the remaining employers.

Participation in pension schemes

As part of the terms and conditions of employment, the authority offers retirement benefits to its employees. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The authority participates in the Local Government Pension Scheme administered locally by Kent County Council. The current scheme is a Career Average Revalued Earnings Scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance pension liabilities with investment assets.

Transactions relating to retirement benefits

The Authority recognises the cost of retirement benefits in the Net Cost of Services as they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed. This adjustment is shown in the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement during the year:

Surplus and Deficit for the year to 31 March 2016

The amounts recognised in the profit and loss statement are	2015/16 £,000	2014/15 £,000
Service Cost	2,060	1,787
Net Interest on Defined Liability	1,919	2,090
Administration Expenses	50	50
Total	4,029	3,927
Actual Return on Scheme Assets	779	7,394

Balance Sheet Disclosure as at 31 March 2016

Net Pension Asset as at	31 March 2016 £,000	31 March 2015 £,000
Present Value of Defined Benefit Obligation	127,596	131,743
Fair Value of Scheme Assets	(71,721)	(72,498)
Deficit/(Surplus)	55,875	59,245
Present Value of Unfunded Obligation	1,791	2,076
Net Defined Benefit Liability	57,666	61,321

Asset and Benefit Obligation Reconciliation for the year to 31 March 2016

Reconciliation of opening and closing balances of the present value of the defined benefit obligation	2015/16 £'000	2014/15 £'000
Opening defined benefit obligation	133,819	116,035
Current service cost	2,060	1,699
Interest cost	4,215	5,004
Changes in financial assumptions	(6,333)	15,798
Changes in demographic assumptions	0	0
Experience loss/(gain) on defined benefit obligation	(136)	(77)
Estimated benefits paid net of transfers in	(4,524)	(5,019)
Past service cost	0	88
Contributions by scheme participants	456	465
Unfunded pension payments	(170)	(174)
Closing Defined Benefit Obligation	129,387	133,819

Reconciliation of opening and closing balances of the fair value of fund assets	2015/16 £'000	2014/15 £'000
Opening fair value of fund assets	72,498	67,285
Interest on assets	2,296	2,914
Return on assets less interest	(1,517)	4,480
Other actuarial gains/(losses)	0	0
Administration expenses	(50)	(50)
Contributions by employer including unfunded	2,732	2,597
Contributions by scheme participants	456	465
Estimated benefits paid plus unfunded net transfers in	(4,694)	(5,193)
Closing Fair Value of Fund Assets	71,721	72,498

Reconciliation of opening and closing balances	2015/16 £'000	2014/15 £'000
Surplus/ (Deficit) at beginning of the year	(61,321)	(48,750)
Current Service Cost	(2,060)	(1,699)
Employer contributions	2,732	2,597
Unfunded pension payments	170	174
Past service costs	0	(88)
Other finance income	(3,656)	2,166
Actuarial gains (losses)	6,469	(15,721)
Surplus/(Deficit) at the end of the year	(57,666)	(61,321)

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

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits.

Basis for estimating assets and liabilities

The Kent County Council Fund liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries. Estimates for the fund are based on the latest full valuation of the scheme as at 31 March 2013. To assess the current value of liabilities as at 31 March 2016 the full actuarial valuation has been rolled forward, allowing for any changes from the adoption of IAS19. The principal assumptions used by the actuary have been:

	2015/16	2014/15
Mortality Assumptions		
Longevity at 65 for current pensioners		
Men	22.9 years	22.8 years
Women	25.3 years	25.2 years
Longevity at 65 for future pensioners		
Men	25.2 years	25.1 years
Women	27.7 years	27.6 years
Rate of RPI increase	3.20%	3.10%
Rate of CPI increase	2.30%	2.30%
Rate of increase in salaries	4.10%	4.10%
Rate of increase in pensions	2.30%	2.30%
Rate for discounting scheme liabilities	3.50%	3.20%

Sensitivity Analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases 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 below did not change from those used in the previous period.

Sensitivity Analysis	£'000	£'000	£'000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	127,302	129,387	131,508
Projected service cost	1,864	1,904	1,945
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	129,560	129,387	129,215
Projected service cost	1,905	1,904	1,903
Adjustments to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	131,358	129,387	127,448
Projected service cost	1,945	1,904	1,864
Adjustment to mortality age rating assumption	+1 Year	None	-1 Year
Present value of total obligation	133,522	129,387	125,384
Projected service cost	1,953	1,904	1,857

The scheme's assets consist of the following categories, by proportion of the total assets held:

	2015/16		2014/15	
	£000's	%	£000's	%
Equity investments	47,829	67%	49,545	68%
Gilts	635	1%	758	1%
Bonds	7,875	11%	8,064	11%
Property	10,418	14%	9,006	13%
Cash	1,847	3%	1,982	3%
Target Return portfolio	3,117	4%	3,143	4%
	71,721	100%	72,498	100%

Statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. The projected pension expense for the year to 31 March 2016 is:

Remeasurement of the net assets/(defined liability)	31 March 2016 £000's	31 March 2015 £000's
Return on fund assets in excess of interest	(1,517)	4,480
Other actuarial gains/(losses) on assets	0	0
Changes in financial assumptions	6,333	(15,798)
Change in demographic assumptions	0	0
Experience gain/(loss) on defined benefit obligation	136	77
Administration expenses	(50)	(50)
Remeasurement of the net assets/(Defined Liability)	4,902	(11,291)

The table below shows the projections of the pension scheme transactions for the 2016/17 financial year based on the assumptions and forecasts currently in use by the actuary.

Projections for the year to 31 March 2017	31 March 2017 £'000
Service Cost	1,904
Net Interest on the defined liability (asset)	1,972
Administration Expenses	49
Total loss (profit)	3,925
Employer Contributions	2,499

33 Nature and Extent of Risks Arising from Financial Instruments

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

- credit risk - the possibility that other parties might fail to pay amounts due to the Council;
- liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments;
- market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out centrally by the treasury team under policies approved by the Council in its annual Treasury Management Strategy. The Council provides written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers.

The risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution as well as a maximum period of investment.

Although the Council recognises that credit ratings from rating agencies such as Fitch, Moody's and Standard and Poor remain a key source of information, they also have limitations, and investment decisions are based on a range of market intelligence. All investments as at 31 March 2016 met the Council's credit rating criteria at that date and all investments made during 2015/16 were made in line with the Council's Treasury Management Strategy Statement for 2015/16 first agreed at the budget meeting of GAC on 23 February 2015.

The Council's maximum exposure to credit risk in relation to its investments in banks of £24.4m, and in Money Market Funds of £9.5m, cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual counterparty. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2016 that this was likely to crystallise.

No credit limits were exceeded during the reporting period without the prior written authority of the Managing Director, who has a delegated power to determine the amounts invested and periods of investment. The Council has neither experienced, nor does it expect, any losses from non-performance of any of its counterparties in relation to its investments. No investments are impaired.

The Authority does not generally allow credit for customers. The due, but not impaired, amount can be analysed by age as follows:

	31 March 2016 £,000	31 March 2015 £,000
Less than three months	623	320
Three to twelve months	814	9
More than one year	57	47
	1,494	376

Liquidity Risk

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. As the Council has ready access to borrowings from the money markets and the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The risks to the Council are that it will:

- have to re-invest a significant proportion of its investments at a time of unfavourable interest rates; to offset this risk, maturity dates are staggered and different types of investment used;

- not have adequate liquidity on a day to day basis; to assist in managing this risk, a detailed cash flow model is maintained and updated daily.

Market Risk

<u>Interest Rate Risk</u>

The Authority is exposed to risk in terms of its exposure to interest rate movements on its investments. The Authority has no variable rate borrowing other than occasional overnight borrowing to meet immediate cash flow requirements. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

- investments at variable rates (e.g. Money Market Funds) – the investment income credited to the Surplus or Deficit on the Provision of Services will rise;
- investments at fixed rates – the fair value of the assets will fall;
- borrowings at fixed rates – the fair value of the liabilities will fall.

The Treasury Management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget, and which is used to update the budget during the year. This allows any changes (negative or positive) to be accommodated.

According to this assessment strategy, at 31 March 2016, if interest rates had been 1% higher with all other variables held constant, the financial effect would have been:

	£,000
Increase in interest receivable on money market funds	160
Increase in interest receivable on fixed rate investments	397
Impact on Surplus or Deficit on the Provision of Services	557
Less: share of overall impact credited to HRA	(111)
Impact on Comprehensive Income and Expenditure	446

The reverse calculations, whereby interest rates would be 1% lower for the full year, do not offer a realistic view given the current low interest rates.

The impact of PWLB rates being 1% higher would add £725,000 to the cost of borrowing, whereas 1% lower would reduce the cost of borrowing by £725,000. As all PWLB loans are fixed rate for their full term, a change in rates would only occur if the current loans were prematurely repaid and new loans taken out.

Price Risk

The Council's investments in pooled bond funds are governed by prevailing interest rates and the market risk associated with these instruments is managed alongside interest rate risk.

The Council's investments in pooled equity funds are subject to the risk of falling share prices. This risk is managed by ensuring the portfolio of investments held is diversified across a variety of investment types and by closely monitoring the performance in these funds. A fall in share prices would result in a charge to Other Comprehensive Income & Expenditure but would have no impact on the General Fund until the investments were sold.

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. The risk is limited by the Council's minimising the investment held in this fund and spreading risk across a variety of investment types. A fall in commercial property prices would result in a charge to Other Comprehensive Income & Expenditure – this would have no impact on the General Fund until the investment was sold.

Foreign Exchange Risk

The Council does not hold any financial instruments denominated in foreign currencies and thus has no exposure to loss arising from the movement in foreign exchange rates.

34 Group Accounts

The Council is a shareholder in The Bridge Estate Management Company Limited. To date the Company's activities have been limited; they are increasing but are still not considered material, nor would the inclusion of the Company's activities in the Council's Statement of Accounts aid the understanding of the financial standing of the Council. In view of this, Group Accounts have not been prepared for 2015/16.

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HOUSING REVENUE ACCOUNT

Housing Revenue Account Income and Expenditure Statement

	HRA Note	2015/16 £,000	2014/15 £,000
Expenditure			
Repairs and Maintenance		2,866	3,299
Supervision and Management		3,883	3,826
Rents, rates, taxes and other charges		22	23
Depreciation and Impairment of Non-current Assets		2,971	581
Revaluation of Non-current Assets		1,447	414
Movement in the allowance for bad debts	1	76	53
Total Expenditure		11,265	8,196
Income			
Dwelling rents	1	(19,987)	(19,724)
Non-dwelling rents		(544)	(520)
Charges for services and facilities		(757)	(762)
Contribution towards expenditure - Supporting People		(261)	(260)
Minor capital receipts		0	(13)
Total Income		(21,549)	(21,279)
Net Cost of HRA Services		(10,284)	(13,083)
HRA services share of Corporate and Democratic Core		60	69
Net (Income)/cost for HRA Services including HRA share of costs not allocated to specific services		(10,224)	(13,014)
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:			
(Gain)/Loss on sale of HRA non-current assets		(1,149)	(1,069)
Interest payable and similar charges		1,738	1,831
Changes in the fair value of Investment Properties		(68)	(116)
Net interest on the net defined benefit liability (asset)	8	389	417
Interest and investment income		(58)	(44)
Income and expenditure in relation to Investment Property		(156)	(164)
(Surplus) / Deficit for the year on HRA Services		(9,528)	(12,159)

Movement on the HRA Statement		
	2015/16 £,000	2014/15 £,000
Balance on the HRA at the end of the previous year	(9,868)	(8,428)
(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	(9,528)	(12,159)
Adjustments between accounting basis and funding basis under statute	7,812	10,845
Net (increase) or decrease before transfers to and from reserves	(1,716)	(1,314)
Transfers to or (from) reserves	(109)	(126)
(Increase) or decrease in year on the HRA	(1,825)	(1,440)
(Surplus)/Deficit Balance on the HRA at the end of the current year	(11,693)	(9,868)

Note to the Movement on the HRA Statement		
	2015/16 £,000	2014/15 £,000
Adjustments between accounting basis and funding basis under statute		
Voluntary Minimum Revenue Provision	4,443	4,443
Impairment and Revaluation Losses charged to the Comprehensive Income and Expenditure Statement	(1,371)	1,942
Gain/(Loss) on sale of Non Current Assets	1,149	1,069
Net charges for retirement benefits in accordance with IAS19	(817)	(754)
Capital expenditure funded by Revenue	3,874	3,646
Employer's contributions payable to the pension fund and retirement benefits payable direct to pensioners	534	499
Net additional amount required by statute to be debited or (credited) to the HRA balance for the year	7,812	10,845
Transfers to or (from) reserves		
Major Repairs Allowance element of Housing	(109)	(126)
Net amount required by statute to be debited or (credited) to the HRA balance for the year	(109)	(126)

HOUSING REVENUE ACCOUNT NOTES

1 Rent Income and Arrears

Total rent income from houses due in the year was:

	2015/16 £,000	2014/15 £,000
Direct from tenants	9,179	8,677
From housing benefit	10,808	11,047
	19,987	19,724

Average rents for the year were £90.50 per 52 week rent year, an increase of 2% over the previous year. Gross rent arrears at the end of the year were 6.3% of rent income due (5.99% in 2014/15). The amounts were as follows:

	2015/16 £,000	2014/15 £,000
Arrears at 31 March	1,262	1,182
Less Provision for Bad Debts	(1,009)	(950)
	253	232

The Provision for Bad Debts (including rent rebate overpayments) was as follows:

	2015/16 £,000	2014/15 £,000
Provision Brought Forward	950	943
Write offs during year	(17)	(45)
Change in provision	76	52
Provision Carried Forward	1,009	950
Provision Analysed as follows: -		
Former Tenants' Arrears	629	599
Current Tenants' Arrears	317	292
Total Provision - Rent Arrears	946	891
Rent Rebate Overpayments/Other	63	59
	1,009	950

2 Major Repairs Reserve

The Council is required to maintain separate records of the Major Repairs Reserve, as shown below.

	2015/16 £,000	2014/15 £,000
Balance as at 1 April	0	0
Contribution to the Reserve		
Major Repairs Allowance	(2,861)	(2,646)
Payments from the Reserve		
Capital Expenditure	2,861	2,646
Non-Dwelling Depreciation	109	126
Transfer from Capital Adjustment Account	(109)	(126)
Balance carried forward as at 31 March	0	0

3 Housing Stock

The stock was made up as follows:

	31-Mar-2016	31-Mar-2015
Bedsits	13	13
Houses	2,090	2,102
Flats/Maisonettes	1,408	1,418
Bungalows	132	132
Sheltered Units	593	593
	4,236	4,258

22 properties were sold during the year, compared to 34 in 2014/15; the sales comprised of 12 houses and 10 flats. The numbers above exclude one shared-ownership property and four “Rent-to-mortgage” properties, but include two non-HRA properties.

4 Capital Receipts

The total capital receipts arising from the sale of Housing Revenue Account assets were:

	2015/16 £,000	2014/15 £,000
Dwellings	2,070	3,083
Repayment of mortgage capital	4	4
	2,074	3,087

5 Property, Plant and Equipment in the Housing Revenue Account

Movements on Balances **Movements in 2015/16**	Council Dwellings £,000	Other Land and Buildings £,000	Vehicles, Plant, Furniture& Equipment £,000	**Total Property, Plant and Equipment** £,000
Cost or Valuation				
At 1 April 2015	231,182	4,875	235	236,292
Additions	6,722	0	0	6,722
Revaluation increases / (decreases) recognised in the Revaluation Reserve	25,401	(189)	0	25,212
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	0	(8)	0	(8)
Derecognition - Disposals	(1,170)	0	0	(1,170)
Impairment	0	0	0	0
Other movements in cost or valuation	(1,439)	0	0	(1,439)
At 31 March 2016	260,696	4,678	235	265,609
Accumulated Depreciation and Impairment				
At 1 April 2015	(2,646)	(1,156)	(235)	(4,037)
Depreciation charge	(2,861)	(109)	0	(2,970)
Other Movements in depreciation and impairment	5,507	0	0	5,507
At 31 March 2016	0	(1,265)	(235)	(1,500)
Net Book Value				
at 31 March 2016	260,696	3,413	0	264,109
at 31 March 2015	228,536	3,719	0	232,255

6 Vacant Possession Value of Dwellings in the Housing Revenue Account

The difference between the vacant possession value and the Balance Sheet value of the dwellings represents the economic cost to the Council of providing social housing at rents lower than those in the open market.

	2015/16 £,000	2014/15 £,000
Open Market Value	814,675	703,925
Balance Sheet Value	(260,696)	(228,536)
Economic Cost	553,979	475,389

7 Capital Expenditure

The total capital expenditure on dwellings, land and other properties within the Housing Revenue Account:

	2015/16 £,000	2014/15 £,000
Non-enhancing Works	1,439	486
Additions to Property, Plant and Equipment	5,283	5,806
Assets Under Construction	2,003	0
	8,725	6,292
Funded by:		
Contribution from Major Repairs Reserve	2,861	2,646
Revenue Contribution	3,874	3,646
Capital Receipts	1,990	0
	8,725	6,292

8 Contribution to Pensions Reserve

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge made against housing rents is based on the cash payable in the year, so an adjustment is made in the Statement of Movement on the HRA Statement.

	2015/16 £,000	2014/15 £,000
Cash paid to Pension Fund in Year	534	499
Expected Return on Assets	(307)	892
Current Service Cost	(418)	(338)
Interest Cost	389	416
Contribution to Pensions Reserve	198	1,469

COLLECTION FUND

2014/15 £,000		2015/16 £,000 NNDR	2015/16 £,000 Council Tax	2015/16 £,000 Total
	INCOME			
(50,380)	Council Tax Receivable		(52,684)	(52,684)
(84,473)	Business Rates Receivable	(87,602)		(87,602)
(134,853)		(87,602)	(52,684)	(140,286)
	EXPENDITURE			
	Apportionment of Previous Year Surplus / (Deficit)			
(1,979)	Central Government	3,017		3,017
(1,416)	Dartford Borough Council	2,414	200	2,614
542	Kent County Council	543	1,089	1,632
18	Kent Fire and Rescue Authority	60	71	131
121	Kent Police and Crime Commissioner		147	147
(2,714)		6,034	1,507	7,541
	Precepts, Demand and Shares			
38,625	Central Government	42,400		42,400
37,239	Dartford Borough Council	33,920	6,524	40,444
41,524	Kent County Council	7,632	36,219	43,851
3,015	Kent Fire and Rescue Authority	848	2,348	3,196
4,667	Kent Police and Crime Commissioner		4,890	4,890
125,070		84,800	49,981	134,781
	Charges to Collection fund			
1,127	Less : Increase (-) / Decrease in Bad Debt Provision	387	489	876
1,850	Less : Increase (-) / Decrease in Provision for Appeals	2,242		2,242
174	Less : Cost of Collection	176		176
230	Less : Transitional protection Payments	104		104
7	Less : Interest	0		0
(483)	Add : Deferred amount	0		0
2,905		2,909	489	3,398
125,261	Total Expenditure	93,743	51,977	145,720
(9,592)	(Surplus) / Deficit arising during the year	6,141	(707)	5,434
1,837	(Surplus) / Deficit as at 1 April	(3,290)	(4,465)	(7,755)
(7,755)	(Surplus) / Deficit as at 31 March	2,851	(5,172)	(2,321)
	Allocated to:			
(1,899)	Dartford Borough Council	1,141	(653)	488
(1,645)	Central Government	1,425		1,425
(3,532)	Kent County Council	257	(3,773)	(3,516)
(470)	Kent Fire and Rescue Authority	28	(506)	(478)
(210)	Kent Police and Crime Commissioner		(240)	(240)
(7,755)		2,851	(5,172)	(2,321)

COLLECTION FUND NOTES

1. General

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the Council in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and National Non-Domestic Business Rates (NNDR)

The Council has a statutory requirement to operate a Collection Fund as a separate account to the General Fund. The purpose of the Collection Fund is to isolate the income and expenditure relating to Council Tax and National Non-Domestic Business Rates. The administrative costs associated with the collection process are charged to the General Fund.

2. Council Tax Base

The Council Tax is primarily a property based tax and derives from charges raised according to the value of residential properties, which have been classified into nine valuation bands (A-H) for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Council for the forthcoming year and dividing this by the Council Tax base (i.e. the equivalent numbers of Band D dwellings).

The Council Tax base for 2015/16 was 33,228.98 (32,349.72 in 2014/15).

The tax base and basic Council Tax payable for 2015/16 was approved at the Cabinet meeting on 23 February 2015. The basic tax for each band is shown below:

Band	Basic Tax £	Chargeable Dwellings	Proportion of Band D Charge	Number of Band D Equivalent Dwellings
A	980.46	1,564	6/9	1,043
B	1,143.87	6,658	7/9	5,178
C	1,307.28	14,287	8/9	12,700
D	1,470.69	10,520	1	10,520
E	1,797.51	5,318	11/9	6,500
F	2,124.33	2,470	13/9	3,568
G	2,451.15	962	15/9	1,603
H	2,941.38	57	18/9	114
Net effect of premiums and discounts				(7,997)
Tax Base for the Calculation of Council Tax				**33,229**

Additional amounts are payable for precepts levied by the Parish and Town Councils within the borough.

The level of non-payment provided for in 2015/16 was 2.5%.

Council tax bills for Bands A to H were based on the following proportions, for Bands A to H, of the Band D charge:

Band	Range of 1991 property values	Ratio
A	£40,000 or less	0.67
B	£40,001 to £52,000	0.78
C	£52,001 to £68,000	0.89
D	£68,001 to £88,000	1.00
E	£88,001 to £120,000	1.22
F	£120,001 to £160,000	1.44
G	£160,001 to £320,000	1.67
H	More than £320,000	2.00

3. Income from Business Ratepayers

The Council collects National Non-Domestic Rates (NNDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA), multiplied by a uniform business rate set nationally by Central Government.

The total income from business rate payers, after reliefs, collectable in 2015/16 was £87.602m (£84.473m in 2014/15).

For 2015/16, the total non-domestic rateable value (RV) at the year-end is £197.9m (£195.6m in 2014/15). The national multipliers for 2015/16 were 48p for qualifying Small Businesses, and the standard multiplier was 49.3p for all other businesses (47.1p and 48.2p respectively in 2014/15).

4. Contributions to Collection Fund Surpluses and Deficits

The share of the surplus/ (deficit) between each of the precepting authorities is:

Share of surplus/ (deficit)	2015/16 £,000	2014/15 £,000
Kent County Council	3,517	3,532
Kent Police and Crime Commissioner	240	210
Kent Fire and Rescue	478	470
Dartford Borough Council *	(488)	1,899
Central Government	(1,426)	1,645
	2,321	7,755

* Shown as the Collection Fund Adjustment Account in the Balance Sheet.

5. Provision for Uncollectable Amounts

The following provisions have been made against the possible non-collection of debt relating to the Collection Fund:

The Council Tax bad debt provision is based on an analysis of the age of the debt plus applying an additional percentage for non-payment to the total tax due, less the write-offs in year. At 31 March 2016, the total Council Tax outstanding debt was £5.4m (£5.2m in 14/15) of which debt up to one year old was £1.7m, debt between 2 to 5 years old was £3.0m and debt over 5 years old was £0.7m.

The provision for Business Rate debt is also based on an analysis of the age of the debt plus applying an additional percentage for non-payment and write offs. At 31 March 2016, the total Business Rates outstanding debt was £1.7m (£2.9m in 14/15) of which debt up to one year old was £1.0m, debt between 2 to 5 years old was £0.6m and debt over 5 years old was £0.1m.

6 Provision for Appeals (NNDR)

A provision is made against the potential effect of outstanding appeals in respect of rating list entries relating to the Collection Fund:

	2015/16 £,000	2014/15 £,000
Balance Brought Forward	9,872	8,022
RV list amendments charged against the provision for appeals	(2,321)	(3,830)
Contribution to provisions during year	4,563	5,680
Balance Carried Forward	12,114	9,872

The provision for Business Rate valuation appeals is based on the latest list of outstanding rating list proposals provided by the Valuation Office and is an estimate based on changes in comparable hereditaments, market trends and other valuation issues, including the potential for some proposals to be withdrawn. The element included in the Council's Accounts is shown in Note 8 to the main accounts.

A GLOSSARY OF LOCAL AUTHORITY FINANCIAL TERMS AND ABBREVIATIONS

For the purposes of compiling the Statement of Accounts the following definitions have been adopted:

Accruals
The accruals concept means that income and expenditure are recognised as they are earned or incurred and not as money is received or paid. For example, if an invoice relating to March 2016 is expected to arrive in April 2016, it will be accounted for in the 2015/16 accounts (the financial year it relates to), not the 2016/17 accounts (the financial year it arrives in.)

Balances
The non-earmarked capital or revenue reserves of an authority, made up of the accumulated surplus of income over expenditure on the General Fund and the Housing Revenue Account. Revenue balances may be utilised to provide for unforeseen circumstances or to ensure that payments can be made pending the receipt of income, and may be used to reduce the council tax levy.

Balance sheet
This statement is fundamental to the understanding of an authority's financial position at year end. It shows:

- the balances and reserves at an authority's disposal
- long-term indebtedness (which is over one year)
- the assets employed in its operations
- summarised information on the long-term assets (items that are held for more than one year) by category

Budget
The Council's aims and policies set out in financial terms, against which performance is measured. Both capital and revenue budgets are prepared.

The **revenue** budget is a financial statement of planned expenditure required to deliver the Council's policies over the financial year. It is illegal for councils to budget in excess of available resources.

The budget requirement is calculated in advance of each year. It is, broadly, estimated net revenue expenditure as funded by formula grant, council tax and business rates.

Business Rate Retention Scheme
A scheme introduced in April 2013 under which billing authorities are able to retain a proportion of the business rates they collect.

A number of new terms are associated with the scheme, as follows:

- **Tariff -** each billing authority has an agreed baseline funding position set by government. If its individual business rates baseline is greater than the set level, it must pay a tariff to government.

- **Levy –** this limits the amount business rates can grow in any one year. It is calculated by reference to the billing authority's baseline funding level and its individual business rates baseline.

- **Safety Net –** this guarantees that the Council's income from business rates will not fall below a certain level. The safety net is set at a percentage of the baseline funding level.

Capital expenditure
Expenditure for the purchase or improvement of significant assets including land, buildings, and equipment, which will be of use or benefit in providing services for more than one financial year.

Capital receipts
The proceeds from the sale of land, buildings and other capital assets. Strict rules govern their use: they cannot be used for revenue purposes.

The Chartered Institute of Public Finance and Accountancy (CIPFA)
CIPFA is the accountancy body which represents at national level the interests of local government and public service finance. As well as awarding public sector specific accountancy qualifications the Institute also produces advice, codes of practice, and guidance to local authorities on best practice.

CIPFA Code of practice on Local Authority Accounting in the United Kingdom 2015/16
Known familiarly as "the Code", this specifies the principles and practices of accounting required to prepare a Statement of Accounts which "presents a true and fair view" of the financial position and transactions of an authority.

Collection Fund
A statutory fund used to record the billing and collection of council tax and non-domestic rates. Though it is independent of the General Fund, payments are made from it to support the General Fund services of the billing and precepting authorities.

Comprehensive Income and Expenditure Statement
A statement that reports the net cost for the year of all the functions for which the authority is responsible, and demonstrates how that cost has been financed from general government grants and income from taxpayers.

Condition
With reference to grants, a condition typically means that the grant awarding body may ask for it back if it is not used for a stated purpose. This is not the same as a specific grant, which is given for a specific purpose but which may legally be spent on something else if the recipient sees fit.

Grants are categorised as "condition" or "no condition."

Consistency
The concept of consistency states that the accounting treatment of like items within an accounting period, and from one period to the next, is the same, in order to facilitate comparisons.

Corporate and Democratic Core (CDC)
This is a category in the net cost of services in the Comprehensive Income and Expenditure Statement. It incorporates the following sub-divisions, the activities of which cannot be charged to services under the Service Reporting Code of Practice for Local Authorities:

- Democratic Representation and Management costs – includes all aspects of Members' activities including corporate, programme and service policy making, general governance and representing local interests;
- Corporate Management costs – concerns those activities which provide the infrastructure which allows services to be provided, whether by the Authority or not, and the information required for public accountability.

Creditors
A party to whom the Council owes money at year end for goods and services supplied in year.

Current liabilities
Those amounts which will become payable or could be called upon within the next accounting period e.g. creditors and cash overdrawn.

Debtors
A party owing money to the Council at year end for goods and services supplied to them, in year, by the Council.

Depreciation
The measure of the wearing out, consumption, or other reduction in the useful economic life of a non-current asset, whether arising from use, the passage of time or obsolescence through technological or other changes. It means that, rather than the whole cost of an asset being charged to revenue in the year in which it is acquired, the cost is spread out over the life of the asset. As such, it illustrates an application of the matching concept.

Employee costs
Pay and associated costs, such as National Insurance and pension contributions.

Events After the Reporting Period
The occurrence of a material event between the balance sheet date and the date the accounts are authorised for issue, which might have a bearing on the financial results of the organisation. In such cases the event should be reflected in the Statement of Accounts as a note or amendment.

Extraordinary items
Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the authority and which are therefore expected not to recur frequently or regularly.

Fair Value
The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards its purchase or use.

Financial Reporting Standard (FRS)
A statement of the practice to follow in UK Generally Accepted Accounting Principles when dealing with a discrete area of financial accounting.

Most of these have now been superseded by International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) but, in some areas, the previous standards remain in effect.

Fund
A major division of the Council's accounts, for example the General Fund or the Collection Fund. It is sometimes also used in a different sense to designate an earmarked reserve.

General Fund
This is the main revenue account and covers the day-to-day spending requirements of providing services. It is paid for out of council tax and formula grant, specific grants and fees and charges. It also includes the cost of services provided by other bodies which make a levy. It is clearly segregated from the Housing Revenue Account.

Going Concern
The concept that the authority will remain in operational existence for the foreseeable future; in particular, that the revenue accounts and balance sheet are not based on the assumption of an intention to curtail significantly the scale of operations.

Government grants
Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets, in return for past or future compliance with certain conditions relating to the activities of the authority.

Gross expenditure
The total cost of providing services before deducting any income.

Held for Sale Assets
Where there is reasonable certainty that an item of property, plant or equipment is likely to be disposed of via a sale in the next twelve months it is reclassified to the category of 'Held for Sale'.

Heritage Assets
This is a separate class of asset (land, building, artefacts, vehicles etc.) that is held principally for its contribution to knowledge or culture and which meets the definition of a Heritage Asset.

Housing Revenue Account (HRA)
A statutory account which contains all expenditure and income to fund council housing - in effect, a landlord account. It shows the major elements of housing revenue expenditure and how this is met by rents, subsidy and other income. The HRA must be kept entirely separate from the General Fund and the account must not be in deficit.

Local authorities are not allowed to make up any shortfall on the HRA from the General Fund, and any surpluses or deficits must be retained within the HRA. No costs may be charged to council tax or business rate (NNDR) income.

Intangible Assets
These are non-financial fixed assets (for example, they are not bonds or stocks) that do not have a physical substance, but are identifiable and are controlled by the Council through custody or legal rights. Examples are IT systems and software licences.

International Financial Reporting Interpretations Committee (IFRIC)
The interpretative body of the International Accounting Standards Board (IASB) that reviews newly identified financial reporting issues not specifically addressed in IFRS, or issues where unsatisfactory or conflicting interpretations have developed, or seem likely to develop, with a goal to reach a consensus on the appropriate treatment.

International Financial Reporting Standards (IFRS)
Principles-based standards, interpretations and the framework adopted by the International Accounting Standards Board.

Income
Monies received or due from rents, fees and charges for services, specific grants and investment interest.

Investments
In the context of the Statement of Accounts, this term refers only to long-term investments which are intended to be held for use on a continuing basis in the activities of the authority. Where investments do not meet this criterion, they have been classified as current assets.

Leases
These can fall into two types:

- Finance lease – a lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee; such leases are recognised on the balance sheet by the lessee.
- Operating lease – a lease other than a finance lease, which is not recognised on the balance sheet by the lessee, but by the lessor.

The distinction between the two is the subject of an array of tests and is highly technical.

Liabilities
Those amounts which will become payable by the Council in the short or long term.

Matching
The matching concept says that expenditure and income transactions, including accruals, are matched with one another so far as their relationship can be established, or justifiably assumed, and dealt with in the period to which they relate.

Materiality
Financial statements often cannot be precisely accurate but this need not detract from their ability to be fairly stated. Within certain limits, a tolerance is permitted in measurement and disclosure of financial statement items. The concept of materiality determines the acceptability of the degree of this tolerance.

Movement In Reserves Statement (MIRS)
This statement reconciles the Comprehensive Income and Expenditure account for the year with the authority’s budget requirement, which is governed by statute and differs in certain key respects from accounting conventions.

Movement on the HRA Statement
Similar to the General Fund’s Movement In Reserves Statement, this reconciles the HRA Income and Expenditure account for the year with the surplus or deficit for the year on the HRA Balance, calculated in accordance with the requirements of the Local Government and Housing Act 1989.

National Non-Domestic Rates (NNDR)
A national rate, often familiarly called “business rates” and can also be referred to as NDR. Business Rates are levied on businesses by the Government and collected by local authorities. The total proceeds are shared between central government and local authorities as per the Retained Business Rate Scheme.

Net Book Value (NBV)
The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net expenditure
Gross expenditure for a service, less ("net of") directly related income.

Net Realisable Value (NRV)
The open market value of the asset in its existing use (or open market value in the case of non-operational assets) less the expenses to be incurred in realising the asset.

Precept
A levy on the Collection Fund by another public body (a precepting authority), requiring the billing authority to collect the required income from local taxpayers on their behalf.

Prior year adjustments
Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Property, Plant and Equipment
This classification covers all assets with physical substance (tangible assets) that are expected to be used by the Authority for more than one year. The item must have physical substance (e.g. land, buildings, vehicles) and must be held by the Authority for the provision of goods and services, for rental to others (as part of a service), or for administrative purposes. If the item is held purely to earn rentals or capital appreciation, it will be treated as 'Investment Property'; if it is held to be sold (within the next twelve months), it will be accounted for as a 'Held for Sale' asset.

Provisions
A provision is required to be made and disclosed in the accounts for any liability or loss which, due to an event which has already occurred, is certain or likely to be incurred, but where there is uncertainty as to the amounts or the dates on which they will arise. As a result, it is often a matter of interpretation and careful judgement whether such an uncertainty should be disclosed (and accounted for) as a provision or simply included by way of a note as a contingent liability.

Prudence
The prudence concept states that revenue is not anticipated but is to be recognised only when realised in the form either of cash, or of other assets whose ultimate cash realisation can be assessed with reasonable certainty.

Public Works Loans Board (PWLB)
A statutory body operating within the United Kingdom Debt Management Office, which is an Executive Agency of HM Treasury. Its function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, primarily for capital projects, and to collect the repayments.

Rateable Value (RV)
The value of a business, assessed by the Valuation Office Agency, on which business rates are payable.

Revenue Expenditure Funded from Capital Under Statute (REFCUS)
Expenditure which legislation classifies as capital but which does not result in the creation of a fixed asset belonging to the authority. An example is where the Council pays a grant to a private householder for adaptations required by a disabled person; the work done is capital in nature, but the resultant asset does not appear on the Council's balance sheet because it belongs to the private freeholder. These were previously defined as deferred charges.

Related Party Transactions
The transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made.

Reserves
Funds set aside to meet future expenditure which fall outside the definition of provisions. Reserves can be for general contingencies and to provide working balances, or earmarked for specific future expenditure.

Note that certain reserves are statutory in nature – for example, the Council is obliged to hold a Revaluation Reserve and its use is closely prescribed under the IFRS as interpreted for use in local government. The Council has no discretion in the existence or use of such reserves.

Revenue expenditure and income
The regular day to day running costs an authority incurs in providing services, as distinct from capital expenditure (under the Local Government & Housing Act 1989, all expenditure is regarded as revenue unless specifically classified as capital). In a general sense, revenue expenditure (and income) arises from recurring items such as running services.

Revenue Support Grant (RSG)
A general grant paid by Central Government to local authorities to help them finance the cost of their services, distributed on the basis of Government's relative needs formula for each authority.

The Service Reporting Code of Practice for Local Authorities (SeRCOP)
This document provides a standard categorisation for expenditure and income in local authority accounting to enable comparison between two or more organisations.

Statutory provision for the financing of capital investment
Formerly known as the Minimum Revenue Provision (MRP), this is the minimum amount that must be charged to a local authority's revenue account each year and set aside to provide for debt repayment or other credit liabilities.

Substance over form
The concept of substance over form requires that transactions and other events are accounted for and represented in financial statements with regard to their economic substance and financial reality rather than just their legal form.

Useful Life
The period over which the local authority expects to derive benefits from the use of a fixed asset and over which, typically, it will be depreciated.

FURTHER INFORMATION

For Further Information

These accounting statements have been prepared for the benefit of all those interested in the Borough's activities, particularly Council Taxpayers and Business Ratepayers, and other parties who are associated directly or indirectly with the Council.

Further details on the general activities of the Council can be obtained from:

Press and Design Officer
Dartford Borough Council,
Civic Centre,
Home Gardens,
Dartford,
Kent DA1 1DR.