Appendix D

STATEMENT OF ACCOUNTS

2017/2018

Sevenoaks
DISTRICT COUNCIL

CONTENTS

Narrative Report

This Narrative Report seeks to clarify the relationship between the Council's financial statements and other financial information the Council reports externally.

It is the purpose of this report to explain the financial facts and performance of the Council. It follows approved accounting standards and where technical or complex language is required a glossary of key terms can be found at the end of this publication.

1. Introduction

The Statement of Accounts sets out the Council's financial performance for the year and its financial position at the year ended 31 March 2018. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements have been prepared in line with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and the Service Reporting Code of Practice 2017/18.

The Core Statements are:

The **Comprehensive Income and Expenditure Statement** – this records all of the Council's income and expenditure for the year, this expenditure represents a combination of:

- services and activities that the Council is required to carry out by law (statutory duties) such as street cleaning, planning and building control; and
- expenditure focussed on local priorities and needs.

The **Movement in Reserves Statement** is a summary of the changes to the Council's reserves over the course of the year. Reserves are divided into "usable", which can be invested in capital projects or service improvements, and "unusable" which must be set aside for specific purposes.

The **Balance Sheet** is a "snapshot" of the Council's assets, liabilities, cash balances and reserves at the year-end date.

The **Cash Flow Statement** shows the reason for changes in the Council's cash balances during the year, and whether that change is due to operating activities, new investment, or financing activities (such as repayment of borrowing and other long term liabilities).

The Supplementary Financial Statements are:

The **Annual Governance Statement** which sets out the governance structures of the Council and its key internal controls.

The **Collection Fund** summarises the collection of council tax and business rates, and the redistribution of a proportion of that money to other public authorities and central government.

The **Pension Fund Account** reports the contributions received, payments to pensioners and the value of net assets invested in the Local Government Pension Scheme on behalf of Council employees.

The Notes to these financial statements provide more detail about the Council's accounting policies and individual transactions.

2. Chief Finance Officers' Statement – Adrian Rowbotham

Our vision for Sevenoaks District is to 'sustain and develop a fair, safe and thriving local economy' and throughout the Council we recognise the importance of high quality and innovative financial management to help us achieve our aims.

Our 10 year budget framework, introduced in 2011, continues to give us strong foundations to invest in our District. In 2016/17 we achieved our stated aim of financial self-sufficiency and became the first Council in the country to set a budget that no longer relied on grant funding from Government. Then, as now, we are clear that we need to continue to make savings and continue to invest in assets that help us to generate more of our own income. This year we opened our newly developed decked car park at Bradbourne Road in Sevenoaks. Work also started on delivering a much needed hotel for Sevenoaks. Being built on land the Council own, under the terms of a long term lease, we very much look forward to completing the development and Premier Inn opening their new hotel to customers later in the Autumn of 2018. Alongside existing acquisitions, our property investments are benefitting our local economy, generating strong returns and making a significant contribution to maintaining our financial independence.

We continue to be very proud at the recognition we continue to win from our peers regarding the success of our ambition to be financially self-sufficient. This achievement was key to our being awarded both Public Sector Innovator and Grand Prix Winner at the Annual CIPFA Public Finance Awards in 2017. I am incredibly proud that our Finance Team continue to provide the Council with the financial expertise it requires to meet the challenges ahead of us.

This will include our continued efforts to assist the Council to maximise income from business rates. In December 2017 Kent and Medway was successful in its bid to pilot business rates retention in two tier areas. The bid includes each of the District Councils in Kent and initial estimates suggest that Sevenoaks District Council could retain increased business rates in 2018/19 over and above safety net levels, which was previously budgeted for.

I would like to record my thanks to Members, the Finance team and the many others across the Council that have worked hard to make decisions in light of the financial pressures the Council faces and have ensured that services are delivered and money is managed in line with the budgets that were set. Every year since the introduction of the 10 year budget framework the Council has achieved a budget surplus and this would simply not be possible if we did not all support and believe in the vision we have set.

In the coming year we look forward to supporting the Council to make further progress in delivering its Property Investment Strategy, and to meet the challenges that will be ahead for the sector once more clarity is provided on the terms of leaving the European Union. We aim to provide advice on the most effective way to fund our investments and to provide advice and skills to the Council's trading company, Quercus 7 and newly incorporated affordable housing company, Quercus Housing.

As always we will continue to take great pride in the level of service we provide to our customers and aim to provide high quality and accurate budget monitoring reports and financial statements that meet the needs of all that use them.

ADRIAN ROWBOTHAM

Chief Finance Officer

3. Council Performance

Through the Council's Corporate Plan five promises were made to the District. These are set out below, with a summary of performance outcomes against those targets for the last year.

To provide value for money

- In 2017/18 the Council collected 98.2% of the Council Tax (98.4% in 2016/17) and 98.9% of the business rates (99.1% in 2016/17) due within the year and raised additional income through its Property Investment Strategy which contributed £748,000 to the budget. A further £169,000 was raised through other investments.

- Over the year the Council performed strongly, meeting its targets across 73% of all of its performance indicators (76% in 2016/17).

To work in partnership to keep the District of Sevenoaks safe

- Incidents of anti-social behaviour are the second lowest in the County at 1,739 reports, a fall from the 2,025 reports the previous year.

- 92% of all of the actions in the Council's Community Safety Action Plan were delivered during the year, compared to 82% during 2016/17.

To collect rubbish efficiently and effectively

- The Council continues to provide a weekly collection of all rubbish and recycling to every household in the District.

- During 2017/18 the Council recycled 38.6% of all household waste collected. This is above the target of 35% and more than last year's performance of 35.8%.

- The Council missed only 6.9 waste collections per 100,000 made during 2017/18 (8.5 in 2016/17); this is below the target level of 10.

To protect the Green Belt

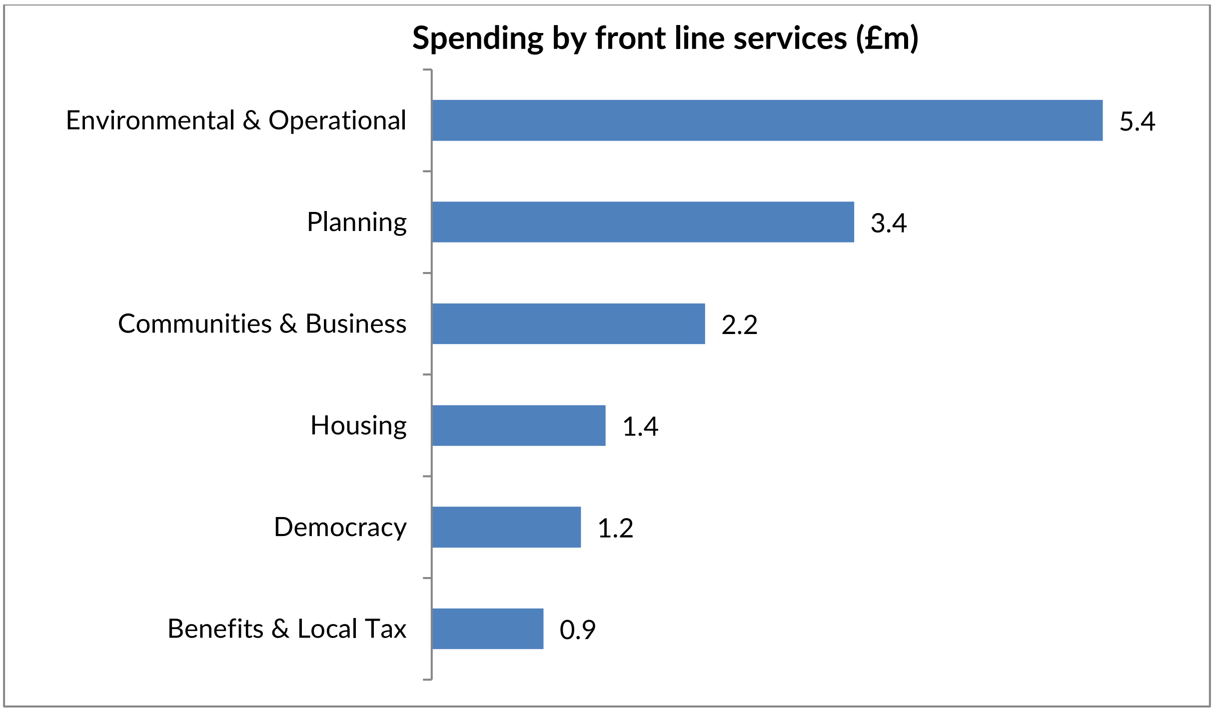
- The 2017 Local Plan Authority Monitoring Report shows that 81% of housing units were built outside of the Green Belt (94% in 2016 Local Plan Report). The remaining units were either replacement units or the change of use or conversion of existing buildings to residential buildings and were granted in accordance with the Green Belt Policy.

To support and develop the local economy

- The number of businesses in the District has increased year on year from a baseline of 6,365 in 2010 to exceed 7,200 in the last year. Of these, 6,340 are micro businesses, which make a significant contribution to the local economy.

- The Council has also significantly extended a major car park close to the mainline railway station in Sevenoaks in order to provide increased capacity for visitors and commuters and in anticipation of the council's hotel development close by.

Chart 1: The chart below illustrates where we spent our money, by front line service, in 2017/18



4. Corporate Risk

A risk management strategy is in place to support the Council to identify and evaluate risks. There are clearly defined steps to support better decision making through the understanding of risks, whether a positive opportunity or a threat and the likely impact. Below are the main risks from the Council's strategic risk register.

Risk	Potential Effects	Gross Risk Rating	Internal Controls	Net Risk Score
Finance Ability to deliver a balanced budget	- Poor financial health - Inability to maintain services and deliver Council Vision and Promises - Reputational damage	20 High	- Self-sufficient budget position; no reliance on direct government funding - Long term 10 year budget framework - Savings Plan - Property Investment Strategy - Strong financial and scenario planning over the short, medium and long term	10 Medium
Property Investment Strategy The appetite and ability to invest in appropriate opportunities in accordance with the Council's Property Investment Strategy	- Ability to seek appropriate investment opportunities - Appetite for risk within investment strategy to enable the Council to generate target returns - Ability to deliver sufficient funds to maximise the opportunities presented through the Property Investment Strategy - Appetite to prudentially borrow over the medium to long term	16 High	- Council approved Property Investment Strategy - Governance arrangements defined with appropriate delegations agreed - Qualified and experienced officers in post - Professional, external advisers engaged to support the development of strategies and fill skills gaps - Effective budget setting and financial monitoring processes embedded	9 Medium

Continued on next page

Risk	Potential Effects	Gross Risk Rating	Internal Controls	Net Risk Score
Knowledge, capacity & culture Management of the Council's human resources	- Employment and retention of high quality staff - Amendments to the Local Government Pension Scheme - Increased demand for services and high levels of work with reduced capacity and resources - Requirement for new skills to deliver the Council's Corporate Plan promises	16 High	- 10 year budget minimises the need for short notice changes to the workforce - Human Resources Strategy including workforce development plan, recruitment and retention policies	8 Medium
Legal compliance, governance & ethics The ability to recognise and adapt to changes in legislation and to deliver proper governance, scrutiny and internal control to protect the Council from poor practice and mismanagement	- Ineffective political and management leadership - Ineffective scrutiny of decision making and performance - Failure to fulfil statutory duties - Failure to maximise the opportunities changes to legislation may bring	12 Medium	- Dedicated Lexcel accredited Legal team - Council's Constitution - Internal Audit function complies with Public Sector Internal Audit Standards - Risk Management processes embedded	6 Low

5. Financial Performance

Operating Environment

Since 2010 Sevenoaks District Council has faced significant financial challenges due to reductions in funding from central government along with cost pressures within services and greater volatility in financing. This challenging environment is on-going and includes additional uncertainty regarding the detail of the terms of leaving the European Union.

The Council continuously reviews the environment it operates within, seeking to develop a stronger understanding of the financial opportunities and challenges it faces.

During 2017 the Government invited local authorities to apply to become pilot areas for business rate retention to pioneer new pooling and tier-split models. As part of the bid from Kent and Medway, including all of the Kent Districts, Sevenoaks District Council will benefit from being a pilot for business rate retention during 2018/19.

However, local government funding policy continues to present significant challenges locally. Sevenoaks District is 93% Green Belt. This means there is little space to build or develop new business space. This equally applies to the Council's ability to provide more housing which limits the amount by which the Council can increase its income from New Homes Bonus, which has been subject to review by Government, or from growth in council tax receipts linked to each new home.

The prospects for Government funding being able to fund the local services that the Council wishes to provide to meet its residents needs are therefore relatively low. It is for this reason the Council set out its ambition for financial self-sufficiency, which it achieved last year, and continues to maintain.

Financial conditions also mean that the Council must work hard to retain and recruit the very best people. What can be provided in salary is contained within national terms and conditions. It is increasingly evident that attracting high quality staff will remain a challenge over the medium term. However the Council is committed to being a great place to work, which is underlined by the fact it was the very first public sector organisation anywhere in the world to achieve Platinum through its Investors in People assessment. The Council's focus on its people has never been greater and continuing to maintain this will be critical to the Council's future success.

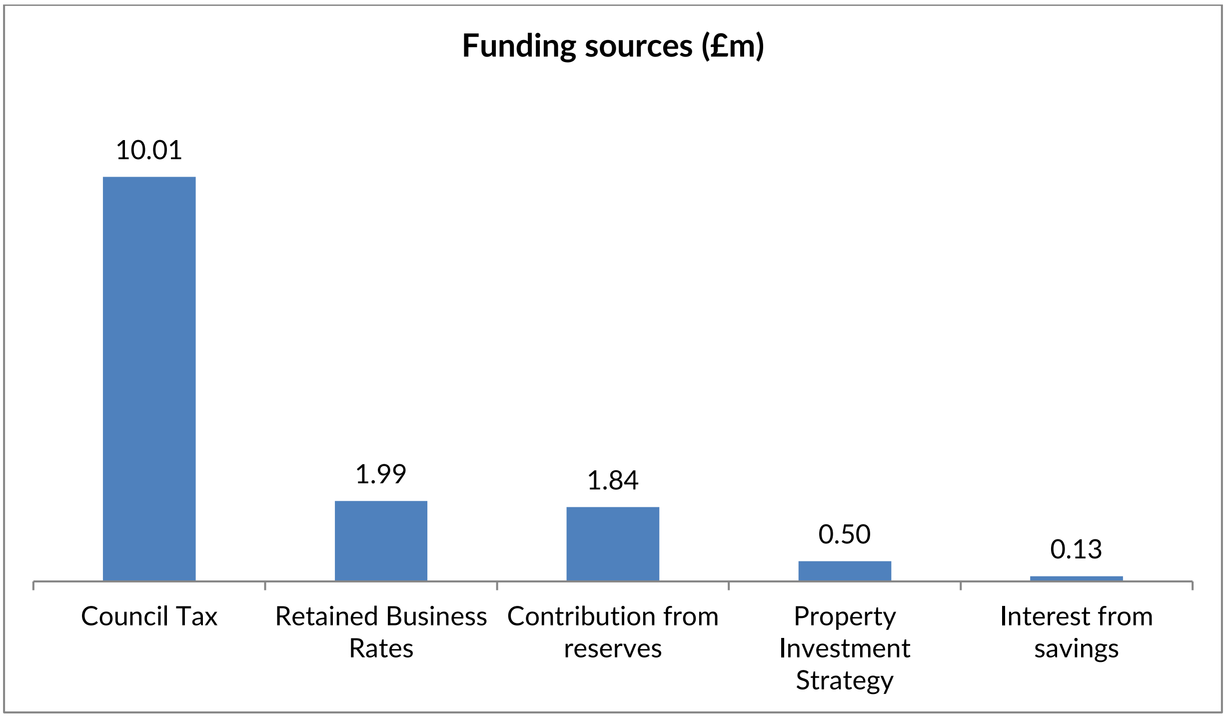
Revenue

Sevenoaks District Council set its budget for 2017/18 at a meeting of the Council on 21 February 2017. Overall, the Council's net revenue budget increased in 2017/18 to £14.470 million from £13.689 million in 2016/17.

The final outturn position is a surplus of £617,000 as reported plus additional Section 31 grants which means £856,000 was transferred to the Budget Stabilisation Reserve to support future budgets, leaving a nil movement on the General Fund Reserve. There were no material events after the reporting period.

The adoption of the 10-year budget over the last seven years has resulted in a much more stable budget position than had previously been achieved. The aim of the ten year budget is to meet the primary financial objective of reducing reliance on reserves, whilst enabling the Council to invest in priority services.

Chart 2: The chart below illustrates where the Council received the money it spends.



Capital & assets

Table 1: The table below shows the net capital budget over the period of 2017 to 2020 by service area.

Service area & schemes	**Funding Source**	**2017/18** Forecast	**2018/19** Budget	**2019/20** Budget	**2020/21** Budget
		£'000	£'000	£'000	£'000
Communities & Business					
Parish projects	Capital Receipts	10	51	-	-
Environmental & Operational Services					
Dunbrik vehicle workshop	Capital Receipts	4	-	-	-
Dunbrik vehicle wash	Capital Receipts	30	-	-	-
Commercial vehicle replacements	Vehicle renewal reserve	548	548	549	563
Disabled facilities grants (gross)	Better Care Fund	675	889	889	889
Sennocke hotel	Fin Plan Reserve & Capital Receipts	4,142	2,928	82	-
Bradbourne car park	Internal borrowing	36	-	-	-
Buckhurst 2 car park	Capital Receipts	3,890	5,931	26	-
CCTV	Capital Receipts	-	50	20	-
Finance					
Property Investment Strategy	Prop. Inv. reserve	97	25,198	-	-
TOTAL		**9,432**	**35,595**	**1,566**	**1,452**

Table 2: The Council's capital programme is fully funded from the funding sources available to it. These are set out in the table below.

Funding sources	**2017/18 £'000**	**2018/19 £'000**	**2019/20 £'000**	**2020/21 £'000**
Capital Receipts	2,686	4,111	46	-
Financial Plan Reserve & Cap Receipts	1,500	2,928	82	-
Vehicle Renewal Reserve	548	548	549	563
Property Investment Strategy Reserve ***	97	25,198	-	-
Better Care Fund (KCC)	675	889	889	889
Internal Borrowing	36	-	-	-
Capital Reserve (from Revenue)	-	561	-	-
External Borrowing	3,890	1,360	-	-
TOTAL	**9,432**	**35,595**	**1,566**	**1,452**

*** Part will be funded from Capital Receipts

The introduction of the fair value accounting policy has been implemented in the production of the 2017/18 Statement of Accounts.

Further details are provided in section 2.22 of the Notes to the Core Financial Statements.

Borrowing & Investments

As at 31 March 2018 the Council had borrowing to the value of £5.25 million from the Public Works Loan Board.

At a low interest rate of 2.66% the borrowing will help to fund the development of the Buckhurst 2 car park and is repayable over 30 years. The loan repayments will be funded from the increased income generated by the additional car parking spaces provided by the development.

During 2017/18 the Council internally borrowed to fund the redevelopment of the Bradbourne car park in Sevenoaks. This has now been completed and is providing increased parking capacity adjacent to Sevenoaks train station whilst also releasing the site of the Sennocke car park for the current development of a hotel.

During 2017/18 the Council acquired no new properties and there were no significant disposals.

Cash flow

The Cash Flow Statement shows the changes in cash and cash equivalents during the reporting period.

At the 31 March 2017 the Council held £9.5m in cash and cash equivalents.

At the 31 March 2018 the Council held £7.4m in cash and cash equivalents.

The reduction is attributable to the long term investment in property assets set out above.

Contingencies

The Council's significant provision relates to Business Rates valuation appeals. Following Business Rates localisation, introduced in 2013, the Council has to set aside a provision for any future successful ratepayer appeals against rateable valuations.

During 2017/18 the Council made an additional provision of £3.7m and during the year used £3.9m of its total provision for business rates appeals.

Business rates – valuation appeals provision	**£2.469m at 1 April 2017**	**£2.232m at 31 March 2018**

Pensions

The Council participates in the Local Government Pension Scheme, administered by Kent County Council. This is a funded defined benefit final salary scheme, meaning that the council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The Council has net pension liabilities of £91.4m at 31 March 2018 compared to £97.3m at 31 March 2017 in the Balance Sheet as calculated under IAS19 (International Accounting Standard 19). This reflects the value of pension liabilities which the Council is required to pay in the future as they fall due, offset by the value of assets invested in the pension fund.

The Council's pension fund has to be revalued every three years to set future contribution rates. The last valuation was in 2016 and at that time the District Council's actual share of the deficit was £21.6m.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Chief Finance Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

The Chief Finance Officer's Responsibilities

The Chief Finance 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 (the Code).

In preparing this Statement of Accounts, the Chief Finance Officer has:
- selected suitable accounting policies and applied them consistently;
- made judgments and estimates that were reasonable and prudent;
- complied with the local authority Code.

The Chief Finance 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 Certificate

The Accounts present a true and fair view of the financial position as at 31 March 2018 and its income and expenditure for the year ended on that date.

ADRIAN ROWBOTHAM
Chief Finance Officer

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

Comprehensive Income and Expenditure Statement

2016/17 Gross Exp. £'000	2016/17 Gross Income £'000	2016/17 Net Exp £'000	Note		2017/18 Gross Exp £'000	2017/18 Gross Income £'000	2017/18 Net Exp £'000
3,006	(428)	2,578		Communities and Business	3,221	(720)	2,501
920	(398)	522		Corporate Services	1,234	(528)	706
12,589	(6,518)	6,071		Environmental & Operations	17,296	(6,093)	11,203
32,411	(28,973)	3,438		Finance	32,294	(28,200)	4,094
4,169	(1,474)	2,695		Planning	4,972	(2,223)	2,749
53,095	(37,791)	15,304	24	**Net Cost of Services**	59,017	(37,764)	21,253
		(1,329)		Loss/(Gain) on Disposal of non current assets			(127)
		(257)	25	Net (Surplus)/Deficit from Trading Operations			(220)
		3,818		Parish Council Precepts			4,006
		6		Contributions of housing capital receipts into Government Pool			1
		2,238		**Other Operating Expenditure**			3,660
		469	11	Movement in Fair Value Investment Property			(832)
		47		Loss on Disposal of Investment Property			-
		(521)		Investment Property			(750)
		-		Interest Payable and similar charges			58
		2,180	35	Net interest on the net defined benefit liability			2,582
		(260)		Interest and Investment Income			(188)
		1,915		**Financing and Investment Income and Expenditure**			870
		(666)	29	Capital Grants and Contributions			(2,193)
		(13,575)		Council Tax			(14,130)
		(1,940)		Business Rates			(1,389)
		(3,603)	29	Non Service Related Government Grants			(3,265)
		(19,784)		**Taxation and Non Specific Grant Income**			(20,977)
		(327)		**(Surplus) or Deficit on the Provision of Services**			4,806
		(2,524)	10	(Surplus) or Deficit on the revaluation of property, plant & equipment assets			1,524
		33,290	35	Remeasurement of the net defined benefit liability			(9,235)
		30,766		Other Comprehensive Income and Expenditure			(7,711)
		30,439		**Total Comprehensive Income and Expenditure**			**(2,905)**

MOVEMENT IN RESERVES STATEMENT

The Movement in Reserves Statement shows the movement from the start of the year to the end 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 other 'unusable' reserves. The Movement in Reserves statement shows how the movements in year of the Authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to Council Tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

The CIPFA Code of Local Authority Accounting in 2017/18 requires the total General Fund Balance be presented. In the past it was recommended that Earmarked General Fund Reserves be separately presented.

Movement in Reserve Statement

Financial Year 2016/17	General Fund Balance	Earmark'd Reserves Balance	Total General Fund Balance	Capital Grants Unapplied	Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
Notes		9					20	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2016	(1,500)	(22,595)	(24,095)	(133)	(381)	(24,609)	21,434	(3,175)
Movement in reserves during 2016/17								
(Surplus) or deficit on the provision of services	(327)		(327)			(327)	-	(327)
Other Comprehensive Income and Expenditure	-	-	-	-	(1)	(1)	30,767	30,766
Total Comprehensive Income and Expenditure	(327)	-	(327)	-	(1)	(328)	30,767	30,439
Adjustments between accounting basis & funding basis under regulations (note 8)	508	-	508	(666)	239	81	(81)	-
Net (Increase)/ Decrease before Transfers to Earmarked reserves	181	-	181	(666)	238	(247)	30,686	30,439
Year end balance transferred (to)/from Budget Stabilisation Reserve	350	(350)	-	-	-	-	-	-
Other transfers to/from Earmarked Reserves	(531)	531	-	-	-	-	-	-
Total transfers (to)/from Earmarked Reserves (Note 9)	(181)	181	-	-	-	-	-	-
(Increase)/ Decrease in 2016/17	-	181	181	(666)	238	(247)	30,686	30,439
Balance at 31 March 2017	(1,500)	(22,414)	(23,914)	(799)	(143)	(24,856)	52,120	27,264

Financial Year 2017/18 Notes	General Fund Balance £'000	Earmark'd Reserves Balance 9 £'000	Total General Fund Balance * £'000	Capital Grants Unapplied £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Total Unusable Reserves 20 £'000	Total Authority Reserves £'000
Balance at 31 March 2017	(1,500)	(22,414)	(23,914)	(799)	(143)	(24,856)	52,120	27,264
Movement in reserves during 2017/18								
(Surplus) or deficit on the provision of services	4,806		4,806			4,806		4,806
Other Comprehensive Income and Expenditure			-		(1)	(1)	(7,710)	(7,711)
Total Comprehensive Income and Expenditure	4,806	-	4,806	-	(1)	4,805	(7,710)	(2,905)
Adjustments between accounting basis & funding basis under regulations (note 8)	(1,576)	-	(1,576)	(2,193)	95	(3,674)	3,674	-
Net (Increase)/ Decrease before Transfers to Earmarked reserves	3,230	-	3,230	(2,193)	94	1,131	(4,036)	(2,905)
Year end balance transferred (to)/from Budget Stabilisation Reserve	617	(617)	-			-		-
Other transfers to/from Earmarked Reserves	(3,847)	3,847	-			-		-
Total transfers (to)/from Earmarked Reserves (Note 9)	(3,230)	3,230	-	-	-	-	-	-
(Increase)/ Decrease in 2017/18	-	3,230	3,230	(2,193)	94	1,131	(4,036)	(2,905)
Balance at 31 March 2018	(1,500)	(19,184)	(20,684)	(2,992)	(49)	(23,725)	48,084	24,359

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.

Balance Sheet

31/03/17 £'000	Note		31/03/18 £'000
		Long Term Assets	
33,017	10 & 31	Property, Plant and Equipment	33,888
1,161	10	Operational Property Surplus	1,190
-	38	Heritage Assets	-
20,409	11	Investment Property	21,443
-		Intangible Assets	-
50	12	Long Term Investments	50
265	14	Long Term Debtors	918
54,902		Total Long Term Assets	57,489
		Current Assets	
19,059	12	Short Term Investments	24,046
180	16	Assets held for sale	180
9,533	15	Cash and Cash Equivalents	7,445
48	13	Inventories	46
3,202	14	Short Term Debtors	3,300
288	14	Payments in Advance	265
32,310		Total Current Assets	35,282
		Current Liabilities	
(5,792)	17 & 29	Receipts in Advance	(7,604)
(7,975)	17	Short Term Creditors	(9,560)
(2,621)	18	Short Term Provisions	(2,384)
(16,388)		Total Current Liabilities	(19,548)
15,922		Net Current Assets	15,734
		Long Term Liabilities	
(358)	17	Long Term Creditors	(5,489)
(257)	18	Long Term Provisions	(257)
(97,257)	35	Net Pensions Liability	(91,413)
(216)	29	Capital Grants Receipts in Adv.	(423)
(98,088)		Total Long Term Liabilities	(97,582)
(27,264)		Total Net Assets/(Liabilities)	(24,359)

Balance Sheet (cont)

31/03/17 £'000	Note		31/03/18 £'000
		Usable Reserves	
(143)	MIRS	Usable Capital Receipts Reserve	(49)
(22,414)	9	Earmarked Reserves	(19,184)
(799)	MIRS	Capital Grants Unapplied	(2,992)
(1,500)	MIRS	General Fund	(1,500)
(24,856)		Subtotal Usable Reserves	(23,725)
		Unusable Reserves	
(26,567)	20	Capital Adjustment Account	(26,040)
(18,649)	20	Revaluation Reserve	(16,946)
152	20	Accumulated Absences Act.	152
103	20	Collection Fund Adj. Account	(327)
97,257	20 & 35	Pensions Reserve	91,413
(176)	20	Deferred Capital Receipts	(168)
52,120		Subtotal Unusable Reserves	48,084
27,264		Total Reserves	24,359

These unaudited financial statements will be replaced by the audited financial statements authorised at the meeting of the Audit Committee on 19 July 2018

Adrian Rowbotham
Chief Finance Officer
XX XXXXX 2018

THE 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.

2016/17 £'000	Note		2017/18 £'000
(327)		Net (surplus) or deficit on the provision of services	4,806
(10,114)	21	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	(10,122)
5,458	21	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	1,158
(4,983)		Net cash flows from operating activities	(4,158)
8,606	22	Investing Activities	13,753
(673)	23	Financing Activities	(7,507)
2,950		Net (increase) or decrease in cash and cash equivalents	2,088
(12,483)		Cash and cash equivalents at the beginning of the reporting period	(9,533)
(9,533)	15	Cash and Cash Equivalents at the end of the reporting period	(7,445)

NOTES TO THE CORE FINANCIAL STATEMENTS

Note 1. EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's services

Expenditure and Funding Analysis

2016/17 Net Expenditure Chargable to the General Fund £000	2016/17 Adjustments between the Funding and Accounting Basis £000	2016/17 Net Expenditure in the Comp-rehensive Income and Expenditure Statement £000		2017/18 Net Expenditure Chargeable to the General Fund £000	2017/18 Adjustments between the Funding and Accounting Basis £000	2017/18 Net Expenditure in the Comp-rehensive Income and Expenditure Statement £000
1,377	1,201	2,578	Communities and Business	1,464	1,037	2,501
2,736	(2,214)	522	Corporate Services	2,914	(2,208)	706
4,586	1,485	6,071	Environment & Operations	4,828	6,375	11,203
4,231	(793)	3,438	Finance	4,371	(277)	4,094
1,434	1,261	2,695	Planning	1,181	1,568	2,749
14,364	940	15,304	Net Cost of Services	14,758	6,495	21,253
(14,183)	(1,448)	(15,631)	Other Income and Expenditure	(11,528)	(4,919)	(16,447)
181	(508)	(327)	(Surplus) or Deficit	3,230	1,576	4,806
(24,095)			Opening General Fund Balance	(23,914)		
181			(Surplus) or Deficit on General Fund Balance in Year	3,230		
(23,914)			Closing General Fund Balance at 31 March	(20,684)		

Note 2. Accounting Policies

2.1 General Principles

The Statement of Accounts summarises the Authority's transactions for the 2017/18 financial year and its position at the year end of 31 March 2018. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those regulations require 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 2017/18 and the Service Reporting Code of Practice 2017/18, 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.

2.2 Accruals of Income and Expenditure

The revenue accounts of the Council are maintained on an accruals basis in accordance with the Code of Practice. That is, sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year.

Exceptions to this are payments of regular quarterly accounts (e.g. telephones, electricity) and Penalty Charge Notice income. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts. Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. 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 economic benefits or service potential associated with the transaction will flow to the Council.

- 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 economic benefits or service potential associated with the transaction will flow to the Council.

- 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 services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.

- Accruals for income are offset by allowances for the impairment of debt where it is determined that recovery is unlikely, although the Council continues to attempt to recover sums legally due. This policy applies to contractual debt as well as to statutory debt for Council Tax, Non-Domestic Rates and overpayments of Housing Benefit.

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.

The Council collects income from payers of Council Tax and Non-Domestic Ratepayers, but only part of the income relates to this Council, the balance being collected on behalf of other major precepting authorities, as well as the Government. The amounts of debtors, adjustments for doubtful debts, and income in advance that relate to the precepting authorities are shown as a single net debtor or creditor in the balance sheet. The surplus element of the Collection Fund due to preceptors is split between payments due to be made in the following financial year, which are held as Short Term Creditors, and any other amounts, due in succeeding financial years, which are shown as Long Term Creditors. In the event of a deficit, the amounts are split between Short Term and Long Term Debtors.

2.3 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 three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. The officer responsible for Treasury Management has categorised items on the balance sheet as cash equivalents on this basis.

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.

2.4 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, i.e. in the current and future years affected by the change 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.

2.5 Charges to Revenue for Non-Current Assets

Service revenue accounts, central support services and trading accounts are debited with the following amounts to record the real cost of holding non-current 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;
- Any subsequent reversal of such losses;
- The annual amortisation of intangible fixed assets attributable to the service.
- Any revenue costs which are met from capital resources as Revenue Expenditure Financed from Capital under Statute (REFCUS – see 2.19 below)

The Council is not required to raise Council Tax to fund these charges, and they are therefore reversed through appropriations from the Capital Adjustment Account to the General Fund. However, the Council is required to make an annual contribution from revenue resources to the Capital Adjustment Account to reduce its overall borrowing requirement. This is termed the Minimum Revenue Provision (MRP).

2.6 Contingent Assets and Liabilities

<u>Contingent Liabilities</u>

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 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

A contingent asset is a possible asset that arises from a past event and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council. Typically a contingent asset is related to a legal action by the Council, whose outcome is uncertain when the balance sheet is compiled.

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

2.7 Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 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 and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

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 in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment 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.

When 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 required 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 amount payable but unpaid at the year-end

Post-employment Benefits
International Accounting Standard 19 became effective from the accounting period starting after 1 January 2013. This standard relates to Pensions and details of the impact of this are recorded in Note 35.

Employees of the Authority are members of the Local Government Pension Scheme, administered by Kent County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees working for the Authority.

The Local Government Scheme is accounted for as a defined benefits scheme:

The liabilities of the Kent County Council Pension Fund attributable to the Authority 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 projected earnings for current employees.

The liabilities are valued using a discount rate being the annualised yield at the 19 year point on the Merrill Lynch AA-rated Corporate bond yield curve which was chosen to meet the requirements of IAS19 and with consideration of the Employers liabilities.

The assets of the Kent County Council Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value.

A revised IAS19 statement applied for company accounting periods beginning on or after 1 January 2013 and the main changes that arose from that standard are:

The expected return on assets has been replaced by a net interest cost comprising interest income on the assets and interest expense on the liabilities, which are both calculated with reference to the discount rate.

Some labelling changes to the Profit and Loss change e.g. Service costs now include what were previously described as 'Current Service Costs' plus the 'Past Service cost' plus 'Curtailments' plus 'Settlements'. Administration expenses are now accounted for within the Profit and Loss charge, where previously they were a deduction to the actual and expected return on assets.

The change in the net pensions liability is analysed into components of service cost:

- Current service cost – the increase in liabilities as a result of years of service earned this year, allocated in the Comprehensive Income and Expenditure Statement to the service for which the employees worked.

- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. Past service costs include the cost of curtailments, which are normally linked to an event giving rise to a post employment benefit. Past service costs are debited to the Non-Distributed Costs line in the Comprehensive Income and Expenditure Statement

- Net interest on the defined liability – the change to the net pension liability that arises from the passage of time during the year. This is charged to the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement.

- Contributions by scheme participants, which increase plan liabilities, but correspondingly increase plan assets, and are therefore not reflected in the Comprehensive Income and Expenditure Statement

- Remeasurements – changes in the present value of the net pensions liability, resulting from:
    - the return on plan assets, excluding the amounts included in net interest.

    - experience adjustments (the differences between the previous actuarial assumptions and what has actually occurred).
    - the effects of changes in actuarial assumptions

- Benefits paid, which reduce plan assets, but correspondingly reduce its liabilities, and are therefore not reflected in the Comprehensive Income and Expenditure Statement

- Contributions paid to the Kent County Council Pension Fund – the employer's contributions to the pension fund for the financial year, chargeable to the General Fund, but not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits
The Authority 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 accounted for using the same policies as are applied to the Local Government Pension Scheme.

2.8 Events After the Reporting Period

Events after the reporting period 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.

2.9 Financial Instruments

Financial liabilities 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 and are carried at their amortised cost. This includes trade creditors and loans.

Financial assets are classified as loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market. This includes investments, trade debtors and loans.

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 made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, 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. 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.

Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing, and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

Investments are carried at cost. If the value of an investment falls below its cost, the investment is written down to market value and a provision for the unrealised loss made in the Income and Expenditure Account if this is unlikely to be a temporary fall.

2.10 Community Infrastructure Levy

The authority has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (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 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 as set out in 2.11. CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges may be used to fund revenue expenditure.

2.11 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 liabilities. 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-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Grants and contributions towards specific services for revenue purposes are credited against the appropriate line in the Cost of Services, but if grants and contributions are not related to specific services they are credited as Taxation and Non-Specific Grant Expenditure and Income, along with all grants and contributions receivable towards investment in non-current assets. As these capital grants and contributions are not properly credited to the General Fund, an equivalent appropriation is made from the General Fund into the Capital Grants Unapplied Reserve, which is set aside for the financing of capital investment. When it has been applied for financing it is transferred to the Capital Adjustment Account.

2.12 Inventories

Stocks are valued at cost. This is a departure from the requirements of the Code which require inventories to be shown at cost or net realisable value if lower; the effect of the different treatment is immaterial.

2.13 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 services or production of goods 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. 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 and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

2.14 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

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and

- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the assets estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

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 (whether Property, Plant and Equipment or Assets Held for Sale) 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.

The written-off value of disposals is not a charge against council tax, as the cost of non-current 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, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

2.15 Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

2.16 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.

<u>Recognition</u>
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. A de-minimis level of £15,000 has been applied.

<u>Measurement</u>

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, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

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

- infrastructure, community assets and assets under construction - depreciated historical cost
- surplus assets – the current value measurement base is fair value, estimated at the 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 existing use 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 that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current 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.

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(s) 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 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 by:

- 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(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) 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 basis:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.

- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer.

- infrastructure – straight-line allocation over 25 years.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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.

Disposals and Non-current Assets Held for Sale

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

If assets no longer meet the 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 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 or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) 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 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). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) 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 or set aside to reduce the authority's underlying need to borrow. 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 non-current 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.

2.17 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. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the authority has an obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, 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 – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

When some or all of the payment required to settle a provision is expected to be recovered from another party (eg from an insurance claim), this is only recognised as income for the relevant services if it is virtually certain that reimbursement will be received if the authority settles the obligation.

The specific purposes of the Council's provisions are explained in a note to the Core Financial Statements.

2.18 Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance 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, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Authority - these reserves are explained in the relevant policies.

2.19 Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset (for example, Disabled Facilities Grants) 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 there is no impact on the level of council tax.

2.20 Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs (HMRC). VAT receivable is excluded from income.

2.21 Heritage Assets

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies for Property, Plant and Equipment as set out in policy 2.16.

At present the Council has no material heritage assets.

2.22 Fair Value Measurement

The authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in an authority's financial statements are categorised within the fair value hierarchy, as follows:

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

2.23 Group Accounts

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

Note 3. Accounting Standards that have been issued but not yet adopted

There are no new standards that have been issued but not yet adopted which, when adopted, are expected to have a material impact on the Council's financial statements.

IFRS 9 Financial Instruments has been implemented in the 2018/19 CIPFA Accounting Code of Practice. Its introduction will see the classifications of financial assets change to Amortised Cost, Fair Value through Comprehensive Income and Fair Value through Profit and Loss, from the previous categories of Loans and Receivables, Available for Sale and Fair Value through Profit and Loss.

The second main change will be the introduction of an expected credit loss model for particular asset types, rather than an impairment of the asset resulting from a specific incident.

Certain aspects of the introduction of IFRS 9 have been adapted for local authorities, effectively removing the IFRS 9 implications. These cover such areas as soft loans, Lender Option Borrowing Option (LOBO) loans, immaterial transactions, exchanges of debt instruments and hedge accounting.

The impact of these changes on the Authority's financial position is likely to be immaterial. The main financial assets held by the Authority will be treasury management investments which will move from the Loans and Receivables category to Amortised Cost and will be accounted for on a similar basis.. In addition, the high credit quality adopted by the Authority for its investment counterparties is likely to se an immaterial expected credit loss position.

Note 4. Critical Judgements in Applying Accounting Policies

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

- There is much uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not sufficient to provide an indication that the assets of the Authority might be impaired as a result of any need to close facilities or reduce levels of service provision.
- An assessment has been made of the potential liability of valuation appeals arising from business rate premises in respect of monies received by the Council up to 31 March 2018. This provision is based on information received from the Valuation Office Agency. Further details are shown within the notes to the Collection Fund.

Note 5. Prior Period Adjustment

There are no prior period adjustments.

Where the Code of Practice requires analysis on a segmental basis, tables have been re-stated to provide a prior year comparison.

Note 6. Events After the Balance Sheet Date

Events after the Balance Sheet Date are those events, both favourable and unfavourable, that occur between the end of the financial year and the date when the Statement of Accounts is authorised for issue. There are potentially two types of events:

- If they provide evidence of conditions that existed at the end of the reporting period, the Statement of Accounts is amended to reflect these events;
- If they are indicative of conditions that arose after the reporting period, the Statement of Accounts is not amended. If, however, an event would have a material effect, a disclosure is made in the notes to the accounts, outlining the event and its estimated financial effect.

Any event taking place after the accounts are authorised for issue is not reflected in the Statement of Accounts.

Note 7. Notes to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis

This note provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the General Fund Balance to arrive at the amounts in the Comprehensive Income and Expenditure Statement. The relevant transfers between reserves are explained in the Movement in Reserves Statement.

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts 2016/17	Adjust-ments for Capital	Net change for the Pensions adjustments	Other Statutory Adjust-ments	Other Differences	Total
	£'000s	£'000s	£'000s	£'000s	£'000s
Communities and Business	107	169	-	925	1,201
Corporate Services	-	46	-	(2,260)	(2,214)
Environmental & Operations	991	454	-	40	1,485
Financial Services	-	(1,344)	-	551	(793)
Planning Services	-	313	-	948	1,261
Net Cost of Services	1,098	(362)	-	204	940
Expenditure and Funding Analysis	(2,580)	2,180	(844)	(204)	(1,448)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the Provision of Services	(1,482)	1,818	(844)	-	(508)

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts 2017/18	Adjust-ments for Capital	Net change for the Pensions adjustments	Other Statutory Adjust-ments	Other Differences	Total
	£'000s	£'000s	£'000s	£'000s	£'000s
Communities and Business	**42**	**340**		**655**	**1,037**
Corporate Services	**-**	**121**		**(2,329)**	**(2,208)**
Environmental & Operations	**5,897**	**652**		**(174)**	**6,375**
Financial Services	**-**	**(926)**		**649**	**(277)**
Planning Services	**-**	**622**		**946**	**1,568**
Net Cost of Services	**5,939**	**809**	**-**	**(253)**	**6,495**
Other Income and Expenditure from the Expenditure and Funding Analysis	**(7,324)**	**2,582**	**(430)**	**253**	**(4,919)**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the Provision of Services	**(1,385)**	**3,391**	**(430)**	**-**	**1,576**

Note 8. Adjustments Between Accounting Basis and Funding Basis Under Regulations

This note 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. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance
The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority 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.

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.

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 capital expenditure against which it can be applied and/or the financial year in which this can take place.

Adjustments Between Accounting Basis and Funding Basis

Adjustments between Accounting Basis and Funding Basis under Regulations 2016/17	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account				
Reversal of items debited or credited to the Comprehensive Income and Expenditure statement:				
Charges for depreciation and impairment of non-current assets	(654)	-	-	654
Revaluation losses on Property, Plant and Equipment	(911)	-	-	911
Movements in the market value of Investment Properties	(469)	-	-	469
Capital grants and contributions applied	1,072	-	-	(1,072)
Non Specific Capital Grants				
Revenue expenditure funded from capital under statute	(1,102)	-	-	1,102
Amount of non-current assets written off on disposal or sale as part of the (gain) /loss on disposal to Comprehensive Income and Expenditure Statement	(3,393)	-	-	3,393
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements.	-	-	-	-
Insertion of items not debited or credited to the Comprehensive Income and Expenditure statement:				
Transfer of non current asset sale proceeds from revenue to the Capital Receipts Reserve	4,727	(4,727)	-	-
Administrative costs of non current asset disposals (funded by a contribution from the Capital Receipts Reserve	(50)	50	-	-
Capital expenditure charged against the General Fund Balance	1,610	-	-	(1,610)
Capital Grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	666	-	(666)	-
Mitigation of operating lease as lessee reclassified as finance lease upon transition to IFRS	(7)	-	-	7

Adjustments between Accounting Basis and Funding Basis under Regulations 2016/17 (continued)	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Use of the Capital Receipts Reserve to finance new capital expenditure	-	4,909	-	(4,909)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(6)	6	-	-
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(5,015)	-	-	5,015
Employer's pensions contributions and direct payments to pensioners payable in the year	3,197	-	-	(3,197)
Adjustments primarily involving the Collection Fund Adjustment Account				
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	(249)	-	-	249
Amount by which Business Rate income credited to the Comprehensive Income and Expenditure Statement is different from Business Rate income calculated for the year in accordance with statutory requirements	1,093	-	-	(1,093)
Adjustments primarily involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from Remuneration chargeable in the year in accordance with statutory requirements	-	-	-	-
Total Adjustments	**509**	**238**	**(666)**	**(81)**

Adjustments between Accounting Basis and Funding Basis under Regulations 2017/18	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account				
Reversal of items debited or credited to the Comprehensive Income and Expenditure statement:				
Charges for depreciation and impairment of non-current assets	(717)			717
Revaluation losses on Property, Plant and Equipment	(5,771)			5,771
Movements in the market value of Investment Properties	832			(832)
Capital grants and contributions applied	1,318			(1,318)
Non Specific Capital Grants				
Revenue expenditure funded from capital under statute	(1,336)			1,336
Amount of non-current assets written off on disposal or sale as part of the (gain) /loss on disposal to Comprehensive Income and Expenditure Statement	(149)			149
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements.				-
Insertion of items not debited or credited to the Comprehensive Income and Expenditure statement:				
Transfer of non current asset sale proceeds from revenue to the Capital Receipts Reserve	277	(277)		-
Administrative costs of non current asset disposals (funded by a contribution from the Capital Receipts Reserve				-
Capital expenditure charged against the General Fund Balance	4,596			(4,596)
Statutory provision for the repayment of debt	150			(150)
Capital Grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	2,193		(2,193)	-
Mitigation of operating lease as lessee reclassified as finance lease upon transition to IFRS	(7)			7
Adjustments primarily involving the Capital Receipts Reserve:				

Adjustments between Accounting Basis and Funding Basis under Regulations 2017/18 (continued)	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Use of the Capital Receipts Reserve to finance new capital expenditure	-	371	-	(371)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(1)	1		-
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(6,692)			6,692
Employer's pensions contributions and direct payments to pensioners payable in the year	3,301			(3,301)
Adjustments primarily involving the Collection Fund Adjustment Account				
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	110			(110)
Amount by which Business Rate income credited to the Comprehensive Income and Expenditure Statement is different from Business Rate income calculated for the year in accordance with statutory requirements	320			(320)
Adjustments primarily involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from Remuneration chargeable in the year in accordance with statutory requirements				-
Total Adjustments	(1,576)	95	(2,193)	3,674

Note 9. Transfers To/From Usable Reserves

This note sets out the amounts set aside from the General Fund 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 and 2017/18.

Transfers to/from Usable Reserves

	Balance at 31/03/16 £'000	Transfers Out 2016/17 £'000	Transfers In 2016/17 £'000	Balance at 31/03/17 £'000	Transfers Out 2017/18 £'000	Transfers In 2017/18 £'000	Balance at 31/03/18 £'000
General Fund	(1,500)	-	-	(1,500)	-	-	(1,500)
Budget Stabilisation	(8,001)	1,373	(610)	(7,238)	2,484	(856)	(5,610)
Financial Plan	(3,659)	1,378	(2,901)	(5,182)	3,000	(1,838)	(4,020)
Asset Maintenance	(1,000)	-	-	(1,000)	0	-	(1,000)
Business Rates Retention	(2,222)	1,093	-	(1,129)	320	-	(809)
Vehicle Renewal	(605)	708	(535)	(432)	305	(570)	(697)
Housing Benefit Subsidy	(638)	23	(108)	(723)	217	(105)	(611)
IT Asset Maintenance	(346)	-	(142)	(488)	0	(102)	(590)
Corporate Project Support	(233)	105	(373)	(501)	78	(149)	(572)
Local Plan/LDF	(712)	332	(227)	(607)	190	(142)	(559)
Carry Forward Items	(408)	173	(75)	(310)	14	(212)	(508)
Pension Fund	(1,316)	100	-	(1,216)	716	-	(500)
New Homes Bonus	(379)	-	(120)	(499)	30	-	(469)
Capital Financing	(265)	-	(148)	(413)	116	(148)	(445)
Re-organisation	(337)	14	(100)	(423)	0	-	(423)
Action and Development	(396)	-	-	(396)	0	-	(396)
Vehicle Insurance	(312)	2	-	(310)	1	-	(309)
Community and Business	(382)	33	(1)	(350)	78	(2)	(274)
First Time Sewerage	(366)	50	-	(316)	50	-	(266)
Homelessness Prevention	(98)	62	(30)	(66)	26	(191)	(231)
Flood Support	(144)	-	-	(144)	0	-	(144)
Community Infrastructure Levy Administration	(6)	-	-	(6)	0	(101)	(107)
Other	(770)	448	(343)	(665)	1,772	(1,751)	(644)
Grand Total	(24,095)	5,894	(5,713)	(23,914)	9,397	(6,167)	(20,684)

The purpose of these usable reserves is shown below:

Budget Stabilisation - To support decisions required to continue to produce a balanced budget in future years in spite of expected funding reductions.

Financial Plan – Funds that support the 10-year budget strategy.

Asset Maintenance – To fund emergency asset maintenance works.

Business Rates Retention– To manage the volatility in yearly cash flows in the Collection Fund caused by the complexities in the Business Rates Retention Scheme.

Vehicle Renewal - Funding for future commercial vehicle replacements.

Housing Benefit Subsidy - Provides a cushion against large movements in reclaimable sums in any year.

IT Asset Maintenance – To fund future IT asset maintenance costs.

Corporate Project Support - To support investigation and development of Corporate Projects.

Local Plan / LDF - To help support the Local Plan and Local Development Framework.

Carry Forward Items - For specific items agreed by Cabinet.

Pension Fund - To contribute towards any future downturns in the pension fund following actuarial valuations.

New Homes Bonus - Due to the uncertainty of future Government funding an element of the New Homes Bonus is being kept separate as part of the 10 year Financial Plan.

Capital Financing –Annual contributions from revenue to fund some capital projects.

Re-organisation - To fund actions taken to achieve annual budget savings.

Action and Development - To fund ad hoc expenditure e.g. resulting from an emergency.

Vehicle Insurance - Provides own damage cover on the Council's commercial vehicle fleet.

Community and Business - To fund ongoing and future projects.

First Time Sewerage – Transferred from a provision for potential liabilities relating to earlier sewerage installations.

Homelessness – To assist in the delivery of the Homelessness Reduction Act.

Flood Support – Flooding reserve to help provide assistance in the case of severe flooding.

Community Infrastructure Levy Administration - To be spent on the administration of the levy.

Other - Other small reserves set aside.

Note 10. Property, Plant and Equipment

Movements on Balances

	Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Community Assets £'000	Operational Property Surplus £'000	Assets Under Construction £'000	Total Property, Plant & Equipment £'000
Movements in 2016/17:						
Cost or Valuation						
At 1 April 2016	23,965	5,074	211	1,642	-	30,892
Additions	527	708	-	134	5,309	6,678
Revaluation increases/ (decreases) recognised in:						
- Revaluation Reserve	2,117	-	-	47	-	2,164
- Surplus or Deficit	(284)	-	-	(662)	-	(946)
Derecognition – Disposals	(110)	(660)	-	-	-	(770)
Derecognition – Other	-	-	-	-	-	-
Reclassifications in PPE	(1,755)	-	-	-	1,755	-
Reclassifications other	(146)	-	-	-	-	(146)
At 31 March 2017	24,314	5,122	211	1,161	7,064	37,872
Accumulated Depreciation and Impairment						
At 1 April 2016	(427)	(3,638)	-	-	-	(4,065)
Depreciation Charge	(147)	(506)	-	-	-	(653)
Depreciation written out to the						-
- Revaluation Reserve	358	-	-	-	-	358
- Surplus or Deficit on the provision of services			-	-	-	-
Derecognition – Disposals	6	660	-	-	-	666
Derecognition - Other	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
At 31 March 2017	(210)	(3,484)	-	-	-	(3,694)
Net Book Value						
As at 31 March 2017	24,104	1,638	211	1,161	7,064	34,178

	Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Community Assets £'000	Operational Property Surplus £'000	Assets Under Construction £'000	Total Property, Plant & Equipment £'000
Movements in 2017/18:						
Cost or Valuation						
At 1 April 2017	24,314	5,122	211	1,161	7,064	37,872
Additions	63	305			8,693	9,061
Revaluation increases/ (decreases) recognised in:						
- Revaluation Reserve	(1,558)			29		(1,529)
- Surplus or Deficit	(5,771)					(5,771)
Derecognition – Disposals	(154)	(147)				(301)
Derecognition – Other						-
Reclassifications in PPE						-
Reclassifications other	3,931				(3,931)	-
At 31 March 2018	20,825	5,280	211	1,190	11,826	39,332
Accumulated Depreciation and Impairment						
At 1 April 2017	(210)	(3,484)	-	-	-	(3,694)
Depreciation Charge	(150)	(567)				(717)
Depreciation written out to the						-
- Revaluation Reserve	5					5
- Surplus or Deficit on the provision of services						-
Derecognition – Disposals	5	147				152
Derecognition - Other						-
Reclassifications						-
At 31 March 2018	(350)	(3,904)	-	-	-	(4,254)
Net Book Value						
As at 31 March 2018	20,475	1,376	211	1,190	11,826	35,078

Capital Commitments

At 31 March 2018, there were no significant sums outstanding on capital contracts.

Surplus Assets

Details of the authority's Surplus Assets and information about the fair value hierarchy

	31st March 2017 £'000	**31st March 2018 £'000**
Operational Property Surplus		
Quoted Prices in active market for identical assets (Level 1)	-	**-**
Other significant observable inputs (Level 2)	1,161	**1,190**
Significant un-observable inputs (Level 3)	-	**-**
Fair Value	1,161	**1,190**

The following significant observable inputs were used to determine the level 2 fair value for Surplus Assets:

The fair value for the properties (at market rates) has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy. Appropriate adjustments have been made to account for planning risk and associated uncertainties where planning permission does not already exist for the highest and best use.

The assets which include the site of the Swanley Mens Working Mans Club and property in the High Street are surplus to operational needs and are being held pending redevelopment of the site.

The fair value of the authority's Surplus Assets is measured annually. All valuations are carried out by external valuers in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The valuers work closely with finance officers reporting directly to the Chief Finance Officer on a regular basis regarding all valuation matters.

Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Each class of asset is valued at the same time.

The freehold and leasehold properties which comprise the Authority's property portfolio have been valued as at 31st March 2018, by external independent valuers, Wilks, Head and Eve, Chartered Surveyors. Valuations have been made on the undermentioned bases in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors, except that not all the properties were inspected. This was neither practicable nor considered by the valuers to be necessary for the purpose of the valuation.

Plant and machinery that forms part of a building is included in the valuation

Properties regarded by the Authority as operational were valued on the basis of Existing Use Value or where this could not be assessed because there was no market for the subject asset, the depreciated replacement cost. Useful economic lives for these properties are generally 35 years.

Properties regarded by the Authority as investment properties have been valued on the basis of market value, again with useful economic lives of generally 35 years.

Vehicles, plant and equipment in the balance sheet relate to the Council's commercial vehicle fleet, computer equipment, fitness equipment in the leisure centres, air quality monitoring equipment, CCTV equipment and playground equipment. Most equipment is depreciated over 5 years, with larger commercial vehicles over 7 years or, exceptionally, 10 years.

The regular rolling programme of asset valuation is as follows:

Year of Valuation	Class of asset valued in year
2017/18	Investment Properties; Amenity Land, Car Parks, Community Offices
2016/17	Investment Properties; Amenity Land
2015/16	Investment Properties; Leisure Centres, Golf Course*, Hollybush Depot, premises and grounds*
2014/15	Investment Properties, Stag Theatre, Parks* and Woodlands
2013/14	Investment Properties; car parks, public conveniences
2012/13	Investment Properties; Depot, Offices, bus station.

* By exception properties in these groups were also revalued in 2017/18.

The following statement shows the progress on the Council's rolling programme for the revaluation of Property, Plant and Equipment:

	Land & Buildings £'000	Vehicles, Plant & Equip-ment £'000	Comm-unity Assets £'000	Assets Held for Sale £'000	Assets Under Con-struction £'000	Surplus Assets £'000	TOTAL £'000
Carried at historical cost:		5,277	211	-	-	-	5,488
Valued at current value in:							
2017/18	9,589	-	-	150	11,826	1,189	22,754
2016/17	10,952	-	-	30	-	-	10,982
2015/16	80	-	-	-	-	-	80
2014/15	17	-	-	-	-	-	17
2013/14	-	-	-	-	-	-	-
2012/13	-	-	-	-	-	-	-
Total	20,638	5,277	211	180	11,826	1,189	39,321

Note 11. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

	2016/17 £'000	**2017/18 £'000**
Rental income from investment property	(725)	**(837)**
Direct operating expenses from investment property	203	**87**
Net income from Investment Properties	(522)	**(750)**

There are no restrictions on the Authority’s ability to realise the value inherent in its investment property or on the Authority’s right to the remittance of income and proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

	2016/17 £'000	**2017/18** **£'000**
Balance at start of the year	12,687	**20,409**
Purchases	9,459	**202**
Disposals	(1,268)	**-**
Net Gains/ (losses) from fair value adjustment	(469)	**832**
	20,409	**21,443**

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

	31st March 2017 £'000	**31st March 2018** **£'000**
Existing properties generating rental income		
Quoted Prices in active market for identical assets (Level 1)		
Other significant observable inputs (Level 2)	2,427	**2,524**
Significant un-observable inputs (Level 3)		
Property Investment Strategy		
Quoted Prices in active market for identical assets (Level 1)		
Other significant observable inputs (Level 2)	17,982	**18,919**
Significant un-observable inputs (Level 3)		
Total Fair Value	20,409	**21,443**

The observable inputs used for the fair value calculation for Investment properties are the same as previously stated for Surplus Assets.

Properties are subject to leases with varying review dates.

The fair value of the authority's Investment Properties is measured annually. All valuations are carried out by external valuers in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The valuers work closely with finance officers reporting directly to the Chief Finance Officer on a regular basis regarding all valuation matters.

Note 12. Financial Instruments

The investment figures are made up mainly of surplus capital and revenue reserve balances. The investments are placed with recognised financial institutions. These are classified in the loans and receivables category of financial instruments, having fixed or determinate payments and not quoted in an active market.

Balances due to our trade creditors and from our trade debtors are also included here.

The balances, which include the principal and the interest accrued, at the year end can be analysed as follows:

	Long Term		Current	
	2016/17 £'000	2017/18 £'000	2016/17 £'000	2017/18 £'000
Loans & Receivables				
Investments	50	50	19,059	24,046
Net trade receivables (within debtors)	265	918	1,020	1,154
Cash & cash equivalents	-	-	9,533	7,445
Total Financial Assets	315	968	29,612	32,645
Financial Liabilities at amortised cost				
Borrowings	-	(5,133)	-	(174)
Trade payables (within Creditors)	(358)	(356)	(2,039)	(2,627)
Total Financial Liabilities	(358)	(5,489)	(2,039)	(2,801)

Short-term investments are those that were placed for a period in excess of three months and fall to be repaid within one year of the balance sheet date. Long-term investments were placed for over one year. Investments placed for less than three months are treated as cash or cash equivalents.

Net trade receivables also include sums owed by our partnership councils as at 31 March 2018.

Financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. The fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

Market rates at 31 March 2018 for comparable instruments with the same duration.

	31/03/2017		**31/03/2018**	
	Carrying amount £'000	Fair value £'000	**Carrying amount £'000**	**Fair value £'000**
Loans and receivables	28,112	28,122	**30,201**	**30,201**

Where the fair value is lower or greater than the carrying amount it will be because the Council's portfolio of loans includes a number of the fixed rate loans where the interest payable is lower or higher than the rates available for similar loans in the market at the balance sheet date and the difference in interest rates is material. The fair value shows a notional future gain or loss (based on economic conditions at 31 March 2018) arising from a commitment to pay interest to lenders below or above current market rates.

The table, below, shows how the fair value of the financial assets held at amortised cost is determined.

	Quoted prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant un-observable inputs (Level 3) £'000	Total £'000
Investment in Municipal Bonds Agency	-	-	50	50
Deposits with Banks, Building Societies and other Local Authorities	-	29,051	-	29,051
Deposits in Money Market Funds	1,100	-	-	1,100
Total 2017/18	1,100	29,051	50	30,201

The fair value for financial assets that are not measured at fair value included in levels 2 and 3 in the table above have been arrived at using a comparison of the fixed term investment with a comparable investment with the same/similar lender for the remaining period of the deposit. There is no clear market price, or reasonable proxy, for the investment with the Municipal Bonds Agency as it is not tradeable. It has, therefore, been included at cost.

The fair value for financial assets that are not measured at fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:-

1) No early repayment or impairment is recognised.
2) Estimated range of interest rates at 31 March 2018 of 0.43% to 0.97%, obtained from the market, using bid prices where applicable.

The fair value of trade and other receivables is taken to be the invoiced or billed amount.

There were no transfers between levels of the fair value hierarchy during the year. There has been no change in the valuation techniques used for financial assets.

Disclosure of nature and extent of risks arising from financial instruments

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity risk – the possibility that the Council might not have the funds available to meet its commitments to make payments.
- Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rate or stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services.

Risk management is carried out by treasury management officers under policies approved by the Council in the annual treasury management strategy. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

The Council uses the creditworthiness service provided by its treasury management consultant, Link Asset Services. This service uses a sophisticated modelling approach that combines credit ratings from the above mentioned rating agencies as the core element with other subjective overlays. In addition, the Council has the following policies:

- Maximum investment period of two years.
- Lending to Building Societies restricted to the top five Societies ranked by assets with a maximum investment period of 100 days if the Society does not satisfy the creditworthiness modelling approach.
- No more than £6m (or £7m including call accounts) per counterparty with the exception of the Lloyds Banking Group and Royal Bank of Scotland Group where the limit is £10m per Group. For Building Societies, the limit is £5m where the Society satisfies the creditworthiness modelling approach, or £2m if it doesn't.

Investments are limited to 25% of the total fund to any single institution or institutions within a group of companies, with the exception of the Lloyds Banking Group and Royal Bank of Scotland Group where the limit is 30%.

Total investments in any one country outside of the UK, is limited to 15% of the total fund.

Investment in non-UK banks is subject to prior approval by Committee.

The Strategy also permits investment with other local authorities and the UK Government's Debt Management Office for periods up to 2 years and six months respectively. Money Market Funds and Enhanced Money Market Funds are also utilised with a combined maximum deposit of £5m per provider.

The full investment strategy for 2017/18 was approved by Council on 21 February 2017.

There were no breaches of the Council's counterparty criteria during the reporting period.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £19.9m at 31 March 2018 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 institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2018 that this was likely to crystallise.

Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. Thus, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial assets is shown in the table below.

	31/03/17 £'000	**31/03/18 £'000**
Less than 1 year	29,320	**30,960**
Over 1 year	-	**-**
	29,320	**30,960**

Refinancing and Maturity Risk

The Council maintains a substantial investment portfolio and a relatively small amount of debt. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature, This risk relates to both the maturing of longer term financial liabilities and longer term financial assets. As the Council has only a small amount of debt and does not lend for periods in excess of two years, this risk is not considered significant.

Market Risk

<u>Interest Rate Risk</u>
Upwards or downwards movements in interest rates may have a complex impact on the Council. For instance, a rise in variable and fixed interest rates would have the following effects:

Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;

Borrowings at fixed rates – the fair value of the borrowing will fall (but no impact on revenue balances);

Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and

Investments at fixed rates – the fair value of the assets will fall (but no impact on revenue balances).

The treasury management team has an active strategy for assessing interest risk exposure that feeds into the setting of the annual budget.

By way of example, if interest rates on fixed deposits had been 1% higher during 2017/18 (with all other variables held constant), the financial effect would have been to increase investment income by £468,000.

Price Risk
The Council does not invest in equity shares or marketable bonds and is not, therefore, exposed to losses arising from movements in prices.

Foreign Exchange Risk
The Council has no financial assets or liabilities denominated in foreign currencies. It, therefore, has no exposure to loss arising from movements in exchange rates.

Note 13. Inventories

This refers to stocks of salt and fuel held at the Dunbrik depot and wood stocks at Farningham Woods.

	2016/17 £'000	2017/18 £'000
Balance outstanding at start of the year	50	**48**
Purchases	461	**438**
Recognised as an expense in the year	(463)	**(440)**
Balance outstanding at end of the year	48	**46**

Note 14. Debtors

Short Term Debtors

31/03/17 £'000		31/03/18 £'000
1,023	Central Government Bodies	**583**
825	Other Local Authorities	**847**
313	Council Tax Payers	**415**
380	Non Domestic Rate	**508**
949	Other entities and individuals	**1,212**
3,490	Total	**3,565**

Balance incorporates prepayments

Long Term Debtors

31/03/17 £'000		31/03/18 £'000
265	Other entities and individuals	**918**
265	Total	**918**

The carrying amount is also deemed to be the fair value (being the amount that the market is willing to exchange assets).

Note 15. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

	31/03/17 £'000	31/03/18 £'000
Cash held by the Authority	4	**9**
Bank current accounts	525	**1,331**
Short-term deposits with:		
Banks	3,001	**4,002**
Building Societies	1,001	**-**
Other Local Authorities	-	**1,001**
Money Market Funds	5,002	**1,102**
Total Cash and Cash Equivalents	9,533	**7,445**

Note 16. Assets Held for Sale

	2016/17 £'000	**2017/18 £'000**
Balance at start of the year	2,021	**180**
Purchases	-	**-**
Disposals	(2,021)	**-**
Net Gains/ (losses) from fair value adjustment	35	**-**
Assets newly classified as held for sale	145	**-**
Asset de-classified as held for sale	-	**-**
	180	**180**

Assets Held for Sale are carried at the lower of their carrying value or their fair value less costs to sell.

Details of the authority's Assets Held for Sale and information about the fair value hierarchy at 31 March 2018 are as follows:

	Carrying Value £'000	Fair Value £'000	Quoted prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000
Assets held for Sale 2017/18	180	1,013		1,013	-
Assets held for Sale 2016/17	180	528	-	528	-

The following significant observable inputs were used to determine the level 2 fair value for Surplus Assets:

The fair value for the properties (at market rates) has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy. Appropriate adjustments have been made to account for planning risk and associated uncertainties where planning permission does not already exist for the highest and best use.

The fair value of the authority's Assets Held for Sale is measured annually. All valuations are carried out by external valuers in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The valuers work closely with finance officers reporting directly to the Chief Finance Officer on a regular basis regarding all valuation matters.

Note 17. Creditors and Receipts in Advance

Short Term Creditors

31/03/17 £'000		**31/03/18 £'000**
(577)	Central Government Bodies	**(542)**
(876)	Other Local Authorities	**(1,094)**
(909)	Council Tax Payers	**(1,088)**
(4,392)	Non Domestic Rate	**(4,695)**
(1,221)	Other entities and individuals	**(2,141)**
(7,975)	Total	**(9,560)**

Long Term Creditors

31/03/17 £'000		31/03/18 £'000
-	Central Government Bodies	(5,133)
(358)	Other Local Authorities	(356)
(358)	Total	(5,489)

Short Term Receipts in Advance

31/03/17 £'000		31/03/18 £'000
(32)	Central Government Bodies	(29)
(398)	Other Local Authorities	(333)
(304)	Council Tax Payers	(294)
(292)	Non Domestic Rate	(423)
(180)	Other entities and individuals	(293)
(1,206)	Total	(1,372)

Note 18. Provisions

The following provisions have been made by the Council:

The carrying amount is also deemed to be the fair value (being the amount that the market is willing to settle liabilities).

	Long Term MMI £'000	Short Term Accumulated Absences £'000	NDR Appeals £'000	Total Short Term £'000
Balance at 1 April 2017	257	152	2,469	2,621
Additional Provisions made during year	-	-	3,703	3,703
Amounts Used during the year	-	-	(3,940)	(3,940)
Amounts reversed as not required	-	-		-
Balance at 31 March 2018	257	152	2,232	2,384

Municipal Mutual Insurance Limited (MMI) – MMI was the main local authority insurer for many years up until 1992 when the company failed and went into “run off”. A Scheme of Arrangement was approved in 1994 with the aim of meeting all claims and achieving a solvent run-off. For a number of years the Administration and Creditors Committee reported that a solvent run-off was likely to be achieved and sought to sell the business to another insurer to bring the arrangement to a conclusion.

Unfortunately a sale has never been achieved and more recently claims have emerged where courts have ruled in favour of others rather than MMI. This increased the risk that a solvent run-off would not be achieved which would result in councils (and others, such as housing associations) being liable to clawback of monies paid out to settle claims. Due to this uncertainty, the Council has shown this risk as a Contingent Liability in the Statement of Accounts in recent years

The Accumulated Absences Provision is the opposite of the Accumulated Absences Account included in Unusable Reserves. This absorbs the difference that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March 2018.

NDR Appeals – Business ratepayers can make an appeal against the rateable value attributed to their property by the Valuation Office. Changes brought about by the new Business Rates Retention scheme mean that the Council has to provide for its share of the costs arising from successful appeals.

Note 19. Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and note 8.

Note 20 Unusable Reserves

	31/03/17 £'000	Movement in Year £'000	31/03/18 £'000
Capital Adjustment Account	(26,567)	527	(26,040)
Revaluation Reserve	(18,649)	1,703	(16,946)
Accumulated Absences Account	152	-	152
Collection Fund Adjustment Account	103	(430)	(327)
Pensions Reserve	97,257	(5,844)	91,413
Deferred Capital Receipts Reserve	(176)	9	(167)
Total Unusable Reserves	52,120	(4,035)	48,085

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. Note 8 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Capital Adjustment Account

2016/17 £'000		2017/18 £'000
(23,284)	Balance at 1 April	(26,567)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	-
654	Charges for depreciation and impairment of non current assets	717
911	Revaluation Losses on Property, Plant and Equipment	5,771
1,102	Revenue expenditure funded from capital under statute	1,336
-	Deferred Capital Receipts movement	-
3,393	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	149
6,060		7,973
(2,221)	Adjusting Amounts written out of the Revaluation Reserve	(179)
3,839	Net Written out amount of the cost of non current assets consumed in the year	7,794
	Capital Financing applied in the year:	
(4,910)	Use of the Capital Receipts Reserve to finance new capital expenditure	(371)
		-
(1,072)	Capital Grants and contributions credited to the Comprehensive Income and expenditure statement that have been applied to capital financing	(1,318)
-	Non-specific capital grant	-
-	Application of Grants to capital financing from the Capital Grants Unapplied Account	-
(1,610)	Capital Expenditure charged against the General Fund	(4,596)
-	Statutory provision for the repayment of debt	(150)
(7,592)		(6,435)
470	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement	(832)
(26,567)	Balance at 31 March	(26,040)

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 and the gains are consumed through depreciation, or
- disposed of and the gains are 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.

2016/17			2017/18	
£'000	£'000		£'000	£'000
	(18,347)	Balance at 1 April		(18,649)
(2,920)		Upward Revaluation of Assets	(204)	
397		Downward Revaluation of Assets and impairment losses not charged to Surplus Deficit on the Provision of Services	1,728	
(2,523)	(2,523)	Surplus/(Deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on Provision of Services	1,524	1,524
	96	Difference between fair value depreciation and historical cost depreciation		97
	2,125	Accumulated gains on assets sold or scrapped		82
	(18,649)	Balance at 31 March		(16,946)

Accumulated Absences Account

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

2016/17		2017/18
£'000		£'000
152	Balance at 1 April	152
-	Settlement or cancellation of accrual made at the end of previous year	-
-	Amounts accrued at the current year end	-
-	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-
152	Balance at 31 March	152

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 non-domestic rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2016/17 £'000		2017/18 £'000
948	Balance at 1 April	**103**
(845)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	**(430)**
103	Balance at 31 March	**(327)**

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 therefore shows a substantial 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.

2016/17 £'000		2017/18 £'000
62,149	Balance at 1 April	**97,257**
33,290	Actuarial Gains/(Losses) on pensions assets and liabilities	**(9,235)**
5,015	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	**6,692**
(3,197)	Employer's pensions contributions and direct payments to pensioners payable in the year	**(3,301)**
97,257	Balance at 31 March	**91,413**

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but 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 cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2016/17 £'000		2017/18 £'000
(183)	Balance at 1 April	(175)
7	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure statement	7
1	Transfer to the Capital receipts reserve upon receipt of cash	1
(175)	Balance at 31 March	(167)

Note 21. Cash Flow Statement – Operating Activities

Adjustments to net surplus or deficit on the provision of services for non-cash movements:

2016/17 £'000		2017/18 £'000
(654)	Depreciation	(717)
(1,380)	Impairment and downward valuations	(4,939)
-	Amortisation	-
143	Increase in impairment provision for bad debts	(128)
(2,063)	(Increase)/Decrease in creditors	(1,577)
968	Increase/(Decrease) in debtors / payments in advance	202
(2)	Increase/(Decrease) in stock	(2)
(1,818)	Pension liability	(3,391)
(3,393)	Carrying amount of non-current assets sold	(149)
(1,915)	Other non-cash items charged to the net surplus or deficit on the provision of services	579
(10,114)	Net cashflows from operating activities	(10,122)

Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:

2016/17 £'000		2017/18 £'000
-	Purchase of short-term and long-term investments	-
780	Proceeds from short-term and long-term investments	881
4,678	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	277
5,458		1,158

The cash flows for operating activities include the following items:

2016/17 £'000		2017/18 £'000
(260)	Interest received	(131)
-	Dividends received	-

Note 22. Cash Flow Statement – Investing Activities

2016/17 £'000		2017/18 £'000
16,136	Purchase of property, plant & equipment, investment property and intangible assets	**9,264**
-	Purchase of short term and long term investments	**4,987**
-	Other payments for investing activities	
(4,677)	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	**(278)**
(2,847)	Proceeds from sale of short-term and long-term investments	**(131)**
(6)	Other receipts from investing activities	**(89)**
8,606	Net Cash Flow from Investing activities	**13,753**

Note 23. Cash Flow Statement – Financing Activities

2016/17 £'000		2017/18 £'000
-	Cash receipts of short and long term borrowing	**(5,307)**
(666)	Other receipts from financing activities	**(2,193)**
(7)	Cash receipts for finance leases	**(7)**
-	Other payments for financing activities	**-**
(673)	Net Cash Flow from Financing activities	**(7,507)**

Note 24. Segmental Reporting and Reconciliation to Subjective Analysis

The Council is required to present information on reportable segments. Reporting segments are to be based on an authority's internal management reporting arrangements. The segments are based on Chief Officer responsibilities.

Note 24.a Subjective Reporting by Chief Officer segments

	Communities & Business	Corporate	Environmental & Operations	Finance	Planning	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Chief Officer Income and Expenditure 2016/17						
	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Service Income	(285)	(533)	(6,492)	(1,621)	(583)	(9,514)
Grants	(163)	(23)	(632)	(28,072)	(457)	(29,347)
Total Income	(448)	(556)	(7,124)	(29,693)	(1,040)	(38,861)
Employee Expenses	1,038	1,739	3,215	3,125	1,915	11,032
Other Service Expenses	787	1,553	8,496	30,799	558	42,193
Total Expenditure	1,825	3,292	11,711	33,924	2,473	53,225
Net Expenditure	1,377	2,736	4,587	4,231	1,433	14,364
Chief Officer Income and Expenditure 2017/18						
	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Service Income	(303)	(557)	(5,482)	(972)	(1,529)	(8,843)
Grants	(421)	(22)	(32)	(27,064)	(35)	(27,574)
Total Income	(724)	(579)	(5,514)	(28,036)	(1,564)	(36,417)
Employee Expenses	1,217	1,922	2,043	1,401	1,843	8,426
Other Service Expenses	971	1,571	8,299	31,006	902	42,749
Total Expenditure	2,188	3,493	10,342	32,407	2,745	51,175
Net Expenditure	1,464	2,914	4,828	4,371	1,181	14,758

Reporting is made to Chief Officers and Members on the above segmental basis.

Note 24.b Reconciliation of Chief Officer Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

The reconciliation shows how the figures in the analysis of income and expenditure related to the amounts included in the Comprehensive Income and Expenditure Statement.

2016/17 £'000		2017/18 £'000
14,364	Net Expenditure in Chief Officer Analysis	**14,758**
940	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	**6,495**
-	Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement.	-
15,304	Cost of Services in Comprehensive Income and Expenditure Statement	**21,253**

Note 24.c Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of Chief Officer income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

Reconciliation to Subjective Analysis 2016/17	Chief Officer Analysis £'000	Amounts not reported to manage-ment £'000	Amounts not included in I&E £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, Charges & Other Service Inc.	(9,514)	(975)	-	(10,489)	(258)	(10,747)
Interest Income	-	-	-	-	(259)	(259)
Investment Income	-	-	-	-	(730)	(730)
Disposal of Items of Property Plant & Equipment		-	-	-	(1,329)	(1,329)
Income from Council Tax and NDR	-	-	-	-	(15,514)	(15,514)
Government Grants and Contributions	(29,347)	-	-	(29,347)	(3,603)	(32,950)
Capital Grants and Contributions	-	-	-	-	(666)	(666)
Total Income	(38,861)	(975)	-	(39,836)	(22,359)	(62,195)
Employee Expenses	11,032	(362)	-	10,670	2,180	12,850
Other Service Expenses	42,193	1,182	-	43,375	677	44,052
Depreciation, amortisation and Impairment		1,068	-	1,068	-	1,068
Interest Payments & similar payments	-	27	-	27	-	27
Precepts & Levies	-	-	-	-	3,818	3,818
Payments to Housing Capital Receipts Pool		-	-	-	6	6
Gain or loss on disposal of non current assets		-	-	-	47	47
Capital Grants and Contributions	-	-	-	-	-	-
Total Expenditure	53,225	1,915	-	55,140	6,728	61,868
(Surplus) or deficit on the provision of services	14,364	940	-	15,304	(15,631)	(327)

Reconciliation to Subjective Analysis 2017/18	Chief Officer Analysis	Amounts not reported to manage-ment	Amounts not included in I&E	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Other Service Inc.	(8,843)	(29)		(8,872)	(220)	(9,092)
Interest Income				-	(188)	(188)
Investment Income				-	(750)	(750)
Disposal of Items of Property Plant & Equipment				-	(126)	(126)
Income from Council Tax				-		
and NDR				-	(15,519)	(15,519)
Movement on Fair Value of Investment Property				-	(832)	(832)
Government Grants and Contributions	(27,574)			(27,574)	(3,265)	(30,839)
Capital Grants and Contributions		(1,318)		(1,318)	(2,193)	(3,511)
Total Income	(36,417)	(1,347)	-	(37,764)	(23,093)	(60,857)
Employee Expenses	8,426	1,034		9,460	2,582	12,042
Other Service Expenses	42,749	860		43,609	-	43,609
Depreciation, amortisation and Impairment		5,921		5,921	-	5,921
Interest Payments & similar payments		27		27	58	85
Precepts & Levies				-	4,006	4,006
Payments to Housing Capital Receipts Pool				-	1	1
Gain or loss on disposal of non current assets				-		-
Capital Grants and Contributions				-		-
Total Expenditure	51,175	7,842	-	59,017	6,647	65,664
(Surplus) or deficit on the provision of services	14,758	6,495	-	21,253	(16,446)	4,807

Note 24.d Expenditure and Income analysed by nature

2016/17 £'000	Expenditure and Income analysed by nature	2017/18 £'000
	Expenditure	
12,850	Employee Benefit Expenses	**12,042**
44,052	Other Service Expenses	**43,609**
1,068	Depreciation, amortisation and impairment	**5,921**
47	Loss on Disposal of non current assets	**-**
27	Interest payments	**85**
3,818	Precepts and levies	**4,006**
6	Payment to Housing Capital Receipts Pool	**1**
61,868	Total Expenditure	**65,664**
	Income	
(10,747)	Fees and Charges and other service income	**(9,092)**
(15,514)	Income from Council Tax and Business Rates	**(15,519)**
(32,950)	Government Grants and contributions	**(30,839)**
(989)	Interest and Investment income	**(938)**
(1,329)	Gain on disposal of non current assets	**(127)**
-	Movement on Fair Value of Investment Property	**(832)**
(666)	Capital Grants and Contributions	**(3,511)**
(62,195)	Total Income	**(60,858)**
(327)	Net Service cost/income	**4,806**

Note 24.e Segmental Income and Expenditure

Income and expenditure on a segmental basis 2016/17	Comm-unities & Business	Corporate Services	Environ-mental & Opnl	Finance	Planning	Total
Expenditure						
Employee Benefit Expenses	1,208	1,784	3,669	3,961	2,228	12,850
Other Service Expenses	1,707	(864)	7,944	28,833	1,940	39,560
Depreciation, amortisation & impairment	92	-	976	-	-	1,068
Interest payments	-	-	-	27	-	27
Total Segmental Expenditure	3,007	920	12,589	32,821	4,168	53,505
Income						
service income	(265)	(376)	(6,517)	(1,310)	(1,017)	(9,485)
Benefits and other Gov. grants	(163)	(23)	-	(28,073)	(456)	(28,715)
Total Segmental Income	(428)	(399)	(6,517)	(29,383)	(1,473)	(38,200)
Net Segmental Expenditure	2,579	521	6,072	3,438	2,695	15,305
Reconciliation to CIES						
Other Income and Expenditure not segmentally reported						(15,631)
Net Service Expenditure						(326)

2017/18	Comm-unities & Business	Corporate Services	Environ-mental & Opnl	Finance	Planning	Total
Expenditure						
Employee Benefit Expenses	1,211	2,002	1,981	2,116	2,150	9,460
Other Service Expenses	1,978	(768)	9,426	30,151	2,822	43,609
Depreciation, amortisation & impairment	32	-	5,889	-	-	5,921
Interest payments	-	-	-	27	-	27
Total Segmental Expenditure	3,221	1,234	17,296	32,294	4,972	59,017
Income						
Fees and Charges and other service income	(299)	(506)	(5,402)	(1,136)	(1,529)	(8,872)
Benefits and other Gov. grants	(421)	(22)	(691)	(27,064)	(694)	(28,892)
Total Segmental Income	(720)	(528)	(6,093)	(28,200)	(2,223)	(37,764)
Net Segmental Expenditure	2,501	706	11,203	4,094	2,749	21,253
Reconciliation to CIES						
Other Income and Expenditure not segmentally reported						(16,446)
Net Service Expenditure						4,807

Note 25. Trading Operations

Trading Accounts are operated for Direct Services, which includes two major services, Refuse Collection and Street Cleaning.

The following table sets out the financial trading accounts for 2017/18

(Surplus)/ Deficit 2016/17 £'000		Income £'000	Expend. £'000	(Surplus)/ Deficit 2017/18 £'000
	Direct Services			
(79)	Refuse Collection	(2,496)	2,488	**(8)**
(11)	Street Cleansing	(1,324)	1,242	**(82)**
(142)	Other Operational Accounts	(2,207)	2,090	**(117)**
(25)	Overhead Accounts	(1,287)	1,274	**(13)**
(257)		(7,314)	7,094	**(220)**

Other Operational Accounts include vehicle workshop and premises cleaning. Overhead Accounts include transport fleet and depot.

For management accounting purposes, recharges for internal work completed by the trading accounts have been priced to include a capital financing charge. The Code of Practice does not permit charges for cost of capital to be debited to trading accounts. The following table sets out the position if capital charges had been made:

(Surplus) /Deficit 2016/17 £'000		Income £'000	Expend. £'000	(Surplus) /Deficit 2017/18 £'000
	Direct Services			
(43)	Refuse Collection	(2,496)	2,524	**28**
-	Street Cleansing	(1,324)	1,253	**(71)**
(133)	Other Operational Accounts	(2,207)	2,100	**(107)**
(22)	Overhead Accounts	(1,287)	1,277	**(10)**
(198)		(7,314)	7,154	**(160)**

Subjective Analysis for the Trading Operation

2016/17 £'000		2017/18 £'000
(1,428)	Revenues from External Customers	**(1,432)**
(5,742)	Income from Internal Customers	**(5,882)**
(7,170)	Total Income	**(7,314)**
3,235	Employee Expenses (inc Agency staff)	**3,292**
498	Depreciation	**567**
3,239	Other Service Expenditure	**3,295**
6,972	Total Expenditure	**7,154**
(198)	Net Trading Income	**(160)**

Note 26. Members' Allowances

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

2016/17 £'000		2017/18 £'000
373	Allowances	**377**
14	Expenses	**15**
387	Total	**392**

Note 27. Officers' Remuneration

The remuneration paid to the Authority's senior employees, being the head of Paid Service and those officers reporting directly to him, was as follows:

2016/2017	Salary	Bonuses	Expenses	Com-pensation Loss of employ-ment	Pension	Other Emol-uments	Total
	£	£	£	£	£	£	£
Chief Executive	149,929	3,598	186	-	21,801	1,421	176,935
Chief Housing Officer (part year)	12,333	-	-	398	1,751	-	14,482
Chief Finance Officer	88,830	500	190	-	12,685	-	102,205
Chief Officer Corporate Services	88,830	500	45	-	12,685	-	102,060
Chief Officer Communities and Business	88,830	500	217	-	12,685	-	102,232
Chief Planning Officer	88,830	500	-	-	12,685	-	102,015
Chief Officer Environmental and Operations	88,830	500	209	-	12,685	-	102,224
Chief Officer Legal (part year)	13,534	-	213	439	1,922	-	16,108
Head of Strategy and Transformation	56,940	500	-	-	8,156	-	65,596
Head of Legal and Democratic Services (part year)	43,501	250	10	-	6,213	-	49,974

2017/2018	Salary	Bonuses	Expenses	Com-pensation Loss of employ-ment	Pension	Other Emol-uments	Total
	£	£	£	£	£	£	£
Chief Executive	151,369	3,634	157	-	24,646	6,787	186,593
Chief Finance Officer	91,858	500	151	-	14,685	-	107,194
Chief Officer Corporate Services	91,858	500	87	-	14,685	-	107,130
Chief Officer Communities and Business	91,858	500	172	-	14,685	-	107,215
Chief Planning Officer	91,858	500	-	-	14,685	-	107,043
Chief Officer Environmental and Operations	91,858	500	193	-	14,685	-	107,236
Head of Strategy and Transformation	58,547	500	-	-	9,388	-	68,435
Head of Legal and Democratic Services	59,643	500	64	-	9,563	-	69,770

The Chief Executive receives other payments for being the Deputy Returning Officer at elections.

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

Number of Employees 2016/17	Remuneration Bands	**Number of Employees 2017/18**
4	£50,000 - £55,000	**3**
6	£55,001 - £60,000	**8**
-	£60,001 - £65,000	**1**
3	£65,001 - £70,000	**-**
-	£70,001 - £75,000	**1**
-	£75,001 –£80,000	**-**

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the following table:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	16/17	17/18	16/17	17/18	16/17	17/18	16/17 £'000	17/18 £'000
£0 - £20,000	4	1	-	13	4	14	24	43
£20,001 - £40,000	-		-		-	-	-	
£40,001 - £60,000	-		-		-	-	-	
£60,001 - £80,000	-		-		-	-	-	
£80,001 - £100,000	-		-		-	-	-	
Over £100k	-		-		-	-	-	
Total	4	1	-	13	4	14	24	43

28. External Audit Fees

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

2016/17 £'000		**2017/18 £'000**
43	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor	**43**
-	Fees Payable to external auditors in respect of statutory inspections	**-**
14	Fees payable to external auditors for the certification of grant claims and returns	**14**
-	Fees payable in respect of other services provided by external auditors during the year	**-**
57	Total	**57**

Note 29. Grant income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure statement:

2016/17 £'000		2017/18 £'000
	Credited to Taxation and Non Specific Grant Income	
(666)	Community Infrastructure Levy	**(2,193)**
(2,207)	New Homes Bonus (MHCLG formally DCLG)	**(1,756)**
(633)	Revenue Support Grant (MHCLG formally DCLG)	**-**
(605)	S31 Small Business Rate Reduction	**(1,235)**
-	S31 Discretionary Business Rate Reduction	**(142)**
(152)	Transitional Grant (MHCLG formally DCLG)	**(123)**
(6)	S31 Council Tax Family Annexes	**(9)**
(4,269)	Total	**(5,458)**
	Credited to Services	
(27,560)	Benefit Subsidy (DWP)	**(26,599)**
(430)	Community Facility Improvements	**(659)**
(632)	Better Care Fund (was Disabled Facilities Grant) (KCC)	**(647)**
(409)	Housing Benefit Administration (DWP)	**(381)**
-	Flexible Homelessness (MHCLG formally DCLG)	**(155)**
(105)	New Burdens (MHCLG formally DCLG)	**(121)**
(121)	Choosing Health PCT (KCC)	**(117)**
-	Homelessness (MHCLG formally DCLG)	**(87)**
(31)	Communities against Drugs (KCC)	**(31)**
(23)	Individual Electoral Registration (CO)	**(22)**
-	Historic England	**(29)**
(36)	Other	**(45)**
(29,347)	Total	**(28,893)**

The authority receives grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver if conditions are not met. The balances at year-end are as follows:

2016/17 £'000		2017/18 £'000
	Capital Grants Receipts in Advance	
(119)	Better Care Fund (KCC)	**(411)**
(73)	Community Infrastructure Levy	**-**
(24)	Regional Housing Pot (KCC/MHCLG formally DCLG)	**(12)**
(216)	Total	**(423)**

2016/17 £'000		2017/18 £'000
	Revenue Grants Receipts in Advance	
(4,518)	Section 106 receipts	**(6,193)**
(68)	Historic England	**(39)**
(4,586)	Total	**(6,232)**

Note 30. Related Party Transactions

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 the Council. 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 Council.

Central Government

Central Government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in note 24 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2018 are shown in note 29.

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 26. Returns were obtained from Members in respect of the 2017/18 financial year requesting details of any transactions that had taken place between them or close family members and the Council. For all the organisations listed in the table below the relationship to the organisation was that the member was in a position of general control or management.

2016-17				2017-18		
Paid to (Supplier)	Received From (Customer)	Balance at 31/03/16	Organisation	Paid to (Supplier)	Received From (Customer)	Balance at 31/03/17
£'000	£'000	£'000		**£'000**	**£'000**	**£'000**
2	2	0	New Ash Green Village Association Ltd	**2**	**1**	**0**
9	1	0	Stag Community Arts Centre	**1**	**1**	**0**
14	14	0	West Kent Mind	**8**	**12**	**0**

Other payments were made to the following organisations where members held position of authority or representation

Organisation	2016/17	2017/18
Sevenoaks District Arts Council	4,250	**2,500**
Sevenoaks District Sports Council	2,500	**2,500**
Citizens Advice Bureau	98,540	**98,540**

The Register of Members' Interests is open to public inspection.

Senior Officers
Senior officers of the Council have control over the day to day management of the authority. The Chief Executive and Chief Officers are required to declare any related party transactions. Three officers are Directors of Quercus 7 Limited and the Monitoring Officer is the Company Secretary.

Kent County Council pension fund – see note 35.

Assisted organisations – the Council provided material financial assistance to the following organisation:

Sevenoaks Leisure Limited – management fee of £36,950 (2016/17 £80,950) and a Development Fee of £20,000 (2016/17 £20,000). Two members are Sevenoaks District Council appointed directors of Sevenoaks Leisure Limited. A loan of £250,000 was given to Sevenoaks Leisure Limited to improve the fitness centre at Sevenoaks Leisure Complex. The term of the loan was 10 years, with a redemption date of April 2018 and interest of 7% per year.

Quercus 7 Limited
Council on 31 March 2015 authorised the incorporation of a company and this was incorporated on 31 December 2015 (Quercus7 Limited Number 09933195). Three Chief Officers were appointed as Directors and there are two Non-Executive Directors. The trading activities of the company will be overseen by the Cabinet. The Articles of Association state that there can only be one shareholder and is defined as all the Members of SDC. The liability of the Council is limited to the nominal of its share of £1.

The Company is a controlled company entirely owned by Sevenoaks District Council. The Company shareholder (Members of SDC) has ultimate control over the activities of the Company and the Company's operational matters. The Company will enable the Council to operate property development on a commercial basis as well as allowing the Council to invest in residential property to be leased.

The company has not traded and has no assets and therefore there is no requirement to produce group accounts. Work undertaken by officers on company business will be charged to the company. During the year the company were given credit facilities for business expenses totalling £83,612.

Shared Services

The Authority has a shared service arrangement with Dartford Borough Council to provide various services namely Revenues and Benefits, Audit, and Environmental Health. There is a shared Building Control Service with Tonbridge and Malling. The Licensing Partnership is a shared service with Maidstone, Tunbridge Wells and London Borough of Bexley Councils. The relevant costs to the Council are accounted for within the Comprehensive Income and Expenditure Statement.

Note 31. 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. The Capital Financing Requirement is analysed in the second part of this note.

2016/17 £'000		2017/18 £'000
-	**Opening Capital Financing Requirement**	**(9,642)**
	Capital Investment:	
6,544	Property, Plant & Equipment	**9,062**
-	Intangible Assets	**-**
134	Surplus Assets	**-**
9,459	Investment Properties	**202**
1,102	Revenue Expenditure Funded from Capital under Statute	**1,336**
17,239		**10,600**
	Sources of Finance:	
(4,910)	Capital Receipts	**(371)**
(1,072)	Government Grants and other contributions	**(1,318)**
(1,615)	Sums set aside from revenue	**(4,596)**
(7,597)		**(6,285)**
-	MRP for the year	**150**
(9,642)	Closing Capital Financing Requirement	**(13,807)**

Note 32 Leases

Operating Leases

Authority as Lessee

In 2014/15 the Council entered into an operating lease for land adjacent to 66 London Road Sevenoaks (the 'Top Car Park'). This lease is for 15 years.

In 2015/16 the Council entered into an operating lease for vending machines for Argyle Road. The lease is for 3 years.

Payments under operating leases for the car park and vending equipment during the year amounted to £41,516 (£31,734 in 2016/17).

31/03/17 £'000	Minimum Lease Payments	31/03/18 £'000
47	Not later than one year	**48**
192	Later than one year and not later than five years	**197**
324	Later than five years	**273**
563	Total	**518**

Authority as Lessor

The council operate a number of properties where it is the Lessor. The future income receivable under non-cancellable leases is detailed below.

31/03/17 £'000		31/03/18 £'000
740	Not later than one year	**928**
2,949	Later than one year and not later than five years	**3,511**
1,585	Later than five years	**1,287**
5,274		**5,725**

The lease payments receivable do not include rents that are contingent on events taking place after the leases were entered into such as adjustments following rent reviews.

The Council also owns various smaller leases including estate shops and some leisure establishments. The future rentals are not listed here as they are not considered to be material.

Finance Leases

Authority as Lessee

The Council has no finance leases as a lessee.

Authority as Lessor

The Authority has classified one lease it has granted, as a finance lease. This is due to the length of the lease agreement in relation to the asset's useful life at the inception of the lease, and the value of lease payments to asset value. The Authority recognises a gross investment in the lease, 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.

31/03/17 £'000		31/03/18 £'000
251	Gross Investment in the Lease	**225**
31	Estimated Residual value	**31**
163	Net Investment in the lease (Gross Investment discounted by implicit rate)	**154**
88	Unearned Finance Income	**71**
	The gross investment in the lease will be received over the following periods.	
23	Not later than one year	**23**
116	Later than one year and not later than 5 years	**115**
112	Later than 5 years	**86**
251	Total	**224**

Note 33. Impairment Losses

During 2017/18 there were no impairment losses on the Council's property assets.

Note 34. Termination Benefits

The Authority terminated the contracts of 14 employees in 2017/18, incurring costs of £43,000 (£24,000 in 2016/17) – see note 27 for the number of exit packages and total cost per band.

Note 35. Defined Benefit Pension Schemes

Participation in Pension Schemes
As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment benefits. Although these will not actually be payable until the 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.

Characteristics of the Defined Benefit Scheme
The Authority participates in the Local Government Pension Scheme, administered by Kent County Council. This is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Participation in a defined benefit pension scheme means that the Authority is exposed to a number of risks, statutory changes to the scheme, change to inflation, bond yields and the performance of the equity investments held by the scheme.

- Investment risk. The Fund holds investments 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 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.

All the above risks may also benefit the Authority e.g. higher than expected investment returns or employers leaving the Fund with excess assets which eventually get inherited by the remaining employers.

Transactions relating to Post Employment Benefits

The Authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on cash payable in the year, so the real cost of post-employment benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure statement and the General Fund balance via the Movement in Reserves Statement during the year:

2016/17 £'000		2017/18 £'000
	Comprehensive Income and Expenditure Statement	
	Cost of Services	
	Service cost comprising:	
2,782	Current Service cost	4,066
5	Past Service costs	-
2,228	Net Interest Expense (includes administration expense)	2,626
5,015	Total post-employment benefits charged to the Surplus or Deficit on the Provision of Services	6,692
	Other post employment charged to the Comprehensive Income and Expenditure Statement	
	Remeasurement of the net defined liability comprising:	
(12,903)	Return on plan assets (excluding the amount included in the net interest expense)	(663)
(217)	Other actuarial (gains)/losses on assets	-
(5,521)	Actuarial (gains) and losses arising on change in demographic assumptions	-
36,646	Actuarial (gains) and losses arising on changes in financial assumptions	(8,572)
15,285	Other	-
33,290	Total post employment benefits charged to the Comprehensive Income and Expenditure statement	(9,235)
	Movement in Reserves Statement	
5,015	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefit in accordance with the Accounting Code of Practice	6,692
	Actual Amount charged against the General Fund balance for pensions in the year	
3,197	Employers contributions payable to the scheme	3,301

Pensions Assets and Liabilities recognised in the Balance Sheet

2016/17 £'000		2017/18 £'000
	Present value of the Defined Obligations	
(185,220)	Present value of Funded Liabilities	**(181,594)**
(2,078)	Present Value of Unfunded Liabilities	**(1,913)**
(187,298)	Total Defined Benefit Obligation	**(183,507)**
90,041	Fair Value of plan assets (at bid value)	**92,094**
(97,257)		**(91,413)**

Reconciliation of movements in the fair value of scheme assets

2016/17 £'000		2017/18 £'000
74,854	Opening fair value of scheme assets	**90,041**
2,685	Interest on assets	**2,418**
12,903	Return on assets less interest	**663**
217	Other actuarial gains/(losses)	**-**
(48)	Administration expense	**(44)**
3,197	Contributions from employer	**3,301**
687	Contributions from scheme participants	**703**
(4,454)	Estimated benefits paid plus unfunded net of transfers in	**(4,988)**
90,041	Closing Value of scheme assets	**92,094**

Reconciliation of the movements in defined benefit obligation

2016/17 £'000		2017/18 £'000
137,003	Opening Defined Benefit Obligation	**187,298**
2,782	Current Service Cost	**4,066**
4,865	Interest Cost	**5,000**
36,646	Change in Financial Assumptions	**(8,572)**
(5,521)	Change in Demographic assumptions	**-**
15,285	Experience loss/(gain) on defined benefit obligation	**-**
(4,274)	Estimated benefits paid net of transfers in	**(4,810)**
5	Past service costs including curtailments	**-**
687	Contributions by scheme participants	**703**
(180)	Unfunded pension payments	**(178)**
187,298	Closing Defined Benefit Obligation	**183,507**

Scheme Assets

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

31/03/17 %		31/03/18 %
70	Equity investments	**66**
1	Gilts	**1**
10	Bonds	**10**
12	Property	**13**
3	Cash	**3**
4	Absolute Return Fund	**7**
100	Total	**100**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Kent County Council Fund liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 31 March 2016.

The principal assumptions used by the actuary have been:

2016/17		2017/18
	<u>**Mortality Assumptions:**</u>	
	Longevity at 65 for current pensioners	
23	Men	23
25	Women	25
	Longevity at 65 for future pensioners	
25	Men	
27	Women	25
		28
	Financial Assumptions:	
2.7%	Rate of Inflation (CPI)	2.30%
4.2%	Rate of increase in salaries	3.80%
2.7%	Rate of increase in pensions	2.30%
2.7%	Rate for discounting scheme liabilities	2.55%
50%	Take-up of option to convert annual pension into retirement lump sum	50.00%

Barnett Waddingham estimate the duration of Employers liabilities at 19 years.

Return on Assets

For accounting years beginning on or after 1 January 2013, the expected return and the interest cost has been replaced with a single net interest cost, which effectively sets the expected return to the discount rate. The discount rate is the annualised yield at the 18 year point on the Merrill Lynch AA rated corporate bond curve which was chosen by the actuaries to meet the requirements of IAS19 and with consideration of the duration of Employers liabilities.

Sensitivity Analysis

The estimation of the defined Benefit Obligation is sensitive to actuarial assumptions. The financial impact on the Defined Benefit Obligation in the scheme to variances in those assumptions are given in the following table. These assumptions are based on the present value of the total obligation of £183.5m.

	Increase of 0.1% £'000	Decrease of 0.1% £'000
Adjustment to discount rate		
Present value of total obligation	180,224	186,853
Projected Service Cost	3,712	3,886
Adjustment to long term salary increase		
Present value of total obligation	183,761	183,255
Projected Service Cost	3,798	3,798
Adjustment to pensions increases and deferred revaluation		
Present value of total obligation	186,605	180,465
Projected Service Cost	3,886	3,712
Adjustment to mortality age rating assumptions	Increase 1 year	Decrease 1 year
Present value of total obligation	190,685	176,608
Projected Service Cost	3,919	3,681

Projected Pension Expense for the year to 31 March 2018

2016/17 £'000		2017/18 £'000
137,003	Opening Defined Benefit Obligation	**187,298**
2,782	Current Service Cost	**4,066**
4,865	Interest Cost	**5,000**
36,646	Change in Financial Assumptions	**(8,572)**
(5,521)	Change in Demographic assumptions	**-**
15,285	Experience loss/(gain) on defined benefit obligation	**-**
(4,274)	Estimated benefits paid net of transfers in	**(4,810)**
5	Past service costs including curtailments	**-**
687	Contributions by scheme participants	**703**
(180)	Unfunded pension payments	**(178)**
187,298	Closing Defined Benefit Obligation	**183,507**

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment benefits. 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 by Kent County Council. This is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Note 36. Contingent Liabilities

Planning

A claim has been made against the Council on an enforcement matter. Proceedings began in 2016/17 but have been stayed until 25th February 2019. The claim is not expected to exceed £285,000 including the litigant's costs. The cost to the Council is limited to 10%.

Note 37. Contingent Assets

The Council transferred the remaining part of its housing stock to Moat Housing Association in 1993. When Shared Ownership Lessees purchase further equitable shares in their property the Council receives the proceeds of purchasing the further share, less certain costs. This contingent asset applies for a period of 30 years commencing in 1993.

Note 38. Heritage Assets

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies for Property, Plant and Equipment as set out in Note 10.

Otford Palace Gatehouse is not held on the balance sheet as the Council considers that obtaining a robust and accurate valuation for this unique and specialist property would be not straightforward and the cost would be disproportionate to the benefit of the user of these accounts.

At present the Council has no other material heritage assets and these are valued for insurance purposes only.

Note 39. Highway Infrastructure Assets (Transport Infrastructure Assets Code)

The Council owns two roads and some footpaths, however these components do not form a network of Highways Infrastructure Assets and have therefore not been recognised in the balance sheet as Highways assets.

THE COLLECTION FUND
INCOME AND EXPENDITURE ACCOUNT

This statement represents the transactions of the Collection Fund, a statutory fund separate from the General Fund of the Council. The Collection Fund accounts independently for income and expenditure relating to Council Tax and Non-Domestic Rates on behalf of Central Government, precepting authorities and the Council's own General Fund. The costs of administering collection are accounted for in the General Fund and the Collection Fund balance sheet is incorporated into the Council's consolidated balance sheet.

2016/17					2017/18		
Council Tax £000	NDR £000	Total £000		Note	Council Tax £000	NDR £000	Total £000
			Income				
80,725	-	80,725	Billed to Council Tax Payers	1	84,467		84,467
-	36,323	36,323	Income from Business Ratepayers	2		33,503	33,503
585	25	610	Reduction in Bad Debts Provision		389	311	700
-	716	716	Reduction in Provision for Appeals			2,569	2,569
-	-	-	Transitional Protection			182	182
-	3,367	3,367	Reimbursement of previous year's estimated Collection Fund deficit	3		287	287
81,310	**40,431**	**121,741**			**84,856**	**36,852**	**121,708**
			Expenditure				
			Precepts & Demands:				
55,426	3,306	58,732	Kent County Council		58,213	3,039	61,252
7,439	-	7,439	Police & Crime Commissioner for Kent		7,761	-	7,761
3,520	367	3,887	Kent & Medway Fire & Rescue Authority		3,622	338	3,960
9,672	14,694	24,366	Sevenoaks District Council		10,013	13,505	23,518
3,818	-	3,818	Town & Parish Councils		4,006	-	4,006
							-
			Business Rates:				
-	18,368	18,368	Payments to Government		-	16,881	16,881
-	165	165	Cost of Collection Allowance		-	164	164
-	31	31	Transitional Protection		-	-	-
			Bad and Doubtful Debts:				
482	-	482	Provision for Non Payment		507	-	507
-	548	548	Provision for Appeals		-	1,976	1,976
449	220	669	Write Offs		80	148	228
1,968	-	1,968	Contribution towards previous year's estimated Collection Fund surplus	3	-	-	-
82,774	**37,699**	**120,473**			**84,202**	**36,051**	**120,253**
(1,464)	**2,732**	**1,268**	**(DEFICIT)/SURPLUS FOR YEAR**	**3**	**654**	**801**	**1,455**
			COLLECTION FUND BALANCE				
1,972	(3,204)	(1,232)	Balance at beginning of year		508	(472)	36
(1,464)	2,732	1,268	(Deficit)/Surplus for year		654	801	1,455
508	**(472)**	**36**	**BALANCE AT END OF YEAR**	**4**	**1,162**	**329**	**1,491**

Note 1 Council Tax

Council tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands estimating 1 April 1991 values for this specific purpose. A different ratio is applied to a small number of properties in band A that have been adapted for use by a disabled person. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Kent County Council, the Police and Crime Commissioner for Kent, Kent & Medway Fire and Rescue Authority and the District Council for the forthcoming year and dividing this by the tax base (i.e. the number of chargeable dwellings in each valuation band, adjusted for dwellings where discounts apply, converted to an equivalent number of band D dwellings). This gives rise to the basic amount of council tax for a band D property. Taxes for other bands are derived by applying the ratio in the following table to the band D tax.

The tax base for 2017/18 was approved by Cabinet in January 2017 as follows:

	2016/17			2017/18		
Band	Estimated no. of taxable properties	Ratio	Band D equivalent dwellings	Estimated no. of taxable properties	Ratio	Band D equivalent dwellings
A*	2.25	5/9ths	1.30	2.57	5/9ths	1.40
A	960.71	6/9ths	640.50	995.68	6/9ths	663.80
B	1,861.46	7/9ths	1,447.80	1,916.90	7/9ths	1,490.90
C	8,063.46	8/9ths	7,167.50	8,246.78	8/9ths	7,330.50
D	9,770.01	9/9ths	9,770.00	9,843.80	9/9ths	9,843.80
E	6,544.57	11/9ths	7,998.90	6,585.23	11/9ths	8,048.60
F	5,347.87	13/9ths	7,724.70	5,399.29	13/9ths	7,799.00
G	7,117.77	15/9ths	11,863.00	7,124.89	15/9ths	11,874.80
H	1,281.49	18/9ths	2,563.00	1,305.69	18/9ths	2,611.40
	40,949.59		49,176.70	41,420.83		49,664.20
Contributions in lieu for Crown property			13.40			16.00
			49,190.10			49,680.20
Collection rate adjustment			99.40%			99.40%
Council Tax Base			**48,895.68**			**49,382.42**

The tax rate for a band D property in 2017/18 was £1,612.09, excluding Town and Parish Council taxes (2016/17 = £1,555.52).

	2016/17	2017/18
	£	**£**
Kent County Council	1,133.55	**1,178.82**
Police & Crime Commissioner for Kent	152.15	**157.15**
Kent & Medway Fire & Rescue Authority	72.00	**73.35**
Sevenoaks District Council	197.82	**202.77**
	1,555.52	**1,612.09**
Town & Parish Councils (Average)	78.08	**81.13**
TOTAL (including an average town & parish rate)	1,633.60	**1,693.22**

Note 2 Non-Domestic Rates (NDR)

In 2013/14, the administration of NDR changed following the introduction of a business rates retention scheme which aims to give Councils a greater incentive to grow businesses but also increases the financial risk due to volatility and non-collection of rates. Instead of paying NDR to the central pool, local authorities retain a proportion of the total collectable rates due. In the case of Sevenoaks the local share is 40%. The remainder is distributed to precepting authorities and in the case of Sevenoaks these are Central Government (50%), Kent County Council (9%) and Kent & Medway Fire & Rescue Authority (1%). When the scheme was introduced, Central Government set a baseline level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to Central Government are used to finance the top ups to those authorities who do not achieve their targeted baseline funding.

According to the rating list, the total non-domestic rateable value at 31 March 2018 was £94,102,418 (31 March 2017 = £88,552,764). A revaluation of all non-domestic properties took effect from 1 April 2017.

Note 3 Contributions to Collection Fund surpluses and deficits

In January each year the Council must estimate the amount of the surplus or deficit expected to arise on the Collection Fund for the coming 31 March in respect of council tax and, from the financial year 2013/14 onwards, in respect of NDR. The estimated surplus or deficit is then shared between Kent County Council, the Police and Crime Commissioner for Kent, Kent & Medway Fire & Rescue Authority, Central Government and the District Council as appropriate.

In January 2017, the estimated balance at 31 March 2017 in respect of council tax transactions was zero. Had there been an estimated surplus or deficit, it would have been shared between Kent County Council, the Police and Crime Commissioner for Kent, Kent & Medway Fire & Rescue Authority and the District Council in proportion to their precepts on the Collection Fund in 2016/17 and taken into account by the respective authorities in the calculation of their council taxes for 2017/18. The actual position at 31 March 2017 was a surplus of approximately £508,000.

The actual surplus of £1,162,000 at 31 March 2018 in respect of council tax and the actual surplus of £329,000 in respect of NDR will be taken into account when estimating the surplus or deficit for 2018/19.

Note 4 Allocation of arrears, prepayments and other balances

Each of the bodies share of the arrears, pre-payments/refunds and other balances for both council tax and NDR is shown in the table below.

		KCC £000	PCC £000	KMFRA £000	Gov't £000	SDC £000	Total £000
2016/17	**Council Tax:**						
	Arrears	2,690	358	167	-	648	**3,863**
	Provision for Bad Debts	(1,293)	(172)	(80)	-	(312)	**(1,857)**
	Prepayments & Refunds	(1,713)	(228)	(107)	-	(412)	**(2,460)**
	Cash	669	89	42	-	161	**961**
	(Surplus)/Deficit	(354)	(47)	(22)	-	(85)	**(508)**
	NDR:						**-**
	Arrears	157	-	17	868	695	**1,737**
	Provision for Bad Debts	(71)	-	(8)	(393)	(315)	**(787)**
	Provision for Appeals	(555)	-	(62)	(3,086)	(2,469)	**(6,172)**
	Prepayments & Refunds	(136)	-	(15)	(758)	(606)	**(1,515)**
	Cash	563	-	63	3,133	2,506	**6,265**
	(Surplus)/Deficit	42	-	5	236	189	**472**
	Total	**-**	**-**	**-**	**-**	**-**	**-**
2017/18	**Council Tax:**						
	Arrears	3,204	438	196	-	760	**4,598**
	Provision for Bad Debts	(1,376)	(188)	(84)	-	(327)	**(1,975)**
	Prepayments & Refunds	(1,815)	(248)	(111)	-	(430)	**(2,604)**
	Cash	796	105	50	-	193	**1,144**
	(Surplus)/Deficit	(809)	(107)	(51)	-	(196)	**(1,163)**
	NDR:						**-**
	Arrears	157	-	17	873	698	**1,745**
	Provision for Bad Debts	(43)	-	(5)	(238)	(190)	**(476)**
	Provision for Appeals	(502)	-	(56)	(2,789)	(2,232)	**(5,579)**
	Prepayments & Refunds	(181)	-	(20)	(1,005)	(804)	**(2,010)**
	Cash	599	-	67	3,323	2,660	**6,649**
	(Surplus)/Deficit	(30)	-	(3)	(164)	(132)	**(329)**
	Total	**-**	**-**	**-**	**-**	**-**	**-**

GLOSSARY OF TERMS

Most terms are explained within the “Explanatory Foreword” and “Statement of Accounting Policies” sections of the accounts

Accounting Period. The period of time covered by the accounts, normally 12 months starting on 1st April for Local Authority accounts.

Accrual. Item relating to, and accounted for in, one accounting period but actually paid in another.

Actual. The final amount of expenditure or income which is recorded in the Council’s accounts.

Agency and Contracted Services. Services purchased from another public body or external organisation and subject to a contract. Includes the services provided by Direct Services.

Assets Held for Sale 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.

Budget. A statement of the Council’s plans for net revenue and capital expenditure over a specified period of time.

Budget Requirement. Broadly the authority’s estimated net revenue expenditure after allowing for movement in reserves and the addition of parish precepts, to be met from revenue support grant, retained non-domestic rates and council tax income.

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.

Capital Expenditure. The acquisition, construction, enhancement or replacement of tangible fixed assets (i.e. land, buildings, structures etc.), the acquisition of investments and the making of grants, advances or other financial assistance towards expenditure by other persons on tangible fixed assets or investments.

Capital Financing Requirement. The difference between Capital Expenditure and the resources available to finance such expenditure from grants/contributions, capital receipts or revenue funds. This indicates the fundamental requirement to borrow.

Capital Programme. The capital projects the Council proposes to undertake over a set period of time.

Capital Receipts. Money obtained on the sale of a capital asset.

Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (The Code) This specifies the principles and practices of accounting required to prepare a Statement of Accounts which represents a ‘true and fair view’ of the financial position and transactions of the Council.

CIPFA Chartered Institute of Public Finance and Accountancy

Collection Fund. The fund into which council tax and non-domestic rates are paid, and from which we meet demands by preceptors and central government.

Contingent Liabilities. Contingent liabilities are either:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the organisation's control, or

(b) a present obligation that arises from past events but is not recognised because:

(i) it is not probable that a transfer of economic benefits will be required to settle the obligation, or

(ii) the amount of the obligation cannot be measured with sufficient reliability.

Corporate and Democratic Core. Costs involved in corporate policy making, representing local interests (including civic ceremonials), support to elected bodies and duties arising from public accountability.

Cost Centre. An individual unit to which items of income or expenditure are charged for managerial or control purposes.

Council Tax. A local tax set by Councils to help pay for local services. There is one bill per dwelling based on its relative value compared to others in the area. There are discounts, including where only one adult lives in the dwelling. Bills will also be reduced for properties with people on low incomes, some people with disabilities and some other special cases.

Council Tax Base. The measure of the taxable capacity of an area. It represents the estimated full year equivalent number of chargeable dwellings in an area, expressed as the equivalent number of band D dwellings, after allowing for disabled reduction (relief) and discounts, adjusted for an allowance for non-collection.

Creditors. People or organisations from whom we have received goods or services and as a consequence owe money.

Current Liabilities **T**hose amounts which will become payable or could be called upon within the next accounting period e.g. creditors and cash overdrawn.

Debtors. People or organisations who owe money to the Council.

Deferred Capital Receipts. Capital Receipts which will accrue in the future, such as mortgage repayments.

Depreciation. A charge to a revenue account to reflect the reduction in the useful economic life of a fixed asset.

DfT. Department for Transport.

DWP. Department for Work and Pensions.

Employee Costs. This includes the full costs of employees including salaries, employer's contributions to national insurance and superannuation, and the costs of leased cars.

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.

Fees and Charges. In addition to income from council tax payers, business ratepayers and the government, local authorities charge for some services, e.g. local land charge searches and car parking.

General Fund. The main revenue fund of the Council from which payments are made to provide services and into which receipts are paid, including the District Council's share of council tax and non-domestic rates income.

Government Grants. Payments by government towards either the revenue or capital cost of local authority services. These may be either in respect of particular services called specific grants, e.g. housing benefits, or in aid of local services generally, e.g. revenue support grant.

Heritage Assets. Heritage assets are tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities held and maintained principally for their contribution to knowledge and culture.

Impairment. A downward revaluation of an asset.

KCC. Kent County Council.

KMFRA Kent and Medway Fire and Rescue Authority

LASAAC Local Authority (Scotland) Accounts Advisory Committee An organisation that jointly with CIPFA forms the Local Authority Code Board. This board is responsible for preparing, maintaining, developing and issuing the Code of Practice on Local Authority Accounting for the United Kingdom

Leasing. A method of financing the acquisition of equipment, vehicles etc. The items concerned do not belong to the user (or lessee) but are the property of the lessor to whom the lessee pays an annual rental for a specific period of time.

MBC. Maidstone Borough Council.

MHCLG. Ministry of Housing, Communities and Local Government (formerly DCLG)

Non-Domestic Rate (NDR). Non-domestic rates are levied on business properties based on the rateable value of the property multiplied by a rate in the pound set nationally by the Government. Local authorities retain a proportion of the total collectable rates. In the case of Sevenoaks, the District Council retains 40%, Kent County Council 9% and Kent & Medway Fire & Rescue Authority 1%. The other 50% is passed to Central Government.

PCC Police and Crime Commissioner

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

Precept. The demand on the collection fund by one authority (e.g. Kent County Council) which is collected from the council tax payer by another (e.g. Sevenoaks). Precepts on Sevenoaks are also made by the Police and Crime Commissioner for Kent, Kent & Medway Fire & Rescue Authority, plus Town and Parish Councils in the District.

Premises Expenses. Includes expenditure on repairs, buildings, grounds and plant maintenance, energy, rents, rates, water services and cleaning of council buildings.

Provisions. Funds to provide for liabilities or losses which are known obligations, but are uncertain as to amounts or dates.

Recharges. The transfer of costs from one account to another.

REFCUS (Revenue Expenditure Funded from Capital Under Statute) 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 person with disabilities; 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 householder. 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. The general capital and revenue balances of the Council. There are two types of reserves which might be described as either available or not available to finance expenditure. Revenue reserves which result from monies being set aside, surpluses or delayed expenditure can be spent or earmarked at the discretion of the Council. The usable capital receipts reserve is also available to the extent allowed for by statute. However, other capital reserves are not available to meet expenditure, e.g. the reserves brought about by the capital accounting requirements namely the capital adjustment account and the revaluation reserve.

Revenue Expenditure. Expenditure to meet the continuing cost of services including wages and salaries, purchase of materials and financing charges on capital expenditure.

Revenue Support Grant (RSG). The general Government grant to local authorities. It is payable to all local authorities in support of expenditure in their area.

Revised Estimates. The approved estimates for the current year as amended e.g. by supplementary estimates and virement.

SDC Sevenoaks District Council

Specific Grant. Government grant for specific purposes. The Authority does not have the power to apply such grants for other purposes

Supplies and Services. Includes expenditure on equipment and materials.

Support Services. The charges made by central functions for the services they provide to other departments. These are services which support the provision of services to the public, other support services and the corporate and democratic core. This includes the provision of accommodation, IT, administrative items purchased centrally, (e.g. telephones, stationery and bank charges), central professional services (Human Resources, Legal and Property, and Finance support) and the cost of providing some centrally provided services e.g. post distribution and contact centre.

Transfer Payments. Payments to other bodies where no goods or services are received in return e.g. Housing Benefit grants.

TMBC. Tonbridge and Malling Borough Council

TWBC. Tunbridge Wells Borough Council.

Valuation Bands. To calculate the relative value of dwellings for council tax purposes each dwelling is placed on a valuation list in one of eight bands ranging from A to H. Within a local area, the Council tax will vary between the different bands according to proportions laid down by law. The bands are based on property values as at April 1991.

Band	Value		Proportion
A	Up to £40,000		6/9
B	Over £40,000	and up to £52,000	7/9
C	Over £52,000	and up to £68,000	8/9
D	Over £68,000	and up to £88,000	9/9
E	Over £88,000	and up to £120,000	11/9
F	Over £120,000	and up to £160,000	13/9
G	Over £160,000	and up to £320,000	15/9
H	Over £320,000		18/9

Virement A transfer of budget provision from one budget to another.

ANNUAL GOVERNANCE STATEMENT 2017/18

1. Background

1.1 Further to the Accounts and Audit (England) Regulations 2015, the Council is required to produce an Annual Governance Statement (to be published with its financial statements) which sets out its arrangements for delivering good governance within the framework of sound internal controls.

1.2 The Annual Governance Statement (AGS) is a corporate document involving a variety of people charged with developing and delivering good governance including:

- the Leader of the Council and the Chief Executive (Head of Paid Service) as signatories;
- Chief Officers, Heads of Service and relevant managers assigned with the ownership of risks and the delivery of services;
- the Chief Finance Officer who is responsible for the administration of the Council's financial affairs under Section 151 of the Local Government Act 1972;
- the Monitoring Officer in meeting statutory responsibilities of ensuring the legality of Council business;
- the Council's Internal Audit function;
- Members (for example, through the committees such as the Governance, Audit, Scrutiny and the Policy and Performance Advisory Committees); and
- others responsible for providing assurance, in particular Grant Thornton, in their role as the Council's External Auditor.

1.3 Thus the AGS, as a corporate document, is owned by all Senior Officers and Members of the Council. A shared approach was taken in compiling the AGS with the objective of engaging all managers integrally involved in the delivery of services covering the whole authority within the process and also encouraging a high degree of reflection and corporate learning. This increases the statement's significance and encourages managers to objectively assess their responsibilities.

1.4 The system of corporate governance highlighted in the AGS, together with the system of internal control, is reviewed continually throughout the year as part of routine governance and managerial processes; examples being the authority's performance management and risk management frameworks.

1.5 Although corporately owned, the AGS requires internal control assessments/assurance statements from individual Heads of Service and relevant managers, Chief Officers, the Internal Audit Manager, the Head of Paid Service, the Monitoring Officer and the Section 151 Officer, all of which were obtained as part of this process.

2. Scope of Responsibility

2.1 Sevenoaks District Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law, proper standards, good governance and that public money is safeguarded from waste, extravagance or misappropriation. The Council seeks to ensure that its expenditure and activities are transparent and properly accounted for. The Council has a duty under the Local Government Act 1999 to make proper arrangements to secure continuous improvement in the way in which it carries out its functions, having regard to ensuring economy, efficiency, effectiveness and fairness in the exercise of its responsibilities. In discharging this overall responsibility, to ensure its business is conducted in accordance with the law, proper standards and delivering continuous improvements, Sevenoaks District Council is also responsible for ensuring that there is a system of corporate governance which facilitates the effective and principled exercise of the Council's functions and which includes arrangements for the effective management of risk. The Council seeks to conduct these responsibilities within the framework of high quality service provision to enhance and facilitate community wellbeing and engagement.

2.2 The roles of the Chief Executive (as Head of Paid Service), the Section 151 Officer and the Monitoring Officer are defined within Part 13 of the Council's Constitution. The Executive Role of Members is defined within Part 4 of the Council's Constitution.

2.3 Officers and Members are expected to conduct themselves in a proper manner in accordance with the Constitution and both are expected to declare interests that may impact on the objectivity of the Council's decision making process. These interests are held on a register and are reviewed on a regular basis by the Monitoring Officer.

2.4 Sevenoaks District Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA / SOLACE Framework Delivering Good Governance in Local Government. A copy of the code can be obtained from the Internal Audit Team, or via the Council's website. This statement explains how Sevenoaks District Council has implemented both the code and the requirements of the Accounts and Audit (England) Regulations 2015 in relation to the publication of an Annual Governance Statement. This was last adopted by the Audit Committee on 26 September 2017.

3. The Purpose of the Governance Framework

3.1 The governance framework comprises the systems and processes, culture and values, by which the Council informs, directs, manages and monitors its operations, and its activities through which it accounts to, engages with and empowers the community. It enables the authority to evaluate the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

3.2 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 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. It also seeks to maximise available opportunities in achieving good value for money delivering its objectives and priorities.

3.3 The governance framework has been in place at Sevenoaks District Council for the year ended 31 March 2018 and up to the date of approval of the Statement of Accounts.

4. The Governance Framework

4.1 The following represent the key elements of the Council's governance framework:

- The Council's vision and promises for the period ending in March 2018 were set out in its Corporate Plan, which was revised and updated in November 2013. The Corporate Plan sets out the actions that the Council has committed to undertake to deliver on its promises with progress against these reviewed annually. The Sevenoaks District Community Plan covers the period from 2013-28. Every three years the Community Plan is comprehensively reviewed in consultation with residents and other interested stakeholders. A three-year action plan is agreed with partners at each review point, with the action plan covering the period from 2016 to 2019. Progress against each of the actions is reviewed quarterly with an Annual Report produced each year.

- Both of the existing plans above are subject to considerable Member review and challenge by Cabinet, or the appropriate Advisory/Scrutiny Committee and ultimately by the full Council. The governance arrangements put in place on 14 May 2013, continued to operate well during the year. The arrangements include an Audit Committee, whose terms of reference is consistent with CIPFA standards. The promises and priorities within the plans are also cascaded to individuals within the Council through Service Plans and individual action plans via the staff appraisal process.

- Policy and decision-making is facilitated through reports from Officers to Cabinet and Council. Each Cabinet Member has responsibility for a specific portfolio and will take decisions on matters relevant to that portfolio. Each portfolio also has an Advisory Committee, which will consider officer reports in advance of them being considered by Cabinet and provide their recommendations on the policy direction or decision making of the Cabinet or Council. The Scrutiny Committee has the opportunity to 'call-in' the decisions of Cabinet and to recommend changes to decisions or policies.

- The Council's Constitution specifies the roles and responsibilities of Members and Officers and the financial and procedural rules for the efficient and effective discharge of the Council's business.
- Implementation of established policies, procedures, laws and regulations and good practice is achieved through:

a) Internal Audit

During 2017-18, the Council's internal audit team worked to an approved annual audit plan and undertook the work in accordance with the Public Sector Internal Audit Standards (PSIAS).

Individual audit reports are produced for relevant management, with copies distributed to the Chief Executive, Section 151 Officer and the relevant Chief Officers. Internal audit reports on the progress of internal audit in delivering the assurance plan are also distributed to the Audit Committee. Periodic reports highlight the results of individual risk-based audit reviews, while the annual report, which contains the Audit Manager's overall assurance opinion, evaluates the overall internal control environment as tested through audit work undertaken in the year.

The review of the effectiveness of Internal Audit was assessed in 2016/17 and it was concluded that the Council had an adequate and effective Internal Audit service that contributes towards the proper, economic and effective use of resources in achieving its objective. The effectiveness of the Internal Audit function is due to be assessed in June 2018 and the conclusion of this assessment will be presented to the Audit Committee in July 2018.

b) External Audit

The external audit service is provided by Grant Thornton. The External Auditor's reports are sent to senior management and Members (via the Audit Committee). Recommendations and comments are considered and discussed with timely actions taken to address agreed recommendations.

Unqualified opinions were issued in relation to both financial statements and value for money for 2016-17.

c) Financial Management

The Section 151 Officer is required to give Members an opinion on the robustness of the budget estimates and the adequacy of reserves. Assurance on these factors is included in the Annual Budget Report to Council.

A robust budgetary control system is in place and regular monitoring reports are produced for the Strategic Management Team, Heads of Service and relevant managers, Cabinet and the Finance Advisory Committee. The Finance Team conduct monthly client liaison meetings with responsible budget holders.

d) Performance Management

Monitoring of progress towards the achievement of the Council's promises and objectives is undertaken through the Council's performance management system. Performance is monitored monthly and enhanced with commentaries from Heads of Service and Managers where performance is behind target. Strategic information is regularly reported to the Strategic Management Team, Cabinet, Scrutiny Committee and Advisory Committees.

e) Arrangements for Partnerships

The Council enhances value for money in service delivery through innovative and cost-effective partnership working. The Council engages in extensive discussion and planning to develop efficient working arrangements while protecting quality of services. Decisions to enter into partnership working are supported by a detailed business case and cost-benefit analysis, and are subject to scrutiny and approval by Members. The Council has partnerships in place for the delivery of services including Licensing, Revenues and Benefits, Internal Audit, Environmental Health and Building Control.

f) Risk Management

The Council's risk management processes are reviewed by the Officers Risk Management Group and reported to the Audit Committee as appropriate.

Strategic risk is aligned to corporate priorities and reports are produced for Strategic Management Team and the Audit Committee.

g) Relationships and Ethics

Good co-operative relationships exist between the Council and its external auditors and inspectors, and between Officers and Members. Relationships between Officers and Members are guided by a protocol embedded in the Councils Constitution. A written communications protocol has also been established between the Leader and the Chief Executive. The Council has clear Codes of Conduct for Members and Officers embedded within its Constitution, underpinned by a culture of integrity and ethical behaviour. Member conduct is scrutinised by the Standards Committee.

h) Service Delivery by Trained and Experienced People

The Council has a robust recruitment policy and relevant procedures in place. The Council holds Platinum status in the Investors in People (IiP) scheme, conferred by an external inspection regime in January 2016. The Council was the first local authority nationally to achieve this standard. Staff appraisals take place annually, including an annual review of service and training plans, training evaluation and recruitment and selection procedures. The Council has designed, delivered and developed bespoke training courses. Firstly the 'Leadership Masterclass', a programme for Managers of all levels within the organisation. Secondly, 'Personal Best' which was available to all staff and aimed to help them identify and achieve personal breakthrough goals. Thirdly, 'Talent in Me', which is available to all staff and consists of over 60 bite-sized courses.

i) Monitoring Officer

The Council's Monitoring Officer oversees compliance with laws and statutory obligations. The Monitoring Officer reports to the Council's Standards Committee.

j) Anti-Fraud and Corruption

The Council has an Anti-Fraud and Corruption Strategy and a Whistle Blowing Policy. The Council also has a Counter Fraud Team and a 'fraud hotline', available to both staff and members of the public, which allows individuals to report anonymously any suspected cases of fraud and corruption. As part of fraud risk management, all staff and Members are required to complete annual declarations of interests. The risks of fraud and corruption are assessed within the strategic risk register and appropriate measures put in place to mitigate these risks.

5. Role of the Section 151 Officer

5.1 Section 151 of the Local Government Act 1972 requires that the Council appoint an individual officer to be responsible and accountable for the administration of its financial affairs. The Scheme of Delegation held within Part 13 of Sevenoaks District Council's Constitution assigned this responsibility to the Chief Finance Officer during 2017/18.

5.2 CIPFA has issued a Statement on the Role of the Chief Financial Officer in Local Government. This details the governance arrangements and delegated responsibilities considered necessary to facilitate the role of the Section 151 Officer. The Council has considered this Statement, and believes that, during the financial year 2017/18, it has complied fully with the governance requirements of the Statement. The Council's Financial Procedure Rules, codified within Appendices D and E of the Constitution ensure that all the appropriate responsibilities are delegated and reserved to the Section 151 Officer as the Statement recommends.

6. Review of Effectiveness

6.1 Sevenoaks District Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review is informed by the outcome of the work of the Council's internal auditors during the year and by Chief Officers who have responsibility for the development and maintenance of the internal control environment. It also considers comments made by the external auditors and other external review agencies and inspectorates.

6.2 The External Auditor concluded that, for 2016/17, the Council had effective arrangements in place to ensure value for money was achieved. An unqualified opinion was issued in relation to the Council's financial statements. The Council is not aware of any issues arising from the current work being undertaken by the External Auditor.

6.3 Internal audit reports are regularly distributed to the Audit Committee and an Annual Internal Audit Report presented to the Council's Audit Committee, which sets out the acting, Audit Risk and Anti-Fraud Manager's overall opinion on the Council's internal control, risk management and governance arrangement. The interim opinion for 2017/18 indicates that the Council's control environment is effective.

6.4 The Head of Paid Service and Section 151 Officer and the Monitoring Officer periodically review the Constitution, procedures for internal financial control and application of the relevant Codes of Conduct.

6.5 There were no significant governance issues raised in last year's AGS.

6.6 It should be noted that no significant governance issues have been raised through the AGS process and no areas were identified for further enhancement.

Certification

Signed:	Signed:
Dr. Pav Ramewal	Cllr Peter Fleming
Chief Executive	Leader of the Council
Date:	Date: