DARTFORD
BOROUGH COUNCIL

# STATEMENT OF ACCOUNTS

# 2017/18

CONTENTS

**Additional Statements / Other Notes**



**The Statement of Accounts 2017-18 showing signatures is available for inspection at the Civic Centre.**

# NARRATIVE REPORT

## Introduction

This Narrative Report provides a guide to the Council's accounts for the year ending 31 March 2018. The Accounts and Audit Regulations 2015 require the 2017/18 Statement of Accounts to be prepared, and signed, by the responsible officer by 31st May. 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.

Before the statement start the Statement of Responsibilities for the Statement of Accounts 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.

The main statements and notes to the accounts are set out on pages 24 to 128.

**The Statement of Accounts comprises:**

**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.

**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.

**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 cash amounts would only become available to provide services if the assets were sold.

**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.

**Expenditure and Funding Analysis:** Officially a note to the accounts, this analysis brings together both the fiscal/funding framework and the accounting framework by service. It takes the net expenditure that is chargeable to taxation and rents and reconciles it to the Surplus or Deficit on the Provision of Services line in the Consolidated Income and Expenditure Statement.

**Other 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 2017/18 Statement of Accounts**

There are no significant changes to the requirements for the presentation of the 2017/18 Accounts.

There is one restatement to the 2016/17 figures in the accounts in relation to the discounted sales scheme where the debtor holding was previously overstated by £3.376m. The error is explained in more detail in note 34 Prior Year Adjustments. This adjustment is cross referenced in the main statements but not in individual notes. Any other note restatements for separate purposes are identified if they do not relate to this adjustment.

Note 5 explains the critical and significant judgements which are made in estimating the total discounted sales scheme debtor and the change in approach for 2017/18. The judgements made in estimating the debtor is a significant factor. The accounts were overstated in 2016/17 in relation to the judgements disclosed. However, if updated judgements used from 2017/8 onwards had been applied in 2016/17, together with the corrected values, the debtor and deferred capital receipt held in the balance sheet would have been only £297,000 lower than the value they were originally carried at.

## 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 2017/18 at the budget meeting on 27 February 2017. This allowed for a net increase in reserves and balances of £2,457,679.

The following table compares the final figures for 2017/18 with the original budget.

| | Original Budget £,000 | Actual £,000 |
|---|---|---|
| Net expenditure on services | 11,613 | 8,496 |
| Contribution to reserves | 3,670 | 6,638 |
| Less investment income | | |
| Budget Requirement | 15,283 | 15,134 |
| Less: | | |
| Revenue Support Grant | (685) | (685) |
| Business Rates Retention | (3,500) | (4,538) |
| Other grants | 0 | (26) |
| New Homes Bonus | (3,670) | (3,670) |
| Council tax | (6,215) | (6,215) |
| Contribution from reserves | (1,213) | 0 |
| Deficit (Surplus) for the year | 0 | 0 |

Net expenditure on services was £3.12m lower than the original budget. The variance is significantly increased by a specific one off net payment of £1.7m received from National Grid to compensate for the continued siting of a high voltage power line at Stone Lodge. The income has been moved to a specific reserve to support the capital works at the site until further funding decisions are determined.

£988,000 additional income from interest relating to the Council's investments accounted for most of the remaining variance.

Other areas where income was higher or expenditure was lower than budget include benefits payments of £185,000, staffing variances of £418,000, property income of

£257,000 and a successful VAT reimbursement claim of £127,000. Conversely, an overspend of £960,000 was incurred on temporary accommodation for homeless families.

There were several other smaller budget variances. Full details can be found in the report to Cabinet of 28 June 2018.

Retained business rate income was £1.04m higher than that budgeted. This is mainly due to the following factors:

- The Council received a £471,000 surplus contribution to the collection fund in relation to past years.
- The Council retained in year, a total pooling gain of £171,000 from being part of the Kent-wide Business Rate Pool.
- Increased Section 31 grants received of £253,000 mainly due to the government changing how it recompensed Councils for Small Business Rate Relief.
- A Tariff adjustment figure of £183,000 was receivable which was related to the 2017 revaluation.

Due to Collection Fund accounting regulations, not all of the Council's share of the retained rates are accounted for in year. Another £189,000 remains in the Collection Fund for future distribution.

Because of the favourable outturn position, it was possible to avoid the planned draw-down from reserves and make an additional contribution to specific reserves of £1.285m 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 £721,000 and transfers of £325,000 from the General Fund into reserves. The total amount carried forward in earmarked revenue reserves was £26.5m.

**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 2017/18 account was budgeted to make a deficit of £4.6m; the final outturn was a small surplus of £0.22m

The main reason for the lower than budgeted revenue expenditure was that the total revenue contribution from the HRA to capital projects was £3.08m lower than originally planned. This mainly reflects the slippage on the new build schemes which has resulted in unused match funding of £1.88m. The remaining £1.2m is the result of schemes which are to rolled into next year (e.g. External Wall rendering £0.58m) and several other schemes which cost less than expected such as roof renewal and central heating renewals.

Other areas of underspend include Planned Repairs £0.212m, Responsive Repairs £0.183m and General Management £0.282m. Income also was £0.640m higher than the budget as the supporting people grant continued and rent and service charges were above initial expectations.

The HRA has to face ongoing rent reductions for the next two years and government policy on new building and right to buy is likely to develop. The Council is also due to pay back a significant debt instalment in 2021/22 and the account continues to fund the new build programme. The reserve balance of £12.9m 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 £23.02m on investment in assets of a capital nature; actual expenditure was £11.69m. This was lower due to slower progress than initially expected with the Acacia, Stone Lodge and New Build Housing projects, budgets are likely to be rolled forward. 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 £9.216m. New usable receipts during the year totalled £7.2m, £2.99m was used to finance expenditure, £0.56m was paid to the Government's in respect of receipts pooling and 141 interest, and £0.731m of 141 income was transferred to the Government due to a new homes programme underspend of £2.7m. Capital receipts of £1.603m, arising from the sale of council housing, were set aside to be used to finance the provision of new social housing under the "one for one receipts" scheme. The balance of usable capital receipts carried forward at the end of the year was £12.158m.

The Balance Sheet valuation of property, plant and equipment plus investment properties at the end of the year is £378.8m, an increase of £22.5m on the previous year. The increase is mainly due to revaluations to existing properties.

Capital commitments as at 31 March 2018 stand at £4.6m, compared with £5.65m as at 31 March 2017. 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 the target performance indicators:

- 67% - the targets were green
- 20% - the targets were amber
- 13% - the targets were red

Improvement from last year in the target performance indicators can be seen in:

- The average time taken to process a new claim for Housing Benefit (22 days in 2017/18 compared to 30 days in 2016/17)
- Rent Collection and Arrears Recovery - rents collected as a proportion of rents owed (97.8% in 2017/18 compared to 97.67% in 2016/17)

The percentage of high risk (categories A & B) food hygiene inspections due and completed consistently meets its target each year of 100% completed in time.

However, performance has gone down from last year on:

- The percentage of repairs completed on time (87.62% in 2017/18 compared to 90.92% in 2016/17)

Of the “data only” indicators improvement from last year can be seen in:

- The number of Fairfield visits (504,916 in 2017/18 compared to 459,270 in 2016/17)
- The number of businesses supporting Dartford Town Against Crime (DTAC) (436 in 2017/18 compared to 209 in 2016/17)
- The number of households where homelessness has been prevented (78 in 2017/18 compared to 50 in 2016/17)
- The percentage of waste going to landfill (0.6% in 2017/18 compared to 1.7% in 2016/17)

However, the data only indicators down from last year are:

- The number of households on the housing register (1,134 in 2017/18 compared to 1,064 in 2016/17)
- The district wide unemployment rate (1.3% in 2017/18 compared to 1.2% in 2016/17)
- The number of Dartford Town Against Crime (DTAC) interventions against persistent offenders (14 in 2017/18 compared to 22 in 2016/17)

More details about performance including mitigating actions are found at agenda item 10 in the year-end report made to Cabinet on 24 May 2018.

**Influences affecting the Authority’s income and expenditure and levels of reserves**

The Council has cash and investments of approximately £97m, compared to £91m as at 31 March 2017. Whilst these levels are affected by various factors, it is expected that, balances will increase over the next 12 months. The increase is likely due to expected capital receipts although the timing of these is not yet confirmed.

The capital programme for 2018/2019 totals nearly £24.89m, of which £10.7m 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 £2.9m over the three-year period, 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 or 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 reductions in resources are expected to occur over the next few years. However, the Council has benefitted from increased income from business rates and the New Homes Bonus, although both may only be short term. The Council has made significant budget reductions in recent years and has approved a Medium Term Financial Plan, which identifies the potential budget gaps in the next few years.

The major financial risks for the Council in the coming years are the fair funding review and possible reductions in retained income, business rate changes (including appeals and the ongoing consultation for the move towards 100% business rates retention) and additional changes to New Homes Bonus. The Council continues to review all its operations to ensure the taxpayer is getting value for money.

At 31 March 2018, the Council had £29.5m of usable reserves for general use and £12.9m 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

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Dartford Borough Council (the 'Authority') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the HRA Statement, the Collection Fund and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

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

### Basis for opinion

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

### Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Conclusions relating to going concern

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

- the Section 151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Section 151 Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to

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

**Other information**

The Section 151 Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts other than the financial statements and our auditor's report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

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

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

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

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

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

- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

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

**Responsibilities of the Authority, the Section 151 Officer and Those Charged with Governance for the financial statements**

As explained more fully in the Responsibilities for the Statement of Accounts set out on pages 11 to 12, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Section 151 Officer. The 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 2017/18, which give a true and fair view, and for such internal control as the Section 151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Section 151 Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Authority.

The Audit Board is Those Charged with Governance.

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

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

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

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

**Conclusion**

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

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

**Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**
We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

**Report on other legal and regulatory requirements - Certificate**
We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

*Darren Wells*

Darren Wells

for and on behalf of Grant Thornton UK LLP

Appointed Auditor Grant Thornton UK LLP

30 Finsbury Square London EC2P 2YU

*31 July 2018*

# 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 2018 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
16 July 2018

## 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 30 July 2018

*D Hammock*

COUNCILLOR D A HAMMOCK
CHAIRMAN OF THE AUDIT BOARD

30 July 2018

# ANNUAL GOVERNANCE STATEMENT

## FOR THE PERIOD 1 APRIL 2017 TO 31 MARCH 2018

## 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 (2016). 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 6 of the Accounts and Audit Regulations 2015 to review and report on the effectiveness of its system of internal control and to prepare an Annual Governance Statement.

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 includes 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 2017 to 31 March 2018 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 2017-2020 has been approved by the General Assembly of theCouncil [17 July 2017 Min 34]. 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 Six 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, presenting challenge and the opportunity for a decision to be reconsidered. Most scrutiny is undertaken post-decision but a "call-in" procedure allows Scrutiny Committee to also review Cabinet decisions before they are implemented.

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 Cabinet/General Assembly of the Council. This defines the framework and limits within which officers can take decisions.

**Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff**

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:

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

**Whistleblowing and receiving and investigating complaints from the public**

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.

**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**

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

**Compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful**

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 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, the 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 S151 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 2017/18 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 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 has been the S151 Officer who was not entirely independent due to her operational responsibilities.

This arrangement was of a temporary nature due to the departure of the Audit, Risk and Anti-Fraud Manager. Appropriate mitigating actions were put in place to ensure there was no threat to independence from this arrangement. These included ensuring that the Principal Auditor (acting up as the Audit, Risk and Anti-Fraud Manager) had access to both the Managing Director and the Audit Chair and ensuring that 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 once this post has been recruited to, which will ensure the independence and objectivity of the role. Based on the internal 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.

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 include performance indicators and monitoring of key objectives and targets, are regularly provided 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.

The risk management process was 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 on key topics or where significant changes have occurred or new legislation introduced. Training for officers is considered at the annual appraisal meeting 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 Chief Audit Executive'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 Data Protection Officer
- The work of the Senior Information Risk Owner
- The opinion of the external auditors as expressed in their annual report to the Audit Board.
- The detailed review which is undertaken on behalf of the Management Team.
- The overview provided by the Management Team.
- The 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 policies 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) reviewing/scrutinising action and decisions taken and (b) advising on policy.

### Audit Board

The Audit Board receives quarterly updates on the assurance which can be placed on 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 Acting 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.

**Data Protection Officer**

The Head of legal Services has been appointed the Data Protection Officer (DPO) in accordance with the General Data Protection Regulation (GDPR).

The DPO's minimum tasks are:

- to inform and advise the Council and its employees about their obligations to comply with the GDPR and other data protection laws;
- to monitor compliance with the GDPR and other data protection laws, including managing internal data protection activities, advise on data protection impact assessments; train staff and conduct internal audits;
- to be the first point of contact for supervisory authorities and for individuals whose data is processed (employees, customers etc.).

The DPO operates independently and is required to report to the highest management level in the Council.

**Senior Information Risk Officer**

The I.C.T. Manager is the Council's appointed SIRO who has responsibility for ensuring that the Council's IT systems' risk within the organisation is managed appropriately.

The SIRO's other responsibilities can be summarised as:

- owning the Council's overall IT Security Policy and IT risk assessment processes and ensuring they are implemented consistently by Information Asset Owners;
- advising the Management Team and the Audit Board on the information risk aspects of the Council's statement on internal controls/annual governance statement;
- reporting to the Audit Board on the effectiveness of the Council's' cyber security management processes;
- owning the Council's IT incident management framework.

**Internal Audit**

Based on the work completed to date in 2017-18 and other sources of assurance available to the function, the Chief Audit Executive's overall annual assurance opinion is that the Council's arrangements for internal control, risk management, governance and anti-fraud during the period is "effective".

## SIGNIFICANT GOVERNANCE ISSUES

As highlighted earlier within this report, the Chief Audit Executive role should be independent and objective, however, due to the vacancy in the post of Audit, Risk and Anti-Fraud Manager, 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.

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, some areas have been highlighted as requiring improvement and/or further development as per the action plan appended to this statement.

The workforce strategy is an outstanding item from last year's review. This has not been progressed due to a need to change the Council's HR and payroll provider. From April 2018 a new HR structure will be in place, which will enable the delivery of the strategy.

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 the review of effectiveness and will monitor their implementation and operation as part of our next annual review.

The Leader of the Council *J KITE* Date: 15/05/18

Managing Director *G HARRIS* Date: 16/05/18

# Governance Action Plan 2018-19

| | Actions | Milestones | Date | Lead Officer(s) |
|---|---|---|---|---|
| **1** | Develop Workforce Strategy | Report to Management Team | December 2018 | HR Business Advisor |
| **2** | Adapt draft HR policies to new arrangements and clear drafts for use. Provide briefings to relevant staff. | Policies completed<br><br>Policies agreed<br><br>Briefing arranged | May 18<br><br>June 18<br><br>July 18 | HR Business Advisor |
| **3** | New performance indicators to be considered. | Indicators to be agreed by Cabinet | Dec 18 | Policy and Corporate Support Manager |
| **4** | Add operation risks to performance system and include reviews on agenda at Director/Service Manager meetings. | Risks to be added to the performance system after next Review<br><br>Risks to be discussed at meetings | Dec 18<br><br>Immediate | Financial Services Manager |
| **5** | Preparation to be put in place for comprehensive member training after next election | Report to Management Team | Dec 18 | Democratic Services Manager |
| **6** | Update Policies and Procedures for GDPR compliance | Report to Management Team | May 25th | Head of Legal Services/ All staff |
| **7** | Business continuity arrangements to be reviewed particularly around homeworking | Report to Management Team | December 18 | ICT Manager |
| **8** | Complete Cyber Security Action Plan as presented to Audit Board in Jan 2017 | Report to Management Team | June 18 | ICT Manager |

## 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 both the Movement in Reserves Statement and in the Expenditure and Funding Analysis.

| | | 2017/18 Gross Expenditure £,000 | 2017/18 Gross Income £,000 | 2017/18 Net Expenditure £,000 | 2016/17 Net Expenditure Restated (Note 34) £,000 |
|---|---|---|---|---|---|
| Managing Director | | 280 | (3) | 277 | 250 |
| Strategic Director External Services | | 14,326 | (6,180) | 8,146 | 7,574 |
| Strategic Director Internal Services | | 37,976 | (33,290) | 4,686 | 7,098 |
| Local Authority Housing (HRA) | Page 100 | 10,866 | (21,403) | (10,537) | (9,727) |
| **Cost of Services** | | 63,448 | (60,876) | 2,572 | 5,195 |
| Other Operating Income and Expenditure | Note 11 | | | (5,783) | 1,386 |
| Financing and Investment Income and Expenditure | Note 12 | | | (1,040) | 440 |
| Taxation and Non Specific Grant Income and Expenditure | Note 13 | | | (17,125) | (18,044) |
| **Surplus or Deficit on the Provision of Services** | | | | (21,376) | (11,023) |
| (Surplus) / Deficit on the revaluation of non current assets | Note 9 | | | (16,440) | (25,425) |
| (Surplus) or Deficit on the revaluation of available for sale financial assets | Note 9 | | | 1,011 | (1,636) |
| Remeasurements of the net defined benefit liability (asset) | Note 9 | | | (3,116) | 2,854 |
| **Total Other Comprehensive Income and Expenditure** | | | | (18,545) | (24,207) |
| **Total Comprehensive Income and Expenditure** | | | | (39,921) | (35,230) |

## MOVEMENT IN RESERVES STATEMENT

The statement below shows the movement in the financial year 2017/18 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 2017/18 | | General Fund Balance £,000 | Earmarked GF Reserves £,000 | Total General Fund 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 2017 | | (3,000) | (20,004) | (23,004) | (12,718) | (2,734) | (9,216) | (47,672) | (248,374) | (296,046) |
| Total Comprehensive Income and Expenditure | | (11,179) | 0 | (11,179) | (10,197) | 0 | 0 | (21,376) | (18,545) | (39,921) |
| Adjustments between accounting basis and funding basis under regulations | Note 8 | 4,661 | 0 | 4,661 | 9,981 | (1,130) | (2,942) | 10,570 | (10,570) | 0 |
| **(Net increase) / decrease before transfers to Earmarked Reserves** | | (6,518) | 0 | (6,518) | (216) | (1,130) | (2,942) | (10,806) | (29,115) | (39,921) |
| Transfers (to) / from Earmarked Reserves | Note 10 | 6,518 | (6,518) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (Increase) / Decrease in Year | | 0 | (6,518) | (6,518) | (216) | (1,130) | (2,942) | (10,806) | (29,115) | (39,921) |
| Balance at 31 March 2018 | | (3,000) | (26,522) | (29,522) | (12,934) | (3,864) | (12,158) | (58,478) | (277,489) | (335,967) |

Further analysis of the specific adjustments and transfers which have been made to reserves is contained in notes 8 and 9.

The following table shows the comparative information for movements in reserves which took place during the 2015/16 financial year:

| Movement in Reserves during 2016/17 Restated (Note 34) | | General Fund Balance £,000 | Earmarked GF Reserves £,000 | Total General Fund 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 2016 | | (3,000) | (17,688) | (20,688) | (11,695) | (1,790) | (3,905) | (38,078) | (219,061) | (257,139) |
| Total Comprehensive Income and Expenditure | | (1,588) | 0 | (1,588) | (9,435) | 0 | 0 | (11,023) | (24,207) | (38,907) |
| Adjustments between accounting basis and funding basis under regulations | Note 8 | 2,949 | 0 | (728) | 8,412 | (944) | (5,311) | 5,106 | (5,106) | 0 |
| **(Net increase) / decrease before transfers to Earmarked Reserves** | | (2,316) | 0 | (2,316) | (1,023) | (944) | (5,311) | (9,594) | (29,313) | (38,907) |
| Transfers (to) / from Earmarked Reserves | Note 10 | 2,316 | (2,316) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (Increase) / Decrease in Year | | 0 | (2,316) | (2,316) | (1,023) | (944) | (5,311) | (9,594) | (29,313) | (38,907) |
| Balance at 31 March 2017 | | (3,000) | (20,004) | (23,004) | (12,718) | (2,734) | (9,216) | (47,672) | (248,374) | (296,046) |

## BALANCE SHEET

| | | 31 March 2018<br>£,000 | 31 March 2017<br>Restated (Note 34)<br>£,000 | 1 April 2017<br>Restated (Note 34)<br>£,000 |
|---|---|---|---|---|
| **Long Term Assets** | | | | |
| Property, Plant and Equipment | Note 14 | 364,967 | 344,135 | 318,326 |
| Investment Property | Note 15 | 13,816 | 12,192 | 13,080 |
| Intangible Assets | | 81 | 121 | 166 |
| Long Term Investments | Note 17 | 43,141 | 0 | 0 |
| Long Term Debtors | Note 18 | 15,912 | 14,573 | 14,275 |
| **Total Long Term Assets** | | 437,917 | 371,021 | 345,847 |
| **Current Assets** | | | | |
| Cash and Cash Equivalents | Note 19 | 21,152 | 11,743 | 17,894 |
| Inventories | | 2 | 2 | 3 |
| Short Term Debtors | Note 18 | 12,297 | 6,122 | 5,759 |
| Short Term Investments | Note 17 | 33,081 | 79,647 | 57,481 |
| Assets Held for Sale | Note 16 | 0 | 500 | 500 |
| **Total Current Assets** | | 66,532 | 98,014 | 81,637 |
| **Current Liabilities** | | | | |
| Short Term Borrowing | Note 17 | (4,678) | (4,694) | (4,714) |
| Short Term Creditors | Note 20 | (27,156) | (23,281) | (25,214) |
| Grants Receipts in Advance - Revenue | Note 28 | 0 | (4) | 0 |
| Grants Receipts in Advance - Capital | Note 28 | 0 | 0 | (838) |
| Provisions | Note 21 | (3,779) | (1,367) | (775) |
| **Total Current Liabilities** | | (35,613) | (29,346) | (31,541) |
| **Net Current Assets** | | 30,919 | 68,668 | 50,096 |
| **Long Term Liabilities** | | | | |
| Long Term Creditors | Note 20 | (13,804) | (17,904) | (12,173) |
| Provisions | Note 21 | (3,062) | (3,723) | (4,229) |
| Long Term Borrowing | Note 17 | (55,849) | (60,292) | (64,736) |
| Net Pensions Liability | Note 32 | (60,154) | (61,724) | (57,666) |
| **Total Long Term Liabilities** | | (132,869) | (143,643) | (138,804) |
| **Total Net Assets** | | 335,967 | 296,046 | 257,139 |
| **Financed by:** | | | | |
| **Usable Reserves** | | | | |
| Usable Capital Receipts Reserve | Note 8 | (12,158) | (9,216) | (3,905) |
| Earmarked Reserves | Note 10 | (26,522) | (20,004) | (17,688) |
| Capital Grants Unapplied Reserve | Note 8 | (3,864) | (2,734) | (1,790) |
| General Fund | | (3,000) | (3,000) | (3,000) |
| Housing Revenue Account | HRA | (12,934) | (12,718) | (11,695) |
| **Unusable Reserves** | | | | |
| Capital Adjustment Account | Note 9 | (194,314) | (182,539) | (176,868) |
| Revaluation Reserve | Note 9 | (123,247) | (108,663) | (85,014) |
| Available-for sale Financial Instruments | Note 9 | (1,049) | (2,061) | (423) |
| Collection Fund | Note 9 | (1,044) | (1,646) | 487 |
| Pensions Reserve | Note 9 | 60,154 | 61,724 | 57,666 |
| Deferred Capital Receipts Reserve | Note 9 | (17,989) | (15,189) | (14,909) |
| **Total Net Worth** | | (335,967) | (296,046) | (260,816) |

## 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.

| | | 2017/18<br><br>£,000 | 2016/17<br>Restated (Note 34)<br>£,000 |
|---|---|---|---|
| Net surplus or (deficit) on the provision of services | | 21,376 | 14,700 |
| Adjustments to net surplus or deficit on the provision of services for non cash movements | Note 22 | 4,263 | 13,196 |
| Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | Note 22 | (13,972) | (12,122) |
| Net cash flows from operating activities | | 11,667 | 15,774 |
| Investing activities | Note 23 | 658 | (21,286) |
| Financing activities | Note 24 | (2,916) | (639) |
| Net increase (decrease) in cash and cash equivalents | | 9,409 | (6,151) |
| Cash and cash equivalents at the beginning of the reporting period | | 11,743 | 17,894 |
| Cash and cash equivalents at the end of the reporting period | | 21,152 | 11,743 |

## 1a Expenditure and Funding Analysis

This analysis brings together both the fiscal/funding framework and the accounting framework by service. It takes the net expenditure that is chargeable to taxation and rents, and reconciles it to the Surplus or Deficit on the Provision of Services line in the Consolidated Income and Expenditure Statement.

| 2017/18 | Net Expenditure Chargeable to the General Fund and HRA Balances (MIRS) £,000 | Adjustments between Funding and Accounting Basis (Note 1b) £,000 | Net Expenditure in the Comprehensive Income and Expenditure Statement £,000 |
|---|---|---|---|
| Managing Director | 259 | 18 | 277 |
| Strategic Director External Services | 7,138 | 1,008 | 8,146 |
| Strategic Director Internal Services | 1,495 | 3,191 | 4,686 |
| Local Authority Housing (HRA) | (1,540) | (8,997) | (10,537) |
| Net cost of services | 7,352 | (4,780) | 2,572 |
| Other income and expenditure | (14,086) | (9,862) | (23,948) |
| (Surplus) or deficit | (6,734) | (14,642) | (21,376) |
| Opening General Fund and HRA Balance at 31 March 2017 | 35,722 | | |
| Plus Surplus on General Fund and HRA Balance in year | 6,734 | | |
| Closing General Fund and HRA Balance at 31 March 2018 | 42,456 | | |

| 2016/17 | Net Expenditure Chargeable to the General Fund and HRA Balances (MIRS) | Adjustments between Funding and Accounting Basis (Note 1b) | Net Expenditure in the Comprehensive Income and Expenditure Statement |
|---|---|---|---|
| | | Restated | Restated |
| | £,000 | £,000 | £,000 |
| Managing Director | 241 | 9 | 250 |
| Strategic Director External Services | 6,442 | 1,132 | 7,574 |
| Strategic Director Internal Services | 4,301 | 2,797 | 7,098 |
| Local Authority Housing (HRA) | (2,441) | (7,286) | (9,727) |
| Net cost of services | 8,543 | (3,348) | 5,195 |
| Other income and expenditure | (11,882) | (4,336) | (19,895) |
| (Surplus) or deficit | (3,339) | (8,013) | (14,700) |
| Opening General Fund and HRA Balance at 31 March 2016 | 32,383 | | |
| Plus Surplus on General Fund and HRA Balance in year | 3,339 | | |
| Closing General Fund and HRA Balance at 31 March 2017 | 35,722 | | |

## 1b Note to the Expenditure and Funding Analysis and Segmental reporting

The tables below show a further breakdown of the adjustments made to the General Fund position in order to arrive at Comprehensive Income and Expenditure Statement amounts.

| Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts 2017/18 | Adjustment for Capital Purposes Note 1 £,000 | Net Change for Pensions Adjustment Note 2 £,000 | Other Differences Note 3 £,000 | Total Adjustments £,000 |
|---|---|---|---|---|
| Managing Director | 0 | 18 | 0 | 18 |
| Strategic Director External Services | 448 | 560 | 0 | 1,008 |
| Strategic Director Internal Services | 1,868 | (670) | 1,993 | 3,191 |
| Local Authority Housing (HRA) | (9,006) | 9 | 0 | (8,997) |
| Net cost of services | (6,690) | (83) | 1,993 | (4,780) |
| Other income and expenditure | (12,094) | 1,629 | 603 | (9,862) |
| Surplus or deficit | (18,784) | 1,546 | 2,596 | (14,642) |

| Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts 2016/17 | Adjustment for Capital Purposes Note 1 £,000 | Net Change for Pensions Adjustment Note 2 £,000 | Other Differences Restated Note 3 £,000 | Total Adjustments £,000 |
|---|---|---|---|---|
| Managing Director | 0 | 9 | 0 | 9 |
| Strategic Director External Services | 763 | 369 | 0 | 1,132 |
| Strategic Director Internal Services | 2,339 | (1,012) | 1,470 | 2,797 |
| Local Authority Housing (HRA) | (7,153) | (133) | 0 | (7,286) |
| Net cost of services | (4,051) | (767) | 1,470 | (3,348) |
| Other income and expenditure | (6,079) | 1,971 | (3,905) | (8,013) |
| Surplus or deficit | (10,130) | 1,204 | 1,242 | (7,684) |

## 1 Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

## 2 Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

For Financing and investment income and expenditure –- the net interest on the defined benefit liability is charged to the CIES.

## 3 Other Differences

This column includes variations in the amount chargeable for Business Rates and Council Tax under statute and the code. Other differences include interest costs budgeted and reported under the service headings during the year but accounted in other income and expenditure under the code and timing differences for debits or credits relating to premiums or discounts on debt settlement

## Segmental Reporting

Income received is analysed on a segmental basis below:

| Revenues from External Customers | 2017/18 £000 | 2016/17 £000 |
|---|---|---|
| Managing Director | (3) | 0 |
| Strategic Director External Services | (5,150) | (5,299) |
| Strategic Director Internal Services | (6,138) | (3,062) |
| Housing Revenue Account | (21,142) | (21,280) |
| Total | (32,433) | (29,641) |

## 2 Expenditure and Income Analysed by Nature

The authority's expenditure and income is analysed as follows:

| Expenditure/Income | 2017/18<br>£000 | 2016/17 Restated<br>£000 |
|---|---|---|
| **Expenditure** | | |
| Employee benefits expenses | 10,134 | 9,246 |
| Other services expenses | 47,684 | 46,283 |
| Depreciation, amortisation, impairment | 5,630 | 8,713 |
| Interest payments | 5,453 | 5,583 |
| Precepts and levies | 1,180 | 1,140 |
| Payments to Housing Capital Receipts Pool | 1,286 | 409 |
| Loss on the disposal of assets | 0 | 290 |
| Non Domestic Rates Tariff/Levy | 28,182 | 31,189 |
| Total expenditure | 99,549 | 102,853 |
| **Income** | | |
| Fees, charges and other service income | (32,433) | (29,641) |
| Gain on the disposal of assets | (3,059) | (1,478) |
| Discounted sale scheme | (5,190) | (2,652) |
| Interest and investment income | (6,492) | (5,143) |
| Income from council tax and non domestic rates | (38,946) | (42,501) |
| Government grants and contributions | (34,805) | (36,138) |
| Total income | (120,925) | (117,553) |
| Surplus or Deficit on the Provision of Services | (21,376) | (14,700) |

# 3 Accounting Policies

## General Principles

The Statement of Accounts summarises the Authority’s transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. 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 2016/17 supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

## 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;

- 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.

- There is a de-minimis limit for manual accruals (not automatic accruals) of £5,000 to aid faster closing, transactions below this limit are not generally accrued for as they are deemed not material to the understanding of these accounts.

## 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.

## Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

### Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

## Discounted Sales Scheme

Discounts have been provided by two third parties on sales of new dwellings on a development scheme in the borough.

In 2017/18 one developer was unable to sell all of the Discounted Scheme plots as originally intended. As such, they were given permission as per the agreement to sell 16 properties on the open market but with 20% of the proceeds to be paid back to Dartford Borough Council. This income is recognised as a capital receipt.

The remaining 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 or redemption of the property or after 25 years if no sale takes place.

The income due is secured as a result of a charge on the properties. For properties sold before January 2017 the charge is in the Council's favour. For properties after this date the charge is in the favour of a third party and a floating charge over the portfolio held by the Council.

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 Pension 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 2018 the discount rate was 2.55%.

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 2017. 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.

**The Authority as Lessee**

**Operating Leases**
Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a rent-free period at the commencement of the lease).

**The Authority as Lessor**

**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

In past years these have been charged to appropriate Service Reporting Code of Practice line, however as part of the “Telling the Story” changes to the accounts outlined in the Narrative Report the costs of overheads and support services are now charged to service segments in accordance with the Authority’s arrangements for accountability and financial performance.

## 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 14. The date of revaluation for non-dwelling Property, Plant and Equipment assets valued during the year has been changed to 1 January 2017 to reduce the level of estimation. Investment Properties have been revalued as at 31 March 2017.

The valuer has confirmed on the 31st March that the owner occupier market has not improved significantly since the 1st January 2017 and that the building cost index remained relatively stable from 1st January to 31st March. Therefore the Council is confident that the PPE valuations at 1st J January 2017 are materially correct as at the 31st March 2017.

Council dwellings are revalued annually using the Beacon principle. The asset valuations in these accounts have been prepared by the 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 33% 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 2017.
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 its 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 criteria 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.

## 4 Accounting Standards that Have Been Issued but Have Not Yet Been Adopted

The 2017/18 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 that are relevant are:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15 Clarifications to IFRS 15 Revenue from Contracts with Customers
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative.

The transitional reporting requirements for IFRS 9 and IFRS 15 have been adopted such that the preceding year is not restated.

The Council will adopt IFRS 9 Financial Instruments with effect from 1st April 2018. The main changes include the reclassification of financial assets and the earlier recognition of the impairment of financial assets.

The Council does not expect the reclassification changes to have a material impact upon the financial statements because it is expected that the majority of its financial assets will retain the same measurement basis. To this end, on 1st April 2018 the Council irrevocably elected to present changes in the fair value of the following equity investments in other comprehensive income as permitted by the IFRS:

Columbia Threadneedle Strategic Bond Fund
ColumbiaThreadneedle UK Short Dated Corp Bond Fund
Royal London Duration Hedged Credit Fund
Payden & Rygel Absolute Return Bond Fund
ColumbiaThreadneedle UK Equity Income Fund
M&G Global Dividend Fund
M&G UK Income Distribution Fund
Schroder Income Maximiser Fund
Investec Cautious Managed Fund
Investec Diversified Income Fund
UBS Multi Asset Income Fund
Local Authorities' Property Fund (LAMIT)

Further information is awaited from MHCLG on the issue of a statutory override enabling local authorities to continue deferring fair value gains and losses on pooled funds through unusable reserves from 2018/19 onwards. This may include guidance, which supersedes the above election and requires the Council to treat the funds as fair value through profit and loss.

If the above election is deemed ineffective and a statutory override is not confirmed the Council will be required to recognise all gains and losses and impairment charges as income and expenditure in year and will need to finance any losses from general funds. Initially, this is likely to lead the Council to increase the specific reserves set aside for investment volatility.

The Council considers that the other changes will have a minimal impact on the future statements.

## 5 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, (242 properties as at 31 March 2018). The historic costs of the sales since the commencement of the scheme have been uplifted to March 2018 prices using the Land Registry indices for Dartford, 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 2017/18 financial year 43 properties were sold.

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.

*Changes to approach*

Judgements around the index to use and the prediction of future sales patterns have changed. This is because actual sale prices realised were significantly higher than the holding values.

This first change is to use a specific Dartford index rather than the use of the South East index.

Secondly, given that 43 sales have been realised in the last year the Council has now determined that earlier sales should be projected rather than assuming even sales over the remaining 20 year redemption period.

The two changes result in a total discounted sales scheme receivable value of £15.472m compared to a total value of £12.633m under the previous estimation basis.

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 fairly 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 2017/18 and earlier years. The total rateable value for the 2010 list appeals on 31 March 2018 was £58m, of which the Council's share was £23.3m; (£88m and £35.2m respectively at 31 March 2017). Given the 2017 revaluation, there is a real prospect of future appeals related to the revaluation. Currently the number of 2017 list appeals are insignificant, however, it is expected that more appeals will be made over time and as such a provision for these expected appeals is also included in the accounts. The Council have provided a total provision of £16.75m on 31 March 2018 (£12.37m at 31 March 2017).

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 2017/18.

## 6 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 2018 includes an amount of £60.15m for pension liability for which it is considered there is a significant risk of material adjustment in the forthcoming financial years. 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 £7.703m (£6.141m in 2016/17). 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 £30m.

**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 as detailed in Note 5.

The 2010 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.

A provision has also been made for the 2017 appeals list, which is based upon average estimates of successful appeals as calculated by central government with additional amounts for residual issues relating to the 2010 list.

If the rate and value of successful appeals were 1% higher than estimated there would be a shortfall of £2.8m 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.

## 7 Events After The Reporting Period

The Statement of Accounts was approved and authorised for issue on 30 July 2018 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.

## 8 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 | | | | |
|---|---|---|---|---|---|
| | 2016/17 | CI&ES | MIRS | Reserves | 2017/18 |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| General Fund Balance | 3,000 | 11,179 | (4,661) | (6,518) | 3,000 |
| Housing Revenue Account | 12,718 | 10,197 | (9,981) | 0 | 12,934 |
| Capital Grants Unapplied | 2,734 | 0 | 1,130 | 0 | 3,864 |
| Capital Receipts Reserve | 4,515 | 0 | 2,950 | 0 | 7,465 |
| "One for One" Receipts | 4,701 | 0 | (8) | 0 | 4,693 |
| Total | 27,668 | 21,376 | (10,570) | (6,518) | 31,956 |

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 | | | | |
|---|---|---|---|---|---|
| **2017/18** | 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 | (1,194) | (352) | 0 | 0 | 0 |
| Council Tax and NDR | (603) | 0 | 0 | 0 | 0 |
| Reversal of entries in relation to Capital Expenditure | (2,839) | (4,685) | 0 | 0 | 0 |
| **Total Adjustments to Revenue Resources** | **(4,636)** | **(5,037)** | **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 | 3,656 | 2,524 | 0 | 0 | (6,180) |
| Transfer from Deferred Capital Receipts on receipt of cash | (1) | 0 | 0 | 0 | (23) |
| Recognition of Long Term Debtor re Discounted Sales Scheme | 5,190 | 0 | 0 | 0 | (1,015) |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool | (1,286) | 0 | 0 | 0 | 1,286 |
| Capital expenditure financed from the General Fund and Housing Revenue Account Balances | 10 | 4,636 | 0 | 0 | 0 |
| Statutory provision for the repayment of debt | 0 | 4,443 | 0 | 0 | 0 |
| Transfer from HRA to Major Repairs Reserve | 0 | 3,415 | (3,415) | 0 | 0 |
| **Total Adjustments between Revenue and Capital Resources** | **7,569** | **15,018** | **(3,061)** | **0** | **(5,932)** |
| **Adjustments to Capital Resources** | | | | | |
| Capital Grants Applied to Finance Capital expenditure | 496 | 0 | 0 | 102 | 0 |
| Capital Grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement | 1,232 | 0 | 0 | (1,232) | 0 |
| Use of the Major Repairs Reserve to finance capital expenditure | 0 | 0 | 3,415 | 0 | 0 |
| Use of the Capital Receipts Reserve to finance capital expenditure | 0 | 0 | 0 | 0 | 2,990 |
| **Total Adjustments to Capital Reserves** | **1,728** | **0** | **3,415** | **(1,130)** | **2,990** |
| **Total Adjustments** | **4,661** | **9,981** | **0** | **(1,130)** | **(2,942)** |

| 2016/17 Restated* | 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 | (934) | (270) | 0 | 0 | 0 |
| Council Tax and NDR | 2,134 | 0 | 0 | 0 | 0 |
| Reversal of entries in relation to Capital Expenditure | (6,839) | (6,267) | 0 | 0 | 0 |
| **Total Adjustments to Revenue Resources** | **(5,639)** | **(6,537)** | **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 | 3,691 | 3,170 | 0 | 0 | (6,861) |
| Transfer from Deferred Capital Receipts on receipt of cash | (1) | 0 | 0 | 0 | 0 |
| Recognition of Long Term Debtor re Discounted Sales Scheme | 2,652 | 0 | 0 | 0 | 0 |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool | (409) | 0 | 0 | 0 | 409 |
| Capital expenditure financed from the General Fund and Housing Revenue Account Balances | 48 | 4,275 | 0 | 0 | 0 |
| Statutory provision for the repayment of debt | 0 | 4,443 | 0 | 0 | 0 |
| Transfer from HRA to Major Repairs Reserve | 0 | 3,061 | (3,061) | 0 | 0 |
| **Total Adjustments between Revenue and Capital Resources** | **5,981** | **14,949** | **(3,061)** | **0** | **(6,452)** |
| **Adjustments to Capital Resources** | | | | | |
| Capital Grants Applied to Finance Capital expenditure | 1,211 | 0 | 0 | 452 | 0 |
| Capital Grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement | 1,396 | 0 | 0 | (1,396) | 0 |
| Use of the Major Repairs Reserve to finance capital expenditure | 0 | 0 | 3,061 | 0 | 0 |
| Use of the Capital Receipts Reserve to finance capital expenditure | 0 | 0 | 0 | 0 | 1,141 |
| **Total Adjustments to Capital Reserves** | **2,607** | **0** | **3,061** | **(944)** | **1,141** |
| **Total Adjustments** | **2,949** | **8,412** | **0** | **(944)** | **(5,311)** |

## 9 Unusable Reserves

| | 2017/18<br><br>£,000 | 2016/17<br>Restated<br>£,000 |
|---|---|---|
| Capital Adjustment Account | (194,314) | (182,539) |
| Revaluation Reserve | (123,247) | (108,663) |
| Collection Fund Adjustment Account | (1,044) | (1,646) |
| Pensions Reserve | 60,154 | 61,724 |
| Deferred Capital Receipts Reserve | (17,989) | (18,866) |
| Available for Sale Financial Instruments Account | (1,049) | (2,061) |
| Total Unusable Reserves | (277,489) | (252,051) |

### 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.

| CAPITAL ADJUSTMENT ACCOUNT | 2017/18 £,000 | | 2016/17 £,000 | |
|---|---|---|---|---|
| Balance as at 1 April | | (182,539) | | (176,868) |
| Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement: | | | | |
| Charges for depreciation and impairment of non-current assets | 5,592 | | 7,503 | |
| Amortisation of intangible assets | 40 | | 48 | |
| Revenue expenditure funded from capital under statute | 546 | | 1,161 | |
| 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 | 1,378 | | 2,783 | |
| Adjusting amounts written out of the Revaluation Reserve | | | | |
| Adjustment re Historic Cost Depreciation | (1,465) | | (1,257) | |
| Net written out amount of the cost of non-current assets consumed in the year: | | 6,091 | | 10,238 |
| Capital financing applied in the year: | | | | |
| Use of the Capital Receipts Reserve to finance new capital expenditure | (2,989) | | (1,141) | |
| Use of the Major Repairs Reserve to finance new capital expenditure | (3,415) | | (3,061) | |
| Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | (496) | | (1,210) | |
| Application of grants to capital financing from the Capital Grants Unapplied Account | (102) | | (453) | |
| Statutory Provision for the financing of capital investment charged against the General Fund and HRA balances | (4,443) | | (4,442) | |
| Capital expenditure charged against the General Fund and HRA balances | (4,646) | | (4,323) | |
| | | (16,091) | | (14,630) |
| Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement | | (1,775) | | (1,279) |
| Balance as at 31 March | | (194,314) | | (182,539) |

## 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.

| **REVALUATION RESERVE** | 2017/18 £,000 | | 2016/17 £,000 | |
|---|---|---|---|---|
| Balance as at 1 April | | (108,663) | | (85,014) |
| Upward revaluation of assets | (19,248) | | (26,216) | |
| Downward revaluation of assets and impairment losses not charged to the surplus or deficit on the provision of services | 2,808 | | 791 | |
| Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services | | (16,440) | | (25,425) |
| Difference between fair value depreciation and historical cost depreciation | 1,465 | | 1,257 | |
| Accumulated gains on assets sold or scrapped | 391 | | 519 | |
| Amount written off to the Capital Adjustment Account | | 1,856 | | 1,776 |
| Balance at 31 March | | (123,247) | | (108,663) |

## 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 | 2017/18 £,000 | 2016/17 £,000 |
|---|---|---|
| Balance at 1 April | (1,646) | 487 |
| 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 | 15 | (216) |
| 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 | 587 | (1,917) |
| Balance at 31 March | (1,044) | (1,646) |

## 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 | 2017/18<br>£,000 | 2016/17<br>£,000 |
|---|---|---|
| Balance at 1 April | 61,724 | 57,666 |
| Remeasurements of the net defined benefit liability (asset) | (3,116) | 2,854 |
| Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the provision of Services | 4,261 | 3,935 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | (2,715) | (2,731) |
| Balance at 31 March | 60,154 | 61,724 |

## 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 18 to the accounts.

| DEFERRED CAPITAL RECEIPTS RESERVE | 2017/18<br><br>£,000 | 2016/17<br>Restated*<br>£,000 |
|---|---|---|
| Balance at 1 April | (15,189) | (14,909) |
| New Deferred Receipts | (760) | 0 |
| Transfer to the Capital Receipts Reserve upon receipt of cash | 24 | 2 |
| Discounted Sale Scheme - New Receipts and Valuation Changes | (4,175) | (2,653) |
| Discounted Sales Scheme - Written Out on Receipt of Cash | 2,111 | 2,371 |
| Balance at 31 March | (17,989) | (15,189) |

## 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** | 2017/18<br>£,000 | 2016/17<br>£,000 |
|---|---|---|
| Balance at 1 April | (2,061) | (423) |
| Upward revaluation of investments | (199) | (1,731) |
| Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services | 1,165 | 29 |
| Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income | 46 | 64 |
| Balance at 31 March | (1,049) | (2,061) |

## 10 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 2016/17.

| | Balance at 31 March 2016 £,000 | Transfers Out 2016/17 £,000 | Transfers In 2016/17 £,000 | Balance at 31 March 2017 £,000 | Transfers Out 2017/18 £,000 | Transfers In 2017/18 £,000 | Balance at 31 March 2018 £,000 |
|---|---|---|---|---|---|---|---|
| Identified Initiatives | (2,225) | 405 | (152) | (1,972) | 301 | (1,027) | (2,698) |
| Additional Pensions | (2,000) | 0 | 0 | (2,000) | 0 | 0 | (2,000) |
| Acacia | (283) | 10 | 0 | (273) | 0 | (27) | (300) |
| Structural Changes and Partnering | (560) | 0 | 0 | (560) | 45 | (45) | (560) |
| Default and Exceptional Loss | (573) | 1 | 0 | (572) | 0 | 0 | (572) |
| Feasibility and Service Provision | (600) | 8 | 0 | (592) | 54 | 0 | (538) |
| Minor Insurance Liabilities | (100) | 0 | 0 | (100) | 0 | 0 | (100) |
| Investment Volatility | (1,000) | 0 | 0 | (1,000) | 0 | 0 | (1,000) |
| Museum Donation Box | (14) | 0 | 0 | (14) | 0 | 0 | (14) |
| Replacement and Renewals | (645) | 60 | (82) | (667) | 18 | (28) | (677) |
| Corporate Property Maintenance | (500) | 4 | 0 | (496) | 0 | (150) | (646) |
| Homelessness | (300) | 67 | (67) | (300) | 29 | (29) | (300) |
| New Homes Bonus | (5,473) | 24 | (3,560) | (9,009) | 110 | (3,670) | (12,569) |
| Environmental and Waste Management | (750) | 146 | 0 | (604) | 136 | (136) | (604) |
| NNDR Stability | (1,665) | 1,250 | 0 | (415) | 0 | 0 | (415) |
| Exceptional Cost Overrun | (1,000) | 0 | 0 | (1,000) | 0 | 0 | (1,000) |
| Business Rates Pool Growth Fund | 0 | 0 | (325) | (325) | 28 | (276) | (573) |
| Major Projects | 0 | 0 | 0 | 0 | 0 | (1,677) | (1,677) |
| Community Infrastructure Levy | 0 | 0 | (105) | (105) | 0 | (174) | (279) |
| Total | (17,688) | 1,975 | (4,291) | (20,004) | 721 | (7,239) | (26,522) |

## 11 Other Operating Expenditure

| | 2017/18<br><br>£,000 | 2016/17<br>Restated*<br>£,000 |
|---|---|---|
| Parish Council precepts | 1,180 | 1,140 |
| Payments to the Government Housing Capital Receipts Pool | 1,286 | 409 |
| (Gains)/Losses on the disposal of non current assets | (3,059) | (1,188) |
| Notional Income - Discounted Sale Scheme | (5,190) | (2,625) |
| Total Other Operating Expenditure | (5,783) | (2,291) |

## 12 Financing and Investment Income & Expenditure

| | 2017/18<br>£,000 | 2016/17<br>£,000 |
|---|---|---|
| Interest payable and similar charges | 1,537 | 1,630 |
| Net interest on the net defined benefit (liability) | 1,630 | 1,971 |
| Interest receivable and similar income | (1,871) | (1,570) |
| Income and expenditure in relation to investment properties | (561) | (312) |
| Changes in the fair value of investment property | (1,775) | (1,279) |
| Total Financing and Investment Income and Expenditure | (1,040) | 440 |

## 13 Taxation and Non-Specific Grant Income and Expenditure

| | | 2017/18<br>£,000 | 2016/17<br>£,000 |
|---|---|---|---|
| Council Tax Income | | (7,380) | (7,160) |
| NNDR Tariff | | 27,768 | 30,505 |
| NNDR Income Share | | (31,566) | (35,341) |
| Business Rates Levy / Pool Contribution | | 414 | 685 |
| Section 31 Business Rates Grants | Note 28 | (843) | (392) |
| Non-Ringfenced Government Grants | Note 28 | (4,380) | (4,869) |
| Capital Grants and Contributions | Note 28 | (1,138) | (1,472) |
| Total Taxation and Non Specific Grant Income | | (17,125) | (18,044) |

## 14 Property, Plant and Equipment

| Movements on Balances | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Movements in 2017/18** | Council Dwellings | Other Land and Buildings | Vehicles, Plant, Furniture & Equipment | Infrastructure Assets | Community Assets | Surplus Assets | Assets Under Construction | **Total Property, Plant and Equipment** |
| | £,000 | £,000 | £,000 | £,000 | £,000 | £,000 | £,000 | £,000 |
| **Cost or Valuation** | | | | | | | | |
| at 1 April 2017 | 284,958 | 43,114 | 3,939 | 3,326 | 9,319 | 5,163 | 297 | 350,116 |
| Additions | 6,091 | 1,392 | 131 | 31 | 7 | 161 | 3,287 | 11,100 |
| Revaluation increases / (decreases) recognised in the Revaluation Reserve | 7,856 | 830 | 0 | 0 | 0 | 1,976 | 0 | 10,662 |
| Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services | (58) | (27) | 0 | 0 | 0 | 0 | 0 | (85) |
| Derecognition - Disposals | (1,184) | (100) | 0 | 0 | 0 | 0 | 0 | (1,284) |
| Assets reclassified | 0 | 151 | 0 | 0 | 0 | 0 | 0 | 151 |
| Impairment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| At 31 March 2018 | 297,663 | 45,360 | 4,070 | 3,357 | 9,326 | 7,300 | 3,584 | 370,660 |
| **Accumulated Depreciation and Impairment** | | | | | | | | |
| At 1 April 2017 | 0 | (1,411) | (2,961) | (1,246) | (363) | 0 | 0 | (5,981) |
| Depreciation charge | (3,304) | (1,896) | (124) | (98) | 0 | 0 | 0 | (5,422) |
| Depreciation written out to Revaluation Reserve | 3,290 | 2,488 | 0 | 0 | 0 | 0 | 0 | 5,778 |
| Depreciation written out to Surplus/Deficit on provision of Services | 0 | (82) | 0 | 0 | 0 | 0 | 0 | (82) |
| Impairment losses (reversals) recognised in the Revaluation Reserve | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Derecognition - Disposals | 14 | 0 | 0 | 0 | 0 | 0 | 0 | 14 |
| At 31 March 2018 | 0 | (901) | (3,085) | (1,344) | (363) | 0 | 0 | (5,693) |
| | | | | | | | | |
| **Net Book Value** | | | | | | | | |
| **at 31 March 2018** | 297,663 | 44,459 | 985 | 2,013 | 8,963 | 7,300 | 3,584 | 364,967 |

During 2017/18 the Council spent £11.1m on works to its asset portfolio. Of this sum, £6.1m was spent on HRA dwelling stock assets, including a programme of new build/acquisitions. The Council sold 17 dwellings with a total balance sheet valuation of £1.7m under the Right to Buy scheme during 2017/18.

| **Movements on Balances** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Movements in 2016/17** | 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 2016 | 260,697 | 42,329 | 5,494 | 3,270 | 9,311 | 3,266 | 2,116 | 326,483 |
| Additions | 8,012 | 505 | 158 | 56 | 8 | 0 | 285 | 9,024 |
| Revaluation increases / (decreases) recognised in the Revaluation Reserve | 17,301 | 907 | 0 | 0 | 0 | 1,955 | 0 | 20,163 |
| Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services | (1,456) | (1,228) | 0 | 0 | 0 | 0 | 0 | (2,684) |
| Derecognition - Disposals | (1,712) | 0 | (1,713) | 0 | 0 | 0 | 0 | (3,425) |
| Assets reclassified | 2,116 | 601 | 0 | 0 | 0 | (58) | (2,104) | 555 |
| Impairment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| At 31 March 2017 | 284,958 | 43,114 | 3,939 | 3,326 | 9,319 | 5,163 | 297 | 350,116 |
| **Accumulated Depreciation and Impairment** | | | | | | | | |
| At 1 April 2016 | 0 | (2,293) | (4,347) | (1,154) | (363) | 0 | 0 | (8,157) |
| Depreciation charge | (3,061) | (1,852) | (327) | (92) | 0 | 0 | 0 | (5,332) |
| Depreciation written out to Revaluation Reserve | 3,041 | 2,221 | 0 | 0 | 0 | 0 | 0 | 5,262 |
| Depreciation written out to Surplus/Deficit on provision of Services | 0 | 513 | 0 | 0 | 0 | 0 | 0 | 513 |
| Impairment losses (reversals) recognised in the Revaluation Reserve | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Derecognition - Disposals | 20 | 0 | 1,713 | 0 | 0 | 0 | 0 | 1,733 |
| At 31 March 2017 | 0 | (1,411) | (2,961) | (1,246) | (363) | 0 | 0 | (5,981) |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Net Book Value** | | | | | | | | |
| **at 31 March 2017** | 284,958 | 41,703 | 978 | 2,080 | 8,956 | 5,163 | 297 | 344,135 |

## 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 2018 the Authority was contractually committed to existing contracts for the construction of new housing with an outstanding commitment of £4.658m. Similar commitments at 31 March 2017 totalled £5.6m.

## 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. Properties with a higher valuation are valued annually to ensure a materially correct carrying value.

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 during the year, 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.

Housing is valued at Existing Use Value for Social Housing (EUV-SH) as detailed in the accounting policies.

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 current value as at: | | | |
| 31 March 2018* | 297,663 | 39,468 | 337,131 |
| 31 March 2017* | 0 | 4,672 | 4,672 |
| 01 April 2015 | 0 | 214 | 214 |
| 01 April 2014 | 0 | 105 | 105 |
| Total Cost or Valuation | 297,663 | 44,459 | 342,122 |

* Council dwellings valued as at 31/03/18; Other Land and Buildings as at 01/01/18

Surplus Assets: land at Stone Lodge was revalued at Fair Value as at 31 March 2018. 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.

## 15 Investment Properties

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

| | 2017/18 £,000 | 2016/17 £,000 |
|---|---|---|
| Balance at 1 April | 12,192 | 13,080 |
| Additions: | | |
| Reclassifications | (151) | (555) |
| Disposals | 0 | (1,611) |
| Net gains/(losses) from fair value adjustments | 1,775 | 1,278 |
| Balance at 31 March | 13,816 | 12,192 |

A review of investment properties took place during the year. It was considered that some properties previously held as investment properties were better held as Property, Plant and Equipment due to their contribution to service objectives and as such, though immaterial, they have been transferred to this classification.

## Fair Value Hierarchy

Details of the authority's investment properties and information about the fair value hierarchy as at 31 March 2018 and 2017 are as follows:

| Recurring fair value measurements using: | Other significant observable inputs (Level 2) £,000 | Significant unobservable inputs (Level 3) £,000 | Fair value as at 31 March 2018 £,000 |
|---|---|---|---|
| Commercial units | 13,816 | 0 | 13,816 |
| Total | 13,816 | 0 | 13,816 |

| Recurring fair value measurements using: | Other significant observable inputs (Level 2) £,000 | Significant unobservable inputs (Level 3) £,000 | Fair value as at 31 March 2017 £,000 |
|---|---|---|---|
| Commercial units | 12,192 | 0 | 12,192 |
| Total | 12,192 | 0 | 12,192 |

## Transfers between Levels of the Fair Value Hierarchy

There were no transfers between Levels during the year

## Valuation Techniques used to Determine Level 2 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.

## 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.

## 16 Assets Held for Sale

| Non-current | 31 March 2018 £,000 | 31 March 2017 £,000 |
|---|---|---|
| Balance at 1 April | 500 | 500 |
| Assets newly classified as held for sale: | | |
| Property, Plant and Equipment | 0 | 0 |
| Revaluation losses | 0 | 0 |
| Asset Disposal | (500) | 0 |
| Total | 0 | 500 |

The former Mabledon Hospital site, the only item in the opening balance for Assets Held for Sale, was sold on a long term lease during the year. The new owners propose to build a crematorium and cemetery on the site.

## 17 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 2018 £,000 | 31 March 2017 £,000 | 31 March 2018 £,000 | 31 March 2017 Restated £,000 |
| Loans and Receivables | 0 | 0 | 6,452 | 7,021 |
| Available for Sale Financial Assets | 43,141 | 0 | 47,781 | 84,369 |
| **Total Investments and Cash** | 43,141 | 0 | 54,233 | 91,390 |
| **Debtors** | | | | |
| Loans and Receivables (Operational Debtors) * | 2,589 | 1,849 | 7,172 | 3,509 |
| **Total Debtors** | 2,589 | 1,849 | 7,172 | 3,509 |
| **Borrowings** | | | | |
| Financial Liabilities at Amortised Cost | 55,849 | 60,292 | 4,678 | 4,694 |
| **Total Borrowings** | 55,849 | 60,292 | 4,678 | 4,694 |
| **Creditors** | | | | |
| Financial Liabilities at Amortised Cost | 13,804 | 17,904 | 6,089 | 4,486 |
| **Total Creditors** | 13,804 | 17,904 | 6,089 | 4,486 |

The restatement relates to the Debtors figure which was stated incorrectly last year as the short term element of the discounted sales scheme had not been removed from the financial instruments figure.

*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 18 and 20 is set out in the table below.

| | Debtors (Note 18) | | | | Creditors (Note 20) | | | |
|---|---|---|---|---|---|---|---|---|
| | Long Term | | Current | | Long Term | | Current | |
| | 31 March 2018 £,000 | 31 March 2017 Restated £,000 | 31 March 2018 £,000 | 31 March 2017 Restated £,000 | 31 March 2018 £,000 | 31 March 2017 £,000 | 31 March 2018 £,000 | 31 March 2017 £,000 |
| Amounts included as Financial Instruments | 2,589 | 1,849 | 7,172 | 3,509 | 13,804 | 17,904 | 6,089 | 4,486 |
| Statutory Amounts | 0 | 0 | 2,976 | 1,928 | 0 | 0 | 21,067 | 18,795 |
| Discounted Sales Scheme | 13,323 | 12,724 | 2,149 | 685 | 0 | 0 | 0 | 0 |
| **Total used in Specific Notes** | **15,912** | **14,573** | **12,297** | **6,122** | **13,804** | **17,904** | **27,156** | **23,281** |

## Income, Expense, Gains and Losses

| | 2017/2018 | | | | 2016/2017 | | | |
|---|---|---|---|---|---|---|---|---|
| | Financial Liabilities | Financial Assets | | | Financial Liabilities | Financial Assets | | |
| | Financial Liabilities measured at amortised cost £,000 | Financial Assets: Loans and Receivables £,000 | Financial Assets: Available for sale assets £,000 | **2017/18 Total** £,000 | Financial Liabilities measured at amortised cost £,000 | Financial Assets: Loans and Receivables £,000 | Financial Assets: Available for sale assets £,000 | **2016/17 Total** £,000 |
| Interest Expense | (1,537) | 0 | 0 | 0 | (1,630) | 0 | 0 | 0 |
| Losses on derecognition | 0 | 0 | (44) | (44) | 0 | 0 | 0 | 0 |
| **Interest Payable and Similar Charges** | **(1,537)** | **0** | **(44)** | **(44)** | **(1,630)** | **0** | **0** | **0** |
| Interest income | 0 | 245 | 1,578 | 1,823 | 0 | 256 | 1,251 | 1,507 |
| Gains on derecognition | 0 | 0 | 91 | 91 | 0 | 0 | 63 | 63 |
| **Interest and investment income** | **0** | **245** | **1,669** | **1,914** | **0** | **256** | **1,314** | **1,570** |
| **Gains on revaluation** | 0 | 0 | 199 | 199 | 0 | 0 | 1,730 | 1,730 |
| **Losses on revaluation** | 0 | 0 | (1,165) | (1,165) | 0 | 0 | (29) | (29) |
| **Net gain/(loss) for the year** | **(1,537)** | **245** | **659** | **904** | **(1,630)** | **256** | **3,015** | **3,271** |

## 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 March 2018<br>£,000 | Fair Value as at 31 March 2017<br>£,000 |
| **Available for sale** | | | | |
| External pooled fund investments | Level 1 | Unadjusted quoted prices in active markets for identical holdings | 76,222 | 75,142 |
| Money market fund investments | Level 1 | Unadjusted quoted prices in active markets for identical holdings | 14,700 | 9,225 |
| **Total** | | | 90,922 | 84,367 |

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), 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 2018 | | 31 March 2017 | |
|---|---|---|---|---|
| | Carrying Amount £,000 | Fair Value £,000 | Carrying Amount £,000 | Fair Value £,000 |
| **Financial Liabilities** | | | | |
| Borrowing | 60,527 | 63,664 | 64,986 | 70,611 |

The 2017/18 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 2018 consisted solely of loans from the Public Works Loan Board (PWLB). Our treasury management advisors Arlingclose, have 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. Loans borrowed by the Council have been valued by discounting the contractual cash flow over the whole life of the instrument at an appropriate market rate for local authority loans. There has been no change in the valuation technique used during the year.

A maturity analysis of this debt is shown below:

| **Time to Maturity (years)** | **31 March 2018 £'000's** |
|---|---|
| Not over 1 | 4,678 |
| Over 1 but not over 2 | 4,443 |
| Over 2 but not over 5 | 17,430 |
| Over 5 but not over 10 | 16,432 |
| Over 10 but not over 20 | 16,877 |
| Over 20 but not over 30 | 667 |
| **Total** | **60,527** |

## 18 Debtors

### Long Term Debtors

| | 31 March 2018<br>£,000 | 31 March 2017 Restated<br>£,000 |
|---|---|---|
| Mortgages: Outstanding Loans on Council Houses | 3 | 5 |
| Finance Leases | 2,513 | 1,775 |
| Discounted Sales Scheme | 13,323 | 12,723 |
| Works in Default | 4 | 4 |
| Car Loans to Employees | 69 | 66 |
| Total | 15,912 | 14,573 |

### Short Term Debtors

| | 31 March 2018<br>£,000 | 31 March 2017 Restated*<br>£,000 |
|---|---|---|
| Gross amounts owing at year end | | |
| Central Government Bodies | 1,240 | 921 |
| Other Local Authorities | 647 | 466 |
| Housing Rents | 1,281 | 1,324 |
| Housing Benefit Overpayments | 3,656 | 3,177 |
| Discounted Sales Scheme | 2,150 | 853 |
| Other Entities and Individuals | 8,429 | 4,022 |
| | 17,403 | 10,763 |
| Less Impairment for Bad Debts analysed below | (5,106) | (4,641) |
| Total | 12,297 | 6,122 |

*The figures for March 2017 have been restated in relation to note 34 and also to provide comparison for the disaggregation of material items

| Bad Debts - Impairment | Balance as at 31 March 2017 £,000 | Amounts Written Off £,000 | Adjustments £,000 | Balance as at 31 March 2018 £,000 |
|---|---|---|---|---|
| General Fund | 2,709 | (32) | 406 | 3,083 |
| Housing Revenue Account | 1,073 | (72) | 61 | 1,062 |
| Collection Fund - Council Tax | 321 | (2) | 107 | 426 |
| Collection Fund - NNDR | 538 | (77) | 74 | 535 |
| | 4,641 | (183) | 648 | 5,106 |

## 19 Cash and Cash Equivalents

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

| | 31 March 2018 £,000 | 31 March 2017 £,000 |
|---|---|---|
| Cash held by the Authority | 3 | 3 |
| Bank current accounts | 446 | 495 |
| Short term deposits in Money Market Funds and Instant Access Deposit Accounts | 20,703 | 11,245 |
| Total | 21,152 | 11,743 |

## 20 Creditors

| Long Term Creditors | 31 March 2018 £,000 | 31 March 2017 £,000 |
|---|---|---|
| Section 106 Agreements | (3,293) | (3,425) |
| The Bridge | (9,090) | (13,105) |
| Other Long Term Creditors | (1,421) | (1,374) |
| Total | (13,804) | (17,904) |

| Short Term Creditors | 31 March 2018 £,000 | 31 March 2017 £,000 |
|---|---|---|
| Central Government Bodies | (11,184) | (9,073) |
| Other Local Authorities | (8,359) | (8,667) |
| NHS Bodies | (2) | (2) |
| Other Entities and Individuals | (7,611) | (5,539) |
| Total | (27,156) | (23,281) |

## 21 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.

| | 2016/17 £'000 | New Provision | Amounts Used | 2017/18 £'000 |
|---|---|---|---|---|
| Business Rate Valuation Appeals | (4,950) | (2,353) | 602 | (6,701) |
| Other Provisions | (140) | 0 | 0 | (140) |
| Balance Carried Forward | (5,090) | (2,353) | 602 | (6,841) |

**Provision for Business Rate Valuation Appeals**

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

The provision against the 2010 list 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 provision has also been made for the 2017 appeals list, which is based upon average estimates of successful appeals as calculated by central government.

The provision is split between current and long term liabilities in the Balance Sheet; the current element is £3.779m and the long term element is £2.291m.

## 22 Operating Activities (Cash Flow Statement)

The cash flows for operating activities include the following items:

| | 2017/18<br>£,000 | 2016/17<br>£,000 |
|---|---:|---:|
| Interest received | 1,889 | 1,490 |
| Interest paid | (1,553) | (1,650) |
| Dividends received | 0 | 0 |

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

| | 2017/18<br>£,000 | 2016/17<br>£,000 |
|---|---:|---:|
| Depreciation | 5,423 | 5,333 |
| Impairment and downward valuations | 168 | 2,170 |
| Amortisation | 40 | 48 |
| Increase/(decrease) in Interest Creditors | (16) | (20) |
| Increase/(decrease) in Creditors | (2,070) | 352 |
| (Increase)/decrease in Interest Debtors | 18 | (80) |
| (Increase)/decrease in Debtors | (4,723) | (298) |
| (Increase)/decrease in Inventories | 0 | 1 |
| Movement in pension liability | 1,546 | 1,204 |
| Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised | 3,905 | 5,675 |
| Movement in investment property values | (1,775) | (1,279) |
| Contributions to (from) provisions | 1,747 | 90 |
| | 4,263 | 13,196 |

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

| | 2017/18<br>£,000 | 2016/17<br>£,000 |
|---|---|---|
| Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries) | (91) | 0 |
| Proceeds from the sale of property plant and equipment, investment property and intangible assets | (12,153) | (5,838) |
| Capital Grants credited to surplus or deficit on the provision of services | (1,728) | (2,607) |
| | (13,972) | (8,445) |

## 23 Investing Activities (Cash Flow Statement)

| | 2017/18<br>£,000 | 2016/17<br>£,000 |
|---|---|---|
| Purchase of property, plant and equipment, investment property and intangible assets | (10,784) | (9,386) |
| Purchase of short-term and long-term investments | (4,000) | (55,493) |
| Other payments for investing activities | (39) | (52) |
| Proceeds from the sale of short term and long term investments | 6,500 | 34,964 |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 7,218 | 6,862 |
| Capital grants | 1,728 | 1,770 |
| Other receipts from investing activities | 35 | 49 |
| Net Cash flow from Investing Activities | 658 | (21,286) |

## 24 Financing Activities (Cash Flow Statement)

| | 2017/18<br>£,000 | 2016/17<br>£,000 |
|---|---|---|
| Council Tax and NNDR adjustments | 1,527 | 3,804 |
| Repayment of short-term and long-term borrowing | (4,443) | (4,443) |
| Net Cash flow from Financing Activities | (2,916) | (639) |

## 25 Members' Allowances

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

| | 2017/18 £,000 | 2016/17 £,000 |
|---|---|---|
| Allowances | 368 | 363 |
| Expenses | 1 | 1 |
| Total | 369 | 364 |

## 26 Officers' Remuneration and Termination Benefits

The remuneration paid to the Authority's senior employees in 2017/18 was as follows:

| Post title | Salary, Fees and Allowances £ | Benefits in Kind £ | Pension Contributions £ | Total Remuneration 2017/18 £ | Total Remuneration 2016/17 £ |
|---|---|---|---|---|---|
| Managing Director | 111,867 | 1,574 | 0 | 113,441 | 111,541 |
| Strategic Director - External | 85,823 | 927 | 0 | 86,750 | 85,524 |
| Strategic Director - Internal | 105,848 | 0 | 15,148 | 120,996 | 117,910 |
| Head of Legal Services | 76,677 | 1,004 | 12,507 | 90,188 | 76,890 |
| Head of Housing | 68,583 | 0 | 10,267 | 78,850 | 76,876 |
| Head of Regeneration | 68,583 | 0 | 10,267 | 78,850 | 76,876 |
| | 517,381 | 3,505 | 48,189 | 569,075 | 545,617 |

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 £ | | £ | 2017/18 Total No. | 2016/17 Total No. |
|---|---|---|---|---|
| 50,000 | - | 54,999 | 3 | 4 |
| 55,000 | - | 59,999 | 2 | 4 |
| 60,000 | - | 64,999 | 7 | 5 |
| 65,000 | - | 69,999 | 3 | 3 |
| 75,000 | - | 79,999 | 1 | 0 |
| 85,000 | - | 89,999 | 1 | 1 |
| 100,000 | - | 104,999 | 1 | 1 |
| 110,000 | - | 114,999 | 1 | 1 |
| Total | | | 19 | 19 |

## 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.

| | 2017/18 | | 2016/17 | |
|---|---|---|---|---|
| | Compulsory Redundancy | Other Departures | Compulsory Redundancy | Other Departures |
| £20,000-£30,000 | 0 | 1 | 0 | 0 |

## 27 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:

The certification fee for 2016/17 was £19,485. The figure above includes an additional certification fee of £2,913 for work relating to a 2015/16 claim.

| | 2017/18<br>£,000 | 2016/17<br>£,000 |
|---|---|---|
| Fees payable for external audit services: | | |
| Financial Statements/Scale Fee | 46 | 47 |
| Composite Certification Fee (includes Whole of Government Accounts) | 21 | 22 |
| Refunds and Adjustments | -10 | 0 |
| Total | 57 | 69 |

## 28 Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17.

| | 2017/18<br>£,000 | 2016/17<br>£,000 |
|---|---|---|
| **Credited to Taxation and Non Specific Grant Income** Note 13 | | |
| Capital Grants and Contributions | (1,138) | (1,472) |
| Revenue Support Grant | (684) | (1,283) |
| Section 31 Business Rates Grants | (843) | (392) |
| New Homes Bonus Grant | (3,670) | (3,560) |
| Miscellaneous Grants | (26) | (25) |
| Total | (6,361) | (6,732) |

| | 2017/18<br>£,000 | 2016/17<br>£,000 |
|---|---|---|
| **Credited to Services** | | |
| Housing Benefits (DWP) | (26,469) | (27,387) |
| Green Deal Energy (DECC) | 0 | (811) |
| Housing Benefits Administration (DWP) | (284) | (308) |
| Homelessness Support (DCLG) | (269) | 0 |
| Supporting People (KCC) | (261) | (261) |
| Disabled Facilities Grant (DCLG) | (439) | (325) |
| Local Council Tax Support Scheme (KCC) | (107) | (104) |
| Local Council Tax Support Scheme (DCLG) | (105) | (111) |
| Other Miscellaneous Grants and Contributions | (510) | (352) |
| Total | (28,444) | (29,659) |

The Council is also holding the following grants and contributions.

| | 2017/18<br>£,000 | 2016/17<br>£,000 |
|---|---|---|
| **Grants Receipts in Advance - Revenue** | | |
| Miscellaneous Grants | 0 | (4) |
| **Total** | 0 | (4) |

| | 2017/18<br>£,000 | 2016/17<br>£,000 |
|---|---|---|
| **Unapplied Capital Grants and Contributions** | | |
| Community Infrastructure Levy | (3,479) | (2,386) |
| Other Third Party | (385) | (348) |
| **Total** | (3,864) | (2,734) |

## 29 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 and business rates). Grants received from government departments are set out in the Comprehensive Income and Expenditure Statement and in notes 13 and 28.

**Members**

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2017/18 is shown in Note 25.

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 2017/18 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 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 £142,688 in 2017/18 to Dartford Football Club (1992) Limited to provide community facilities at Princes Park in accordance with service agreements.

Councillor Kite is also a voluntary, unpaid Director of Leigh Academies Trust which is a not for profit organisation. The Council transacted with the Education Funding Agency for the construction of a Secondary School at The Bridge in 2016/17. The gross value of the transaction was £1.8m, which was supported by an independent valuation. The school will be operated by the Leigh Academies Trust.

Councillor Lees and Burrell were trustees of Citizens Advice in North & West Kent. The Council has a service agreement with the Citizens Advice Bureau 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 2017/18 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 relevant 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.

## 30 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.

| | 2017/18<br>£,000 | 2016/17<br>£,000 |
|---|---|---|
| **Opening Capital Financing Requirement** | 65,887 | 70,331 |
| **Capital Investment** | | |
| Property, Plant and Equipment | 11,102 | 9,024 |
| Intangible Assets | 0 | 3 |
| Revenue Expenditure Funded from Capital Under Statute | 546 | 1,161 |
| **Sources of Finance** | | |
| Capital Receipts | (2,989) | (1,141) |
| Government Grants and Other Contributions | (598) | (1,664) |
| Major Repair Reserve | (3,415) | (3,061) |
| Direct Revenue Contributions | (4,646) | (4,323) |
| Voluntary MRP | (4,443) | (4,443) |
| **Closing Capital Financing Requirement** | 61,444 | 65,887 |
| Explanations of movement in year | | |
| Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance) | (4,443) | (4,443) |
| **Increase /(Decrease) in Capital Financing Requirement** | (4,443) | (4,443) |

## 31 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 2018<br>£,000 | 31 March 2017<br>£,000 |
|---|---|---|
| Not later than one year | 251 | 251 |
| Later than one year and not later than five years | 62 | 313 |
| Total | 313 | 564 |

Payments made under the embedded lease during the final year totalled £251,000 (2016/17 £251,000).

***Authority as Lessor***

**Finance Leases**

The Authority initially owned 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 lease end date in 2036.

During the year the authority also agreed a 100 year lease on the old site of the Maybledon Hospital. The site is let for the development of a crematorium and cemetery. Rent is paid annually. It was been assessed that this meets the criteria of a finance lease.

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 2018<br><br>£,000 | 31 March 2017<br>Restated*<br>£,000 |
|---|---|---|
| Finance Lease debtor (net present value of minimum lease payments): | | |
| - current | 279 | 178 |
| - non-current | 2,235 | 1,591 |
| Total | 2,514 | 1,769 |
| Unguaranteed residual value of property | 939 | 179 |
| Unearned finance income | 16,065 | 12,435 |
| **Gross investment in the lease** | **19,518** | **14,383** |

*Gross investment in the lease was overstated in the 2016/17 accounts by £83,000

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 2018<br>£,000 | 31 March 2017<br>£,000 | 31 March 2018<br>£,000 | 31 March 2017<br>£,000 |
| Not later than one year | 310 | 200 | 310 | 200 |
| Later than one year and not later than five years | 2,157 | 798 | 2,157 | 798 |
| Later than five years | 17,051 | 13,385 | 18,001 | 13,034 |
| Total | **19,518** | **14,383** | **20,468** | **14,032** |

**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 2018<br>£,000 | 31 March 2017<br>£,000 |
|---|---|---|
| Not later than one year | 475 | 485 |
| Later than one year and not later than five years | 1,732 | 1,791 |
| Later than five years | 36,607 | 37,004 |
| Total | **38,814** | **39,280** |

## 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 2016. The valuation disclosed a net deficit of £19.9m and a change in contribution rates as a result of that valuation took effect from 1 April 2017. 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 2017/18, no change from 2016/17.

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 2018 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 Investment Strategy Statement. These should be amended when appropriate based on the fund's performance and funding.

Contributions are set every three years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2019 and will set contributions for the period from 1 April 2020 to 31 March 2023. 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 future liability cashflows. 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 2018

| The amounts recognised in the profit and loss statement are | 2017/18 £,000 | 2016/17 £,000 |
|---|---:|---:|
| Service Cost | 2,589 | 1,918 |
| Net Interest on Defined Liability | 1,630 | 1,971 |
| Administration Expenses | 42 | 46 |
| Total | 4,261 | 3,935 |
| Actual Return on Scheme Assets | 2,914 | 14,872 |

## Balance Sheet Disclosure as at 31 March 2018

| Net Pension Asset as at | 31 March 2018 £,000 | 31 March 2017 £,000 |
|---|---:|---:|
| Present Value of Defined Benefit Obligation | 145,382 | 145,256 |
| Fair Value of Scheme Assets | (86,884) | (85,312) |
| Deficit/(Surplus) | 58,498 | 59,944 |
| Present Value of Unfunded Obligation | 1,656 | 1,780 |
| Net Defined Benefit Liability | 60,154 | 61,724 |

## Asset and Benefit Obligation Reconciliation for the year to 31 March 2018

| Reconciliation of opening and closing balances of the present value of the defined benefit obligation | 2017/18 £'000 | 2016/17 £'000 |
|---|---|---|
| Opening defined benefit obligation | 147,036 | 129,387 |
| Current service cost | 2,589 | 1,918 |
| Interest cost | 3,916 | 4,461 |
| Changes in financial assumptions | (2,488) | 22,259 |
| Changes in demographic assumptions | 0 | (2,563) |
| Experience loss/(gain) on defined benefit obligation | 0 | (4,508) |
| Estimated benefits paid net of transfers in | (4,326) | (4,210) |
| Past service cost | 0 | 0 |
| Contributions by scheme participants | 467 | 454 |
| Unfunded pension payments | (156) | (162) |
| Closing Defined Benefit Obligation | 147,038 | 147,036 |

| Reconciliation of opening and closing balances of the fair value of fund assets | 2017/18 £'000 | 2016/17 £'000 |
|---|---|---|
| Opening fair value of fund assets | 85,312 | 71,721 |
| Interest on assets | 2,286 | 2,490 |
| Return on assets less interest | 628 | 12,382 |
| Other actuarial gains/(losses) | 0 | (48) |
| Administration expenses | (42) | (46) |
| Contributions by employer including unfunded | 2,715 | 2,731 |
| Contributions by scheme participants | 467 | 454 |
| Estimated benefits paid plus unfunded net transfers in | (4,482) | (4,372) |
| Closing Fair Value of Fund Assets | 86,884 | 85,312 |

| Reconciliation of opening and closing balances | 2017/18<br>£'000 | 2016/17<br>£'000 |
|---|---|---|
| Surplus/ (Deficit) at beginning of the year | (61,724) | (57,666) |
| Current Service Cost | (2,589) | (1,918) |
| Employer contributions | 2,715 | 2,731 |
| Unfunded pension payments | 156 | 162 |
| Past service costs | 0 | 0 |
| Other finance income (expenditure) | (1,200) | 10,155 |
| Actuarial gains (losses) | 2,488 | (15,188) |
| Surplus/(Deficit) at the end of the year | (60,154) | (61,724) |

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 2016. To assess the current value of liabilities as at 31 March 2018 the actuarial valuation has been rolled forward, using financial assumptions that comply with IAS19. The principal assumptions used by the actuary have been:

| | 2017/18 | 2016/17 |
|---|---|---|
| Mortality Assumptions | | |
| Longevity at 65 for current pensioners | | |
| Men | 23.1 years | 23.0 years |
| Women | 25.2 years | 25.0 years |
| Longevity at 65 for future pensioners | | |
| Men | 25.3 years | 25.1 years |
| Women | 27.5 years | 27.4 years |
| Rate of RPI increase | 3.35% | 3.50% |
| Rate of CPI increase | 2.35% | 2.60% |
| Rate of increase in salaries | 3.85% | 4.10% |
| Rate of increase in pensions | 2.35% | 2.60% |
| Rate for discounting scheme liabilities | 2.55% | 2.70% |

## 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.

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

| Sensitivity Analysis | £'000 | £'000 | £'000 |
|---|---|---|---|
| Adjustment to discount rate | +0.1% | 0.0% | -0.1% |
| Present value of total obligation | 144,665 | 147,038 | 149,453 |
| Projected service cost | 2,462 | 2,519 | 2,577 |
| Adjustment to long term salary increase | +0.1% | 0.0% | -0.1% |
| Present value of total obligation | 147,248 | 147,038 | 146,830 |
| Projected service cost | 2,519 | 2,519 | 2,519 |
| Adjustments to pension increases and deferred revaluation | +0.1% | 0.0% | -0.1% |
| Present value of total obligation | 149,246 | 147,038 | 144,867 |
| Projected service cost | 2,577 | 2,519 | 2,462 |
| Adjustment to mortality age rating assumption | +1 Year | None | -1 Year |
| Present value of total obligation | 152,792 | 147,038 | 141,508 |
| Projected service cost | 2,599 | 2,519 | 2,441 |

| | 2017/18 | | | 2016/17 | | |
|---|---|---|---|---|---|---|
| | Quoted market price in an active market £000's | Price not quoted in an active market £000's | % | Quoted market price in an active market £000's | Price not quoted in an active market £000's | % |
| Equity investments | 56,153 | 1,825 | 67% | 57,994 | 2,214 | 70% |
| Gilts | 665 | 0 | 1% | 636 | 0 | 1% |
| Bonds | 8,307 | 0 | 9% | 8,311 | 0 | 10% |
| Property | 0 | 10,924 | 13% | 0 | 10,631 | 12% |
| Cash | 0 | 2,879 | 3% | 0 | 2,180 | 3% |
| Target Return portfolio | 6,131 | 0 | 7% | 3,346 | 0 | 4% |
| | 71,256 | 15,628 | 100% | 70,287 | 15,025 | 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 2018 is:

| Remeasurement of the net assets/(defined liability) | 31 March 2018<br>£000's | 31 March 2017<br>£000's |
|---|---|---|
| Return on fund assets in excess of interest | 628 | 12,382 |
| Other actuarial gains/(losses) on assets | 0 | (48) |
| Changes in financial assumptions | 2,488 | (22,259) |
| Change in demographic assumptions | 0 | 2,563 |
| Experience gain/(loss) on defined benefit obligation | 0 | 4,508 |
| Changes in effect of asset ceiling | 0 | 0 |
| Remeasurement of the net assets/(defined liability) | 3,116 | (2,854) |

The table below shows the projections of the pension scheme transactions for the 2018/19 financial year based on the assumptions and forecasts currently in use by the actuary.

| Projections for the year to 31 March 2019 | 31 March 2019<br>£'000 |
|---|---|
| Service Cost | 2,519 |
| Net Interest on the defined liability (asset) | 1,499 |
| Administration Expenses | 43 |
| Total loss (profit) | 4,061 |
| Employer Contributions | 2,595 |

## 33 Nature and Extent of Risks Arising from Financial Instruments

The Council complies with CIPFA's code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risk.

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

- credit risk - the possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.
- liquidity risk - the possibility that the Council might not have the cash 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.

**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 Treasury Management Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The Treasury Management 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 2018 met the Council’s credit rating criteria at that date and all investments made during 2017/18 were made in line with the Council’s Treasury Management Strategy Statement for 2017/18 first agreed at the budget meeting of GAC on 27 February 2017.

The Council’s maximum exposure to credit risk in relation to its investments in banks of £6.4m, and in Money Market Funds of £14.7m, 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 2018 that this was likely to crystallise.

No credit limits were exceeded during the reporting period. 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 2018<br>£,000 | 31 March 2017<br>£,000 |
|---|---|---|
| Less than three months | 2,283 | 400 |
| Three to twelve months | 695 | 129 |
| More than one year | 125 | 99 |
| | 3,103 | 628 |

**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**

**Interest Rate Risk**

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. 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.
- borrowings at variable rates – the Council has no borrowings at variable rates.

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 2018, 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 variable rate investments/Impact on Surplus or Deficit on the Provision of Services | 326,924 |
| Decrease in fair value of available for sale assets/impact on Comprehensive Income and Expenditure | (662,424) |
| Decrease in fair value of fixed rate borowings/liabilities | (3,949,304) |

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

**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 Prior Year Adjustments

**Discounted Housing Scheme**

The Council holds a proportionate share of properties as part of the discounted sales scheme on the Bridge estate. Properties built by Taylor Wimpey have a 25% discount payable to the Council on transfer or after 20 years. It has been determined that the percentage holding in the Council accounts from the inception of the scheme in 2012/13 was at 33% rather than the correct 25%. This occurred as there was an incorrect determination that the price used to generate the holding was the net price paid rather than the price including the discount.

The holding in 2016/17 was therefore overstated by £3.376m in total and by £3.677m in 2015/16. The holding is an unrealised value in the accounts, only affecting available reserves when the discounts are redeemed.

The 2015-16 balance sheet as at 1st April 2016 and the 2016-17 accounts have been restated to show the relevant position with the previous indexing and sales schedule in place. The changes to the main statements are shown below. Associated notes are also restated for the same error.

Effect on Comprehensive Income and Expenditure Statement 2016-17

| | 2016/17<br>Original<br>£,000 | 2016/17<br>Restated<br>£,000 | 2016/17<br>Amount of Restatement<br>£,000 |
|---|---|---|---|
| Other Operating Expenditure | (1,990) | (2,291) | (301) |
| Surplus or Deficit on the Provision of Services | (14,399) | (14,700) | (301) |
| Total Comprehensive Income and Expenditure | (38,606) | (38,907) | (301) |

Effect on Balance sheet

| | 2015/16<br>Original<br>£,000 | 2015/16<br>Restated<br>£,000 | 2015/16<br>Amount of Restatement<br>£,000 | 2016/17<br>Original<br>£,000 | 2016/17<br>Restated<br>£,000 | 2016/17<br>Amount of Restatement<br>£,000 |
|---|---|---|---|---|---|---|
| Long Term Debtors | 17,756 | 14,275 | (3,481) | 17,781 | 14,573 | (3,208) |
| Short Term Debtors | 5,955 | 5,759 | (196) | 6,290 | 6,122 | (168) |
| Total Net Assets | 260,816 | 257,139 | (3,677) | 299,422 | 296,046 | (3,376) |
| Deferred Capital Receipts Reserve | (18,586) | (14,909) | 3,677 | (18,565) | (15,189) | 3,376 |
| Total Net Worth | (260,816) | (257,139) | 3,677 | (299,422) | (296,046) | 3,376 |

## Effect on Movement in Reserves Statement

| | 2016/17<br>Original<br>£,000 | 2016/17<br>Restated<br>£,000 | 2016/17<br>Amount of Restatement<br>£,000 |
|---|---|---|---|
| Total Comprehensive Income and Expenditure - General Fund Balance | (4,964) | (5,265) | (301) |
| Adjustments between accounting basis and funding basis under regulations - General Fund | 2,648 | (2,949) | 301 |
| Total Comprehensive Income and Expenditure - Total Usable Reserves | (14,399) | (14,700) | (301) |
| Adjustments between accounting basis and funding basis under regulations - Total Usable Reserves | 4,805 | 5,106 | 301 |
| Adjustments between accounting basis and funding basis under regulations - Total Unusable Reserves | (4,805) | (5,106) | (301) |
| Total Comprehensive Income and Expenditure - Total Authority Reserves | (38,606) | (38,907) | (301) |
| Balance at 31st March 2017 - Unusable Reserves | (251,750) | (252,051) | (301) |
| Balance at 31st March 2017 - Total Authority Reserves | (299,422) | (299,723) | (301) |

## Effect on Cashflow Statement

| | 2016/17<br>Original<br>£,000 | 2016/17<br>Restated<br>£,000 | 2016/17<br>Amount of Restatement<br>£,000 |
|---|---|---|---|
| Net surplus or (deficit) on the provision of services | 14,399 | 14,700 | 301 |
| Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | (11,821) | (12,122) | (301) |

## HOUSING REVENUE ACCOUNT

| Housing Revenue Account Income and Expenditure Statement | | | |
|---|---|---|---|
| | HRA Note | 2017/18 £,000 | 2016/17* £,000 |
| **Expenditure** | | | |
| Repairs and Maintenance | | 3,034 | 3,011 |
| Supervision and Management | | 4,180 | 4,007 |
| Rents, rates, taxes and other charges | | 23 | 22 |
| Depreciation and Impairment of Non-current Assets | | 3,413 | 3,171 |
| Revaluation of Non-current Assets | | 75 | 1,456 |
| Movement in the allowance for bad debts | 1 | 61 | 74 |
| **Total Expenditure** | | 10,786 | 11,741 |
| **Income** | | | |
| Dwelling rents | 1 | (19,626) | (19,790) |
| Non-dwelling rents | | (607) | (585) |
| Charges for services and facilities | | (893) | (901) |
| Contribution towards expenditure - Supporting People | | (261) | (261) |
| Minor capital receipts | | (16) | (5) |
| **Total Income** | | (21,403) | (21,542) |
| **Net Cost of HRA Services** | | (10,617) | (9,801) |
| HRA services share of Corporate and Democratic Core | | 80 | 74 |
| **Net (Income)/cost for HRA Services including HRA share of costs not allocated to specific services** | | (10,537) | (9,727) |
| **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 | | (1,255) | (1,478) |
| Interest payable and similar charges | | 1,537 | 1,630 |
| Changes in the fair value of Investment Properties | | (73) | (49) |
| Net interest on the net defined benefit liability (asset) | 8 | 344 | 402 |
| Interest and investment income | | (35) | (51) |
| Income and expenditure in relation to Investment Property | | (178) | (162) |
| **(Surplus) / Deficit for the year on HRA Services** | | (10,197) | (9,435) |

| Movement on the HRA Statement | | |
|---|---|---|
| | 2017/18<br>£,000 | 2016/17*<br>£,000 |
| Balance on the HRA at the end of the previous year | (12,718) | (11,695) |
| (Surplus) or deficit for the year on the HRA Income and Expenditure Statement | (10,197) | (9,435) |
| Adjustments between accounting basis and funding basis under statute | 9,981 | 8,522 |
| Net (increase) or decrease before transfers to and from reserves | (216) | (913) |
| Transfers to or (from) reserves | 0 | (110) |
| (Increase) or decrease in year on the HRA | (216) | (1,023) |
| (Surplus)/Deficit Balance on the HRA at the end of the current year | (12,934) | (12,718) |

| Note to the Movement on the HRA Statement | | |
|---|---|---|
| | 2017/18<br>£,000 | 2016/17*<br>£,000 |
| **Adjustments between accounting basis and funding basis under statute** | | |
| Voluntary Minimum Revenue Provision | 4,443 | 4,444 |
| Depreciation charged to the Comprehensive Income and Expenditure Statement | (3,415) | (3,061) |
| Impairment and Revaluation changes charged to the Comprehensive Income and Expenditure Statement | 0 | (1,406) |
| Gain/(Loss) on sale of Non Current Assets | 1,255 | 1,478 |
| Net charges for retirement benefits in accordance with IAS19 | (900) | (803) |
| Capital expenditure funded by revenue | 4,636 | 4,275 |
| Employer's contributions payable to the pension fund and retirement benefits payable direct to pensioners | 547 | 534 |
| Statutory Transfer to Major Repair Reserve | 3,415 | 3,061 |
| **Net additional amount required by statute to be debited or (credited) to the HRA balance for the year** | 9,981 | 8,522 |
| **Transfers to or (from) reserves** | | |
| Major Repairs Allowance element of Housing | 0 | (110) |
| **Net amount required by statute to be debited or (credited) to the HRA balance for the year** | 0 | (110) |

## HOUSING REVENUE ACCOUNT NOTES

### 1 Rent Income and Arrears

Total rent income from houses due in the year was:

| | 2017/18<br>£,000 | 2016/17<br>£,000 |
|---|---|---|
| Direct from tenants | 9,550 | 9,449 |
| From housing benefit | 10,076 | 10,340 |
| | 19,626 | 19,789 |

Average rents for the year were £89.14 per 52 week rent year, a decrease of 0.01% over the previous year. Gross rent arrears at the end of the year were 6.5% of rent income due (6.7% in 2016/17). The amounts were as follows:

| | 2017/18<br>£,000 | 2016/17<br>£,000 |
|---|---|---|
| Arrears at 31 March | 1,277 | 1,318 |
| Less Provision for Bad Debts | (1,062) | (1,076) |
| | 215 | 242 |

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

| | 2017/18<br>£,000 | 2016/17<br>£,000 |
|---|---|---|
| Provision Brought Forward | 1,076 | 1,009 |
| Write offs during year | (75) | (7) |
| Change in provision | 61 | 74 |
| Provision Carried Forward | 1,062 | 1,076 |
| Provision Analysed as follows: - | | |
| Former Tenants' Arrears | 680 | 706 |
| Current Tenants' Arrears | 298 | 306 |
| Total Provision - Rent Arrears | 978 | 1,012 |
| Rent Rebate Overpayments/Other | 84 | 64 |
| | 1,062 | 1,076 |

## 2 Major Repairs Reserve

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

| | 2017/18 £,000 | 2016/17 £,000 |
|---|---|---|
| *Balance as at 1 April* | 0 | 0 |
| Contribution to the Reserve | | |
| Major Repairs Allowance | (3,415) | (3,061) |
| *Payments from the Reserve* | | |
| Capital Expenditure | 3,415 | 3,061 |
| Non-Dwelling Depreciation | 0 | 110 |
| Transfer from Capital Adjustment Account | 0 | (110) |
| Balance carried forward as at 31 March | 0 | 0 |

## 3 Housing Stock

The stock was made up as follows:

| | 31-Mar-2018 | 31- March-2017 (Restated) |
|---|---|---|
| Bedsits | 13 | 13 |
| Houses | 2,073 | 2,085 |
| Flats/Maisonettes | 1,475 | 1,480 |
| Bungalows | 176 | 176 |
| Sheltered Units | 476 | 476 |
| | 4,213 | 4,230 |

The figures as at 31 March 2017 have been restated to show 4,230 properties. The previously quoted figure of 4,207 excluded new properties added to the stock in 2016/17.

17 properties were sold during the year, compared to 29 in 2016/17. 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:

| | 2017/18<br>£,000 | 2016/17<br>£,000 |
|---|---|---|
| Dwellings | 2,462 | 3,123 |
| Repayment of mortgage capital | 2 | 1 |
| | 2,464 | 3,124 |

## 5 Property, Plant and Equipment in the Housing Revenue Account

| Movements on Balances<br>Movements in 2017/18 | Council Dwellings | Other Land and Buildings | Vehicles, Plant, Furniture& Equipment | Community Assets Furniture& Equipment | Assets Under Construction Furniture& Equipment | **Total Property, Plant and Equipment** | **Investment Property** |
|---|---|---|---|---|---|---|---|
| | £,000 | £,000 | £,000 | £,000 | £,000 | £,000 | £,000 |
| **Cost or Valuation** | | | | | | | |
| At 1 April 2017 | 284,958 | 3,701 | 22 | 1 | 287 | 288,969 | 1,516 |
| Additions | 6,091 | 0 | 0 | 0 | 2,881 | 8,972 | 0 |
| Revaluation increases / (decreases) recognised in the Revaluation Reserve | 7,856 | 23 | 0 | 0 | 0 | 7,879 | 73 |
| Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services | (58) | 1 | 0 | 0 | 0 | (57) | 0 |
| Derecognition - Disposals | (1,184) | (100) | 0 | 0 | 0 | (1,284) | 0 |
| Impairment | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other movements in cost or valuation | 0 | 62 | 0 | 0 | 0 | 62 | (62) |
| At 31 March 2018 | 297,663 | 3,687 | 22 | 1 | 3,168 | 304,541 | 1,527 |
| **Accumulated Depreciation and Impairment** | | | | | | | |
| At 1 April 2017 | 0 | (302) | (11) | 0 | 0 | (313) | 0 |
| Depreciation charge | (3,304) | (110) | (1) | 0 | 0 | (3,415) | 0 |
| Other Movements in depreciation and impairment | 3,304 | 68 | 0 | 0 | 0 | 3,372 | 0 |
| At 31 March 2018 | 0 | (344) | (12) | 0 | 0 | (356) | 0 |
| **Net Book Value** | | | | | | | |
| **at 31 March 2018** | 297,663 | 3,343 | 10 | 1 | 3,168 | 304,185 | 1,527 |
| **at 31 March 2017** | 284,958 | 3,399 | 11 | 1 | 287 | 288,656 | 1,516 |

Some of the opening PPE values for gross book value and depreciation have been restated in the table. The 2016/17 note excluded Community Assets and Assets under Construction. Also, the values at 1 April 2017 for vehicles, plant and equipment for both valuation and depreciation were incorrectly stated as £235,000 but should have been £22,000.

## 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.

| | 2017/18 £,000 | 2016/17 £,000 |
|---|---|---|
| Open Market Value | 902,009 | 863,509 |
| Balance Sheet Value | (297,663) | (284,958) |
| Economic Cost | 604,346 | 578,551 |

## 7 Capital Expenditure

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

| | 2017/18 £,000 | 2016/17 £,000 |
|---|---|---|
| Additions to Property, Plant and Equipment | 6,091 | 8,022 |
| Assets Under Construction | 2,881 | 275 |
| | 8,972 | 8,297 |
| Funded by: | | |
| Contribution from Major Repairs Reserve | 3,415 | 3,061 |
| Revenue Contribution | 4,636 | 4,275 |
| Capital Receipts | 921 | 961 |
| | 8,972 | 8,297 |

## 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 Movement on the HRA Statement.

| | 2017/18<br>£,000 | 2016/17<br>£,000 |
|---|---:|---:|
| **HRA Income and Expenditure Statement** | | |
| Current Service Cost | 547 | 392 |
| Administration Expenses | 9 | 9 |
| Net Interest Expense Cost | 344 | 402 |
| Total Post-employment Benefit Charged to the HRA Income and Expenditure Statement | 900 | 803 |
| **Movement in Reserves Statement** | | |
| Reversal of net charges made to the surplus and deficit for the provision of services for post-employment benefits in accordance with the code | (900) | (803) |
| Actual amount charged against the HRA Balance for pensions in the year: | | |
| Employer's contribution payable to the scheme | 548 | 534 |

## COLLECTION FUND

| | 2017/18 £,000 NNDR | 2017/18 £,000 Council Tax | 2017/18 £,000 Total | 2016/17 £,000 |
|---|---|---|---|---|
| **INCOME** | | | | |
| Council Tax Receivable | | (59,885) | (59,885) | (55,955) |
| Business Rates Receivable | (88,776) | | (88,776) | (89,101) |
| | (88,776) | (59,885) | (148,661) | (145,056) |
| **EXPENDITURE** | | | | |
| **Apportionment of Previous Year Surplus / (Deficit)** | | | | |
| Central Government | 589 | | 589 | (1,563) |
| Dartford Borough Council | 471 | 284 | 755 | (1,025) |
| Kent County Council | 106 | 1,643 | 1,749 | 968 |
| Kent Fire and Rescue Authority | 12 | 104 | 116 | 50 |
| Kent Police and Crime Commissioner | | 221 | 221 | 169 |
| | 1,178 | 2,252 | 3,430 | (1,401) |
| **Precepts, Demand and Shares** | | | | |
| Central Government | 39,603 | | 39,603 | 43,343 |
| Dartford Borough Council | 31,682 | 7,111 | 38,793 | 41,392 |
| Kent County Council | 7,129 | 41,653 | 48,782 | 46,618 |
| Kent Fire and Rescue Authority | 792 | 2,592 | 3,384 | 3,332 |
| Kent Police and Crime Commissioner | | 5,553 | 5,553 | 5,210 |
| | 79,206 | 56,909 | 136,115 | 139,895 |
| **Charges to Collection fund** | | | | |
| Less : Increase (-) / Decrease in Bad Debt Provision | 186 | 848 | 1,034 | (546) |
| Less : Increase (-) / Decrease in Provision for Appeals | 4,376 | | 4,376 | 260 |
| Less : Cost of Collection | 168 | | 168 | 175 |
| Less : Transitional protection Payments | 5,129 | | 5,129 | 93 |
| Less : Interest | 0 | | 0 | 0 |
| Add : Deferred amount | 0 | | 0 | 0 |
| | 9,859 | 848 | 10,707 | (18) |
| Total Expenditure | 90,243 | 60,009 | 150,252 | 138,476 |
| (Surplus) / Deficit arising during the year | 1,467 | 124 | 1,591 | (6,580) |
| (Surplus) / Deficit as at 1 April | (1,940) | (6,961) | (8,901) | (2,321) |
| (Surplus) / Deficit as at 31 March | (473) | (6,837) | (7,310) | (8,901) |
| Allocated to: | | | | |
| Dartford Borough Council | (189) | (855) | (1,044) | (1,646) |
| Central Government | (236) | | (236) | (970) |
| Kent County Council | (43) | (5,004) | (5,047) | (5,270) |
| Kent Fire and Rescue Authority | (5) | (311) | (316) | (336) |
| Kent Police and Crime Commissioner | | (667) | (667) | (679) |
| | (473) | (6,837) | (7,310) | (8,901) |

Not applicable

## 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 2017/18 was 35,334.88 (34,242.99 in 2016/17).

The tax base and basic Council Tax payable for 2017/18 was approved at the Cabinet meeting on 27 February 2017. 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 | 1,051.45 | 1,588.00 | 6/9 | 1,059.00 |
| B | 1,226.69 | 6,675.00 | 7/9 | 5,192.00 |
| C | 1,401.93 | 14,409.00 | 8/9 | 12,808.00 |
| D | 1,577.17 | 11,319.00 | 1 | 11,319.00 |
| E | 1,927.65 | 5,808.00 | 11/9 | 7,099.00 |
| F | 2,278.13 | 2,535.00 | 13/9 | 3,662.00 |
| G | 2,628.62 | 1,014.00 | 15/9 | 1,735.00 |
| H | 3,154.34 | 57.00 | 18/9 | 114.00 |
| Net effect of premiums and discounts | | | | (7,653) |
| **Tax Base for the Calculation of Council Tax** | | | | **35,335** |

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

The level of non-payment provided for in 2017/18 was 2.5%.

Council tax bills for Bands A to H were based on the following proportions 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 2017/18 was £88.776m (£89.101m in 2016/17).

For 2017/18, the total non-domestic rateable value (RV) at the year-end is £200.2 (£196.8m in 2016/17). The national multipliers for 2017/18 were 46.6p for qualifying Small Businesses, and the standard multiplier was 47.9p for all other businesses (48.4p and 49.7p respectively in 2016/17).

## 4. Contributions to Collection Fund Surpluses and Deficits

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

| Share of surplus/ (deficit) | 2017/18<br>£,000 | 2016/17<br>£,000 |
|---|---|---|
| Kent County Council | 5,047 | 5,270 |
| Kent Police and Crime Commissioner | 667 | 679 |
| Kent Fire and Rescue | 316 | 336 |
| Dartford Borough Council * | 1,044 | 1,646 |
| Central Government | 236 | 970 |
| | 7,310 | 8,901 |

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

## 5. Provision for Uncollectable Amounts

The provision for Council Tax and Business Rates bad debt 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.

The movement this year in the provision for non-collection of debt relating to Council tax is shown below:

| | 2017/18<br>£,000 | 2016/17<br>£,000 |
|---|---|---|
| Balance Brought Forward | 2,568 | 4,043 |
| Write Offs | (14) | (708) |
| Increase/ (decrease) in provision | 848 | (767) |
| Balance Carried Forward - Council Tax | 3,402 | 2,568 |

At 31 March 2018, the total Council Tax outstanding debt was £6.4m. This was made up as follows:

| | 2017/18 £,000 | 2016/17 £,000 |
|---|---|---|
| Debt up to 1 year old | 2,091 | 1,835 |
| Debt between 2 to 5 years old | 3,494 | 3,121 |
| Debt over 5 years old | 783 | 488 |
| Total Council Tax Debt | 6,368 | 5,444 |

The movement this year in the provision for non-collection of debt relating to Business Rates is shown below:

| | 2017/18 £,000 | 2016/17 £,000 |
|---|---|---|
| Balance Brought Forward | 1,344 | 1,358 |
| Write Offs | (192) | (235) |
| Increase/ (decrease) in provision | 186 | 221 |
| Balance Carried Forward - Business Rates | 1,338 | 1,344 |

At 31 March 2018, the total Business Rates outstanding debt was £1.7. This was made up as follows:

| | 2017/18 £,000 | 2016/17 £,000 |
|---|---|---|
| Debt up to 1 year old | 981 | 992 |
| Debt between 2 to 5 years old | 606 | 611 |
| Debt over 5 years old | 84 | 76 |
| Total Business Rates Debt | 1,671 | 1,679 |

## 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:

| | 2017/18<br>£,000 | 2016/17<br>£,000 |
|---|---|---|
| Balance Brought Forward | 12,374 | 12,114 |
| RV list amendments charged against the provision for appeals | (1,505) | (1,803) |
| Contribution to provisions during year | 5,881 | 2,063 |
| Balance Carried Forward | 16,750 | 12,374 |

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 21 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:

**Accounting Period**
This is the period covered by the Accounts which is the 12 month period commencing 1 April each year.

**Accounting Policies**
Those principles, bases, conventions , rules and practices applied by the Council that specify how the effects of transactions and other events are to be reflected in the financial statements.

**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 works carried out, or services received, in March 2018 is expected to arrive in April 2018, it will be accounted for in the 2017/18 accounts (the financial year it relates to), not the 2018/19 accounts (the financial year it arrives in.)

**Actuarial Gains and Losses**
For a defined benefit pension scheme the changes in actuarial deficits or surpluses that arise because either events have not coincided with the actuarial assumptions made for the last valuation, or the actuarial assumptions have changed.

**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 (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.

Key terms associated with the scheme are as follows:

- **Tariff -** each local 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.

- **Pool –** Local authorities can pool together to share risks around business rates. A pool can have the effect of reducing the total levy rate, enabling authorities to agree how to share the possible gains of this arrangement.

- **Levy –** this limits the amount business rates can grow in any one year. In a pool this is calculated by reference to the pools' total baseline funding level and its total 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 2017/18**
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.

**Community Assets**
Assets that the Council intends to hold in perpetuity, that have determinable useful life and that may have restrictions in their disposal e.g. parks.

**Community Infrastructure Levy**
A levy which is charged on new development with the appropriate planning consent. This is a planning charge used to fund a number of infrastructure projects including transport and schools to support development in the area.

**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.

**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.

**Creditors**
Parties 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.

**Current Service Cost**
The increase in the present value of a defined pension scheme's liabilities expected to arise from employee service in the current period i.e. the pension benefits "earned" by employees in the year.

**Debtors**
Parties owing money to the Council at year end for goods and services supplied to them, 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 Benefits**
Amounts due to employees including salaries, paid annual leave and paid sick pay. These also include the cost of employer's national insurance 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.

**Expected Rate of Return on Pensions Assets**
The average rate of return expected over the remaining life of the related obligation on the actual assets held by the pension scheme.

**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, 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.

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

**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 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.

**Past Service Cost**
Past service costs arise from decisions taken in the current year but whose financial effect is derived from service earned in earlier years.

**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.

**Section 151 Officer (CFO)**
Section 151 of the Local Government Act 1972 requires the Council to appoint an officer responsible for the proper administration of the Council's financial affairs. The Strategic Director (Internal Services) is the Council's Section 151 Officer.

**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:

Communications Manager
Dartford Borough Council,
Civic Centre,
Home Gardens,
Dartford,
Kent DA1 1DR