



FINANCIAL REVIEW

and

STATEMENT OF ACCOUNTS

for the year ending

31 March 2017

STUART J BOBBY CPFA

Director – Corporate Services

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1. Introduction from the Director (Corporate Services)

- 1.1. I am pleased to present Gravesham Borough Council's annual Statement of Accounts for the year ending 31 March 2017. The Statement has been prepared in accordance with the requirements of the CIPFA Code of Practice on Local Authority Accounting 2016/17 and is intended to allow interested parties to:
- Understand the overarching financial position of the Council and the outturn for 2016/17;
 - Have confidence in how the Council has used and accounted for the public funds that it holds;
 - Be assured that the financial position of the Council is sound and secure.
- 1.2. The Statement is accompanied by a Narrative Report, intended to provide interested parties with an understanding of the Council, its financial performance and the economy, efficiency and effectiveness with which resources have been deployed over the financial year.
- 1.3. The financial environment within which the Council operates continues to be challenging, with unprecedented reform of local government finance and ongoing uncertainty around the future responsibilities and funding arrangements for local government. The Council has responded positively to this and in April 2016 adopted a new Medium Term Financial Strategy, setting out how the Council will plan for and meet the financial challenges it faces over the medium term as a means of delivering a robust and stable financial basis on which to deliver quality council services. Action to deliver the plan commenced in 2016/17 with the Council having to take some difficult decisions about the design of future service delivery. This activity has, however, enabled the Council to reflect some £1.1m of General Fund base budget reductions when setting the budget for 2017/18 (reflecting a 4.2% reduction on the budget requirement for 2016/17). Such action has worked to enable the Council to balance and deliver on its 2016/17 budget and effectively manage its resources during the year. The financial statements demonstrate that the financial standing of the Council continues to be robust.
- 1.4. During 2016/17 the Council has continued to be involved in a number of projects intended to have positive impacts on the borough and the lives of local residents. Initiatives delivered in the last year designed to realise our vision for the borough have included;
- **Delivery of the Property Acquisitions Strategy:** circa £10m of treasury balances have been invested in three commercial properties, securing a higher annual revenue income stream than that currently achieved by placing funds with Banks, Building Societies and Money Market Funds.
 - **Diversification of the council's investment portfolio:** the Council has placed £10m in property investment funds, with anticipated returns higher than has been achieving by placing these monies with more traditional investments.
 - **New Homes:** the Council continues to deliver against its commitment to provide quality social housing for the local community, with completion of five units at Alanbrook during 2016/17. The Council purchased a further seven properties

from the market during the year and commenced the development phase of two schemes at Tooley Street (two units) and Farlow Close (five units). A further 94 new affordable homes are due for completion in the borough between 2017 and 2019, with an additional 163 shared ownership units negotiated by Moat at Springhead on forthcoming phases of the development at the site.

- **Borough Market:** the newly refurbished market was re-opened in December, providing a focal point for the town and furthering the ambition to promote Gravesend as a local and welcoming shopping destination.
- 1.5.** The 2017/18 Local Government Finance Settlement reaffirmed the Government's intention to reduce the total level of funding for local government over the next three-year period. A further Government announcement in December 2016 set out a number of changes to the New Homes Bonus Scheme, enabling it to become a cash-limited scheme and release funding in 2017-18 to support the new Adult Social Care Support Grant to authorities providing social care services. These changes have delivered further reductions in funding beyond those previously anticipated by the Council. Prior to the announcement it was projected that the Council would receive £1.9m in New Homes Bonus in 2019/20; implementation of the new scheme design has resulted in this projection significantly reducing to £0.5m.
- 1.6.** Further financial uncertainty remains around the outcome of the Fair Funding Review and the future design of the Business Rates System currently planned to be implemented from 2019/20. It is also unclear what consequences will be felt from the UK's decision to leave the European Union. To respond to these changes the Council will need to continue its progressive but pragmatic approach to the way it operates and delivers services to its communities. The Medium Term Financial Strategy and Corporate Plan set out a clear statement of intent as to how the Council will ensure it remains financially sustainable in the longer term and will continue to deliver the services that are important to the communities in Gravesham.

Stuart J Bobby

Director (Corporate Services) and Chief Financial Officer

2. The Borough of Gravesham

- 2.1.** Gravesham is located on the south bank of the River Thames in the north of Kent approximately 32km (20 miles) east of London. Covering an area of 105km² (40 miles²) it stretches from the River Thames in the north to the crest of the North Downs in the south. The borough has a striking urban-rural split; the rural area to the south of the borough and to the east of Gravesend makes up 78% of the whole borough and is largely constituted of Green Belt land.
- 2.2.** As at mid-2015 Gravesham had a population of 106,300, the 11th highest figure across the 12 Kent districts and representing a growth rate of 9.7% in the last 10 years. As a result of the urban concentration of the borough, Gravesham presents the third highest population density in Kent (10.7 persons per hectare (p/h)), behind only Dartford (14.3 p/h) and Thanet (13.5 p/h).
- 2.3.** The population of the borough is extremely diverse with a vibrant mix of people; 14% of the borough's population were born outside of the UK and 23% of residents are of an ethnicity other than 'white British'. In 2015, the average age for a Gravesham resident was 39 years, up from 38.7 years in 2011 and 38.2 years in 2001. There are an estimated 2,200 residents in Gravesham aged over 85 years and this age group is projected to double in size by 2035. Over the same period the percentage of 0-14 year olds is projected to fall from 19.5% to 18.5%.
- 2.4.** According to the Annual Survey of Hours and Earnings 2016, average full-time weekly earnings for residents in the borough were £544.50, representing the seventh highest figure across Kent districts and £8.80 below the Kent district average. For Gravesham residents working part-time, average weekly earnings were £162.10, the ninth highest figure in Kent and £12.10 below the Kent average.
- 2.5.** As at January 2017 across Kent districts Gravesham had the fifth highest rate of people claiming unemployment benefits (JSA or Universal Credit) at 2.0%, ahead of the county average of 1.6% but in line with national averages. In line with most other Kent districts, proportionately the largest level of unemployment in terms of population age groups in Gravesham is found amongst those aged 18-24, with 3.2% unemployed as at January 2017, ahead of the Kent average (2.6%).
- 2.6.** As at 2016 there were 9,827 primary school pupils in Gravesham, with the borough having capacity for 9,378, the largest level of oversubscription in Kent. Conversely, Gravesham is undersubscribed at secondary level with a capacity of 7,934 and only 7,356 pupils. 12% of all pupils are eligible for free school meals, the seventh highest figure across Kent and down from 13.3% in 2015. As at January 2016, 25.9% of primary school pupils do not have English as a first language. Gravesham's figure is considerably ahead of all other local districts, with the Kent average at 11.4%. At secondary school level, 19.8% of pupils do not have English as a first language, again the highest figure in Kent and well ahead of the county average of 8.4%.

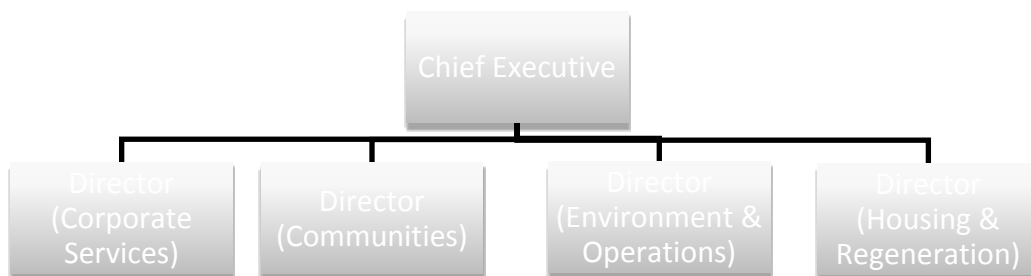
3. Gravesham Borough Council

- 3.1.** Gravesham Borough Council is a multi-functional organisation responsible for a wide range of services to the public and the community it serves. The community is represented by 44 elected Members, working on behalf of the 18 Wards within the borough. The political leadership of the Council is currently provided by the Conservative Group with the political composition of the Council at the end of the financial year being Conservative Group – 23 and Labour Group – 21 (this was revised to 24:20 following two Borough Council by-elections in May 2017).

- 3.2.** The Council has adopted the Leader and Cabinet model as its political management structure. The Leader of the Council has responsibility for the appointment of Members of the Cabinet, the allocation of Portfolios and the delegation of Executive Functions. The role of Leader during 2016/17 was held by Councillor John Cubitt, who stepped down from this position at the end of the financial year due to health concerns. On 18 April 2017, Councillor David Turner was elected as the new Leader of the Council.

- 3.3.** The decision-making processes of the Council are set out in the Constitution, with decisions taken primarily by Cabinet or the individual Cabinet Members held to account by the Overview Scrutiny Committee which is chaired by the Leader of the Labour Party, Councillor John Burden.

- 3.4.** Supporting the Elected Members is an organisational structure led by the Council’s Management Team. The current Management Team structure has been in place since January 2016 and is designed to strengthening the capacity to drive the changes required to reduce the Council’s net budget position, in light of ongoing Central Government austerity measures. Management Team meetings are also attended by the Council’s Monitoring Officer (or their delegated deputy) to ensure that the key statutory officers are represented at the most senior level of the Council.



- 3.5.** In April 2016 the Council employed 541 people across two main sites: the Civic Centre in Gravesend and the Brookvale Depot in Northfleet. By March 2017 this had reduced by some 5.2% to 513.

- 3.6.** Further information on the governance arrangements of the Council, including the Annual Governance Statement, can be found at:
www.gravesham.gov.uk/corporategovernance

4. Our Strategy and Business Model

- 4.1. The Council operates within a strict financial and regulatory environment. The actions of the Council are subject to internal review by the Council's Management Team and Elected Members as well as external review from the residents of Gravesham, the Council's External Auditor and other regulating bodies.
- 4.2. The Corporate Plan is the key document for setting the strategic direction of the Council. The plan is developed through consideration of local priorities, understanding the key community characteristics of the borough, consultation with residents, businesses and key stakeholders in the borough and government policies. The Corporate Plan 2015-2019: Delivering for the Community was adopted by Full Council in October 2015 and set the four strategic objectives of the Council as being:

Safer Gravesham – where local residents and visitors can live, work and travel in a safe, clean and green borough.

Stronger Gravesham – a healthier more cohesive community where children have the best start in life and people are proud to call home.

Sustainable Gravesham – a thriving and sustainable local economy, built on the foundations of high quality regeneration and development projects.





Sound and self-sufficient council – a well-run and innovative council supporting its staff to realise commercial opportunities whilst transforming its services to deliver at the best possible value for money.

- 4.3. The Cabinet drives the successful implementation of this plan, with responsibility for working with and holding council officers to account in the delivery of the four strategic objectives. The Council recognises that it cannot achieve its vision for the borough on its own and is increasingly working with partners to achieve these objectives.

5. Key Performance Indicators – Our Performance in 2016/17

5.1. The Council operates a Performance Management Framework (PMF), allowing it to evaluate whether strategic objectives are being achieved and provide accountability in the use of resources to the local community and other interested parties. There is periodical reporting of performance information to the Council’s Senior Management Team, Members and the general public. Performance information is generally collected from systems within the Council and independently verified.

5.2. Key areas of performance during 2016/17 were:

Corporate Objective	Performance measure		2016-17 outturn	
 <p>01 Safer Gravesham</p>	PM 1	<i>% of waste from households recycled</i>	34.3%	
	PM 3	<i>% of broadly compliant food establishmentsⁱ</i>	90.9%	
 <p>02 Stronger Gravesham</p>	PM 5	<i>Average time taken to re-let local authority housing</i>	33 days	
	PM 6	<i>% of presented households prevented from becoming homeless</i>	20.5%	
 <p>03 Sustainable Gravesham</p>	PM 7	<i>Retail vacancy % rateⁱⁱ</i>	8.2%	
	PM 8	<i>% of planning applications processed inside set timescales</i>	<i>(Major)</i>	100%
			<i>(Minor)</i>	59%
			<i>(Other)</i>	81%
 <p>04 Sound & self-sufficient council</p>	PM 9	<i>% of Council Tax collected</i>	97.0%	
	PM 10	<i>% of NNDR collected</i>	99.1%	

5.3. Further details of the Council’s performance during 2016/17 can be found at: www.gravesham.gov.uk/performance

ⁱ Figure correct as at April 2017.

ⁱⁱ Figure correct as at April 2017.

6. Financial Review

6.1. General Fund

- 6.1.1. The revenue account known as the General Fund relates to the day-to-day operational cost of providing the Council's services.
- 6.1.2. In February 2016 the Council set its Budget Requirement for 2016/17 at £14.65m, largely financed by £2.73m of retained Business Rates, £3.09m of Government Grants, £6.32m of Council Tax income (including £0.28m for Parish Precepts) and use of £2.51m of Working Balances held by the Council. To support the budget, the Council agreed an increase of 2.72% in the level of Council Tax from that charged in 2015/16. This resulted in a Band D Council Tax amount for the Council of £186.66, an equivalent increase of less than 10 pence per week.
- 6.1.3. During the year, the Council regularly reviewed its performance against its Budget Requirement, with these reports available publicly from the Council website. The final outturn position for the year is shown in the table below, together with how this expenditure was financed.

General Fund Revenue Out-turn 2016/17	Original Budget	Out-turn	Variance over/(under)
	£'000	£'000	£'000
All Directorate - Salaries	10,451	10,189	(262)
Chief Executive	(156)	(158)	(2)
Communities	835	384	(451)
Corporate Services	2,758	2,467	(291)
Environment & Operations	2,142	2,017	(125)
Housing & Regeneration	291	99	(192)
Non-Directorate Specific	1,266	1,266	0
Directorate total	17,587	16,264	(1,323)
Interest & Investment Income	(743)	(502)	241
Government Grant Funding	(393)	(408)	(15)
Transfers to/(from) Reserves	(4)	827	831
Transfers to/(from) Balances	1,848	1,848	0
Transactions below the line	(3,642)	(3,642)	0
Budget Requirement	14,653	14,387	(266)
Business Rate Income	(2,727)	(3,041)	(314)
Revenue Support Grant	(1,231)	(1,237)	(6)
New Homes Bonus	(1,848)	(1,848)	0
Council Tax Income	(6,050)	(6,050)	0
Parish Precepts	(279)	(279)	0
Transfers to/(from) the Collection Fund	0	(151)	(151)
Use of Working Balances	(2,518)	(2,518)	0
Budget Shortfall / (Underspend)	0	(737)	(737)

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6.1.4. The General Fund outturn was better than originally budgeted. Action to manage vacancies and other workforce matters resulted in employee-related costs being lower than originally anticipated and in-year pressures were effectively managed. The Council also benefitted from growth in the level of business rates retained, primarily as a result of the Council being part of the Kent Business Rates Pool. These contributed to a reduced need to call on the Council's Working Balances.

6.1.5. Full details, including notes on individual variances within directorates can be found within the Outturn Report as considered at the Finance & Audit Committee on Tuesday 13th June 2017.

A link to the report is provided here: <http://www.gravesham.gov.uk/outturn>

6.2. Housing Revenue Account

6.2.1. The Housing Revenue Account (HRA) reflects the income and expenditure related to the provision of housing accommodation by the Council.

6.2.2. In February 2016, the Council set the 2016/17 budget on the basis that the HRA would produce a balanced position at year-end, with planned expenditure being met by anticipated income in the year. As with the General Fund, the Council regularly reviewed the performance of the HRA against budget during the year, with these reports also available publicly from the Council website.

6.2.3. The final outturn position for the year is shown in the table below.

Housing Revenue Account Out-turn 2016/17	Original Budget	Out-turn	Variance over/(under)
	£'000	£'000	£'000
Income			
Dwelling Rents	(25,681)	(26,200)	(519)
Charges for Services and Facilities	(1,571)	(1,803)	(232)
Non Dwelling Rents	(710)	(718)	(8)
Other Income	(49)	(68)	(19)
Contribution towards Expenditure	(267)	(318)	(51)
Total Income	(28,278)	(29,107)	(829)
Expenditure			
Supervision and Management	5,982	5,561	(421)
Repairs and Maintenance	7,948	7,767	(181)
Depreciation	5,765	5,973	208
Capital Financing Costs	7,770	7,962	192
Total Expenditure	27,465	27,263	(202)
Net transfers to/(from) Reserves	813	1,844	1,031
Net (Surplus)/Deficit for the year	0	0	0

- 6.2.4. The difference between the original Budget and final outturn was mainly due to effective management of vacant posts, lower than expected interest charges and higher than expected income from rents and non-dwelling fees and charges.
- 6.2.5. Full details, including notes on individual variances within directorates can be found within the Outturn Report as considered at Finance & Audit Committee on Tuesday 13th June 2017.
- A link to the report is provided here: <http://www.gravesham.gov.uk/outturn>

6.3. Capital Expenditure (General Fund and HRA)

- 6.3.1. Capital Expenditure relates to expenditure to acquire, construct, enhance or replace tangible non-current assets such as land, buildings or major pieces of equipment that will be used to provide services over a number of years in the form of a capital programme to achieve the Council's strategic objectives and priorities.
- 6.3.2. In 2016/17 the Council spent £13.04m on General Fund capital schemes, including significant investment of £9.78m on a programme of commercial property acquisitions as part of its Bridging the Gap activity, intended to provide the Council with a new revenue stream to help the Council respond to the ongoing financial pressures it faces.
- 6.3.3. For Housing Services, expenditure was £8.80m and included works to replace roofs, windows, doors on properties within the Council's housing stock as well as furtherance of the Council's New Build and Acquisition programme to increase the supply of social housing for the residents of Gravesham.

6.4. Treasury Management Performance

- 6.4.1. Total investments managed in-house as at 31 March 2017 stood at £23.49m (2015/16, £35.57m). During 2016/17 the Council continued to operate a prudent investment strategy whilst also seeking to diversify the investment tools it utilised as a way of maximising returns in what continued to be a difficult investment market. This saw the Council placing £10.00m of identified medium-term cash balances with three Property Fund providers. The main borrowers for short-term deposits continued to be the UK banking sector and Money Market Funds.
- 6.4.2. The Council also had £98.08m long-term borrowing as at 31 March 2017 (31 March 2016, £101.67m), primarily in the form of £93.42m million Public Works Loans Board (PWLB) borrowing undertaken in relation to HRA self-financing. This represents a decrease of £3.59m in long-term borrowing from 2015/16 and is due in the main to the repayment of the loans necessary to support the HRA self-financing settlement payment to Central Government.
- 6.4.3. The council achieved an average rate of return of 0.575% on its internally managed cash flow investments (including cash equivalents) for the year. The average rate of return on Property Funds was 4.27%.

6.4.4. The Council is embarking on a number of innovative projects during 2017/18 intended to further contribute to ensuring its long-term financial sustainability. These projects are likely to require forward-funding to realise ongoing revenue benefits for the Council. The most appropriate source of any funding will be determined at the point at which the required investment in the project is to be made.

6.5. The Level of Working Balances and Reserves

6.5.1. The Council's General Fund working balances stood at £6.16m as at 31 March 2017, while HRA working balances stood at £3.00m.

6.5.2. The Council also holds earmarked reserves, kept for specific types of expenditure in the future. The total amount of earmarked reserves held as at 31 March 2017 is £11.68m (£9.49m at 31st March 2016).

7. Commentary on the Primary Financial Statements for 2016/17

A summary of the Primary Financial Statements is provided below:

7.1. The Comprehensive Income and Expenditure Statement (CIES) (Page 41)

7.1.1. The CIES reports on how the authority has performed during the year and whether its operations have resulted in a surplus or a deficit. As required by a change in the Code of Practice, the format of the CIES has been adjusted this year to show the Net Cost of Services based on the structure of the Council, rather than the Service Reporting Code of Practice (SERCOP). The CIES shows a surplus on the provision of services of £35.5m during 2016/17.

Comprehensive Income & Expenditure Statement	2015/16 Restated Actual	Movement during year	2016/17 Actual
	£'000	£'000	£'000
Cost of Services	(6,985)	(16,320)	(23,305)
Other Income and Expenditure	(13,567)	1,329	(12,238)
(Surplus) or Deficit on Provision of Services	(20,552)	(14,991)	(35,543)
Other Comprehensive Income and Expenditure	(13,498)	17,258	3,760
Total Comprehensive Income and Expenditure	(34,050)	2,267	(31,783)

7.2. The Balance Sheet (Page 42)

7.2.1. The Council's Balance Sheet provides a snapshot of its financial position, showing what it owns and what it owes at the end of the financial year. The Council continues to maintain a strong Balance Sheet.

7.2.2. During 2016/17, the Council has seen a greater increase in its assets than its liabilities, resulting in an increase in its net worth during the year of £31.78m.

Balance Sheet	31st March 2016	Movement during year	31st March 2017
	£'000	£'000	£'000
Non-current Assets	333,781	51,285	385,066
Current Assets	41,293	(9,356)	31,937
Current Liabilities	(11,071)	(5,136)	(16,207)
Total Non-Current Assets plus Net Current Assets	364,003	36,793	400,796
Non-Current Liabilities	(165,910)	(5,010)	(170,920)
Total Assets less Liabilities	198,093	31,783	229,876
Financed by:			
Unusable Reserves	(166,962)	(27,517)	(194,479)
Usable Reserves	(31,131)	(4,266)	(35,397)
Total Net Worth	(198,093)	(31,783)	(229,876)

7.3. The Movement in Reserves Statement (MIRS) (Page 43)

7.3.1. The MIRS shows movements in level of reserves held between the end of the last financial year and the end of the current financial year. The MIRS is separated between those reserves that are available for use in funding ongoing revenue expenditure (Usable Reserves) and those that are required to be held for accounting purposes (Unusable Reserves).

7.3.2. The MIRS shows that the total reserves of the Council increased during 2016/17 by £31.78m, primarily due to the increase in the level of Unusable Reserves at the end of the year.

Movement in Reserves Statement	Usable Reserves	Unusable Reserves	Total Reserves
	£'000	£'000	£'000
Balance at 31st March 2016	(31,131)	(166,962)	(198,093)
(Increase)/decrease in year	(4,266)	(27,517)	(31,783)
Balance at 31st March 2017	(35,397)	(194,479)	(229,876)

7.4. The Cash Flow Statement (Page 44)

7.4.1. The Cash Flow Statement sets out the Council's cash receipts and payments during the year for both capital and revenue purposes. It summarises in simple terms sources of financing, and how funds were spent.

7.4.2. During 2016/17, the Council's level of cash and cash equivalents decreased by £7.36m, largely due to the acquisition of Investment Properties, and investment in Property Funds.

Cash Flow Statement	2015/16	Movement during year	2016/17
	£'000	£'000	£'000
Net (Surplus) or Deficit on the Provision of Services	(22,677)	(10,325)	(33,002)
Adjustment to the net (surplus)/deficit on the provision of services	1,344	11,226	12,570
Net Cash Flows from Operating Activities	(21,333)	901	(20,432)
Net cash flows from investing activities	14,407	7,864	22,270
Net cash flows from financing activities	1,707	3,813	5,520
Net (increase) or decrease in cash or cash equivalents	(5,219)	12,578	7,358
Cash and cash equivalents at the end of the reporting period	15,074	(7,358)	7,716

8. Principal Risks and Uncertainties

- 8.1. The Council has a long-established process in place to identify the principal risks that may influence or impact on the delivery of services. The risk management process requires judgements to be made on the likelihood and impact of a potential risk and enables the Council to develop and implement appropriate controls to manage or mitigate these risks to reduce the impact on the Council. The Council maintains a Corporate Risk Register which is updated at least annually and reviewed during the year by officers and the Finance & Audit Committee, which is charged with maintaining an overview of the Council's risk and governance framework.
- 8.2. The next table sets out the key risks to the achievement of the Council's strategic priorities in 2016/17:

Key risks to the achievement of the Council's strategic priorities in 2016/17			
Risk	Assessed Risk Score	Mitigating Actions	Target Risk Score for year end
Ongoing financial viability of the Council	20	Active monitoring of budgets and key areas of income and expenditure by budget holders, Management Team and Members.	20
		Diversification of investment activity to increase financial returns.	
		Sound and realistic Medium Term Financial Strategy and Medium Term Financial Plan in place. Policy decision to retain a level of working balances on the General Fund and Housing Revenue Account to protect the Council against financial shocks.	
		Exercises to review reserve policy, challenge existing budgetary provisions and fees and charges levied by the Council.	
		Implementation of recommendations derived from the Service Review Process.	
Changes in national priorities and legislative change	15	Monthly policy briefings prepared providing updates on the development of key issues, six-monthly legislative briefings to Senior Officers and Members.	10
		Communication channels in place with partner organisations to identify ways in which non-direct policies may affect council services and/or to ensure that joint working can continue wherever possible.	

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Key risks to the achievement of the Council's strategic priorities in 2016/17			
Organisational capacity/ resilience	15	Monitoring and allocation of resources to critical tasks and services.	10
		Encouragement of staff (including the provision of training) to enable more flexible working across the organisation through the offering of opportunities for redeployment, secondments and project work.	
		Ongoing provision and review of initiatives to support the workforce.	
Housing Revenue Account Services	12	Officer working group established to systematically look at options available to GBC in bridging the gap resulting from government's announcement re rent reductions.	12

- 8.3. The table above does not include risks that are below the Council's strategic risk tolerance threshold; these risks will be monitored and managed through the operational risk registers of council departments. Further information on the Council's Risk Management arrangements can be found within the Corporate Governance area of the Council's website:
<http://www.gravesham.gov.uk/services/council-and-democracy/corporate-governance>

9. 2017/18 and Beyond

- 9.1.** The Council will continue to operate within a financially challenging environment going into 2017/18. Central government funding decisions are having a disproportionate impact on Shire Districts such as Gravesham, with Shire Districts being the only tier of local government to experience a cut in Core Spending Power in each year from 2016/17 to 2019/20. In 2017/18 Gravesham will have the second lowest level of spending power per head of population in Kent at £104. This is a reduction of 6.3% (around £7 PHP) compared to Core Spending Power in 2016/17. The final design of long-term funding arrangements are also unclear, with the outcomes of the Fair Funding Review and the final design of the Business Rates Retention System unlikely to be known until well into 2018. The action to trigger Article 30 to enable the UK leaving the European Union and the outcome of the General Election in June 2017 will create further pressure on political processes and the financial standing of the Council.
- 9.2.** The Council has placed itself in a strong position with its current financial plans and it will be imperative to ensure these remain sustainable and as robust as possible through this period of significant change, and that both revenue and capital resources are aligned with key policy priorities. The Council's medium term financial projections currently indicate that it can produce a balanced General Fund budget for 2017/18 and 2018/19, and activity is already underway to provide this stability in future years to ensure that the Council remains focused on its core services and priorities. The Council will continue to deliver the planned work streams set out in the Medium Term Financial Strategy to optimise, innovate service delivery and maintain financial discipline.

10. Other Useful Information

- 10.1.** As a public sector body, the Council is committed to being open, transparent and accountable in the way it works. Information on the Council's decision-making arrangements, Management Structure, Member Remuneration as well as contractual arrangements and spend data can be found on the Transparency pages of the Council website: www.gravesham.gov.uk/transparency

11. STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

Gravesham Borough Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In Gravesham, that officer is the Director (Corporate Services);
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Ensure the un-audited Statement of Accounts is certified subject to audit prior to 30 June by the Director (Corporate Services), and that the audited statement of accounts is approved prior to 30 September by the relevant body. In Gravesham, that body is the Finance & Audit Committee to which the Council has delegated the appropriate authority.

The Director (Corporate Services) - Responsibilities

The Director (Corporate Services) is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice').

In preparing the Statement of Accounts, the Director (Corporate Services) has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code of Practice.

The Director (Corporate Services) has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities, further details of which are contained in the Annual Governance Statement.

Certification of Director (Corporate Services)

I hereby certify that the Statement of Accounts presents a true and fair view of the financial position of the Council at the date shown and its income and expenditure for the year ended 31 March 2017.

Stuart J Bobby CPFA

Date: 12 September 2017

Certification of Chair of Finance & Audit Committee

I confirm that the adoption process for the 2016/17 Statement of Accounts has been formally completed and that the Financial Review and Statement of Accounts for the year ended 31 March 2017 was considered and approved by Gravesham Borough Council at the meeting of the Finance & Audit Committee on 26 September 2017.

Cllr Derek E Shelbrooke

Date: 12 September 2017

12. ACCOUNTING POLICIES, STANDARDS AND CRITICAL JUDGEMENTS

12.1. General

Local Authorities are required to prepare their annual financial statements by the Accounts & Audit (England) Regulations 2015. The regulations require these statements to be prepared in accordance with 'proper accounting practice'.

Each year CIPFA produces a "Code of Practice on Local Authority Accounting in the United Kingdom" (The Code). The Code has been defined as proper accounting practice for the purpose of preparing the annual financial statements of the council and is based on approved accounting standards, comprising International Accounting Standards (IAS), International Financial Reporting Standards (IFRSs) approved by the International Accounting Standards Board, International Public Sector Accounting Standards (IPSAS) and the Urgent Issues Task Force's (UITF) Abstracts.

The following Accounting Policies set out the general principles used by Gravesham Borough Council to prepare its annual financial statements.

12.2. Accounting Concepts & Qualitative Characteristics

In general, the accounts are prepared on the basis of historical cost modified by the revaluation of land, buildings, vehicles and plant, subject to and in accordance with the fundamental accounting concepts set out below:

Relevance

In accordance with IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, the accounts are prepared to provide readers with information about the Council's financial performance and position that is useful for assessing the stewardship of public funds.

Reliability

The accounts are prepared on the basis that the financial information contained within them is reliable, i.e. they are free from material error, deliberate or systematic bias, complete within the bounds of materiality and represent faithfully what they intend to represent. Where there is uncertainty in measuring or recognising the existence of assets, liabilities, income and expenditure then caution or prudence has been used as a basis to inform the selection and application of accounting policies and estimation techniques.

Comparability

The accounts are prepared to enable comparison between financial periods. To aid comparability, the Council applies its accounting policies consistently both during the year and between years.

Understandability

Every effort is made to make the accounts as easy to understand as possible. Nevertheless, there is an assumption that the reader has a reasonable knowledge of accounting and local government. Where the use of technical terms is unavoidable, explanations are provided in the Glossary of Terms.

Materiality

Certain information may be excluded from the accounts on the basis that the amounts involved are not material either to the fair presentation of the financial position and transactions of the Council or to the understanding of the accounts.

Accruals

With the exception of the Cash Flow Statement, the accounts are prepared on an accruals basis. The accruals basis of accounting requires the non-cash effect of transactions to be reflected in the accounts for the year in which those effects are experienced and not in the year in which the cash is actually received or paid. Bills for Council Tax and Non-Domestic Rates are recorded as issued at 31 March and no attempt is made to accrue for bills due but not processed at the year-end. The Council has set a de-minimis level of £750 for final accounts accrual adjustments.

Going Concern

The accounts are prepared on the assumption that the Council will continue to operate for the foreseeable future.

Primacy of Legislative Requirements

Where a particular accounting treatment is prescribed by legislation, then that treatment prevails even if it conflicts with one or other of the accounting concepts outlined above. In the unlikely event of this arising, a note to that effect is included in the accounts.

12.3. Revenue Recognition

Activity is accounted for in the year that it takes place, not necessarily when cash payments are made or received. In particular:

- 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 Authority.
- Revenue from Council Tax and Non-Domestic Rates is measured at the full amount receivable, as they are non-contractual, non-exchange transactions. Revenue from non-exchange transactions is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the Council and the amount of revenue can be measured reliably.
- 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.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

12.4. Estimation Techniques

Estimation techniques are the methods adopted by the Council to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes in reserves. Details of where these have been used are contained in the relevant Note to the Accounts. Where a change in an estimation technique is material, an explanation is also provided of the change and its effect on the results for the current period.

12.5. Cash and Cash Equivalents

Cash and Cash Equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, and which are subject to an insignificant risk of changes in value. Available for sale assets are shown in the Balance Sheet at fair value, and all other investments are shown at their nominal value. The authority has defined cash equivalents to include investments with a maturity date of three months or less from the date of acquisition.

12.6. Assets Held for Sale (Current Assets)

These are assets that have been declared surplus to the Council's operational requirements, are being actively marketed, and have an estimated sale date within twelve months of the Balance Sheet date. They are reported on the Balance Sheet date at the lower of the carrying amount or the fair value of the asset less the costs to sell the asset. Assets available for sale are not subject to depreciation.

12.7. Property, Plant and Equipment - Recognition

All expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis. Expenditure on the acquisition of an asset, or expenditure which adds to, and not merely maintains, the value of an existing asset, should be capitalised, provided that it yields benefits to the authority and the services it provides for a period of more than one year.

Capital expenditure includes:

- the acquisition, reclamation, enhancement or laying out of land;
- acquisition, construction, preparation, enhancement or replacement of, buildings and other structures;
- acquisition, installation or replacement of movable or immovable plant, machinery, apparatus, vehicles and vessels.

In this context, enhancement means works which are intended to:

- Lengthen substantially the useful life of the asset, or
- Increase substantially the market value of the asset, or
- Increase substantially the extent to which the asset can or will be used for the purposes of or in conjunction with the functions of the authority.

Under this definition, improvement works and structural repairs should be capitalised, whereas expenditure to ensure that the fixed asset maintains its previously assessed standard of performance should be recognised in the revenue account as it is incurred.

In defining capital expenditure, the Council operates a de minimis level of £12,000 for such assets. Any expenditure below this level is charged to revenue in the year of acquisition.

- Measurement

Initially the assets are measured at cost, comprising the purchase price plus any costs associated with bringing the asset into use. The measurement of an asset acquired other than through purchase is deemed to be its fair value.

In accordance with The Code, Property Plant and Equipment is further classified as:

- Council Dwellings
- Other Land and Buildings *
- Infrastructure assets
- Vehicles, Plant and Equipment
- Community Assets
- Assets under Construction

Each of these asset classifications are valued on the base recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS), as follows:

- Infrastructure, Community Assets & Assets Under Construction – Depreciated Historical Cost
- Dwellings – current value, determined using the basis of Existing Use Value for Social Housing
- Surplus Assets – fair value, estimated at highest and best use
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use

Where there is no market-based evidence of current value because of the specialist nature of an asset, Depreciated Replacement Cost is used as an estimate of current value. Where non-property assets (such as Vehicles, Plant and Equipment) have short useful lives or low values (or both), Depreciated Historical Cost basis is used as a proxy for current value.

*These asset categories are revalued on a five-year rolling cycle. The programme of revaluations is continuing on this cyclical basis although values of those assets falling between scheduled valuation dates are reviewed annually to ensure that any material changes to asset valuations is adjusted in the interim period, as they occur.

- Depreciation

Depreciation is provided for on those Property, Plant and Equipment assets with a finite useful life (which can be determined at the time of acquisition or revaluation) according to the following policy:

- newly acquired assets are not depreciated in the year of acquisition where this does not have a material effect upon the accounts.
- depreciation is calculated using the straight-line method.
- full depreciation is calculated in the year of disposal

ACCOUNTING POLICIES

The standard useful lives for each category of asset are up to the following number of years:

Asset	Depreciation Methodology
Operational Land	50 years (usually relating to car parks)
Operational Buildings	Usually 50 years, although this can vary according to the individual asset
Non-Operational Buildings	60 years depending on the individual asset
Council Dwellings	Suitable components are identified and valued at Beacon level, together with an estimate of each component's useful life which together form the basis of the annual depreciation calculation.
Asset	Depreciation Methodology
Infrastructure	40 Years
Vehicles, Plant & Equipment	Vehicles & Plant - 10 Years depending on the type of asset IT Equipment - 7 years depending on the nature of the asset Non-IT Equipment - 20 years depending on the nature of the asset

Provision for depreciation is made by allocating the cost (or revalued amount) less estimated residual value of the assets as closely as possible to the periods expected to benefit from their use.

Depreciation is not normally provided for on freehold land and certain Community Assets (whether operational or non-operational) on the basis that such assets do not have a determinable useful life. Depreciation is also not provided for on assets which are not yet available for use (i.e. Assets Under Construction).

- Valuation

The freehold properties which comprise part of the Council's property portfolio have been valued at the direct request of the Council's Assistant Director (Corporate Services) in accordance with CIPFA's accounting arrangements. Valuations are undertaken by suitably qualified internal staff, or external firms as practicable in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors.

Fixed plant and machinery is included in the valuation of buildings. Operational Properties are valued on open market (existing use) basis, or where this cannot be assessed because there is no market for the subject asset, the Depreciated Replacement Cost.

Council Dwellings are valued on Existing Use Value for Social Housing (EUV-SH).

- Components

The Council's policy is to account for components where the total asset has a gross book value in excess of £1m and where any individual component has a value in excess of £100,000. With regard to HRA dwellings, the major common components are identified within each Beacon type, and the value of each component divided by its useful life provides the annual depreciation charge.

- Impairment

Assets are assessed to establish the possibility of impairment. Where indications exist and are estimated to be material, the asset is revalued and if lower than the carrying value, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- Where there is a balance of previous 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 subsequently reversed, 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.

- Disposal

Income from the disposal of Property, Plant and Equipment is accounted for on an accruals basis. Such income, following payment of any pooling liability to central government (in respect of housing capital receipts from the sale of dwellings through the Right to Buy (RTB) scheme), is included in the Balance Sheet within Usable Capital Receipts.

When an asset is disposed of or decommissioned, any receipt arising (net of selling costs) is set against the carrying value of the asset in the Comprehensive Income and Expenditure Statement, so comprising a gain or loss on disposal. Any remaining revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Proceeds in excess of £10,000 are categorised as capital receipts. A proportion of sales proceeds relating to HRA disposals is payable to the Government under pooling arrangements. Following the introduction of self-financing, and a revised RTB scheme, some elements of RTB proceeds have to be recycled to deliver new social housing.

Net receipts are credited to the Usable Capital Receipts Reserve to be used for new capital investment or set aside to reduce the council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance via the Movement in Reserves Statement.

Any amounts written-off following a disposal is not a charge against council tax, since the cost of fixed assets are 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.

12.8. Intangible Assets

Intangible assets are non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the local authority through custody or legal rights. Examples are licences, quotas, patents, copyrights, franchises and trademarks. The most common intangible asset that is held by local authorities is purchased software licences.

Control of an intangible asset is normally secured by legal rights: a licence grants access to benefits for a fixed period.

Purchased intangible assets (e.g. software licences) are capitalised as assets where they exceed the de minimis threshold.

Software development costs that are directly attributable to bringing a computer system or other computer-operated machinery into use are treated as part of the cost of the related hardware rather than as a separate intangible asset.

Intangible assets are amortised over their economic lives on a straight-line basis, typically over a period of 5 years. Where access to the economic benefits associated with an intangible asset is achieved through legal rights that have been granted for a finite period, the economic life will not extend beyond that period. The useful economic lives of intangible assets are reviewed at the end of each reporting period and revised if necessary. In amortising an intangible asset, a residual value may be assigned to the asset only if such residual value can be measured reliably. In practice the residual value of an intangible asset is usually nil or insignificant.

For intangible assets held at historical cost, General Fund and Housing Revenue Account service revenue accounts are charged with a provision for amortisation and where required, any related impairment loss (due to a clear consumption of economic benefits), for all intangible assets used in the provision of the service.

12.9. Heritage Assets

Separate disclosure of the carrying amounts of the council's heritage assets is required at 'valuation', where that valuation can be made by any method that is appropriate and relevant. There is no requirement for valuations to be carried out or verified by external valuers, nor is there any prescribed minimum period between valuations if the authority can demonstrate that such a process would not add value to users of the accounts. Thus assets identified as Heritage Assets by Gravesham that exceed the de minimis level of £12,000 are reflected in the accounts at their insurance valuation, which is reviewed annually.

The initial recognition of the asset is in accordance with our accounting policy on recognising Property, Plant & Equipment (See 12.7). Where information on the cost or value is not available, and the cost of obtaining the information outweighs the benefits to the users of the financial statements, that asset is not be recognised on the Balance Sheet, and an appropriate disclosure is made instead.

Due to the historic nature of the assets within this category, depreciation is not applied.

12.10. Investment Properties

Investment Property is property (land and/or buildings) held solely to earn rental income or for capital appreciation or both. Investment Property is initially recognised at cost, but is subject to valuation at fair value at the end of each accounting period.

ACCOUNTING POLICIES

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

12.11. Charges to Revenue for Non-Current Assets

General Fund service revenue accounts, central support services and trading accounts are charged with the following amounts in relation the use of assets during the year;

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses used by the service (where these exceed accumulated gains held in the Revaluation Reserve)
- amortisation of intangible fixed assets used by the relevant service

12.12. Revenue Expenditure Funded from Capital under Statute

Revenue expenditure funded from capital under statute (REFCUS) represents expenditure that may be capitalised under statutory provisions but does not result in the creation of non-current assets. The expenditure items are generally outgoing grants, or expenditure on property not owned by the authority. Such expenditure incurred during the year is charged to the relevant service account in the Comprehensive Income and Expenditure Statement. Where the council has determined to meet the cost of the revenue expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account is made. This reverses out the amounts charged against the General Fund Balance in the Movement in Reserves Statement so there is no impact on the level of Council Tax.

12.13. Government Grants and Contributions

Government grants and contributions are recognised as due to the authority when there is reasonable assurance that;

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

Where conditions have not yet been complied with, the grants and contributions are carried within the Authority's Balance Sheet as creditors. When conditions are satisfied, grant and contribution amounts are released to the individual Service Revenue Accounts within the Comprehensive Income and Expenditure Statement.

Capital grants and contributions are credited to the Taxation and Non-Specific Grant line in the Comprehensive Income & Expenditure Statement where conditions are satisfied. Capital grants that have not yet been used to finance capital expenditure are posted to the Capital Grants Unapplied Reserve; those that have been applied are credited to the Capital Adjustment Account.

12.14. Leases

Rentals payable under operating leases are charged to the Comprehensive Income and Expenditure Statement on a straight-line basis over the term of the lease.

Finance leases are accounted for when the risks and rewards relating to the leased asset are substantially transferred to the council, with rentals payable being apportioned between;

- a charge for the acquisition of the interest in the asset, with a liability in the Balance Sheet at the start of the lease, written down as leasing payments are due, and;
- a finance charge against Net Operating Expenditure in the authority's Comprehensive Income and Expenditure Statement as the leasing payments are due.

Assets recognised by way of finance leases are treated in the same way as Property, Plant and Equipment assets, with the only notable exception being that depreciation is charged over the term of the lease where this is shorter than asset's estimated useful life. Finance leases are recognised within the Balance Sheet at fair value (at the date of the lease's inception).

12.15. Repurchase of Borrowing

Gains and losses on the repurchase of or early settlement of borrowing are credited and debited to Financing and Investment Income in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement.

However, where repurchase has taken place as part of a restructuring of the loan portfolio and therefore;

- old debt is replaced with new debt by means of an exchange of debt instruments between an existing borrower and lender or the terms of an existing liability are modified, and;
- the terms of the loan debt exchanged are not substantially different or the modification of the terms of an existing liability is not substantial,

the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate. Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. In the case of the Housing Revenue Account, in accordance with Local Authority Accounting Panel (LAAP) Bulletin 26 the amount chargeable to the HRA is amortised over a maximum period of 10 years.

The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

12.16. Debtors and Creditors

The accounts of the Council are maintained on an accruals basis i.e. 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, with the exception set out above (policy 2).

Debts due to the Council are recorded as they become due and the Debtors section of the Balance Sheet represents the amounts due during the year which remain unpaid at the year-end, from which a sum is deducted as a provision for bad debts.

ACCOUNTING POLICIES

Interest payable is accrued to 31 March annually on all loans outstanding at that date. Interest on short-term investments due, but not received as at 31 March is also accrued where this is material.

Instalments of interest on Housing Act advances and deferred payments are brought into account on the day they fall due for payment, irrespective of the period to which they relate.

Housing Revenue Account gross rent income is brought into account for the full year irrespective of debit and collection dates.

12.17. Stocks and Long Term Contracts

Bar, kiosk and other small stocks are valued at cost price.

Work-in-progress, representing uncompleted rechargeable jobs as at 31 March annually, is valued at cost including an allocation of overheads.

Long Term contracts are defined as “contracts entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or of a combination of assets or services which together constitute a single project) where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods” The Council makes a disclosure in the notes to the Core Financial Statements in respect of any capital contracts that meet this definition.

12.18. Cost of Management and Support Services

The principles recommended by CIPFA (under the Service Reporting Code of Practice) on accounting for management and support services are followed with the following exceptions:

- cost allocations are based on the time spent by the various officers on performing duties for all services as estimated on a percentage basis and
- costs are allocated using the probable outturn unit prices calculated during the year rather than the actual outturn for the year.

These exceptions are made in order to speed up the preparation of the accounts, the impact of which is not considered to be material.

The cost of computing services is allocated on the basis of actual use and the expenses of administrative buildings are apportioned on the basis of space used.

12.19. Provisions

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. When payments are eventually made, they are charged to the provisions carried in the balance sheet.

12.20. Reserves

Amounts set aside for purposes falling outside the definition of provisions are considered as reserves, and transfers to and from them are distinguished from service expenditure disclosed in the Statement of Accounts. Certain items such as the Revaluation Reserve and the Capital Adjustment Account can only be used for specific statutory purposes and thus are not available for discretionary purposes earmarked by the Council, further details of which appear in the Movement in Reserves Statement.

Reserves include earmarked reserves set aside for specific policy purposes and balances which represent resources set aside for purposes such as general contingencies and cash flow management. Statements concerning the purpose and usage of all provisions and specific reserves appear in the notes to the core financial statements.

12.21. Investments

Long-term investments are shown in the Balance Sheet at the original purchase price plus related costs (brokerage, fees, etc.). Available for sale assets are shown in the Balance Sheet under current assets at fair value, and all other short-term investments are shown under current assets at the actual sums lent.

12.22. VAT

VAT, whether of a capital or revenue nature, is included in the Comprehensive Income and Expenditure Statement only to the extent it is unrecoverable. The Council's partial exemption status is reviewed on an annual basis.

12.23. Employee Benefits

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

Benefits payable during employment:

- a) Short-term employee benefits, such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees.

- b) Benefits earned by current employees but payable twelve months or more after the end of the reporting period e.g. long-service awards

Termination benefits:

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

In the event of notice of termination being served on an employee, the costs of redundancy are accrued to the year that the notice is served, but other costs will be charged to the year they are incurred.

Post-employment benefits:

As part of the terms and conditions of employment of its employees, the Council offers retirement benefits. Although these benefits are not actually payable until employees retire, the commitment that the authority has to make those future payments must be recognised at the time that employees earn their entitlement. The Local Government Pension Scheme is administered by Kent County Council – this is a funded defined benefit final salary scheme, meaning that both the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

Under International Accounting Standard 19 (IAS 19), the employer is required to recognise as an asset or liability the surplus/deficit in the pension scheme. The surplus / deficit in the pension scheme is the excess/shortfall of the value of assets when compared to the present value of the scheme liabilities. A pre-requisite of the introduction of IAS 19 was that it did not impact on taxation requirements. Where the contributions paid to the pension scheme do not match the change in the authority's recognised liability for the year, any such variance is dealt with by an equivalent appropriation to or from a pensions reserve. Actuarial gains/losses are shown as movements on the pensions asset/liability account and pensions reserve. There is no impact on the Comprehensive Income and Expenditure Statement. The Balance Sheet shows the net pension asset or liability and an equivalent pension reserve balance.

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

- Service Cost comprising:
 - 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 services for which the employees worked
 - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. [Note that the treatment of past service costs will depend on the decisions of the authority about how they are allocated to service segments].
 - Net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period - taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

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

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 transfers 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.

12.24. Provision for Debt Impairment

The provision for bad and doubtful debts is calculated having regard to the nature of the debt, its age and the likelihood of recovery. The calculations for each type of debt, i.e. Council Tax, NDR, Rents, Sundry Debtors etc. are based on historical evidence and the methodology and individual percentages applied to calculate the provisions are reviewed regularly.

12.25. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The amount presented in the Balance Sheet is the outstanding principal repayable, and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

12.26. Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.

ACCOUNTING POLICIES

- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

12.27. Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to 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. The amount presented in the Balance Sheet is the outstanding principal receivable, and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

Any gains and losses that arise on the derecognition (i.e. cessation or transfer of the loan) of the asset are credited/debited to the Comprehensive Income and Expenditure Statement.

Where the Council makes loans with interest at less than market rates, for instance in respect of Improvement Grants, these are termed "Soft Loans". When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the loan, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the borrower, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. The impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. This approach is also adopted where the income pertaining to a capital receipt is received over several years rather than in a lump sum at the time of disposal.

12.28. Available for Sale Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

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

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available for Sale Assets. Where assets are identified as impaired, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement, along with any accumulated gains/losses previously recognised in the Available for Sale Reserve.

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

12.29. Fair Value Measurement

The authority measures some of its non-financial assets and some of its financial instruments 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.

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

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

12.30. Events after the Balance Sheet Date

Events arising after the Balance Sheet date are reflected in the Statement of Accounts if they provide additional evidence of conditions that existed at the Balance Sheet date and materially affect the amounts to be included. These are known as 'adjusting events'.

Events which arise after the Balance Sheet date and concern conditions which did not exist at that time are detailed in the notes to the core financial statements if they are of such materiality that their disclosure is required for the fair presentation of the financial statements. These are known as 'non-adjusting events'.

12.31. Contingent Assets/Liabilities

Any contingent assets as at the Balance Sheet date are disclosed within the accounts by way of a note if the inflow of a receipt or economic benefit is probable.

Contingent liabilities as at the Balance Sheet date are disclosed within the accounts by way of a note if a payment or transfer of economic benefit is possible.

12.32. Council Tax & Non-Domestic Rate (NDR) Income

The Council is a billing authority and as such is required to bill local residents and businesses for Council Tax and Non-Domestic (Business) Rates. The Council acts as an agent on behalf of the major precepting authorities, Kent County Council, the Kent Police and Crime Commissioner and Kent Fire & Rescue Service for Council Tax, and

ACCOUNTING POLICIES

Kent County Council, Kent Fire & Rescue Service and the Government for Non-Domestic Rates.

Accordingly, the debtors and creditors in the Balance Sheet only show the amount owed by and to taxpayers in respect of Council Tax and Non-Domestic Rates for the element relating to Gravesham Borough Council. Amounts relating to major precepting authorities will be shown as net debtors or creditors on the Balance Sheet.

The amount shown in the Comprehensive Income and Expenditure Statement as the demand on the Collection Fund includes the accrued amount of Council Tax and Non-Domestic Rates collected as well as amounts from previous year's estimates. This adjustment is subsequently reversed within the Movement in Reserves Statement to the Collection Fund Adjustment Account.

12.33. Prior Period Adjustments

Material adjustments applicable to prior years arising from changes in accounting policies or standards are reflected by restating the comparable figures in the Statement of Accounts, together with a disclosure note detailing the reasons for such restatement.

During the year, the Council has carried out a detailed exercise to address historic issues identified with the Fixed Asset Register. This has delivered a cleansed, consolidated register, which incorporates appropriate calculation of valuation movements in line with the CIPFA Code of Practice. The outcomes of the exercise have been verified and agreed with the External Auditor and has resulted in a restatement of the 2015/16 accounts.

12.34. Accounting Standards that have been issued but have not yet been adopted

The Code requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2016/17 Code. There are no accounting changes that are to be introduced in the 2017/18 Code that will affect the Council.

12.35. Critical Judgments in applying Accounting Policies

In applying the accounting policies, the Council has had to make certain judgments about complex transactions or those involving uncertainty about future events.

The critical judgments made in the Statement of Accounts are:

- **Future Funding for Local Government** – Whilst the government have put in place a four-year offer in respect of Settlement Funding, there remains a high degree of uncertainty around future levels of funding for local government. The impact of the decision for the UK to leave the European Union is also unknown. The Council forecasts its financial standing through its Medium Term Financial Plan and has set out proposals to manage its future financial position within its Medium Term Financial Strategy. The Council is of the view that the level of uncertainty is not yet significant enough on terms of impact to warrant an impairment of assets due to the need to close facilities and reduce levels of service provision.
- **Group Accounting** - The Council has a management agreement with Gravesend Community Leisure Limited, an Independent Prudential Society that operates the leisure centres owned by the Authority. It has been determined that the Authority does not have control of the Company and it is not a subsidiary of the Authority.

ACCOUNTING POLICIES

- **Joint Working** – The Council operates a number of joint working arrangements with other neighbouring local authorities. The Council believes that it is not necessary to impair any non-current assets in light of these working arrangements and any current proposals for changes to the way the services are to be delivered by the Council.
- **Doubtful Debts** – The Council has made judgements about the level of doubtful debts and allowances that it needs to provide for. These judgements are based on historical experience of debtor defaults.
- **Business Rates Appeals Provision** - The Council has made judgements about the level of the Business Rates appeals that it needs to provide for. These are based on the latest Valuation Office (VOA) ratings list of appeal overlaid with independent analytical information regarding the likely success of these appeals.
- **Providing for Potential Liabilities** – The Council has made judgments about the likelihood of pending liabilities and whether a provision or a contingent liability should be made. The judgments are based on the degree of certainty around the results of pending actions.
- **Property, Plant and Equipment** - 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. The current economic climate makes it uncertain that the Council 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 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 in these circumstances. If funding streams were reduced, in so far that it results in the reduction of service delivery or closure of facilities, this could result in the impairment of assets due to obsolescence. However, the Authority has determined that the level of uncertainty at this time is not sufficient to indicate this course of action.

ACCOUNTING POLICIES

12.36. Assumptions made about the Future and Other Major Sources of Estimation Uncertainty

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

Item	Uncertainties	Effect if Actual Result Differs from Assumptions
Property, Plant and Equipment	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. The current economic climate makes it uncertain that the Council 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 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 £178,770 for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgments 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. A firm of actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	A 0.1% decrease in the discount rate (the Merrill Lynch AA rated corporate bond curve) would result in an increase in the liability of £3.10m. A 1 year reduction in life expectancy assumptions would result in a £6.60m decrease in the pension liability.
Business Rates	The Business Rates Retention Scheme exposes the Council to unprecedented volatility in the level of appeals in business rates. The timing of business rates appeal decisions and the financial impact of these decisions are difficult to forecast.	Sensitivity modelling on our assumptions indicates that including all open appeals would increase the appeals provision by £1.66m. The Council share of that increase in provision would be £0.07m (4%).

12.37. Material Items of Income and Expense

There were no material items of income and expense.

12.38. Events after the Balance Sheet Date

In 2013/14 & 2014/15 the Council installed Photovoltaic (PV) panels on 1,100 dwellings. The Council have entered into an agreement to dispose of these panels for circa. £3.8m and the sale of these assets is expected to be completed in June 2017.

CORE FINANCIAL STATEMENTS

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COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2015/16 Restated Net Cost	Comprehensive Income & Expenditure Statement	2016/17 Expenditure	Income	Net Cost
£'000		£'000	£'000	£'000
206	Chief Executive's Directorate	194	0	194
7,663	Communities Directorate	9,327	(1,146)	8,181
3,278	Corporate Services Directorate	38,851	(35,834)	3,017
2,020	Environment & Operations Directorate	6,993	(3,849)	3,144
(11,091)	Housing & Regeneration Directorate - HRA Services	17,786	(29,100)	(11,314)
(11,914)	HRA revaluations (Note 13.6)	(29,744)	0	(29,744)
1,663	Housing & Regeneration Directorate - Other Services	2,595	(808)	1,787
1,190	Non Directorate Specific	1,430	0	1,430
(6,985)	Net Cost of Services	47,432	(70,737)	(23,305)
(40)	Other Operating Expenditure/(Income) (Note 13.2)			(1,289)
1,964	Financing and Investment Income and Expenditure (Note 13.3)			3,308
(15,491)	Taxation and Non-Specific Grant Income (Note 13.4)			(14,257)
(20,552)	(Surplus)/Deficit on the Provision of Services			(35,543)
(4,773)	Surplus or Deficit on revaluation of non-current assets (Note 13.15.1)			(3,633)
(40)	Revaluation of available-for-sale assets			152
(8,685)	Remeasurements of the net defined benefit liability (Note 13.23)			7,241
(13,498)	Other Comprehensive Income & Expenditure			3,760
(34,050)	Total Comprehensive Income & Expenditure			(31,783)

Expenditure on services and income relating to or derived from those services is classified in the Comprehensive Income and Expenditure Statement (CIES) in accordance with the CIPFA Code of Local Authority Accounting in the United Kingdom. The 2016/17 Code requires that authorities present expenditure and income on services on the basis of its reportable segments. These reportable segments are based on the authority's internal management reporting structure. This is a change from the previous requirement to present expenditure and income in accordance with the Service Expenditure Code of Practice (SERCOP), and represents a re-analysis of the Cost of Services presented in the CIES. As part of this exercise, opportunity has been taken to reconfirm arrangements for classifying income and expenditure; this has resulted in some activity classified as trading operations being adjusted from the Net Cost of Services for 2015/16, however, there is no change to the total (Surplus)/Deficit on the Provision of Services.

The 2015/16 CIES has been restated to incorporate prior year amendments following a review of the Asset Register. See note 12.33 for further information.

BALANCE SHEET

At 31 March 2016 Restated	Balance Sheet		At 31 March 2017	
£'000		Notes	£'000	£'000
	Property, Plant and Equipment	13.6		
	Operational assets			
275,555	- council dwellings		306,605	
33,819	- other land and buildings		36,136	
2,646	- vehicles, plant and equipment		2,946	
1,790	- infrastructure assets		1,643	
2,892	- community assets		2,892	
	Non-operational assets			
1,022	- assets under construction		760	
22	- land and buildings		50	
317,746	Total Property, Plant and Equipment		351,032	
158	Intangible Assets		158	
10,500	Investment Properties	13.9	20,900	
3,048	Heritage assets	13.8	3,084	
2,309	Long Term Debtors		314	
20	Long term Investments		9,578	34,034
333,781	Total Non-Current Assets			385,066
21	Inventories		30	
12,110	Short -term Debtors (Gross)	13.10	14,551	
(6,959)	Debt Impairment Provision		(6,405)	
15,074	Cash and Cash Equivalents	13.11	7,716	
21,047	Investments		16,045	
0	Assets Held For Sale		0	31,937
375,074	Total Assets			417,003
	Current Liabilities:			
(3,392)	Short-term Borrowing		(3,873)	
(7,679)	Short-term Creditors	13.12	(12,334)	(16,207)
364,003	Total Assets less Current Liabilities			400,796
	Long Term Liabilities:			
(60,741)	Liability Related to Defined Benefit Pension Scheme	13.23	(70,166)	
(102,667)	Long-term Borrowing	13.27	(98,082)	
(728)	Capital Grants Receipts in Advance	13.13	(691)	
(1,774)	Provisions	13.14	(1,981)	
(165,910)	Total Long-term Liabilities			(170,920)
198,093	Total Net Assets			229,876
	Financed by:			
(166,962)	Unusable Reserves	13.15	(194,479)	
(31,131)	Usable Reserves	13.16	(35,397)	(229,876)
(198,093)	Total Reserves			(229,876)

The 2015/16 Balance Sheet has been restated to incorporate prior year amendments following a review of the Asset Register. See note 12.33 for further information.

MOVEMENT IN RESERVES STATEMENT

Financial Year 2016/17	General Fund Balance	Earmarked Reserves	HRA	Major Repairs Reserve	Capital Receipts	Grants and Cont unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2016	(6,095)	(9,490)	(3,000)	(1,127)	(9,362)	(2,057)	(31,131)	(166,962)	(198,093)
(Surplus)/Deficit on Provision of Services	2,629		(38,172)				(35,543)		(35,543)
Other Comprehensive Expenditure or Income								3,760	3,760
Total Comprehensive Expenditure and Income	2,629		(38,172)				(35,543)	3,760	(31,783)
Adjustment between accounting basis and funding basis (Note 13.17)	(3,045)		36,328	(595)	(2,211)	800	31,277	(31,277)	0
Net (increase)/decrease before transfers to Earmarked Reserves	(416)		(1,844)	(595)	(2,211)	800	(4,266)	(27,517)	(31,783)
Transfers to/(from) Earmarked Reserves (Note 13.16.3)	349	(2,193)	1,844				0		0
(Increase)/Decrease in year	(67)	(2,193)	0	(595)	(2,211)	800	(4,266)	(27,517)	(31,783)
Balance at 31 March 2017	(6,162)	(11,683)	(3,000)	(1,722)	(11,573)	(1,257)	(35,397)	(194,479)	(229,876)

Financial Year 2015/16 - Restated	General Fund Balance	Earmarked Reserves	HRA	Major Repairs Reserve	Capital Receipts	Grants and Cont unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2015	(6,124)	(7,162)	(3,000)	(1,390)	(7,750)	(806)	(26,232)	(137,811)	(164,043)
(Surplus)/Deficit on Provision of Services	(1,081)		(19,471)				(20,552)		(20,552)
Other Comprehensive Expenditure or Income								(13,498)	(13,498)
Total Comprehensive Expenditure and Income	(1,081)		(19,471)				(20,552)	(13,498)	(34,050)
Adjustment between accounting basis and funding basis (Note 13.17)	355		17,898	263	(1,612)	(1,251)	15,653	(15,653)	0
Net (increase)/decrease before transfers to Earmarked Reserves	(726)		(1,573)	263	(1,612)	(1,251)	(4,899)	(29,151)	(34,050)
Transfers to/(from) Earmarked Reserves (Note 13.16.3)	755	(2,328)	1,573				0		0
(Increase)/Decrease in year	29	(2,328)	0	263	(1,612)	(1,251)	(4,899)	(29,151)	(34,050)
Balance at 31 March 2016	(6,095)	(9,490)	(3,000)	(1,127)	(9,362)	(2,057)	(31,131)	(166,962)	(198,093)

The 2015/16 Movement in Reserves Statement has been restated to incorporate prior year amendments following a review of the Asset Register. See note 12.33 for further information.

CASH FLOW STATEMENT

2015/16	Cash Flow Statement	2016/17	
£'000		£'000	£'000
(22,677)	a) Net (Surplus) or Deficit on the Provision of Services		(33,002)
	b) Adjustment to the net (surplus)/deficit on the provision of services for non-cash movements		
(7,250)	Depreciation and amortisation of non-current assets	(7,710)	
(881)	Impairment and downward valuations	(2,414)	
13,619	Impairment reversals (including writing out depreciation)	28,261	
(642)	Movement in impairment provision for bad debts	554	
(1,111)	Movement in revenue creditors	(3,320)	
(3,052)	Movement in revenue debtors	25	
5	Movement in inventories	9	
(2,799)	Movement in pension liability	(2,184)	
(1,539)	Carrying amount of non-current assets sold	(1,798)	
0	Carrying amounts of non-current assets de-recognised	(812)	
1,787	Other non-cash items charged to the net surplus or deficit on the provision of services	(1,978)	
<u>(24,540)</u>			<u>(24,369)</u>
	c) Adjustment for items in the net (surplus)/deficit on the provision of services that are investing and financing activities		
2,984	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	3,907	
224	Other Receipts for investing activities	30	3,937
<u>(21,332)</u>	d) Net Cash Flows from Operating Activities		<u>(20,432)</u>
	e) Investing Activities		
10,183	Purchase of property, plant and equipment, investment property and intangible assets	21,124	
7,000	Purchase of Short Term and Long Term Investments	4,707	
431	Other Payments for investing activities	376	
(2,984)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3,907)	
(224)	Other Receipts for investing activities	(30)	
<u>14,406</u>	Net cash flows from investing activities		<u>22,270</u>
	f) Financing Activities		
0	Cash Receipts of short and long term borrowing		
(881)	Other receipts from financing activities	2,416	
2,588	Repayments of short and long term borrowing	3,104	
0	Other payments for financing activities	0	
<u>1,707</u>	Net cash flows from financing activities		<u>5,520</u>
<u>(5,219)</u>	g) Net movements in year excluding non-cash items		<u>7,358</u>
9,855	h) Cash and cash equivalents at the beginning of the reporting period		15,074
5,219	i) Net increase or (decrease) in cash or cash equivalents		(7,358)
<u>15,074</u>	j) Cash and cash equivalents at the end of the reporting period		<u>7,716</u>

13. NOTES TO THE CORE FINANCIAL STATEMENTS

The notes that follow have been provided in support of the four core statements. Some are detailed breakdown of figures presented on the statements whilst others give additional information provided for disclosure purposes.

NOTES TO THE CORE FINANCIAL STATEMENTS

13.1. Expenditure and Funding Analysis

Financial Year 2016/17	Total reported out- turn in EFA format (Note 2)	Adjustments to arrive at the net amount chargeable to balances	Net Expenditure chargeable to the General Fund and HRA balances	Adjustments between Funding and Accounting Basis (Note 3)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000
Chief Executive	4	190	194	0	194
Communities	4,695	3,491	8,181	0	8,181
Corporate Services	5,182	(2,165)	3,017	0	3,017
Environment & Operations	3,163	(440)	3,144	0	3,144
Housing & Regeneration - HRA Services	(1,844)	(2,927)	(4,730)	(36,328)	(41,058)
Housing & Regeneration - Other Services	1,954	(140)	1,787	0	1,787
Non-Directorate Specific	1,266	164	1,430	0	1,430
Net cost of services	14,420	(1,827)	13,023	(36,328)	(23,305)
Other income and expenditure - HRA Services	0	1,233	1,192	0	1,192
Other income and expenditure - Other Services	(16,680)	594	(16,475)	3,045	(13,430)
(Surplus) or deficit	(2,260)	0	(2,260)	(33,283)	(35,543)
Opening General Fund and HRA Balance (Note 1)			(18,585)		
(Surplus)/Deficit on General Fund and HRA Balance in Year			(2,260)		
Closing General Fund and HRA Balance as at 31 March 2017			(20,845)		

13.1.1 Note 1 to the 2016/17 Expenditure and Funding Analysis

Analysis of Balances 2016/17	Opening Balance	(Surplus)/Deficit in Year	Closing Balance as at 31 March 2017
	£'000	£'000	£'000
General Fund	(6,095)	(67)	(6,162)
Earmarked Reserves	(9,490)	(2,193)	(11,683)
Housing Revenue Account	(3,000)	0	(3,000)
Total Balances	(18,585)	(2,260)	(20,845)

The Expenditure and Funding Analysis is intended to explain the main adjustments from net expenditure chargeable to the General Fund and HRA to arrive at the amounts in the Comprehensive Income &

NOTES TO THE CORE FINANCIAL STATEMENTS

Expenditure Statement.

Financial Year 2015/16 - Restated	Total reported out- turn in EFA format (Note 2)	Adjustments to arrive at the net amount chargeable to balances	Net Expenditure chargeable to the General Fund and HRA balances	Adjustments between Funding and Accounting Basis (Note 3)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000
Chief Executive	38	168	206	0	206
Communities	4,132	3,531	7,663	0	7,663
Corporate Services	3,889	(611)	3,278	0	3,278
Environment & Operations	3,166	(1,146)	2,020	0	2,020
Housing & Regeneration - HRA Services	(1,574)	(3,533)	(5,107)	(17,898)	(23,005)
Housing & Regeneration - Other Services	2,317	(654)	1,663	0	1,663
Non-Directorate Specific	0	1,190	1,190	0	1,190
Net cost of services	11,968	(1,055)	10,913	(17,898)	(6,985)
Other income and expenditure - HRA Services	0	1,874	1,874	0	1,874
Other income and expenditure - Other Services	(14,267)	(819)	(15,086)	(355)	(15,441)
(Surplus) or deficit	(2,299)	0	(2,299)	(18,253)	(20,552)
Opening General Fund and HRA Balance (Note 1)			(16,286)		
(Surplus)/Deficit on General Fund and HRA Balance in Year			(2,299)		
Closing General Fund and HRA Balance as at 31 March 2016			(18,585)		

13.1.2 Note 1 to the 2015/16 Expenditure and Funding Analysis

Analysis of Balances 2015/16	Opening Balance	(Surplus)/Deficit in Year	Closing Balance as at 31 March 2016
	£'000	£'000	£'000
General Fund	(6,124)	29	(6,095)
Earmarked Reserves	(7,162)	(2,328)	(9,490)
Housing Revenue Account	(3,000)	0	(3,000)
Total Balances	(16,286)	(2,299)	(18,585)

NOTES TO THE CORE FINANCIAL STATEMENTS

13.1.3 Note 2 to the 2016/17 Expenditure and Funding Analysis

Reconciliation between out-turn and EFA 2016/17	General Fund as reported at out-turn	HRA as reported at out-turn	Total outturn	Adjustments	Total reported out-turn in EFA format
	£'000	£'000	£'000	£'000	£'000
All Directorate - Salaries	10,189		10,189	(10,189)	0
Chief Executive	(158)		(158)	162	4
Communities	384		384	4,311	4,695
Corporate Services	2,467		2,467	2,715	5,182
Environment & Operations	2,017		2,017	1,146	3,163
Housing & Regeneration	99	(1,844)	(1,745)	1,855	110
Non-Directorate Specific	1,266		1,266	0	1,266
Directorate total	16,264	(1,844)	14,420	0	14,420
Interest & Investment Income	(502)		(502)	502	0
Government Grant Funding	(408)		(408)	408	0
Transfers to/(from) Reserves	827	1,844	2,671	(2,671)	0
Transfers to/(from) Balances	1,848		1,848	(1,848)	0
Transactions below the line	(3,642)		(3,642)	3,642	0
Other income and expenditure	0		0	(15,157)	(15,157)
Budget Requirement	14,387	0	14,387	(15,124)	(737)
Business Rate Income	(3,041)		(3,041)	3,041	0
Revenue Support Grant	(1,237)		(1,237)	1,237	0
New Homes Bonus	(1,848)		(1,848)	1,848	0
Council Tax Income	(6,050)		(6,050)	6,050	0
Parish Precepts	(279)		(279)	279	0
Transfers to/(from) the Collection Fund	(151)		(151)	151	0
Use of Working Balances	(2,518)		(2,518)	2,518	0
Budget Shortfall / (Underspend)	(737)	0	(737)	0	(737)
Reconciliation to EFA					
Directorate total					14,420
Other income and expenditure in out-turn				(15,157)	
Less movements in reserves items:					
<i>Transfers to/(from) Reserves (adjusted within outturn presentation)</i>				(2,193)	
<i>Transfers to/(from) Balances</i>				(1,848)	
<i>Use of Working Balances</i>				2,518	
Other income and expenditure in EFA					(16,680)
(Surplus) or deficit in EFA					(2,260)

NOTES TO THE CORE FINANCIAL STATEMENTS

13.1.3 Note 2 to the 2015/16 Expenditure and Funding Analysis

Reconciliation between out-turn and EFA 2015/16	General Fund as reported at out-turn	HRA as reported at out-turn	Total outturn	Adjustments	Total reported out-turn in EFA format
	£'000	£'000	£'000	£'000	£'000
All Directorate	9		9	(9)	0
Chief Executive	56		56	(18)	38
Communities	4,426		4,426	(294)	4,132
Corporate Services	3,857		3,857	32	3,889
Environment & Operations	3,289		3,289	(123)	3,166
Housing & Regeneration	2,551	(1,574)	977	(234)	743
Directorate total	14,188	(1,574)	12,614	(646)	11,968
Interest & Investment Income	(480)		(480)	480	0
Transfers to/(from) Reserves	755	1,574	2,329	(2,329)	0
Transfers to/(from) Balances	1,728		1,728	(1,728)	0
Transactions below the line	(1,845)		(1,845)	1,845	0
Other income and expenditure	0		0	(12,223)	(12,223)
Budget Requirement	14,346	0	14,346	(14,601)	(255)
Business Rate Income	(2,971)		(2,971)	2,971	0
Government Grant Funding	(2,009)		(2,009)	2,009	0
New Homes Bonus	(1,636)		(1,636)	1,636	0
Council Tax Income	(5,784)		(5,784)	5,784	0
Parish Precepts	(241)		(241)	241	0
Transfers to/(from) the Collection Fund	53		53	(53)	0
Use of Working Balances	(2,013)		(2,013)	2,013	0
Budget Shortfall / (Underspend)	(255)	0	(255)	0	(255)
Reconciliation to EFA					
Directorate total					11,968
Other income and expenditure in out-turn				(12,223)	
Less movements in reserves items:					
<i>Transfers to/(from) Reserves</i>				(2,329)	
<i>Transfers to/(from) Balances</i>				(1,728)	
<i>Use of Working Balances</i>				2,013	
Other income and expenditure in EFA					(14,267)
(Surplus) or deficit in EFA					(2,299)

Note - Re-statement of £863k compared to original 2015/16 outturn report re Corporate Management Expenses - originally in Chief Executive, now shown under Corporate Services.

NOTES TO THE CORE FINANCIAL STATEMENTS

13.1.3 Note 3 to the Expenditure and Funding Analysis

Adjustments from General Fund and HRA balances to arrive at the Comprehensive Income and Expenditure Statement 2016/17	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Chief Executive				0
Communities				0
Corporate Services				0
Environment & Operations				0
Housing & Regeneration - HRA Services	(30,718)	299	(5,909)	(36,328)
Housing & Regeneration - Other Services				0
Non-Directorate Specific				0
Net cost of services	(30,718)	299	(5,909)	(36,328)
Other income and expenditure from the funding analysis	1,322	1,885	(162)	3,045
Difference between General Fund & HRA surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(29,396)	2,184	(6,071)	(33,283)

Adjustments from General Fund and HRA balances to arrive at the Comprehensive Income and Expenditure Statement 2015/16	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Chief Executive				0
Communities				0
Corporate Services				0
Environment & Operations				0
Housing & Regeneration - HRA Services	(18,331)	417	16	(17,898)
Housing & Regeneration - Other Services				0
Non-Directorate Specific				0
Net cost of services	(18,331)	417	16	(17,898)
Other income and expenditure from the funding analysis	(1,756)	2,382	(981)	(355)
Difference between General Fund & HRA surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(20,087)	2,799	(965)	(18,253)

NOTES TO THE CORE FINANCIAL STATEMENTS

13.2. Other Operating Expenditure/Income

2015/16 Restated Net Expenditure	Other Operating Expenditure	2016/17 Expenditure	Income	Net Expenditure
£'000		£'000	£'000	£'000
241	Parish Precepts	279		279
41	Levies	40		40
535	Payments to the Housing Capital Receipts Pool	531		531
(1,345)	(Gains)/Losses on the disposal of non-current assets	1,798	(3,907)	(2,109)
712	Other derecognition of non-current assets			0
(224)	Other capital receipts		(30)	(30)
(40)	Total	2,648	(3,937)	(1,289)

The 2015/16 note has been restated to incorporate prior year amendments following a review of the Asset Register. See note 12.33 for further information.

13.3. Financing and Investment Income and Expenditure

2015/16 Net Expenditure	Financing and Investment Income and Expenditure	2016/17 Expenditure	Income	Net Expenditure
£'000		£'000	£'000	£'000
3,007	Interest Payable and Receivable	3,258	(542)	2,716
2,145	Pensions Interest cost and return on pension assets	2,128		2,128
(154)	Trading Operations (see below)	634	(805)	(171)
(3,034)	Investment Properties (inc fair value changes)	(596)	(769)	(1,365)
1,964	Total	5,424	(2,116)	3,308

The following (surpluses)/deficits have been realised in relation to Trading Operations carried out during 2016/17:

2015/16 Net Expenditure	Trading Operations	2016/17 Expenditure	Income	Net Expenditure
£'000		£'000	£'000	£'000
(188)	Industrial Estates	9	(157)	(148)
28	Spotlites Café	226	(254)	(28)
6	Trade Refuse Services	399	(394)	5
(154)	Total	634	(805)	(171)

NOTES TO THE CORE FINANCIAL STATEMENTS

13.4. Taxation and Non-Specific Income

The Borough's funding requirements, including those of the parish councils, are met by a demand on the Collection Fund. These are shown as an expenditure item in the Comprehensive Income and Expenditure Statement of the Collection Fund.

2015/16	Taxation and Non-specific Grant Income	2016/17
£'000		£'000
(6,137)	Council Tax Income	(6,472)
(3,169)	Business Rates Income	(2,749)
(4,332)	Non-Ringfenced Government Grants	(3,493)
(1,853)	Capital Grants & Contributions	(1,543)
(15,491)	Total	(14,257)

13.5. Expenditure and Income analysed by nature

2015/16 Total Net Expenditure - Restated £'000	Expenditure and Income Analysed by Nature	General Fund Net Expenditure £'000	2016/17 HRA Net Expenditure £'000	Total Net Expenditure £'000
Expenditure				
17,491	Employee expenses	14,217	2,848	17,065
43,349	Other service expenses	47,792	(20,449)	27,343
535	Payments to Housing Capital Receipts Pool	531	0	531
6,858	Depreciation, amortisation & impairment	2,246	5,972	8,218
(857)	(Gains)/losses on disposal of non-current assets	(368)	(1,771)	(2,139)
5,431	Interest payments	2,343	3,043	5,386
282	Precepts & levies	319	0	319
13,361	Support service recharges	11,964	3,530	15,494
86,450	Total Expenditure	79,044	(6,827)	72,217
Income				
(40,991)	Fees and charges and other service income	(12,819)	(29,152)	(41,971)
(9,305)	Income from Council Tax and Business Rates	(9,221)	0	(9,221)
(43,066)	Government grants and contributions	(40,214)	(318)	(40,532)
(13,361)	Support service recharges	(13,658)	(1,836)	(15,494)
(279)	Interest and investment income	(503)	(39)	(542)
(107,002)	Total Income	(76,415)	(31,345)	(107,760)
(20,552)	(Surplus)/Deficit on the Provision of Services	2,629	(38,172)	(35,543)

The 2015/16 note has been restated to incorporate prior year amendments following a review of the Asset Register. See note 12.33 for further information.

NOTES TO THE CORE FINANCIAL STATEMENTS

13.6. Property Plant and Equipment

Financial Year 2016/17	Property, plant & equipment							Total
	Operational Assets					Non-Op Assets		
	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infra-structure Assets	Community Assets	Assets Under Construction	Other Land & Buildings	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
As at 1 April 2016	275,555	35,502	5,966	2,218	2,892	1,022	22	323,177
Additions	7,635	2,023	877	0	0	693	217	11,445
Revaluation increases/decreases recognised in Revaluation Reserve	0	2,434	0	0	0	0	0	2,434
Revaluation increases/(decreases) recognised in Surplus/Deficit on Provision of Services	23,995	(2,663)	0	0	0	0	(239)	21,093
Derecognition - disposals	(1,535)	(316)	0	0	0	0	0	(1,851)
Assets reclassified	955	(51)	0	0	0	(955)	51	0
Other movements in cost or valuation	0	(59)	0	0	0	0	0	(59)
As at 31 March 2017	306,605	36,870	6,843	2,218	2,892	760	51	356,239
Accumulated Depreciation and Impairments								
As at 1 April 2016	0	(1,683)	(3,320)	(428)	0	0	0	(5,431)
Depreciation Charge for year	(5,779)	(1,161)	(577)	(148)	0	0	0	(7,665)
Accumulated depreciation written out to the Revaluation Reserve	0	1,602	0	0	0	0	0	1,602
Accumulated depreciation written out to the (Surplus)/Deficit on the Provision of Services	5,747	734	0	0	0	0	0	6,481
Impairment (losses) recognised in the Revaluation Reserve	0	(250)	0	0	0	0	0	(250)
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0
Accumulated depreciation and impairment written back on disposal	32	21	0	0	0	0	0	53
Reclassifications	0	1	0	0	0	0	(1)	0
Other movements in depreciation and impairment	0	2	0	1	0	0	0	3
As at 31 March 2017	0	(734)	(3,897)	(575)	0	0	(1)	(5,207)
Net Book Value								
At 31 March 2017	306,605	36,136	2,946	1,643	2,892	760	50	351,032
At 1 April 2016	275,555	33,819	2,646	1,790	2,892	1,022	22	317,746

NOTES TO THE CORE FINANCIAL STATEMENTS

Financial Year 2015/16 - Restated	Property, plant & equipment							Total
	Operational Assets					Non-Op Assets		
	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infra-structure Assets	Community Assets	Assets Under Construction	Other Land & Buildings	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
As at 1 April 2015	261,876	39,820	8,091	2,521	4,707	468	1,979	319,462
Additions	7,190	434	514	44	4	2,233	0	10,419
Revaluation increases/decreases recognised in Revaluation Reserve	0	(1,338)	0	0	0	0	0	(1,338)
Revaluation increases/(decreases) recognised in Surplus/Deficit on Provision of Services	6,422	(896)	0	0	0	0	0	5,526
Derecognition - disposals	(1,638)	(16)	(2,634)	0	0	0	0	(4,288)
Derecognition - other	0	(553)	(1,027)	(347)	0	0	(1,979)	(3,906)
Assets reclassified	1,705	677	1,022	0	(1,819)	(1,679)	22	(73)
Other movements in cost or valuation	0	(2,625)	0	0	0	0	0	(2,625)
As at 31 March 2016	275,555	35,502	5,966	2,218	2,892	1,022	22	323,177
Accumulated Depreciation and Impairments								
As at 1 April 2015	0	(7,788)	(4,958)	(469)	(2,206)	0	(1,888)	(17,309)
Depreciation Charge for year	(5,492)	(934)	(563)	(154)	0	0	0	(7,143)
Accumulated depreciation written out to the Revaluation Reserve	0	4,679	0	0	0	0	0	4,679
Accumulated depreciation written out to the (Surplus)/Deficit on the Provision of Services	5,492	48	0	0	0	0	0	5,540
Impairment (losses)/reversals recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	0	(33)	0	0	0	0	0	(33)
Accumulated depreciation and impairment written back on disposal	0	74	2,803	196	0	0	1,888	4,961
Reclassifications	0	(385)	(1,434)	0	1,819	0	0	0
Other movements in depreciation and impairment	0	2,656	832	(1)	387	0	0	3,874
As at 31 March 2016	0	(1,683)	(3,320)	(428)	0	0	(0)	(5,431)
Net Book Value								
At 31 March 2016	275,555	33,819	2,646	1,790	2,892	1,022	22	317,746
At 1 April 2015	261,876	32,032	3,133	2,052	2,501	468	91	302,153

The 2015/16 Note has been restated to incorporate prior year amendments following a review of the Asset Register. See note 12.33 for further information.

Revaluations of the Council's assets are carried out on a five yearly cycle as per paragraph 12.7 of the Accounting Policies. For 2016/17, valuations were carried out internally by the Council's Principal Estates Surveyor, Sarah London, BSc (Hons) MRICS, on behalf of the Council's Property Services Manager and based on a valuation date of 1 April 2016. In addition, a further review was carried out at the end of the year resulting in the values of some assets being restated.

Wilks Head & Eve, Chartered Surveyors and Town Planners carried out a valuation of Council Dwellings at 31 March 2016. A desktop revaluation of Council Dwellings was carried out by suitably qualified officers of the Council as at 31 March 2017. The carrying value of Council Dwellings has increased by 8.2% since March 2016; this represents the annual change in house prices for Gravesham as published by HM Land Registry. The valuation has also been amended to account for the 1% increase in the social housing discount factor.

NOTES TO THE CORE FINANCIAL STATEMENTS

These adjustments have resulted in a net increase in value of £24.0m, which has been shown separately within the Comprehensive Income & Expenditure Statement.

The methods and significant assumptions applied are in accordance with UK Valuation Standards which require that valuations shall be in accordance with the CIPFA Code. Essentially, current value is interpreted as the amount that would be paid for the asset in its existing use.

13.7. Depreciation and Impairment

Service revenue accounts are charged with depreciation during the year to properly reflect the cost of utilising assets in the provision of the council services. For 2016/17 the total depreciation charges were £7.67m (£7.14m, 2015/16), including £5.96m to the HRA. A reversing entry ensures that the overall revenue effect is neutral and that no cost falls to the local taxpayer.

During 2016/17 the Council has recognised a net total gain within the Comprehensive Income and Expenditure Statement of £29.74m in respect of its non-current assets (11.91m, 2015/16 Restated). Net revaluation losses totalling £2.17m (£0.85m, 2015/16) have been recognised within the Comprehensive Income and Expenditure Statement during 2016/17, where there are no accumulated revaluation gains held within the Revaluation Reserve Account. An Impairment review identified one asset as being impaired by £250,000 as at 31 March 2017.

The HRA depreciation and impairment is disclosed in note 14.3 of the notes to the HRA.

13.8. Heritage Assets

Heritage Assets where the Council holds information on an asset's cost or value are detailed in the table below. Where the Council does not hold information on cost or value, and it is considered that the cost of obtaining this information outweighs the benefit to the reader of the accounts, assets are not included in the Balance Sheet but disclosed in this note. These include the Fort Gardens Tunnels and various war memorials in the borough.

31st March 2016	Heritage Assets	31st March 2017
£'000		£'000
203	Fort Gardens - Bandstand	203
1,830	Clock Tower	1,830
50	Puji Memorial	50
23	Mayoral Chains	23
182	Civic regalia	182
50	Museum exhibits	86
710	Woodlands Park Bunker	710
3,048	Total	3,084

NOTES TO THE CORE FINANCIAL STATEMENTS

13.9. Investment Properties

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. 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 the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancement. Valuations were assessed by the Council's Principal Estates Surveyor, Sarah London, BSc (Hons) MRICS, on behalf of the Council's Property Services Manager.

The fair value of Investment Properties on the Balance Sheet as at 31 March 2017 is £20.90m (at 31 March 2016 £10.50m). The asset valuations were conducted internally by suitably qualified valuation staff.

13.10. Debtors

Short-term debtors are shown below under the specific categories defined within the code of practice guidance.

31st March 2016	Short term Debtors	Movement	31st March 2017
£'000		£'000	£'000
1,142	Central government bodies	(712)	430
0	Other local authorities	1,302	1,302
10,968	Other entities and individuals	1,851	12,819
<u>12,110</u>	Total		<u>14,551</u>

13.11. Cash and Cash Equivalents

The net balance of Cash and Cash Equivalents at the Balance Sheet date is made up of the following elements.

31st March 2016	Cash & Cash Equivalents	Movement	31st March 2017
£'000		£'000	£'000
524	Cash in Hand/(Overdrawn)	(298)	226
14,550	Short Term Deposits	(7,060)	7,490
<u>15,074</u>	Total Cash & Cash Equivalents	<u>(7,358)</u>	<u>7,716</u>
9,855	Balance brought forward at 1 April		15,074
5,219	Movement in year		(7,358)
<u>15,074</u>	Balance carried forward at 31 March		<u>7,716</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

13.12. Creditors

Creditors are shown in the next table under the specific categories defined within the code of practice guidance.

31st March 2016	Short term Creditors	31st March 2017
£'000		£'000
(1,679)	Central government bodies	(4,722)
(1,922)	Other local authorities	(1,449)
(4,078)	Other entities and individuals	(6,163)
(7,679)	Total	(12,334)

13.13. Capital Grants and Contributions Received in Advance

Capital Grants and Contributions received in advance	Balance at 31st March 2016	Receipts	Recognised as Income	Balance at 31st March 2017
	£'000		£'000	£'000
Land Securities - Springhead	(250)	0	0	(250)
Christianfields	(204)	0	204	0
Capital Contributions - Landseer Avenue	(74)	0	0	(74)
S106 Capital Contribution Wales E.Milton Road	0	(53)	0	(53)
S106 Capital Contribution Whitehill Road Open Space	0	(52)	0	(52)
Other Small Grants and Contributions	(200)	(62)	0	(262)
Total Capital Grants and Contributions received in advance	(728)	(167)	204	(691)

13.14. Provisions

Municipal Mutual Insurance Company (MMI) was the leading provider of local Authority insurances for many years until 1992 when the company failed and went into 'run-off'. Currently, what remains of MMI is still solvent and the known and anticipated liabilities arising from prior years' insured risks will be met from the company's assets. Councils (and other creditors) will be liable to repay sums that have previously been paid out on their behalves in settlement of claims, hence calls on the council's contribution will be required. A provision in the sum of the council's estimated maximum liability of £170,000 was made in the 2011/12 accounts, with £26,000 utilised during 2013/14 and a further £17,000 utilised in 2016/17. There has been no further call on the provision balance of £127,000 to 31 March 2017.

Under the new arrangements introduced from 1 April 2013, the authority and other business rates preceptors assume liability for bearing the cost (via the Collection Fund) of refunding ratepayers who successfully appeal against the rateable value of their commercial properties. The Council held a provision of £1.61m in 2015/16, which represents its share of any rate refunds arising from successful appeals. In 2016/17 this provision was increased by a further £0.24m, giving a total provision of £1.85m.

The Council has total provisions of £1.98m.

NOTES TO THE CORE FINANCIAL STATEMENTS

13.15. Unusable Reserves

Unusable reserves are unrealised gains and losses on assets, and adjustment accounts that absorb the difference between the outcome of applying proper accounting practices and the requirements of statutory arrangements for funding expenditure. Below is a summary of those reserves.

Restated 31st March 2016 £'000	Unusable Reserves	31st March 2017 £'000
(21,392)	Revaluation Reserve (note 13.15.1)	(24,226)
(206,745)	Capital Adjustment Account (note 13.15.2)	(240,909)
122	Financial Instruments Adjustment Account (note 13.15.3)	105
249	Accumulated Absences Account (note 13.15.4)	336
(73)	Deferred Capital Receipts Reserve	(62)
60,741	Pensions Reserve (Note 13.23)	70,166
183	Collection Fund Adjustment Account (note 15.5)	6
(47)	Available-for-Sale Financial Instruments Adjustment Account	105
(166,962)	Total Unusable Reserves	(194,479)

The 2015/16 Unusable Reserves have been restated to incorporate prior year amendments following a review of the Asset Register. See note 12.33 for further information.

13.15.1. Revaluation Reserve Account

The Revaluation Reserve Account summarises the net gains or losses arising from asset revaluations during the year. The balance is reduced when assets with previously accumulated gains are:

- Revalued downwards or impaired and the previous gains are lost;
- Used in the provision of services and the gains are consumed through depreciation;
- Disposed of and the gains are realised in the Comprehensive Income and Expenditure Statement, with the Revaluation Reserve values being written off as part of the disposal.

The closing balance on the Revaluation Reserve Account represents the net gain realised on non-current assets from 1 April 2007 onwards.

Restated 2015/16 £'000	Revaluation Reserve	2016/17 £'000
(19,151)	Balance at 1 April	(21,392)
(6,080)	Upward revaluation of assets	(6,031)
1,307	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	2,397
(4,773)	Surplus or Deficit on the revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(3,634)
697	Difference between fair value depreciation and historic cost depreciation	648
0	Accumulated gains on assets sold or scrapped	152
1,835	Adjustments with the Capital Adjustment Account following Asset Register Review	0
2,532	Amount written off to the Capital Adjustment Account	800
(21,392)	Balance at 31 March	(24,226)

NOTES TO THE CORE FINANCIAL STATEMENTS

13.15.2. 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 Account 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 Account was created to hold such gains.

2015/16 Restated £'000	Capital Adjustment Account	2016/17 £'000
Sources of Finance		
(1,072)	Capital Receipts	(1,207)
(602)	Government grants and contributions (received in year)	(1,165)
0	Government grants and contributions (brought forward)	(1,178)
(5,923)	Major Repairs Reserve	(5,369)
(7,597)		(8,919)
Sums set aside from revenue		
(3,253)	Direct revenue contributions	(2,918)
(2,706)	Minimum revenue provision (MRP)	(3,217)
(5,959)	Increase or decrease during year	(6,135)
Removal of items not chargeable to Fund Balances		
7,143	Depreciation charged in the year	7,665
107	Amortisation charged in the year	45
881	Revaluation gains	0
0	Revaluation losses - PPE	2,356
(11,914)	Reversal of impairment losses - HRA	(29,744)
0	Reversal of impairment losses - GF	(185)
(2,550)	Revaluation (gains)/losses - Investment properties	(620)
1,539	Disposals in the year	1,798
431	Revenue expenditure met from capital under statute	376
(4,363)	Increase or decrease during year	(18,309)
(17,919)	<i>Total accounting adjustments between funding basis under statute</i>	(33,363)
Write Down of Revaluation Reserve (Note 13.14.1)		
0	Accumulated Gains on disposed assets	(152)
0	Revaluation Reserve depreciation	(648)
(697)	Difference between Historic and Current Depreciation	0
(697)		(800)
(1,415)	Differences following Asset Register Review	0
(1,415)		0
(20,031)	Increase or decrease during year	(34,163)
(186,714)	Balance brought forward at 1 April	(206,745)
(20,031)	Movement in year	(34,163)
(206,745)	Balance carried forward at 31 March	(240,909)

The 2015/16 Capital Adjustment Account has been restated to incorporate prior year amendments following a review of the Asset Register. See note 12.33 for further information.

13.15.3. Financial Instruments Adjustment Account

This account is a balancing account to allow for differences in statutory requirements and proper accounting practices on borrowings and investments. This account represents the differences between costs in relation to financial instruments calculated in accordance with the Code where charges are different to those as calculated in accordance with statutory requirements.

2015/16	Financial Instruments Adjustment Account	2016/17
<i>£'000</i>		<i>£'000</i>
(17)	Private Sector renovation loans	(17)
<u>(17)</u>	Total increase/(decrease) in Financial Instruments	<u>(17)</u>
139	Balance brought forward at 1 April	122
(17)	Movement in year	(17)
<u>122</u>	Balance carried forward at 31 March	<u>105</u>

13.15.4. 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	Accumulated Absences Account	2016/17
<i>£'000</i>		<i>£'000</i>
(189)	Reversal of accrual from preceding year	(249)
249	Amount accrued at the end of the current year	336
<u>60</u>	Total increase/(decrease) in Accumulated Absences Account	<u>87</u>
189	Balance brought forward at 1 April	249
60	Movement in year	87
<u>249</u>	Balance carried forward at 31 March	<u>336</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

13.16. Usable Reserves

The Council keeps a number of reserves in the Balance Sheet that are either held for statutory reasons, to comply with proper accounting practice or to voluntarily earmark monies to fund future spending plans.

31st March 2016	Usable Reserves	31st March 2017
£'000		£'000
(9,362)	Capital Receipts Reserve	(11,573)
(6,337)	Earmarked Reserves	(8,850)
(3,153)	Revenue Grants not yet applied	(2,833)
(2,057)	Grants & Contributions Unapplied	(1,257)
(1,127)	Major Repairs Reserve	(1,722)
(6,095)	General Fund Balance	(6,162)
(3,000)	Housing Revenue Account Balance	(3,000)
(31,131)	Total Usable Reserves	(35,397)

13.16.1. Capital Receipts Reserve

2015/16	Capital Receipts Reserve	2016/17
£'000		£'000
(2,983)	Cash proceeds from the disposal of non-current assets	(3,907)
(224)	Other capital receipts	(30)
(12)	Transfer from Deferred Capital Receipts (Note 13.15)	(12)
535	Payment to Housing Capital Receipts Pool (Note 14.7)	531
1,072	Applied in Capital Financing	1,207
(1,612)	Total (increase)/decrease	(2,211)
(7,750)	Balance brought forward at 1 April	(9,362)
(1,612)	Movement in year	(2,211)
(9,362)	Balance carried forward at 31 March	(11,573)

Usable capital receipts are receipts from the disposal of assets that have not yet been used to finance expenditure or repay debt. As indicated in Note 14.7 to the Housing Revenue Account, a proportion of specified housing related capital receipts is payable into a Government pool for redistribution. The code requires any amount paid to the pool to be disclosed as expenditure in the Comprehensive Income and Expenditure Statement even though the capital receipts themselves have not been recognised as income within the Comprehensive Income and Expenditure Statement. The deficit is made good by an equivalent appropriation from Usable Capital Receipts.

NOTES TO THE CORE FINANCIAL STATEMENTS

13.16.2. Grants and Contributions Unapplied

Grants & Contributions Unapplied	Balance at 31st March 2016	Transfer from General Fund Balance	Applied in capital financing	Balance at 31st March 2017
	£'000	£'000	£'000	£'000
Performance Reward Grant	(128)	0	0	(128)
Public Realm Improvement & Maint Funds	(89)	0	0	(89)
CLG - Transport Quarter Stage 3	(500)	0	0	(500)
CLG - Localised Council Tax Support	(89)	0	0	(89)
Disabled Facilities Grants	(40)	(378)	40	(378)
Coastal Communities Market Capital	(1,143)	0	1,133	(10)
Gravesend Ferry	(13)	0	5	(8)
Land at South of Hever Court Road	(55)	0	0	(55)
Total (increase)/decrease	(2,057)	(378)	1,178	(1,257)
Balance brought forward at 1 April	(806)			(2,057)
Movement in year	(1,251)			800
Balance carried forward at 31 March	(2,057)			(1,257)

NOTES TO THE CORE FINANCIAL STATEMENTS

13.16.3. Earmarked Reserves

Expenditure funded from an earmarked reserve is charged direct to revenue, and not to the reserve, with the equivalent funding being shown as Contributions from Reserves. The following statement shows the expenditure and income in respect of Earmarked Reserves for the year:

31st March 2016	Earmarked Reserves	Transfer from balances	Applied in revenue financing	Transfer between reserves	31st March 2017
£'000		£'000	£'000	£'000	£'000
(280)	Planning Policy Reserve	(100)	53	0	(327)
(341)	Repair & Renewals Reserve	(266)	123	0	(484)
(347)	Spend to Save Reserve (Inc. Digital Team)	(28)	26	0	(349)
(400)	Leisure Centres Reserve	(382)	126	0	(656)
(318)	Corporate Priorities Reserve	0	42	0	(276)
(91)	Town Pier Pontoon Reserve	(12)	0	0	(103)
(100)	Local Authority Mortgage Scheme Reserve	0	0	0	(100)
(50)	Elections Reserve	(39)	0	0	(89)
(41)	Gravesham CAN Reserve	0	41	0	0
(719)	Business Rates Collection Fund Reserve	(351)	570	0	(500)
(125)	IT Infrastructure Reserve	(75)	190	0	(10)
(393)	DSO Vehicle Capital	(206)	487	0	(112)
(116)	Freighter Replacement Reserve	(222)	0	0	(338)
(155)	NNDR Growth Fund Reserve	(92)	2	0	(245)
(43)	Decriminalisation Reserve	(6)	0	0	(49)
(40)	GBC Match Fund CCF Borough Market	0	0	0	(40)
0	Lower Thames Crossing Reserve	(150)	0	0	(150)
0	Service Review Reserve	(140)	0	(160)	(300)
0	Playgrounds Reserve	(100)	0	0	(100)
(2,778)	HRA General Reserve	(1,844)	0	0	(4,622)
(3,153)	Revenue Grants not yet applied	(124)	284	160	(2,833)
(9,490)	Total Earmarked Reserves	(4,137)	1,944	0	(11,683)
(7,162)	Balance brought forward at 1 April				(9,490)
(2,328)	Movement in year				(2,193)
(9,490)	Balance carried forward at 31 March				(11,683)

These reserves have been established for the following purposes:-

Planning Policy Reserve – To meet the financial liabilities arising from the development and maintenance of the Gravesham Local Development Scheme.

Repairs and Renewals Reserve – To assist in meeting repair and maintenance works to the council's assets over the forthcoming financial years. (Incorporates funds previously held within the Buildings Improvements Reserve).

Spend to Save Reserve – To assist in delivering savings over the forthcoming medium term financial plan period.

Leisure Centres Reserve – To contribute to major infrastructure liabilities that may accrue in relation to Leisure Centres.

NOTES TO THE CORE FINANCIAL STATEMENTS

Corporate Priorities Reserve - To deliver specific items in line with the Council's Corporate Plan.

Town Pier Pontoon Reserve – To assist with the ongoing maintenance costs in respect of the town pier pontoon.

Local Authority Mortgage Scheme (LAMS) Reserve – To meet potential liabilities from default on mortgages provided through LAMS.

Elections – To assist in meeting the costs associated with the borough election cycle.

Business Rates Collection Fund Equalisation – To smooth the timing differences bought about by the accounting arrangements for business rates.

IT Infrastructure Reserve – To enable the Council to better plan for investment in improving and developing its IT infrastructure and use of digital technology.

DSO Vehicle Capital Reserve – To hold annual contributions towards the replacement of DSO vehicles and proceeds from the disposal of redundant vehicles.

Freighter Replacement Reserve – To hold annual contributions to the replacement of waste collection freighters and proceeds from the disposal of redundant vehicles.

NNDR Growth Fund Reserve – To hold growth fund monies for Gravesham generated from retained business rate growth as a result of the Council being part of the Kent Business Rates Pool.

Decriminalisation – To provide replacement equipment and uniforms as and when required.

Borough Market Reserve – To hold Gravesham Borough Council's match funding (to external grant income) in order to facilitate the borough market refurbishment project.

Lower Thames Crossing Reserve – To provide for any potential costs incurred by the Authority in relation to opposing the Secretary of State preferred route for the new Lower Thames Crossing.

Service Review Reserve – To provide funding for one-off costs associated with the Service Review work strand of the Medium Term Financial Strategy.

Playgrounds Reserve – to provide for replacement play equipment within the borough.

HRA General Reserve – To meet future Housing Revenue Account priorities or mitigate against future funding obligations.

NOTES TO THE CORE FINANCIAL STATEMENTS

13.17. Adjustments Between Accounting Basis and Funding Basis under Regulations

Adjustments between Accounting Basis and Funding Basis under regulations - 2016/17	General Fund Balance	HRA	Major Repairs Reserve	Capital Receipts	Grants and Cont unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<i>Adjustments primarily involving the Capital Adjustment Account</i>						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for depreciation of non-current assets	(1,701)	(5,963)				7,664
Charges for impairment of non-current assets	186	29,744				(29,930)
Revaluation gains/losses on Property, plant and equipment	(2,294)	(61)				2,355
Movement in the fair value of Investment Properties	620					(620)
Amortisation of intangible assets	(36)	(9)				45
Capital Grants & Contributions applied	1,125	40				(1,165)
Revenue expenditure funded from capital under statute (REFCUS)	(376)					376
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	(145)	(1,653)				1,798
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Statutory provision for the financing of capital investment (MRP)	193	3,024				(3,217)
Capital expenditure charged against the General Fund and HRA balances (Direct Revenue Financing)	746	2,172				(2,918)
<i>Adjustments primarily involving the Capital Grants Unapplied Account</i>						
Capital Grants & Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	378				(378)	0
Application of grants to capital financing transferred to the Capital Adjustment Account					1,178	(1,178)
<i>Adjustments primarily involving the Capital Receipts Reserve</i>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	500	3,407		(3,907)		0
Other Capital Receipts	13	17		(30)		
Use of the Capital Receipts Reserve to finance new capital expenditure				1,207		(1,207)
Contribution from the Capital Receipts Reserve to finance the payments to the Governments capital receipts pool	(531)			531		0
<i>Adjustments primarily involving the Deferred Capital Receipts Reserve</i>						
Transfer from Deferred Capital Receipts Reserve upon the receipt of cash				(12)		12
<i>Adjustments primarily involving the Major Repair Reserve</i>						
Reversal of Major Repairs Allowance credited to the HRA		5,964	(5,964)			
Use of the Major Repair Reserve to finance new capital expenditure			5,369			(5,369)
<i>Adjustments primarily involving the Financial Instruments Adjustment Account</i>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	17					(17)
<i>Adjustments primarily involving the Pensions Reserve</i>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(4,921)	(868)				5,789
Employer's pensions contributions and direct payments to pensioners payable in the year	3,036	569				(3,605)
<i>Adjustments primarily involving the Collection Fund Adjustment Account</i>						
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	41					(41)
Amount by which non-domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from Non-domestic Rate Income calculated for the year in accordance with statutory requirements	135					(135)
<i>Adjustment primarily involving the Accumulated Absences Account</i>						
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	(31)	(55)				86
(Increase)/Decrease in year	(3,045)	36,328	(595)	(2,211)	800	(31,277)

NOTES TO THE CORE FINANCIAL STATEMENTS

Adjustments between Accounting Basis and Funding Basis under regulations - 2015/16 Restated	General Fund Balance	HRA	Major Repairs Reserve	Capital Receipts	Grants and Cont unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<i>Adjustments primarily involving the Capital Adjustment Account</i>						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for depreciation of non-current assets	(1,490)	(5,654)				7,144
Charges for impairment of non-current assets	452	11,914				(12,366)
Revaluation gains/losses on Property, plant and equipment	(920)	(21)				941
Movement in the fair value of Investment Properties	2,550	0				(2,550)
Amortisation of intangible assets	(20)	(87)				107
Capital Grants & Contributions applied	602	0				(602)
Revenue expenditure funded from capital under statute (REFCUS)	(431)	0				431
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	88	(1,627)				1,539
Amounts of non-current assets de-recognised within the Comprehensive Income and Expenditure Statement	(771)	(41)				812
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Statutory provision for the financing of capital investment (MRP)	199	2,507				(2,706)
Capital expenditure charged against the General Fund and HRA balances (Direct Revenue Financing)	557	2,696				(3,253)
<i>Adjustments primarily involving the Capital Grants Unapplied Account</i>						
Capital Grants & Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,251	0			(1,251)	0
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	224	2,984		(3,208)		0
Use of the Capital Receipts Reserve to finance new capital expenditure				1,072		(1,072)
Contribution from the Capital Receipts Reserve to finance the payments to the Governments capital receipts pool	(535)			535		0
Transfer from Deferred Capital Receipts Reserve upon the receipt of cash				(11)		11
<i>Adjustments primarily involving the Major Repair Reserve</i>						
Reversal of Major Repairs Allowance credited to the HRA		5,660	(5,660)			0
Use of the Major Repair Reserve to finance new capital expenditure			5,923			(5,923)
<i>Adjustments primarily involving the Financial Instruments Adjustment Account</i>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	17	0				(17)
<i>Adjustments primarily involving the Pensions Reserve</i>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(5,263)	(943)				6,206
Employer's pensions contributions and direct payments to pensioners payable in the year	2,881	526				(3,407)
<i>Adjustments primarily involving the Collection Fund Adjustment Account</i>						
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	164					(164)
Amount by which non-domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from Non-domestic Rate Income calculated for the year in accordance with statutory requirements	844					(844)
<i>Adjustment primarily involving the Accumulated Absences Account</i>						
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	(44)	(16)				60
(Increase)/Decrease in year	355	17,898	263	(1,612)	(1,251)	(15,653)

The 2015/16 note has been restated to incorporate prior year amendments following a review of the Asset Register. See note 12.33 for further information.

13.18. Related Party Transactions

The Council 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. By making such disclosures, readers of the accounts are able 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 operate freely with the Council.

Central Government

Central Government has significant influence over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are separately identified within Note 13.4.

Elected Members and Officers

Elected Members and Senior Officers of the Council have direct control over the Council's financial and operating policies. The key sources used to identify material related party transactions for Senior Officers and Members are:

- The Register of Members' Interests (as maintained in accordance with the Local Authorities (Members' Interests) Regulations 1992),
- Disclosure of direct or indirect pecuniary interests at council meetings, made in accordance with Section 94 of the Local Government Act of 1972.

This information can be viewed for each councillor by following the "Local Councillor(s)" link at: <http://www.gravesham.gov.uk/democracy/mgMemberIndex>

The information is supplemented by the Council requiring Members and Senior Officers to annually declare whether they, close family or anyone in the same household have been involved in any material transactions with the Council. For the 2016/17 financial year the following relationships were considered material:

Officer/ Member	Nature of Related Party Transaction	Value of Transactions
Cllr Samir Jassal	Council Representative on Groundwork South Team Green	£96,000
Cllr Lesley Boycott	Council Representatives on Gravesham Citizens Advice Bureau Payment by the Council to Gravesham Citizens Advice Bureau Use of Premises at Civic Centre	£93,490 £48,000

The council works with a number of partner organisations. Details of these arrangements are published in the Corporate Register of Partnerships which can be viewed at: <http://www.gravesham.gov.uk/partnership-register>

NOTES TO THE CORE FINANCIAL STATEMENTS

13.19. Member Allowances

Member allowances (including all payments in relation to remuneration) to the value of £0.25m were paid during 2016/17 (2015/16, £0.24m) in accordance with the Gravesham Borough Council Members' Allowances Scheme.

Further details are published on our website: www.gravesham.gov.uk/MemberAllowances

13.20. Officer Remuneration and Exit Packages

This note provides details of senior officers' remuneration, the number of employees earning above £50,000 per annum, and exit packages.

"Remuneration" incorporates basic pay, allowances & expenses and exit packages (where payable directly to the employee).

Senior Officers

In the case of senior officers, pension contributions are also disclosed (including pension-based exit packages). These contributions are amounts paid by the authority into the Kent County Council pension fund, but not directly receivable by the employee. Shaded posts fulfil statutory roles.

Senior Officer Remuneration 2016/17	Pay and allowances £'000	Compensation for loss of office £'000	Pension £'000	Total remuneration £'000
Chief Executive	126	-	-	126
Director (Communities)	94	-	13	107
Director (Corporate Services)	83	-	11	94
Director (Environment & Operations)	95	-	13	108
Director (Housing & Regeneration)	94	-	14	108
Assistant Director (Governance & Law)	75	44	10	129
Total	567	44	61	672

Senior Officer Remuneration 2015/16	Pay and allowances £'000	Compensation for loss of office £'000	Pension £'000	Total remuneration £'000
Chief Executive	124	-	-	124
Director (Communities)	93	-	13	106
Director (Corporate Services)	20	-	2	22
Director (Environment & Operations)	93	-	13	106
Director (Housing & Regeneration)	93	-	13	106
Assistant Director (Corporate Performance)	53	-	8	61
Assistant Director (Finance)	74	-	105	179
Assistant Director (Governance & Law)	74	-	10	84
Total	624	-	164	788

The contribution rate for employer pension remained at 14.5% in 2016/17 – the same level as in 2015/16. Additionally, a lump sum of £1,390,000 has been paid as a "past service contribution". This amount is not included in the pension contributions for 2016/17 shown in the table above.

NOTES TO THE CORE FINANCIAL STATEMENTS

Employees earning above £50,000

2015/16	Employees earning above £50,000	2016/17
<i>nos</i>		<i>nos</i>
	<i>Remuneration band</i>	
3	£50,001 - £55,000	6
1	£55,001 - £60,000	1
5	£60,001 - £65,000	4
-	£65,001 - £70,000	2
3	£70,001 - £75,000	-
-	£75,001 - £80,000	2
-	£80,001 - £85,000	1
-	£85,001 - £90,000	-
-	£90,001 - £95,000	-
-	£95,001 - £100,000	-
-	£100,001 - £105,000	1
-	£105,001 - £110,000	-
-	£110,001 - £115,000	-
-	£115,001 - £120,000	-
1		-
13	Total	17

The bandings exclude the remuneration of individuals already included within the senior officer tables, but do incorporate exit packages directly payable where appropriate.

Exit Packages

The number of exit packages, both by type and banding are shown in the table below. Exit packages include both payments made directly to individuals, and other costs such as payments to Kent County Council in respect of pension benefits e.g. where retirement has been taken early but with preserved pension rights.

Exit packages Cost band (including special payments)	Number of compulsory		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
	<i>nos</i>	<i>nos</i>	<i>nos</i>	<i>nos</i>	<i>nos</i>	<i>nos</i>	£'000	£'000
£1-£20,000	2	6	2	2	4	8	29	65
£20,001-£40,000	-	-	-	3	-	3	-	90
£40,001-£60,000	-	-	-	1	-	1	-	44
£60,001-£80,000	-	-	1	1	1	1	66	60
£80,001-£100,000	-	-	1	-	1	-	95	-
Total	2	6	4	7	6	13	190	259

13.21. External Audit Costs

The Council incurred the following fees relating to external audit, grant certification and other services in 2016/17.

2015/16	External Audit Costs	2016/17
£'000		£'000
53	Fees payable with regard to external audit services carried out for the year	53
15	Fees payable for the certification of grant claims and returns for the year	15
0	Fees payable in respect of other services provided during the year*	17
68	Total	85

* Relates largely to additional Property Plant & Equipment / Fixed Asset Register work undertaken during 2016/17.

NOTES TO THE CORE FINANCIAL STATEMENTS

13.22. Construction Contracts (Commitments under Capital Contracts)

The Council has approved expenditure in future years of £60.25m (2015/16, £56.92m) under its capital programme of which £5.75m (2015/16, £6.37m) had been contracted as at 31 March 2017. The split between schemes contracted and not contracted is as follows:

Expenditure approved and contracted at 31 Mar 2016	Expenditure approved but not contracted at 31 Mar 2016	Commitments under Capital Contracts	Expenditure approved and contracted at 31 Mar 2017	Expenditure approved but not contracted at 31 Mar 2017
£'000	£'000		£'000	£'000
3,699	17,800	Decent homes expenditure	2,850	18,150
46	4,572	Health & safety works	272	5,228
0	2,061	Minor/other works	0	2,000
1,040	10,129	New building programme	1,432	22,725
0	10	Housing computer system	0	96
0	2,550	Renovation grants	0	2,700
1,584	13,424	General Fund capital schemes	1,194	3,603
6,369	50,546	Total	5,748	54,502

13.23. Pension Costs

Participation in the Pension Scheme

Employees of Gravesham Borough Council may participate in the Kent County Council Pension Fund, part of the Local Government Pension Scheme, a defined benefit statutory scheme. The fund is administered by Kent County Council in accordance with the Local Government Pension Scheme Regulations 2007-08 as amended. A formal valuation of the Kent County Council Pension Fund for funding purposes took place as at 31 March 2016, and has been incorporated into the year-end actuary report for IAS19 accounting.

As required under IAS 19 'Employee Benefits', the valuation method used is the projected unit method of valuation. With this method, where the age profile of the active membership is rising, the current service cost will increase as the members of the scheme approach retirement.

Transactions Relating to Retirement Benefits

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, in accordance with IAS19, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Comprehensive Income and Expenditure Statement after Net Operating Expenditure. This ensures there is no cost to the local taxpayer.

Under IAS19, the Council is required to provide details of assets and future liabilities for pensions payable to Council staff, both past and present.

The following transactions, derived from an Actuarial Valuation for the purposes of IAS19 have been made in the Comprehensive Income and Expenditure Statement during the year:

NOTES TO THE CORE FINANCIAL STATEMENTS

2015/16	Pension Costs - Transactions relating to retirement benefits	2016/17
<i>£'000</i>		<i>£'000</i>
	<i>Comprehensive Income & Expenditure Statement</i>	
3,795	Current service cost	3,356
56	Past service costs	106
62	Administrative Expenses	58
148	Unfunded benefits	141
4,061		3,661
2,145	Net interest expense	2,128
6,206	<i>Net charge to Comprehensive Income & Expenditure Statement</i>	5,789
(2,799)	<i>Movement on Pensions Reserve</i>	(2,184)
3,407	<i>Employer's contributions payable to LGPS</i>	3,605

Assets and Liabilities in Relation to Retirement Benefits

The underlying assets and liabilities for retirement benefits attributable to the Council at 31 March 2017 are as follows:

2015/16	Assets and liabilities relating to retirement benefits	2016/17
<i>£'000</i>		<i>£'000</i>
(148,795)	Present value of the defined benefit obligation	(175,988)
89,917	Fair value of plan assets	107,741
(58,878)	Net liability arising from defined benefit obligation	(68,247)
(1,863)	Present value of unfunded liabilities	(1,919)
(60,741)	<i>Total net liability</i>	(70,166)

Gravesham Borough Council's net liability on the Kent County Council Pensions Fund has increased from £60.74m at the end of 2015/16 to £70.17m at the end of 2016/17. This is a net increase in liability of £9.43m as a result of the change in assumptions over the year, as both the discount rate has decreased and future expected inflation has increased.

The liabilities show the underlying commitments that the Council has in the long term to pay retirement benefits. The net pension liability is matched by an equivalent Pensions Reserve of £70.17m. 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. Barnett Waddingham, an independent firm of actuaries, has assessed the Fund's liabilities.

IAS19 does not directly impact on the actual level of employer contributions paid to the Kent County Council Fund. Employers' levels of contributions are determined by triennial actuarial valuations which are based on the Fund's actual investment strategy (rather than being based on corporate bond yields).

The movement to the Fund is set out in more detail in this note to the Core Financial Statements. The total liability has an impact on the net worth of the Authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the

NOTES TO THE CORE FINANCIAL STATEMENTS

financial position of the Authority remains sound. The deficit on the scheme will be recovered through increased contributions over the remaining life of the employees as assessed by the actuary.

The reconciliation of the present value of the scheme liabilities is shown below;

2015/16	Present value of Scheme liabilities	2016/17
£'000		£'000
(156,151)	Scheme Liabilities brought forward	(150,658)
(3,795)	Current service cost	(3,356)
(5,091)	Interest cost	(5,348)
(799)	Contributions from scheme participants	(780)
	Remeasurement gains/losses:	
0	- actuarial gains/losses arising from changes in demographic assumptions	3,078
10,648	- actuarial gains/losses arising from changes in financial assumptions	(33,058)
(56)	Past service cost	(106)
4,572	Benefits paid	5,176
14	Experience loss/(gain) on defined benefit obligation	7,145
<u>(150,658)</u>	<i>Total value of liabilities</i>	<u>(177,907)</u>

The reconciliation of fair value of employer assets is shown below;

2015/16	Fair value of Scheme assets	2016/17
£'000		£'000
89,524	Scheme Assets brought forward	89,917
2,946	Interest income	3,220
	Remeasurement gains/losses:	
(1,977)	- the return on plan assets, excluding the amount included in the net interest expense	15,481
0	- other	113
3,259	Contribution from employer	3,464
799	Contribution from employees into the scheme	780
(4,572)	Benefits paid	(5,176)
(62)	Administrative expenses	(58)
<u>89,917</u>	<i>Total value of liabilities</i>	<u>107,741</u>

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

NOTES TO THE CORE FINANCIAL STATEMENTS

Scheme History

The history of actuarial gains/losses identified as movements on the Pensions Reserve can be analysed into the categories shown over the page, measured as absolute amounts and as a percentage of assets or liabilities:

2012/13	2013/14	2014/15	2015/16	Pension Costs - scheme history	2016/17
<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>		<i>£'000</i>
80,123	81,796	89,524	89,917	Fair value of scheme assets	107,741
(129,960)	(134,487)	(156,151)	(150,658)	Present value of scheme liabilities	(177,907)
<u>(49,837)</u>	<u>(52,691)</u>	<u>(66,627)</u>	<u>(60,741)</u>	Surplus/deficit	<u>(70,166)</u>
6,096	3,057	5,490	(1,977)	Return on assets less interest	15,481
(20)	6,031	53	14	Experience loss/(gain) on defined benefit obligation	7,145

The total contribution expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2018 is £3.07m.

Included within "experience gains/losses on liabilities" in the table above is a loss of £1.92m (2015/16 £1.86m) relating to unfunded pension liabilities.

Information can also be found in Kent County Council's Pension Funds Annual Report which is available upon request from the Investment Section, Sessions House, County Hall, Maidstone, Kent, ME14 1XQ.

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, with estimates for the Kent County Council Fund being based on the last full valuation of the scheme as at 31 March 2016.

The main assumptions used in their calculations are shown in the following tables. Where actual data is available, the actual rate of increase is also noted.

The discount rate employed is the annualised yield at the 18 year point on the Merrill Lynch AA rated corporate bond curve), at the IAS19 valuation date, in accordance with CIPFA guidance.

Local Government Pension Scheme Assets consist of the following categories, by proportion of the assets held:

NOTES TO THE CORE FINANCIAL STATEMENTS

2015/16			2016/17	
Assumptions used			Assumptions used	
%			%	
		Long term expected return on assets		
		Mortality assumptions (years)		
22.90		Longevity at 65 for current pensioners (men)	23.00	
25.30		Longevity at 65 for current pensioners (women)	25.00	
25.20		Longevity at 65 for future pensioners (men)	25.10	
27.70		Longevity at 65 for future pensioners (women)	27.40	
		Other assumptions		
3.20		RPI increases	3.60	
2.30		CPI increases	2.70	
4.10		Salary increases	4.20	
2.30		Pension increases	2.70	
3.60		Discount rate	2.70	

2015/16		Employer asset share - bid value		2016/17	
£'000	%		£'000	%	
59,962	66.69	Equities	76,036	70.57	
797	0.89	Gilts	804	0.75	
9,873	10.98	Other bonds	10,496	9.74	
13,062	14.53	Property	13,426	12.46	
2,315	2.57	Cash	2,753	2.56	
3,908	4.34	Target return portfolio	4,226	3.92	
89,917	100.00	Total	107,741	100.00	

NOTES TO THE CORE FINANCIAL STATEMENTS

13.24. Capital Expenditure and Capital Financing

In addition to utilising revenue funds in providing services to the public, the Council spends money procuring and maintaining the assets it needs to provide those services. The table below shows the total amounts incurred for the year together with the sources of finance and the authority's reduced borrowing requirement.

2015/16	Capital Expenditure and Financing	2016/17
£'000		£'000
108,471	<i>Opening Capital Financing Requirement</i>	105,765
	Capital Investment	
10,419	Property, Plant and Equipment	11,445
0	Heritage Assets	188
0	Intangible Assets	44
0	Investment Properties	9,780
431	Revenue Expenditure Funded from Capital under statute	376
0	Long Term Debtors	0
<u>10,850</u>		<u>21,833</u>
	Sources of Finance	
(1,072)	Capital Receipts	(1,207)
(602)	Government grants and contributions (received in year)	(1,165)
0	Government grants and contributions (brought forward)	(1,178)
(5,923)	Application of Reserves	(5,369)
<u>(7,597)</u>		<u>(8,919)</u>
	Sums set aside from revenue	
(3,253)	Direct revenue contributions	(2,918)
(2,706)	Minimum revenue provision (MRP)	(3,217)
<u>(5,959)</u>		<u>(6,135)</u>
<u>105,765</u>	<i>Closing Capital Financing Requirement</i>	<u>112,544</u>
	Explanation of movements in year	
	<i>Total increase/(decrease) in underlying need to borrowing</i>	
(2,706)	(unsupported by Government financial assistance)	6,779
<u>(2,706)</u>	Increase/(Decrease) in Capital Financing Requirement	<u>6,779</u>

13.25. Contingent Assets

VAT claim on Royal Mail Postal Services

The Council is one of a number of local authorities who have jointly lodged a Group Litigation Order with the High Court in respect of embedded VAT paid on postal services provided by the Royal Mail since 1973.

13.26. Contingent Liabilities

Alleged Mesothelioma Claim

The Council has received a claim in relation to a former employee that worked for Northfleet Urban District Council. Due to the complex nature of the claim, any potential outcome cannot be foreseen at this time.

13.27. Financial Instruments and Financial Risks

(a) Financial Instruments – Classifications

The requirements for accounting for financial instruments are based on IFRS 7 and IFRS 9. The 2010 Code of Practice notes that where they continue to be relevant, the transitional provisions of the UK standards adopted by the 2007 SORP remain.

A financial instrument is: ‘Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity’.

The term ‘financial instrument’ covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives. Typical financial instruments are shown in the next table.

Liabilities	Assets
Trade payables and other payables	Bank deposits
Borrowings	Trade receivables
Financial guarantees	Bank deposits
	Other receivables and advances
	Investments

Some types of financial instruments covered by IAS 39 are not covered by the Code because they are not relevant to entities that do not issue equity instruments. These are shown below and are covered in more detail elsewhere in the Council’s Statement of Accounts:-

- Rights and obligations under leases,
- Employers’ rights and obligations under pension schemes and
- Joint ventures

Balances in money market funds and call accounts at 31 March 2017 are shown under ‘cash and cash equivalents’ in the Balance Sheet, as they represent highly liquid investments that are readily convertible to known amounts of cash, with an insignificant risk of changes in value.

NOTES TO THE CORE FINANCIAL STATEMENTS

Financial Instruments – Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

Financial Instruments - Balances	Long-term		Short-term	
	31st March 2016	31st March 2017	31st March 2016	31st March 2017
	£'000	£'000	£'000	£'000
Financial liabilities (principal amount)	(101,667)	(98,082)	(3,114)	(3,595)
Financial liabilities (interest amount)	0	0	(278)	(278)
LAMS (KCC contribution)	(1,000)	0	0	(1,000)
Total borrowings	(102,667)	(98,082)	(3,392)	(4,873)
Total creditors	0	0	(3,351)	(4,892)
Cash overdrawn	0	0	0	0
Financial Guarantees	(2)	0	0	(1)
Total financial liabilities	(102,669)	(98,082)	(6,743)	(9,766)
Loans and receivables	20	21	22,550	11,490
LAMS (Lloyds deposit)	2,000	0	0	2,000
Available-for-sale financial assets	0	9,556	13,047	12,045
Total investments	2,020	9,577	35,597	25,535
Cash In Hand	0	0	524	226
Loans and receivables	7	15	0	0
Financial assets carried at contract amounts	0	0	7,797	7,691
Soft loans provided	302	302	0	0
Total financial assets	2,329	9,894	43,918	33,452

Under accounting requirements the carrying value of the financial instrument value is shown in the Balance Sheet which includes the principal amount borrowed or lent.

Fair value has been measured by:

- Direct reference to published price quotations in active market; and/or
- Estimating using a valuation technique.

The Council provides a financial guarantee in respect of the Local Authority Mortgage Scheme, which has been recognised at fair value. Subsequently this is measured at the higher of the amount recognised initially and the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Assets less when appropriate cumulative amortisation. Therefore, the carrying amount of the financial guarantee would remain at the original amount estimated at inception (less amortisation) unless payment under the guarantee becomes probable at which point the amount of the liability will be determined in accordance with IAS 37. See also note 13.15.3 for cross-referencing.

NOTES TO THE CORE FINANCIAL STATEMENTS

The Council made no further loans to private sector residents during 2016/17. The balance of the outstanding soft loans is detailed below:

2015/16	Financial Instruments - Soft loans	2016/17
<i>£'000</i>		<i>£'000</i>
292	Opening balance	302
(7)	Loan repayments	(7)
17	Fair value adjustment	18
0	Increase in the discounted amount	0
302	Balance carried forward	313
302	Nominal value carried forward	313

(b) Financial Instruments Gains/Losses

The gains/losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

Financial Instruments - Gains/losses	Financial liabilities measured at amortised cost	Financial assets Loans and receivables	Total
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Interest expense	(3,258)	0	(3,258)
Debt Impairment Provision	(6,405)	0	(6,405)
Interest income	0	538	538
Increase in fair value	0	0	0
Total expense/income in the Surplus/Deficit on the Provision of Services	(9,663)	538	(9,125)
Gains on revaluation	0	18	18
Revaluation surplus in Other Comprehensive Income and Expenditure	0	18	18
Total financial assets	(9,663)	556	(9,107)

NOTES TO THE CORE FINANCIAL STATEMENTS

(c) Fair value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried on the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments.

The fair values calculated are as follows:

Carrying amount 2015/16	Fair value 2015/16	Financial Instruments - Fair values of liabilities	Carrying amount 2016/17	Fair value 2016/17
£'000	£'000		£'000	£'000
(324)	(338)	PWLB debt (EIP loan)	(243)	(252)
(96,448)	(100,891)	PWLB debt (Maturity loan)	(93,424)	(100,663)
(8,000)	(10,597)	LGS Investment plc	(8,000)	(10,214)
(9)	(9)	Other short term borrowing	(10)	(10)
(3,351)	(3,351)	Short term creditors	(4,892)	(4,892)
(1,000)	(1,000)	LAMS (KCC contribution)	(1,000)	(1,000)
(109,132)	(116,186)	Total	(107,569)	(117,031)

There are two options for assessing the fair value of the PWLB loans, using either the rate available for new borrowing or the early redemption rate. The fair values of the PWLB loans in the table above have been determined using the rate available for new borrowings.

The fair value of liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.

Carrying amount 2015/16	Fair value 2015/16	Financial Instruments - Fair values of assets	Carrying amount 2016/17	Fair value 2016/17
£'000	£'000		£'000	£'000
14,550	14,550	Money Market Loans < 1 year	490	490
8,000	8,000	Investments	11,000	11,000
20	20	Long term Investments	21	21
0	0	Managed Property Funds	9,707	9,556
13,000	13,047	Available for sale Investments	12,000	12,045
2,000	2,000	LAMS Deposit	2,000	2,000
7	7	Long term debtors	2	2
7,797	7,797	Short term debtors	7,691	7,691
45,374	45,421	Total	42,911	42,805

The differences are attributable to fixed interest instruments receivable being held by the authority whose interest rate is higher than the prevailing rate estimated to be available at 31 March. This increases the fair value of loans and receivables. This valuation is based on Level 1 inputs.

(d) Disclosure of nature and extent of risk arising from Financial Instruments

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

- Credit risk,
- Liquidity, Refinancing and Maturity risk,
- Interest rate risk,
- Price risk,

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003. The Council complied with the CIPFA Prudential Code and the CIPFA Code of Treasury Management in the Public Services and investment guidance issued through the Act by approving the annual treasury management strategy on 24 February 2016.

Credit risk

Credit risk arises from deposits with banks and financial institutions (counterparties), as well as credit exposure to the Council's customers.

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

This Council uses the creditworthiness service provided by Capita Asset Services. This service uses a sophisticated modelling approach with credit ratings from all those three agencies mentioned above forming the core element. However, it does not rely solely on the current ratings of counterparties but also uses the following overlays:

- Credit watches and credit outlooks from credit rating agencies,
- CDS spreads to give early warning of likely changes in credit ratings,
- Sovereign ratings to select counterparties from only the most creditworthy countries.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Authority's maximum exposure to credit risk in relation to its investment in banks and building societies is £5m, subject to this not constituting more than 20% of the overall investment balances of the Council at the time of placing such investments and at no point more than 25% of the overall investment balance held, cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at 31 March 2017 that this was likely to crystallise.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect and losses from non-performance by any of its counterparties in relation to deposits and bonds.

Collateral – During the reporting period the council held no collateral as security.

NOTES TO THE CORE FINANCIAL STATEMENTS

Liquidity, Refinancing and Maturity risk

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

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The maturity analysis of financial liabilities, excluding sums due from customers, is as follows:

2015/16		2015/16		Financial Instruments - maturity analysis of liabilities				2016/17		2016/17	
£'000		%				£'000		%			
(3,114)	2.94%	Less than 1 year		(4,595)			4.48%				
(4,585)	4.34%	Between 1 and 2 years		(4,182)			4.07%				
(22,419)	21.19%	Between 2 and 5 years		(25,421)			24.76%				
(42,008)	39.71%	Between 5 and 10 years		(45,677)			44.49%				
(33,655)	31.82%	More than 10 years		(22,802)			22.20%				
(105,781)	100.00	Total		(102,677)			100.00				

Interest rate risk

All borrowings held by the Council are at a fixed interest rate and therefore movements in interest rates do not expose the Council to any risk in respect of these. The Council does however remain exposed to such risk in respect of the interest earned on its investments.

Interest rates have remained static and at historically low levels over recent years, with the UK Base Rate halved to 0.25% on 4 August 2016. The Council's treasury advisors, Capita Asset Services (Treasury Solutions), currently project the UK Base Rate to remain static with the next movement being upward, to 0.5%, in the quarter ending 30 June 2019.

Net Asset Value risk

Having made investments into Property Funds during the 2016/17, the Council is now exposed to risk relating to changes in Net Asset Value (NAV).

Initial projections of interest earned from investments in Property Funds based on the NAV at that time were £277,377. Increases in NAV of 5%, 10% and 20% would lead to increased returns of £18,194, £23,412 and £55,475 respectively. Decreases in NAV of 5%, 10% and 20% would lead to reduced returns by these amounts.

Price risk

The Council holds only minimal investments in UK Government bonds and therefore is not exposed to any significant gains or losses arising from movements in the price of these bonds. As at 31 March 2017, these bonds were valued at cost at £413.

NOTES TO THE CORE FINANCIAL STATEMENTS

13.28. Leasing

The requirements of the IFRS reporting standards impact significantly on the Council's leasing arrangements. The Council has undertaken a detailed review of the leases operated by the Council for both Vehicles Plant and Equipment and for Land and property as both lessee and lessor. The existing lease registers satisfy the requirements of IFRS both in representing this document and for future assessment and management of the lease portfolio.

Operating Leases

The Council uses operating leases to acquire officer and fleet vehicles, computer hardware and printing equipment. The amount paid under these arrangements in 2016/17 was £150,000 (2015-16, £203,000).

The future cash payments required under these leases are payable as follows:

	Land and property	Vehicles, plant and equipment
	£'000	£'000
Amount payable next year 2017/18	53	165
Amounts payable 2-5 years	78	229
Amount payable 6+	21	0
Total	152	394

An analysis of the operating lease payments that the Authority is committed to make in the next financial year analysed between those leases that will expire in the next year, in the second to fifth subsequent years, and from the sixth subsequent year onwards:

	Land and property	Vehicles, plant and equipment
	£'000	£'000
Expiring next year 2017/18	32	9
Expiring 2-5 years	0	156
Expiring 6+	21	0
Total	53	165

NOTES TO THE CORE FINANCIAL STATEMENTS

Disclosure as a Lessor

The Council acts as a lessor on a portfolio of commercial properties for which rentals for 2016/17 amounted to £1.29m (2015/16 £1.04m). The net book value of these assets within the Balance Sheet is £36.24m (2015/16 £12.88m).

Property	Income 2015/16	Income 2016/17	Balance Sheet value
	£'000	£'000	£'000
Network House, Gillingham	0	199	3,000
Springhead	341	412	8,100
Shops	258	228	2,900
Norfolk Road	134	126	3,700
St Georges	195	195	3,900
St John's House	0	10	2,200
Miscellaneous	116	115	12,444
Total	1,044	1,285	36,244

The future cash receipts expected over the full life of the leases are as follows:

	Land and property
	£'000
Amounts receivable next year 2017/18	1,300
Amounts receivable 2-5 years	4,351
Amounts receivable 6+	27,295
Total	32,946

An analysis of the operating lease sums receivable that the Authority is expected to receive in the next financial year analysed between those leases that will expire in the next year, in the second to fifth subsequent years, and from the sixth subsequent year onwards:

	Land and property
	£'000
Amounts receivable next year 2017/18	94
Amounts receivable 2-5 years	208
Amounts receivable 6+	998
Total	1,300

Supplementary Financial Statements

HOUSING REVENUE ACCOUNT

2015/16 Restated	Housing Revenue Account Income and Expenditure Statement	2016/17
£'000		£'000
	Expenditure	
7,916	Repairs and maintenance	7,523
4,313	Supervision & management	4,158
112	Rents, rates, taxes and other charges	57
	Depreciation of assets	
5,492	- dwellings	5,779
161	- non-dwellings	185
87	Amortisation of Intangible assets	9
0	Impairment/revaluation of non-current assets	0
(11,914)	Exceptional item - impairment reversal of Council dwellings	(29,744)
(25)	Provision for bad & doubtful debts	(75)
6,142		(12,108)
	Income	
(26,438)	Dwelling rents	(26,125)
(695)	Non-dwelling rents	(718)
(1,702)	Charges for service & facilities	(1,803)
(273)	Contribution towards expenditure (Supporting people)	(278)
(36)	Other income	(29)
(29,144)		(28,953)
(23,002)	Net cost of HRA Services as included in the Comprehensive Income & Expenditure Statement	(41,061)
(1,308)	Gain or loss on the sale of HRA non-current assets	(1,768)
(11)	Derecognition of non-current assets	0
2,893	Interest payable and similar charges	2,726
(33)	Interest and investment income	(39)
0	Capital Grants and Contributions	(40)
330	Net pension interest	316
(21,131)	(Surplus)/deficit for the year on HRA Services	(39,866)

The HRA Income and Expenditure Account shows the Income and Expenditure on HRA services included in the whole authority Income and Expenditure Account.

The 2015/16 note has been restated to include amendments following a review of the Asset Register. See note 12.33 for further information.

This reconciliation statement summarises the differences between the outturn on the HRA Income and Expenditure Accounts and the HRA Balance.

HOUSING REVENUE ACCOUNT

2015/16 Restated £'000	Movement on the Housing Revenue Account Statement	2016/17 £'000
(3,000)	Balance brought forward at 1 April	(3,000)
(19,471)	(Surplus) or Deficit for the Year on the HRA Income & Expenditure	(38,172)
17,898	Adjustments between accounting basis and funding basis under statute	36,328
(1,573)	Net (increase) or decrease before transfers to or from reserves	(1,844)
1,573	Transfer to/(from) earmarked reserves	1,844
0	Total (increase)/decrease	0
(3,000)	Balance carried forward at 31 March	(3,000)

The 2015/16 note has been restated to include amendments following a review of the Asset Register. See note 12.33 for further information.

14. NOTES TO THE HOUSING REVENUE ACCOUNT

The notes that follow have been provided in support of the Housing Revenue Account. Some are detailed breakdown of figures presented on the statements whilst others give additional information provided for disclosure purposes.

14.1. General

The Housing Revenue Account (HRA) Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the movement on the Housing Revenue Account Statement

14.2. Housing Stock

As at 31 March 2017, the Council had 5,672 dwellings (2015/16, 5,694). This represents a net reduction in Council housing stock of 22 properties during 2016/17, as a result of the sale of 29 properties under the Right-to-buy scheme, 7 new build properties and the construction of 5 new properties.

A profile of the age and type of dwellings held is set out below:

HRA Housing stock					Total HRA assets as at 31 March 2017
	Pre 1919	1919-44	1945-64	Post 1964	
Flats					0
- 1 bedroom	0	18	472	1,278	1,768
- 2 bedrooms	0	0	149	292	441
- 3 bedrooms	0	0	102	232	334
Houses & bungalows					0
- 1 bedroom	0	18	67	101	186
- 2 bedrooms	16	142	345	204	707
- 3 bedrooms	3	791	950	271	2,015
- 4 bedrooms	0	116	93	17	226
Total	<u>19</u>	<u>1,085</u>	<u>2,178</u>	<u>2,395</u>	<u>5,677</u>

HOUSING REVENUE ACCOUNT

14.3. HRA Non-Current Assets

The opening and closing Balance Sheet values for HRA non-current assets are shown below:

Financial Year 2016/17	HRA Non-current assets						
	Operational Assets			Non-Op Assets			
	Council Dwellings	Other Land & Buildings	Assets Under Construction	HRA Non Op Land & Build	Vehicles, Plant & Equipment	Intangible assets	Total HRA assets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
As at 1 April 2016	275,555	4,122	1,022	(0)	189	432	281,320
Additions	7,635	0	693	0	75	0	8,403
Revaluation increases/decreases recognised in Revaluation Reserve	0	839	0	0	0	0	839
Revaluation increases/(decreases) recognised in Surplus/Deficit on Provision of Services	23,995	(101)	0	0	0	0	23,894
Derecognition - Disposals	(1,535)	(160)	0	0	0	0	(1,695)
Assets reclassified	955	(51)	(955)	51	0	0	0
Other movements in cost or valuation	0	2	0	0	0	0	2
As at 31 March 2016	306,605	4,651	760	51	264	432	312,763
Accumulated Depreciation and Impairments							
As at 1 April 2016	0	(320)	0	0	(136)	(389)	(845)
Depreciation Charge for year	(5,779)	(169)	0	0	(16)	(8)	(5,972)
Accumulated depreciation written out to the Revaluation Reserve	0	414	0	0	0	0	414
Accumulated depreciation written out to the (Surplus)/Deficit on the Provision of Services	5,747	40	0	0	0	0	5,787
Impairment (losses)/reversals recognised in the Revaluation Reserve	0	3	0	0	0	0	3
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0
Accumulated depreciation and impairment written out on disposal	32	10	0	0	0	0	42
Reclassifications	0	1	0	(1)	0	0	0
Other movements in depreciation and impairment	0	(2)	0	0	0	0	(2)
As at 31 March 2017	0	(23)	0	(1)	(152)	(397)	(573)
Net Book Value							
At 31 March 2017	306,605	4,628	760	50	112	35	312,190
At 1 April 2016	275,555	3,802	1,022	(0)	53	43	280,475

HOUSING REVENUE ACCOUNT

HRA Non-current assets							
Financial Year 2015/16 - Restated	Operational Assets			Non-Op Assets			Total HRA assets
	Council Dwellings	Other Land & Buildings	Assets Under Construction	HRA Non Op Land & Build	Vehicles, Plant & Equipment	Intangible assets	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
As at 1 April 2015	261,876	4,608	468	20	189	432	267,593
Additions	7,190	0	2,233	0	0	0	9,423
Revaluation increases/decreases recognised in Revaluation Reserve	0	(17)	0	0	0	0	(17)
Revaluation increases/(decreases) recognised in Surplus/Deficit on Provision of Services	6,422	0	0	0	0	0	6,422
Derecognition - Disposals	(1,638)	0	0	0	0	0	(1,638)
Derecognition - Other	0	(101)	0	(20)	0	0	(121)
Assets reclassified	1,705	0	(1,705)				0
Other movements in cost or valuation	0	(368)	26	0	0	0	(342)
As at 31 March 2016	275,555	4,122	1,022	(0)	189	432	281,320
Accumulated Depreciation and Impairments							
As at 1 April 2015	0	(634)	0	(19)	(124)	(302)	(1,079)
Depreciation Charge for year	(5,492)	(149)	0	0	(12)	(87)	(5,740)
Accumulated depreciation written out to the Revaluation Reserve	0	46	0	0	0	0	46
Accumulated depreciation written out to the (Surplus)/Deficit on the Provision of Services	5,492	8	0	0	0	0	5,500
Impairment (losses)/reversals recognised in the Revaluation Reserve	0	(33)	0	0	0	0	(33)
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0
Accumulated depreciation and impairment written out on disposal	0	59		0	0	0	59
Reclassifications	0	0	0	0	0	0	0
Other movements in depreciation and impairment	0	382	0	19	0	0	402
As at 31 March 2016	0	(320)	0	0	(136)	(389)	(845)
Net Book Value							
At 31 March 2016	275,555	3,802	1,022	0	53	43	280,475
At 1 April 2015	261,876	3,974	468	1	65	130	266,514

The 2015/16 note has been restated to incorporate prior year amendments following a review of the Asset Register. See note 12.33 for further information.

The total net book value of HRA non-current assets as at 31 March 2017 is £312.19m (£280.48m at 31st March 2016 Restated). Within this, the HRA has intangible assets in the form of computer systems valued at £0.04m as at 31 March 2017 (£0.04m at 31 March 2016).

For 2016/17, depreciation and amortisation against the HRA was £5.97m. Depreciation in respect of Council dwellings in 2016/17 was £5.78m (2015/16, £5.49m) and is a real charge to the HRA. A revaluation gain of £24.0m (2015/16 Restated £6.42m) has arisen from a revaluation of the HRA stock values.

HOUSING REVENUE ACCOUNT

14.4. Vacant Possession Value of HRA Dwellings

Every five years an external valuation of the housing stock is carried out. The most recent full valuation was as at 31 March 2016. For the years in between external valuations, a desktop exercise is carried out; as a result of the latest exercise Council dwellings were assessed to have a market valuation of £929.10m. A regional adjustment factor of 33% is applied to this valuation to reflect the fact that Local Authority housing is let at sub-market rents and to give a valuation on the basis of Existing Use Value for Social Housing (EUV-SH). After applying the regional adjustment factor, the valuation of Council dwellings is £306.61m as at 31 March 2017.

14.5. Major Repairs Reserve

This reserve provides resources for capital investment on the Council's housing stock and is funded by depreciation charges on non-current tangible assets. Amortisation on non-tangible assets has not been transferred into the MRR.

2015/16	Major Repairs Reserve	2016/17
£'000		£'000
	Amount transferred in year	
(5,492)	- Dwellings	(5,779)
(168)	- Non-dwellings	(185)
5,923	Amount utilised in capital financing	5,369
263	Total (increase)/decrease	(595)
(1,390)	Balance brought forward at 1 April	(1,127)
263	Movement in year	(595)
(1,127)	Balance carried forward at 31 March	(1,722)

14.6. Financing of HRA Capital Expenditure

Capital expenditure of £8.33m (2015/16, £9.42m) on HRA assets was financed as follows:

2015/16	HRA Financing of capital expenditure	2016/17
£'000		£'000
	Capital expenditure	
9,423	Dwellings	8,327
0	Non-dwellings	0
9,423		8,327
	Financed by	
(804)	Capital receipts	(746)
0	Grants and Contributions	(40)
(5,923)	Major Repairs Reserve	(5,369)
(2,696)	Funded from revenue	(2,172)
(9,423)		(8,327)

HOUSING REVENUE ACCOUNT

14.7. Capital Receipts

Capital receipts are sums received in respect of the disposal of any interest in an asset. The use of capital receipts is restricted by a general requirement to pool a proportion of these.

An analysis of the total HRA capital receipts received during 2016/17 is shown in the next table:

2015/16	HRA Capital receipts	2016/17
£'000		£'000
Receipts for the year		
(2,984)	Sale of Council Dwellings	(3,407)
0	Repaid Discounts	(17)
(4)	Principal repayment for mortgages	(5)
(2,988)		(3,429)
Use of receipts		
535	Paid to Housing Capital Receipts Pool	531
0	Capital financing - HRA schemes	130
26	Capital financing - other schemes	0
2,966	Transfer to Earmarked Reserves	2,647
3,527		3,308
(1,380)	Balance brought forward	(841)
(841)	Total unapplied capital receipts held	(962)

14.8. Movement on Pensions Reserve

In accordance with Accounting Policy 12.23, the Net Cost of Services has been adjusted to reflect the cost of pensions in accordance with IAS 19 'Employee Benefits'. The adjustment is £0.32m in respect of current and past service cost for 2016/17. However this was reversed out to the Pensions Reserve so that there was no impact on the HRA.

14.9. Dwelling Rents

This item includes all rent rebates granted by the Council to HRA tenants but excluding rental income in respect of empty properties. To comply with the Government's policy on rent restructuring and the Supporting People Programme, the Council has 'un-pooled' charges for services that were previously included as part of the tenants' rents.

HOUSING REVENUE ACCOUNT

14.10. Rent and Service Charge Arrears

At the end of the year, arrears as a proportion of gross rent and service charge income for current and former tenants had decreased to 3.56% (2015/16, 4.34%). The arrears for current tenants and former tenants is shown in the table below together with the amounts written off and provided for during the year, for bad and doubtful debts.

2015/16	HRA Rent and service charges arrears	2016/17
£'000		£'000
950	Current tenant arrears	783
(579)	Rents paid in advance	(584)
1,015	Former tenant arrears	994
<u>1,386</u>		<u>1,193</u>
(1,163)	Provision for bad debts	(1,088)
(120)	Rent arrears written off	(151)

14.11. Charges for Services and Facilities

The total income accounted for during the year is set out below:

2015/16	HRA Charges for services	2016/17
£'000		£'000
(1,083)	Service charges - tenants	(1,102)
(209)	Service charges - leaseholders	(256)
0	Service charges - leaseholders (contribution to capital works)	(71)
(410)	Support charges	(373)
<u>(1,702)</u>		<u>(1,802)</u>

14.12. Contribution towards Expenditure

This reflects grant monies received from Kent County Council in respect of the Supporting People Programme (£0.27m) and the Warm Home Scheme (£0.01m) and one grant from Kent Fire and Rescue Service (£0.04m) towards expenditure relating to the replacement of a sprinkler system at Carl Ekman House.

14.13. HRA Interest payable & Investment Income

This item is the HRA's share of income derived from investments, mortgages and interest on notional cash balances.

The interest payable is on the loan taken out by the HRA for self-financing.

14.14. Further Information

The Authority is required to provide tenants with further information about housing activities, and copies of this information are available from Gravesham Housing, Civic Centre, Windmill Street, Gravesend, Kent, DA12 1AU.

COLLECTION FUND

2015/16			Income and Expenditure Account	2016/17		
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total
£'000	£'000	£'000		£'000	£'000	£'000
			Income			
			Income from Council Tax and Business Rates			
	(49,394)	(49,394)	Council Tax Income		(51,496)	(51,496)
(24,705)		(24,705)	Business Rates Income	(24,807)		(24,807)
(39)		(39)	Transitional Protection			
(24,744)	(49,394)	(74,138)	Total Council Tax/Business Rates	(24,807)	(51,496)	(76,303)
			Contribution for previous year's deficit:			
(646)	(53)	(699)	Gravesham Borough Council	(438)		(438)
(145)	(304)	(449)	Kent County Council	(351)		(351)
	(41)	(41)	Kent Police & Crime Commissioner			
(16)	(20)	(36)	Kent Fire & Rescue Service	(79)		(79)
(808)		(808)	Central Government	(9)		(9)
(26,359)	(49,812)	(76,171)	Total Income	(25,684)	(51,496)	(77,180)
			Expenditure			
			Precepts, Demands and Shares			
9,370	6,025	15,395	Gravesham Borough Council	12,221	6,329	18,550
2,108	34,695	36,803	Kent County Council	9,777	36,741	46,518
	4,684	4,684	Kent Police & Crime Commissioner		2,334	2,334
234	2,249	2,483	Kent Fire & Rescue Service	2,200	4,932	7,132
11,712		11,712	Central Government	244		244
23,424	47,653	71,077	Total Expenditure	24,442	50,336	74,778
			Apportionment of previous year's surplus:			
			Gravesham Borough Council		101	101
			Kent County Council		582	582
			Kent Police & Crime Commissioner		38	38
			Kent Fire & Rescue Service		79	79
			Central Government			
23,424	47,653	71,077	Total Expenditure	24,442	51,136	75,578
			Charges to Collection Fund			
	5	5	Amounts written off	(1)	5	4
(504)	854	350	Increase (-) /Decrease in Bad Debt Provision	129	20	149
1,232		1,232	Increase (-) /Decrease in Provision for Appeals	600		600
97		97	Cost of Collection	97		97
			Transitional Protection	78		78
825	859	1,684	Total Charges	903	25	928
(2,110)	(1,300)	(3,410)	Surplus / (Deficit) arising during the year	(339)	(335)	(674)
2,840	435	3,275	Surplus / (Deficit) b/fwd 1st April	730	(865)	(135)
730	(865)	(135)	Surplus / (Deficit) c/fwd 31st March	391	(1,200)	(809)

15. NOTES TO THE COLLECTION FUND

The notes that follow have been provided in support of the Collection Fund. Some are detailed breakdown of figures presented on the statements whilst others give additional information provided for disclosure purposes.

15.1. General

This account represents the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to Business Rates, Council Tax and the distribution to the major preceptors and the General Fund. The account is consolidated with other accounts of the Council.

15.2. Council Tax

The Council's 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) for 2016/17 was approved on 9 January 2016 as follows:

Band	2015/16			2016/17		
	<i>Estimated Number of properties (Net of exemptions, discounts & reliefs) (a)</i>	<i>Multipliers (b)</i>	<i>Band D equivalents properties (a x b)</i>	<i>Estimated Number of properties (Net of exemptions, discounts & reliefs) (c)</i>	<i>Multipliers (d)</i>	<i>Band D equivalents properties (c x d)</i>
A with disabled relief	2.00	5 /9	1.11	1.75	5 /9	0.97
A	1,864.29	6 /9	1,242.86	1,955.54	6 /9	1,303.69
B	4,705.66	7 /9	3,659.96	4,777.29	7 /9	3,715.67
C	11,244.60	8 /9	9,995.20	11,403.06	8 /9	10,136.05
D	8,314.47	9 /9	8,314.47	8,411.13	9 /9	8,411.13
E	4,099.92	11 /9	5,011.01	4,101.11	11 /9	5,012.47
F	1,846.07	13 /9	2,666.55	1,877.95	13 /9	2,712.59
G	950.31	15 /9	1,583.85	964.27	15 /9	1,607.12
H	85.75	18 /9	171.50	87.25	18 /9	174.50
Tax Base before Council Tax Support			32,646.51			33,074.19
Estimated Collection Rate			97.5%			98.0%
Council Tax Base			31,830.34			32,412.71

The tax rate per Band D property, excluding Parish Council precepts, was £1,544.36 (2015/16, £1,489.50).

COLLECTION FUND

15.3. Income from Business Ratepayers

The Council collects Business Rates from businesses in the borough, based on local rateable values multiplied by a national uniform rate (multiplier). On the 1 April 2013, a system of locally retained business rates was introduced by the government, replacing the former central pooling method of redistribution. The total non-domestic rateable value for the borough at 31 March 2017 was £62.05m (31 March 2016 £62.51m). The respective multipliers for the year were 49.7p (non-domestic rating multiplier) and 48.4p (small business non-domestic rating multiplier) per £ of rateable value.

15.4. Collection Fund Surplus/Deficit

The Council is required to estimate by 15 January the amount of the surplus/deficit on the Collection Fund for the financial year in respect of Council Tax, and with effect from this financial year, Business Rates. The estimated surplus/deficit on each fund is shared the following year between the relevant preceptors in proportion to the value of their respective precepts. Each of the major preceptors' shares of the surplus/deficit is shown in the table below.

Collection Fund Surplus/deficit 2016/17						
	Gravesham Borough Council	Kent County Council	Kent Police & Crime Com- missioner	Kent Fire & Rescue Service	Central Govern- ment	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Council Tax						
(Surplus)/deficit brought forward	(109)	(630)	(85)	(41)		(865)
(Surplus)/deficit for year	(42)	(246)	(32)	(15)		(335)
(Surplus)/deficit carried forward	(151)	(876)	(117)	(56)		(1,200)
Business Rates						
(Surplus)/deficit brought forward	292	66		7	365	730
(Surplus)/deficit for year	(136)	(31)		(3)	(169)	(339)
(Surplus)/deficit carried forward	156	35		4	196	391

Collection Fund Surplus/deficit 2015/16						
	Gravesham Borough Council	Kent County Council	Kent Police & Crime Com- missioner	Kent Fire & Rescue Service	Central Govern- ment	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Council Tax						
(Surplus)/deficit brought forward	55	317	43	20		435
(Surplus)/deficit for year	(164)	(947)	(128)	(61)		(1,300)
(Surplus)/deficit carried forward	(109)	(630)	(85)	(41)		(865)
Business Rates						
(Surplus)/deficit brought forward	1,136	256		28	1,420	2,840
(Surplus)/deficit for year	(844)	(190)		(21)	(1,055)	(2,110)
(Surplus)/deficit carried forward	292	66		7	365	730

15.5. Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Business Rates income in the Comprehensive Income and Expenditure Statement as it falls due from council taxpayers and ratepayers compared with the statutory arrangements for paying amounts across to the General Fund from the Collection Fund.

2015/16	Collection Fund Adjustment Account	2016/17
£'000		£'000
(164)	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	(41)
(844)	Amount by which non-domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from Non-domestic Rate Income calculated for the year in accordance with statutory requirements	(136)
(1,008)	Total increase/(decrease) in Collection Fund Adjustment Account	(177)
1,191	Balance brought forward at 1 April	183
(1,008)	Movement in year	(177)
183	Balance carried forward at 31 March	6

16. INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRAVESHAM BOROUGH COUNCIL

Opinion on the Authority financial statements

We have audited the financial statements of Gravesham Borough Council (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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

Respective responsibilities of the Director (Corporate Services) and auditor

As explained more fully in the Statement of Responsibilities, the Director (Corporate Services) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements present a true and fair view of the financial position of the Authority as at 31 March 2017 and of its expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

Opinion on other matters

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

Matters on which we are required to report by exception

We are required to report to you if

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

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

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Respective responsibilities of the Authority and auditor

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

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

Scope of the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General

determined this criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, we are satisfied that in all significant respects *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Act and the Code of Audit Practice.

Darren Wells

Darren Wells
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

2nd floor,
St John's House,
Haslett Avenue West,
Crawley,
West Sussex,
RH10 1HS

31 August 2017

17. GLOSSARY OF TERMS

ACCOUNTING PERIOD

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

ACCOUNTING POLICIES

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements

ACTUARIAL GAINS & LOSSES

For a defined benefit pension scheme the changes in actuarial deficits or surpluses that arise because: A; events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); B; the actuarial assumptions have changed

CAPITAL ADJUSTMENT ACCOUNT

This account provides a balancing mechanism between the different rates at which assets are depreciated under the Code and are financed through the capital controls system.

CAPITAL EXPENDITURE

Expenditure to acquire non-current assets that will be used in providing services beyond the current accounting period or expenditure that adds value to an existing fixed asset.

CAPITAL FINANCING

Funds used to pay for capital expenditure.

CAPITAL RECEIPTS

Funds received by the Council from the sale of non-current assets. Capital receipts are used to repay the debt on assets financed from loan or to finance new capital expenditure, subject to compliance with statutory requirements.

CASH EQUIVALENTS

See Investments

CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)

The principal accountancy body dealing with local government finance.

COMMUNITY ASSETS

Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions in their disposal. Examples of community assets are parks and historical buildings.

CONTINGENT ASSET

A possible asset arising from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the authority. Typically, a contingent asset is related to a legal action by the authority, whose outcome is uncertain at the time of preparing the balance sheet.

CONTINGENT LIABILITY

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the authority. Typically, a contingent liability relates to a legal action against the authority, whose outcome is uncertain at the time of preparing the balance sheet.

CREDITORS

Amounts owed by the Authority for goods and services where payments have not been made at the end of the financial year.

CURRENT ASSETS

A current asset is one that is expected to be consumed or realised by the end of the next accounting period.

CURRENT LIABILITIES

A current liability is one that is expected to be paid or discharged by the end of the next accounting period.

DEBTORS

Amounts owed to the Authority for goods and services where the income has not been received at the end of the financial year

DE MINIMIS

The Council applies a de-minimis value of £12,000 for the acquisition, creation or enhancement of non-current assets. Any expenditure below this level is charged to revenue in the year of acquisition.

DEPRECIATION / AMORTISATION

The measure of the wearing out, consumption or other reduction in the useful economic life of a non-current asset.

GENERAL FUND

An account providing details of all the Authority's services except those shown in the Collection Fund. The Housing Revenue Account is statutory, ring-fenced account whose activities are shown in addition in a Supplementary Financial Statement. The Housing Revenue Account balances are also recorded separately.

HOUSING BENEFITS

A system of financial assistance to individuals towards certain housing costs administered by local authorities and subsidised by central government.

HOUSING REVENUE ACCOUNT (HRA)

A separate account to the General Fund, which includes the expenditure and income arising from the provision of housing accommodation, by the Council, as a landlord service.

IMPAIRMENT

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

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The accounting standards that have been produced and adopted to govern accounting and the move to a globally similar basis.

INVESTMENTS

Investments fall into two categories. Short-term investments where the duration between the Balance Sheet date and the date the Council intends to redeem the investment is less than one year and long-term investments where the duration between the Balance Sheet date and the date the Council intends to redeem the investment is more than one year. Internally managed short-term highly liquid investments of three months or less from the date of acquisition are recognised as cash equivalents.

KENT BUSINESS RATES POOL

A partnership between Kent County Council and most of the Kent Districts with the primary objective of promoting growth within the respective partner areas. The establishment of the pool delivers the benefit of enabling the levies on business rates growth payable by the districts to be offset by the tariff payable by the County Council and Kent Fire, thus enabling more business rates income to be retained locally.

LEASES

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. Leases fall into two categories. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. An operating lease is a lease other than a finance lease.

LIABILITIES

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

NON-DOMESTIC RATES (NDR)

Amounts payable to local authorities by organisations or businesses from non-domestic properties.

NON-CURRENT ASSETS

Tangible assets that yield benefits to the Council and the services it provides for a period of more than one year.

MINIMUM REVENUE PROVISION (MRP)

This is the calculation that Councils make for the repayment of debt.

NET ASSET VALUE (NAV)

The value of a fund's assets less the value of its liabilities. The measure is often used as a measurement to assist in identifying whether a fund is overvalued or undervalued.

OUTTURN

The actual results for the financial year in question.

OVERHEADS

Management and administrative costs including buildings. The majority of management and administrative costs including buildings are allocated to services.

PRECEPT

The requests made by precepting authorities to billing authorities, e.g. Gravesham Borough Council. The major precepting authorities are Kent County Council, Kent Police and Crime Commissioner and Kent Fire & Rescue Service. These precepts are shown in the Collection Fund. Parish Councils are local precepting authorities, e.g. Vigo Parish Council, who raise money by means of a precept on the relevant billing authority's General Fund.

PROPERTY, PLANT & EQUIPMENT (PPE)

All assets with physical substance that are used in the production or supply of goods and services that are expected to be used for more than one period.

PUBLIC WORKS LOAN BOARD (PWL B)

Central Government Agency which lends money to local authorities usually at interest rates which are more favourable than those found elsewhere

REVALUATION RESERVE

This account represents the balance of the net surpluses arising on the revaluation of non-current assets.

REVENUE EXPENDITURE

The costs related to the day-to-day running of services, such as salaries and energy cost.

REVENUE SUPPORT GRANT (RSG)

A grant paid by Central Government to aid Local Authority services in general, as opposed to specific grants, which may only be used for a specific purpose. These are credited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement. (A Council may also receive other non-specific grants and these are shown with the Revenue Support Grant in the 'Taxation and Non-Specific Grant Income' line in the Comprehensive Income and Expenditure Statement.)

SECTION 151 OFFICER (CFO)

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

SOFT LOANS

These are loans made below prevailing interest rates (i.e. interest free or low interest loans) and include loans made to local voluntary sector organisations that undertake activities that the authority considers benefits the local population.

WORKING BALANCES

The revenue reserves of an authority made up of the accumulated surplus of income over expenditure on the General Fund or the Housing Revenue Account which may be utilised to provide for unforeseen circumstances or to ensure that payments can be made pending the receipt of income and may be used to reduce the Council Tax.