Sevenoaks District Council

Statement of Accounts
2016/17

Sevenoaks
DISTRICT COUNCIL

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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 2017. 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 2016/17 and the Service Reporting Code of Practice 2016/17.

The **Core Statements** are:

The **Comprehensive Income and Expenditure Statement** – this records all of the Council's income and expenditure for the year. The top half of the statement provides an analysis by Chief Officer– which is a new requirement of the Code of Practice for 2016/17. . The bottom half of the statement deals with corporate transactions and funding. 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 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 the 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. Last year we achieved our stated aim of financial self-sufficiency a year ahead of target by setting a budget for 2016/17 that no longer relied on grant funding from Government. Then, as now, we were clear that we would continue to need to make savings but we have continued to invest in assets that help us to generate more of our own income. This year, our property investment portfolio has grown. In accordance with the terms of our Property Investment Strategy the Council has purchased further office accommodation in Sevenoaks town at 26 – 28 Pembroke Road. The purchase of a retail unit at 96 High Street, Sevenoaks will allow for development both above, and at the rear of the premises, allowing us to regenerate an under utilised area of the town centre. Alongside existing acquisitions, our property investments are already generating strong returns, and making a significant contribution to maintain 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 us being awarded "Council of the Year" at the Local Government Chronicle awards this year, and both Public Sector Innovator and Grand Prix Winner at the Annual CIPFA Public Finance Awards.

During 2016/17 we have also begun preparations for the construction of a much needed hotel in the town centre; we have redeveloped an existing car park to take on additional capacity, freeing up a second park to provide the footprint for the new hotel. Our recently restructured Finance Team continue to provide the Council with the financial expertise it requires to meet the challenges ahead of us; our HR team and senior managers will be looking at opportunities to deploy the Apprenticeship Levy, for which we are already liable, together with the public sector duty on employing apprentices.

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 both in the terms of leaving the European Union and, at the time of writing, the way forward for the hung parliament. The Finance team aim to provide advice on the most effective way to fund our investments and to provide advice and skills to the Council's newly formed trading company, Quercus 7 Limited. 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.

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 2016/17 the Council collected 98.4% of the Council Tax and 99.1% of the Business Rates in year and raised additional income through its Property Investment Strategy which contributed £425,000 to the budget. A further £241,000 was raised through other investments.

- Over the year the Council performed strongly, meeting its targets across 76% of all of its performance indicators.

To work in partnership to keep the District of Sevenoaks safe

- Incidents of anti social behaviour were the second lowest in the County at 2,025 reports, a fall from the 2,045 reports the previous year.

- 82% of all of the actions in the Council's Community Safety Action Plan were delivered during the year.

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 2016 the Council's garden waste service was also expanded with the offer of new smaller bins.

- During 2016/17 the Council recycled 35.8% of all household waste collected. This is above the target of 35% and more than last year's performance of 32.4%.

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

To protect the Green Belt

- The 2016 Local Plan Authority Monitoring Report shows that 94% of housing units were built outside of the Green Belt, exceeding the target of 80%. Over half of those built within the Green Belt were replacement units. The remaining units were provided through Change of Use or conversion of existing buildings and were granted in accordance with the Green Belt Policy

To support and develop the local economy

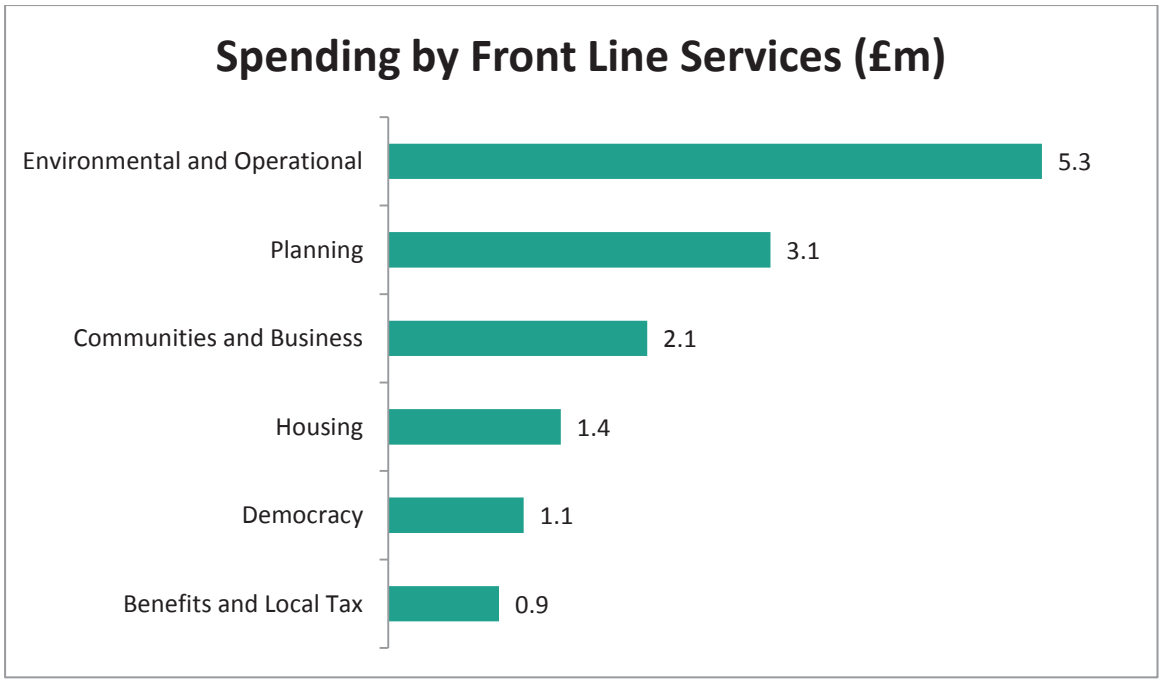
- The number of businesses in the District has increased year on year from a baseline of 6,365 in 2010 to exceed 7,200 in the last year. Of these, 6,340 are micro businesses, which make a significant contribution to the local economy.

- In 2016/17 the Council purchased office accommodation within Sevenoaks at 26–28 Pembroke Road in accordance with its Property Investment Strategy and to preserve office space within the town in support of the aims of its Economic Development Strategy.

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

- An investment property, Suffolk House, Sevenoaks, has now been extended and the upper floor of office accommodation fully let. This is providing an improved return and it continues to exceed the minimum target return of 6%.

- **Chart 1:** The chart below illustrates where we spent our money, by front line service, in 2016/17



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	6 Low
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	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

Risk	Potential Effects	Gross Risk Rating	Internal Controls	Net Risk Score
	skills to deliver the Council's Corporate Plan promises			
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 any opportunities the changes in 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, and the Government's plans for the UK following the General Election held at short notice in June 2017.

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

The Government had begun consultation on the plan for local government to retain 100% of business rate revenues to fund local services to take effect from April 2021, however that proposed legislation will not proceed but a review of funding distribution is still expected.

In local terms this presents a significant challenge. 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 the New Homes Bonus, which is currently 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.

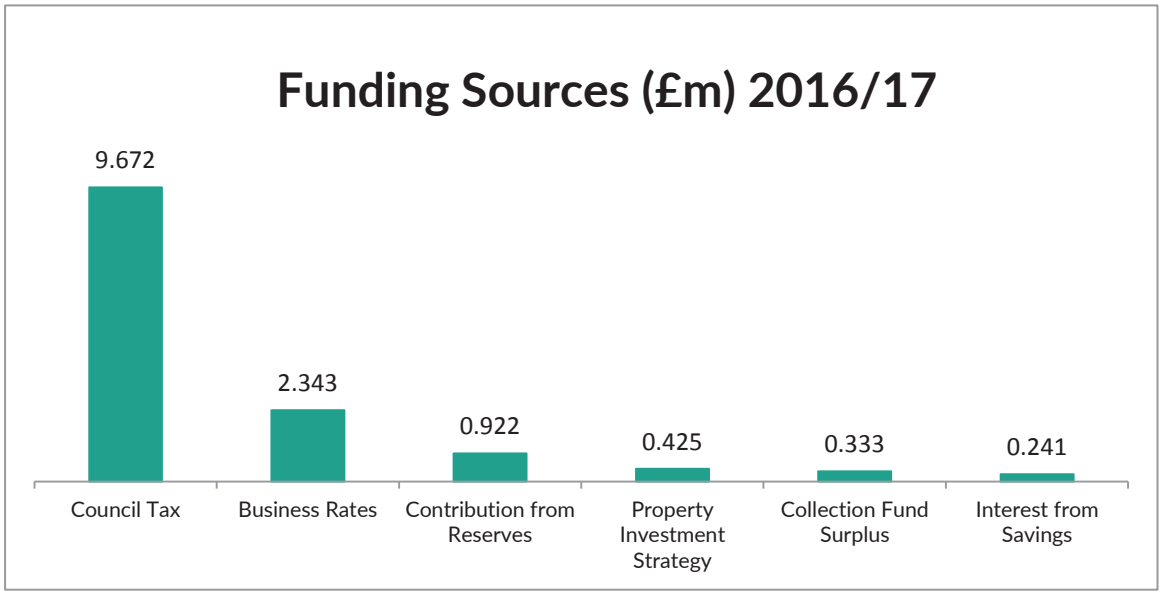
Revenue

Sevenoaks District Council set its budget for 2016/17 at a meeting of the Council on 16 February 2016. Overall, the Council's net revenue budget decreased from £14.3 million in 2015/16 to £13.7 million in 2016/17.

The final outturn position is a surplus of £350,000. As approved by Cabinet, this balance 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 five 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 spent.



Capital & assets

Table 1: The table below shows the net capital budget over the period of 2017 to 2020 by service area. The budget was agreed by Council on 21 February 2017.

Service area & schemes	Funding Source	2016/17		2017/18	2018/19	2019/20
		Budget	Forecast			
		£000	£000	£000	£000	£000
Parish projects	Capital Receipts	61	-	61	-	-
Dunbrik vehicle workshop	Capital Receipts	117	117	-	-	-
Dunbrik vehicle workshop roof	Capital Receipts	20	20	-	-	-
Dunbrik vehicle wash	Capital Receipts	-	-	30	-	-
Commercial vehicle replacements	Vehicle Renewal Reserve	514	514	548	548	549
Disabled facilities grants (gross)	Better Care Fund	534	534	889	889	889
Sennocke hotel	Fin Plan Reserve & Capital Receipts	1,500	-	1,500	6,000	1,000
Bradbourne Car Park	Internal Borrowing	5,300	4,500	800	-	-
Buckhurst 2 Multi Storey Car Park	External Borrowing	4,000	-	3,000	6,000	600
Property Investment Strategy	Prop. Inv. reserve	10,000	9,955	45	-	-
TOTAL		**22,046**	**15,640**	**6,873**	**13,437**	**3,038**

Council at the meeting on 25 April 2017 agreed further expenditure of £25 million for the Property Investment strategy.

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**
Financial Plan Reserve & Capital Receipts	1,591	6,000	1,000
Vehicle Renewal Reserve	548	548	549
Property Investment Strategy Reserve ***	45	0	0
Better Care Fund (Kent County Council)	889	889	889
Internal Borrowing	800	-	-
External Borrowing	3,000	6,000	600
TOTAL	**6,873**	**13,437**	**3,038**

*** Part will be funded from Capital Receipts

The introduction of the fair value accounting policy has been implemented in the production of the 2016/17 Statement of Accounts.

Further details are provided in Note 1.u of the Notes to the Core Financial Statements.

Borrowing & Investments

As at 31 March 2017 the Council had no external borrowing.

During the 2016/17 year 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 development of a hotel.

During 2016/17 the Council completed the acquisition of two properties under the terms of its Property Investment Strategy. These are:

- 26 -28 Pembroke Road, Sevenoaks (office accommodation)
- 96 High Street, Sevenoaks (retail space)

Both of these are tenanted and the rents received are assisting to maintain the Council's financial self-sufficiency in response to ongoing reductions in government grant.

The purchase of both premises was funded from the Council's existing earmarked reserves, capital receipts and some internal borrowing.

Cash Flow

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

As at 31 March 2016 the Council held £12.5m in cash and cash equivalents.

As at 31 March 2017 the Council held £9.5m 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 2016/17 the Council made an additional provision of £3.8m towards potential repayments following appeals and, during the year, used £3.9m of its total provision for business rates appeals.

	1 April 2016	31 March 2017
Business rates – valuation appeals provision	£2.536m	£2.469m

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 £97.3m at 31 March 2017 compared to £62.1m at 31 March 2016 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.

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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 2017 and its income and expenditure for the year ended on that date.

ADRIAN ROWBOTHAM
Chief Finance Officer

EXPENDITURE AND FUNDING ANALYSIS (Note to the Accounts)

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 .

2015/16				2016/17		
Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comp-rehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comp-rehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
1,377	787	2,164	Communities and Business	1,377	1,201	2,578
2,548	(1,956)	592	Corporate Services	2,736	(2,214)	522
4,007	977	4,984	Environment & Operations	4,586	1,485	6,071
5,011	(1,031)	3,980	Finance	4,231	(793)	3,438
1,521	1,119	2,640	Planning	1,434	1,261	2,695
14,464	(104)	14,360	Net Cost of Services	14,364	940	15,304
(14,741)	(2,101)	(16,842)	Other Income and Expenditure	(14,183)	(1,448)	(15,631)
(277)	(2,205)	(2,482)	(Surplus) or Deficit	181	(508)	(327)
(23,818)			Opening General Fund Balance	(24,095)		
(277)			Less/Plus Surplus or (Deficit) on General Fund Balance in Year	181		
(24,095)			Closing General Fund Balance at 31 March	(23,914)		

* General Fund balance including earmarked reserves

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.

2015/16 (Restated) **			Note		2016/17		
Gross Exp. £'000	Gross Income £'000	Net Exp £'000			Gross Exp £'000	Gross Income £'000	Net Exp £'000
2,659	(495)	2,164		Communities and Business	3,006	(428)	2,578
790	(198)	592		Corporate Services	920	(398)	522
11,262	(6,278)	4,984		Environmental & Operations	12,589	(6,518)	6,071
33,759	(29,779)	3,980		Finance	32,411	(28,973)	3,438
3,659	(1,019)	2,640		Planning	4,169	(1,474)	2,695
52,129	(37,769)	14,360	24	**Net Cost of Services**	53,095	(37,791)	15,304
		(256)		Loss/(Gain) on Disposal of non current assets			(1,329)
		(291)	25	Net (Surplus)/Deficit from Trading Operations			(257)
		3,565		Parish Council Precepts			3,818
		1		Contributions of housing capital receipts into Government Pool			6
		3,019		**Other Operating Expenditure**			2,238
		(2,366)	11	Movement in Fair Value Investment Property			469
		-		Loss on Disposal of Investment Property			47
		(538)		Investment Property			(521)
		-		Interest Payable and similar charges			-
		2,208	35	Net interest on the net defined benefit liability			2,180
		(308)		Interest and Investment Income			(260)
		(1,004)		**Financing and Investment Income and Expenditure**			1,915

Continued overleaf

2015/16 restated					2016/17		
Gross	Gross Income	Net Exp	Note		Gross Exp	Gross Income	Net Exp
£'000	£'000	£'000			£'000	£'000	£'000
		(133)	29	Capital Grants and Contributions			(666)
		(13,146)		Council Tax			(13,575)
		(1,496)		Business Rates			(1,940)
		(4,082)	29	Non Service Related Government Grants			(3,603)
		(18,857)		**Taxation and Non Specific Grant Income**			(19,784)
		(2,482)		**(Surplus) or Deficit on the Provision of Services**			**(327)**
		(1,761)	10	(Surplus) or Deficit on the revaluation of property, plant & equipment assets			(2,524)
		(8,466)	35	Remeasurement of the net defined benefit liability			33,290
		(10,227)		Other Comprehensive Income and Expenditure			30,766
		(12,709)		**Total Comprehensive Income and Expenditure**			**30,439**

** Note 7 explains how this schedule has been restated to meet segmental reporting requirements

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 2016/17 requires the total General Fund Balance be presented. In the past it was recommended that Earmarked General Fund Reserves be separately presented. The 2015/16 Movement in Reserves statement has been restated to include a Total General Fund Balance.

Financial Year 2015/16 restated	General Fund Balance	Earmarked 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 2015	(1,500)	(22,318)	(23,818)	-	(3,461)	(27,279)	36,813	9,534
Movement in reserves during 2015/16								
(Surplus) or deficit on the provision of services	(2,482)	-	(2,482)		-	(2,482)	-	(2,482)
Other Comprehensive Income and Expenditure	-	-	-	-	(1)	(1)	(10,226)	(10,227)
Total Comprehensive Income and Expenditure	(2,482)	-	(2,482)	-	(1)	(2,483)	(10,226)	(12,709)
Adjustments between accounting basis & funding basis under regulations (note 8)	2,205	-	2,205	(133)	3,081	5,153	(5,153)	-
Net (Increase)/Decrease before Transfers to Earmarked reserves	(277)	-	(277)	(133)	3,080	2,670	(15,379)	(12,709)
Year end balance transferred (to)/from Budget Stabilisation Reserve	20	(20)	-	-	-	-	-	-
Other transfers to/from Earmarked Reserves	257	(257)	-	-	-	-	-	-
Total transfers (to)/from Earmarked Reserves(Note 9)	277	(277)	-	-	-	-	-	-
(Increase)/Decrease in 2015/16	-	(277)	(277)	(133)	3,080	2,670	(15,379)	(12,709)
Balance at 31 March 2016	(1,500)	(22,595)	(24,095)	(133)	(381)	(24,609)	21,434	(3,175)

* An additional column has been inserted to show the total General Fund balance as this is a Code Presentation requirement.

Financial Year 2016/17	General Fund Balance	Earmarked 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)	-
(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

* An additional column has been inserted to show the total General Fund balance as this is a Code Presentation requirement.

BALANCE SHEET

31/03/16 £'000	Note		31/03/17 £'000
		Long Term Assets	
25,185	10 & 31	Property, Plant and Equipment	33,017
1,642	10	* Surplus Assets	1,161
-	38	Heritage Assets	-
12,687	11	Investment Property	20,409
-		Intangible Assets	-
3,079	12	Long Term Investments	50
328	14	Long Term Debtors	265
42,921		Total Long Term Assets	54,902
		Current Assets	
18,047	12	Short Term Investments	19,059
2,021	16	Assets held for sale	180
12,483	15	Cash and Cash Equivalents	9,533
50	13	Inventories	48
2,175	14	Short Term Debtors	3,202
203	14	Payments in Advance	288
34,979		Total Current Assets	32,310
		Current Liabilities	
(2,823)	17 & 29	Receipts in Advance	(5,792)
(6,269)	17	Short Term Creditors	(7,975)
(2,782)	18	Short Term Provisions	(2,621)
(11,874)		Total Current Liabilities	(16,388)
23,105		Net Current Assets	15,922
		Long Term Liabilities	
(361)	17	Long Term Creditors	(358)
(288)	18	Long Term Provisions	(257)
(62,149)	35	Net Pensions Liability	(97,257)
(53)	29	Capital Grants Receipts in Adv.	(216)
(62,851)		Total Long Term Liabilities	(98,088)
3,175		Total Net Assets/(Liabilities)	(27,264)
		continued overleaf	

* Surplus Assets were included as Property, Plant and Equipment in the 2015/16 Statement of Accounts

31/03/16 £'000	Note	continued from previous page	31/03/17 £'000
		Usable Reserves	
(381)	MIRS	Usable Capital Receipts Reserve	(143)
(22,595)	9	Earmarked Reserves	(22,414)
(133)	MIRS	Capital Grants Unapplied	(799)
(1,500)	MIRS	General Fund	(1,500)
(24,609)		Subtotal Usable Reserves	(24,856)
		Unusable Reserves	
(23,284)	20	Capital Adjustment Account	(26,567)
(18,347)	20	Revaluation Reserve	(18,649)
152	20	Accumulated Absences Act.	152
947	20	Collection Fund Adj. Account	103
62,149	20 & 35	Pensions Reserve	97,257
(183)	20	Deferred Capital Receipts	(176)
21,434		Subtotal Unusable Reserves	52,120
(3,175)		Total Reserves	27,264

These financial statements replace the unaudited financial statements and were authorised at the meeting of the Audit Committee on 26 September 2017.

Adrian Rowbotham
Chief Finance Officer
27 September 2017

COUNCIL APPROVAL
The Audit Commitee at its meeting on 26 September 2017, approved the Statement of Accounts for year ended 31 March 2017 in accordance with the Accounts and Audit Regulations 2011.

Councillor J Grint
Chairman of the Audit Committee
27 September 2017

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.

2015/16 £'000	Note		2016/17 £'000
(2,482)		Net (surplus) or deficit on the provision of services	(327)
(988)	21	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	(10,114)
1,101	21	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	5,458
(2,369)		Net cash flows from operating activities	(4,983)
10,256	22	Investing Activities	8,606
(139)	23	Financing Activities	(673)
7,748		Net (increase) or decrease in cash and cash equivalents	2,950
(20,231)		Cash and cash equivalents at the beginning of the reporting period	(12,483)
(12,483)	15	Cash and Cash Equivalents at the end of the reporting period	(9,533)

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NOTES TO THE CORE FINANCIAL STATEMENTS

Note 1 Accounting Policies

a. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2016/17 financial year and its position at the year end of 31 March 2017. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (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 2016/17 and the Service Reporting Code of Practice 2016/17, supported by International Financial Reporting Standards (IFRS).

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

b. 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.

- Interest receivable on investments is accounted for as income on the basis of the effective interest rate for the relevant financial instrument rather than the cash flow fixed or determined by the contract.

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

c. 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.

d. 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.

e. 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 they can be written off.

The Authority is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisation.

f. 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 has been revised and the new standard 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 six components:

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 lines for which employees worked.

Past Service costs – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of non distributed costs.

Gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities in events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of non distributed costs.

Net Interest on defined liability/(asset) – the expected increase in the present value of liabilities during the years they move one year closer to being paid – debited to the Financing and Investment income line of the Comprehensive Income and Expenditure Statement.

Re-measurement of defined benefit liability – comprising:

- *Actuarial gains and losses* – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve.
- *Return on plan assets* – the annual investment return on the fund assets attributable to the Council, based on an average of the long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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.

g. 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.

h.(i) 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.

h.(ii) 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 set out above. CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges may be used to fund revenue expenditure.

i. Government Grants and Contributions

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

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

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

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement.

Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

j. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

The Council writes off the entire cost to the Comprehensive Income and Expenditure Statement in the year the cost is incurred.

k. 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.

l. 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.

m. 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.

n. 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.

o. Property, Plant and Equipment

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

Recognition
Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. A de-minimis level of £15,000 has been applied.

Measurement

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 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.

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.

p. Provisions, Contingent Liabilities and Contingent Assets

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 (e.g. 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.

Contingent Liabilities

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

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

Contingent Assets

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

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

q. 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 to score 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.

r. 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.

s. VAT

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

t. 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 1.o.

At present the Council has no material heritage assets.

u. 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:

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

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.

v. 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 2. Accounting Standards that have been issued but not yet adopted.

The 2016/17 code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. The Council is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant year.

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.

Note 3. a 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 2017. This provision is based on information received from the Valuation Office Agency. Further details are shown within the notes to the Collection Fund.

Note 3.b 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 4. Assumptions About the Future and Other Major Sources of Estimation Uncertainty

This Statement contains estimated figures that are based on assumptions made by the Council about the future or other uncertainties. These estimates are made taking into account historical experience, current trends and other relevant factors. Assumptions were made in the following areas:

Item	Uncertainty	Effect if actual results differ from Assumptions
Property, Plant and Equipment (£25.7m)	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets and valuation assumptions, including estimates of remaining useful life. The current economic climate makes it uncertain that the authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of the assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £4k for every year that useful lives had to be reduced.
Pensions Liability (£97.2m)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.	The effects of net pensions liability of changes in individual assumptions can be measured, Note 35 shows the effect of changes in actuarial assumptions
General Bad Debt Provision (£76k)	The current economic climate makes it uncertain that all monies will be collected and an adequate allowance needs to be made for this in the measurement of these debtors.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £51k to be set aside as an allowance.

Note 5 Material Items of Income and Expense

During 2016/17 the Council disposed of the interest in the following property:

- Land adjacent to 12 Knole Way, Sevenoaks
- Land at Timberden Farm, Shoreham
- Land at Croft Road, Westerham

Two investment properties were acquired:

- 96 High Street, Sevenoaks
- 26-28 Pembroke Road, Sevenoaks

The Provision held at 31 March 2016 in respect of claims for Land Charges is no longer required and the balance has been transferred to the Budget Stabilisation Reserve.

Note 6 Events After the Balance Sheet Date

The Statement of Accounts were authorised for issue by the Chief Finance Officer on 27 September 2017. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing as at 31 March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 7 Notes to the Expenditure and Funding Analysis

Note 7.a Prior Period Restatement of Service Expenditure and Income

Expenditure on services and income relating to or derived from those services is classified in the Comprehensive Income and Expenditure Statement in accordance with the CIPFA Code of Local Authority Accounting in the UK. The 2016/17 Code requires that the authorities present expenditure and income on services on the basis of reportable segments. These reportable segments are based on the authorities internal management reporting structures. This is a change from the previous requirement to present expenditure and income in accordance with the Service Expenditure Code of Practice (SERCOP). This note shows how the net expenditure and income has been restated.

Net Expenditure	As reported in the Comprehensive Income and Expenditure Statement 2015/16 £'000s	Adjustments between SERCOP classifications and internal reporting classifications £'000s	As restated 2015/16 £'000s	SDC Segmental Reporting Chief Officer
SERCOP Service Line				**Chief Officer**
Central Services to the Public	3,353	(2,563)	790	Corporate Services
Cultural and Related Services	675	1,984	2,659	Communities and Business
Environmental and Regulatory	7,133	4,129	11,262	Environmental and Ops.
Planning	5,107	(1,448)	3,659	Planning
Highways and Transport services	1,313	(1,313)	-	
Housing	31,679	(31,679)	-	
Corporate and Democratic Core	2,869	30,890	33,759	Finance
Cost of Services Gross Expenditure	52,129	0	52,129	
SERCOP Service Line				**Chief Officer**
Central Services to the Public	(1,453)	1,255	(198)	Corporate Services
Cultural and Related Services	(54)	(441)	(495)	Communities and Business
Environmental and Regulatory	(1,326)	(4,952)	(6,278)	Environmental and Ops.
Planning	(1,889)	870	(1,019)	Planning
Highways and Transport services	(3,255)	3,255	-	
Housing	(29,766)	29,766	-	
Corporate and Democratic Core	(26)	(29,753)	(29,779)	Finance
Cost of Services Gross Income	(37,769)	0	(37,769)	
SERCOP Service Line				**Chief Officer**
Central Services to the Public	1,900	(1,308)	592	Corporate Services
Cultural and Related Services	621	1,543	2,164	Communities and Business
Environmental and Regulatory	5,807	(823)	4,984	Environmental and Ops.
Planning	3,218	(578)	2,640	Planning
Highways and Transport services	(1,942)	1,942	-	
Housing	1,913	(1,913)	-	
Corporate and Democratic Core	2,843	1,137	3,980	Finance
Cost of Services	**14,360**	**0**	**14,360**	

Note 7.b Adjustments between Funding and Accounting Basis 2015/16

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	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	(151)	201	-	737	787
Corporate Services	18	65	-	(2,039)	(1,956)
Environmental & Operations	425	545	-	7	977
Financial Services	-	(1,219)	-	188	(1,031)
Planning Services	-	381	-	738	1,119
Net Cost of Services	292	(27)	-	(369)	(104)
Other Income and Expenditure from the Expenditure and Funding Analysis	(6,441)	2,208	1,763	369	(2,101)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the Provision of Services	(6,149)	2,181	1,763	-	(2,205)

Note 7.c Adjustments between Funding and Accounting Basis 2016/17

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	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
Other Income and Expenditure from the 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)

Note 24 provides further segmental analysis of income and expenditure lines on the EFA.

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 under Regulations 2015/16	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	(633)	-	-	633
Movements in the market value of Investment Properties	2,366	-	-	(2,366)
				-
Capital grants and contributions applied	712	-	-	(712)
				-
Non Specific Capital Grants				-
Revenue expenditure funded from capital under statute	(868)	-	-	868
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	256	(256)	-	-
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:	-	-	-	-
Capital expenditure charged against the General Fund Balance	4,191	-	-	(4,191)
Capital Grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	133	-	(133)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-
Finance Lease Income	(6)	-	-	6

Adjustments between Accounting basis and Funding Basis under Regulations 2015/16 continued	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Receipts Reserve:				
Use of the Capital Receipts Reserve to finance new capital expenditure	-	3,335	-	(3,335)
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	(5,274)	-	-	5,274
Employer's pensions contributions and direct payments to pensioners payable in the year	3,093	-	-	(3,093)
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	283	-	-	(283)
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	(2,046)	-	-	2,046
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	**2,206**	**3,080**	**(133)**	**(5,153)**

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	Capital Receipts Reserve	Capital Grants Unapplied	Move-ment in Unusable Reserves
	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Receipts Reserve:				
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)**

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 2015/16 and 2016/17.

	Balance at 31/05/15 £'000	Transfers Out 2015/16 £'000	Transfers In 2015/16 £'000	Balance at 31/03/16 £'000	Transfers Out 2016/17 £'000	Transfers In 2016/17 £'000	Balance at 31/03/17 £'000
General Fund	(1,500)	131	(131)	(1,500)	-	-	(1,500)
Budget Stabilisation	(6,704)	155	(1,452)	(8,001)	1,373	(610)	(7,238)
Financial Plan	(4,160)	501	-	(3,659)	1,378	(2,901)	(5,182)
Pension Fund	(640)	-	(676)	(1,316)	100	-	(1,216)
Business Rates Retention	-	-	(2,222)	(2,222)	1,093	-	(1,129)
Asset Maintenance	(1,000)	-	-	(1,000)	-	-	(1,000)
Housing Benefit Subsidy	(664)	156	(130)	(638)	23	(108)	(723)
Local Plan/LDF	(634)	28	(106)	(712)	332	(227)	(607)
Corporate Project Support	(200)	86	(119)	(233)	105	(373)	(501)
New Homes Bonus	(379)	-	-	(379)	-	(120)	(499)
IT Asset Maintenance	(244)	-	(102)	(346)	-	(142)	(488)
Vehicle Renewal	(419)	329	(515)	(605)	708	(535)	(432)
Re-organisation	(465)	128	-	(337)	14	(100)	(423)
Capital Financing	(183)	66	(148)	(265)	-	(148)	(413)
Action and Development	(396)	-	-	(396)	-	-	(396)
Community and Business	(383)	1	-	(382)	33	(1)	(350)
First Time Sewerage	(366)	-	-	(366)	50	-	(316)
Vehicle Insurance	(293)	7	(26)	(312)	2	-	(310)
Carry Forward Items	(336)	41	(113)	(408)	173	(75)	(310)
Flood Support	(144)	-	-	(144)	-	-	(144)
Other	(4,708)	4,006	(172)	(874)	510	(373)	(737)
Total	(22,318)	5,504	(5,781)	(22,595)	5,894	(5,713)	(22,414)
Grand Total	(23,818)	5,635	(5,912)	(24,095)	5,894	(5,713)	(23,914)

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. In 2016/17 funding from New Homes Bonus was transferred to this reserve.

Pension Fund Valuation - To contribute towards the expected downturn at the next pension fund actuarial valuation.

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.

Asset Maintenance – To fund emergency asset maintenance works.

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

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

Corporate Project Support - To support use of external expertise in investigating proposed Corporate Projects.

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.

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

Vehicle Renewal - Funding for future commercial vehicle replacements.

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

Capital Financing –Annual contributions from revenue to fund some capital projects – not fully used in 2016/17.

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

Community and Business - To fund ongoing and future projects.

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

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

Carry Forward Items - For specific items agreed by Cabinet.

Flood Support - Set up a flooding reserve (agreed Cabinet 5/6/14).

Other - Other small reserves set aside. 2015/16 Opening balance included Property Investment Reserve of £3.731m; the majority of that reserve was utilised in 15/16 for acquisition of property.

Note 10 Property, Plant and Equipment

Movements on Balances

	Land and Buildings	Vehicles, Plant & Equipment	Community Assets	Operational Property Surplus	Assets Under Construction	Total Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000
Movements in 2015/16:						
Cost or Valuation						
At 1 April 2015	22,111	5,344	211	2,361	-	30,027
Additions	303	329	-	8	-	640
Revaluation increases/ (decreases) recognised in:						
- Revaluation Reserve	1,569	-	-	51	-	1,620
- Surplus or Deficit	47	-	-	(8)	-	39
Derecognition – Disposals	-	(387)	-	-	-	(387)
Derecognition – Other	-	(212)	-	-	-	(212)
Reclassifications	(65)	-	-	(770)	-	(835)
At 31 March 2016	23,965	5,074	211	1,642	-	30,892
Accumulated Depreciation and Impairment						
At 1 April 2015	(424)	(3,710)	-	-	-	(4,134)
Depreciation Charge	(146)	(527)	-	-	-	(673)
Depreciation written out to the						-
- Revaluation Reserve	141	-	-	-	-	141
- Surplus or Deficit on the provision of services	-	-	-	-	-	-
Derecognition – Disposals	-	387	-	-	-	387
Derecognition Other	-	212	-	-	-	212
Reclassifications	2	-	-	-	-	2
At 31 March 2016	(427)	(3,638)	-	-	-	(4,065)
Net Book Value						
As at 31 March 2015	21,687	1,634	211	2,361	-	25,893
As at 31 March 2016	23,538	1,436	211	1,642	-	26,827

	Land and Buildings	Vehicles, Plant & Equipment	Community Assets	Operational Property Surplus	Assets Under Construction	Total Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'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 2016	23,538	1,436	211	1,642	-	26,827
As at 31 March 2017	24,104	1,638	211	1,161	7,064	34,178

Capital Commitments

A contract was signed on 19th July 2016 for £7.3m for the Sennocke Hotel.

A pre-contract agreement was signed with Willmott Dixon on 6 March 2017 for the Buckhurst Car Park.

Surplus Assets

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

	Quoted Prices in active market for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant un-observable inputs (Level 3) £'000	Fair value as at 31st March 2017 £'000
Surplus Operational Properties	-	1,161	-	1,161
Total	-	1,161	-	1,161

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 Working Mans Club and property in the High Street are surplus to operational needs and are being held pending redevelopment of the site at Swanley.

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 2017, by external independent valuers, I. Dewar FRICS FIRRV MCIArb, R. Messenger BSc FRICS FIRRV MCIArb REV, A. Williams Dip BSc (Hons) MRICS FIRRV REV , W A Minting BA (Hons) MSc and G Harbord MA MRICS IRRV (Hons) of 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
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 2016/17.

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

	Land & Buildings	Vehicles, Plant & Equip-ment	Comm-unity Assets	Assets Held for Sale	Assets Under Con-struction	Surplus Assets	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical cost:		5,120	211	-	-	-	5,331
Valued at current value in:							
2016/17	23,782	-	-	180	7,064	1,161	32,187
2015/16	226	-	-	-	-	-	226
2014/15	58	-	-	-	-	-	58
2013/14	248	-	-	-	-	-	248
2012/13	-	-	-	-	-	-	-
Total	24,314	5,120	211	180	7,064	1,161	38,050

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.

	2015/16	2016/17
	£'000	£'000
Rental income from investment property	(538)	(725)
Direct operating expenses from investment property	-	203
Net income from Investment Properties	(538)	(522)

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:

	2015/16	2016/17
	£'000	£'000
Balance at start of the year	4,769	12,687
Purchases	6,739	9,459
Disposals	-	(1,268)
Net Gains/ (losses) from fair value adjustment	2,366	(469)
Transfers from Property, Plant & Equipment	90	-
Transfers to Property, Plant & Equipment (inc Surplus)	(1,277)	-
	12,687	20,409

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

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

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	
	2015/16	2016/17	2015/16	2016/17
	£'000	£'000	£'000	£'000
Loans & Receivables				
Investments	3,079	50	18,047	19,059
Net trade receivables (within debtors)	328	265	756	1,020
Cash & cash equivalents	-	-	12,483	9,533
Total Financial Assets	3,407	315	31,286	29,612
Financial Liabilities at amortised cost				
Trade payables (within Creditors)	(361)	(358)	(635)	(2,039)
Total Financial Liabilities	(361)	(358)	(635)	(2,039)

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 2017.

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 2017 for comparable instruments with the same duration.

	31/03/2016		31/03/2017	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Loans and receivables	33,164	33,194	28,112	28,122

The fair value is greater than the carrying amount because the Authority's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans in the market at the Balance Sheet date.

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)	Other significant observable inputs (Level 2)	Significant un-observable inputs (Level 3)	Total
	£'000	£'000	£'000	£'000
Investment in Municipal Bonds Agency	-	-	50	50
Deposits with Banks, B'lding Societies and other Local Authorities		23,072	-	23,072
Deposits in Money Market Funds	5,000	-	-	5,000
Other	-	-	-	-
	5,000	23,072	50	28,122

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 2017 of 0.15% to 0.55%, 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.

These policies are implemented by treasury management officers and 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. The Council uses the creditworthiness service provided by its treasury management consultant. Deposits are not made with banks and financial institutions unless they comply with the sophisticated modelling approach that combines credit ratings 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 2016/17 was approved by Council on 16 February 2016.

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 £23.3m at 31 March 2017 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. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2017 that this was likely to crystallise.

The only historical experience of default relates to the Icelandic investment, which was disposed of in 2014/15.

Liquidity Risk

The Council ensures that it has adequate, though not excessive, cash resources, borrowing arrangements, overdraft and standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its service objectives.

The Council is also required to provide a balanced budget by 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. The treasury management team monitors cash flow on a daily basis and takes into account known future spending patterns.

The maturity analysis of financial assets is as follows:

	31/03/16 £'000	31/03/17 £'000
Less than 1 year	31,420	29,320
Between 1 and 2 years	3,000	-

Refinancing and Maturity Risk

This risk relates to the maturing of both longer term financial liabilities and longer term financial assets. As the Council does not currently have any debt and does not lend for periods in excess of two years, this risk is not considered significant.

Market Risk

Interest Rate Risk
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:

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 2016/17 (with all other variables held constant), the financial effect would have been to increase investment income by £671,000.

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, from 2016/17, wood stocks at Farningham Woods.

	2015/16 £'000	2016/17 £'000
Balance outstanding at start of the year	47	50
Purchases	391	461
Recognised as an expense in the year	(388)	(463)
Balance outstanding at end of the year	50	48

Note 14 Debtors

Short Term Debtors

	31/03/16 £'000 restated	31/03/17 £'000
Central Government Bodies	190	1,023
Other Local Authorities	584	825
Council Tax Payers	287	313
Non Domestic Rate	430	380
Other entities and individuals	887	949
Total	2,378	3,490

Balances incorporate pre-payments of £288k as follows		
Other local authorities	-	26
Other entities	203	262
	203	288

Long Term Debtors

	31/03/16 £'000	31/03/17 £'000
Other entities and individuals	328	265
Total	328	265

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:

	31/03/16 £'000	31/03/17 £'000
Cash held by the Authority	9	4
Bank current accounts	435	525
Short-term deposits with:		
Banks	4,033	3,001
Building Societies	3,003	1,001
Other Local Authorities	-	-
Money Market Funds	5,003	5,002
Total Cash and Cash Equivalents	12,483	9,533

Note 16 Assets Held for Sale

	2015/16 £'000	2016/17 £'000
Balance at start of the year	-	2,021
Purchases	-	-
Disposals	-	(2,021)
Net Gains/ (losses) from fair value adjustment	-	35
Assets newly classified as held for sale	2,021	145
Asset de-classified as held for sale	-	-
	2,021	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 2017 are as follows:

	Carrying Value	Fair Value	Quoted prices in active markets for identical assets (Level 1)	Other sig-nificant observ-able inputs (Level 2)	Sig-nificant un-observable inputs (Level 3)
	£'000	£'000	£'000	£'000	£'000
Assets held for Sale	180	528	-	528	-
Total	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

	31/03/16 £'000	31/03/17 £'000
	restated	
Central Government Bodies	(334)	(577)
Other Local Authorities	(539)	(876)
Council Tax Payers	(2,039)	(909)
Non Domestic Rate	(2,730)	(4,392)
Other entities and individuals	(627)	(1,221)
Total	(6,269)	(7,975)

Long Term Creditors

	31/03/16 £'000	31/03/17 £'000
Other Local Authorities	(361)	(358)
Total	(361)	(358)

Short Term Receipts in Advance

	31/03/16 £'000	31/03/17 £'000
	restated*	
Central Government Bodies	(46)	(32)
Other Local Authorities	(227)	(398)
Council Tax Payers	(499)	(304)
Non Domestic Rate	-	(292)
Other entities and individuals	(77)	(180)
Total	(849)	(1,206)

* See note 29 for Revenue Grants received in advance; previously included within this note but now shown within the Code as Grant Income. The items previously included here were:

Section 106 receipts	(1,899)
Historic England	(75)
	(1,974)

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	Short Term			
	MMI	Accumulated Absences	NDR Appeals	Other Provisions	Total Short Term
	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2016	289	152	2,536	93	2,781
Additional Provisions made during year	-	-	3,804	-	3,804
Amounts Used during the year	(32)	-	(3,871)	(15)	(3,886)
Amounts reversed as not required	-	-	-	(78)	(78)
Balance at 31 March 2017	257	152	2,469	-	2,621

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 2017.

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.

Other Provisions: The Personal Search Provision was in respect of potential restitutionary claims in relation to personal search fees of the land register. The case was settled and final legal fees paid in 2016/17; the remainder of the Provision is not required.

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

	31/03/16 £'000	Movement in Year £'000	31/03/17 £'000
Capital Adjustment Account	(23,284)	(3,283)	(26,567)
Revaluation Reserve	(18,347)	(302)	(18,649)
Accumulated Absences Account	152	-	152
Collection Fund Adjustment Account	948	(845)	103
Pensions Reserve	62,149	35,108	97,257
Deferred Capital Receipts Reserve	(183)	7	(176)
Total Unusable Reserves	21,435	30,685	52,120

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.

2015/16 £'000		2016/17 £'000
(14,092)	Balance at 1 April	(23,284)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
633	Charges for depreciation and impairment of non current assets	654
-	Revaluation Losses on Property, Plant and Equipment	911
868	Revenue expenditure funded from capital under statute	1,102
-	Deferred Capital Receipts movement	-
-	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	3,393
1,501		6,060
(89)	Adjusting Amounts written out of the Revaluation Reserve	(2,221)
1,412	Net Written out amount of the cost of non current assets consumed in the year	3,839
	Capital Financing applied in the year:	
(3,335)	Use of the Capital Receipts Reserve to finance new capital expenditure	(4,910)
(712)	Capital Grants and contributions credited to the Comprehensive Income and expenditure statement that have been applied to capital financing	(1,072)
-	Non-specific capital grant	-
-	Application of Grants to capital financing from the Capital Grants Unapplied Account	-
(4,191)	Capital Expenditure charged against the General Fund	(1,610)
(8,238)		(7,592)
(2,366)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement	470
(23,284)	Balance at 31 March	(26,567)

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.

	2015/16		2016/17	
	£'000	£'000	£'000	£'000
Balance at 1 April		(16,676)		(18,347)
Upward Revaluation of Assets	(1,988)		(2,920)	
Downward Revaluation of Assets and impairment losses not charged to Surplus Deficit on the Provision of Services	228		397	
Surplus/(Deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on Provision of Services	(1,760)	(1,760)	(2,523)	(2,523)
Difference between fair value depreciation and historical cost depreciation		89		96
Accumulated gains on assets sold or scrapped		-		2,125
Balance at 31 March		(18,347)		(18,649)

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.

	2015/16 £'000	**2016/17 £'000**
Balance at 1 April	152	**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	-	**-**
Balance at 31 March	152	**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.

	2015/16 £'000	**2016/17 £'000**
Balance at 1 April	(815)	**948**
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	(283)	**249**
Amount by which non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	2,046	**(1,094)**
Balance at 31 March	948	**103**

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.

	2015/16 £'000	**2016/17 £'000**
Balance at 1 April	68,434	**62,149**
Actuarial Gains/(Losses) on pensions assets and liabilities	(8,466)	**33,290**
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	5,274	**5,015**
Employer's pensions contributions and direct payments to pensioners payable in the year	(3,093)	**(3,197)**
Balance at 31 March	62,149	**97,257**

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.

	2015/16 £'000	**2016/17 £'000**
Balance at 1 April	(190)	**(183)**
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure statement	6	**7**
Transfer to the Capital receipts reserve upon receipt of cash	1	**1**
Balance at 31 March	(183)	**(175)**

Note 21 Cash Flow Statement – Operating Activities

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

	2015/16 £'000	2016/17 £'000
Depreciation	(672)	(654)
Impairment and downward valuations	39	(1,380)
Amortisation	-	-
(Increase)/Decrease in impairment provision for bad debts	(93)	143
(Increase)/Decrease in creditors	210	(2,063)
Increase/(Decrease) in debtors / payments in advance	(6)	968
Increase/(Decrease) in stock	3	(2)
Pension liability	(2,181)	(1,818)
Carrying amount of non-current assets sold	-	(3,393)
Other non-cash items charged to the net surplus or deficit on the provision of services	1,712	(1,915)
	(988)	(10,114)

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

2015/16 £'000		2016/17 £'000
-	Purchase of short-term and long-term investments	-
845	Proceeds from short-term and long-term investments	780
256	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	4,678
1,101		5,458

The cash flows for operating activities include the following items:

2015/16 £'000		2016/17 £'000
(308)	Interest received	(260)
-	Dividends received	-

Note 22 Cash Flow Statement – Investing Activities

2015/16 £'000		2016/17 £'000
7,380	Purchase of property, plant & equipment, investment property and intangible assets	**16,136**
4,018	Purchase of short term and long term investments	-
-	Other payments for investing activities	-
(257)	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	**(4,677)**
(846)	Proceeds from sale of short-term and long-term investments	**(2,847)**
(39)	Other receipts from investing activities	**(6)**
10,256	Net Cash Flow from investing activities	**8,606**

Note 23 Cash Flow Statement – Financing Activities

2015/16 £'000		2016/17 £'000
	Net increase / (decrease) in short- and long term deposits	
(133)	Other receipts from financing activities	**(666)**
(6)	Cash payments for finance leases	**(7)**
-	Other payments for financing activities	-
(139)	Net Cash Flow from Financing activities	**(673)**

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 2015/16 (restated)						
	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Service Income	(442)	(304)	(6,790)	(1,784)	(793)	(10,113)
Government Grants	(91)	(48)	(112)	(28,638)	-	(28,889)
Total Income	(533)	(352)	(6,902)	(30,422)	(793)	(39,002)
Employee Expenses	972	1,602	3,122	2,883	1,892	10,471
Other Service Expenses	935	1,295	7,954	32,526	285	42,995
Total Expenditure	1,907	2,897	11,076	35,409	2,177	53,466
Net Expenditure	1,374	2,545	4,174	4,987	1,384	14,464
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)
Government 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

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.

	2015/16 £'000	2016/17 £'000
Net Expenditure in Chief Officer Analysis	14,464	14,364
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(104)	940
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement.	-	-
Cost of Services in Comprehensive Income and Expenditure Statement	14,360	15,304

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 2015/16 Restated	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.	(10,114)	(712)	-	(10,826)	-	(10,826)
Interest Income *	-	-	-	-	(288)	(288)
Investment Income*	-	-	-	-	(558)	(558)
Income from Council Tax and NDR	-	-	-	-	(14,643)	(14,643)
Government Grants and Contributions	(28,888)	-	-	(28,888)	(4,082)	(32,970)
Total Income	(39,002)	(712)	-	(39,714)	(19,571)	(59,285)
Employee Expenses	10,472	-	-	10,472	2,208	12,680
Other Service Expenses	42,994	608	-	43,602	(291)	43,311
Support service recharges	-	-	-	-	-	-
Depreciation, amortisation and Impairment		-	-	-	(2,366)	(2,366)
Interest Payments & similar payments	-	-	-	-	-	-
Precepts & Levies	-	-	-	-	3,565	3,565
Payments to Housing Capital Receipts Pool		-	-	-	1	1
Gain or loss on disposal of non current assets		-	-	-	(255)	(255)
Capital Grants and Contributions	-	-	-	-	(133)	(133)
Total Expenditure	53,466	608	-	54,074	2,729	56,803
(Surplus) or deficit on the provision of services	14,464	(104)	-	14,360	(16,842)	(2,482)

* Previously shown as a combined total

Reconciliation to Subjective Analysis 2016/17	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.	(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
Support service recharges	-	-	-	-	-	-
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)

Note 24.d Expenditure and Income analysed by nature

2015/16 restated		Expenditure and Income analysed by nature	2016/17
		Expenditure	
12,680		Employee Benefit Expenses	12,850
43,288		Other Service Expenses	44,052
(2,366)		Depreciation, amortisation and impairment	1,068
-		Loss on Disposal of non current assets	47
23	*	Interest payments	27
3,565		Precepts and levies	3,818
1		Payment to Housing Capital Receipts Pool	6
57,191		Total Expenditure	61,868
		Income	
(10,826)		Fees and Charges and other service income	(10,747)
(14,643)		Income from Council Tax and Business Rates	(15,514)
(32,970)		Government Grants and contributions	(32,950)
(846)		Interest and Investment income	(989)
(255)		Gain on disposal of non current assets	(1,329)
(133)		Capital Grants and Contributions	(666)
(59,673)		Total Income	(62,195)
(2,482)		Net Service cost/income	(327)

* Included within other service expenses in 2015/16 Statement

Note 24.e Segmental Income and Expenditure

Income and expenditure on a segmental basis 2015/16	Comm-unities & Business	Corporate Services	Environ-mental & Opnl	Finance	Planning	Total
Expenditure						
Employee Benefit Expenses	1,173	1,667	3,667	3,872	2,273	12,652
Other Service Expenses	1,672	(741)	8,322	30,503	1,386	41,142
Depreciation, amortisation & impairment	(186)	18	304	-	-	136
Interest payments	-	-	-	27	-	27
Total Segmental Expenditure	2,659	944	12,293	34,402	3,659	53,957
Income						
Fees and Charges and other service income	(404)	(304)	(7,198)	(1,784)	(1,019)	(10,709)
Benefits and other Gov. grants	(91)	(48)	(112)	(28,637)	-	(28,888)
Total Segmental Income	(495)	(352)	(7,310)	(30,421)	(1,019)	(39,597)
Net Segmental Expenditure	2,164	592	4,983	3,981	2,640	14,360
Reconciliation to CIES						
Other Income and Expenditure not segmentally reported						(16,841)
Net Service Expenditure						(2,481)

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						
Fees and Charges and other 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)

Income and Expenditure for the Trading Account is shown in Note 25

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 2016/17

(Surplus)/ Deficit 2015/16 £'000		Income £'000	Expend. 2016/17 £'000	(Surplus)/ Deficit £'000
	Direct Services			
(178)	Refuse Collection	(2,417)	2,338	(79)
-	Street Cleansing	(1,289)	1,278	(11)
(89)	Other Operational Accounts	(2,162)	2,020	(142)
(26)	Overhead Accounts	(1,302)	1,277	(25)
(293)		(7,170)	6,913	(257)

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 2015/16 £'000		Income £'000	Expend. £'000	(Surplus) /Deficit 2016/17 £'000
	Direct Services			
(143)	Refuse Collection	(2,417)	2,374	(43)
11	Street Cleansing	(1,289)	1,289	-
(78)	Other Operational Accounts	(2,162)	2,029	(133)
(23)	Overhead Accounts	(1,302)	1,280	(22)
(233)		(7,170)	6,972	(198)

Subjective Analysis for the Trading Operation

2015/16 £'000		2016/17 £'000
(1,409)	Revenues from External Customers	(1,428)
(5,438)	Income from Internal Customers	(5,742)
(6,847)	Total Income	(7,170)
3,029	Employee Expenses (inc Agency staff)	3,235
497	Depreciation	498
3,088	Other Service Expenditure	3,239
6,614	Total Expenditure	6,972
(233)	Net Trading Income	(198)

Note 26 Members' Allowances

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

	2015/16 £'000	2016/17 £'000
Allowances	367	373
Expenses	11	14
Total	378	387

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:

2015/2016	Salary	Bonuses	Expenses	Com-pensation Loss of employ-ment	Pension	Other Emol·uments	Total
	£	£	£	£	£	£	£
Chief Executive (P Ramewal)	148,504	3,563	215	-	21,593	9,845	183,720
Chief Officer Legal	80,441	1,911	73	43,980	11,694	-	138,099
Chief Housing Officer	73,307	1,733	20	39,875	10,656	-	125,591
Chief Finance Officer	73,307	1,733	166	-	10,656	-	85,862
Chief Officer Corporate Support	75,025	500	-	-	10,725	-	86,250
Chief Officer Communities and Business	73,307	1,733	50	-	10,656	-	85,746
Chief Planning Officer	78,591	500	-	-	11,231	-	90,322
Chief Officer Environmental and Operations	80,441	1,911	110	-	11,694	-	94,156
Head of Strategy and Transformation	52,419	500	-	-	7,515	-	60,434

2016/2017	Salary	Bonuses	Expenses	Com-pensation Loss of employ-ment	Pension	Other Emol·uments	Total
	£	£	£	£	£	£	£
Chief Executive (P Ramewal)	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

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:

Remuneration Band	Number of Employees	
	2015/16	2016/17
£50,000 - £54,999	9	4
£55,000 - £59,999	1	6
£60,000 - £64,999	4	-
£65,000 - £69,999	-	3
£70,000 - £74,999	-	-
£75,000 –£79,999	-	-

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	
	15/16	16/17	15/16	16/17	15/16	16/17	15/16 £'000	16/17 £'000
£0 - £20,000	8	4	3	-	11	4	114	24
£20,001 - £40,000	3	-	-	-	3	-	113	-
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
Over £100k	-	-	-	-	-	-	-	-
Total	11	4	3	-	14	4	227	24

Liabilities for exit packages for four staff from Finance and two Chief Officers, in connection with internal re-structuring taking place in 2016/17, were included as 2015/16 because the decisions were taken before 31 March 2016.

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.

	2015/16 £'000	**2016/17** **£'000**
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor	50	43
Fees Payable to external auditors in respect of statutory inspections	-	-
Fees payable to external auditors for the certification of grant claims and returns	18	14
Fees payable in respect of other services provided by external auditors during the year	-	-
Total	68	57

Note 29 Grant income

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

	2015/16	2016/17
	£'000	£'000
Credited to Taxation and Non Specific Grant Income		
New Homes Bonus (DCLG)	(1,828)	(2,207)
Community Infrastructure Levy	(133)	(666)
Revenue Support Grant (DCLG)	(1,516)	(633)
S31 Small Business Rate Reduction	(734)	(605)
Transitional Grant (DCLG)	-	(152)
S31 Council Tax Flood / Family Annexes	(4)	(6)
Total	(4,215)	(4,269)
Credited to Services		
Benefit Subsidy (DWP)	(27,991)	(27,560)
Better Care Fund (was Disabled Facilities Grant) (KCC)	(487)	(632)
Housing Benefit Administration (DWP)	(454)	(409)
Community Facility Improvements	(216)	(430)
Choosing Health PCT (KCC)	(121)	(121)
New Burdens (DCLG)	(76)	(105)
Homelessness (DCLG)	(91)	-
Local Land Charges (DCLG)	(65)	-
Individual Electoral Registration (CO)	(48)	(23)
Communities against Drugs (KCC)	(31)	(31)
Community Sports (Sports England)	(29)	-
Other	(74)	(36)
Total	(29,683)	(29,347)

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:

	2015/16 £'000	2016/17 £'000
Capital Grants Receipts in Advance		
Better Care Fund (KCC)	-	**(119)**
Regional Housing Pot (DCLG/KCC)	(34)	**(73)**
Community Infrastructure Levy	(19)	**(24)**
Total	(53)	**(216)**

Revenue Grants Receipts in advance were previously included within Note 17

	2015/16 £'000	2016/17 £'000
Revenue Grants Receipts in Advance		
Section 106 receipts	(1,899)	**(4,518)**
Historic England	(75)	**(68)**
Total	(1,974)	(4,586)

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.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2016/17 is shown in note 26. Returns were obtained from Members in respect of the 2016/17 financial year requesting details of any transactions that had taken place between them or close family members and the Council. During 2016/17 the Council awarded a Discretionary Housing Improvement Grant to a member in relation to their role as landlord of a property in the District; the grant formed a contribution towards the costs of energy efficiency works and totalled £1,416. The grant was made with proper consideration of declarations of interest. The relevant member did not take part in any discussion or decision relating to the approval of that grant. There were no other transactions considered of material significance to warrant separate disclosure in the statement of accounts.

The Council appointed a Member as a representative on the Arts Council which received a grant of £4,250 from the Council. The Council appointed representatives to two Citizens Advice Bureaux covering the local area; Sevenoaks and Swanley CAB received a grant of £72,697 and Edenbridge and Westerham received a grant of £25,843.
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.

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 2017 are shown in note 29.

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 £80,950 and a Development Fee of £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 is 10 years, with a redemption date of 31 March 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 £43,097.

In accordance with Section 479A of the Companies Act 2006, the subsidiary company Quercus 7 Limited (Company Number: 09933195) is exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of guarantee provided by Sevenoaks District Council.

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.

	2015/16 £'000	**2016/17 £'000**
Opening Capital Financing Requirement	-	-
Capital Investment:		
Property, Plant & Equipment	640	**6,544**
Intangible Assets	-	-
Surplus Assets	-	**134**
Investment Properties	6,740	**9,459**
Revenue Expenditure Funded from Capital under Statute	868	**1,102**
	8,248	**17,239**
Sources of Finance:		
Capital Receipts	(3,335)	**(4,910)**
Government Grants and other contributions	(722)	**(1,072)**
Sums set aside from revenue	(4,191)	**(1,615)**
	(8,248)	**(7,597)**
Closing Capital Financing Requirement	-	**(9,642)**

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 £31,734 (£42,422 in 2015/16).

Minimum Lease Payments	2015/16 £'000	**2016/17 £'000**
Not later than one year	46	**47**
Later than one year and not later than five years	189	**192**
Later than five years	374	**324**
Total	609	**563**

Authority as Lessor

The leased company car scheme has ceased with the last payments made in 2013/14; there were no payments under operating leases for company cars payable in 2016/17.

The council purchased 96 High Street Sevenoaks and 26-28 Pembroke Road Sevenoaks in 2016/17 in addition to Suffolk House and the Petrol Filling Station purchased in 2015/16. The future income receivable under non-cancellable leases is detailed below:-

	31/03/16 £'000	**31/03/17 £'000**
Not later than one year	377	**740**
Later than one year and not later than five years	1,177	**2,949**
Later than five years	997	**1,585**
	2,551	**5,274**

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.

	2015/16 £'000	**2016/17** **£'000**
Gross Investment in the Lease	277	251
Estimated Residual value	31	31
Net Investment in the lease (Gross Investment discounted by implicit rate)	170	163
Unearned Finance Income	106	88
The gross investment in the lease will be received over the following periods.		
Not later than one year	24	23
Later than one year and not later than 5 years	117	116
Later than 5 years	136	112
Total	277	251

Note 33 Impairment Losses

During 2016/17 there were no impairment losses on the Council's property assets.

Note 34 Termination Benefits

The Authority terminated the contracts of a number of employees in 2016/17, incurring liabilities of £24,000 (£227,000 in 2015/16) – 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:

	2015/16 £'000	**2016/17 £'000**
Comprehensive Income and Expenditure Statement		
Cost of Services		
Service cost comprising:		
Current Service cost	3,015	2,782
Past Service costs	-	5
Net Interest Expense (includes administration expense)	2,259	2,228
Total post-employment benefits charged to the Surplus or Deficit on the Provision of Services	5,274	5,015
Other post employment charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	1,646	(12,903)
Other actuarial (gains)/losses on assets	-	(217)
Actuarial (gains) and losses arising on change in demographic assumptions	-	(5,521)
Actuarial (gains) and losses arising on changes in financial assumptions	(10,066)	36,646
Other	(46)	15,285
Total post employment benefits charged to the Comprehensive Income and Expenditure statement	(8,466)	33,290
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefit in accordance with the Accounting	5,274	5,015
Actual Amount charged against the General Fund balance for pensions in the year		
Employers contributions payable to the scheme	3,093	3,197

Pensions Assets and Liabilities recognised in the Balance Sheet

	2015/16 £'000	**2016/17 £'000**
Present value of the Defined Obligations		
Present value of Funded Liabilities	(134,901)	(185,220)
Present Value of Unfunded Liabilities	(2,102)	(2,078)
Total Defined Benefit Obligation	(137,003)	(187,298)
Fair Value of plan assets (at bid value)	74,854	90,041
	(62,149)	(97,257)

Reconciliation of movements in the fair value of scheme assets

	2015/16 £'000	**2016/17 £'000**
Opening fair value of scheme assets	74,566	74,854
Interest on assets	2,453	2,685
Return on assets less interest	(1,646)	12,903
Other actuarial gains/(losses)	-	217
Administration expense	(51)	(48)
Contributions from employer	3,093	3,197
Contributions from scheme participants	667	687
Estimated benefits paid plus unfunded net of transfers in	(4,228)	(4,454)
Closing Value of scheme assets	74,854	90,041

Reconciliation of the movements in defined benefit obligation

	2015/16 £'000	2016/17 £'000
Opening Defined Benefit Obligation	143,000	137,003
Current Service Cost	3,015	2,782
Interest Cost	4,661	4,865
Change in Financial Assumptions	(10,066)	36,646
Change in Demographic assumptions	-	(5,521)
Experience loss/(gain) on defined benefit obligation	(46)	15,285
Estimated benefits paid net of transfers in	(4,038)	(4,274)
Past service costs including curtailments	-	5
Contributions by scheme participants	667	687
Unfunded pension payments	(190)	(180)
Closing Defined Benefit Obligation	137,003	187,298

Scheme Assets

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

	31/03/16 %	31/03/17 %
Equity investments	66	70
Gilts	1	1
Bonds	11	10
Property	15	12
Cash	3	3
Absolute Return Fund	4	4
Total	100	100

Note: The extract from the actuaries report contains roundings.

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2017 is estimated to be 21% (2015/16 was 1%). The actual return on Fund assets over the year may be different.

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:

	2015/16	**2016/17**
Mortality Assumptions:		
Longevity at 65 for current pensioners		
Men	23	23
Women	25	25
Longevity at 65 for future pensioners		
Men	25	25
Women	28	27
Financial Assumptions		
Rate of Inflation (CPI)	2.3%	2.7%
Rate of increase in salaries	4.1%	4.2%
Rate of increase in pensions	2.3%	2.7%
Rate for discounting scheme liabilities	3.6%	2.7%
Take-up of option to convert annual pension into retirement lump sum	50%	50%

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 Employer's 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 total obligation of £187.3m.

	Increase of 0.1% £'000	Decrease of 0.1% £'000
Adjustment to discount rate		
Present value of total obligation	183,952	190,708
Projected Service Cost	3,839	4,019
Adjustment to long term salary increase		
Present value of total obligation	187,681	186,917
Projected Service Cost	3,928	3,928
Adjustment to pensions increases and deferred revaluation		
Present value of total obligation	190,321	184,329
Projected Service Cost	4,019	3,839
Adjustment to mortality age rating assumptions	Increase 1 year	Decrease 1 year
Present value of total obligation	194,610	180,268
Projected Service Cost	4,053	3,807

Projected Pension Expense for the year to 31 March 2018

	2017/18 Projection £'000
Service Cost	3,928
Net interest on the defined liability	2,583
Administration expense	58
Total	6,569
Employer Contributions	3,068

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 10th August 2017. The claim is not expected to exceed £285,000 including the litigant's costs.

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 2016/17

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 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.

2015/16				2016/17		
Council Tax	NDR			Council Tax	NDR	Total
£000	£000		Note	£000	£000	£000
		Income				
76,920	-	Billed to Council Tax Payers	1	80,725	-	80,725
-	36,298	Income from Business Ratepayers	2	-	36,323	36,323
1,442	92	Reduction in Bad Debts Provision		585	25	610
-	-	Reduction in Provision for Appeals		-	716	716
-	-	Reimbursement of previous year's estimated Collection Fund deficit	3	-	3,367	3,367
78,362	**36,390**			**81,310**	**40,431**	**121,741**
		Expenditure				
		Precepts & Demands:				
52,547	3,182	Kent County Council		55,426	3,306	58,732
7,094	-	Police & Crime Commissioner for Kent		7,439	-	7,439
3,406	354	Kent & Medway Fire & Rescue Authority		3,520	367	3,887
9,298	14,143	Sevenoaks District Council		9,672	14,694	24,366
3,565	-	Town & Parish Councils		3,818	-	3,818
		Business Rates:				
-	17,678	Payments to Government		-	18,368	18,368
-	167	Cost of Collection Allowance		-	165	165
-	138	Transitional Protection		-	31	31
		Bad and Doubtful Debts:				
537	-	Provision for Non Payment		482	-	482
-	1,830	Provision for Appeals		-	548	548
242	155	Write Offs		449	220	669
-	3,858	Contribution towards previous year's estimated Collection Fund surplus	3	1,968	-	1,968
76,689	**41,505**			**82,774**	**37,699**	**120,473**
1,673	**(5,115)**	**(DEFICIT)/SURPLUS FOR YEAR**	**3**	**(1,464)**	**2,732**	**1,268**
		COLLECTION FUND BALANCE				
299	1,911	Balance at beginning of year		1,972	(3,204)	(1,232)
1,673	(5,115)	(Deficit)/Surplus for year		(1,464)	2,732	1,268
1,972	**(3,204)**	**BALANCE AT END OF YEAR**	**4**	**508**	**(472)**	**36**

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 2016/17 was approved by Cabinet in January 2016 as follows:

	2015/16			2016/17		
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	2.25	5/9ths	1.30
A	968.38	6/9ths	645.60	960.71	6/9ths	640.50
B	1,816.24	7/9ths	1,412.60	1,861.46	7/9ths	1,447.80
C	7,868.01	8/9ths	6,993.80	8,063.46	8/9ths	7,167.50
D	9,633.37	9/9ths	9,633.40	9,770.01	9/9ths	9,770.00
E	6,492.26	11/9ths	7,935.00	6,544.57	11/9ths	7,998.90
F	5,300.97	13/9ths	7,657.00	5,347.87	13/9ths	7,724.70
G	7,053.54	15/9ths	11,755.90	7,117.77	15/9ths	11,863.00
H	1,250.31	18/9ths	2,500.60	1,281.49	18/9ths	2,563.00
	40,385.33		48,535.20	40,949.59		49,176.70
Contributions in lieu for Crown property			13.10			13.40
			48,548.30			49,190.10
Collection rate adjustment			99.30%			99.40%
Council Tax Base			**48,209.05**			**48,895.68**

The tax rate for a band D property in 2016/17 was £1,555.52, excluding Town and Parish Council taxes (2015/16 = £1,500.66).

	2015/16 £	2016/17 £
Kent County Council	1,089.99	1,133.55
Police & Crime Commissioner for Kent	147.15	152.15
Kent & Medway Fire & Rescue Authority	70.65	72.00
Sevenoaks District Council	192.87	197.82
	1,500.66	1,555.52
Town & Parish Councils (Average)	73.95	78.08
TOTAL (including an average town & parish rate)	1,574.61	1,633.60

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 2017 was £88,552,764 (31 March 2016 = £88,946,014).

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 2016, the estimated balance at 31 March 2016 in respect of council tax transactions was a surplus of

£1,967,800. It was 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 2015/16 and taken into account by the respective authorities in the calculation of their council taxes for 2016/17. The actual position at 31 March 2016 was a surplus of approximately £1,972,000.

The actual surplus of £508,000 at 31 March 2017 in respect of council tax and the actual deficit of £472,000 in respect of NDR will be taken into account when estimating the surplus or deficit for 2017/18.

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
2015/16	**Council Tax:**						
	Arrears	2,624	352	167	-	638	**3,781**
	Provision for Bad Debts	(1,360)	(183)	(86)	-	(331)	**(1,960)**
	Prepayments & Refunds	(1,522)	(204)	(97)	-	(371)	**(2,194)**
	Cash	1,624	219	105	-	397	**2,345**
	(Surplus)/Deficit	(1,365)	(184)	(89)	-	(334)	**(1,972)**
	NDR:						**-**
	Arrears	170	-	19	944	755	**1,888**
	Provision for Bad Debts	(73)	-	(8)	(406)	(325)	**(812)**
	Provision for Appeals	(571)	-	(63)	(3,170)	(2,535)	**(6,339)**
	Prepayments & Refunds	(123)	-	(14)	(683)	(547)	**(1,367)**
	Cash	308	-	34	1,713	1,371	**3,426**
	(Surplus)/Deficit	288	-	32	1,602	1,282	**3,204**
	Total	-	-	-	-	-	-
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	-	-	-	-	-	-

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 2016/17 (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.

DCLG. Department for Communities and Local Government

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.

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 2016/17

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.

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 2017 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 2017 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, continue to operate well during the year and also includes 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 2016-17, 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) 2016

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.

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 2015-16.

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 Chief Officers and the Strategic Management Team, Heads of Services 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. The programme consisted of 38 modules delivered covering key aspects of modern day management, empowering managers to manage, support and develop their staff to the best of their ability. Secondly, Personal Best which is available to all staff and aims to help them identify and achieve personal breakthrough goals.

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 2016/17.

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 2016/17, 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 2015/16, 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 Principal Auditor acting as Audit Manager's overall opinion on the Council's internal control, risk management and governance arrangement. The opinion for 2016/17 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: