canterbury city council

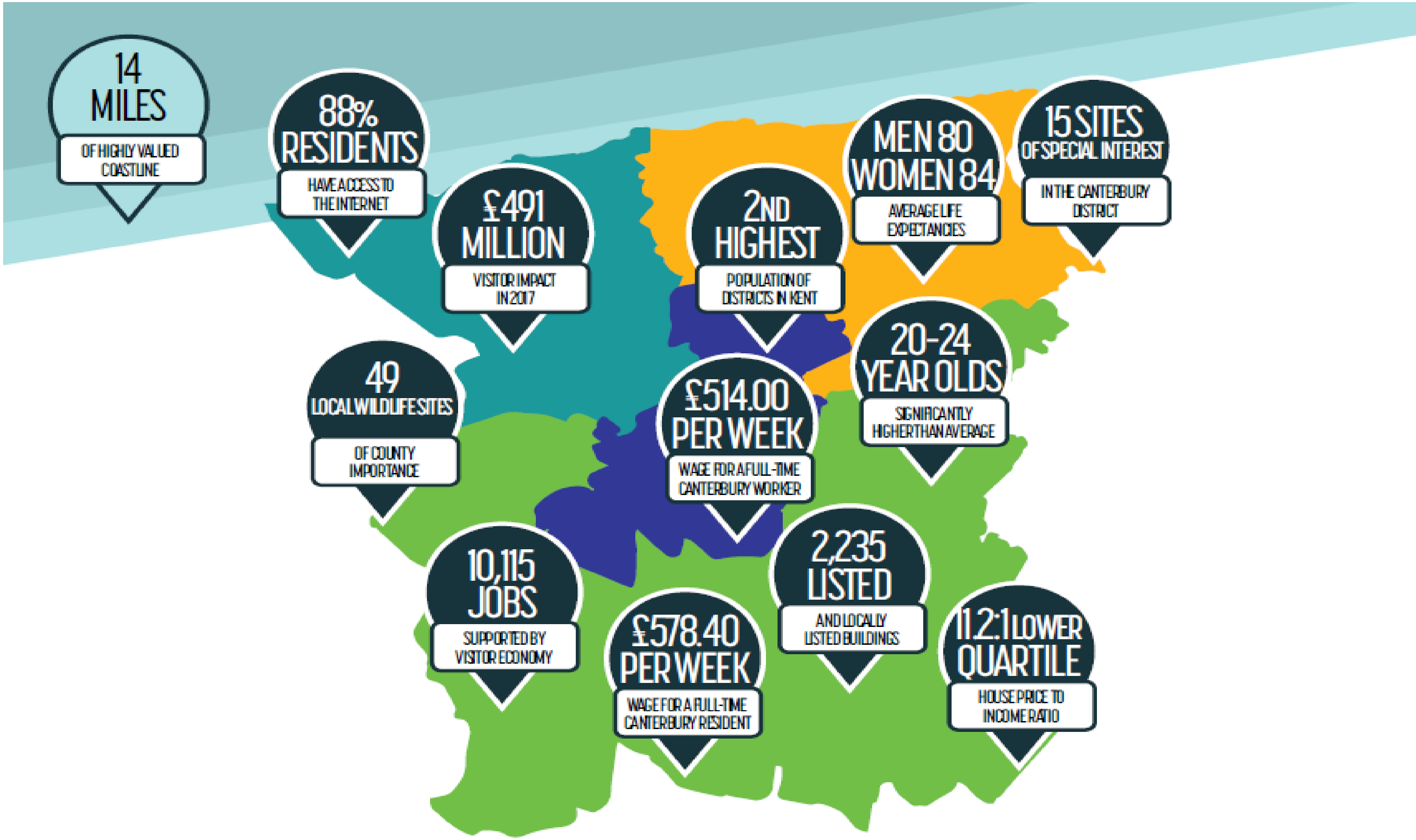
Statement of Accounts

for the Year Ended

31 March 2019

Patricia Marshall CPFA
Deputy Chief Executive

Canterbury City Council – information about the district



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THE STATEMENT OF ACCOUNTS

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Introduction

This narrative report provides a guide to the Council's accounts and financial position as at 31 March 2019. It includes:

- An explanation of each of the main financial statements;
- A look back at financial and non-financial performance in 2018/19;
- Any major events or changes in presentation and accounting that impact on the Accounts; and
- Future financial challenges.

Explanation of the main financial statements

The Accounts and Audit Regulations 2015 require the Statement of Accounts to be prepared and signed by the responsible officer by 31 May 2019. The accounts are set out on pages 15 to 88. The statements have been prepared in accordance with proper accounting practices and all relevant statutory requirements.

Proper accounting practices represent compliance with the following:

- All relevant International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB - a constituent board of the Financial Reporting Council)

- The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom, prepared under International Financial Reporting Standards

The statements are produced using figures rounded to the nearest thousand. This has led to rounding variances in some of the totals included within the statements and the notes to the accounts.

The Statement of Accounts comprises:

- ***The Statement of Responsibilities for the Statement of Accounts***

This sets out the Council's and the Chief Finance Officer's responsibilities for the statement of accounts and includes the Chief Finance Officer's certificate.

- ***Core Financial Statements***

The core financial statements consist of the following four statements and associated notes.

  - **Comprehensive Income and Expenditure Statement**

  This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

- **Balance Sheet**

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories – usable and unusable – as referred to under the Movement in Reserves Statement.

- **Movement in Reserves Statement**

This Statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The 'surplus / (deficit) on provision of services' line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting. The 'net increase /decrease before transfers to / from earmarked reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

- **Cash Flow Statement**

The Cash Flow Statement shows the changes in the Council's cash and cash equivalent holdings during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

- **Notes to the Core Financial Statements**

The notes present information about the basis of preparation of the financial statements and the specific accounting policies used. The notes also disclose information required by the Code that is not presented elsewhere in the financial statements but is relevant to understanding them.

- ***Supplementary Financial Statements***

In addition to the four core statements the following supplementary statements and associated notes are included within the Accounts.

- **Housing Revenue Account**

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

- **Collection Fund**

The Collection Fund for English Authorities is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

- ***Annual Governance Statement***

This Statement accompanies the Statement of Accounts, but is not part of the Accounts. The purpose of the Annual Governance Statement is to assess and demonstrate that there is a sound system of corporate governance throughout the organisation.

- ***Independent Auditor's Report***

The Council's external auditors provide an independent opinion on whether the financial statements present a "true and fair view" of the financial position of the Council at the Balance Sheet date and its income and expenditure for the year. They also report on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

Looking back at performance in 2018/19

The Council has the following objectives.

People - residents enjoy a good quality of life and those in need are supported. It aims to do this by:

1. working to achieve enough high quality housing to meet everyone's needs
2. contributing to the good health of local people
3. focussing our community support on those in most need of it
4. acting with others to protect communities from flooding, crime and anti-social behaviour
5. inspiring people through a wide range of cultural activities and opportunities

Places – we make the most of our unique built and natural environment, by:

6. making our city, towns and villages places to be proud of
7. keeping our district clean
8. protecting and enhancing our open spaces, heritage and wildlife

Prosperity – the district has a resilient, diverse economy which supports jobs growth, by:

9. supporting business growth
10. enabling infrastructure improvements to regenerate our urban spaces and deliver economic growth

The Council's annual performance outturn report (due to be published in July) will set out the Council's performance against its key performance indicators for 2018/19. The performance at the half year stage is set out here Canterbury City Council half year performance report 2018/19. Of the 48 reported performance indicators, 9 were green star, 11 were green, 8 were amber, 8 were red and 12 were data only. There were no areas of serious concern at the half year stage.

Financial performance in 2018/19

This section gives an overview of the financial performance of the Council in 2018/19 for both General Fund and Housing Services, including reasons for significant variations from planned expenditure.

General Fund Revenue Expenditure

The General Fund accounts for all revenue (day to day) services other than those provided in respect of council housing. The Council set its budget for 2018/19 at the budget meeting on 22 February 2018.

The budget strategy aimed to ensure that the Council had a balanced and sustainable budget that provided the financial resources needed to implement its key priorities. The Council has a successful record in delivering its strategy and for 2018/19 it continued with the approach adopted in previous years:

- Undertaking commissioning reviews of all services and contracts, to challenge how and why services are delivered and to enable the Council to deliver its desired outcomes in the most cost effective way;
- transforming service delivery through its digital by design programme;
- investing in and managing its property assets to generate income streams that can support the budget;
- looking to recover the cost of delivering services, particularly where the service is discretionary and/or used by a minority of taxpayers;
- planning its use of resources over a four-year period, to enable it to manage emerging cost pressures and to address these in a considered and cost-effective manner;
- keep a minimum General Fund Reserve level of 10% of net service expenditure;
- respond to new demands and pressures for services by seeking compensating savings from elsewhere in the budget;
- apply project appraisal, business planning and affordability processes including whole life costings to any significant new developments;
- bid for external funding, recognising that some service enhancements can only be achieved in this way;
- minimise any adverse impact on the revenue account of its capital programme;
- look for best value from developers in terms of Section 106/CIL contributions for community interest; and
- review and tightly manage its inflation pressures.

The total savings target for 2018/19 was £1.9m and the contribution from the General Fund was set at £200,000.

The main components of the General Fund actual expenditure and income and how these compare with budget is set out below:

Service Area	Net budget	Outturn	Net Variance ()=saving
	£'000	£'000	£'000
Corporate Management	7,208	6,060	(1,148)
Development	(7,196)	(6,975)	220
Digital Transformation & Policy	1,651	1,640	(11)
Commissioned Services	13,147	13,490	342
Community Services	(724)	207	932
Finance Team	919	867	(52)
HR & Training	269	286	17
Revenues & Benefits	904	724	(180)
Legal Team	(38)	(169)	(131)
Total net expenditure	**16,141**	**16,130**	**(11)**
Revenue Support Grant	0	0	0
NDR allocation	(4,846)	(4,846)	0
New Homes Bonus	(1,057)	(1,057)	(0)
Council Tax	(10,913)	(10,913)	0
Collection Fund adjustment	(47)	(47)	0
Parish precepts	722	722	0
Total income sources	**(16,141)**	**(16,141)**	**(0)**
Net position	**0**	**(12)**	**(12)**

The overall revenue outturn position for 2018/19 was an underspend of £12,000. The main variances to the budget are set out below.

Activity	Variance (£000) ()=favourable	Explanation
Corporate Management	(£1,148)	Underspends in this reporting area were used to cover the overspends across the other council services
Development	£220	Loss of property rent due to the closure of Homebase and lower than anticipated land charges income
Commissioned Services	£342	Additional costs associated with the transfer of the Marlowe Theatre and increased running costs for the Kings Hall.
Community Services	£932	Shortfall in income targets for parking services and markets, increased expenditure on homelessness.
Revenues and Benefits	(£180)	Increase in cost recovery for court fees.
Legal Services	(£131)	Vacancy savings and increase in cost recovery.

Housing Revenue Expenditure

The main components of the Housing Revenue Account actual expenditure and income and how these compare with budgets are set out below:

	Net budget	Outturn	Net Variance ()=saving
	£'000	£'000	£'000
General management	3,460	3,312	(149)
Special services	2,547	2,231	(315)
Rent, rates and charges	351	415	64
Repairs & maintenance	6,756	6,724	(32)
Bad debt provision	100	246	146
Rents & service charges receivable	(25,409)	(25,721)	(311)
Total HRA direct budgets	**(12,195)**	**(12,792)**	**(597)**
Support costs	747	736	(11)
Contribution to/from reserves	5,281	4,894	(386)
Capital charges	4,958	4,543	(414)
Total HRA indirect budgets	**10,986**	**10,174**	**(812)**
Self financing debt	6,416	6,416	0
(Surplus)/Deficit	**5,207**	**3,798**	**(1,409)**

The overall revenue outturn position for 2018/19 was a deficit of £3,798k a reduction of £1.4m on the £5.2m budgeted deficit. The explanations for the main variance to the budget are set out below.

Activity	Variance (£000) ()=favourable	Explanation
General management	(£149)	Vacancy and consultancy savings within housing management. Plus a saving for a provision that was not required for potential additional staffing resources for East Kent Housing.
Special services	(£315)	Budgeted for maximum impact of subsidy required to cover loss of Supporting People Grant, actual costs were less. Saving for a redundancy provision that was not required.
Bad debt provision	£146	Increase in the level of arrears during the year, budgeted provision not sufficient.
Rents and service charges	(£311)	Increased income from leaseholders and a void adjustment previously held in reserve.
Contribution to/from reserves	(£386)	Use of capital receipts and working balance resulted in a reduction in the need to contribute to the capital funding reserve.
Capital charges	(£414)	Underspend on depreciation.

Capital Expenditure

Capital expenditure relates to spending on assets which last for more than one year. The capital programme for 2018/19 and beyond represents the investment priorities for the Council. The revenue impact of implementing the capital programme is reflected in the revenue budget.

The City Council's gross expenditure on capital schemes in 2018/19 was £9.3m. This was financed by grants, capital receipts, reserves and revenue contributions. The net outturn position of the capital programme after external contributions is detailed in the table below.

Service Area	Net Budget	Net Actual spend	Carried forward	Net Variance () = saving
	£'000	£'000	£'000	£'000
Commissioned Services	8,481	147	8,337	4
Digital Services	300	300	0	0
Community Services	2,474	1,217	1,256	0
Development	48,482	3,022	45,460	(0)
Resources Department	4,300	767	2,000	(1,534)
Total Capital Projects	64,036	5,453	57,053	(1,530)

The main expenditure items in 2018/19 were the commencement of the multi-storey car park at Station Road West; the roll out of the ANPR technology for our car parks and sea defence works at Herne Bay.

The main items carried forward were the Kingsmead Leisure Centre refurbishment, the regeneration projects at Kingsmead and Beach Street and the investment property provision.

Balance sheet

The Council's net assets increased by £23m (6%) over the past year. The main reasons for this change were:

- an increase of £7.6m in the value of assets under construction reflecting the number of large scale capital projects in progress;
- a reduction in cash and equivalents of £10m, due to spending on capital projects, also the transfer of the Marlowe to a trust has significantly reduced receipts in advance (and hence cash);
- an increase in short term borrowing of £6m but a reduction in long term borrowing of £8.4m; and
- a reduction in the pension deficit of £9.5m.

The two biggest liabilities on the balance sheet are long term borrowing at £179m and the pension deficit at £76m. The majority of the Council's debt is with the Public Works Loan Board at a fixed rate of interest, with an average of 2.82%. The Council has continued its policy of using short term borrowing to partly fund its capital programme. This has reduced borrowing costs but exposes the Council to interest rate variations.

Overall the Council's balance sheet has become less liquid, as capital expenditure has been funded from capital receipts, withdrawing from short term investments and short term external borrowing. This is reflected in the reduction in reserve balances this year for capital receipts and the HRA. In the medium and longer term, as internal borrowing and short term borrowing is repaid, the Council's liquidity will improve.

The Council is a member of the Local Government Pension Scheme, which is administered on behalf of the Council by Kent County Council. The Statement of Accounts reflects the full adoption of International Accounting Standard 19 (Retirement Benefits) (IAS19). This value is assessed by the actuary in accordance with prescribed accounting rules. Note 28 shows that the total value of liabilities (i.e. future commitments from the fund) is the Council's net liability of £206m whereas the estimated assets are valued at £130m – a net deficit of £76m. The deficit has decreased from £85m to £76m at 31 March 2019, a decrease of £9.5m.

It is important to note that IAS 19 does not have any impact on the actual level of employer contributions. Employers' levels of contribution 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 scheme has been assessed by Barnett Waddingham, an independent firm of actuaries, on behalf of Kent County Council based upon the full valuation of the scheme as at 31 March 2016. As a result of that valuation the Council's contributions for future service have remained at the existing rate of 14.2% of pay. The contribution for past service has remained in line with previous levels, based on the deficit being cleared over 17 years. The fund is next due for revaluation as at 31 March 2019 and new contribution rates will apply from April 2020.

Change in accounting policy

The Code of Practice adopts the requirements of IFRS9 Financial Instruments from 1 April 2018 and stipulates that authorities are required not to restate preceding year information but recognise any difference between previous carrying amounts and the carrying amount at the beginning of 2018/19 financial year as an opening adjustment to reserves.
The council's revised accounting policy for financial instruments is set out in note 1 to the financial statements and the impact of the changes is explained in note 12.

Significant changes to local authority financial regime in 2018/19

There have been no significant changes to the local authority financial regime in 2018/19.

Future financial challenges

The future for local government funding is very uncertain, with no information available on funding from April 2020 onwards. In setting out its medium term financial plan the Council has assumed substantial reductions in government funding.

For 2019/20, the Council has a balanced budget with savings of £2.5m to be achieved, all of which have been identified. By 1 April 2023 the Council has to identify further ongoing savings of £4.2m.

The budget strategy is intended to ensure that the Council has a balanced and sustainable budget that provides the financial resources needed to implement its key priorities. The Strategy runs to the end of the new Council term in order to aid longer term planning. The corporate plan includes the aim that the Council is financially self-reliant by 2019/20, delivering its services without a needs based grant from central government.

In order to maximise its income, in 2018/19 the Council participated in a business rates retention pilot with all the local authorities in Kent and Medway. This ensured that any additional rates income above the baseline would be retained either for use directly in the district, in East Kent or more widely across Kent and Medway.

In addition to the general fund balance, the Council has a number of earmarked reserves, some of which are accumulated funds which are being used to support the revenue budget on a phased basis. This is a sound approach, which will help to avoid sharp fluctuations in resource levels between years.

The Council's future capital programme and estimated revenue impact are set out below.

	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Estimated net cost of capital programme	7,475	65,495	22,112	2,908	639
Net borrowing requirement	5,743	36,030	22,273	332	(1,957)
Additional annual revenue cost	355	994	1,503	24	(147)

As can be seen from the table above, the Council has an ambitious capital programme for 2019/20 and 2020/21. The expenditure planned in 2019/20 includes the following:

- Beach Street regeneration £5.4m;
- purchasing housing for temporary accommodation £1.2m;
- regeneration projects (Canterbury Riverside) £9.4m;
- leisure centre refurbishments £4.8m;
- Wincheap park and ride extension £2.6m;
- Kingsmead Field housing £3.3m; and
- Station Road West car park £8.5m.

The budget assumes that the costs of Beach Street and Kingsmead Field housing are recovered through capital receipts when the developments are complete. It is expected that for the other projects (excluding Wincheap Park and Ride extension) revenue income will cover associated borrowing costs.

The estimated net cost of the capital programme for 2019/20 also includes the following sums on a contingency basis, but they are assumed to be self-financing so no borrowing requirement had been provided:

- purchase of commercial properties £25m; and
- Property Company loan and equity £2m.

Risk management

The Audit Committee considers the Council's risk register on a quarterly basis. For each risk identified, the Committee considers the mitigating action in place and whether further action is required to adequately manage the risk. None of the high level risks are expected to have a material impact on the Council's financial position.

Financial risks are assessed separately in detail in the budget report and are taken into account in budget assumptions as necessary.

Conclusions

In a regime of reducing central funding and increased uncertainty, the City Council has substantially delivered its financial plan for 2018/19 and preparatory work is in place to deliver further savings in future years whilst continuing to strive to minimise the impact on services.

Finally, I would like to take the opportunity to thank all staff within the Council for their efforts in delivering the Council's financial plans, and thanks are due in particular to the finance team for their work producing this Statement of Accounts within the challenging timetable for the closure of accounts.

Deputy Chief Executive and s151 officer
May 2019

Comprehensive Income and Expenditure Statement for the year ended 31 March 2019

This statement shows the accounting cost of providing services in the year ended 31 March 2019, in accordance with generally accepted accounting practices, rather than the amount to be funded from the taxation. The taxation position is shown in the Movement in Reserves Statement.

2017/18 (Restated*) Gross Exp £'000	2017/18 (Restated*) Income £'000	2017/18 (Restated*) Net Exp £'000		Note	2018/19 Gross Exp £'000	2018/19 Income £'000	2018/19 Net Exp £'000
4,895	(4,908)	(13)	Corporate Management		4,546	(6,981)	(2,435)
16,784	(13,590)	3,194	Development		14,136	(17,190)	(3,054)
289	(227)	62	Digital Transformation & Policy		2,117	(345)	1,773
30,215	(17,648)	12,567	Commissioned Services		26,490	(13,050)	13,440
16,296	(15,694)	602	Community Services		18,103	(16,624)	1,479
1,514	(312)	1,202	Finance Team		1,407	(332)	1,075
421	(15)	406	HR & Training		335	(88)	247
844	(309)	535	Legal Team		214	(281)	(68)
46,885	(46,194)	691	Revenues & Benefits		44,462	(43,634)	828
22,632	(25,667)	(3,035)	Housing Revenue Account		36,601	(25,315)	11,285
140,775	**(124,564)**	**16,211**	**Cost of Services**		**148,410**	**(123,840)**	**24,569**
			Other Operating Expenditure				
0	(700)	(700)	Loss/(Gain) on Sales of Assets		0	(2,915)	(2,915)
825	0	825	Parish Council Precepts & Drainage Board Levy		850	0	850
539	0	539	Housing Capital Receipts Cont to Govt Pool		539	0	539
			Financing & Investment Income & Expenditure				
5,134	0	5,134	Interest Payable on Debt		6,133	0	6,133
2,292	0	2,292	Net interest on the net defined benefit liability	28.1	2,099	0	2,099
34	(409)	(376)	Investment interest and other income		46	(451)	(405)
0	(250)	(250)	Investment properties income and expenditure		0	(250)	(250)
0	(235)	(235)	Change in Fair Value of Investment Properties		198	0	198
146	(188)	(42)	Surplus from Trading Operations		145	(160)	(15)
0	0	0	Impairment adustments		54	0	54
			Taxation & Non-Specific Grant Income & Expenditure				
1,173	(1,634)	(460)	Recognised Capital Grants & Contributions	20	585	(4,074)	(3,489)
0	(9,234)	(9,234)	Income from the Collection Fund		31	(11,269)	(11,238)
0	(7,796)	(7,796)	Non ring-fenced Government Grants	20	27	(10,132)	(10,105)
150,918	**(145,011)**	**5,907**	**(Surplus)/deficit on provision of services**		**159,118**	**(153,092)**	**6,025**
		(15,874)	(Surplus)/deficit on revaluation of non current assets	18.1			(19,342)
		(4,488)	Remeasurement of the net defined benefit liability	28.1			(9,644)
		(134)	(Surplus)/deficit on revaluation of available for sale financial assets				0
		(14,589)	**Total Comprehensive Income & Expenditure**				**(22,960)**

* The 2017/18 disclosure of Cost of Services has been restated to reflect the revised management structure implemented in 2018/19. 2017/18 comparators have been re-allocated to ensure consistent comparison can be made against 2018/19 actuals. However, total gross expenditure and income figures for 2017/18 remain unchanged.

Balance Sheet as at 31 March 2019

2018 £'000	2018 £'000		Notes	2019 £'000	2019 £'000
		Property, Plant and Equipment	10		
315,855		Council dwellings		319,590	
340,150		Other land and buildings		342,883	
20,401		Infrastructure assets		21,325	
5,584		Vehicles, plant and equipment		5,778	
1,467		Community assets		1,466	
1,100		Assets under construction		8,696	
	684,558				699,738
	12,746	Heritage Assets	10.1		12,843
	4,545	Investment Property	10		4,348
	701,850				716,929
	1,675	Payments in Advance			1,578
	3,851	Long-term debtors	13		3,739
	707,376	**Total Long-term Assets**			**722,245**
		Current Assets			
5,015		Short-term investments	12.5	5,268	
138		Inventories		95	
9,783		Short-term debtors	14	12,306	
248		Payments in advance		133	
0		Assets held for sale	10.2	350	
10,914		Cash and cash equivalents	15	708	
	26,098				18,860
	733,474	**Total Assets**			**741,105**
		Current Liabilities			
(17,001)		Creditors	16	(18,764)	
(6,842)		Deposits and receipts in advance	16.1	(2,377)	
(32,678)		Short term borrowing	12.8	(38,255)	
(3,885)		Provisions	33	(4,018)	
	(60,406)				(63,414)
	673,068	**Total Assets less Current Liabilities**			**677,691**
		Long Term liabilities			
(1,674)		Other long-term liabilities	30	(1,312)	
(187,273)		Long-term borrowing	12.8	(178,833)	
(81)		Capital grants receipts in advance		(59)	
(85,386)		Liability related to defined benefit	28.2	(75,872)	
	(274,414)				(256,077)
	398,654	**Net Assets**			**421,614**
		Usable Reserves	17		
(4,380)		General Fund		(4,192)	
(12,975)		Housing Revenue Account		(4,177)	
(18,858)		Earmarked reserves	9	(18,512)	
(7,704)		Capital receipts reserve		(1,053)	
(4,389)		Capital grants unapplied		(5,843)	
	(48,306)				(33,776)
		Unusable Reserves			
(212,100)		Revaluation reserve	18.1	(230,880)	
(224,111)		Capital adjustment account	18.2	(232,930)	
408		Financial instruments adjustment a/c		371	
85,386		Pensions reserve	18.3	75,872	
0		Deferred capital receipts		0	
(133)		Collection fund adjustment account		(441)	
201		Short-term accumulating absences a/c		170	
	(350,348)				(387,838)
	(398,654)	**Total Reserves**			**(421,614)**

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and Housing Revenue Account for council tax setting and dwellings rent setting purposes. The net increase or decrease before transfers to/from earmarked reserves line shows the statutory General Fund balance and Housing Revenue Account balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Movement in Reserves 2018/19	General Fund Balance	Earmarked Reserves	General Fund Total	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2018	(4,380)	(18,858)	**(23,238)**	(12,975)	0	(7,704)	(4,389)	**(48,306)**	**(350,348)**	**(398,654)**
Movement in reserves during 2018/19										
(Surplus) or deficit on provision of services	(5,024)	0	**(5,024)**	11,049	0	0	0	**6,025**	**0**	**6,025**
Other comprehensive income and expenditure	(121)	0	**(121)**	121	0	0	0	**0**	**(28,986)**	**(28,986)**
Total comprehensive Income and Expenditure	(5,145)	0	**(5,145)**	11,170	0	0	0	**6,025**	**(28,986)**	**(22,961)**
Adjustments between accounting basis and funding basis under regulations (Note 6)	5,643	0	**5,643**	(2,335)	0	6,651	(1,454)	**8,505**	**(8,505)**	**0**
Net (increase)/decrease before transfers to Earmarked Reserves	497	0	**497**	8,835	0	6,651	(1,454)	**14,530**	**(37,490)**	**(22,961)**
Transfers to/(from) Earmarked Reserves (Note 9)	(309)	347	**38**	(38)	0	0	0	**(0)**	**0**	**(0)**
(Increase)/Decrease in year	188	347	**535**	8,797	0	6,651	(1,454)	**14,530**	**(37,490)**	**(22,961)**
Balance at 31 March 2019 carried forward	(4,192)	(18,512)	**(22,703)**	(4,177)	0	(1,053)	(5,843)	**(33,776)**	**(387,838)**	**(421,614)**

Movement in Reserves 2017/18	General Fund Balance	Earmarked Reserves	General Fund Total	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2017	(4,540)	(16,289)	**(20,828)**	(12,953)	0	(6,323)	(4,580)	**(44,685)**	**(339,378)**	**(384,063)**
Movement in reserves during 2017/18										
(Surplus) or deficit on provision of services	7,737	0	**7,737**	(1,830)	0	0	0	**5,907**	**0**	**5,907**
Other comprehensive income and expenditure	(121)	0	**(121)**	121	0	0	0	**0**	**(20,496)**	**(20,496)**
Total comprehensive Income and Expenditure	7,616	0	**7,616**	(1,709)	0	0	0	**5,907**	**(20,496)**	**(14,589)**
Adjustments between accounting basis and funding basis under regulations (Note 6)	(9,743)	0	**(9,743)**	1,404	0	(1,381)	191	**(9,529)**	**9,529**	**(0)**
Net (increase)/decrease before transfers to Earmarked Reserves	(2,127)	0	**(2,127)**	(305)	0	(1,381)	191	**(3,621)**	**(10,968)**	**(14,589)**
Transfers to/(from) Earmarked Reserves (Note 9)	2,286	(2,570)	**(283)**	283				**0**		**0**
(Increase)/Decrease in year	160	(2,570)	**(2,410)**	(22)	0	(1,381)	191	**(3,621)**	**(10,968)**	**(14,589)**
Balance at 31 March 2018 carried forward	(4,380)	(18,858)	**(23,238)**	(12,975)	0	(7,704)	(4,389)	**(48,306)**	**(350,346)**	**(398,652)**

Cash Flow Statement

The Cash Flow Statement shows the Council's changes in cash and cash equivalents during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by council tax and grant income or from the users of services provided by the Council. Investing activities represent the extent to which outflows have been made for resources which are intended to contribute to the Council's future service delivery.

2017/18 £'000		**2018/19 £'000**
5,907	Net (surplus) or deficit on the provision of services	6,025
	Adjust net surplus or deficit on the provision of services for non-cash movements	
(10,220)	Less depreciation of fixed assets	(11,230)
(11,312)	Less impairment of fixed assets	(21,113)
(302)	Movement in bad debt provision	(54)
801	Movement in revenue creditors	(1,802)
54	Movement in long term debtors	62
(460)	Movement in provisions	129
(1,889)	Movement in deposits	4,464
	Items on accruals basis (assets)	
1,530	Movement in revenue debtors	2,941
29	Movement in payments in advance	(115)
(3)	Movement in inventories	(44)
(7,116)	Net charges made for retirement benefits in accordance with IAS19	(4,656)
4,176	Fund and retirement benefits payable direct to pensioners	4,526
(2,798)	Carrying amount of non-current assets sold	(3,303)
(14)	Other non-cash items charged to the net surplus or deficit on the provision of services	240
44	Difference between amounts debited/credited to the I&E account and amounts payable/receivable re soft loans and premiums on the early repayment of debt	38
235	Movements in the value of investment properties	(198)
33	Other revaluations to CIES	0
4	Movement in accrual on investments	(15)
17	Movement in deferred premiums less discounts	5
(92)	Movement in accrual on borrowing	(106)
460	Capital grants and capital income applied	3,489
232	Collection fund adjustment for CCC	16
8	REFCUS funded from reserves	0
(20,676)		**(20,701)**
	Adjust for items included in the net surplus or deficit on the provision of services that are investing activities	
3,465	Proceeds from the sale of property, plant and equipment	5,737
886	Council Tax receipts paid to major preceptors less receipts	(288)
(5,006)	NDR receipts under/over paid to the government	(31,278)
(654)		(25,829)
(21,330)	**Net flows from operating activities**	(46,530)

2017/18 £'000	**Cash Flow continued**	2018/19 £'000
(21,330)	Net flows from operating activities (b/f)	(46,530)
	Capital Activities	
	Cash outflows	
85,293	Purchase of property, plant and equipment, investment property and intangible assets	31,576
15,000	Purchase of investments*	226,067
100,293		257,643
	Cash inflows	
(3,465)	Proceeds from sale of property, plant and equipment Investment property and intangible assets	(5,737)
(460)	Capital grants received	(3,489)
603	Capital debtors movement	(224)
(20,000)	Investments redeemed*	(237,652)
(180)	Other receipts from investing activities (principal repayments of Soft Loans etc)	(175)
(23,503)		(247,277)
76,791	Net cash flow from capital activities	10,366
55,461	**Net cash inflow/outflow before financing**	(36,164)
	Financing activities	
	Cash inflows	
(20,000)	Cash receipts of long-term borrowing	0
(25,000)	Cash receipts of short-term borrowing	(30,000)
(45,000)		(30,000)
	Cash outflows	
0	Repayments of long-term borrowing	0
7,193	Repayments of short-term borrowing	32,949
7,193		32,949
	Other payments/receipts re financing activities:	
(886)	Council Tax receipts paid to major preceptors less receipts	288
5,006	NDR receipts under/over paid to the government	31,278
4,120		31,566
(33,687)	**Financing net cash flow**	**34,515**
21,773	**Net increase(-)/decrease in cash equivalents**	(1,649)
(32,686)	Cash and cash equivalents at 1 April (excl accruals)	(10,914)
	Re-state money market funds at 1 April	11,855
	Re-stated cash and cash equivalents at 1 April	941
(10,914)	Cash and cash equivalents at 31 March (excl accruals)	(708)

***The significant increase in the purchase and redemption of investments is due to the IFRS9 reclassification of Money Market funds. These were previously held as cash and cash equivalents as they are used on a daily basis to manage our cash balances. The amounts shown here are the cumulative position of the daily movements between the funds and our bank account.**

NOTES TO THE FINANCIAL STATEMENTS

Expenditure and Funding Analysis for the year ended 31 March 2019

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. Details of the adjustments can be found in note 7.

2017/18 (Restated)				2018/19		
Net exp chargeable to the GF and HRA balances	Adjustments between the funding and accounting basis	Net exp in the CIES		Net exp chargeable to the GF and HRA balances	Adjustments between the funding and accounting basis	Net exp in the CIES
£'000	£'000	£'000		£'000	£'000	£'000
7,197	(7,210)	(13)	Corporate Management	6,060	(8,495)	(2,435)
(4,025)	7,218	3,193	Development	(6,975)	3,921	(3,054)
126	(64)	62	Digital Transformation & Policy	1,640	133	1,773
11,997	571	12,568	Commissioned Services	13,490	(50)	13,440
(365)	967	602	Community Services	207	1,271	1,479
1,193	10	1,203	Finance Team	867	208	1,075
406	0	406	HR & Training	286	(39)	247
535	0	535	Legal Team	(169)	101	(68)
670	21	691	Revenues & Benefits	724	103	828
(21)	(3,014)	(3,035)	Housing Revenue Account	3,798	7,487	11,285
17,712	**(1,500)**	**16,211**	**Cost of Services**	**19,927**	**4,642**	**24,569**
			Other Operating Expenditure			
0	(700)	(700)	Loss/Gain on Sales of Assets	0	(2,915)	(2,915)
0	825	825	Parish Council Precepts & Drainage Board Levy	0	850	850
0	539	539	Housing Capital Receipts Cont to Govt Pool	0	539	539
			Financing & Investment Income & Expenditure			
0	5,134	5,134	Interest Payable on Debt	0	6,133	6,133
0	2,292	2,292	Net interest on the net defined benefit liability	0	2,099	2,099
0	(376)	(376)	Investment Interest Income	0	(405)	(405)
0	(250)	(250)	Investment properties income and expenditure	0	(250)	(250)
0	(235)	(235)	Change in fair value of investment properties	0	198	198
0	(42)	(42)	Surplus from Trading Operations	0	(15)	(15)
0	0	0	Impairment adjustments	0	54	54
			Taxation & Non-Specific Grant Income & Expenditure			
0	(460)	(460)	Recognised Capital Grants & Contributions	0	(3,489)	(3,489)
(9,977)	743	(9,234)	Income from the Collection Fund	(10,238)	(1,000)	(11,238)
(7,796)	0	(7,796)	Non ring-fenced Government Grants	(5,903)	(4,202)	(10,105)
(17,773)	**7,469**	**(10,304)**	**Other Income and Expenditure**	**(16,141)**	**(2,403)**	**(18,544)**
(62)	**5,969**	**5,907**	**(Surplus)/Deficit on provision of services**	**3,786**	**2,239**	**6,025**
(17,493)			Opening General Fund and HRA balances	(17,355)		
(62)			(Surplus)/Deficit on General Fund and HRA bal	3,786		
0			Use of Housing Revenue Account reserve	5,000		
200			Use of General Fund reserve	200		
(17,355)			**Closing General Fund and HRA balances**	**(8,369)**		

1. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and the Service Reporting Code of Practice 2018/19, supported by International Financial Reporting Standards (IFRS).

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

1.2 Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.

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

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

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

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. An exception to this principle relates to electricity and similar utility costs. This policy is consistently applied each year and therefore does not have a material effect on the year’s accounts. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Council Tax and National Non-Domestic Rates

The Council is a billing authority and, as such, is required to bill local residents and businesses for council tax and national non-domestic (business) rates. The Council collects council tax on behalf of the major precepting authorities - Kent County Council, Kent Police and Crime Commissioner, and Kent Fire and Rescue Service. The Council therefore acts as agent on behalf of these major preceptors. These accounts only show the amount owed to/from taxpayers in respect of council tax demanded by this Council. Amounts owing to/from taxpayers for council tax for major precepting authorities are shown as net debtors or creditors on the balance sheet.

Billing authorities are required by statute to maintain a separate fund (ie the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities and major preceptors share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

The amounts shown as council tax/business rates in the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement (CIES) represent the amounts due to this Council for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council’s General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

Other material revenue streams

The Council has a number of other material revenue streams and the approach to recognition is on an accruals basis as set out above with the following exceptions:

Parking income – cash received through parking machines is accounted for on the day on which it is collected. Busy parking machines are emptied on a daily basis.

Planning fee income – fees received are accounted for on a cash basis.

1.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty of notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

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

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

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

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.5 Contingent Liabilities

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

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

1.6 Charges to Revenue for Non-current Assets

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

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

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make annual contribution from revenue towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

1.7 Employee Benefits

1.7.1 Benefits payable during employment

Short term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

1.7.2 Termination Benefits

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

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

1.7.3 Post-employment Benefits (Pension Costs)

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

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

The liabilities of the Kent pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices using a discount rate of 2.40% (based on the indicative rate of return on the Merrill Lynch AA rated corporate bond).

The assets of Kent pension fund attributable to the Council are included in the Balance Sheet at their fair value:

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

The change in the net pensions liability is analysed into the following components:

i) 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.

ii) Net interest on the net defined benefit liability, ie net interest expense for the Council – the change during the period in the net defined benefit liability 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 at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

iii) Re-measurement comprising

The return on plan assets – excluding amounts included in net interest on the net defined benefit liability – 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.

iv) Contributions paid to the Kent 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 Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, 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.

1.7.4 Discretionary Benefit

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

1.8 Events after the Reporting Period

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a

material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

1.9 Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

1.10 Financial Instruments

1.10.1 Financial Liabilities

Financial Liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

This means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the CIES in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and write-down to the CIES 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 CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES 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.

1.10.2 Financial Assets (Investments)

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. Financial assets are classified into three types:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council’s business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (ie where the cash flows do not take the form of a debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

The Council has made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that 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 CIES 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.

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

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors).

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses. If it is determined that no objective evidence of impairment exists for an individually assessed debtor balance, the debtor balance shall be included in a group of debtor balances that are individually assessed for impairment.

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

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

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

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

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

1.11 Government Grants and Contributions

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

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

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

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

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

1.12 Intangible Assets

Expenditure on assets that do not have physical substance, but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected to bring future economic benefits or service potential will flow from the intangible asset to the Council.

Intangible assets are measured at cost as there is no active market against which to determine an alternative value. The balance is amortised (ie written down) to the relevant service revenue account on a straight-line basis over 5 years. Intangible assets are therefore included in the balance sheet at historical costs, net of the amount written-down to revenue.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation is not permitted to have an impact on the General Fund Balance. The costs are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment account.

1.13 Interests in Companies and Other Entities

Where the Council has a material interest in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities, group accounts will be prepared.

In the Council's own single entity accounts, any interest in companies and other entities will be recorded as financial assets at cost, less any provision for losses.

1.14 Inventories

Inventories are included in the Balance Sheet at actual cost or net realisable value if lower.

1.15 Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.16 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets (see 1.16.3).

1.16.1 The Council as Lessee

i) Finance Leases

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

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

ii) Operating Leases

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

1.16.2 The Council as Lessor

i) Finance Leases

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

Lease rentals receivable are apportioned between:

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

ii) Operating leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental Income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease term are charged as an expense over the lease term, on the same basis as the rental income.

1.16.3 Embedded Leases

These are assets that although not owned by the Council are used primarily by it for service provision. Examples are vehicles used by the Council’s grounds and waste contractors. In these cases estimated values for the vehicles have been used along with a leased term in line with the contract period. Assets are recognised in the balance sheet at the net book value and offset by a deferred liability. The lease charge forms part of the contract payment on behalf of these vehicles on a straight-line basis over the life of the asset. These assets are depreciated in line with our normal capital policy.

1.17 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service where the total cost needs to be reflected at service level. In those cases the total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received.

1.18 Property, Plant and Equipment

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

1.18.1 Recognition

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

1.18.2 Measurement

Assets are initially measured at cost, comprising:

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

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

- community assets, infrastructure and assets under construction – depreciated historical cost or historical cost. If historical cost information is not available current cost discounted back to date of acquisition, using retail price index.
- council dwellings – existing use value, determined using the basis of existing use value for social housing (EUV-SH)
- assets held for sale - fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).
- all other assets – existing use value where there is sufficient evidence of transactions for that use, or depreciated replacement cost (DRC) is used as an estimate of fair value for assets of a specialist nature.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Where decreases in value are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down first against any relevant balance in the reserve, and then against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

1.18.3 Impairment

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

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

1.18.4 Depreciation

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

Depreciation is calculated on the following bases:

- dwellings, infrastructure and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer (as long as the amount involved is material).

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately on straight-line allocation over the useful life of the component.

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

1.18.5 Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the

Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals are payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment (or set aside to reduce the Council's underlying need to borrow (the capital financial requirement)). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

1.18.6 Heritage Assets

The Council owns a large number of heritage assets which have either been donated to or purchased by the Council, or the Council has inherited from other public bodies. The assets fall into two basic categories: land and buildings and museum contents and artefacts plus various items of public art and sculpture on display around the district.

Heritage Assets are recognised and measured in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets where the Council does not hold information on cost or value (see note 10.1).

1.19 Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

1.20 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement, so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

1.21 Revenue Expenditure Funded from Capital under Statute

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

1.22 VAT

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

1.23 Fair Value Measurement

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

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

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

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

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

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

• IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2020.

• IAS 40 Investment Property: Transfers of Investment Property provides further explanation of the instances in which a property can be reclassified as investment property. This will have no impact on the Council as it already complies.

• IFRIC 22 Foreign Currency Transactions and Advance Consideration clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering services or goods. The Council does not have any transactions within the scope of the amendment.

• IFRIC 23 Uncertainty over Income Tax Treatments provides additional guidance on income tax treatment where there is uncertainty. This will have no impact on the councils accounts.

• IFRS 9 Financial instruments: prepayment features with negative compensation amends IFRS9 to make clear that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest. The Council has no loans to where this will apply.

3 Critical Judgements in applying Accounting Policies

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

a) The council has decided not to prepare group statements in respect of the East Kent ALMO on the grounds of materiality. The ALMO's accounts include retained earnings of £755k, plus a significant loss for their pension deficit of £9.5m. The council has decided that both these elements are not material for our accounts for the following reasons:

   The council's share of the ALMO's profit on transactions (approximately 25% of £755k) is not material, so its inclusion in the financial statements would have no material impact.

   The council does not have a constructive obligation for a share of the pension fund liability, so this liability is not recognised in the accounts. Consequently, in our opinion, under IAS37 and the equity method of consolidation, our share of this pension fund loss and the resultant liability would not be consolidated in any group accounts prepared. Details of the related party transactions are provided within this document.

   If EKH was unable to meet its obligations for pension payments, its services would be taken back in-house by the four partner authorities and any pension liability would be combined with each Council's pension liability.

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

c) The Council entered into major contracts in 2013/14 for waste collection, grounds maintenance and park and ride services. The Council has reviewed the use of the non-current assets used by the contractors in order to deliver the contracts to establish the type of lease arrangement that covers their use. The waste and grounds maintenance contract is judged to include a finance lease, therefore the assets and a long term creditor equal to the value of the assets are included on the balance sheet. The assets will be depreciated over the life of the contract and the long term creditor written down over the same period. The non-current assets used to deliver the park and ride contract have a useful life significantly greater than the duration of the contract and so no further accounting adjustments are required for this contract.

d) The Council owns several properties that are classified as specialised as being a property that is rarely, if ever, sold in the market, except by way of a sale of the business or entity of which it is part, due to the uniqueness arising from its specialised nature and design, its configuration, size, location or otherwise. Property services value these non-current assets on a depreciated replacement cost basis as to value them on any other basis would be extremely difficult and would invariably lead to unrealistically low values.

e) The result of the EU referendum was a vote to leave the European Union. This decision could have an impact on the Council's future financial position but at this stage is it not possible to assess what that impact might be, however it is not considered necessary to require any change to the financial position reported.

f) During 2017/18 the Council purchased the remaining half interest in the Whitefriars shopping centre. Given that the Council now owns 100% of the centre for long term regeneration purposes, it has decided to classify the asset as a non-current property asset rather than as a financial instrument. This better reflects the Council's intentions to retain this property for the long term for regeneration purposes.

g) In February 2018, this Council, together with Dover and Thanet district councils, entered into a contract with Civica UK Ltd. As part of the contractual arrangements with Civica, the councils have agreed to a cap and collar arrangement whereby the councils meet annual pension costs above the cap value but receive the benefit if pension costs fall below the collar value. The councils have also jointly agreed to act as a guarantor to Civica to enable it to become an admitted body in the Kent Pension Fund. Staff were transferred to Civica on a 100% funded basis. If EKH was unable to meet its obligations for pension payments, its services would be taken back in-house by the three partner authorities and any pension liability would be combined with each Council's pension liability.

   In December 2018 the council transferred the operation of the Marlowe Theatre to the Marlowe Theatre Trust , and recently revised the partnership agreement with the council's leisure services delivery partner Active Life. There are similar arrangements in place with regard to the pension arrangement as Civica.

   For the 2018/19 accounts therefore the Council has decided not to reflect these arrangement in its statement of accounts as it considers that the probability of the guarantee being realised is minimal and so the value of the potential transaction is insignificant.

h) The Council has reviewed its income sources in view of the introduction of IFRS15 – Revenue from Contracts with Customers and considers that income received in exchange for services is accounted for in line with the standard as the majority of services are paid for at the time of receipt or are aligned with our financial reporting period. Income received outside of those parameters is deemed to be immaterial.

4 Assumptions made about the future and other major sources of estimation uncertainty

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

The items in the Council's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £3.4m. Changes to financial assumptions in 2018/19 have led to a decrease in the net liability of £9.5m.
Business Rate Appeals	The Council has a significant number of outstanding appeals against the Valuation Office (VOA) rating list. These can take several years to be heard and the outcome is difficult to estimate. Historical data has been used as the best estimate on which to base the provision for the outcome of the appeals. Following the 2017 revaluation there now applies a Check Challenge Appeal process for ratepayers. Very little progress to date has been made in resolving appeals, meaning that additional provision is having to be made in each year.	If the outcome of appeals is a reduction in the rateable value above that which has been provided then the NNDR collection fund would incur the additional cost of the appeals and there would be an ongoing reduction in the NNDR yield.
Fair value measurements	When the fair values of investment properties, surplus assets and assets held for sale cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using the following valuation techniques: 1. For Level 2 inputs, quoted prices for similar assets or liabilities in active markets at the balance sheet date; 2. For level 3 inputs, valuations based on most recent valuations adjusted to current valuation by the use of indexation and impairment review. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible, judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. Changes in assumptions used could affect the fair value of the Council's assets and liabilities. Where Level 1 inputs are not available, the authority's internal RICS qualified valuers identify the most appropriate valuation techniques to determine fair value. All valuations are carried out in accordance with the methodologies and bases for estimation set out in the professional	The Council uses combination of indexation techniques, beacon valuations and discounted cash flow (DCF) models to measure the fair value of its Investment Properties, Surplus Assets and Assets Held for Sale under IFRS13 depending on which technique it considers most appropriate. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, occupancy levels, floor area repairs backlogs, beacon classifications and others. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for these assets. The most significant single asset is the Council's 100% stake in the Whitefriars Shopping Centre. This is valued using Level 2 inputs. A one percent variation would lead to a change in value of £1.47m

	standards of the Royal Institution of Chartered Surveyors. The Council's valuation team work closely with finance officers reporting directly to the chief financial officer on a regular basis regarding all valuation matters.	
Bad debt provisions (impairment allowance)	The Council has bad debt provisions of £3.626m for income relating to the HRA, benefit overpayments, council tax, NNDR and other general debtors. The provisions are based on previous history of collection rates based on aged debt analysis. However, future payment patterns could differ from historical trends.	The actual level of bad debts could be better or worse than the provision, leading to a need to increase or reduce it. Collection rates are monitored closely to allow early identification of changes to trends in payment patterns.

5 Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Deputy Chief Executive on 30 May 2019. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Since the balance sheet date the Council entered into a contractual commitment with a developer to develop Canterbury Riverside. This includes a commitment from the Council to pay £23m for the commercial element of the development. Under the agreement the Council will own the commercial development and receive the income streams from it.

6 Adjustments between Accounting Basis and Funding Basis under Regulations

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

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

6.1 General Fund Balance

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

6.2 Housing Revenue Account Balance

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

6.3 Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

6.4 Capital Receipts Reserve

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

6.5 Capital Grants Unapplied

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

Accounting and Funding basis adjustments 2018/19	Usable Reserves						Movement in Unusable Reserves
	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Major Repair Reserve	Capital Receipts Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement							
Charges for Depreciation and impairment of non-current assets	(7,228)		(4,002)				11,230
Revaluation on Property, Plant & Equipment	(1,359)		(19,753)				21,113
Movement in market value of investment property	(198)						198
Capital grant and contributions applied	1,865		170				(2,035)
Revenue Expenditure funded from Capital under Statute	0						0
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(143)		(2,680)				2,822
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement							
Statutory provision for the financing of capital investment	7,406						(7,406)
Capital expenditure charged against GF & HRA balances	3,582		9,852				(13,434)
Adjustments primarily involving the Capital Grants Unapplied Account							
Capital grants and contributions unapplied credited to CIES	(585)					585	0
Capital grants and contributions unapplied	2,039					(2,039)	0
Adjustments primarily involving the Capital Receipts Reserve (CRR)							
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	797		4,941		(5,737)		0
Use of CRR to finance capital expenditure					11,927		(11,927)
Contribution from CRR to finance payments to the Government capital receipts pool	(539)				539		0
Transfer from deferred CRR upon receipt of cash					0		0
Repayments of soft loans and Hsg Act advances					(78)		78
Adjustments primarily involving the Major Repairs Reserve							
Reversal of Major Repairs Allowance credited to the HRA			4,002	(4,002)			0
Use of the Major Repairs Reserve to finance new capital expenditure				8,896			(8,896)
Voluntary transfer to Major Repairs Reserve			4,894	(4,894)			0
Adjustments involving the Financial Instruments Adjustment Account							
Amount by which finance costs charged to CIES are different from finance costs chargeable in year in accordance with statutory requirements	42		(5)				(38)
Adjustments involving the Pension Reserve							
Reversal of items relating to retirement benefits debited or credited to CIES	(4,630)		(26)				4,656
Employers contributions and direct payments to pensioners payable in year.	4,255		271				(4,526)
Adjustments involving Collection Fund Adjustment Account							
Amount by which council tax and NDR income adjustment included in CIES is different to the amount calculated for the year in accordance with statutory guidance	308						(308)
Adjustments involving Accumulated Absences Account							
Amount by which officer remuneration charged to the CIES on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	31		0				(31)
Total Adjustments 2018/19	5,643	0	(2,335)	(0)	6,651	(1,454)	(8,505)

Accounting and Funding basis adjustments 2017/18	Usable Reserves						
	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Major Repair Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement							
Charges for Depreciation and impairment of non-current assets	(6,248)		(3,973)				10,220
Revaluation on Property, Plant & Equipment	(5,180)		(6,132)				11,312
Movement in market value of investment property	235						(235)
Capital grant and contributions applied	115		536				(652)
Revenue Expenditure funded from Capital under Statute	(1,342)						1,342
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(182)		(2,583)				2,765
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement							
Statutory provision for the financing of capital investment	4,614						(4,614)
Capital expenditure charged against GF & HRA balances	3,034		4,735				(7,769)
Adjustments primarily involving the Capital Grants Unapplied Account							
Capital grants and contributions unapplied credited to CIES	(1,162)					1,162	0
Capital grants and contributions unapplied	971					(971)	0
Adjustments primarily involving the Capital Receipts Reserve (CRR)							
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	306		3,159		(3,465)		0
Use of CRR to finance capital expenditure					1,625		(1,625)
Contribution from CRR to finance payments to the Government capital receipts pool	(539)				539		0
Transfer from deferred CRR upon receipt of cash					0		0
Repayments of soft loans and Hsg Act advances					(78)		78
Adjustments primarily involving the Major Repairs Reserve							
Reversal of Major Repairs Allowance credited to the HRA			3,973	(3,973)			0
Use of the Major Repairs Reserve to finance new capital expenditure				5,633			(5,633)
Voluntary transfer to Major Repairs Reserve			1,661	(1,661)			0
Adjustments involving the Financial Instruments Adjustment Account							
Amount by which finance costs charged to CIES are different from finance costs chargeable in year in accordance with statutory requirements	51		(7)				(44)
Adjustments involving the Pension Reserve							
Reversal of items relating to retirement benefits debited or credited to CIES	(6,882)		(234)				7,116
Employers contributions and direct payments to pensioners payable in year.	3,909		267				(4,176)
Adjustments involving Collection Fund Adjustment Account							
Amount by which council tax and NDR income adjustment included in CIES is different to the amount calculated for the year in accordance with statutory guidance	(1,442)						1,442
Adjustments involving Accumulated Absences Account							
Amount by which officer remuneration charged to the CIES on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements							0
Total Adjustments 2017/18	(9,743)	0	1,404	0	(1,381)	191	9,529

7 Note to the expenditure and funding analysis

Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts:

2017/18 Adjustments for capital purposes	2017/18 Net change for the pensions adjustments	2017/18 Other differences	2017/18 Total adjustments		2018/19 Adjustments for capital purposes	2018/19 Net change for the pensions adjustments	2018/19 Other differences	2018/19 Total adjustments
£'000	**£'000**	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**	**£'000**
(1,700)	(1,924)	(3,586)	(7,210)	Corporate Management	(4,777)	(4,109)	391	(8,495)
6,962	708	(452)	7,218	Development	3,714	458	(251)	3,921
0	0	(64)	(64)	Digital Transformation & Policy	0	83	50	133
(575)	940	207	572	Commissioned Services	(1,045)	752	243	(50)
139	1,054	(227)	966	Community Services	137	903	232	1,271
0	0	10	10	Finance Team	0	130	78	208
0	0	0	0	HR & Training	0	0	(39)	(39)
0	0	0	0	Legal Team	0	62	39	101
0	0	21	21	Revenues & Benefits	0	0	103	103
6,132	(131)	(9,016)	(3,015)	Housing Revenue Account	19,753	(253)	(12,013)	7,487
10,959	**648**	**(13,107)**	**(1,500)**	**Cost of Services**	**17,783**	**(1,973)**	**(11,167)**	**4,642**
				Other Operating Expenditure				
(700)	0	0	(700)	Loss/Gain on Sales of Assets	(2,915)	0	0	(2,915)
0	0	825	825	Parish Council Precepts & Drainage Board Levy	0	0	850	850
539	0	0	539	Housing Capital Receipts Cont to Govt Pool	539	0	0	539
				Financing & Investment Income & Expenditure				
3,333	0	1,801	5,134	Interest Payable on Debt	4,099	0	2,035	6,133
0	2,292	0	2,292	Net interest on the net defined benefit liability	0	2,099	0	2,099
0	0	(376)	(376)	Investment Interest Income	0	0	(405)	(405)
0	0	(250)	(250)	Investment properties income and expenditure	0	0	(250)	(250)
(235)	0	0	(235)	Change in fair value of investment properties	198	0	0	198
0	0	(42)	(42)	Surplus from Trading Operations	0	4	(19)	(15)
0	0	0	0	Impairment adjustments	0	0	54	54
				Taxation & Non-Specific Grant Income & Expenditure				
(460)	0	0	(460)	Recognised Capital Grants & Contributions	(3,489)	0	0	(3,489)
0	0	743	743	Income from the Collection Fund	0	0	(1,000)	(1,000)
0	0	0	0	Non ring-fenced Government Grants	0	0	(4,202)	(4,202)
			5,969	**Difference between surplus or deficit and the Comprehensive Income and Expenditure Statement surplus or deficit on the provision of services**				**2,239**

8 Expenditure and income analysed by nature

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

2017/18 £'000		2018/19 Corporate Management £'000	Development £'000	Digital Transformation & Policy £'000	Commissioned Services £'000	Community Services £'000	Finance Team £'000	HR & Training £'000	Legal Team £'000	Revenues & Benefits £'000	Housing Revenue Account £'000	Net Cost of Services £'000	Sources of Finance £'000	Total £'000
	Expenditure													
25,270	Employee benefits expenses	(1,513)	4,162	774	5,821	7,123	1,121	65	671	0	125	**18,348**	2,147	**20,495**
57,758	Other service expenses	544	2,905	967	17,598	7,145	283	270	43	2,636	12,899	**45,289**	3,196	**48,485**
(881)	Support service recharges	(1,083)	199	(155)	(98)	620	(252)	(14)	(648)	0	554	**(878)**	1	**(877)**
44,888	Housing benefit payments	0	0	0	0	1,192	0	0	0	41,826	0	**43,018**	(77)	**42,941**
12,943	Depreciation, amortisation, impairment	3	6,790	376	2,980	1,408	0	0	0	0	23,773	**35,330**	198	**35,527**
3,180	Interest payments	0	0	0	0	0	0	0	0	0	0	**0**	3,808	**3,808**
825	Precepts and levies	0	0	0	0	0	0	0	0	0	0	**0**	850	**850**
539	Payments to Housing Capital Receipts pool	0	0	0	0	0	0	0	0	0	0	**0**	539	**539**
(700)	Gain on the disposal of assets	0	0	0	0	0	0	0	0	0	0	**0**	(2,915)	**(2,915)**
143,822	**Total Expenditure**	**(2,050)**	**14,055**	**1,962**	**26,301**	**17,488**	**1,152**	**320**	**65**	**44,462**	**37,351**	**141,107**	**7,747**	**148,854**
	Income													
(70,484)	Fees, charges and other service income	(76)	(16,319)	(67)	(11,500)	(14,044)	(77)	(70)	(133)	(503)	(26,066)	**(68,857)**	(4,973)	**(73,830)**
(90)	Interest and investment income	0	0	0	0	0	0	0	0	0	0	**0**	(71)	**(71)**
(9,002)	Income - council tax & non-domestic rates	0	0	0	0	0	0	0	0	0	0	**0**	(11,222)	**(11,222)**
(58,338)	Government grants and contributions	(309)	(791)	(122)	(1,361)	(1,965)	0	(2)	0	(43,131)	(0)	**(47,681)**	(10,024)	**(57,705)**
(137,915)	**Total Income**	**(385)**	**(17,110)**	**(189)**	**(12,861)**	**(16,009)**	**(77)**	**(73)**	**(133)**	**(43,634)**	**(26,066)**	**(116,538)**	**(26,290)**	**(142,828)**
5,907	**Surplus/Deficit on provision of services**	**(2,435)**	**(3,054)**	**1,773**	**13,440**	**1,479**	**1,075**	**247**	**(68)**	**828**	**11,285**	**24,569**	**(18,544)**	**6,025**

9 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2018/19.

Reserve	Note	Balance at 1 April 2017 £'000	Transfers to reserve £'000	Transfers from reserve £'000	Balance at 31 March 2018 £'000	Transfers to reserve £'000	Transfers from reserve £'000	Balance at 31 March 2019 £'000
Computer/equipment	a	(962)	(154)	557	(559)	(46)	219	(385)
Buildings maintenance	b	(830)	(136)	44	(922)	(117)	182	(857)
Commercial property stabilisation reserve	c	(1,007)	(1,199)	200	(2,005)	(601)	0	(2,606)
Restructure reserve	d	(1,019)	(150)	674	(495)	(295)	432	(359)
Open spaces maintenance	e	(867)	0	36	(832)	(14)	1	(844)
Budget stabilisation reserve	f	(998)	0	150	(848)	0	150	(698)
Carry forward reserve	g	(776)	(403)	387	(793)	(638)	400	(1,031)
Whitstable Harbour reserves	h	(1,365)	(220)	243	(1,342)	(196)	107	(1,432)
Waste reserve	i	(578)	0	0	(578)	0	0	(578)
NDR reserve	j	(1,828)	(3,070)	530	(4,368)	(5,509)	5,685	(4,192)
Capital reserve	k	(0)	(2,150)	2,150	(0)	(715)	500	(215)
Planning reserves	l	(711)	(189)	108	(792)	(319)	40	(1,071)
Other General Fund reserves		(4,636)	(733)	1,058	(4,311)	(411)	1,469	(3,254)
Total of Reserves		(15,577)	(8,402)	6,135	(17,845)	(8,861)	9,185	(17,521)
Net Transfer - General Fund					(2,268)			324
HRA Reserves (excl major repairs reserve)								
Subsidence and other reserves	h1	(711)	(302)	0	(1,013)	(277)	300	(991)
Total HRA Reserves		(711)	(302)	0	(1,013)	(277)	300	(991)
Net Transfer - HRA					(302)			23
Total Reserves		**(16,289)**	**(8,705)**	**6,135**	**(18,858)**	**(9,138)**	**9,485**	**(18,512)**

Earmarked Reserves

a) The computer/equipment reserve is held to finance ICT equipment which needs replacing.

b) The Buildings maintenance reserve is used to finance major repairs to council buildings.

c) The commercial property stabilisation reserve is used to smooth the commercial property income fluctuations across financial years.

d) The restructure reserve is used to cover restructure costs.

e) The open spaces maintenance reserve holds the balance from commuted payments from developers (under section 106 agreements) based on 20 years maintenance cost of spaces taken over by the Council. The balance for each development is transferred to revenue over 20 years.

f) The budget stabilisation is in place to support the revenue budget over future years and to cover any impairment on investments.

g) The carry forward reserve is used to carry forward approved allocations to the next financial year to fund specific items or projects.

h) The Whitstable Harbour reserves hold any surpluses from the ring-fenced account to spend on the Harbour in future years including quay maintenance.

i) The waste reserve is used to smooth grant funding received over the life of the current contract and to fund preparatory work in advance of the next contract period.

j) The NDR reserve has been created to allocate grant funding received in the current year that is required to fund the NDR collection fund costs accounted for in future financial years.

k) The capital reserve has been established to facilitate revenue contributions towards funding of the capital programme.

l) The planning reserves are used to finance development management in the district and to finance the costs of local plan inquiries.

h1) The HRA reserves consist mainly of a subsidence reserve created to cover liabilities arising from subsidence of housing stock properties now that they are not covered within the Council's insurance policy.

Other General Fund Reserves consists of a number of reserves with balances of less than £500,000, which have been earmarked for a range of different purposes such as insurance, election costs, and car park investments.

10 Property plant and equipment, investment properties and intangible assets

Following the introduction of capital accounting, plant, property and equipment (PPE) are valued using the basis set out in note 10.4 below, any differences being credited or debited to the Revaluation Reserve. Infrastructure assets and community assets are included in the balance sheet at historical cost, net of depreciation. The summary of the movement in these assets during the year are listed in the two tables below.

	Council Dwellings	Land and Buildings	Plant, Vehicles & Equipment	Infrastructure	Community Assets	Assets Under Construction	Total Tangible assets	Investment Properties	Heritage Assets	Intangible Assets	Total	Assets Held For Sale
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2018 (b/fwd)	319,752	344,197	18,129	41,625	1,491	1,100	726,295	4,545	12,746	441	744,028	0
Additions	5,587	1,042	2,092	1,752	0	21,044	31,517	0	5	0	31,522	0
Disposals	(2,669)	(511)	(531)	0	0	0	(3,711)	0	0	(10)	(3,721)	0
Acc Dep'n w/o	0	(4,084)	0	0	0	0	(4,084)	0	0	0	(4,084)	0
Reclassifications/Transfers	0	(1,384)	0	0	0	1,034	(350)	0	0	0	(350)	350
Revaluations to Revaluation Reserve	6,134	9,614	0	0	0	0	15,748	0	107	0	15,854	0
Revaluations to CIES	(5,289)	(1,341)	0	0	0	(14,482)	(21,113)	(198)	0	0	(21,310)	0
Other movements in Cost or Valuation	0	0	0	0	0	0	0	0	0	0	0	0
At 31 March 2019	323,515	347,534	19,690	43,377	1,491	8,696	744,303	4,348	12,858	431	761,939	350
Depreciation and impairment												
At 1 April 2018 (b/fwd)	(3,897)	(4,047)	(12,545)	(21,224)	(24)	0	(41,737)	0	0	(441)	(42,178)	0
Charge for 2018/19	(3,925)	(4,688)	(1,774)	(828)	(1)	0	(11,216)	0	(14)	0	(11,230)	0
Disposals	0	0	408	0	0	0	408	0	0	10	418	0
Acc Dep'n w/o	3,897	4,084	0	0	0	0	7,981	0	0	0	7,981	0
Reclassifications	0	0	0	0	0	0	0	0	0	0	0	0
Impairments to CIES	0	0	0	0	0	0	0	0	0	0	0	0
At 31 March 2019	(3,925)	(4,651)	(13,912)	(22,052)	(25)	0	(44,564)	0	(14)	(431)	(45,009)	0
Net Book Value at 31 March 2019	319,590	342,883	5,778	21,325	1,466	8,696	699,738	4,348	12,843	0	716,929	350

10 Property plant and equipment, investment properties and intangible assets

Cost or Valuation	Council Dwellings £'000	Land and Buildings £'000	Plant, Vehicles & Equipment £'000	Infrastructure £'000	Community Assets £'000	Assets Under Construction £'000	Total Tangible assets £'000	Investment Properties £'000	Heritage Assets £'000	Intangible Assets £'000	Total £'000	Assets Held For Sale £'000
At 1 April 2017 (b/fwd)	311,984	193,921	16,936	41,421	1,495	0	565,757	4,310	12,899	475	583,441	212
Additions	4,058	155,336	1,251	204	0	1,217	162,066	0	10	0	162,076	0
Disposals	(2,583)	0	(62)	0	0	0	(2,644)	0	0	(34)	(2,678)	(212)
Acc Dep'n w/o	0	(3,153)	0	0	0	0	(3,153)	0	(16)	0	(3,169)	0
Reclassifications/Transfers	0	4	0	0	(4)	0	0	0	0	0	0	0
Revaluations to Revaluation Reserve	9,016	3,215	0	0	0	0	12,231	0	(148)	0	12,083	0
Revaluations to CIES	(2,723)	(5,126)	0	0	0	(117)	(7,965)	235	0	0	(7,730)	0
Other movements in Cost or Valuation	0	0	4	0	0	0	4	0	0	0	4	0
At 31 March 2018	319,752	344,197	18,129	41,625	1,491	1,100	726,295	4,545	12,746	441	744,028	0
Depreciation and impairment												
At 1 April 2017 (b/fwd)	(3,824)	(3,377)	(10,956)	(20,389)	(23)	0	(38,569)	0	0	(475)	(39,044)	0
Charge for 2017/18	(3,897)	(3,823)	(1,647)	(836)	(1)	0	(10,204)	0	(16)	0	(10,220)	0
Disposals	0	0	59	0	0	0	59	0	0	34	92	0
Acc Dep'n w/o	3,824	3,153	0	0	0	0	6,977	0	16	0	6,993	0
Reclassifications	0	0	0	0	0	0	0	0	0	0	0	0
Impairments to CIES	0	0	0	0	0	0	0	0	0	0	0	0
At 31 March 2018	(3,897)	(4,047)	(12,545)	(21,225)	(24)	0	(41,738)	0	0	(441)	(42,179)	0
Net Book Value at 31 March 2018	315,855	340,150	5,584	20,401	1,467	1,100	684,558	4,545	12,746	0	701,849	0

10.1 Heritage Assets

FRS 30 defines a heritage asset as 'a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture'.

Canterbury City Council owns a large number of heritage assets which have either been donated to the Council or purchased or the Council has inherited from other public bodies. The assets are maintained to a standard which enables them to retain their original value. Therefore, it is not considered appropriate to depreciate these assets.

Land and Buildings

The Council owns the following land and buildings, most of them historic, which are held and maintained principally for their contribution to knowledge and culture. The Council does not hold information on the cost or value of these assets and it is considered that the cost of obtaining this information outweighs the benefit to the reader of the accounts.

Heritage Asset	Location
Roper Gateway, St Dunstans Street	Canterbury
Jesuit Chapel (Hales Place Chapel Trust)	Canterbury
Black Princes Chantry Wall	Canterbury
City Walls	Canterbury
Dane John Mound	Canterbury
St George's Clocktower	Canterbury
St Mary Magdalene Clocktower	Canterbury
1st and 2nd World War Memorials	Various
Boer War Memorial, Dane John	Canterbury
Kent Yeomanry War Memorial, Nasons	Canterbury
Whitstable War Memorial	Whitstable
Memorial to Kentish Martyrs	Canterbury

Assets whose primary function is operational, such as the Holy Cross Church (The Guildhall), Tower House, and museum buildings are not classed as Heritage Assets. Where the asset values are recorded on the fixed asset register, these values are also shown in the reconciliation below.

The buildings are all maintained by the Council's buildings services team. There are regular inspections and any maintenance required is carried out as part of the maintenance programme for all of the Council's buildings.

Museum contents and other artefacts

The museums service is managed within the Commissioned Services service area, and a small team look after and preserve the exhibits.

The service operated three museums within the district during 2018/19. Independent groups has been established in Herne Bay and Whitstale to take on the management of the museums on the council's behalf.

The art in the museums were last valued in 2006 by Sotheby's for insurance purposes at £7,100,000. This is reviewed annually and the current valuation is £7,075,000. Other museum exhibits are valued for insurance purposes at £841,000 and various civic and public art commissions are valued at £670,000 giving an overall total of £9,627,000 which also includes Tower House and Van Dyck paintings, but excludes exhibitions on loan to the Council.

It has been determined that the civic regalia should be classed as operational assets as they are used in the course of the Council's business.

Reconciliation of the carrying value of Heritage Assets Held by the Authority

At 31 March 2018 £'000	£'000	Asset	At 31 March 2019 £'000	£'000
841		Museum Exhibits	841	
8,786		Public Art and Painting Collection	8,786	
	9,627	**Museum contents and artefacts**		**9,627**
972		Roman Site Butchery Lane	972	
30		Canterbury Castle	30	
161		Littlebourne Barn	161	
489		Central Parade Clock Tower	489	
1,468		Westgate Towers	1,565	
	3,119	**Land and Buildings**		**3,216**
	12,747	**Total**		**12,843**

10.2 Assets held for sale

31 March 2018 £'000		Transfers £'000	Assets sold £'000	31 March 2019 £'000
0	Other properties	350	0	350
0		**350**	**0**	**350**

10.3 Depreciation

Depreciation is provided for PPE with a finite useful life according to the following policy:

a) Operational buildings are depreciated unless the amount involved is not material.

b) Newly acquired assets are depreciated from the date of acquisition although assets in the course of construction are not depreciated until they are brought into use.

c) Depreciation is calculated using the straight-line method over the expected useful life of the asset. This is calculated for each asset on an individual basis as follows: infrastructure assets are depreciated over periods varying from 10 to 50 years, operational buildings over periods ranging from 20 to 100 years, and plant, vehicles and equipment are mainly depreciated over five years.

A revised depreciation charge using component accounting was implemented for the HRA in 2010/11 and has been implemented for major properties only for the General Fund from 2011/12.

10.4 Capital Commitments

At 31 March 2019 the council has capital commitments of £6m for the completion of the construction of the multi-storey car park project that commenced in 2018/19.

10.5 Revaluations

The Council carries out a rolling programme of revaluations that ensures that all property, highways, infrastructure assets, plant and equipment required to be measured at current value is re-valued at least every five years. Investment properties, surplus properties and assets held for sale are re-valued every year, as are all assets with a capital value of over £400,000. Revaluations for 2018/19 were carried out internally with the exception of Whitefriars, which was valued by NewRiver REIT plc, the Council's asset managers for Whitefriars,in the capacity of external valuers.

Assets category	**Date of last valuation**	**Basis of valuation**	**Valuer**
Council dwellings	March 2019	A	Peter Riley, FRICS
Other land and buildings	April 2018– March 2019	B	Peter Riley, FRICS

Surplus assets	March 2019	C	Peter Riley, FRICS
Investment properties	March 2019	C	Peter Riley, FRICS
Infrastructure assets	March 2019	B	Liam Wooltorton, IEng, MICE
Assets held for sale	March 2019	C	Peter Riley, FRICS

Basis of valuation

A Current Value - Existing Use Value – Social Housing reflects discounted value in accordance with MHCLG guidance to allow for the use of property as rented social housing

B a) Current Value - Existing Use Value where there was sufficient evidence of transactions for that use, or

b) Depreciated replacement cost (DRC) where the asset is of a specialised nature or where there is no evidence of market value of suitably comparable properties

C Current Value - Fair value for properties categorised as Assets Held for Sale, surplus or investment properties

Valuation techniques used to determine level 2 fair values for investment properties

The Fair Values of retail assets have been assessed using the investment method reflecting market conditions, sale prices and achieved rents for similar assets in the local authority area as at the valuation date. Market conditions are such that the level of observable inputs is significant leading to the property being categorised at Level 2 in the fair value hierarchy (see Note 4 for an explanation of the fair value levels).

Highest and Best Use of Investment Properties

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

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

11 Capital Expenditure and Capital Financing

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

2017/18 £'000	Capital Expenditure and Financing	2018/19 £'000
204,399	**Opening Capital Financing Requirement**	**271,888**
	Capital Expenditure in year:	
86,312	Property, plant and equipment	29,876
0	Assets under construction	1,565
230	Embedded Lease addition	81
3,144	Revenue expenditure funded from capital under statute see note 11.1	2,932
89,686		34,454
(4,732)	**HRA loan repayment**	(4,849)
	Sources of Finance	
(1,625)	Capital receipts	(11,927)
(105)	Loan repayments	(106)
(2,446)	Government grants and other contributions	(3,521)
(8,675)	Revenue and Reserves	(18,925)
(4,614)	Revenue and provision for repayment of loans (MRP)	(7,406)
(17,465)		(41,886)
271,888	**Closing Capital Financing Requirement**	**259,608**
	Explanation of movements in year	
(4,732)	HRA loan repayment	(4,849)
(4,614)	MRP	(7,406)
(105)	Soft loan repayments	(106)
76,941	Increase in underlying need to borrow (unsupported by government financial assistance).	81
67,489	**Movement of Capital Financing Requirement**	**(12,281)**

11.1 Revenue Expenditure Funded from Capital Under Statute (REFCUS)

This expenditure is recognised as revenue expenditure and any funding of it by grants recognised as revenue income.

2017/18 Net Exp £'000		2018/19 Gross Exp £'000	Gov Grant £'000	Other Contr £'000	Net Exp £'000
0	Disabled facilities and improvement grants	1,164	(1,164)	0	0
1,342	Other including parish council grants	1,768	0	(1,768)	0
1,342	Total	**2,932**	**(1,164)**	**(1,768)**	**0**

The financing of this expenditure was, grants and contributions of £1,486k and reserve funding of £1,446k. Adding the £1,486k to the £2,035k non REFCUS grant funded capital expenditure reconciles to the total capital grants applied to finance capital expenditure £3,521k (see table above).

12 Financial Instruments

12.1 Reclassification and remeasurement of financial assets at 1 April 2018

The effect of reclassification of financial assets following the adoption of IFRS9 Financial Instruments by the *Code of Practice on Local Authority Accounting* and the re-measurements of carrying amounts then required is set out below.

	Carrying amount brought forward at 1 April £000s	New classifications at 1 April 2018 Amortised cost £000s	Fair value through profit or loss £000s	Cash and cash equivs £000s
Previous classifications				
Loans and receivables	15,916	15,916	0	0
Soft loans	3,449	3,449	0	0
Cash and cash equivs.	10,914	0	11,854	(940)
Reclassified amounts at 1 April 2018		19,365	11,854	(940)

The reclassifications have not led to any changes to the carrying amounts.

12.2 Effect of reclassification on the Balance Sheet

The new balances at 1 April 2018 for financial assets are incorporated into the Balance Sheet as follows.

New classifications at 1 April 2018

	Amortised cost £000s	Fair value through profit or loss £000s	Cash and cash equivs. £000s	Non-financial instrument balances £000s	Total Balance Sheet carrying amount £000s
Remeasured carrying amounts at 1 April 2018	19,365	11,854	(940)		
Short term investments	5,015	11,854	0	0	16,869
Long-term debtors	3,449	0	0	402	3,851
Current debtors*	10,901	0	0	2,315	13,216
Cash and cash equivs.	0	0	(940)	0	(940)
	19,365	11,854	(940)	2,717	32,996

* Current debtors at 1 April 2018 of £13,216k are shown gross of an impairment loss allowance of £3,433k.

12.3 Application of classification requirements at 1 April 2018

The following judgement was made in reclassifying financial instruments at 1 April 2018.

- Money market funds (MMFs) of £11.85m were previously treated as cash and cash equivalents owing to the ability to recall funds within very short timescales. Under IFRS9 rules, MMFs have been assessed as fair value through profit and loss financial instruments, since the return of funds is not made solely as payments of principal and interest.

12.4 Reclassification and re-measurement of impairment losses at 1 April 2018

Following review, the Council has determined that there is no material adjustment to be made to impairment loss allowances as a result of the reclassification of financial assets and the change from an incurred losses model to an expected losses model for calculations.

Loss allowance for new classifications at 1 April 2018

	Impairment allowance brought forward at 1 April £000s	Amortised cost £000s	Non-financial instruments £000s
Previous classifications			
Loans and receivables	3,433	475	2,958
Reclassified amounts at 1 April 2018		475	2,958
Remeasurement from incurred losses to expected losses basis at 1 April 2018		0	0
Impairment loss allowance at 1 April 2018		475	2,958

12.5 Categories of Financial Instruments

The following categories of financial instrument (and non-financial assets/liabilities) are disclosed on the face of the Balance Sheet as at 31 March.

Financial Assets	Non-Current				Current					
	Investments		Debtors		Investments		Debtors		**Total**	Total
	31 March 2019 £'000	31 March 2018 £'000	**31 March 2019 £'000**	31 March 2018 £'000	**31 March 2019 £'000**	31 March 2018 £'000	**31 March 2019 £'000**	31 March 2018 £'000	**31 March 2019 £'000**	31 March 2018 £'000
Amortised cost	**0**	0	**420**	0	**0**	5,015	**10,591**	7,468	**11,011**	12,483
Fair Value through profit and loss	**0**	0	**0**	0	**5,268**	0	**0**	0	**5,268**	0
Cash and cash equivalents	**0**	0	**0**	0	**0**	10,914	**0**	0	**0**	10,914
Soft loans	**0**	0	**3,316**	3,449	**0**	0	**0**	0	**3,316**	3,449
Total financial assets	**0**	0	**3,736**	3,449	**5,268**	15,929	**10,591**	7,468	**19,595**	26,846
Non-financial assets	**0**	0	**2**	402	**0**	0	**1,715**	2,315	**1,717**	2,717
Total	**0**	0	**3,739**	3,851	**5,268**	15,929	**12,306**	9,783	**21,313**	29,563

Financial Liabilities	Non-Current				Current					
	Borrowings		Creditors		Borrowings		Creditors		**Total**	Total
	31 March 2019 £'000	31 March 2018 £'000	**31 March 2019 £'000**	31 March 2018 £'000	**31 March 2019 £'000**	31 March 2018 £'000	**31 March 2019 £'000**	31 March 2018 £'000	**31 March 2019 £'000**	31 March 2018 £'000
Amortised cost	**(178,833)**	(187,273)	**0**	0	**(38,255)**	(32,678)	**(11,915)**	(10,686)	**(229,003)**	(230,637)
Total financial liabilities	**(178,833)**	(187,273)	**0**	**0**	**(38,255)**	**(32,678)**	**(11,915)**	**(10,686)**	**(229,003)**	**(230,637)**
Non-financial liabilities	**0**	0	**0**	0	**0**	0	**(6,849)**	(6,315)	**(6,849)**	(6,315)
Total	**(178,833)**	(187,273)	**0**	0	**(38,255)**	(32,678)	**(18,764)**	(17,001)	**(235,852)**	(236,952)

12.6 Material Soft Loan made by the Council

Loan to Kent County Cricket Club (KCCC)

Soft loans includes a loan to the KCCC (towards the implementation of its development plans) which is deemed to be material. A soft loan is one where the advance has been made at less than market rates. Within the balance of soft loans of £3.3m shown in the table at 12.5 above, is an amount of £2.9m in respect of the KCCC.

	2017/18	2018/19
	£'000	£'000
Balance at start of year:		
Opening balance	3,061	**2,998**
Loans repaid	(106)	**(106)**
Increase in discounted amount	43	**28**
Impairment losses	0	**0**
Closing balance at end of year	**2,998**	**2,920**

The interest rate at which the fair value of this soft loan has been made is arrived at by adding 1% to the actual cost of borrowing to reflect the credit risk.

12.7 Income, Expense, Gains and Losses

The income, expense, gains and losses recognised in the Comprehensive Income and Expenditure Statement (as part of Surplus/Deficit on the Provision of Services) in relation to financial instruments are made up as follows:

	2017/18	2018/19
	£'000	£'000
Net gains/losses on:		
Financial assets measured at fair value through profit and loss	0	(172)
Financial assets measured at amortised cost	0	414
Total net gains/losses	0	242
Interest revenue:		
Financial assets measured at amortised cost	(409)	(162)
Interest expense	5,134	5,673

12.8 Fair Values of Financial Assets and Liabilities

The Council's financial liabilities and financial assets are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the Net Present Value of the cash flows that will take place over the remaining term of the instruments, which provides an estimate of the value of payments in the future in today's terms. This is the widely accepted valuation technique commonly used by the private sector. The following assumptions have been used:

i) For PWLB loans, the new borrowing rate has been used as the discount factor (as opposed to the premature repayment rate). This is because the premature repayment rate includes a margin which represents the lender's profit as a result of rescheduling the loan, which is not included in the fair value calculation. Relevant interest rates at 31 March 2019 were between 1.36% and 2.39% depending on the maturity date of the loan.

ii) No early repayment or impairment is recognised.

iii) For investments, the discount rate used in the Net Present Value calculation should be equal to the current rate in relation to the same instrument from a comparable lender. This will be the rate applicable in the market on the date of the valuation for an instrument with the same outstanding period to maturity.

The fair values calculated by Arlingclose our treasury advisors:

31 March 2018			31 March 2019	
Carrying Amount £'000	**Fair Value £'000**		**Carrying Amount £'000**	**Fair Value £'000**
		Long term borrowing		
185,271	207,743	Financial Liabilities PWLB loans	176,831	202,175
2,002	2,034	Financial Liabilities - Other bonds and mortgages	2,002	2,036
		Short term borrowing		
31,849	32,253	Financial Liabilities - temporary loans	38,255	37,895

The fair value is higher 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 at the balance sheet date including three old loans totalling £2.5m with rates of 7.625%, 10.25% and 10.5% which account for a fair value of £3,461k higher than the carrying amount. Further, the commitment to pay interest above current market rates on the other loans increases the amount that the Council would have to pay if the lender requested or agreed to early repayments of the loans.

31 March 2018			31 March 2019	
Carrying Amount £'000	**Fair Value £'000**		**Carrying Amount £'000**	**Fair Value £'000**
		Investments		
5,015	5,017	Loans and receivables - banks and building societies	0	0
0	0	Fair value through profit and loss - money market funds	5,268	5,268
5,015	**5,017**		**5,268**	**5,268**

The value of money market funds are made at “mark to market” meaning that the value of the funds are constantly measured at their fair value. The Council’s carrying amount in the accounts is kept up to date resulting in them being equal to the fair value.

Financial assets and liabilities additionally include cash, bank overnight deposits and some debtors and creditors as set out in the table (above) in note 12.5. The fair value of these is equivalent to the nominal value as they are short term liquid assets.

12.9 Nature and extent of risks arising from financial instruments

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

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

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management in relation to treasury management is reviewed throughout the year, under policies approved by the Council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposure to the authority's customers. Deposits are only made with banks and financial institutions if they are rated with a minimum score of F1. The Treasury Management Strategy sets out the lending limits to any single counter party, these are based on the assessed risks and vary between £1 million and £10 million. The strategy for 2018/19 was agreed by Council on 22 February 2018 and is available on the Council's website.

Liquidity risk

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

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

All investment sums owing to the Council (£5.3m) can be repaid on demand if required. The long term debts are due for repayment in accordance with the loan agreements.

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 comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

However £92.9m of loans have a maturity of more than 10 years and the strategy is now to spread the maturity profile of the borrowings and to make early repayments where it is beneficial to do so.

The maturity analysis of financial liabilities is as follows:

31 March 2018 £'000	Source of Loan	Range of interest rates payable %	31 March 2019 £'000
185,271	Public Works Loan Board	2.00 - 10.50	176,831
2,002	Other bonds and mortgages	2.00 - 5.625	2,002
187,273	Total Long term borrowing		**178,833**
	Analysis of loans by maturity is:		
7,852	Maturing in 1-2 years		8,871
25,315	Maturing in 2-5 years		28,458
47,712	Maturing in 5-10 years		48,537
106,394	Maturing in over 10 years		92,967
187,273	Total Long term borrowing		**178,833**

Market Risk

Interest rate risk

The Council is exposed to significant risks in terms of its exposures to interest rate movements on its investments, although much less on its borrowings. Movements in interest rates have a complex impact on the authority. For instance a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the surplus or deficit on the provision of services will rise
- borrowings at fixed rates – the fair value of the liabilities/borrowings will fall
- investments at variable rates – the interest income credited to the surplus or deficit on the provision of services will rise
- investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the surplus or deficit on the provision of services or other comprehensive income and expenditure account. However changes in interest payable and receivable on variable rate borrowings and investments (if the Council had any) would be posted to the surplus or deficit on the provision of services and affect the General Fund balance.

Investments or borrowings at variable interest rates are potentially most affected by interest rate risk; this Council invests in money market funds which are subject to movements in interest rates. For a 1% increase in rates additional income of £46k would be generated. A 1% reduction would have the opposite effect.

General Fund Borrowing

Of the £92.9m Council borrowing in excess of 10 years, £77.7m is General Fund.

Financial Instruments Designated at Fair Value through Profit or Loss (FVPL)

The Council held £5.3m in money market funds at 31 March 2019 designated as FVPL. The risk to the value of the funds is managed as described above. Fair value hierarchy of Level 1 is applied, that is, the value is derived from quoted prices in active markets for identical assets. The impact of a 1% interest rate rise would lead to an estimated reduction in fair value of £6k.

13 Long term debtors

Balance at 1 April 2018 £'000	Category	Advances £'000	Repayments £'000	Write-Offs £'000	Balance at 31 March 2019 £'000
	Soft loans (Misc loans)				
3,534	Actual amount outstanding	10	(185)	0	3,359
(85)	Adjustments to fair value	0	43	0	(42)
3,449	**Soft loans - Fair value**	10	(142)	0	3,317
0	Mortgages	0	0	0	0
2	Housing Act Advances	0	0	0	2
186	East Kent Housing loan	93	0	0	278
215	Shared Service Reserves	0	(73)	0	142
3,851	**Total**	**103**	**(215)**	**0**	**3,739**

The balance for soft loans at 31 March 2019 of £3.359m has been reduced downwards by £42k (contra the Financial Instruments adjustment account) to a 'fair value' of £3.317m using a discounted cash flow calculation, to reflect the interest charged is below market rates or where interest is at the market rate a credit default risk of 1% has been used.

14 Short term debtors

31 March 2018 £'000	Category	31 March 2019 £'000
11,398	Other entities and individuals	11,108
1,135	Central government bodies	2,214
675	Other local authorities	2,554
8	Public corps and trading funds	57
13,216	**Total**	**15,933**
	Impairment of debt	
(469)	Local tax payers	(609)
(641)	Housing	(787)
(1,849)	Benefits	(1,771)
(474)	Penalty charges notices & other provisions	(459)
(3,433)	**Total**	**(3,627)**
9,783	**Total short term debtors**	**12,306**

14.1 Age of Debt

An analysis of the age profile of trade debtors is given in the table below which form part of the debtors figures shown above.

31 March 2018				31 March 2019		
General £'000	HRA £'000	Total £'000	Age of Debt	General £'000	HRA £'000	Total £'000
1,629	25	**1,654**	0 to 30 days	1,827	14	**1,841**
157	9	**166**	31 to 60 days	17	1	**18**
121	9	**130**	61 to 90 days	172	3	**175**
25	256	**281**	91 to 120 days	67	8	**74**
133	108	**242**	Over 120 days	234	134	**368**
2,065	**407**	**2,472**	**Total**	**2,317**	**159**	**2,476**

14.2 Collectability of debt

The Council does not generally allow credit for customers; however, it is prudent to establish an allowance for non-payment of debt. This calculation is based upon the type and age of the debtor and allows a percentage for the expected failure of collection. The Council's potential maximum exposure to default or non-collection of the debt is shown as the provision balance as at 31 March in the impairment of debt table above.

15 Cash and cash equivalents

Cash is defined as cash in hand and deposits repayable on demand, less overdrafts. Deposits held short term in money market funds which were previously included in the bank overnight deposits category have been reclassified as short term investments in 2018/19. The balance of cash and cash equivalents is made up of the following elements:

31 March 2018	**Balance**	**31 March 2019**
£'000		**£'000**
11,854	Money Market Funds	0
2	Bank overnight deposits	4
618	Cash in hand	972
12,475		976
(1,562)	Payments in transit	(268)
10,914		**708**

16 Creditors

£'000	**Sundry creditors**	**£'000**
(8,656)	Other entities and individuals	(9,002)
(1,089)	Central government bodies	(1,604)
(7,256)	Other local authorities	(8,089)
0	Public corps and trading funds	(69)
(17,001)	**Total**	**(18,764)**

16.1 Deposits and Receipts in Advance

The balance for deposits and receipts in advance of £2,377k is predominantly made up of various government grants. (In 2017/18 the total was £6,842k of which £3,561k related to the Marlowe Theatre advance ticket sales). The theatre was transferred to the Marlowe Theatre Trust in December 2018 and so the ticket sales do not feature in the council’s year end balances as at 31 March 2019.

17 Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and in notes 6 and 9 to the financial statements.

18 Unusable Reserves

Reserve	Balance at 1 April 2018 £'000	Net movement in year £'000	Balance 31 March 2019 £'000	Purpose of reserve
Revaluation Reserve	(212,100)	(18,780)	(230,880)	Store of gains on revaluation of fixed assets, not yet realised through sales see note 18.1 for details
Capital Adjustment Account	(224,111)	(8,819)	(232,930)	Store of capital resources set aside to meet past expenditure see note 18.2 for details
Financial Instrument Adjustment Account	409	(38)	371	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowing and investments.
Available for Sale assets reserve	0	0	0	Represents the price flucation of the available for sale assets as at 31 March.
Pensions Reserve	85,386	(9,514)	75,872	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet. See note 18.3 for details
Collection Fund Adjustment Account	(133)	(308)	(441)	Resources available to meet future precept payments re City Council share only
Short-term accumulating absences account	201	(31)	170	Represents accrual of holiday entitlement carried forward at year end
Total	**(350,347)**	**(37,490)**	**(387,838)**	

18.1 Revaluation Reserve

This reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment (and Intangible Assets) as a result of inflation or other factors. The balance is reduced when assets with accumulated gains are:

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

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

31 March 2018 £'000	Category	General Fund £'000	Housing £'000	31 March 2019 £'000
(196,736)	Balance at 1 April	(57,964)	(154,136)	(212,100)
(16,110)	Upward revaluation of assets	(11,582)	(6,355)	(17,937)
4,027	Downward revaluation of assets and impairment losses not charged to Surplus/Deficit on provision of services	2,083	0	2,083
(12,083)		(9,499)	(6,355)	(15,854)
(3,824)	Depreciation written out on revaluations of PPE	0	(3,897)	(3,897)
(15,907)	(Surplus)/deficit on revaluation of assets not posted to the surplus or deficit on the provision of services per CIES.	(9,499)	(10,252)	(19,751)
	Transfers to Capital Adjustment Account (note 18.2)			
33	Write-out the revaluation gains previously recognised for assets disposed of in current year.	409	0	409
(15,874)	**(Surplus)/deficit on revaluation of PPE**	(9,090)	(10,252)	(19,342)
511	Difference between fair value depreciation and historical cost depreciation following revaluations	560	2	562
(15,363)	Total movement in reserve in the year	(8,530)	(10,250)	(18,780)
(212,100)	**Balance at 31 March**	**(66,494)**	**(164,386)**	**(230,880)**

18.2 Capital Adjustment Account

This reserve reflects the timing differences between the historical cost of non-current assets consumed, and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts that have been set aside to finance the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on Investment Properties. The account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

2017/18 Total £'000	Capital Adjustment Account	General Fund £'000	Housing £'000	2018/19 Total £'000
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement			
	Charges for depreciation and impairment			
(228,788)	Balance at 1 April	(141,582)	(82,529)	(224,111)
10,220	Charges for depreciation and impairment of non-current assets	7,228	4,002	11,230
11,312	Revaluation of Property, Plant and Equipment	1,359	19,753	21,113
1,342	Revenue expenditure funded from capital under statute	0	0	0
2,765	Amounts of non-current assets written off on disposal/sale as part of gain/loss on disposal to CIES	143	2,680	2,822
25,639		8,730	26,435	35,165
(511)	Adjusting amounts written out to Revaluation Reserve	(560)	(2)	(562)
25,127	**Net written out amount of the cost of non-current assets consumed in the year.**	8,171	26,433	34,604
	Capital financing applied in the year			
(1,625)	Use of the Capital Receipts Reserve to finance new capital expenditure	(927)	(11,000)	(11,927)
(5,633)	Use of the Major Repairs Reserve to finance new capital expenditure	0	(8,896)	(8,896)
(652)	Capital grants and contributions credited to the CIES that have been applied to capital financing	(1,865)	(170)	(2,035)
(4,614)	Statutory provision for the financing of capital charged to the General Fund and HRA balances	(7,406)	0	(7,406)
(3,034)	Capital expenditure charged against the General Fund and HRA balances	(3,582)	(5,000)	(8,582)
(15,558)		(13,780)	(25,067)	(38,847)
	Movement in the year			
(235)	Movement in the market value of Investment Properties debited or credited to the Comp Income and Exp Stmt	198	0	198
(4,735)	HRA loan repayment	0	(4,852)	(4,852)
78	Repayments of soft loans and housing act advances	78	0	78
(224,111)	**Balance at 31 March**	**(146,916)**	**(86,014)**	**(232,930)**

18.3 Pensions Reserve

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

2017/18 £'000		2018/19 £'000
86,934	**Balance at 1 April**	85,386
(4,488)	Remeasurements of the net defined benefit liability	(9,644)
7,116	Reversal of items relating to retirement benefits debited or credited to the Deficit on the Provision of Services in the Comprehensive I&E Statement	4,656
(4,176)	Employer's pension contributions and direct payments to pensioners payable in the year	(4,526)
85,386	**Balance at 31 March**	**75,872**

19 Cash flow statement – operating activities and reconciliation of liabilities arising from financing

19a The cash flows for operating activities include the following items:

2017/18 £'000		2018/19 £'000
3,135	Interest paid	5,625
(302)	Investment income received	(335)
2,833	Total	**5,290**

Full details of investing and financing activities are included in the main cash flow statement itself.

19b Reconciliation of liabilities arising from financing activities

Balance at 1 April 2018 £'000	Liability	Financing cash flows £'000	Non cash changes Acquisition £'000	Other non cash £'000	Balance at 31 March 2019 £'000
(187,273)	Long term borrowings	7,949	0	491	(178,833)
(32,678)	Short term borrowings	(5,000)	0	(577)	(38,255)
(1,645)	Lease liabilties	0	(81)	939	(787)
(221,596)	**Total liabilities from financing activities**	**2,949**	**(81)**	**853**	**(217,875)**

20 Grant Income

The Council credited the following grants and contributions to the comprehensive income and expenditure statement within taxation and non-specific grant income section.

2017/18	Taxation and non-specific grant Income	2018/19
£'000	**a) General government grants**	**£'000**
(998)	Revenue Support Grant	0
(4,377)	Non-domestic rates income and expenditure	(9,048)
(2,421)	New homes bonus	(1,057)
(7,796)	**Total of general government grants**	**(10,105)**
	b) Recognised capital grants and contributions	
(460)	Grants and contributions	(3,489)
(460)	**Total of recognised capital grants and contributions**	**(3,489)**

The Council credited the following grants and contributions to cost of services within the comprehensive income and expenditure statement.

2017/18	Credited to Services	2018/19
£'000	a) 'True' revenue grants	**£'000**
(29,160)	Rent allowances	(27,287)
(15,220)	Rent rebates	(14,535)
(608)	Benefits administration	(562)
(241)	NDR administration	(229)
(569)	Other revenue grants	(861)
(45,799)		(43,475)
	b) Grants re Revenue expenditure funded by grants under Statute (REFCUS)	
(968)	Housing specified grant for disabled facilities	(1,164)
(53)	Environment Agency (coast and flood protection)	0
0	Other grants	0
(46,820)	**Total to general government grants**	**(44,640)**

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned if the conditions are not met. They are credited to this account until the terms of the condition are substantially met.

21 External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts and certification of grant claims.

2017/18		2018/19
£'000		**£'000**
55	External audit services carried out by the appointed auditor	42
(7)	Rebate from PSAA	0
22	Certification of grant claims and returns	20
70	**Total**	**62**

22 Councillors' Allowances

The total of councillors' allowances paid in the year was £304,605.37 (2017/18 - £300,789).

Details can be found on our website: Canterbury City Council councillor allowances 2018/19.

23 Officers' Emoluments

The number of employees whose remuneration including termination payments, but excluding employer's pension contributions, was over £50,000, in bands of £5,000 are shown in the following table.

Number of employees 2017/18	Remuneration band	Number of employees 2018/19
8	£50,000 - £54,999	10
5	£55,000 - £59,999	6
9	£60,000 - £64,999	4
4	£65,000 - £69,999	7
2	£70,000 - £74,999	2
0	£75,000 - £79,999	2
1	£80,000 - £84,999	1
1	£85,000 - £89,999	2
1	£90,000 - £94,999	0
0	£95,000 - £99,999	0
1	£100,000 - £104,999	1
1	£105,000 - £109,999	0
0	£110,000 - £114,999	0
1	£115,000 - £119,999	1
1	£150,000 - £154,999	0
0	£160,000 - £164,999	1
35	**Total**	**37**

23.1 Senior Officers' Emoluments

This note reports the details of officers with statutory responsibilities and those reporting direct to the Chief Executive or part of Senior Management Team. The lowest full-time pay rate on the Council's salary scale is £16,835 therefore the test of the most senior salary not exceeding 20 times this rate is comfortably met.

2017/18				2018/19		
Salaries fees & allowances £'000	**Pension Contribution £'000**	**Total**	**Statutory Officers**	**Salaries fees & allowances £'000**	**Pension Contribution £'000**	**Total £'000**
117	16	133	Head of paid service - Chief Executive (0.81 FTE)	117	16	133
101	13	114	Chief Financial Officer - Deputy Chief Executive	103	14	117
95	0	95	Interim Head of Legal Services	102	0	102
			Non Statutory Directors			
109	15	124	Deputy Chief Executive	0	0	0
89	11	100	Director - Commissioned Services	80	10	90
88	12	100	Director - Development	94	12	106
93	12	105	Director - Community Services	90	12	102
81	11	92	Director - Finance & Procurement	82	11	93
773	**90**	**863**	**Total**	**668**	**75**	**743**

There were no other bonuses paid or receivable, no expenses allowance chargeable to UK tax paid or receivable, no amount of any compensation for loss of employment paid or receivable plus any other payment in connection with termination of employment paid to any of the above.

24 Exit Packages and Termination Benefits

The Council terminated the contracts of a number of employees in 2018/19, incurring liabilities of £1,023,000 (£267,000 in 2017/18). The total in 2018/19 is in respect of 19 officers from various divisions within the Council who received exit packages as part of the Council's ongoing rationalisation of services. Payments include all payments for redundancy, compromise agreements, pension costs incurred and pay-in-lieu of notice. The total cost of these exit packages is analysed in bands of £20,000 below:

2017/18				2018/19		
Number of Packages	**Type of exit package**	**Total cost £'000**	**Band**	**Number of Packages**	**Type of exit package**	**Total cost £'000**
4	Compulsory Redundancy	43	£0 -	3	Compulsory Redundancy	38
3	Other	14	£19,999	4	Other	27
0	Compulsory Redundancy	0	£20,000 -	2	Compulsory Redundancy	72
1	Other	38	£39,999	1	Other	20
1	Compulsory Redundancy	41	£40,000 -	2	Compulsory Redundancy	102
0	Other	0	£59.999	0	Other	0
0	Compulsory Redundancy	0	£60,000 -	2	Compulsory Redundancy	146
0	Other	0	£79,999	0	Other	0
0	Compulsory Redundancy	0	£80,000 -	1	Compulsory Redundancy	89
0	Other	0	£99,999	0	Other	0
0	Compulsory Redundancy	0	£100,000 -	1	Compulsory Redundancy	115
0	Other	0	£119,999	0	Other	0
1	Compulsory Redundancy	131	£120,000 -	2	Compulsory Redundancy	263
0	Other	0	£139,999	0	Other	0
0	Compulsory Redundancy	0	£140,000 -	1	Compulsory Redundancy	151
0	Other	0	£159,999	0	Other	0
10		267		19		1,023

Accounting regulations require the council to include a provision in the accounts for redundancy costs that the council know they will incur in 2019/20.

25 Related Party Transactions

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

Central Government

Central government has effective control 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 set out in note 20 (above) – both credited to services and credited to taxation and non-specific grant income. Grant receipts outstanding are also shown in this note.

Councillors

Councillors have direct control over the Council's financial and operating policies. The total of councillors' allowances paid in the last year is shown in note 22.

Details of any related party transactions with councillors are collected annually. Two councillors are on the board of Active Life Ltd, who receive funding from the council to provide leisure services within the district. One councillor is on the board at East Kent Housing. Several councillors are trustees of groups that have received small amounts of grant funding during the year.

East Kent Housing Limited

The council has a 25% share of East Kent Housing Ltd, an Arms Length Management Organisation. Payment of £2.84m was made in 2018/19 to East Kent Housing in respect of management fees (including charged back service income and consolidated items). The council received £148,000 from East Kent Housing in respect of service level agreements and services supplied. The council paid £165,000 to East Kent Housing in respect of services received. Balances due to and from East Kent Housing at 31 March 2019 were £85,000 and £104,000 respectively.

A further £92,500 was paid to East Kent Housing during the year as an additional loan for the implementation of the housing management single IT system.

Precepting authorities

The Council collects council tax on behalf of its three major precepting authorities who in turn precept the Council. In addition, Kent County Council and Kent Fire and Rescue receive its share of business rates collected by the Council. Details are set out in the Collection Fund on pages 84-87. Kent County Council also administers the Kent Pension Fund on behalf of Kent districts (see pages 68-74).

26 Private Finance Initiative (PFI)

In October 2007 the Council entered into an agreement with Kent County Council and nine other Kent district councils to all participate in a Private Finance Initiative (PFI) called 'Better Homes Active Lives'. The PFI generated up to 352 units of social housing across Kent, including 65 apartments for people with learning difficulties, 7 apartments for people with mental health problems and 280 units of sheltered housing for frail older people.

As part of the agreement, Canterbury City Council donated two properties on a leasehold basis: King Edward Court, Herne Bay, valued at £1,400k and Brymore Road Garages, Canterbury, valued at £429k. The Council retains ownership of the freehold of both properties and receives a peppercorn rent for the use of the properties.

Under the agreement, the Council have nomination rights over the occupancy of the properties for the first 30 years, after which there will be the option of retaining the nomination rights or receiving an increased rent. The King Edward Court scheme and the Brymore Road scheme (now known as Henry Court) are both built and fully occupied.

27 Impairment losses

Impairment losses on Property, Plant and Equipment which are charged to the surplus or deficit on the provision of services are shown in note 10 to the financial statements. Impairment losses on financial assets are shown in the financing and investment section of the Comprehensive Income and Expenditure Statement.

28 Pension Costs

Participation in pension schemes

As part of the terms and conditions of its officers and other employees, the Council offers retirement benefits. Although these will not be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlements.

The Council participates in the Local Government Pensions Scheme administered by Kent County Council. This is a defined benefit statutory scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The scheme makes payments in the year to retired officers.

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

- Investment risk. The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges.
- Interest rate risk. The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way.
- Inflation risk. All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.
- Longevity risk. In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

In addition, as many unrelated employers participate in the Kent County Council Pension Fund, there is an orphan liability risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

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

The actuary appointed to carry out the valuation for final accounts purposes is Barnett Waddingham.

The pension disclosures in the accounts are determined by IAS 19.

McCloud/Sargeant Ruling on Pension Account Disclosures

Two successful employment tribunal cases were brought against the Government in relation to discrimination on reforms to public sector pensions in 2015. The impact of the results of these cases has yet to be determined within the confines of the LGPS. At the suggestion of both the Government Actuaries Department (GAD), the Ministry of Housing, Communities and Local Government (MHCLG), we asked the Funds Actuaries, Barnett Waddingham to undertake a review on whether the ruling would have a material impact on the figures shown within this note. They have concluded that any impact would not be of a material nature. The Council has not therefore restated any of the details supplied within the year end actuarial assessment.

28.1 Transactions relating to retirement benefits

We recognise the cost of retirement benefits in the reported Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund balance during the year:

2017/18 £'000	Transactions in the Comprehensive Income and Expenditure Statement	2018/19 £'000
	Cost of Services	
4,741	Current Service cost	4,512
0	Past Service costs	0
23	Settlements and Curtailments	(2,017)
60	Administrative expense	62
	Financing and Investment income and expenditure	
2,292	Net interest expense	2,099
7,116	**Total retirement benefit charged to the Surplus or Deficit on the provision of services**	**4,656**
	Other retirement benefit charged to the Comprehensive Income and Expenditure statement	
	Remeasurement of the net defined benefit liability comprising:	
(896)	Return on plan assets (exc net interest expense amount)	(6,487)
0	Actuarial changes in demographic assumptions	(11,560)
(3,592)	Actuarial changes in financial assumptions	8,403
0	Other actuarial (gains)/losses on assets	0
0	Experience gain/loss on defined benefit obligation	0
(4,488)	**Total retirement benefit charged to the other Comprehensive**	**(9,644)**
2,628	**Total charged to the Comprehensive Income and Expenditure Statement**	**(4,988)**
	Movements in Reserves Statement	
(7,116)	Reversal of net charges for retirement benefits in accordance with the code to the Surplus or Deficit for the provision of services	(4,656)
	Actual amount charged against the General Fund Balance for pensions in the year	
3,890	Employer contributions payable to the scheme	4,248
286	Unfunded benefits paid	278

28.2 Pensions Assets and Liabilities recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council’s obligation in respect of its defined benefit plans is as follows:

2017/18 £'000	Net Pension Liability as at 31 March in Balance Sheet	2018/19 £'000
205,907	Present value of the defined benefit obligation	202,478
124,340	Less fair value of plan assets	130,122
81,567	Sub-total	72,356
3,819	Other movements in the liability	3,516
85,386	**Net liability arising from the defined benefit obligation**	**75,872**

28.3 Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

2017/18 £'000	Movement in Fair Value of scheme assets	2018/19 £'000
121,563	**Opening fair value of scheme assets at 1 April**	**124,340**
3,264	Interest income	3,123
	Remeasurement gain/(loss):	
896	Return on plan assets (exc amount in net interest expense)	6,487
0	Settlement prices paid	(1,855)
(60)	Administrative expenses	(62)
4,176	Employer Contribution	4,526
881	Employee Contribution	859
(6,380)	Estimated Benefits paid	(7,296)
124,340	**Closing fair value of scheme assets at 31 March**	**130,122**

28.4 Reconciliation of Present Value of the Scheme Liabilities

2017/18 £'000	Movement in Defined Benefit Obligation ('Scheme Liabilities')	2018/19 £'000
(208,497)	**Opening balance at 1 April**	**(209,726)**
(4,741)	Current service cost	(4,512)
(5,556)	Interest cost of pension scheme liabilities	(5,222)
(881)	Employee Contributions	(859)
	Remeasurement gains and losses:	
0	Actuarial gains/(losses) from demographic assumption changes	11,560
3,592	Actuarial gains/(losses) from financial assumption changes	(8,403)
0	Experience gain/(loss) on defined benefit obligation	0
(23)	Past service cost including curtailments	(488)
286	Unfunded pension payments	278
6,094	Estimated benefits paid	7,018
0	Liabilities extinguished on settlements	4,360
(209,726)	**Closing balance at 31 March**	**(205,994)**

28.5 Local Government Pension Scheme Assets Comprised:

2017/18 £'000	Pension Scheme Assets	2018/19 £'000
4,120	**Cash** *(no quoted market price in an active market)*	2,270
82,972	**Equity instruments**	89,225
	Bonds	
951	- Gilts *(no quoted market price in an active market)*	856
11,888	- Other	11,849
15,634	**Property** *(no quoted market price in an active market)*	15,629
8,775	**Target Return Portfolio**	10,293
124,340	**Total Assets**	**130,122**

28.6 Local Government Pension Scheme Assets Breakdown

The following information represents the percentages of the total Fund held in each asset class (split by those that have a quoted market price in an active market, and those that do not).

	2018/19	
	% Quoted	**% Unquoted**
Fixed Interest Government Securities		
UK	-	-
Overseas	0.7%	-
Corporate Bonds		
UK	4.5%	-
Overseas	4.6%	-
Equities		
UK	25.5%	-
Overseas	40.6%	-
Property		
All	-	12.0%
Others		
Absolute return portfolio	7.9%	-
Private Equity	-	1.7%
Infrastructure	-	0.8%
Derivatives	-	(0.1%)
Cash/Temporary Investments	-	1.5%
Net Current Assets		
Debtors	-	0.6%
Creditors	-	(0.2%)
Total	**83.7%**	**16.3%**

28.7 Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

Both the Local Government Pension Scheme and discretionary benefits liability have been estimated by Barnett Waddingham, an independent firm of actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 31 March 2016.

The significant assumptions used by the actuary have been:

2017/18 £'000		2018/19 £'000
	Mortality assumptions:	
	Longevity at 65 for current pensioners	
23.1	- Men	22.0
25.2	- Women	24.0
	Longevity at 65 for future pensioners	
25.3	- Men	23.7
27.5	- Women	25.8
3.35%	*Rate of inflation (RPI)*	3.45%
2.35%	*Rate of inflation (CPI)*	2.45%
3.85%	*Rate of increased salaries*	3.95%
2.35%	*Rate of increase in pensions*	2.45%
2.55%	*Rate for discounting scheme liabilities*	2.40%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remained constant. The assumption in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Sensitivity Analysis	**£'000**	**£'000**	**£'000**
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present Value Total Obligation	202,612	205,994	209,435
Projected Service Cost	4,377	4,483	4,592
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present Value Total Obligation	206,226	205,994	205,763
Projected Service Cost	4,483	4,483	4,483
Adjustment to pension increases & deferred revaluation	+0.1%	0.0%	-0.1%
Present Value Total Obligation	209,198	205,994	202,841
Projected Service Cost	4,591	4,483	4,377
Adjustment to life expectancy assumptions	+1 year	none	-1 year
Present Value Total Obligation	213,499	205,994	198,753
Projected Service Cost	4,637	4,483	4,334

28.8 Impact on the Council's Cashflow

The objectives of the scheme are to keep the employers' contribution as at a constant rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 17 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2019.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Council anticipates paying £3.931m employer contributions to the scheme in 2019/20.

The weighted average duration of the defined benefit obligation for scheme members is 17 years.

Further information can be found in Kent County Council's Superannuation Fund's Annual Report which is available upon request from the Investment Section, Sessions House, County Hall, Maidstone, Kent ME14 1XQ.

29 Operating Leases payable

During 2011/12 the Council acquired more than an insignificant amount of use of the leisure facilities at Herne Bay High School for 25 years, in return for a payment of £2.4m. This arrangement is being treated as an operating lease payment of £98k in 2018/19, (£98k for 2017/18).

The future cash payments required under these leases are:

As at 31 March 2018	Details of period	As at 31 March 2019 £'000	As at 31 March 2020 £'000
98	Not later than one year	98	98
390	Later than one year and not later than five years	390	390
1,229	Later than five years	1,131	1,034
1,717	**Total**	**1,619**	**1,522**

The Council's Park and Ride service is operated under an arrangement which is classed under International Financial Reporting Standards as containing an embedded lease. This lease is classified as an operating lease but it is not possible to separate the payments to the operating company between lease payments and payments for other elements of the service.

The total payments in respect of this contract were £1,274k for 2018/19.

Operating Leases receivable

The Council owns a large portfolio of property including two industrial estates and various properties in the city centre.

Much of this land is leased out. A review of the leases by the Council has concluded that these leases are classed as operating leases as the risks and rewards of ownership of the land remain with the lessor.

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

As at 31 March 2018 £'000	Details of period	As at 31 March 2019 £'000
489	Not later than one year	635
543	Later than one year and not later than five years	669
4,505	Later than five years	4,388
5,537	**Total**	**5,692**

30 Assets held under Finance Leases

The Council has awarded a contract to Serco for the provision of its waste collection and other services. The assets used by Serco in the execution of these services constitute an embedded finance lease under IFRIC 4 conditions. The net book value of these assets as at 31 March 2019 has been included in the statements at a value of £787k with a corresponding long term liability for the same value. The assets will be depreciated over the life of the contract in line with the annual contract payments.

The deemed minimum lease repayments will be payable over the following periods

Minimum Lease Payments	As at 31 March 2019 £'000
Not later than one year	777
Later than one year and not later than five years	10
Later than five years	0
Total	**787**

Other long-term liabilities in the balance sheet reflect the liability for this embedded finance lease, as well as money received in advance for future services.

31 March 2018 £'000		31 March 2019 £'000
1,645	Embedded leases	787
29	Receipts in advance	525
1,674		**1,312**

31 Contingent Liability

The Council is aware of an on-going business rate litigation between the Valuation Office and a number of Ratepayers concerning the rating of Automated Teller Machines. Currently the Valuation Office are putting forward an appeal to the Supreme Court. No provision has been made within the accounts for the appeal at this stage, given the uncertainties surrounding the case

32 Interest in joint arrangements

The Council entered into an arrangement with Dover District Council and Thanet District Council for the provision of the ICT service, HR services, customer services and Revenue and Benefits service. The joint ICT and HR services are hosted by Thanet District Council and Dover Council with all council's paying a management fee for the services provided. The Revenue and Benefits and customer services functions are now provided by Civica jointly on behalf of the three councils.

The 2018/19 financial statements contain a long term debtor of £142k which represents the Canterbury City Council element of the EK Services reserve.

33 Provisions

	NNDR Appeals £'000	Other Provisions £'000	Total £'000
Balance at 31 March 2018	(2,438)	(1,447)	(3,885)
Additional provisions made	(573)	(330)	(903)
Amounts used	89	460	549
Reversal of unused amounts	221	0	221
Balance at 31 March 2019	**(2,701)**	**(1,317)**	**(4,018)**

NNDR Appeals
This provision is the Council's share of the provision for appeals against NNDR ratings. The Valuation Office has a backlog of outstanding appeals, hence the current high provision.

Other Provisions
Other provisions cover the potential liabilities arising from the insurance claims with the former Municipal Mutual Insurance Company, a provision for early retirement/redundancy and a general provisions account. The other provisions are individually insignificant.

Housing Revenue Account Income and Expenditure Statement

The Housing Revenue Account (HRA) summarises the transactions relating to the provision, maintenance and sales of council houses and flats. The account has to be self-financing and there is a legal prohibition on cross subsidy to or from local taxpayers.

2017/18		2018/19
£'000	**Income**	£'000
(23,167)	Dwelling rents (gross) note 8	(23,093)
(518)	Non-dwelling rents (gross)	(660)
(264)	Leaseholders charges for service and facilities	(298)
(1,409)	Other charges for services and facilities	(1,247)
0	Revaluation of plant, property & equipment note 7	(18)
(25,357)	**Total Income**	**(25,315)**
	Expenditure	
5,780	Repairs and Maintenance	6,462
	Supervision and management	
3,712	General Management	3,695
2,113	Special Services	2,231
363	Rents, rates, council tax and insurance	415
3,973	Depreciation charges note 6	4,002
6,132	Revaluation of plant, property & equipment note 7	19,771
20	Debt management costs	25
230	Increase/(decrease) in provision for bad debts	0
22,322	**Total Expenditure**	**36,601**
(3,035)	Net cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	11,285
121	HRA services share of Corporate and Democratic Core	121
(2,914)	**Net cost of HRA Services**	**11,407**
	HRA share of the operating income and expenditure included in the comprehensive income and expenditure statement	
(577)	Gain on sale of HRA fixed assets	(2,261)
2,254	Interest payable and similar charges	2,232
	Interest and investment income	
(33)	Notional cash balances	(44)
97	Pensions interest cost and expected return on pension assets Note 10	8
(536)	Capital grants and contributions receivable	(170)
(1,708)	**(Surplus)/Deficit for the year on HRA services**	**11,171**

The 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. Councils charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

The main differences between this and the way of accounting for the HRA balance being:

1) Capital investment is accounted for as it is financed, rather than when the non-current assets are consumed.
2) Retirement benefits are charged as amounts become payable to pensions funds and pensioners, rather than as future benefits are earned.

3) Impairment losses of £19.8m due to the assessed increase in council house values following capital expenditure (multiplied by the social housing discount factor) being less than actual capital expenditure. These are all reversed out in the following statement.

Movement on the HRA Statement

The HRA Balance compares the council's spending against rents collected in the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure. This reconciliation statement summarises the differences between the outturn on the HRA Income and Expenditure Account and the HRA Balance.

2017/18 Net expenditure £'000		**2018/19 Net expenditure £'000**
(1,709)	Surplus (-)/Deficit for the year on the HRA Income and Expenditure Statement	11,171
1,404	Adjustments between accounting basis and funding basis by statute	(2,335)
(305)	Net increase (-)/decrease before transfers to or from reserves	8,835
283	Transfers to/from(-) reserves (see table below)	(38)
(22)	**Increase (-)/Decrease in HRA Balance for the year**	**8,797**
(12,953)	**Housing Revenue Account balance b/f at 1 April**	**(12,975)**
(12,975)	**Housing Revenue Account balance c/f at 31 March**	**(4,177)**

Movement on HRA Balance

2017/18 Net Expenditure £'000	Items included in the HRA Income & Expenditure Account, but excluded from the movement on the HRA Balance for the year	2018/19 Net Expenditure £'000
(6,132)	Reversal of revaluation adjustments - Note 7	(19,753)
4,735	Reversal: HRA loan repayment	4,852
536	Capital grants and contributions applied	170
0	Change in fair value of HRA investment properties	0
577	Net gain on sale of HRA fixed assets	2,261
(7)	Difference between amounts charged to income and expenditure for premiums and discounts and the charge for the year determined by statute	(5)
0	Accrual for annual leave	0
(234)	Net charges made for retirement benefits in accordance with IAS 19 - Note 10	(26)
(524)		**(12,500)**
	Items not included in the HRA Income & Expenditure Account, but included in the movement on the HRA Balance for the year	
1,661	Transfers to/(from) major repairs reserve - Note 3	4,894
267	Employer's contributions payable to Kent Pension Fund and retirement benefits payable direct to pensioners	271
0	Capital expenditure funded by the HRA - Note 4	5,000
1,928		**10,165**
1,404	**Net adjustments between accounting basis and funding basis under statute**	**(2,335)**
	Transfers to/from reserves	
283	Contribution to/(from) HRA subsidence and other reserves	(38)
283	**Transfers to/from reserves**	**(38)**

Notes to the Housing Revenue Account

1 Housing Stock

At 31 March 2019, the council was responsible for managing 5,093 units of accommodation:

Type of property	Number of bedrooms				Total
	One	Two	Three	Four	
Flats - low rise	1,067	317	5	0	**1,389**
Flats - medium rise	315	349	65	8	**737**
Flats - high rise	63	68	0	0	**131**
Houses and bungalows	361	920	1,424	93	**2,798**
Hostel places	36	2	0	0	**38**
Totals	1,842	1,656	1,494	101	**5,093**

Plus 11 basic homes (shared ownership dwellings)

The movement in housing stock can be summarised as follows:

	Stock at 1 April 2018	Right to buy sales	Additions	Other sales	Stock at 31 March 2019
Flats	2,266	(9)	6	(6)	**2,257**
Houses and bungalows	2,824	(26)	0	0	**2,798**
Hostels	38	0	0	0	**38**
Totals	**5,128**	**(35)**	**6**	**(6)**	**5,093**

The gross balance sheet value of housing assets at 31 March was as follows:

2017/18 £'000	Operational assets	2018/19 £'000
315,030	Dwellings	319,590
2,662	Garages	2,758
879	Community centres & communal open space	905
391	Land	395
1,337	Shops	1,250
320,298	**Total**	**324,898**

2 Vacant possession value

The vacant possession value of dwellings within the HRA as at 31 March 2019 was £968.46m. For the balance sheet, the figure has been reduced to 33% i.e. £319.59m to show existing use value as social housing, reflecting the economic cost of providing social housing.

3 Major Repairs Reserve

With effect from 1 April 2002, the Government required that the housing accounts are produced on a Resource Accounting basis. This requires that a charge is made for depreciation which is transferred to a separate Major Repairs Reserve, to finance HRA capital projects. Housing subsidy included a grant in the form of a Major Repairs Allowance (MRA) to resource the Major Repairs Reserve. This was ring fenced for capital expenditure of a housing nature. The housing business plan following self financing replaced the subsidy grant with an allowance for capital expenditure which also resources the Major Repairs Reserve.

2017/18 £'000	Major Repairs Reserve	2018/19 £'000
0	Balance at 1 April	0
(3,973)	Transfer from capital adjustment account (HRA depreciation)	(4,002)
	Transfer to (-)/from HRA	
(1,661)	Voluntary transfer to/from MRR	(4,894)
5,633	Less: expenditure on dwellings financed from this reserve	8,896
0	**Balance at 31 March**	**(0)**

4 Summary of Capital Financing

Capital expenditure of £25.1m was spent on housing assets within the HRA during the year. This was financed as follows:

2017/18 £'000	Capital financing of HRA expenditure	2018/19 £'000
5,633	Major repairs reserve	8,896
0	Use of Reserves	5,000
1,239	Capital receipts	11,000
536	Capital grant & contributions	170
7,408	**Total**	**25,067**

5 Summary of Capital Receipts

Housing capital receipts during 2018/19 were as follows:

2017/18 £'000	Housing capital receipts	2018/19 £'000
(3,131)	Dwelling sales (net of administration deduction)	(4,941)
(32)	Other sales	0
0	Mortgage repayments and discounts repaid	0
(3,162)	**Total**	**(4,941)**

6 Depreciation of property, plant and equipment

Depreciation of £4m was charged to the HRA. This comprises of £3.92m for dwellings and £77k for non-dwelling housing assets.

7 Revaluation of property, plant and equipment

2017/18 £'000		2018/19 £'000
7,408	Capital expenditure	25,067
4,058	Less assessed net increase in effective value	16,386
3,351	Decrease in effective value	8,680
59	Impairment of non-dwelling assets	0
2,723	Social value reduction	11,091
6,132	Total reduction in valuation	**19,771**
0	Valuation increase applied to CIES	18
6,132	Net revaluation total	**19,753**

The reduction in the valuation of the capital expenditure for 2018/19 is significantly higher than previous years. This reflects the discounted value applied to the properties acquired and capital expenditure incurred for the use of rented social housing.

8 Dwelling rents (gross)

This is the total rent income for dwellings for the year after allowance is made for voids etc. Average rents were £89.91 per payment week in 2018/19 (£91.74 in 2017/18). Rents were decreased on 1 April 2018 by an average of £1.83 per payment week.

9 Rent Arrears

The rent arrears figures are as follows:

2017/18 £'000		2018/19 £'000
913	Gross rent arrears at 31 March	1,152
(438)	Repayments of rent	(605)
475	Net rent arrears at 31 March	548
641	Provision for bad debts at 31 March	787
%		%
3.9	Gross rent arrears as a proportion of gross dwelling rent income	5.0

10 HRA share of pensions

Under IAS19 there is a requirement to analyse the movement in the HRA share of the City Council's element of the Kent pension fund (see also note 28 to the core financial statements). However, so that there is no demand on housing rents, the entries are reversed out via the Pensions Reserve. The figures are as follows:

2017/18 £'000		2018/19 £'000
127	HRA share of current service cost less employer contributions	10
(257)	HRA share of past service cost less employer contributions	(263)
(130)	Adjustment to 'General Management' line of HRA statement	(253)
97	HRA share of pensions interest cost and expected return on	8
(33)	Pensions assets	(245)
(234)	Net charges made for retirement benefits in accordance with IAS 19	(26)
267	Employer's contributions payable to the Kent Pension Fund and retirement benefits payable direct to pensioners	271
33	HRA share of contributions to/from Pensions Reserve	245
0	**Net effect on HRA balance**	**0**

11. Interests in Companies – East Kent Housing Limited

The council, together with Dover District Council, Folkestone and Hythe District Council and Thanet District Council jointly owns East Kent Housing Ltd, an Arms Length Management Organisation (ALMO), whose principal activity is to manage each of the four council's council housing stock. For financial accounting purposes, East Kent Housing (the company) is regarded as being a joint venture under joint control and each authority holds an equal 25% share in the company.

Under the Code authorities with interests in joint ventures shall prepare group accounts, in addition to their single entity accounts, unless their interest is considered not material. This council considers that its interest in the company is not material and that group accounts do not need to be prepared.

The (unaudited) financial results of the company for 2018/19 and the council's share are shown in the following table:

2017/18 restated East Kent Housing Ltd £'000	2017/18 restated CCC Share (25%) £'000		2018/19 East Kent Housing Ltd £'000	2018/19 CCC Share (25%) £'000
8,817	2,204	Turnover	8,686	2,172
(9,092)	(2,273)	Expenses	(9,481)	(2,370)
(275)	(69)	Operational profit/(loss)	(795)	(199)
(575)	(144)	Profit/(loss) after taxation	(1,071)	(268)
1,332	333	Other comprehensive income and (expenditure)	1,738	435
757	189	Total comprehensive profit/(loss) for the year	667	167
1,274	319	Non-current assets	1,646	412
688	172	Current assets	858	215
(480)	(120)	Current laibilities	(539)	(135)
(640)	(160)	Non-current liabilities	(998)	(250)
(668)	(167)	Profit and loss reserve	(755)	(189)
(174)	(44)	Capital contribution	(212)	(53)
10,081	2,520	Pensions reserve	9,501	2,375

The council's investment in the company is nominal.

Note 25 Related Party Transactions sets out the transactions that took place between the council and East Kent Housing Ltd over 2018/19.

The council's management fee payment of £2.84m is 33% of East Kent Housing Ltd.'s turnover of £8.69m which broadly equates to the council's pro-rata share of the total council housing stock managed by the company.

Impact of employee benefits (IAS19)

The council does not have a constructive obligation for a share of the pension fund liability, so this liability is not included in the council's accounts.

The 2017/18 details have been restated to reflect the position of the audited statement of accounts for EKH.

Collection Fund

2017/18 CTAX Re-stated £'000	2017/18 NNDR £'000	Income & Expenditure Account Income	Note	2018/19 CTAX £'000	2018/19 NNDR £'000
(80,476)	0	Income from council tax payers		(85,631)	0
0	(51,981)	Income from business ratepayers		0	(54,405)
(80,476)	**(51,981)**	**Total Income**		**(85,631)**	**(54,405)**
		Expenditure			
		Precepts and demands	2		
0	25,482	Central Government	3	0	(38)
58,998	4,587	Kent County Council	3	61,896	29,468
7,869	0	Police & Crime Commissioner for Kent	3	8,438	0
3,673	510	Kent & Medway Fire & Rescue Authority	3	3,767	499
10,676	20,385	Canterbury City Council	3	10,960	19,952
81,215	**50,963**	**Total payments to preceptors**		**85,061**	**49,881**
		Business rates			
0	229	Costs of collection		0	229
0	329	Renewable Energy Schemes		0	326
0	2,129	Transitional protection		0	2,106
		Impairment of debts and appeals			
163	135	Write offs of uncollectable amounts		164	186
359	(37)	Increase/(decrease) in allowance for impairment		285	286
0	1,446	Increase/(decrease) in allowance for appeals		0	657
81,737	**55,193**	**Total Expenditure**		**85,510**	**53,671**
1,261	3,212	Net (surplus)/deficit for 2018/19		(121)	(734)
(1,380)	(4,233)	Collection Fund balance at 1 April		(120)	(1,021)
(119)	(1,021)	Collection Fund balance at 31 March		(241)	(1,755)

Notes to the Collection Fund accounts

1. General Note

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

2. Re-statement of 2017/18 balances

The following balances have been re-stated in 2017/18 in respect of NNDR (business rates):

	2017/18 £'000	2017/18 £'000
Central Government	41,170	25,482
Canterbury City Council	4,697	20,385
Total	45,867	45,867

The reason for the re-statement is that the Business Rates tariff payable by the Council to Central Government in 2017/18 of £15,688k had been included in the Collection Fund in error. The overall Collection Fund balance remains unchanged following this correction.

3. Precepts and Demands

Council Tax

The payments to the major preceptors are made up as follows:

2017/18 £'000			2018/19 £'000
57,652	Kent County Council	-Precept	61,593
1,345		-Share of Collection Fund surplus	303
58,997			61,896
7,686	Kent Police & Crime Commissioner	-Precept	8,401
183		-Share of Collection Fund surplus	37
7,869			8,438
3,587	Kent Fire & Rescue	-Precept	3,750
86		-Share of Collection Fund surplus	17
3,673			3,767
10,444	Canterbury City Council	-Demand on Collection Fund	10,913
232		-Share of Collection Fund surplus	47
10,676			10,960
81,215	**Total**		**85,061**

NNDR (Business Rates)

The payments to Central Government and the major preceptors (excludes Kent Police and Crime Commissioner) are as follows:

2017/18 £'000			2018/19 £'000
24,098	Central Government	-Share of retained business rates	0
1,383		-Share of Collection Fund balance	(38)
25,481			(38)
4,338	Kent County Council	-Share of retained business rates	29,475
249		-Share of Collection Fund balance	(7)
4,587			29,468
482	Kent Fire & Rescue	-Share of retained business rates	500
28		-Share of Collection Fund balance	(1)
510			499
19,278	Canterbury City Council	-Share of retained business rates	19,983
1,107		-Share of Collection Fund balance	(31)
20,385			19,952
50,963	**Total**		**49,881**

For NNDR, the Collection Fund balance is shared as a surplus in 2017/18 and as a (deficit) in 2018/19.

In 2018/19, the Council was part of a Kent wide Pilot for 100% business rates retention. As a result of this Pilot, Central Government receives no share of business rates. However, it still was due an adjustment of £38k in 2018/19 in respect of the estimated 2017/18 Collection Fund deficit (calculated in accordance with Regulations).

Canterbury City Council is subject to a tariff on its share of the retained business rates, the net amount retained by the council is as follows:

2017/18 £'000		2018/19 £'000
19,278	Canterbury City Council - share of retained business rates	19,983
(15,688)	Tariff	(15,315)
3,590	Adjusted share of retained business rates	**4,668**

4. Council Tax Base

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands estimated at 1 April 1991 values for this specific purpose. The property valuations are carried out by the Valuation Office Agency. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Kent County Council, Police and Crime Commissioner for Kent, Kent and Medway Fire and Rescue Authority and the City Council and dividing this by the Council Tax Base.

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, was calculated as follows:

2017/18 Band D equivalent dwellings	Band	Estimated Number of Taxable Properties after effect of discounts	Ratio (ninths)	2018/19 Band D equivalent dwellings
2,368	A	3,633	6/9	2,422
6,936	B	9,170	7/9	7,132
13,650	C	15,678	8/9	13,936
10,739	D	10,931	9/9	10,931
7,642	E	6,370	11/9	7,785
5,183	F	3,646	13/9	5,266
3,297	G	1,996	15/9	3,327
142	H	70	18/9	140
49,957		51,494		50,939
98.9%		Collection Rate		98.9%
48,907		Council Tax Base		49,665

5. Income from Business Rates

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area which are based on local rateable values multiplied by a uniform rate in the pound. The total amount, less certain reliefs and other deductions, are allocated between Canterbury, central government and major preceptors. There was a general revaluation of all properties effective from 1 April 2017.

2017/18 £'000		2018/19 £'000
137,569	Non domestic rateable value	147,224
0.479	small business non domestic rating multiplier	0.480
65,896	NNDR levied	70,667
(14,143)	Less: allowances and other adjustments	(16,491)
51,752	Net contribution due to pool	54,176
229	Cost of collection	229
51,981	Income from business rate payers	54,405

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Deputy Chief Executive (Chief Financial Officer)

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

- approve the Statement of Accounts.

The Chief Financial Officer's responsibilities:

The Chief Financial Officer 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").

In preparing this Statement of Accounts, the Chief Financial Officer has:

- selected suitable accounting policies and then applied them consistently

- made judgements and estimates that were reasonable and prudent

- complied with the local authority Code.

The Chief Financial Officer has also:

- kept proper accounting records which were up to date

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

The Statement of Accounts presents a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2019.

Signed

P. Marshall

Patricia Marshall
Date 31 July 2019
Deputy Chief Executive (Chief Financial Officer)

Cllr Georgina Glover
Date 31 July 2019
Chair Audit Committee