STATEMENT OF ACCOUNTS
2017/18

Folkestone & Hythe

District Council

(Formerly known as Shepway District Council)

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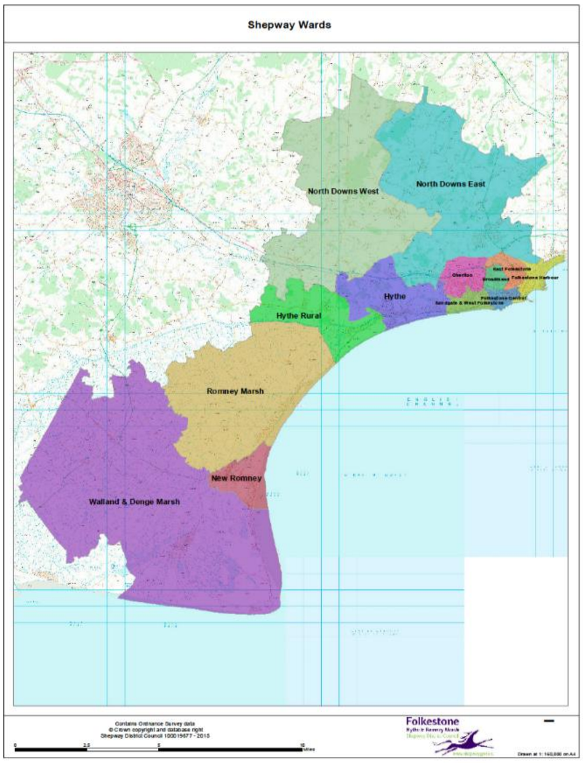
ORGANISATIONAL OVERVIEW AND EXTERNAL ENVIRONMENT

Our District



Folkestone & Hythe District is a coastal district in south eastern England and home to a diverse collection of towns, villages and environments. Chiefly rural in nature, the district is large and covers approximately 363 sq. km (140 sq. miles). The district stretches from the East Sussex border (near Rye) in the south west, across the low-lying Romney Marsh and through to Folkestone and the escarpment and the hills of the Kent Downs in the north. The settlements and districts of Ashford, Dover and Canterbury adjoin Folkestone & Hythe in eastern Kent.

The district has distinctive contrasting rural landscapes and urban environments.

On 17th January 2018 Full Council agreed to a change of name for the local authority from Shepway District Council to Folkestone & Hythe District Council which took effect from 1st April 2018.

Our People

The majority of the district's 111,200[1] residents live in urban areas (60.6%), with the remaining 39.4% to be found living in rural areas. Approximately 1 in 10 people in the district live in isolated dwellings, hamlets or small villages (below 1,000 people).

Economic and Environmental Factors

The district as a whole suffers from considerable deprivation relative to the national average and there is also significant inequality within the District with deprivation concentrated in the urbanised coastal areas and the rural south. Rural areas have poorer access to services and facilities. The district suffers from high levels of disability / long term illness, reflecting, in part, the relatively high proportion of older people living in the District.

The district has a number of economic strengths, including its good transport links (M20 motorway, High Speed rail links to London, and proximity to the Channel Tunnel), relatively low wage levels and affordable land/building costs relative to the wider South East region, a large working age population and a high quality natural environment. Economic weaknesses include its relative remoteness, relatively low rates of entrepreneurship and few residents with higher skills[2].

There is a long history of flooding within the district including over 101 flooding events in the last decade. Over half of homes in the District are at risk of flooding from either coastal or fluvial sources. 55% of the District at or below sea level and the majority of Districts 41km coastline lies below the mean high water mark. Virtually all of the Romney Marsh area is within flood zone 3 due to its topography.

[1] 2016 Mid-Year Population Estimates - ONS
[2] Shepway Economic Development Strategy 2015-2020

Purpose and Vision
The Councils vision for the district is to:

Invest for the next Generation whilst *Delivering More of What Matters.*

Key Objectives
Our vision builds on previous plans and reinforces the importance to the Council, and district, of making sure we have a place fit for our communities now and in the future. This vision is directly reflected in the ambition we have set out for Otterpool Park and other key development projects that will transform our district. In addition, delivering more of what matters is just that; focusing our limited resources on the important services and valued functions for our residents, businesses and visitors.
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Our external focus is reflected in 4 (of the 6) strategic objectives:

- More Homes - Provide and enable the right amount, type and range of housing;
- More Jobs - Work with businesses to provide jobs in a vibrant local economy;
- Appearance Matters - Provide an attractive and clean environment; and
- Health Matters - Keep our communities healthy and safe.

In addition, we have two strategic objectives that focus on the Council as an organisation, which reflects the issues facing local government as a whole. These are:

- Achieving Stability - Achieve financial stability through a commercial and collaborative approach; and
- Delivering Excellence - Deliver excellent customer service through commitment of staff and members.

External Environment
The external issues we face in line with many other local authorities across the country are:

- Challenging financial environment;
- Ageing population with associated demands on local services;
- Increasing demand for housing outstripping supply;
- Rising house costs, particularly in the private rental market;
- High demand for affordable housing and increasing levels of homelessness;
- Providing the necessary social infrastructure to keep pace with the scale of growth ambition; and
- Mitigating the concerns over growth with the positive impact they can have.

Key external factors affecting the financial position of the Council during 2017/18 included the costs of higher than anticipated number of homelessness households who the Council had a duty to support through temporary accommodation.

GOVERNANCE

Our Political Leadership
The political leadership of the Council is through the Executive which consists of the Leader, Deputy Leader and a further eight Portfolio Holders. The managerial leadership is made up of the Corporate Management Team (CMT: Head of Paid Service and two Corporate Directors). CMT is supported by 8 Heads of Service.

There are 13 wards and 30 Councillors representing the District, the political make-up of the Council currently is:

- 23 Conservative group members;
- 4 UKIP group members; and
- 3 Independent members.

Governance Arrangements
Member / officer relations are underpinned by a protocol; which form part of the Council's constitution. Regular briefings between senior officers and portfolio holders ensure that cabinet members are up to date with developments, discuss future reports and provide officers political direction. Members are also involved in outside meetings of particular importance e.g. the Collaboration Board for Otterpool Park. The Council is member-led allowing officers to focus on operational aspects.

Non-executive members sit on groups that consider key Council business. The Overview & Scrutiny Committee (OSC) consider all financial papers ahead of their debate at Cabinet. The OSC has an important and defined role in the budget making process and contribute to its formulation prior to consideration by Cabinet.

The Council has a dedicated Audit and Governance Committee which considers the Annual Governance Statement, the local code of corporate governance and the constitution. The Annual Governance Statement has an action plan attached to it which sets out proposals for the forthcoming year. The Monitoring Officer reports to committee each year if they consider that the constitution needs updating.

The previous Chief Executive, Alistair Stewart, took voluntary redundancy and stepped down from the Council on 31st March 2018 in the face of a transformation project that will see the council streamlined and re-shaped. The redundancy was agreed by Full Council on 28th February 2018. Dr Susan Priest, Corporate Director, Strategic Development has been designated as the Head of Paid Service and took office on 1st April 2018.

Further detail regarding the Governance of the Council can be found within the Annual Governance Statement on pages 98-112.

OPERATIONAL MODEL AND FINANCIAL PERFORMANCE

Budget
The Budget Strategy is considered by the Cabinet annually during the Autumn and provides the Budget and Policy Framework as well as a timetable outlining key dates in setting a budget for the coming year.

The Strategy builds on the Medium Term Financial Position and seeks to work with Heads of Service and Budget Managers in determining appropriate levels of fees and charges as well as identify growth and savings proposals to be considered by Members in setting the balanced budget. This approach has enabled the Council to arrive at a sustainable budget position focused on its Corporate Plan.

A balanced budget was set for both 2017/18 and 2018/19.

Achievements and Services delivered in year included

- Coast protection works at Coronation Parade and Hythe beach management recycling
- Further roll out of parking self-serve system
- Commencement of organisation wide transformation programme
- Continued delivery of key communities schemes including Disabled facilities Grants and the successful Empty Properties Initiative
- Progression of key corporate projects including land assembly of Otterpool Park, preparation for the development of Princes Parade and Biggins Wood site

- Secured European funding for the Folkestone CLLD (Community Led Local Development) Programme
- Developed new strategies to manage homeless households where the Council had statutory duties to support them
- Delivered £7m of new build and acquisitions of homes for the HRA
- Completed the digital transformation of the Revenues and Benefits project
- Successfully introduced a new web chat facility for residents

RISKS AND OPPORTUNITIES

Future service provision
Our Corporate Plan outlines the clear commitment and intentions of the Council to become more commercially minded through the strategic objective:

Achieving Stability – To achieve financial stability through a commercial and collaborative approach.

To deliver this objective, we have stated that we will:

- Ensure strong financial discipline
- Explore alternative income streams including commercial opportunities
- Develop an investment strategy for the longer-term benefit of the district
- Explore opportunities including working collaboratively to achieve efficiencies, reduce costs and improve resilience
- Optimise the financial benefit from major developments in the shorter and medium term
- Identify 'Invest to Save' opportunities

The Council has a Strategic Risk Management Policy in place which is agreed by Cabinet. Risks are identified and assigned a Director lead officer as well as a lead Cabinet member. The risks are scored and actions noted. Additionally key risks are outlined within Committee reports.

Financial risks are highlighted separately within the Budget Strategy, Budget Setting, Budget Monitoring and Medium Term Financial Planning reports.

What are we currently working on?
The following give some examples of how we are addressing our commercial agenda:

Princes Parade Development - The Council has long-held ambitions to replace the popular, but old and failing swimming pool in Hythe. Since 2002 the Council has been working to secure a suitable site and financial commitment to build a new pool and recreation area. Feasibility studies were undertaken on the current pool site and two further sites - Princes Parade and Nickolls Quarry. In April 2016 Cabinet decided the basis of a planning application would be for a new pool, recreation centre, up to 150 new homes and new public open space. Work has continued during 2017/18 on preparation for outline planning permission on this site which is expected mid-2018.

Lifeline – A feasibility review of the Lifeline service to consider whether there is a market opportunity to expand the service commenced in 2017/18 and continues.

Biggins Wood – The Council purchased a former brickworks site that has been vacant for over 20 years. Due to remediation costs, this site has not proved attractive to the private sector. Planning permission has been secured to build 77 homes with employment space. With a close proximity to Jct 13 (M20) this is an example of how we are bringing a redundant site back into use to provide much needed new homes and flexible modern commercial space with easy access to main transport routes.

Mountfield Road Industrial Estate, New Romney - The Council has taken forward proposals to develop out the remaining plots of land owned by the Council on the Mountfield Road Industrial Estate, options are currently being explored but will involve investment and potential income generation for the Council.

Folkestone Market - The Council is considering how to develop the street market in Folkestone town centre, in order to help improve the vitality of the town and attract more visitors, as well as generating greater income for the Council as the market operator.

Risks associated with a commercial agenda
The following risks have been identified by the Council associated with a more commercial agenda.

1 ~ Managing expectations and prioritising the wealth of opportunities
2 ~ Promoting excellence of the council
3 ~ Timescales for financial returns
4 ~ Not losing sight of the day job
5 ~ Staff Recruitment & Retention
6 ~ Appetite for risk

STRATEGY AND RESOURCE ALLOCATION

The Council has consistently planned its finances on a medium to long term basis ensuring reserves are maintained at a level which supports financial sustainability while protecting services from reductions. The current Medium Term Financial Strategy (MTFS) pushes the planning horizon to March 2022. The MTFS was reported to Council on the 15th November 2017 and significantly shaped the annual budget setting cycle for 2018/19. Similarly the MTFS considered by Cabinet on 14 September 2016 and the Budget Strategy on16 November 2016 shaped the framework for the setting of a balanced budget for 2017/18.

The Medium Term Financial Plan is considered the council’s key financial planning document. It defines the financial resources needed to deliver the council’s corporate objectives and priorities and covers the financial implications of other key strategies. It also enables the council to carry out an early assessment of the financial implications of its approved policies and strategies as well as emerging external financial pressures.

The current MTFS forecasts a cumulative funding gap of £6.525 million over the lifetime of the MTFS (2018/19-2021/22). This position considered the 2017/18 Local Government Finance Settlement but not the 2018/19 final budget setting. The MTFS will be updated shortly to reflect known movements.

Financial planning for both revenue and capital expenditure is integrated with Treasury Management as part of the annual budget setting process. The Council has adopted a strategic and integrated approach to asset management with an Asset Management Board, which includes the Cabinet Member for Property Management and Environmental Health, a Corporate Director and the Council's Corporate Property Officer amongst other key players overseeing the delivery of the Asset Management Strategy.

Approach to Monitoring

The Council manages its spending within its resources. Budget managers are responsible for submitting projections against the agreed budget in the Collaborative Planning Module (linked to the Financial System). This information is reviewed by Accountancy and three different reports are generated to ensure all levels of the organisations (Managers through to Members) have an understanding of the financial position in the year. The information is shared on a quarterly basis with Corporate Management Team (CMT) and onto Overview & Scrutiny Committee (OSC) and then Cabinet for approval.

Addressing the known pressures

As with most Councils, the current budget environment presents significant financial challenges. The MTFS articulates the scale of that challenge. The Council has adopted a multi strand approach to dealing with those. Specifically, this includes the Transformation Programme which is estimated to save potentially up to £1.8 million per annum from 2020/21, through service delivery improvements, efficiency measures such as adopting new technologies, appropriate increases in fees and charges, and through a growing approach to commercialisation of existing and new services and development. The challenge will be converting this strategy and aspirations into realistic and timely delivery given the changing context of local authority finance and the environment.

PERFORMANCE

The Council has a Performance Management Framework. Key Performance Indicators (KPIs) are reviewed annually to ensure we are focused on key priorities and those aspects that need to be monitored more closely, e.g. for improvement purposes.

Members considered an update on the KPIs at their meeting in December 2017. At this time the areas of focus included:

- The average number of weeks families are in Bed and Breakfast accommodation
- Instances of fly tipping, as well as the target for removal of fly tipping waste
- The total number of volunteer hours recorded

The outturn performance for the councils KPIs is expected to be reported to the July Cabinet meeting.

The Councils outturn performance includes:

- Percentage of Council Tax due collected in year 97.56% in 2017/18 against a target of 97.3% (2016/17 98.0%)
- Percentage of Non-Domestic Rates due collected in year 99.32% in 2017/18 against a target of 97.5% (2016/17 99.41%)
- Processing of new Housing Benefit claims (once information received) stood at 8.56 days against a target of 10 days in 2017/18 (2016/17 10.56 days)

- Percentage of household waste recycled 42% in 2017/18 against a target of 47% (2016/17 39.64%)
- 51 homes were provided in the district for low cost home ownership against a target of 32 in 2017/18 (2016/17 6 homes)

FINANCIAL PERFORMANCE

General Fund – Revenue

The main elements of the General Fund actual expenditure and income compared to the agreed budget is outlined below:

Service Area	Net Budget	Outturn	Variance
	£'000	£'000	£'000
Strategic Development (Planning Advisor)	456	248	(208)
Leadership Support	887	877	(10)
Communications	247	252	5
Democratic Services & Law	4,891	4,585	(306)
Human Resources	2,453	2,330	(123)
Finance	2,702	3,017	315
Communities	2,231	2,329	98
Strategic Development Projects	1,565	1,085	(480)
Economic Development	581	420	(161)
Planning	828	642	(186)
Commercial & Technical Services	2,598	1,614	(984)
Unallocated Net Employee Costs	(224)	-	224
Total Net Cost of Services	**19,215**	**17,399**	**(1,816)**

The total net cost of services for 2017/18 of £17.399m can be identified on the Expenditure and Funding Analysis (EFA) as the deficit on Continuing Operations of £15.144m before the credit adjustment in respect of the HRA of £2.255m, under the heading of "As reported for resource management".

The following entries affect the Other Income and Expenditure within the EFA (in addition to entries from the HRA), and are reported to Members through the in-year monitoring and outturn reports.

	Net Budget	Outturn	Variance
	£'000	£'000	£'000
Net Interest Payable & Receivable & Similar Charges	75	150	75
New Homes Bonus Grant	(1,572)	(1,572)	-
Internal Drainage Board Levies	444	444	-
Other Non-Service Grants	(899)	(1,675)	(776)
Town & Parish Precepts	2,053	2,053	-
Minimum Revenue Position	389	389	-
Capital Expenditure Financed from Revenue	2,190	971	(1,219)
Net Transfer to/from (-) Earmarked reserves	(2,124)	569	2,693
Collection Fund	(15,395)	(16,503)	(1,108)
Revenue Support Grant	(848)	(848)	-
Other Income and Expenditure	**(15,687)**	**(16,022)**	**(335)**

The budget included a planned use of the General Reserve to fund schemes approved in the Medium Term Capital Programme.

The key movements from the agreed budget included
- Net additional income £688k
- Additional Housing Benefits Expenditure £428k
- Reduced Grounds Maintenance Costs £178k
- Reduced Buildings costs for utility, insurance, NNDR and additional commercial income £227k
- Changes in revenue spending profile of Otterpool Park development £699k
- Additional Government Grants for Section 31 and Otterpool Park £776k
- Reduction in requirement to utilise revenue to fund capital expenditure in year

Further detail can be found in the Outturn report to Cabinet in June 2018.

General Fund Capital
The General Fund Capital summary position is outlined below including a funding analysis:

General Fund Capital Programme 2017/18	Latest Budget 2017/18	Final Outturn 2017/18	Variance Budget to Outturn
	£'000	£'000	£'000
Service Units			
Commercial & Technical Services	972	783	(189)
Democratic Services & Law	112	110	(2)
Finance	330	366	36
Human Resources	11	-	(11)
Communities	1,061	964	(97)
Strategic Development Projects	1,007	304	(703)
Total General Fund Capital Expenditure	**3,493**	**2,527**	**(966)**
Capital Funding			
Capital Grants	(1,120)	(875)	245
External Contributions	(7)	(134)	(127)
Capital Receipts	(487)	(485)	2
Revenue	(1,490)	(971)	519
Borrowing	(389)	(62)	327
Total Funding	**(3,493)**	**(2,527)**	**966**

The key movements relate to slippage in the capital programme particularly in relation to the drawdown of funding for Oportunitas being delayed until 2018/19, as well as partial reprofiling of Coast protection works, Biggins Wood commercial development site preparation and Princes Parade planning costs into the new financial year.

Offsetting the above is the commencement of the capital spending in relation to the Transformation Programme agreed by Cabinet in February 2018 and by Full Council in March 2018. Further detail is included within the Outturn monitoring report which is being reported to Cabinet in June 2018.

Housing Revenue Account
A summary of the outturn financial position of the Housing Revenue Account is outlined below:

HRA Net Revenue Expenditure 2017/18	Latest Approved Budget 2017/18	Final Outturn 2017/18	Variance
	£000's	£000's	£000's
Income	(16,032)	(16,141)	(109)
Expenditure	11,353	13,685	2,332
HRA Share of Corporate Costs	226	200	(26)
Net Cost of HRA Services	**(4,453)**	**(2,256)**	**2,197**
Interest Payable/Receivable	1,591	841	(750)
HRA Surplus/Deficit	**(2,862)**	**(1,415)**	**1,447**
Other items of Income & Expenditure	(22)	(3,535)	(3,513)
Revenue Contribution to Capital	8,419	4,283	(4,136)
Decrease/(Increase) to HRA Reserve	**5,535**	**(667)**	**(6,202)**

The key reasons for the variance are a £4.291m reduction in the revenue contribution to capital expenditure required. The amount of revenue contribution to capital will change from year to year depending on the profile of the new build/acquisitions programme. Additionally the outturn reflects reduced repairs and maintenance and management costs, as well as additional rental income due to quicker void turnarounds.

A summary of the capital programme outturn is noted below:

HRA Capital Programme 2017/18	Latest Approved Budget 2017/18	Final Outturn 2017/18	Variance
	£000's	£000's	£000's
HRA Capital programme	**15,262**	**9,133**	**(6,129)**

The largest variation in outturn position to agreed budget relates to the re-phasing of the new build / acquisitions programme. Additionally the requirement for contracts to be re-procured, including part of the fire protection works, replacement windows and doors, external enveloping, environmental works and reroofing, has led to re-profiling of the capital programme which has contributed to the outturn position.

OUTLOOK

The Council has an agreed Treasury Management Strategy that outlines our investment approach from a 'cash' investment perspective and is regularly monitored to maximise the opportunities arising from the available cash balances of the Council. This includes managing short term cash flow as well as longer term and higher risk investments such as the Churches and Charities and Local Authorities (CCLA) Property Fund in order to maximise yield in a low interest environment whilst maintaining security and liquidity.

The Council also takes a robust view of capital investments and this is included as part of a medium term capital programme and is refreshed annually during the budget process. For the current programme agreed in February 2018, there is capital investment planned totalling £23.583 million. This sits alongside the planned revenue budget and use of reserves which are considered by the Council throughout its budget process to ensure a sustainable approach to its finances.

Transformation Programme

The Council agreed in February 2018 to embark on a transformation programme to deliver a new model of operational delivery aimed at enabling the council to be more resilient and efficient through streamlined processes and better use of ICT which will be implemented over the coming two years.

The Transformation Programme has three core drivers for change:

- **Improving service delivery;**
- **Improving resilience; and**
- **Improving efficiencies by, for example, adopting new technology and modern ways of working.**

The Council provides services to all, whilst others are tailored to individual need. We will continue to invest in improvements in the technologies we need to meet the diversity of customer demand in accessing services, as well as meeting the greater expectation to be accessible 24/7. This will be through using a variety of channels, just as customers would expect from other service providers such as their utilities and banks. Accessible, easy to use online services and processes that are designed from a customer perspective, will make the Council more effective by:

Delivering consistent high quality customer services every time;

- Supporting easy access services using methods customers prefer at a convenient time;
- Solving most of customers' requests there and then, at first point of contact, and being able to track enquiries through to delivery;
- Tailoring services to customers' needs, knowing what drives their satisfaction and being able to resolve the causes of failures and complaints; and
- Ensuring a robust ICT infrastructure and digital principles are in place.

In February 2018, Cabinet supported the move to a new operating model and this will see potential investment of up to £5.9 million in the organisation. The model was subsequently approved by Full Council in March 2018. Annual savings from 2020/21, of potentially up to £1.8m are anticipated through the programme.

AUDIT OF THE STATEMENT OF ACCOUNTS

The Council appointed Grant Thornton UK LLP for the audit of the accounts for the year ended 31 March 2018.

FURTHER INFORMATION

Further information about the statement of accounts is available from the Head of Finance, Civic Centre, Castle Hill Avenue, Folkestone, Kent CT20 2QY.

Date: 30 July 2018

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

This statement is given in respect of the Statement of Accounts 2017/18.

COUNCIL 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 Corporate Director, Customer, Support and Specialist Services, Timothy Madden
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- Approve the Statement of Accounts by 31 July.

CHIEF FINANCE OFFICER RESPONSIBILITIES

The Chief Finance Officer is responsible for the preparation of Folkestone & Hythe District Council's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy *2017/18 Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

In preparing this Statement of Accounts, the Chief Finance officer has:

- Selected suitable accounting policies and then applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Complied with the Code of Practice on Local Authority Accounting
- Kept proper accounting records which were up to date, and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

CERTIFICATION OF ACCOUNTS

I certify that the Statement of Accounts gives a true and fair view of the financial position of Folkestone & Hythe District Council at 31 March 2018 and its income and expenditure for the year then ended.

Signed:

Timothy Madden CPFA
Corporate Director, Customer, Support and Specialist Services
Date: 31 May 2018

APPROVAL OF ACCOUNTS

In accordance with the Accounts and Audit Regulations 2015, I certify that the Statement of Accounts was approved by the Audit Committee on 30 July 2018.

Signed:

Councillor David Owen
Chairman, Audit and Governance Committee
Date: 30 July 2018

MOVEMENT IN RESERVES STATEMENT

The Movement in Reserves 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 (CIES). These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The 'Net increase/decrease before transfers to Earmarked Reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
2017/18	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Balance at 31 March 2017	**(17,369)**	**(7,380)**	**(6,773)**	**(3,831)**	**(1,812)**	**(37,165)**	**(71,576)**	**(108,741)**
Movement in reserves during 2017/18								
Total Comprehensive Income and Expenditure	360	(1,415)	-	-	-	**(1,055)**	(12,726)	**(13,781)**
Adjustments between accounting basis and funding basis under regulations (Note 9)	(1,890)	748	(566)	(479)	(634)	**(2,821)**	2,821	**-**
(Increase) or Decrease in 2017/18	**(1,530)**	**(667)**	**(566)**	**(479)**	**(634)**	**(3,876)**	**(9,905)**	**(13,781)**
Balance at 31st March 2018 carried forward	**(18,899)**	**(8,047)**	**(7,339)**	**(4,310)**	**(2,446)**	**(41,041)**	**(81,481)**	**(122,522)**
2016/17								
Balance at 31 March 2016	**(16,738)**	**(5,864)**	**(6,392)**	**(2,397)**	**(1,056)**	**(32,447)**	**(66,899)**	**(99,346)**
Movement in reserves during 2016/17								
Total Comprehensive Income and Expenditure	(2,875)	(7,808)	-	-	-	**(10,683)**	1,288	**(9,395)**
Adjustments between accounting basis and funding basis under regulations (Note 9)	2,244	6,292	(381)	(1,434)	(756)	**5,965**	(5,965)	**-**
(Increase) or Decrease in 2016/17	**(631)**	**(1,516)**	**(381)**	**(1,434)**	**(756)**	**(4,718)**	**(4,677)**	**(9,395)**
Balance at 31st March 2017 carried forward	**(17,369)**	**(7,380)**	**(6,773)**	**(3,831)**	**(1,812)**	**(37,165)**	**(71,576)**	**(108,741)**

Note: Where appropriate the General Fund and HRA Fund Balances include Earmarked Reserves as shown in note 10.

CONSOLIDATED 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.

Restated 2016/17 Gross Expenditure £000s	Restated 2016/17 Income £000s	Restated 2016/17 Net Expenditure £000s		2017/18 Gross Expenditure £000s	2017/18 Income £000s	2017/18 Net Expenditure £000s
			Continuing Operations			
1,084	(11)	1,073	Leadership Support	1,012	(127)	885
280	(15)	265	Communications	319	(62)	257
7,596	(2,377)	5,219	Democratic Services and Law	7,515	(2,577)	4,938
2,975	(433)	2,542	Human Resources	3,299	(872)	2,427
44,150	(41,978)	2,172	Finance	42,472	(40,353)	2,119
4,925	(2,264)	2,661	Communities	5,608	(3,520)	2,088
1,197	(553)	644	Strategic Development Projects	2,072	(1,145)	927
657	(82)	575	Economic Development	672	(148)	524
1,366	(551)	815	Planning	1,916	(992)	924
8,231	(4,893)	3,338	Commercial and Technical	8,448	(5,254)	3,194
221		221	Planning Advisor	282	(15)	267
13,866	(16,498)	(2,632)	Local Authority Housing (HRA)	11,962	(16,357)	(4,395)
(6,159)		(6,159)	Local Authority Housing (HRA) - exceptional item (Note 6)	2,139		2,139
80,389	**(69,655)**	**10,734**	**(Surplus)/Deficit on Continuing**	**87,716**	**(71,422)**	**16,294**
2,486	(1,062)	1,424	Other Operating Expenditure (Note	2,717	(1,366)	1,351
5,884	(2,796)	3,088	Financing and Investment Income and Expenditure (Note 12)	6,115	(2,805)	3,310
6,610	(32,539)	(25,929)	Taxation and Non-specific Grant Income (Note 13)	5,884	(27,894)	(22,010)
95,369	**(106,052)**	**(10,683)**	**(Surplus) or Deficit on Provision of Services**	**102,432**	**(103,487)**	**(1,055)**
		(11,080)	(Surplus) or deficit on revaluation of non-current assets (Note 23)			(5,992)
		82	(Surplus) or deficit on revaluation of Available for Sale assets			(246)
		12,286	Re-measurement of net defined liability (Note 35)			(6,488)
		1,288	**Other Comprehensive Income and Expenditure**			**(12,726)**
		(9,395)	**TOTAL Comprehensive Income and Expenditure**			**(13,781)**

2016/17 has been restated due to a change in reporting structure and an understatement on continuing operations. Further detail is provided at Note 40 to the accounts.

BALANCE SHEET

The Balance Sheet shows the value, as at the Balance Sheet date, of the assets and liabilities held 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. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (e.g. the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments Between Accounting Basis and Funding Basis Under Regulations'.

31-Mar-17 £000s		Note	**31-Mar-18 £000s**
159,132	Council dwellings	14	165,434
14,749	Other land and buildings	14	15,150
1,598	Vehicles, plant, furniture and equipment	14	1,629
10,923	Infrastructure assets	14	13,469
3,461	Community assets	14	3,461
259	Surplus assets	14	263
4,628	Assets under construction	14	1,962
7,831	Investment property	15	8,003
185	Intangible assets	-	103
7,408	Long term investments	16	14,455
8,466	Long term debtors	16	7,231
218,640	**Long Term Assets**		**231,160**
22,637	Short term investments	16	19,784
10	Inventories	-	11
9,823	Short term debtors	17	11,693
4,368	Cash and cash equivalents	18	2,329
36,838	**Current Assets**		**33,817**
(1,813)	Short term borrowing	16	(2,028)
(11,208)	Short term creditors	20	(11,911)
(97)	Capital grants received in advance	-	(97)
(1,281)	Provisions	21	(1,807)
(14,399)	**Current Liabilities**		**(15,843)**
(57,755)	Long term borrowing	16	(55,855)
(74,516)	Net pensions liability	35	(70,690)
(67)	Provisions	21	(67)
(132,338)	**Long Term Liabilities**		**(126,612)**
108,741	**Net Assets**		**122,522**
(37,165)	Usable reserves	22	(41,041)
(71,576)	Unusable reserves	23	(81,481)
(108,741)	**Total Reserves**		**(122,522)**

I certify that the accounts present a true and fair view of the financial position of the Council and of its income and expenditure for the year ended 31 March 2018.

Timothy Madden CPFA
Corporate Director - Customer, Support and Specialist Services
Date: 31 May 2018

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. It 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 way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2016/17 £000s		Note	2017/18 £000s
10,683	Net surplus or (deficit) on the provision of services		**1,055**
4,453	Adjustments to net surplus or (deficit) on the provision of services for non-cash movements		**15,268**
(7,782)	Adjustments for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities		**(5,375)**
7,354	**Net cash flow from operating activities**	24	**10,948**
(3,549)	**Net cash flow from investing activities**	26	**(8,400)**
(666)	**Net cash flow from financing activities**	27	**(4,587)**
3,139	**Net increase or decrease in cash and cash equivalents**		**(2,039)**
1,229	Cash and cash equivalents at the beginning of the reporting period		4,368
4,368	**Cash and cash equivalents at the end of the reporting period**	18	**2,329**

NOTES TO THE FINANCIAL STATEMENTS

The notes present information about the basis of preparation of the financial statements and the specific accounting policies used, e.g. the method of depreciation used, policies in respect of provisions and reserves and accounting for pension costs. The notes disclose information required by the Code that is not presented elsewhere in the financial statements but is relevant to understanding them.

1. ACCOUNTING POLICIES

1.1 General Principles

This Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year end of 31 March 2018. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 which require preparation in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2017/18* and the *Service Reporting Code of Practice 2017/18,* supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Local Government Act 2003.

The accounting convention adopted 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) and with due regard to material levels of adjustment.

- Revenue from the sale of goods is recognised when the Council transfers the significant risk and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from council tax and business rates is measured at the full amount receivable (net of impairment losses) as they are non-contractual, non-exchange transactions. Revenue from non-exchange transactions is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the Council and the amount of revenue can be measured reliably.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.

Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for income that might not be collected.

1.3 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 CIES until conditions attached to the grant or contributions have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or the future economic benefits or service potential must be returned to the transferor.

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

Where capital grants are credited to the CIES they are reversed out of the General Fund Balance in the MIRS. 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.

1.4 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are 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.

1.5 Exceptional Items

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

1.6 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 prior period adjustments.

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.

1.7 Overheads and Support Services

The costs of the Council's overheads and support services are fully charged, where relevant, to those that benefit from the supply or service. Charges are based on various measurements, the most significant being time allocations for most officers, floor area for administrative buildings and facility usage for computer services. 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, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed costs – cost of discretionary benefits awarded to employees retiring early (see Employee Benefits pages 69-73), and any impairment losses chargeable on Assets Held for Sale.

Overheads are no longer internally recharged across service areas reported (but are recharged to those items outside the General Fund). Full recharge details for all areas are retained and monitored to meet the requirements of some operational returns and reports which still require conformity with the Service Reporting Code of Practice 2017/18 (SeRCOP), CIPFA. This approach to the treatment of overheads is in line with the 'Telling the Story' requirements of the 'Code'.

1.8 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 MIRS. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account to score against (Surplus) or Deficit on the Provision of Services in the CIES. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves 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, retirement and employee benefits, council tax and business rates income and financial instruments. They do not represent usable resources for the Council. These reserves are explained in the relevant policies, but in summary:

- the Revaluation Reserve and Capital Adjustment Account are capital reserves, they do not represent usable resources for the Council.
- the Capital Receipts Reserve is not available for revenue purposes, it is only available for capital purposes or to repay debt.
- the Pensions Reserve is a non-distributable reserve reflecting the net liability on the Council's proportion of the assets and liabilities in the pension scheme.
- the Financial Instruments Adjustment Account is a non-distributable reserve maintained to manage the accounting and statutory requirements of financial instruments.

- the Collection Fund Adjustment Account is a reserve required to maintain the difference between the amount of Council Tax and Business Rates income determined under accounting practice and the amount required to be credited to the General Fund under statute.
- the Accumulated Absences Account is required to maintain the difference between employee benefits charged to the General Fund under accounting practice and those that are charged under statute.

1.9 Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accrual 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 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.

The Council has set a de minimis level in respect of the recognition of capital expenditure of £10,000.

Measurement

Items of Property, Plant and Equipment are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, where relevant.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the exchange transaction has no commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

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

- infrastructure, community assets and assets under construction - depreciated historical cost
- dwellings – current value, determined using the basis of Existing Use Value for Social Housing (EUV-SH)
- surplus assets – current value measurement basis is fair value**,** estimated at highest and best use from a market participant's perspective
- all other assets - current value, determined as the amount that would be paid for the asset in its existing use.

Where there is no market based evidence of fair value, because of the specialist nature of the asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non property assets have short useful lives or low values (or both) depreciated historical cost is used as a proxy for fair 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 fair value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains may be credited to the CIES where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

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.

<u>Impairment</u>

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

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

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

<u>Depreciation</u>

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 and other buildings – straight line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – straight line allocation usually over 5-7 years
- infrastructure – straight line allocation usually over 20 years

Where a Property, Plant and Equipment asset has a major component whose cost is significant in relation to the total cost of the item, the components are depreciated separately (see below).

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 charged based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

1.10 Componentisation

Componentisation shall be applied for depreciation purposes on enhancement, acquisition expenditure incurred and revaluations carried out from 1 April 2010. Components that are required to be depreciated separately are those that have a cost that is significant in relation to the total cost of the asset, a different useful life and a method of depreciation. Components of an asset will be separated where their value is significant in relation to the total value of an asset and where those components have different useful lives for the remainder of the asset for depreciation purposes.

Where there is more than one significant component part of the same asset with the same useful life, such component parts will be grouped together for depreciation purposes.

A component may be an individual item or a group of similar items with similar useful lives. Where a component is replaced or restored, the carrying amount of the old component will be de-recognised and the new component added. Where the carrying value of the de-recognised/replaced component is not known a best estimate will be determined by reference to the current cost.

Only assets with a gross book value of £1million and over will be considered for componentisation. Of those assets, for the purpose of determining a “significant” component of an asset, components with a value of 25% in relation to the overall value of the asset or over £500,000 will be considered and only then if the component has a different useful life for depreciation purposes so as to result in depreciation charges that differ materially from the depreciation charges had the asset not been componentised.

On componentisation, any Revaluation Reserve balance will remain with the structure of the building. Any future revaluation gains will be applied across components as appropriate.

1.11 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 CIES.

Gains in fair value are recognised only up to the amount of any previously recognised losses in the (Surplus) or Deficit on the Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held For Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES 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 is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow. Receipts are appropriated to the Reserve from the General Fund Balance in the MIRS.

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

1.12 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 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 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 an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the MIRS for the difference between the two.

1.13 Investment Property

An investment property is one that is used solely to earn rentals or for capital appreciation or both. 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 property is initially measured at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date.

As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Any gain or loss arising from a change in the fair value of investment property is recognised in the Financing and Investment Income and Expenditure line in the CIES. The same treatment is applied to gains and losses on disposal.

Rentals received are credited to the Financing and Investment Income and Expenditure line in the CIES.

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 MIRS and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.14 Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

1.15 Borrowing Costs

All borrowing costs are recognised as an expense as they are incurred.

1.16 Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Long term contracts are accounted for on the basis of charging the (Surplus) or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

1.17 Employee Benefits

Benefits Payable during Employment

Short term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render the 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 charged to the (Surplus) or Deficit on the Provision of Services, but then reversed out through the MIRS so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer’s employment before the normal retirement date or an officer’s decision to accept voluntary redundancy.

They are charged on an accruals basis to the service area lines or where applicable, to the Non Distributed Costs line in the CIES at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for re-structuring.

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 MIRS 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.

Post-Employment Benefits

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

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

- the liabilities of the KCC pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employees turnover rates etc. and projections of earnings for current employees.
- liabilities are discounted to their value at current prices, using a discount rate of 2.55% based on the indicative rate of return on high quality corporate bond (annualised yield at the 19 year point on the Merrill Lynch AA rated corporate bond).
- the assets of the KCC 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 for the year, allocated in the CIES to the revenue accounts of services for which the employees worked
    - past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years, debited to the (Surplus) or Deficit on the Provision of Services in the CIES as part of Non-distributed Costs
    - net interest on the net defined liability i.e. net interest expense for the authority – the change during the period in the net defined liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES. 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.

ii) Re-measurements 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, debited or credited to the Pensions Reserve

iii) Contributions paid to the KCC 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 in accordance with the relevant standards. This means that in the Movement in Reserve Statement there are appropriations to or from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The debit balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

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

1.18 Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the 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 authorisation for issue are not reflected in the Statement of Accounts.

1.19 Financial Assets

Financial assets are classified into two types:
- loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market.
- available for sale assets - assets that have a quoted market price and/or do not have fixed or determinable payments.

<u>Loans and Receivables</u>

Loans and receivables are recognised when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and subsequently carried 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 interest rate for the instrument. For most of the loans that the Council has made this means that the amount presented in the Balance Sheet is the outstanding principal receivable plus any accrued interest and interest credited to the CIES is the amount receivable for the year in the loan agreement.

However, the Council has made a number of renovation loans to home owners at less than market rates (soft loans). When soft loans are made, a loss is recorded in the CIES 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 higher effective rate of interest than the rate receivable from the borrower, with the difference serving to increase the amortised cost of the loan on 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 the 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 MIRS.

Where financial assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset’s original effective interest rate.

Any gains/losses that arise from the derecognition of an asset are credited/debited to the Financing and Investment Income and Expenditure line in the CIES.

<u>Available for Sale Assets</u>

Available for sale assets 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. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the amortised cost of the asset multiplied by the effective rate for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the CIES when it becomes receivable by the Council.

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

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

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

- level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the 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.

Changes in fair value are balanced by an entry in the Available for Sale reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available for Sale assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the CIES, along with any net gain or loss for the asset accumulated in the Available for Sale reserve.

Where assets are identified as impaired because of a likelihood arising from a past event where payments due under the contract will not be made or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES, along with any accumulated gains or losses previously recognised in the Available for Sale reserve.

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

1.20 Financial Liabilities

Financial liabilities are recognised when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the 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 the estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable, plus any accrued interest, and interest charged to the CIES is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early resettlement 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 the 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/loss that relates to the HRA, on a straight line basis, over the term of the loan repaid up to ten years in line with statutory requirements that relate to the HRA. The proportion relating to the General Fund, above a de minimus level of £10,000, is spread over the life of the replacement loan. 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 MIRS.

1.21 Provisions, Contingent Assets and Contingent Liabilities

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 about the amount of the obligation.

Provisions are charged to the appropriate service line in the CIES 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 made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the position is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle the provision is expected to be recovered from a third party (e.g. 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 Council settles the obligation.

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 an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

1.22 Provisions for Bad and Doubtful Debts (impairment of loans and receivables)

The carrying amount of debtors is adjusted for doubtful debts, which are provided for, and known uncollectable debts are written off. This basis of provision is dependent upon the nature of the debt and for sundry debts takes into account material amounts that are settled in the first month of the financial year.

1.23 Value Added Tax

Value added tax is included in income and expenditure accounts only to the extent that it is irrecoverable.

1.24 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.

1.25 Fair Value Measurement

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

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

The 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. 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 or liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

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

2. EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis demonstrates how the funding available to the Council for the year 2017/18 (i.e. government grants, rents, Council Tax and Business rates) has been used to provide the services in comparison with those resources consumed or earned under generally accepted accounting practice (GAAP). The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes across the Council's management structure. Income and expenditure accounted for under GAAP is presented more fully in the Comprehensive Income and Expenditure Statement.

2. EXPENDITURE AND FUNDING ANALYSIS

2017/18	As reported for resource management	Adjustment to arrive at the net amount chargeable to the General fund and HRA	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000s	£000s	£000s	£000s	£000s
Leadership Support	877	79	956	(71)	885
Communications	252	30	282	(25)	257
Democratic Services and Law	4,585	244	4,829	109	4,938
Human Resources	2,330	300	2,630	(203)	2,427
Finance	3,017	(731)	2,286	(167)	2,119
Communities	2,329	(92)	2,237	(149)	2,088
Strategic Development Projects	1,085	(142)	943	(16)	927
Economic Development	420	97	517	7	524
Planning	642	405	1,047	(123)	924
Commercial and Technical	1,614	272	1,886	1,308	3,194
Planning Advisor	248	30	278	(11)	267
Local Authority Housing (HRA)	(2,256)	(4,146)	(6,402)	4,146	(2,256)
(Surplus)/Deficit on Continuing Operations	**15,143**	**(3,654)**	**11,489**	**4,805**	**16,294**
Other Income and Expenditure	(14,433)	746	(13,687)	(3,662)	(17,349)
(Surplus) or Deficit on Provision of Services	**710**	**(2,908)**	**(2,198)**	**1,143**	**(1,055)**
Opening General Fund and HRA Balance			**(24,749)**		
Less/Plus Surplus or (Deficit) on General Fund and HRA Balance in Year			(2,198)		
Closing General Fund and HRA Balance at 31 March*			**(26,947)**		

*For a split of this balance between the General Fund and the HRA see the Movement in Reserves Statement

2016/17 Restated

	As reported for resource management	Adjustment to arrive at the net amount chargeable to the General fund and HRA	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000s	**£000s**	**£000s**	**£000s**	**£000s**
Leadership Support	1,000	137	1,137	(64)	1,073
Communications	231	53	284	(19)	265
Democratic Services and Law	4,687	227	4,914	305	5,219
Human Resources	2,252	458	2,710	(168)	2,542
Finance	3,097	(778)	2,319	(147)	2,172
Communities	2,663	138	2,801	(140)	2,661
Strategic Development Projects	607	63	670	(26)	644
Economic Development	521	43	564	11	575
Planning	715	184	899	(84)	815
Commercial and Technical	1,380	548	1,928	1,410	3,338
Planning Advisor	211	18	229	(8)	221
Local Authority Housing (HRA)	(8,791)	3,508	(5,283)	(3,508)	(8,791)
(Surplus)/Deficit on Continuing Operations	**8,573**	**4,599**	**13,172**	**(2,438)**	**10,734**
Other Income and Expenditure	(9,339)	(5,980)	(15,319)	(6,098)	(21,417)
(Surplus) or Deficit on Provision of Services	**(766)**	**(1,381)**	**(2,147)**	**(8,536)**	**(10,683)**
Opening General Fund and HRA Balance			**(22,602)**		
Less/Plus Surplus or (Deficit) on General Fund and HRA Balance in Year			(2,147)		
Closing General Fund and HRA Balance at 31 March*			**(24,749)**		

*For a split of this balance between the General Fund and the HRA see the Movement in Reserves Statement

2016/17 has been restated due to a change in the reported outturn and an understatement on continuing operations for 2016/17 and a change in the reporting structure in 2017/18. Further detail is provided at Note 40 to the accounts.

3. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The Code requires the Council to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant year. Standards that are being introduced in 2018/19 are:

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

It is anticipated that these amendments will not have a material impact on the information provided in the financial statements.

IFRS 9 Financial Instruments

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

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

- CCLA LAMIT Local Authorities' Property Fund

The Council does not expect the impairment changes to have a material impact upon the financial statements because the impairment charge will be immaterial for its treasury management assets (e.g. bank deposits and bonds)and it already makes a provision for doubtful debts on its service assets (e.g. trade receivables).

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, 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:

Funding levels
There continues to be a high degree of uncertainty about future levels of funding for local government, with consultation having now commenced on the Fair Funding Review, anticipated to result in significant changes in Local Government funding from 2020/21. However, the Council has determined that this uncertainty is not sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close any facilities and reduce levels of service provision.

Folkestone Parks and Pleasure Grounds Charity
The Council is the sole trustee of the Folkestone Parks and Pleasure Grounds Charity, a charitable trust that owns and operates certain parks and pleasure grounds previously managed by the Council. It has been determined that the Council does not have the power to control the Trust and it is therefore not a Subsidiary of the Council. Further information is disclosed in note 37 on pages 77-78.

Joint waste and recycling contract
It has been concluded that the contract for waste collection and recycling entered into by the East Kent Waste Partnership, consisting of Folkestone & Hythe, Dover and Kent County councils, does not include an embedded lease in respect of the assets used to provide the service. Therefore, no assets have been recognised on the balance sheet and all contract payments have been accounted for as supplies and services within the appropriate service lines in the CIES.

East Kent Housing – Arms-Length Management Organisation
The Council has a 25% interest in East Kent Housing Limited which has been classified as a joint venture with three other local authorities. With due regard to both the quantitative and qualitative aspects of materiality the Council has concluded that the preparation of group accounts is not required.

The Council has entered into an agreement with East Kent Housing that if the company is not able to make payments to the Kent Local Government Pension Fund in respect of the pensionable service of employees transferred from the Council, then the Council will meet such payments.

East Kent Housing Limited's pension liability has decreased from £10.2 to £10.1m at 31st March 2018. The company remains able to meet its current pension obligations and will not be making calls on the four owner Councils towards its pension liability. The Council's share of this liability is £2.52m but it has been concluded that the financial risk associated with the liability crystallising is immaterial and on this basis the liability has not been accounted for at fair value through profit and loss.

Oportunitas Limited
The Council has set up a wholly owned subsidiary entity to generate additional income streams for the Council and to provide residential housing in the district. It is deemed that the relationship between the Council and Oportunitas is material enough to warrant the preparation of Group Financial Statements.

Heritage Assets
The Council owns a stretch of the Royal Military Canal, a designated ancient monument. However, it is held and maintained principally as an amenity and for its ecological significance. In addition, it has land drainage functions. Due to its operational nature it has continued to be recognised within Plant, Property and Equipment as a community asset rather than a heritage asset.

5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council may be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for non-housing assets would increase by £164k for every year that useful lives had to be reduced.
Pension 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 Council with expert advice about the assumptions to be applied.	The effects on the net pensions 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 £2.7m. Further sensitivity analysis of factors affecting the Pensions Fund is set out in Note 35.
Arrears	At 31 March 2017, the Council had a balance of sundry debtors of £3.4m. A review of balances indicated that an impairment of doubtful debts of 32% (£1.1m) was appropriate. However, in the current economic climate it is not fully certain whether such an allowance may be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts, for example, would require an additional £1.1m to be set aside as an allowance.
Provisions	The Council has made a provision for possible successful appeals to business rates rateable values. The provision is based on past experience and may not necessarily reflect future success, which can be due to a number of factors.	The business rates rateable value at 31/3/2018 was £77.1m. For every 1% successful reduction in the rateable value, it is equal to a cost of £144k to the Council (for a single year).

Item	Uncertainties	Effect if actual results differ from assumptions
Fair value measurements	When the fair values of financial assets and liabilities cannot be measured based on quoted prices in active markets their fair value is measured using valuation techniques. Where possible, the inputs to these techniques are based on observable data but where this is not possible judgement is required. These judgements typically include considerations such as uncertainty and risk. Where quoted prices are not available the Council employs relevant experts to identify the most appropriate valuation technique to determine fair value. Information about the valuation techniques and inputs used in determining fair value is disclosed in notes 15 and 16.	Significant changes in any of the unobservable inputs would result in a significantly higher or lower fair value measurement for investment properties and financial instruments.

6. EXCEPTIONAL ITEMS

Two valuation issues affecting council dwellings have required an exceptional item of a net £2.139m debit to be recognised in the CIES and is summarised in the table below:

Issue	Description	£000s
i)	Valuation adjustment for council dwellings acquired during 2017/18 to reflect the statutory social housing factor of 33% compared to their open market value.	3,158
ii)	On the advice of the council's external valuer, the council's dwelling value has increased by a further 3% over the year in line with regional property valuation changes. Again, a valuation gain has been taken reversing previous losses.	(1,019)
		2,139

7. MATERIAL ITEMS OF INCOME AND EXPENSE

The Council incurs a significant proportion of spend on benefit payments, which is funded predominantly by government grant. The following amounts were incurred within the CIES on benefit payments (including administration).

Restated 2016/17*				2017/18		
Gross Expenditure	Income	Net Expenditure		Gross Expenditure	Income	Net Expenditure
£000s	£000s	£000s		£000s	£000s	£000s
			Other Housing Services			
32,125	(30,764)	1,361	Housing Benefit	30,179	(30,000)	179
9,931	(9,941)	(10)	Housing Rebates	9,496	(9,567)	(71)

*2016/17 comparatives adjusted to correct balance being understated by £844k

8. EVENTS AFTER THE BALANCE SHEET DATE

The date that the accounts were authorised for issue was the date that the Corporate Director – Customer, Support and Specialist Services signed the Balance Sheet on page 20. That date was 31 May 2018. Events after the balance sheet date (31 March 2018) have only been considered up to the authorisation date.

Where events taking place before this date provided information about conditions existing at 31 March 2018, the figures in the financial statements and notes are adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following event which took place after 31 March 2018 as they provide information that is relevant to an understanding of the authority's financial position but do not relate to conditions at that date:

- In March 2018 the council substantially completed the purchase of Ross House, Ross Way, Folkestone to provide 16 units of social housing accommodation for the Housing Revenue Account for £1.8m. The property was not able to be let to tenants until early April 2018 due to various minor works required to be completed. Therefore, at the 31st March 2018 the property has been valued at its purchase cost. As of April 2018 the property is required to be revalued for its social housing use. This is estimated to be £0.63m meaning there will be a valuation reduction of £1.17m.

9. 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.

Adjustments Between Accounting Basis and Funding Basis Under Regulations

2017/18	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000s	£000s	£000s	£000s	£000s	£000s
Adjustments primarily involving the Capital Adjustment Account						
Reversal of items debited or credited to the CIES:						
Charges for depreciation and impairment of non-current assets	(1,860)	(2,073)	-	-	-	3,933
Revaluation losses / gains on Property, Plant and Equipment	4	(2,139)	-	-	-	2,135
Movements in market value of investment property	110	-	-	-	-	(110)
Amortisation of intangible assets	(82)	-	-	-	-	82
Revenue expenditure funded from capital under statute	(1,055)	-	-	-	-	1,055
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	-	(1,054)	-	-	-	1,054
Insertion of items not debited or credited to the CIES:						
Minimum Revenue Contribution for Capital Funding	389	-	-	-	-	(389)
Capital expenditure charged against the General Fund and HRA balances	971	4,283	-	-	-	(5,254)
Adjustments involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the CIES	2,883	-	-	-	(2,193)	(690)
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	1,559	(1,559)
Adjustments involving the Capital Receipts Reserve						
Proceeds from Sale of Non-current Assets	626	1,897	-	(2,839)	-	316
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	-	2,054	-	(2,054)
Contribution from the Capital Receipts Reserve to finance the payment to the Government capital receipts pool	(219)	-	-	219	-	-
Adjustments involving the Deferred Capital Receipts Reserve						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	(3)	(3)	-	-	-	6
Adjustments involving the Major Repairs Reserve						
HRA depreciation transfer	-	-	(2,519)	-	-	2,519
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	2,040	-	-	(2,040)
Adjustment involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	98	(20)	-	-	-	(78)
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the CIES	(5,272)	(289)	-	-	-	5,561
Employer's pensions contributions and direct payments to pensioners payable in the year	2,751	148	-	-	-	(2,899)
Adjustments involving the Collection Fund Adjustment Account:						
Amount by which council tax and business rates income credited to the CIES is different from council tax and business rates income calculated for the year in accordance with statutory requirements	(1,310)	-	-	-	-	1,310
Adjustment involving the Accumulated Compensated Absences Account:						
Adjustments in relation to short-term compensated absences	79	(2)	-	-	-	(77)
Total Adjustments	**(1,890)**	**748**	**(479)**	**(566)**	**(634)**	**2,821**

Adjustments Between Accounting Basis and Funding Basis Under Regulations 2016/17	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000s	£000s	£000s	£000s	£000s	£000s
Adjustments primarily involving the Capital Adjustment Account						
Reversal of items debited or credited to the CIES:						
Charges for depreciation and impairment of non-current assets	(2,117)	(2,690)	-	-	-	4,807
Revaluation losses / gains on Property, Plant and Equipment	-	6,168	-	-	-	(6,168)
Amortisation of intangible assets	(88)	-	-	-	-	88
Revenue expenditure funded from capital under statute	(1,329)	-	-	-	-	1,329
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(1,077)	(1,083)	-	-	-	2,160
Insertion of items not debited or credited to the CIES:						-
Minimum Revenue Contribution for Capital Funding	405	-	-	-	-	(405)
Capital expenditure charged against the General Fund and HRA balances	2,190	2,169	-	-	-	(4,359)
Adjustments involving the Capital Grants Unapplied Account:						-
Capital grants and contributions unapplied credited to the CIES	4,886	-	-	-	(990)	(3,896)
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	234	(234)
Adjustments involving the Capital Receipts Reserve						-
Proceeds from Sale of Non-current Assets	1,493	1,741	-	(3,234)	-	
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	-	2,632	-	(2,632)
Contribution from the Capital Receipts Reserve to finance the payment to the Government capital receipts pool	(221)	-	-	221	-	-
Adjustments involving the Deferred Capital Receipts Reserve						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	(3)	(3)	-	-	-	6
Adjustments involving the Major Repairs Reserve						-
HRA depreciation transfer	-	-	(3,907)	-	-	3,907
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	2,473	-	-	(2,473)
Adjustment involving the Financial Instruments Adjustment Account:						-
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	143	(24)	-	-	-	(119)
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the CIES	(4,655)	(90)	-	-	-	4,745
Employer's pensions contributions and direct payments to pensioners payable in the year	2,865	102	-	-	-	(2,967)
Adjustments involving the Collection Fund Adjustment Account:						
Amount by which council tax and business rates income credited to the CIES is different from council tax and business rates income calculated for the year in accordance with statutory requirements	(197)	-	-	-	-	197
Adjustment involving the Accumulated Compensated Absences Account:						
Adjustments in relation to short-term compensated absences	(51)	2	-	-	-	49
Total Adjustments	**2,244**	**6,292**	**(1,434)**	**(381)**	**(756)**	**(5,965)**

10. 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 2017/18. Earmarked Reserves are shown in the MIRS as included in General Fund and HRA Fund balances as appropriate.

Earmarked Reserves	Balance at 01-Apr-16	Transfers In	Transfers Out	Balance at 31-Mar-17	Transfers In	Transfers Out	Balance at 31-Mar-18
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
General Fund							
Business Rates	(2,459)	(413)	191	(2,681)	(479)	-	**(3,160)**
Leisure Reserve	(247)	(50)	150	(147)	(50)	-	**(197)**
Carry Forwards	(1,650)	(835)	1,368	(1,117)	(351)	1,048	**(420)**
Corporate Property	(20)	-	20	-	-	-	**-**
Vehicles, Equipment and Technology	(943)	(141)	208	(876)	(189)	411	**(654)**
Invest to Save	(381)	-	15	(366)	-	-	**(366)**
Maintenance of Graves	(12)	-	-	(12)	-	-	**(12)**
New Homes Bonus	(1,757)	(1,353)	679	(2,431)	(1,572)	1,290	**(2,713)**
Corporate Initiatives	(1,227)	-	472	(755)	(90)	466	**(379)**
IFRS Reserve	(84)	-	17	(67)	-	18	**(49)**
Otterpool Park Garden Town	-	(2,490)	501	(1,989)	(1,202)	959	**(2,232)**
Economic Development	(2,251)	(276)	500	(2,027)	(317)	150	**(2,194)**
Community Led Housing	-	-	-	-	(437)	-	**(437)**
Lydd Airport	-	-	-	-	(9)	-	**(9)**
Homelessness Prevention	-	-	-	-	(215)	-	**(215)**
	(11,031)	**(5,558)**	**4,121**	**(12,468)**	**(4,911)**	**4,342**	**(13,037)**

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Business Rates Reserve	To support business development and to manage the statutory accounting requirements of the Rates Retention Scheme.
Leisure Reserve	To meet future leisure improvements.
Carry Forwards Reserve	For items of expenditure not incurred or income not applied in the previous financial year but required in the new financial year to meet spending commitments.
Corporate Property Reserve	To meet corporate property improvements or repairs.
Vehicles, Equipment and Technology Reserve	To meet vehicle, equipment and technology replacement needs or improvements.
Invest to Save Reserve	To finance initiatives and projects that will in the medium term result in budget savings for the General Fund.
Maintenance of Graves Reserve	Amounts held in perpetuity to meet the cost of maintaining certain grave sites.
New Homes Bonus Reserve	To fund the anticipated additional cost of services over the next five years.
Corporate Initiatives Reserve	To support Corporate Plan objectives and goals.
IFRS Reserve	To manage the impact of the introduction of International Financial Reporting Standards particularly affecting immediate recognition of grants and contributions.
Otterpool Park Garden Town Reserve	To fund the planned share of the Promoter and Local Planning Authority costs
Economic Development	Towards the regeneration of the district and to support the generation of new income.
Community Led Housing	To support community-led housing developments and to deliver more affordable housing units of mixed tenure.
Lydd Airport	To fund the anticipated ongoing costs of monitoring the conditions at Lydd Airport.
Homelessness Prevention	To flexibly fund ways to reduce the homelessness expenditure by taking preventative action.

11. OTHER OPERATING EXPENDITURE

Other Operating Expenditure	2016/17 £000s	2017/18 £000s
Parish precepts	1,829	2,053
Internal Drainage Board levies	436	445
Payments to the Government Housing Capital Receipts Pool	221	219
Gains or losses on the disposal of non-current assets	(1,062)	(1,366)
	1,424	**1,351**

12. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

Financing and Investment Income and Expenditure

	2016/17 £000s		2017/18 £000s
Interest payable and similar charges	1,980	*	2,435
Net interest on net defined liability	2,129	*	1,973
Investment property rental income	(200)		(182)
Interest receivable and similar income	(849)		(802)
Income and expenditure in relation to investment properties and changes in their fair value	28		(114)
	3,088		**3,310**

*2016/17 comparative figures adjusted to correct balance being understated by £30k.

13. TAXATION AND NON-SPECIFIC GRANT INCOMES

Taxation and Non-specific Grant Income	2016/17 £000s	2017/18 £000s
Council tax income	(11,073)	(11,721)
Non domestic rates	(4,865)	(4,406)
Non-ring fenced government grants	(6,006)	(4,095)
Capital grants and contributions	(3,985)	(1,788)
	(25,929)	**(22,010)**

14. PROPERTY, PLANT AND EQUIPMENT

(i) Measurement:

The Council's non-housing assets (excluding vehicles, plant, equipment, infrastructure and community assets) were re-valued at £10.6m as at 1 April 2014 by an external independent valuer – Sibley Pares (Taylor Riley) Limited, Chartered Surveyors.

The Council's housing assets were re-valued in April 2015 by Sibley Pares (Taylor Riley) Ltd at £141m, of which £136m relates to council dwellings. The valuation of the council dwellings has increased from 32% to 33% of the open market value for these assets based on their existing use value for social housing from 1 April 2016. This valuation adjustment is in accordance with Ministry of Housing, Communities and Local Government guidance issued in 2016 for council dwellings stock valuations in South-East England, reflecting the economic cost of providing council housing at less than open market rents. On the advice of the external valuer the value of council dwellings has increased by 3% over the year to reflect the experience of property price increases seen in the local area.

The external valuer has also advised that, based on rental income values, the value of the various housing non-dwelling assets categories (garages, parking spaces and stores) have not risen over the year to March 2018.

The external valuer is not aware of any material change in prices over the year to March 2018 in the value of the Council's non-housing portfolio.

(ii) Contractual Commitments:

The Council has entered into the following long-term contracts on HRA properties:

- Heating replacement programme from 2017-2012 - approximately £0.42m per annum
- Kitchen and bathroom replacement 2010-2020 - approximately £0.54m per annum
- Window/door servicing and maintenance 2015-2020 approximately £0.25m per annum.

There is an option to extend the window/door servicing contract for a further two years.

Property, Plant and Equipment 2017/18	Council Dwellings £000s	Land and Buildings £000s	Vehicles, Plant and Equipment £000s	Infra-structure £000s	Community Assets £000s	Assets Under Construction £000s	Surplus Assets £000s	Total £000s
Cost or Valuation								
At 1 April 2017	**159,132**	**15,422**	**8,637**	**31,244**	**3,461**	**4,628**	**259**	**222,783**
Additions	7,592	857	443	509	-	866	-	10,267
Revaluation increases/(decreases) recognised in the Revaluation Reserve	5,992	-	-	-	-	-	-	5,992
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,139)	-	-	-	-	-	4	(2,135)
De-recognition – disposals	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	(1,054)	-	-	-	-	-	-	(1,054)
Other reclassifications	242	(69)	-	3,359	-	(3,532)	-	-
Other movements in cost or valuation #	(4,331)	(48)	-	-	-	-	-	(4,379)
At 31 March 2018	**165,434**	**16,162**	**9,080**	**35,112**	**3,461**	**1,962**	**263**	**231,474**
Depreciation and Impairment								
At 1 April 2017	**-**	**(673)**	**(7,039)**	**(20,321)**	**-**	**-**	**-**	**(28,033)**
Depreciation charge for the year	(2,277)	(339)	(412)	(1,322)	-	-	-	(4,350)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(2,054)	(48)	-	-	-	-	-	(2,102)
Other movements in depreciation and impairment #	4,331	48	-	-	-	-	-	4,379
At 31 March 2018	**-**	**(1,012)**	**(7,451)**	**(21,643)**	**-**	**-**	**-**	**(30,106)**
Balance Sheet amount at 31 March 2018	**165,434**	**15,150**	**1,629**	**13,469**	**3,461**	**1,962**	**263**	**201,368**
Balance Sheet amount at 1 April 2017	159,132	14,749	1,598	10,923	3,461	4,628	259	194,750

This represents the reversal of cumulative depreciation and impairment written out for assets that have subsequently been revalued during the year.

Property, Plant and Equipment	Council Dwellings	Land and Buildings	Vehicles, Plant and Equipment *	Infra-structure *	Community Assets	Assets Under Construction	Surplus Assets	Total
2016/17	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost or Valuation								
At 1 April 2016	**145,459**	**14,724**	**8,427**	**30,887**	**3,461**	**289**	**259**	**203,506**
Additions	4,104	808	210	357	-	4,339	-	9,818
Revaluation increases/(decreases) recognised in the Revaluation Reserve	10,763	320	-	-	-	-	-	11,083
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	6,145	-	-	-	-	-	-	6,145
Derecognition - Disposals	(1,015)	-	-	-	-	-	-	(1,015)
Other movements in cost or valuation #	(6,324)	(430)	-	-	-	-	-	(6,754)
At 31 March 2017	**159,132**	**15,422**	**8,637**	**31,244**	**3,461**	**4,628**	**259**	**222,783**
Depreciation and Impairment								
At 1 April 2016	**-**	**(453)**	**(6,616)**	**(19,004)**	**-**	**-**	**-**	**(26,073)**
Depreciation charge for the year	(3,664)	(331)	(423)	(1,317)	-	-	-	**(5,735)**
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(2,660)	(319)	-	-	-	-	-	**(2,979)**
Other movements in depreciation and impairment #	6,324	430	-	-	-	-	-	**6,754**
At 31 March 2017	**-**	**(673)**	**(7,039)**	**(20,321)**	**-**	**-**	**-**	**(28,033)**
Balance Sheet amount at 31 March 2017	**159,132**	**14,749**	**1,598**	**10,923**	**3,461**	**4,628**	**259**	**194,750**
Balance Sheet amount at 1 April 2016	145,459	14,271	1,811	11,883	3,461	289	259	177,433

This represents the reversal of cumulative depreciation and impairment written out for assets that have subsequently been revalued during the year.

The Land and Buildings values have been restated to correct the accumulated depreciation written out for assets revalued.

*The Vehicles, Plant and Equipment and Infrastructure values have been restated to adjust the total cost and depreciation brought forward at 1 April 2016.

These changes do not affect the net Balance Sheet value of the assets.

15. INVESTMENT PROPERTIES

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the CIES:

Investment Property	2016/17 £000s	2017/18 £000s
Rental income from investment property	(200)	(182)
Direct operating expenses arising from investment property	-	-
Net (gain)/loss	**(200)**	**(182)**

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

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

Fair Value Movement	2016/17 £000s	2017/18 £000s
Cost or Valuation		
At 1 April	6,753	7,831
Additions – acquisitions	1,106	62
Net gain from fair value adjustments	(28)	110
At 31 March	**7,831**	**8,003**

Sensitivity Analysis Fair Value Hierarchy for Investment Properties

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

2017/18 Recurring fair value measurements using:	Other significant observable inputs (Level 2) £000s	Significant unobservable inputs (Level 3) £000s	Fair value at 31-Mar-18 £000s
Agricultural Land	5,522	-	5,522
Commercial Units	-	1,424	1,424
Commercial Land	1,057	-	1,057
	6,579	**1,424**	**8,003**

Valuation Techniques used to Determine Level 2 Fair Values for Investment Properties

Significant observable inputs – Level 2
The fair value for the agricultural land has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

Significant unobservable inputs - Level 3

The commercial units located in the local authority area are measured using the income approach, by means of the implicit (all-risk yield) capitalisation model.

The approach has been developed using the analysis and valuation of similar rented investment assets in the local area. It reflects rental growth, obsolescence and re-sale price as well as other factors including security of tenure and return on capital. Local market conditions for these assets show rental yields have been very stable over a number of years with very limited growth. The commercial units principally serve a local market however there is only a limited supply of such property. As such it is considered that there is no material risk of rents changing significantly from their current levels that may give rise to a change in carrying value of the assets.

The authority's commercial units are therefore categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements (and there is no reasonably available information that indicates that market participants would use different assumptions).

Highest and best use of investment properties

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

Valuation Techniques

There has been no change in the valuation techniques used during the year for Investment Properties.

Valuation Process for Investment Properties

The fair value of the authority's investment property is measured annually at each reporting date. All valuations are carried out by an externally appointed valuer and the work is undertaken in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Investment Properties Categorised with Level 3	**31-Mar-18**
	£000s
Opening Balance	**1,314**
Total gains (or losses) for the period included in the Surplus or Deficit on the Provision of Services resulting from changes in fair value	110
Closing Balance	**1,424**

Gains or losses arising from changes in the fair value of the investment property are recognised in Surplus or Deficit on the Provision of Services – Financing and Investment Income and Expenditure line.

Quantitative information about Fair Value Measurement of Investment Properties using Significant Unobservable Inputs - Level 3

Subcategory at Fair Value Level	31-Mar-18 £000s	Valuation technique used to measure fair value	Unobservable inputs	Estimated average
Commercial Units	1,424	Implicit (all-risk yield) capitalisation model	Rental growth	2.50%
			Vacancy level	5%
			Discount Rate	8%

Significant changes in rent growth; vacancy levels or discount rate will result in a significantly lower or higher fair value. It is considered that the council's level 3 commercial units are, currently, not subject to significant changes to their fair value.

16. FINANCIAL INSTRUMENTS

(i) Financial Instruments - Classifications

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.
The Council's non-derivative financial liabilities held during the year are measured at amortised cost and comprised:

- long-term loans from the Public Works Loan Board and lenders
- short-term loans from other local authorities
- trade payables for goods and services received

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset. The financial assets held by the Council during the year are held under the following classifications.

Loans and receivables (financial assets that have fixed or determinable payments and are not quoted in an active market) comprising:

- cash in hand
- bank current and deposit accounts with NatWest Bank
- fixed term deposits with banks and building societies
- loans to other local authorities
- loans to Kent County Council and East Kent Housing Limited made for service purposes
- trade receivables for goods and services delivered

Available for sale financial assets (those that are quoted in an active market) comprising:

- CCLA Local Authority Property Fund (managed fund)

Unquoted equity investments held at cost because it is impracticable to determine fair value, comprising:

- equity investments in Oportunitas Limited, the Council's wholly owned regeneration and housing company

(ii) Financial Instruments - Balances

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

Categories of financial Instruments	Long-term		Current		Note
	31-Mar-17	31-Mar-18	31-Mar-17	31-Mar-18	
	£000s	£000s	£000s	£000s	
Investments					
Loans and receivables	-	5,033	18,039	16,014	
Available-for-Sale Financial Assets	6,929	8,943	4,598	3,770	
Unquoted Equity Investment at cost	479	479	-	-	
Total Investments	**7,408**	**14,455**	**22,637**	**19,784**	
Debtors					
Loans and receivables *	-	-	1,774	3,752	1
Other debtors*	5,106	4,089	6,693	6,048	1
Total Debtors	**5,106**	**4,089**	**8,467**	**9,800**	
Cash & Cash Equivalents	-	-	4,368	2,329	
Total Cash & Cash Equivalents	**-**	**-**	**4,368**	**2,329**	
Creditors					
Trade Creditors at amortised cost	-	-	(2,380)	(2,425)	2
Financial liabilities at amortised cost	(57,755)	(55,855)	(1,813)	(2,028)	
Financial liabilities carried at contract amounts	-	-	-	-	
Other Creditors	-	-	(4,881)	(7,577)	2
Total Creditors	**(57,755)**	**(55,855)**	**(9,074)**	**(12,030)**	
Soft Loans					
Soft Loans	3,360	3,142	-	-	1
Total Soft Loans	**3,360**	**3,142**	**-**	**-**	

*2016/17 comparative figures adjusted to reflect changes in bad debts that were not captured in the 2016/17 accounts

1. The debtors line on the Balance Sheet includes £1.893m (2016 £1.356m) short-term debtors that do not meet the definition of a financial asset and £3.142m (2016 £3.360m) long-term debtors (i.e. being soft loans) that do not meet the definition of a financial asset.

2. The creditors lines on the Balance Sheet includes £1.909m (2016: £3.946m) short-term creditors that do not meet the definition of a financial liability.

Financial Instruments - Fair Values

Financial assets classified as available for sale and all derivative assets and liabilities are carried in the Balance Sheet at fair value, normally the market price. The Council holds shares in its wholly owned subsidiary company, Oportunitas Limited, which are carried at cost of

£478,751 because their fair value cannot be measured reliably. This is because the company has no established trading history, having only been formed in 2014, and there are no similar companies whose shares are traded and which might provide comparable market data.

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31March 2018, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

Financial Liabilities	**Fair Value Level**	**Balance Sheet 31-Mar-17 £000s**	**Fair Value 31-Mar-17 £000s**	**Balance Sheet 31-Mar-18 £000s**	**Fair Value 31-Mar-18 £000s**
Long term Financial liabilities held at amortised cost:					
Long-term loans from PWLB	2	57,255	70,610	55,855	66,547
Other long-term loans	2	500	519	-	-
Total Long-term Liabilities		**57,755**	**71,129**	**55,855**	**66,547**
Short-Term					
Short-term creditors	n/a	7,261	7,261	10,003	10,003
Short-term borrowing	n/a	1,813	1,798	2,028	1,964
Total Short-Term Liabilities		**9,074**	**9,059**	**12,031**	**11,967**
Total Financial Liabilities		**66,829**	**80,188**	**67,886**	**78,514**

* The fair value of short-term financial liabilities including trade payables is assumed to approximate to the carrying amount.

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the authority's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

Financial Assets	Fair Value Level	Balance Sheet 31-Mar-17 £000s	Fair Value 31-Mar-17 £000s	Balance Sheet 31-Mar-18 £000s	Fair Value 31-Mar-18 £000s
Financial assets held at fair value:					
Bond, equity and property funds	1	11,528	11,528	12,713	12,713
Total assets held at fair value		**11,528**	**11,528**	**12,713**	**12,713**
Loans and Receivables held at amortised cost:					
Long-term deposits	2	-	-	5,033	5,022
Short-term deposits	n/a	18,039	18,125	16,014	16,012
Total loans and receivables held at amortised cost		**18,039**	**18,125**	**21,047**	**21,034**
Other Financial Assets:					
Long-term investments	n/a	479	479	479	479
Long-term debtors	n/a	5,113	5,113	4,089	4,089
Short-term debtors	n/a	7,969	7,969	6,048	6,048
Cash and cash equivalents	n/a	4,368	4,368	2,330	2,330
Total Other Financial Assets		**17,929**	**17,929**	**12,946**	**12,946**
Total Financial Assets		**47,496**	**47,582**	**46,706**	**46,693**

* The fair value of short-term financial assets including trade receivables is assumed to approximate to the carrying amount.

The fair value of financial assets held at amortised cost is higher than their balance sheet carrying amount because the interest rate on similar investments is now lower than that obtained when the investment was originally made.

Income, Expense, Gains and Losses 2017/18	Financial Liabilities measured at amortised cost £000s	Available for Sale Financial Assets £000s	Financial Assets and Loans Receivables £000s	Total £000s
Interest expense	2,084	-	-	**2,084**
(Gains)/Losses on derecognition Impairment losses	-	-	-	**-**
Total Expense in Surplus or Deficit on the Provision of Services	**2,084**	**-**	**-**	**2,084**
Interest Income	-	(314)	(488)	**(802)**
Fee Income	-	-	(182)	**(182)**
Total income in Surplus or Deficit on the Provision of Services	**-**	**(314)**	**(670)**	**(984)**
Net (gain)/loss for the year	**2,084**	**(314)**	**(670)**	**1,100**

Income, Expense, Gains and Losses 2016/17	Financial Liabilities measured at amortised cost £000s	Available for Sale Financial Assets £000s	Financial Assets and Loans Receivables £000s	Total £000s
Interest expense	2,181	-	-	2,181
(Gains)/Losses on derecognition Impairment losses	-	-	-	-
Total expense in Surplus or Deficit on the Provision of Services	**2,181**	**-**	**-**	**2,181**
Interest Income	-	(381)	(468)	**(849)**
Fee income	-	-	(200)	**(200)**
Total income in Surplus or Deficit on the Provision of Services	**-**	**(381)**	**(668)**	**(1,049)**
Net (gain)/loss for the year	**2,181**	**(381)**	**(668)**	**1,132**

17. SHORT TERM DEBTORS

Short Term Debtors	2016-17 £000s	2017-18 £000s
Central Government bodies	3,874	2,470
Other local authorities	539	1,052
Other entities and individuals	6,816	9,915
Total	**11,229**	**13,437**
Impairment of debt		
Local tax payers	(501)	(535)
Housing Rents	(22)	(34)
Sundry Debtors	(883)	(1,175)
Total	**(1,406)**	**(1,744)**
Balance as at 31 March	**9,823**	**11,693**

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;

Age of Debt	2016-17 £000s	2017-18 £000s
0 to 30 days	183	189
31 to 60 days	33	68
61 to 90 days	64	172
91 to 120 days	14	13
over 120 days	231	140
Total	**525**	**582**

18. CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents	2017 £000s	2018 £000s
Bank Accounts	(483)	(1,306)
Money Market Funds	4,851	3,635
Total	**4,368**	**2,329**

19. ASSETS HELD FOR SALE

Assets Held for Sale	2017*		2018	
	Current	Non-current	Current	Non-current
	£000s	£000s	£000s	£000s
Balance at 1 April	795	-	-	-
Assets newly classified for sale:				
Property, Plant and Equipment	1,015	-	1,054	-
Revaluation gains	23	-	-	-
Assets sold	(1,833)	-	(1,054)	-
Balance as at 31 March	**-**	**-**	**-**	**-**

*2016/17 comparatives adjusted to reflect correct classifications

20. SHORT TERM CREDITORS

Short Term Creditors	2017 £000s	2018 £000s
Central Government bodies	2,308	3,528
Other local authorities	3,461	1,573
Other entities and individuals	5,439	6,810
Balance as at 31 March	**11,208**	**11,911**

21. PROVISIONS

Provisions	Balance 31-Mar-17	Provisions made	Amounts used	Balance 31-Mar-18	Short term liability	Long term Liability
	£000s	£000s	£000s	£000s	£000s	£000s
MMI Scheme of Arrangement	(67)	-	-	**(67)**	-	(67)
Business rate appeals	(1,282)	(1,445)	920	**(1,807)**	(1,807)	**-**
	(1,349)	**(1,445)**	**920**	**(1,874)**	**(1,807)**	**(67)**

MMI scheme of arrangement - Municipal Mutual Insurance (MMI) went into administration in the early 1990's. The Council is a scheme creditor and is contractually obliged to make a contribution should there not be a solvent 'run off' of MMI. A decision by the Supreme Court in March 2012 determined that liabilities in respect of certain asbestos claims would fall on the insurer at the time of the employees' exposure. This decision now affects MMI's ability to arrive at a solvent 'run off'. It appears likely that the call on the Council's contribution will be required and an initial levy rate of 15% was set which increased to 25% in March 2017. The levy continues to remain subject to change in future.

Business rates appeals – with the introduction of the Retained Business Rates system from 1 April 2013, local authorities are required to allow for the cost of outstanding valuation appeals that remain unsettled as at the end of the financial year. The estimate is based on previous years' appeals success experience.

22. USABLE RESERVES

Movements in the Council's usable reserves are detailed in the MIRS, page 18 and Notes 9 and 10 on pages 42-46.

23. UNUSABLE RESERVES

Unusable Reserves	2016/17	2017/18
	£000s	£000s
Revaluation Reserve	(20,835)	(26,324)
Available for Sale Reserve	(187)	(433)
Capital Adjustment Account	(125,165)	(126,639)
Financial Instruments Adjustment Account	276	167
Deferred Capital Receipts reserve	(157)	(151)
Collection Fund Adjustment Account	(340)	970
Pensions Reserve	74,516	70,690
Accumulated Absences Account	316	239
	(71,576)	**(81,481)**

<u>Revaluation Reserve</u>

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

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

Revaluation Reserve	2016/17		2017/18	
	£000s	£000s	£000s	£000s
Balance at 1 April		**(10,550)**		**(20,835)**
Revaluation of assets and impairment (gains) / losses not charged to the Surplus / Deficit on the Provision of Services		(11,080)		(5,992)
Difference between fair value depreciation and historic cost depreciation	270		405	
Revaluation balances on assets sold or scrapped	525		98	
Amount written off to the Capital Adjustment Account		795		503
Balance as at 31 March		**(20,835)**		**(26,324)**

The Revaluation 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.

<u>Available for Sale Reserve</u>

Available For Sale Reserve	2016/17		2017/18	
	£000s	£000s	£000s	£000s
Balance at 1 April		**(269)**		**(187)**
Fair value (gain)/loss on value on CCLA LA Property Fund	82		(246)	
Fair value (gain)/loss on value on investments available for sale	-	82	-	(246)
Balance as at 31 March		**(187)**		**(433)**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis).

The Account is credited with the amounts set aside by the Council as finance for 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.

Capital Adjustment Account	2016/17		2017/18	
	£000s	£000s	£000s	£000s
Balance at 1 April		**(116,532)**		**(125,165)**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement				
Charges for depreciation and impairment of non-current assets	8,714		6,452	
Revaluation (gains)/losses on Property, Plant and Equipment	(6,168)		2,135	
Amortisation of intangible assets	88		82	
Revenue expenditure funded from capital under statute	1,329		1,055	
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	1,833		1,054	
Capital debtors written down	338		348	
		6,134		**11,126**
Adjusting amounts written out of the Revaluation Reserve		(796)		(504)
Net written out amount of the cost of non-current assets consumed in the year		**5,338**		**10,622**
Capital financing applied in the year:				
Use of the Capital Receipts Reserve to finance new capital expenditure	(2,632)		(2,054)	
Use of the Major Repairs Reserve to finance new capital expenditure	(2,473)		(2,040)	
Capital grants and contributions credited to the CIES that have been applied to capital financing	(3,896)		(690)	
Application of grants to capital financing from the capital Grants Unapplied Account	(234)		(1,559)	
Statutory provision for the financing of capital investment charged against the General fund and HRA balances	(405)		(389)	
Capital expenditure charged against the General Fund and HRA balances	(4,359)		(5,254)	
		(13,999)		**(11,986)**
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		**28**		**(110)**
Balance as at 31 March		**(125,165)**		**(126,639)**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expense relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

Financial Instruments Adjustment Account	2016/17		2017/18	
	£000s	£000s	£000s	£000s
Balance at 1 April		**434**		**276**
Repaid renovation advances	(38)		(31)	
Amortised interest on renovation advances	(144)		(98)	
Net write down deferred discounts to revenue	24	(158)	20	(109)
Balance as at 31 March		**276**		**167**

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

Deferred Capital Receipts Reserve	2016/17		2017/18	
	£000s	£000s	£000s	£000s
Balance at 1 April		**(163)**		**(157)**
Transfer of deferred sale proceeds in respect of finance leases where the Council is lessor	6		6	
Gain on sale of assets	-	6	-	6
Balance as at 31 March		**(157)**		**(151)**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the CIES as it falls due from council tax and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

Collection Fund Adjustment Account	2016/17	2017/18
	£000s	£000s
Balance at 1 April	**(537)**	**(340)**
Amount by which Council Tax and Non-Domestic Rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	197	1,310
Balance as at 31 March	**(340)**	**970**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the CIES 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 pay 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.

Pensions Reserve	2016/17	2017/18
	£000s	£000s
Balance at 1 April	**60,452**	**74,516**
Remeasurement of Net defined Liability	12,286	(6,488)
Reversal of items relating to retirement benefits debited or credited to the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	4,745	5,561
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,967)	(2,899)
Balance as at 31 March	**74,516**	**70,690**

Accumulated Absences Account

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

Accumulated Absences Account	2016/17		2017/18	
	£000s	£000s	£000s	£000s
Balance at 1 April		**266**		**316**
Settlement or cancellation of accrual made at the end of the preceding year	(266)		(316)	
Amounts accrued at the end of the current year	316		239	
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		**50**		**(77)**
Balance as at 31 March		**316**		**239**

24. RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES

Reconciliation of Net Cash Flow From Operating Activities	2016/17	2017/18
	£000s	£000s
Net Surplus or (Deficit) on the provision of services	10,683	1,055
Non-cash movements		
Depreciation and impairment	2,546	8,587
Amortisation	88	82
Soft loans	(181)	(129)
Change in creditors	64	2,800
Change in debtors	(1,325)	(272)
Change in inventories	-	(2)
Movement in pension liability	1,778	2,662
Movement in investment property values	28	(110)
Change in provisions	(163)	526
Non-current assets sold or derecognised	1,833	1,054
Other	(215)	70
	4,453	**15,268**
Investing or financing activities		
Capital grants credited to the surplus or deficit on the provision of services	(4,886)	(2,883)
Proceeds from the sale of property, plant and equipment	(2,896)	(2,420)
Repayments of capital grants from previous years	-	(72)
	(7,782)	**(5,375)**
Net cash flow from operating activities	**7,354**	**10,948**

25. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

Cash Flow Statement - Operating Activities	2016/17	2017/18
	£000s	£000s
Interest received	871	871
Interest paid	(2,223)	(2,045)
Dividends received	(67)	0

26. CASH FLOW STATEMENT – INVESTING ACTIVITIES

Cash Flow Statement - Investing Activities	2016/17	2017/18
	£000s	£000s
Purchase of property, plant & equipment	(11,219)	(9,978)
Purchase of investments	(24,005)	(34,595)
Other payments for investing activities	(2,177)	(276)
Proceeds from sale of property, plant & equipment	2,901	2,426
Proceeds from investments	25,002	30,515
Other receipts from investing activities	5,949	3,508
Net Cash Flow from Investing Activities	**(3,549)**	**(8,400)**

27. CASH FLOW STATEMENT – FINANCING ACTIVITIES

Cash Flow Statement - Financing Activities	2016/17	2017/18
	£000s	£000s
Repayments of short term borrowing	(607)	(1,692)
Other payments from financing activities	(59)	(2,895)
Net cash flow from financing activities	**(666)**	**(4,587)**

28. AGENCY SERVICES – ON STREET PARKING

The Council operates, under an agency agreement with Kent County Council, On Street Parking Services. Income and expenditure are as follows:

Agency Services - On Street Parking	2013/14	2014/15	2015/16	2016/17	2017/18
	£000s	£000s	£000s	£000s	£000s
Income	(499)	(516)	(557)	(670)	(621)
Expenditure	668	664	639	632	607
Deficit /(surplus)	**169**	**148**	**82**	**(38)**	**(14)**

Under Section 55 of the Road Traffic Regulations Act 1984 (as amended) if the council realises a surplus on on-street charges and on and off street enforcement this must be used for one or more of the purposes set out in that section. Any surplus for the financial year 2017/18 will be used to make good to the general fund of any amount charged to that fund in relation to parking in the preceding four years.

29. MEMBERS' ALLOWANCES

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

Members Allowances	2016/17	2017/18
	£000s	£000s
Allowances	**309**	**306**
Expenses	**16**	**19**
Total	**325**	**325**

30. OFFICERS' REMUNERATION

The remuneration paid to the authority's senior employees is as follows:

2017/18 Post Holder	Salary, including fees and allowances	Compensation for loss of office	Total Remuneration, excluding pension contributions	Employer Pension Contributions	Total Remuneration, including pension contributions
	£	£	£	£	£
Chief Executive, Alistair Stewart *	136,813	179,196	316,009	17,278	333,287
Corporate Director, Strategic Operations **	76,863	43,133	119,996	-	119,996
Corporate Director, Strategic Development	101,994	-	101,994	13,485	115,479
Section 151 Officer/Corporate Director, Customer, Support and Specialist Services	101,994	-	101,994	13,485	115,479
Head of Democratic Services and Law	69,038	-	69,038	9,137	78,175
	486,702	**222,329**	**709,031**	**53,385**	**762,416**

* Chief Executive ceased employment 31st March 2018 - salary includes £7,915.46 in respect of Returning Officer fee

** Corporate Director, Strategic Operations ceased employment 30th September 2017

2016/17 Post Holder	Salary, including fees and allowances	Compensation for loss of office	Total Remuneration, excluding pension contributions	Employer Pension Contributions	Total Remuneration, including pension contributions
	£	£	£	£	£
Chief Executive*	128,444	-	128,444	14,894	143,338
Corporate Director, Strategic Operations	100,984	-	100,984	11,552	112,536
Corporate Director, Strategic Development	100,984	-	100,984	11,552	112,536
Section 151 Officer/Corporate Director, Customer, Support and Specialist Services	100,984	-	100,984	11,552	112,536
Head of Democratic Services and Law	65,555	-	65,555	7,481	73,036
	496,951	**-**	**496,951**	**57,031**	**553,982**

*Chief Executive salary includes £3,848 in respect of Returning officer fees.

The authority's employees receiving remuneration in excess of £50,000 for the year (excluding employer's pension contributions) were paid the following amounts

Number of Employees 2016/17	Remuneration Band £	Number of Employees 2017/18
10	50,000 to 54,999	11
2	55,000 to 59,999	3
-	60,000 to 64,999	1
6	65,000 to 69,999	4
2	70,000 to 74,999	3
3	100,000 to 104,999	2
	115,000 to 119,999	1
1	125,000 to 129,999	-
-	315,000 to 319,999	1

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

Exit Packages

Exit package cost band (including special payments) £	Number of compulsory redundancies (a) 2016/17	2017/18	Number of other departures agreed (b) 2016/17	2017/18	Total number of exit packages by cost band (a+b) 2016/17	2017/18	Total cost of exit packages in each band 2016/17 £000s	2017/18 £000s
0-20,000	4	5	10	7	14	**12**	103	**62**
20,001-40,000	2	-	1	1	3	**1**	71	**30**
40,001-60,000	1	1	-	1	1	**2**	46	**85**
60,001-100,000	1	-	-	-	1	**-**	67	**-**
150,001-200,000		1	-	-		**1**		**179**
Total	**8**	**7**	**11**	**9**	**19**	**16**	**287**	**356**
	Provision for potential exit packages arising from re-structuring						-	-
							287	**356**

The cost of exit packages is calculated in accordance with accounting standards and does not necessarily equal the actual payment to or on behalf of an individual.

31. EXTERNAL AUDIT COSTS

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

External Audit Fees	2016/17 £000s	2017/18 £000s
Fees payable with regard to external audit services carried out by the appointed auditor for the year	61	61
Rebate of PSAA fees	-	(9)
Fees payable for the certification of grant claims and returns for the year	11	15
	72	**67**

32. GRANT INCOME

The Council credited the following grants, contributions and donations to the CIES in 2017/18:

Grant Income	2016/17 £000s	2017/18 £000s
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	1,736	848
Business rates reliefs	706	1,282
Non-service related grants	1,614	393
New Homes Bonus Grant	1,950	1,572
Capital Grants and Contributions	3,985	1,788
	9,991	**5,883**
Credited to Services		
REFCUS related Grants	881	1,080
KCC sundry grants	1,697	1,624
Council Tax Reduction Scheme grants	168	161
DWP – benefits subsidy	29,975	28,477
- rent rebate Subsidy	9,871	9,492
- benefits administration	466	428
Other grants and contributions	377	946
	43,435	**42,208**

33. RELATED PARTY TRANSACTIONS

The Council is required to disclose material transactions with related parties, bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. 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 to have secured the ability to limit another party's ability to bargain freely with the Council.

The UK Government exerts significant influence over the general operations of the Council. It is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits).

Details of transactions with government departments are set out in note 32 above.

Members of the Council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2017/18 is set out in note 29 (page 64). Members are required to observe the Code of Conduct for councillors, register financial interests in the Council's Register maintained under section 81(1) of the Local Government Act 2000 and register the receipt of any gifts/hospitality over £25.

Officers are required to observe the Code of Conduct for Officers and register the receipt of any gifts/hospitality. The Council had no material related party transactions with officers during 2017/18, other than those disclosed in note 30 (pages 65-66).

The Council is Corporate Trustee of the Folkestone Parks and Pleasure Grounds Charity. It is responsible for providing the majority of the Charity's funding by financing its net cost. The Corporate Trustee duties of the Council are carried out by its executive councillors. The Charity's management support and grounds maintenance is carried out by the Council officers. Further details of the Trust and the Council's contribution are set out in note 37 (pages 77-78).

The Council is joint owner of East Kent Housing Limited, an arms-length management organisation, owning 25% of the company. 2011/12 was the first year of operation. Payment of £1.994m was made in 2017/18 to East Kent Housing Limited in respect of management fees and the Council received £141k from East Kent Housing Limited in respect of services supplied to it. Balances due to/from East Kent Housing Limited at 31 March 2018 are £0k and £2k respectively.

The Council wholly owns Oportunitas Limited, a company that commenced trading in 2014/15. Group financial statements, consolidating the results of the company with those of the Council, have been prepared and are set out on pages 91-96.

Amounts due to or from those other parties able to control or influence the Council or to be controlled/ influenced by the Council are as follows:

Related Parties	**2016/17**	**2017/18**
	£000s	**£000s**
Amounts due to Central Government	2,308	3,528
Amount due to Kent County Council	1,382	337
Amounts due from Central Government	3,165	2,470
Amounts due from Kent County Council	90	613
Amount due from Oportunitas Limited	3,347	3,501
Amount due to Folkestone Parks Charity	237	204
Amount due from Folkestone Parks Charity	4	31

34. 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 to the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

Capital Expenditure and Financing	2016/17 £000s	2017/18 £000s
Opening Capital Financing Requirement	65,168	65,869
Capital Investment		
Property, Plant and Equipment	9,819	10,267
Investment Properties	1,106	62
Intangible assets	19	-
Loans to and equity in subsidiary	2,169	-
Other loans	258	275
Revenue expenditure funded from capital under statute	1,329	1,055
Sources of Finance		
Capital Receipts	(2,632)	(2,054)
Government grants and other contributions	(3,896)	(2,250)
Sums set aside from revenue:		
Direct Revenue Contributions	(7,066)	(7,293)
Revenue provision for debt repayment	(405)	(389)
Closing Capital Financing Requirement	65,869	65,542
Increase in underlying need to borrow (unsupported by Government financial assistance)	1,106	62
Revenue provision for debt repayment	(405)	(389)
Increase / (decrease) in Capital Financing Requirement	701	(327)

35. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

As part of the terms and conditions of employment, the Council offers retirement benefits. Although these benefits will not be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement. The Council participates in the Local Government Pension Scheme, administered locally by Kent County Council. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

The Kent County Council Superannuation Fund is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Superannuation Committee of Kent County Council. Policy is determined in accordance with the Public Service Pensions Act 2013. Day to day fund administration is undertaken by a team within Kent County Council and where appropriate some functions are delegated to the Fund's professional advisers.

Kent County Council, in consultation with the Fund Actuary and other relevant parties, is responsible for the preparation and maintenance of the Fund Strategy Statement and the Statement of Investment Principles.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. In addition, there is an "orphan liability risk" where employers leave the Fund but with insufficient assets to cover their pension obligations. These are mitigated to an extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required as described in the accounting policies note.

Transactions Relating to Retirement Benefits

The Council recognises the cost of retirement benefits in the (Surplus) or Deficit on the Provision of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the amount payable in the year, so the real cost of retirement benefits is reversed out in the Movement in Reserves Statement. The following transactions have been made in the CIES and MIRS during the year.

Statement of Financial Position as at 31st March 2018

Net Pension assets as at	**31 March 2017 £000s**	**31 March 2018 £000s**
Present Value of the defined obligation	161,623	159,374
Fair Value of the Fund Assets	(87,107)	(88,684)
Net defined benefit liability / (asset)	**74,516**	**70,690**

Statement of Profit and Loss for the year to 31 March 2018 The amounts recognised in the profit and loss statement are:	**Year to 31 March 2017 £000s**	**Year to 31 March 2018 £000s**
Service Cost	2,569	3,545
Net interest on the defined liability (asset)	2,129	1,973
Administration expenses	47	43
Total Loss / (profit)	**4,745**	**5,561**

Reconciliation of opening and closing balances of the present value of the defined benefit obligation.	**Year to 31 March 2017 £000s**	**Year to 31 March 2018 £000s**
Opening defined benefit obligation	134,066	161,623
Current service cost	2,357	3,545
Interest cost	4,759	4,307
Change in financial assumptions	30,928	(5,847)
Change in demographic assumptions	(2,999)	-
Experience loss (gain) on defined benefit obligation	(3,584)	-
Estimated benefits paid net of transfers in	(4,722)	(4,872)
Past service costs, including curtailment	212	-
Contribution by scheme participants and other employers	606	618
	161,623	**159,374**

Reconciliation of the opening and closing balances of the fair values of Fund Assets	**Year to 31 March 2,017 £000s**	**Year to 31 March 2,018 £000s**
Opening fair value of scheme assets	73,614	87,107
Interest on assets	2,630	2,334
Return on assets, less interest	12,641	641
Actuarial gains / (losses)	(582)	-
Administration Expenses	(47)	(43)
Contributions from employer including unfunded	2,967	2,899
Contributions by scheme participants	606	618
Estimated benefits paid plus unfunded net of transfers	(4,722)	(4,872)
	87,107	**88,684**

Remeasurement of net assets /(defined liability)	**Year to 31 March 2017 £000s**	**Year to 31 March 2018 £000s**
Return on fund assets in excess of interest	12,641	641
Other actuarial gains / (losses) on assets	(582)	-
Change in financial assumptions	(30,928)	5,847
Change in demographic assumptions	2,999	-
Experience loss (gain) on defined benefit obligation	3,584	-
	(12,286)	**6,488**

Basis for Estimating Assets and Liabilities

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

The significant assumptions used by the actuary have been:

Statistical assumptions	2016/17	2017/18
Mortality assumption		
Longevity at 65 for current pensioners		
-men	23.0 yrs	23.1 yrs
-women	25.0 yrs	25.2 yrs
Longevity at 65 for future pensioners		
-men	25.1yrs	25.3 yrs
-women	27.4yrs	27.5 yrs
Rate of inflation - CPI	2.70%	2.35%
Rate of inflation - RPI	3.60%	3.35%
Rate of increase in salaries	4.20%	3.85%
Rate of increase in pensions	2.70%	2.35%
Rate for discounting scheme liabilities	2.70%	2.55%
Take up of option to convert annual pension into retirement Lump Sum	50%	50%

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 remain constant.

The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be inter-related. The assumptions in the sensitivity analysis have followed the accounting policies for the scheme i.e. on an actuarial basis using the projected unit credit method.

Sensitivity Analysis	£000s	£000s	£000s
Adjustment to Discounted rate	0.10%	0.00%	-0.10%
Present value of total obligation	156,637	159,374	162,161
Projected Service Cost	3,252	3,336	3,422
Adjustment to Long term Salary increments	0.10%	0.00%	-0.10%
Present value of total obligation	159,634	159,374	159,116
Projected Service Cost	3,336	3,336	3,336
Adjustment to Pension increases aaaand deferred valuations	0.10%	0.00%	-0.10%
Present value of total obligation	161,904	159,374	156,887
Projected Service Cost	3,422	3,336	3,252
Adjustment to Life expectancy assumptions	+1yr	None	-1yr
Present value of total obligation	165,483	159,374	153,497
Projected Service Cost	3,442	3,336	3,233

Asset and Liability Matching Strategy

Kent Pension fund has agreed to a Fund Strategy Statement that matches the type of assets invested to the liabilities in the defined benefit obligation. The Fund has matched assets to the obligations by investing in equities, corporate bonds and fixed interest Government securities/gilts. This is balanced with a need to maintain the liquidity of the Fund to ensure that it is able to make current payments. As it is required by the pensions and where relevant investment regulations the suitability of various types of investment have been considered, as has the need to diversify investments to reduce the risk of being invested in too narrow a range. A large proportion of the assets relate to equities (67% of scheme assets) and bonds (11%). The scheme also invests in properties as part of the diversification of the scheme's investments and comprises 13% of the total portfolio. The Pension Fund Strategy's main objectives are to maintain a funding level of 100%, as assessed by the Actuary and to stabilise the Employer rate as far as is practicable. The Funding Strategy Statement is monitored on a regular basis.

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions 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 16 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 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 may not provide benefits in relation to service after 31 March 2014. 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.

Projection for the year to 31 March 2019	**Year to 31 March 2019 £000s**
Service cost	3,336
Net Interest and defined liability / (asset)	1,766
Administration Expenses	44
Total loss / (profit)	**5,146**
Employer Contributions	**2,880**

The weighted average duration of the defined benefit obligation for scheme members is 18 years 2017/18 (18 years 2016/17).

36. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Key Risks

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments.

- Re-financing risk – the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk – the possibility the financial loss might arise for the Council as a result of changes in such measures as interest rate or stock market movements.

Overall Procedures for Managing Risk

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. The procedures for risk management are set out through a legal framework set out in the *Local Government Act 2003* and the associated regulations.

These require the Council to comply with the CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017.

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

The Treasury Management Strategy includes an Investment Strategy in compliance with the Ministry for Housing, Communities and Local Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

Risk management is carried out by a central treasury team 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 exposures to the Council's customers.

The Council manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

A limit of £5m of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK government). For unsecured investments in banks, building societies and companies, a smaller limit of £3m. The Council also sets limits on investments in certain sectors. No more than £23m in total can be invested for a period longer than one year.

The Chief Finance Officer can also apply additional selection criteria to further restrict the investment counterparties available to the Council and/or the maximum duration of investments.

The table below summarises the credit risk exposure of the Council's investment portfolio by credit rating:

Credit Rating	31-Mar-17 *		31-Mar-18	
	Long-term	Short-term	Long-term	Short-term
	£000s	£000s	£000s	£000s
AAA	1,740	6,363	3,506	7,388
AA	-	-	-	-
A	-	10,000	-	-
UK Part-Nationalised Banks	-	3,002	-	-
Unrated local authorities (UK Sovereign Rating)	-	8,000	5,000	16,000
Unrated pooled funds	5,187	-	5,433	-
Total Investments	**6,927**	**27,365**	**13,939**	**23,388**

*The credit risk exposure comparative figures to 31 March 2017 have been adjusted to correct the distribution across the categories stated.

The Council uses a pooled property fund that offers enhanced returns over the longer term but are potentially more volatile over the shorter term. This allows the Council to diversify into an asset class other than cash without the need to own and manage the underlying investments. Because this fund has no defined maturity date, but is available for withdrawal after a notice period, their performance and continued stability in meeting the Council's investment objectives will be monitored regularly.

No breaches of the Council's counterparty criteria occurred during the reporting period and no losses are expected from non-performance by any of its counterparties in relation to treasury management investments.

The Council generally does not allow credit for customers.

Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury 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 it is needed.

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

The investment sums owing to the Council and held as financial assets and due to be paid are as follows:

Financial Assets	31-Mar-17 £000s		31-Mar-18 £000s
Less than one year	27,365	*	23,388
Between one and two years	1,740		10,433
More than two years	5,187		3,506
	34,292		**37,327**

* 2016/17 comparatives adjusted to correct balance understated by £4,850k cash equivalents

All trade and other payables are due to be paid in less than one year.

Refinancing and Maturity Risk

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

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters.

This includes:

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows, with monetary values below are measured at nominal amounts.

Time to maturity	31-Mar-17 £000s	31-Mar-18 £000s
Less than 1 year	1,692	1,900
1 to 2 years	1,900	1,100
2 to 5 years	3,700	7,600
5 to 10 years	21,000	20,000
10 to 20 years	18,014	14,014
20 to 30 years	6,141	6,141
30 to 40 years	7,000	7,000
Total	**59,447**	**57,755**

Market Risk

Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council depending on how variable and fixed rates move across differing financial instrument periods. For example, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the CIES will rise.
- Borrowings at fixed rates – the fair value of the Council's liabilities would fall Investments at variable rates – the interest income credited to the CIES would rise.
- Investments at fixed rates – the fair value of the assets would fall

Investments classed as "loans and receivables" and loans borrowed are not carried at fair value, so changes in their fair value have no impact on the CIES. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments classed as "available for sale" will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£000s
Increase in interest payable on variable rate borrowings	5
Increase in interest receivable on variable rate investments	(164)
Impact on Comprehensive Income and Expenditure	(159)
Decrease in fair value of loans and receivables and bonds	(101)
Decrease in fair value of fixed rate borrowings	(6,763)

The most significant effect of a 1% increase in interest rates on the financial instruments carried at amortised cost would be on the fair value of PWLB debt. However, this will have no impact on either the Balance Sheet or the CIES.

Price Risk

The Council does not currently invest in equity shares or marketable bonds. The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. The risk is limited by the Council's maximum exposure to property investments of £5m (nominal investment). A 5% fall in commercial property prices would result in a charge of approximately £0.26m to Other Comprehensive Income and Expenditure however this would have no impact on the General Fund until the investment was sold.

Foreign Exchange Risk

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

37. TRUST FUNDS

The Council's Executive acts as sole trustee for the Folkestone Parks and Pleasure Grounds Charity. The net expenditure of the Charity is treated as special expenses to be charged upon the Folkestone area. The funds do not represent assets of the Council and have not been included in the balance sheet; however the Council does hold £0.237m of investments and a £4,000 overdraft on behalf of the charity.

Funds for which the Executive of the Council act as sole trustee:

	2017/18			
	Income	Expenditure	Assets	Liabilities
	£000s	£000s	£000s	£000s
Folkestone Parks and Pleasure Grounds Charity	(633)	633	4,148	(2,881)

	Restated 2016/17*			
	Income	Expenditure	Assets	Liabilities
	£000s	£000s	£000s	£000s
Folkestone Parks and Pleasure Grounds Charity	(658)	658	4,130	(2,845)

*2016/17 comparatives restated following post audit adjustments

The Council has used Section 35 of the Local Government Finance Act 1992 to apply a Special Expenses Rate, to recover the cost of its contribution to the charity, thus only residents of the former Borough of Folkestone are asked to contribute via their council tax bill.

The special expenses of £526,000 have been included under Cultural and Related Services, Environmental and Regulatory Services and Planning Services in the CIES (2016/17 £560,000).

Income to the Charity therefore includes a contribution of £526,000 from the Council (£560,000 in 2016/17). The remainder of the charity's income is derived from charges for services, grants and investment income.

The Charity is required to produce an Annual Report and Account that sets out in detail its activities for that year. Copies of these can be obtained by contacting the Head of Paid Service, Civic Centre, Castle Hill Avenue, Folkestone, Kent CT20 2QY.

38. SECTION 106 RECEIPTS AND PLANNING CONDITION CONTRIBUTIONS

Section 106 receipts and planning condition contributions are monies paid to the Council by developers as a result of the grant of planning permission where works are required to be carried out or new facilities are provided as a result of that permission.

In summary, the movement during the year is shown below:

Opening Balance 1 April 2017	New Contributions	Amounts Applied	Closing Balance 1 April 2018
£000s	£000s	£000s	£000s
(1,968) *	(2,051)	1,470	(2,549)

The balances at 31 March 2018 are held within the following areas of the balance sheet:

	2016/17* £000s	2017/18 £000s
Current liabilities:		
Short term creditors – Depositors	(608)	(2,436)
Capital grants received in advance – current	(102)	(102)
Reserves:		
Capital grants unapplied reserve	(1,258)	(11)
	(1,968)	**(2,549)**

*2016/17 comparative figures adjusted to correct balance being overstated by £32k.

39. INTERESTS IN COMPANIES AND OTHER ENTITIES

East Kent Housing Limited

The Council, together with Canterbury City Council, Dover District Council and Thanet District Council jointly owns East Kent Housing Limited, 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 therefore the Group Financial Statements do not include the results of East Kent Housing.

The financial results of the Company for 2017/18 and the Council's share are as follows:

	2016/17* £000s East Kent Housing Limited	2016/17* £000s Shepway DC share (25%)	2017/18 £000s East Kent Housing Limited	2017/18 £000s Shepway DC share (25%)
Turnover	(8,653)	(2,163)	(8,817)	(2,204)
Expenses	9,720	2,430	9,076	2,269
Operational loss	**1,067**	**267**	**259**	**65**

*2016/17 comparative figures adjusted to reflect final reported figures for East Kent Housing

	2016/17* £000s East Kent Housing Limited	2016/17* £000s Shepway DC share (25%)	2017/18 £000s East Kent Housing Limited	2017/18 £000s Shepway DC share (25%)
Loss after taxation	1,357	339	558	140
Other comprehensive (income) and expenditure	1,927	482	(1,332)	(333)
Total comprehensive (income) and expenditure	**3,284**	**821**	**(774)**	**(193)**

Balance Sheet	2016/17* £000s East Kent Housing Limited	2016/17* £000s Shepway DC share (25%)	2017/18 £000s East Kent Housing Limited	2017/18 £000s Shepway DC share (25%)
Non-current assets	658	165	1,262	316
Current assets	964	241	686	172
Current liabilities	(972)	(243)	(450)	(113)
Non-current liabilities	(10,706)	(2,677)	(10,788)	(2,697)
Profit and loss reserve	(119)	(30)	(791)	(198)
Pensions reserve	10,175	2,544	10,081	2,520

*2016/17 comparative figures adjusted to reflect final reported figures for East Kent Housing

The Council's investment in the company is nominal.

Note 33 Related Party Transactions sets out the transactions that took place between the Council and East Kent Housing Limited over 2017/18. Note 4 Critical Judgements describes the guarantee the Council has entered into with East Kent Housing Limited over certain pension obligations.

Oportunitas Limited

The Council wholly owns Oportunitas Limited, a company set up for housing and regeneration purposes. The results of the company have been consolidated with those of the Council and are shown within the Group Financial Statements commencing on pages 91-96.

The Council holds 100 shares in the company at a cost of £0.479m and has loans outstanding of £3.21m from it.

Company turnover was £0.271m (£0.148m 2016/17). Oportunitas made a loss on ordinary activities of £0.029m in 2017/18 (loss of £0.071m in 2016/17 – restated post-audit*). Its holdings in investment property was £3.674m at 31/3/2018 (£3.551m 31/3/2017 – restated post-audit*).

*The 2016/17 comparatives have been restated following a post-audit adjustment to Oportunitas accounts relating to a capital accrual for a property purchase which was contractually committed as at 31st March 2017.

40. RESTATEMENT OF ACCOUNTS – WORKING PAPERS

Note to restated Consolidated Income and Expenditure Statement and Expenditure and Funding Analysis 2016/17

Continuing Operations	Reported 2016/17	Understatement	Change in Reporting Structure	Restated 2016/17
Leadership Support	1,028	-	45	1,073
Communications	265	-	-	265
Democratic Services and Law	5,267	-	(48)	5,219
Human Resources	980	-	1,562	2,542
Finance	3,571	-	(1,399)	2,172
Communities	2,830	-	(169)	2,661
Strategic Development Projects	966	-	(322)	644
Economic Development	557	18	-	575
Planning	814	-	1	815
Commercial and Technical	3,277	-	61	3,338
Planning Advisor	-	-	221	221
Local Authority Housing (HRA)	(2,633)	-	1	(2,632)
Local Authority Housing (HRA) - exceptional item (Note 6)	(6,158)	-	(1)	(6,159)
(Surplus)/Deficit on Continuing Operations	**10,764**	**18**	**(48)**	**10,734**
Other Operating Expenditure (Note 11)	1,424	-	-	1,424
Financing and Investment Income and Expenditure (Note 12)	3,058	30	-	3,088
Taxation and Non-specific Grant Income (Note 13)	(25,929)	-	-	(25,929)
(Surplus) or Deficit on Provision of Services	**(10,683)**	**48**	**(48)**	**(10,683)**
(Surplus) or deficit on revaluation of non-current assets (Note 23)	(11,080)	-	-	(11,080)
(Surplus) or deficit on revaluation of Available for Sale assets	82	-	-	82
Re-measurement of net defined liability (Note 36)	12,286	-	-	12,286
Other Comprehensive Income and Expenditure	1,288	-	-	1,288
TOTAL Comprehensive Income and Expenditure	**(9,395)**	**48**	**(48)**	**(9,395)**

Note to restated Expenditure Statement and Expenditure and Funding Analysis 2016/17

Continuing Operations	Reported Outturn 2016/17 (Projection)	Difference in Outturn vs Projection	Revised Outturn 2016/17	Removal of Non-GF Recharges	Changes relating Finance Leases	Changes relating to REFCUS	Other Reconcilable Changes	Restated Outturn 2016/17
Leadership Support	883	419	1,302	13			1	1,316
Communications	231	0	231	-180			-5	46
Democratic Services and Law	5,749	-16	5,733	-1,035			-11	4,687
Human Resources	829	-350	479	33			353	865
Finance	4,960	184	5,144	-88		-566	-6	4,484
Communities	2,670	193	2,863	64			-22	2,905
Strategic Development Projects	642	-336	306	-183			111	234
Economic Development	490	11	501	20				521
Planning	708	-29	679	36				715
Commercial and Technical	915	361	1,276	411	-211		-96	1,380
Planning Advisor	0	219	219	1			-9	211
Local Authority Housing (HRA)	-8,791	0	-8,791	0				-8,791
(Surplus)/Deficit on Continuing Operations	**9,286**	**656**	**9,942**	**-908**	**-211**	**-566**	**316**	**8,573**

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. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis upon which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

2016/17 £000s		2017/18 £000s
	Income	
(14,821)	Dwelling Rents (Gross)	(14,716)
(353)	Non dwelling rents (Gross)	(418)
(946)	Charges for services and facilities	(955)
(50)	Contributions towards expenditure	(52)
(16,170)		(16,141)
	Expenditure	
2,841	Repairs and maintenance	2,981
3,796	Supervision and management	3,892
22	Rents, rates, taxes and other charges	25
6,588	Depreciation and impairment of non-current assets (Note 6)	4,592
(6,158)	Exceptional item – valuation gain (Note 10)	2,139
25	Debt management costs	25
44	Increase in bad debt provision (Note 7)	31
7,158		13,685
(9,012)	**Net Surplus of HRA Services as included in the whole authority CIES**	(2,456)
222	HRA services share of Corporate and Democratic Core	200
(8,790)	**Net surplus of HRA services**	(2,256)
(733)	(Gain)/loss on sale of HRA non-current assets	(843)
1,738	Interest payable and similar charges	1,677
(100)	Interest and investment income	(95)
77	Net interest on the net defined liability (Note 9)	102
(7,808)	**Surplus for the year on HRA Services**	(1,415)

Movement on the Housing Revenue Account Statement

2016/17 £000s		2017/18 £000s
(7,808)	Surplus on the HRA Income and Expenditure Statement	(1,415)
(25)	Difference between interest payable and similar charges including amortisation of premiums and discounts determined in accordance with the Code and those determined in accordance with statute	(20)
3,553	Difference between any other items of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements (Note 8)	(4,217)
657	Gain or (loss) on sale of HRA non-current assets	843
2,169	Capital expenditure funded by the HRA	4,283
(62)	HRA share of contributions to or from the Pensions Reserve (Note 9)	(141)
(1,516)	**Net (increase) or decrease before transfers to or from Reserves**	(667)
-	Transfer from the Major Repairs Reserve	-
(1,516)	**(Increase) or Decrease in year on the HRA**	(667)
(5,864)	Balance on the HRA at the end of the previous reporting period	(7,380)
(1,516)	(Increase) or Decrease in year on the HRA (as shown above)	(667)
(7,380)	**Balance on the HRA at the end of the current reporting period**	(8,047)

1. HOUSING ASSETS

At 31 March 2018, the Council was responsible for managing 3,371 units of accommodation (excluding shared ownership properties).

The stock was made up as follows:

Houses and bungalows: 1,891
Flats and Bedsits: 1,480

The change in the stock can be summarised as follows:

Stock	2016/17	2017/18
Stock at 1 April	3,370	3,359
Acquisitions	10	33
New build	-	-
Sales	(21)	(21)
Change in use/conversions	-	-
Stock at 31 March	**3,359**	**3,371**

The Balance Sheet value was as follows:

	2016/17 £000s	2017/18 £000s
Dwellings	159,132	165,434
Other Land and Buildings	5,024	5,686
Infrastructure	1,113	1,153
Vehicles, Plant, Furniture and Equipment	260	209
Total Operational Assets	**165,529**	**172,482**
Assets under construction	969	1,355
Assets held for sale	-	-
Total Non Operational Assets	**969**	**1,355**
Total Assets	**166,498**	**173,837**

2. VACANT POSSESSION VALUE

The vacant possession value of dwellings within the HRA as at the 1 April 2017 was £482,217,676. Except for recent purchases and works made during the year, where the valuation reflects existing use, the Balance Sheet figure has been reduced to 33% to show existing use value as social housing, reflecting the economic cost of providing council housing at less than open market rents.

3. MAJOR REPAIRS RESERVE

	2016/17 £000s	2017/18 £000s
Balance on Major Repairs Reserve as at 1 April	(2,397)	(3,831)
The amount transferred to the Major Repairs Reserve during the financial year		
Depreciation and impairment of non-current assets	(3,907)	(2,519)
The amount transferred from the Major Repairs Reserve during the financial year		
Adjustment to depreciation to equal Major Repairs Allowance		
Capital expenditure on land, houses and other property within the HRA	2,473	2,040
Balance on the Major Repairs Reserve as at 31 March	**(3,831)**	**(4,310)**

4. CAPITAL EXPENDITURE ON LAND, HOUSES AND OTHER PROPERTY WITHIN THE HRA

	2016/17 £000s	2017/18 £000s
Land	**-**	**-**
Houses	**5,392**	**9,020**
Other Property	**126**	**113**
	5,518	**9,133**

5. CAPITAL FINANCING

The capital expenditure detailed in Note 4 above was financed as follows:

	2016/17 £000s	2017/18 £000s
Capital receipts	876	1,569
Section 106	-	1,241
Revenue	2,169	4,283
Major Repairs Reserve	2,473	2,040
	5,518	**9,133**

A summary of HRA capital receipts during the year is given below:

	2016/17 £000s	2017/18 £000s
Land	-	-
Houses and Flats	1,741	1,897
Mortgage repayments and repaid discounts	75	-
	1,816	**1,897**

6. DEPRECIATION, IMPAIRMENT & VALUATION ON NON CURRENT ASSETS

2016/17 Revaluation £000s	2016/17 Depreciation £000s	2016/17 Impairment £000s		2017/18 Revaluation £000s	2017/18 Depreciation £000s	2017/18 Impairment £000s
-		-	Land	-		-
(7,145)	3,664	2,681 *	Dwellings	(2,139)	2,277	2,054
-	110	-	Other Land and Buildings	-	118	19
-	66	-	Infrastructure	-	72	-
-	67	-	Vehicles, Plant, Furniture and Equipment	-	52	-
(7,145)	**3,907**	**2,681**		**(2,139)**	**2,519**	**2,073**

* 2016/17 comparative figures adjusted to reflect post-audit change

Impairment is in respect of capital expenditure not adding value to the asset base.
The revaluation gain is a reversal of previous revaluation losses recognised through the net cost of HRA services.

Additionally in 2017/18 £5.992m was posted to the Revaluation Reserve (£10.763m 2016/17) in respect of valuation gains and is disclosed in Other Comprehensive Income and Expenditure.

7. RENT ARREARS

	31-Mar-17 £000s	31-Mar-18 £000s
Gross rent arrears	256	228
Current tenant arrears (excluding former tenants)	211	150
Provision for doubtful debts	44	31

Gross rent arrears include income related to properties leased by the Council to assist with providing services to prevent homelessness. Income relating to this service is credited to the General Fund. In respect of these leased properties the sums outstanding at 31 March 2018 are £1.5k for former tenants.

8. DIFFERENCE BETWEEN ANY OTHER ITEMS OF INCOME AND EXPENDITURE

	2016/17 £000s	2017/18 £000s
Provision for debt repayment	-	-
HRA impairment-capital expenditure not adding value	(3,690)	(2,073)
Net valuation changes	7,243	(2,139)
Other changes	-	(5)
	3,553	**(4,217)**

9. HOUSING REVENUE ACCOUNT PENSION COSTS

The following transactions have been made in the HRA Income and Expenditure Statement and Movement on the Housing Revenue Account Statement during the year in respect of pensions.

2016/17 £000s		2017/18 £000s
87	Current Service Cost	187
77	Net interest on net defined liability	102
164	Net charge to the HRA Income and Expenditure Statement	**289**
(62)	HRA share of contributions to or from the pensions reserve in the Movement on the HRA Statement	(141)
102		**148**
102	Employer Contributions	148
102	Actual amounts charged against the HRA balance for pensions during the year	**148**

10. EXCEPTIONAL ITEM – VALUATION GAIN

Two valuation issues affecting council dwellings have required an exceptional item of a net £2.139m debit to be recognised in the CIES and is summarised in the table below:

Issue	Description	£000s
i)	Valuation adjustment for council dwellings acquired during 2017/18 to reflect the statutory social housing factor of 33% compared to their open market value.	3,158
ii)	On the advice of the council's external valuer, the council's dwelling value has increased by a further 3% over the year in line with regional property valuation changes. Again, a valuation gain has been taken reversing previous losses.	(1,019)
		2,139

11. ITEM 8 CREDIT AND ITEM 8 DEBIT (GENERAL) DETERMINATION

The capital asset charges accounting adjustments calculated in accordance with the Regulations were as follows.

The Item 8 debit was calculated by multiplying the average HRA capital financing requirement by the consolidated rate of interest on the Council’s borrowing for the year and amounted to £1.677m (£1.738m 2016/17).

The Item 8 credit was calculated by multiplying the average HRA balances for the year by the consolidated rate of interest on the Council’s investments and amounted to £0.088m (£0.092m 2016/17).

COLLECTION FUND

The Collection Fund Statement reflects the statutory obligations for billing authorities to maintain a separate Collection Fund. It shows the transactions in relation to collection from taxpayers and distribution to local authorities and the Government of Council Tax and Non-Domestic Rates. It shows the impact of the Council retaining a proportion of the collected non-domestic rates.

2016/17				2017/18		
Council Tax £000s	Business Rates £000s	Total £000s		Council Tax £000s	Business Rates £000s	Total £000s
			Amounts required by statute to be credited to the Collection Fund			
(62,082)		(62,082)	Council Tax (note 1)	(65,998)		(65,998)
35		35	Council Tax benefit	13		13
	(28,821)	(28,821)	Business Rates income (note 2)		(28,246)	(28,246)
	66	66	Business Rates transitional protection		621	621
(62,047)	(28,755)	(90,802)	And then moving down to Final	(65,985)	(27,625)	(93,610)
			Amounts required by statute to be debited to the Collection Fund			
			Council tax precepts and demands:			
41,522		41,522	Kent County Council	44,125		44,125
5,573		5,573	Kent Police and Crime Commissioner	5,882		5,882
2,637		2,637	Kent and Medway Fire and Rescue	2,746		2,746
10,839		10,839	Shepway District Council	11,445		11,445
2,767		2,767	Contribution towards previous year's estimated Council Tax Collection	3,640		3,640
227		227	Council Tax bad debts written off	160		160
(67)		(67)	(Decrease)/Increase in provision for Council Tax bad debts	96		96
			Payment of Business Rates			
	150	150	Cost of Business Rates collection		147	147
			Share of Business Rates income:			
	14,029	14,029	Central Government (central share)		13,596	13,596
	2,525	2,525	Kent County Council		2,447	2,447
	281	281	Kent and Medway Fire and Rescue		272	272
	11,224	11,224	Shepway District Council		10,876	10,876
	233	233	Surplus / Deficit distrbution		871	871
	-	-	Business Rates reconciliation		-	-
			Business Rates transitional protection			
	136	136	Business Rates bad debts written off		150	150
	7	7	Increase in provision for Business Rates bad debts		53	53
	9	9	Increase in provision for Business Rates appeals		1,314	1,314
63,498	28,594	92,092		68,094	29,726	97,820
1,451	(161)	1,290	**(INCREASE)/DECREASE IN FUND BALANCE FOR THE YEAR**	2,109	2,101	4,210
(3,676)	303	(3,373)	(Surplus)/Deficit brought forward	(2,225)	142	(2,083)
(2,225)	142	(2,083)	(Surplus)/Deficit carried forward	(116)	2,243	2,127

1. COUNCIL TAX

The average council tax at Band D set by the preceptors was as follows:

2016/17 £		2017/18 £
1,133.55	Kent County Council	1,178.82
152.15	Kent Police Commissioner	157.15
72.00	Kent Fire and Rescue Service	73.35
246.02	Shepway District Council (including Special Expenses charged on Folkestone)	250.91
49.88	Town and Parish Councils	54.84
1,653.60		**1,715.07**

The amount of income generated in 2017/18 by each council tax band was as follows:

Band	Chargeable Dwellings	Band D Equivalent	Income £'000
A	4,019	2,680	**(4,596)**
B	8,610	6,696	**(11,486)**
C	11,046	9,819	**(16,840)**
D	6,650	6,650	**(11,405)**
E	4,343	5,308	**(9,105)**
F	2,411	3,483	**(5,974)**
G	1,715	2,858	**(4,901)**
H	65	130	**(223)**
	38,859	37,624	**(64,530)**
	Contributions from the Ministry of Defence in lieu of council tax		**(638)**
	In year adjustments		**(830)**
	Income collectable from council tax payers		**(65,998)**

The 2017/18 tax base approved by Council was 37,431. This figure was arrived at after allowing for contributions in lieu of council tax and provision for bad debts.

2. INCOME COLLECTABLE FROM BUSINESS RATE PAYERS

The Council collects non-domestic rates for its area based on local rateable values multiplied by a uniform national rating multiplier. The total amount, less certain reliefs and other deductions, is now shared between the Government (50%), Folkestone & Hythe District Council (40%), Kent County Council (9%) and Kent and Medway Fire and Rescue (1%).

THE COLLECTION FUND

2016/17 £000s		2017/18 £000s
73,407	Non domestic rateable value as at 31 March	**77,130**
48.4p	Non-domestic rate multiplier	**46.6p**
(35,529)	**NNDR income before allowances and other adjustments**	**(35,943)**
6,708	Allowances, reduced assessments and other adjustments, including small business rate relief supplement	**7,697**
(28,821)	**Income collectable from business rate payers**	**(28,246)**

The non-domestic rate multiplier for 2017/18 was 46.6p for qualifying properties of less than £51,000 rateable value and 47.9p for all others (2016/17 48.4p and 49.7p respectively).

Since April 2015 Folkestone & Hythe District Council have been a member of the Kent Business Rates Pool with Kent County Council, Kent Fire and Rescue and nine other Kent local authorities in order to minimise the levy payment due to central government and thereby maximise retention of locally generated business rates.

GROUP ACCOUNTS
GROUP MOVEMENT IN RESERVES STATEMENT

	Note	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Total Usable reserves	Unusable Reserves	Total Authority Reserves	Council Share of subsidiary	Total Group reserves
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
2017/18											
Balance at 31 March 2017		**(17,369)**	**(7,380)**	**(6,773)**	**(3,831)**	**(1,812)**	**(37,165)**	**(71,576)**	**(108,741)**	**176**	**(108,565)**
Movement in reserves during 2017/18											
Total Comprehensive Income and Expenditure		360	(1,415)	-	-	-	**(1,055)**	(12,726)	**(13,781)**	(93)	**(13,874)**
Adjustments between accounting basis and funding basis under regulations (Note 9)		(1,890)	748	(566)	(479)	(634)	**(2,821)**	**2,821**	**-**	-	-
Increase or Decrease in 2017/18		**(1,530)**	**(667)**	**(566)**	**(479)**	**(634)**	**(3,876)**	**(9,905)**	(13,781)	**(93)**	(13,874)
Balance at 31st March 2018 carried forward		**(18,899)**	**(8,047)**	**(7,339)**	**(4,310)**	**(2,446)**	**(41,041)**	**(81,481)**	**(122,522)**	**83**	**(122,439)**
2016/17											
Balance at 31 March 2016		**(16,738)**	**(5,864)**	**(6,392)**	**(2,397)**	**(1,056)**	**(32,447)**	**(66,899)**	**(99,346)**	**62**	**(99,284)**
Movement in reserves during 2016/17											
Total comprehensive Income and Expenditure		(2,875)	(7,808)	-	-	-	**(10,683)**	1,288	**(9,395)**	114	**(9,281)** *
Adjustments between accounting basis and funding basis under regulations (Note 9)		2,244	6,292	(381)	(1,434)	(756)	**5,965**	(5,965)	**-**	-	-
Increase or Decrease in 2016/17		**(631)**	**(1,516)**	**(381)**	**(1,434)**	**(756)**	**(4,718)**	**(4,677)**	**(9,395)**	**114**	**(9,281)**
Balance at 31st March 2017 carried forward		**(17,369)**	**(7,380)**	**(6,773)**	**(3,831)**	**(1,812)**	**(37,165)**	**(71,576)**	**(108,741)**	**176**	**(108,565)**

*2016/17 comparatives restated following post-audit adjustments to Oportunitas accounts

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2016/17 Restated				2017/18		
Gross Expenditure	Income	Net Expenditure		Gross Expenditure	Income	Net Expenditure
£000s	£000s	£000s		£000s	£000s	£000s
			Continuing Operations			
1,084	(11)	1,073	Leadership Support	1,012	(127)	885
280	(15)	265	Communications	319	(62)	257
7,596	(2,377)	5,219	Democratic Services and Law	7,515	(2,577)	4,938
2,975	(433)	2,542	Human Resources	3,299	(872)	2,427
44,150	(42,045)	2,105	Finance	42,471	(40,532)	1,939
4,925	(2,264)	2,661	Communities	5,608	(3,520)	2,088
1,197	(553)	644	Strategic Development Projects	2,072	(1,145)	927
657	(82)	575	Economic Development	672	(148)	524
1,366	(551)	815	Planning	1,916	(992)	924
8,231	(4,851)	3,380	Commercial and Technical	8,448	(5,201)	3,247
221	-	221	Planning Advisor	282	(15)	267
13,866	(16,498)	(2,632)	Local Authority Housing (HRA)	11,962	(16,356)	(4,394)
(6,159)	-	(6,159)	Local Authority Housing (HRA) - exceptional item (Note 5)	2,139	-	2,139
80,389	**(69,680)**	**10,709**	**(Surplus)/Deficit on Continuing Operations**	**87,715**	**(71,547)**	**16,168**
2,486	**(1,062)**	1,424	Other operating expenditure (Note 11)	**2,717**	**(1,366)**	1,351
5,884	**(2,700)**	3,184	Financing and investment income and expenditure (Note 12)	**6,115**	**(2,650)**	3,465
6,610	**(32,539)**	(25,929)	Taxation and non-specific grant income (Note 13)	**5,884**	**(27,894)**	(22,010)
95,369	**(106,052)**	**(10,612)**	**(Surplus) or Deficit on Provision of Services**	**102,431**	**(103,486)**	**(1,026)**
-	-	(11,038)	(Surplus) or deficit on revaluation of non-current assets (Note 23)	-	-	(6,114)
-	-	82	(Surplus) or deficit on revaluation of Available for Sale assets	-	-	(246)
-	-	12,286	Re-measurement of net defined liability (Note 36)	-	-	(6,488)
-	-	**1,331**	**Other Comprehensive Income and Expenditure**	-	-	**(12,848)**
-	-	**(9,281)**	**TOTAL Comprehensive Income and Expenditure**	-	-	**(13,874)**

GROUP BALANCE SHEET

Restated 2016/17 £000s		Note	2017/18 £000s
	Non current assets		
35,618	Property, plant and equipment		35,934
159,132	Council dwellings		165,434
11,382	Investment property	1	11,677
185	Intangible assets		103
6,929	Long term investments		13,976
5,335	Long term debtors		4,385
218,581	**Long term assets**		**231,509**
22,637	Short term investments		19,784
-	Assets held for sale		-
9	Inventories		11
9,570	Short term debtors		11,063
5,703	Cash and cash equivalents		2,545
37,919	**Current assets**		**33,403**
(1,813)	Short term borrowing		(2,028)
(12,270)	Short term creditors		(11,929)
(1,281)	Current provisions		(1,807)
(97)	Grants receipts in advance - capital		(97)
(15,461)	**Current liabilities**		**(15,861)**
(57,891)	Long term borrowing		(55,855)
(67)	Non-current provisions		(67)
-	Capital grants receipts in advance		-
(74,516)	Other long term liabilities		(70,690)
(132,474)	**Long term liabilities**		**(126,612)**
108,565	**Net assets**		**122,439**
(36,989)	Usable reserves		(40,958)
(71,576)	Unusable reserves		(81,481)
(108,565)	**Total Reserves**		**(122,439)**

GROUP CASH FLOW STATEMENT

Restated 2016/17 £000s		2017/18 £000s
10,612	Net surplus or (deficit) on the provision of services	**1,026**
5,773	Adjustments to net surplus or (deficit) on the provision of services for non-cash movements	**14,178**
(7,782)	Adjustments for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities	**(5,375)**
8,603	**Net cash flow from operating activities**	**9,829**
(3,549)	**Net cash flow from investing activities**	**(8,400)**
(666)	**Net cash flow from financing activities**	**(4,587)**
4,388	**Net increase or decrease in cash and cash equivalents**	**(3,158)**
1,315	Cash and cash equivalents at the beginning of the reporting period	5,703
5,703	**Cash and cash equivalents at the end of the reporting period**	**2,545**

Explanation of Group Financial Statements

Group MIRS

This statement shows the movement in the year on the different reserves held by the Council and its subsidiary Oportunitas Limited, 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 Group CIES. This is 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 Earmarked Reserves line shows the statutory General Fund balance before any discretionary transfers to or from earmarked reserves.

Group CIES

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. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Group MIRS. The statement shows the consolidated position of the Council and incorporates its subsidiary, Oportunitas Limited.

Group Balance Sheet

The Group 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. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve, where amounts would only become available to provide services if the assets were sold); and reserves that hold timing differences shown in the Group MIRS line 'Adjustments between accounting basis and funding basis under regulations'. The Group Balance Sheet shows the consolidated position incorporating the Council's subsidiary Oportunitas Limited.

Group Cash Flow Statement

The Group Cash Flow Statement shows the changes in cash and cash equivalents of the Council and its subsidiary, Oportunitas Limited, 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 way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

Notes to the Group Financial Statements

For the Group Financial Statements, there are no material differences to the Council's own notes to the accounts (including its accounting policies) except that in respect of Investment Properties.

Note 1 – Investment Properties

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

	2016/17* £000's	2017/18 £000's
Cost or Valuation		
At 1 April	8,183	**11,382**
Additions – acquisitions	3,270	**62**
Disposals	-	**-**
Net gain from fair value adjustments	(71)	**233**
At 31 March	**11,382**	**11,677**

*2016/17 comparatives restated to reflect post-audit change relating to a capital accrual for a property acquisition which was contractually committed as at 31st March 2017.

Sensitivity Analysis Fair Value Hierarchy for Investment Properties

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

2017/18 Recurring fair value measurements using:	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Fair value at 31 March 2018 £'000
Residential Units	3,674	-	3,674
Agricultural Land	5,522	-	5,522
Commercial Units	1,057	1,424	2,481
Total	**10,253**	**1,424**	**11,677**

Independent auditor's report to the members of Folkestone and Hythe District Council

Report on the Audit of the Financial Statements

Opinion

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

In our opinion the financial statements:

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

Basis for opinion

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

Who we are reporting to

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

Conclusions relating to going concern

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

- the Corporate Director – Customer, Support and Specialist Services' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the Corporate Director – Customer, Support and Specialist Services' has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Corporate Director – Customer, Support and Specialist Services' is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the group and Authority financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

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

Matters on which we are required to report by exception

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

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

- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

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

Responsibilities of the Authority, the Corporate Director – Customer, Support and Specialist Services' and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 17, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Corporate Director – Customer, Support and Specialist Services'. The Corporate Director – Customer, Support and Specialist Services' is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18, which give a true and fair view, and for such internal control as the Corporate Director – Customer, Support and Specialist Services' determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Audit and Governance Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

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

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

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

Conclusion

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

Responsibilities of the Authority

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

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

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

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

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

Report on other legal and regulatory requirements - *Delay in certification of completion of the audit*

We cannot formally conclude the audit and issue an audit certificate for the Authority for the year ended 31 March 2018 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed our consideration of an objection brought to our attention by a local authority elector under Section 27 of the Local Audit and Accountability Act 2014. We are satisfied that this matter does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Ciaran McLaughlin

Ciaran McLaughlin for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton UK LLP
30 Finsbury Square
London
EC2A 1AG

31 July 2018

ANNUAL GOVERNANCE STATEMENT 2017/18

** Shepway District Council changed its name to Folkestone and Hythe District Council. The name change of the authority took effect from the 1st April 2018 in accordance with section 74 of the Local Government Act 1972.*

1. SCOPE OF RESPONSIBILITY

1.1 Folkestone and Hythe District Council (formerly Shepway District Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and the management of risk.

1.3 The Council has a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA / SOLACE framework "Delivering Good Governance in Local Government." A copy of the code is on our website or a copy can be obtained from the Council offices. This statement explains how the Council has complied with the code and also meets the requirements under the Accounts and Audit Regulations 2015 (SI 2015/184).

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

2.1 The governance framework comprises the systems and processes, culture and values, by which the Council is directed and controlled. It also comprises the activities through which the Council accounts to, engages with and leads the community. The governance framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:

- Identify and prioritise risks to the achievement of the Council's aims and objectives.
- Evaluate the likelihood and impact of those risks.
- Manage those risks efficiently, effectively and economically.

2.3 The information provided in the governance framework includes matters to the year ending 31 March 2018, and up to the date of approval of the annual report and statement of accounts.

3 THE GOVERNANCE FRAMEWORK

3.1 The key systems and processes that comprise the Council's governance arrangements are set out in this section:

3.1.1 ***Arrangements for identifying and communicating the Council's vision of its purpose and intended outcomes for citizens and service users:***

The Council identifies and communicates its aims and ambitions for the district through its Corporate Plan. The most recent plan covers the period 2017 to 2020, and was agreed by both Cabinet and Council in April 2017. Service planning is also an integral part of the corporate planning process, linking the Council's strategic aspiration (Corporate Plan) to team performance (service plans) and individual performance (performance reviews), in order to effectively manage resources and deliver high quality services. All team members were asked to contribute to their team service plan. The Council's service plans were developed by each team manager alongside the budget setting process and provide the priorities and key outcomes for the coming year. These operational service plans consider the Corporate Plan objectives and all priorities were fully financed and support the strategic objectives set out in the Corporate Plan.

Informal staff 1-2-1s and formal staff appraisal system establishes a "golden thread" from our strategic objectives, to the operational service plans, to individual action plans and performance management. The Corporate Plan and organisational performance are regularly reported to Overview and Scrutiny and Cabinet.

All the Council's strategic risks are documented in the Corporate Risk register, which are being reviewed for consideration by Cabinet in September 2018.

The Equality Impact Assessments required will be identified out of the Service Plans that need to be carried out by each of service, in order to comply with our duties under the Equality Act 2010.

Emergency planning and business continuity matters are considered throughout the year, with specific exercises to test our approaches and training session undertaken regularly. This ensures we have the necessary resilience and across key teams and officers from the Council in the support of delivering our duties and in supporting partners.

The Council's vision is embedded into the culture of the organisation by the staff induction process, regular staff briefings by senior management and through communications on the staff Intranet.

3.1.2 ***Arrangements for reviewing the Council's vision and its implications for the Council's governance arrangements:***

Development of Governance Reporting

In line with good practise (Delivering Good Governance in Local Government: Framework) the Council is compliant with the guidance and framework which became effective for periods from 2016/17. In line with this framework and the Accounts and Audit Regulations 2015 (applicable to authorities in England) requirements, the Council undertakes a review of the effectiveness of the system of internal control, which is included within the AGS.

The Corporate Plan 2017-20 sets out the Council's vision for improving the lives for all those who live and work in the district for the next three years.

The vision for Folkestone & Hythe is **'Investing for the next generation – delivering more of what matters'**.

To help achieve the vision for the district, the council has six strategic objectives:

- More homes
- More jobs
- Appearance matters
- Health matters
- Achieving stability
- Delivering excellence

For each strategic objective, the council has committed to a number of priorities within the Corporate Plan. The priorities are monitored regularly to ensure they are being delivered effectively.

3.1.3 ***Arrangements for measuring the quality of services for users, for ensuring they are delivered in accordance with the Council's objectives and for ensuring that they represent the best use of resources.***

The Performance Management Framework was originally adopted by the Council in July 2014. In 2017, the performance framework was reviewed and revised to reflect the changing working practices throughout the Council. The revisions to the framework included: the incorporation of 2017-20 Corporate Plan's strategic objectives, the process for creating service plans annually, details of the new customer feedback and complaints policy as well as inclusion of the data quality strategy. On the 13th September 2017, a report was approved by Cabinet adopting the revised changes to the performance framework.

The Council's performance management framework will be further reviewed in 2018/19.

The Medium Term Financial Strategy (MTFS) ensures that the Council's plans are affordable and deliverable. It contains projections of the Council's financial position over the next five years and identifies ways to address any shortfall. The strategy is updated annually.

The Customer Service Excellence is a Government standard developed to offer a practical tool for driving customer-focused change within organisations. In August 2013 the Council originally applied for the Corporate accreditation and achieved full compliance and a total of 7 compliance plusses (over the 3 year programme). In August 2016, the Council re applied for the accreditation and achieved full compliance and 7 compliance plusses. On 3 August 2017, the 1st surveillance visit was completed and the Council retained its accreditation and 7 compliance plusses.

As part of the Council's commitment to continuous organisational improvement, Cabinet unanimously agreed on 14th December 2017 to the Council's participation in the LGA Corporate Peer Challenge in 2018. The review provides an opportunity to look at the work the council does and invites a team of local government officers and Councillors as peers to provide challenge and share learning.

At a time of reducing resources, the Council is committed to delivering value for money, ensuring cost effectiveness in the services provided, making best use of our resources and assets, and focussing on those areas which will have a transformational effect for the people of the district and provide longer term sustainability for the Council.

3.1.4 ***Arrangements for defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions with clear delegation arrangements and protocols for effective communication.***

Roles and responsibilities of Council, Cabinet, Overview and Scrutiny and all committees of the Council, along with officer functions are defined and documented, with clear delegation arrangements within the Council's constitution. The Constitution is kept under regular review to ensure best practice and good governance. Since the last major revision in 2013, the Council has made various minor changes to the Constitution to reflect both changes in legislation and changes in responsibilities of members of the executive. The latest review of the Constitution was carried out in 2016 following the merger and reduction in the number of committees. The new committee structure came into force in May 2016. Since 2016 minor changes/amendments have been made to the constitution, which have all been reported to the Audit and Governance Committee and Full Council.

The Cabinet is the part of the Council that is responsible for most strategic decisions. In 2017/18, Cabinet is comprised of the Leader and nine other Councillors. All decisions to be discussed were published prior to the relevant meeting under the relevant publication regulations. The Overview & Scrutiny Committee identified any decisions they wished to contribute to, or comment on prior to the decision being taken.

All decisions (except those defined as exempt under Schedule 12A of the Local Government Act 1972) are discussed in meetings open to the public. Cabinet makes decisions that are in line with the Council's overall policies and budgets. Decisions outside the budget and policy framework must be referred to full Council.

3.1.5 ***Arrangements for developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff:***

Codes of conduct defining the standards of behaviour for members and officers have been developed and communicated through the induction process and are available on the Council's intranet. These include:

- The Councillor Code of Conduct and Officer Code of Conduct
- The Anti-fraud and Corruption Strategy
- Planning and Licensing Codes of Conduct
- Protocols on Councillor / staff relationships
- Personal performance reviews linked to service and corporate objectives carried out
- The Council's Core Values

The Councillors' and officers' codes of conduct, protocol on Councillor/staff relationship and the planning and licensing codes of conduct also form part of the Council's Constitution.

The Council has an Audit and Governance Committee comprising of five Councillors. The Council has also appointed an Independent Person in accordance with the Localism Act 2011.

The Monitoring Officer has dealt with one complaint under the Code in consultation with the Independent Person. An investigating officer has been appointed and the investigation is currently ongoing.

The following training is compulsory for all staff, and is part of the induction process;

- Safeguarding/ Child Protection training
- Equality and Diversity Training
- Data Protection & Information Security
- Anti-Bribery & Anti-Corruption
- Health & Safety training on manual handling, fire safety, office health and safety and workstation assessments

3.1.6 ***Arrangements for reviewing and updating Standing Orders, Financial Procedure Rules, a Scheme of Delegation and supporting procedure notes/ manuals, which clearly define how decisions are taken and the processes and controls required to manage risk:***

The Council is required to ensure compliance with relevant laws and regulations, internal policies and procedures, and to ensure that expenditure is lawful.
The Council has therefore adopted a number of procedures, protocols and processes that underpin the delivery of its services and functions. These protocols and procedures are kept under review and updated where necessary, in order to define how decisions are taken and the process and controls required to manage risks. The Financial Procedure Rules were fully reviewed as part of the review of the Constitution, adopted on 9th May 2016. During 2016/17, the Financial Procedure Rules were reviewed in response to a small number of internal audit recommendations relating to changed role titles and authorisation limits; the consequent amendments have been incorporated in an updated version and presented to the Audit and Governance Committee on the 8th March 2017 and the Council on 10th May 2017.

3.1.7 ***Arrangements for undertaking the core functions of an audit committee, as identified in CIPFA's "Audit Committee: Practical Guidance for Local Authorities."***

The Audit and Governance Committee receives regular reports from the East Kent Audit Partnership on their progress against the annual audit plan, which provides detail on the assurance levels which can be placed against the various systems and processes in place. The committee also considers an annual assessment at the end of the year provided by the Head of the East Kent Audit Partnership and reports from the external auditor. The committee will also:

- Review and approve the financial statements, external auditor's opinion and reports to members and monitor management action in response to the issues raised by external audit.
- Be satisfied that the authority's assurance statements, including the Annual Governance Statement properly reflect the risk environment and any actions required to improve it.
- Review summary internal audit reports and the main issues arising and seek assurance that action has been taken where necessary.

- Consider the effectiveness of the authority's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements and seek assurance that action is being taken to mitigate those risks identified.

3.1.8 ***Arrangements for ensuring compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful:***

All reports to Cabinet are seen and commented on by the Council's legal and financial officers. The Financial Procedure Rules govern the approvals of expenditure and virement. An annual audit plan is agreed before the start of each financial year, which ensures coverage of key Council operations. Additionally, the plan is based upon a formal risk assessment that seeks to ensure all areas of the Council's operations are reviewed within a four-year cycle of audits.

3.1.9 ***Arrangements for whistle–blowing and for receiving and investigating complaints from the public***

A Whistleblowing Protocol was approved by Corporate Management Team on 22 March 2016 as part of the Anti-fraud and Corruption Framework. The procedure is available to be used by the Council's staff and contractors. The procedure clearly sets out to whom concerns should be raised and provides assurance on how the person raising the concern will be treated. In addition an annual report on whistleblowing is presented to the Audit and Governance Committee.

The Council recognises the value of a robust system to deal with complaints. All feedback, both positive and negative is a useful tool to shape further improvements to service delivery. The Council has a two stage complaints process. At stage one, the complaint is investigated within the relevant service area. If the complainant is not satisfied with the outcome of stage one, the complaint is escalated to stage two and is investigated by an independent senior manager. If the complainant remains dissatisfied after stage 2, s/he can refer the complaint to the Local Government Ombudsman to investigate and conclude.

Responsibility for the corporate complaints function sits with the Head of Democratic Services and Law. Additional training for staff has been undertaken during the year.

During 2017/18, 343 official complaints were recorded by the Complaints and FOI Officer (268 stage one, 56 stage two and 21 LGO). Of those to the Local Government Ombudsman, 4 were not upheld, 2 were upheld, 4 were partially upheld, 10 required no further response as they could not be investigated and 1 is still with the LGO.

3.1.10 ***Arrangements for identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training***

A comprehensive training programme was arranged for Councillors following the May 2015 elections.

Subsequent to this Councillors training needs analysis meetings have taken place with group leaders to shape a relevant offer. Councillors have undertaken a variety of more tailored activities depending on their individual needs. These have included:

- Listening in on calls in the Contact Centre,

- Q&A sessions on specific areas of the Council e.g. Planning, Housing, and Licensing.

More recent courses have included:
- Emergency Planning training (April 2017)
- Licensing training (June 2017)
- Taxi Licensing training (April 2018)
- Treasury Management training by the Council's treasury advisers (Arlingclose)
- General Data Protection Regulation (GDPR) training (May 2018)

Councillors have 2 points of contact within the HR team in order for them to be able to request any individual training or conferences via the LGA or South East Employers.

Councillors have a specific page on the Learning Zone of the staff intranet. All training presentations are uploaded after each session has taken place to enable those who could not attend to view the materials.

A comprehensive and continuous training programme is ongoing which aims to develop senior managers, middle managers and team leaders; which includes sessions on effective performance management, employee engagement, project management and coaching skills. F&HDC is an Institute of Leadership and Management (ILM) Approved Centre which means we can teach and award ILM qualifications. We have put over 35 managers and aspiring managers through a Level 3 Award in Leadership and Management and have got several undertaking the Level 5 qualifications. There are also in-house 90 minute soft skills sessions on topics such as Project Management and Building and Exhibiting Confidence available to all employees.

We have funded 4 officers to undertake post graduate qualifications in Management at Canterbury Christ Church University. We also fund officers to undertake relevant technical qualifications to support performance in their roles.

F&HDC is an approved apprenticeship provider and has begun a new ILM Level 3 Diploma in leadership and management for 7 staff from F&HDC and 3 employees from another organisation. This in-depth, year-long qualification sits under the apprenticeship banner from a funding perspective and represents a significant development investment in the F&HDC staff identified as having potential at team leader/ aspiring team leader level.

Heads of Service and Corporate Directors are also offered coaching and bespoke training courses provided by respected organisations such as universities, Roffey Park Institute and the Society of Local Authority Chief Executives (SOLACE)

3.1.11 ***Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.***

Individual Ward Member grants are currently £3,000 per member, per annum to give Members more control in supporting voluntary and community sector groups to deliver projects and activities in the locality for the benefit of the community. The availability of greater Ward Member grants (from £1,500 to £3,000) has further enhanced the Council's involvement with local communities and assist with the delivery of efficient and effective projects and services to ward areas.

The Council continues to support the voluntary and community sector through annual core funding grants and has strong consultation links with Shepway Voluntary and Community Sector Forum, Shepway Homelessness Forum, Local Children's Partnership Group and Shepway Pensioners Forum.

The Council developed a draft Parish Charter, which has been consulted on and approved by Cabinet on 25th May 2016. A number of town and parish Councils have adopted the charter through their committees. Councillors and officers meet with Town and Parish councils regularly and a forward schedule of meetings is in place.

The Economic Development Strategy 2015-2020 sets out the Councils ambitions for economic growth and outlines how the Council will deliver its actions in the Corporate Plan that relate to building the local economy to create more jobs. The strategic priorities include building on our existing strengths, boosting productivity and supporting business growth. A key component of this is engagement with the local business community, which has continued to increase through a programme of regular one to one engagement with key employers in the district, and through the Folkestone and Hythe Business Advisory Board whose membership has continued to expand and where businesses provide important input in to shaping the district Council's policies and activities.

In 2017/18 a new Shepway Tourism Business Board was also established to enable tourism businesses to work collectively to bring forward and fund initiatives to raise the profile of the district as a visitor destination.

The Folkestone.works website, developed to provide a resource for local businesses to access the support they need to grow and to attract inward investment into the district, continues to be enhanced and the usage of the site has continued to rise. Direct support for business has continued this year with a free 1-2-1 business support programme delivered by Lets Do Business, who have also run free start-up workshops to help new businesses to take their first steps.

The Council was successful this year in its bid for an EU funded community led local development programme for the central, eastern and harbour areas of Folkestone. The programme has been allocated £2.5million of ESF and ERDF funding and will run to 2022. The three objectives of the programme are to help residents into work, support local businesses to grow and improve access to services for businesses and residents.

The Council consulted with several key voluntary organisations before setting the General Fund budget for 2018/19, as well as formally consulting with the Business Community through their established forum.

The Government has introduced a Code of Transparency for Local Authorities. This increases further transparency of financial management, data and expenditure. Full details are available on the Council's website.

3.1.12 ***Arrangements for incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships and reflecting these in the Council's overall governance arrangements.***

The Council has a partnership policy which sets out the Council's vision and scope for partnership working; providing clarity of the types of partnership the Council is involved with and guidance to assist in making decisions regarding setting up or joining partnerships. All the Council's partnerships are recorded on the Partnerships Register.

Our key partnerships/alternative service delivery models are detailed below:

East Kent Housing Limited is an Arms Length Management Company set up to manage the retained housing stock of four Councils in East Kent. It is owned in equal share by, Canterbury Dover, Folkestone & Hythe and Thanet Councils. It is governed by a board that includes representation from each of the Councils as well as resident representatives and independent members and has a contractual relationship with each of the owner Councils that sets out the nature of the relationships.

The **Folkestone & Hythe Community Safety Partnership** (CSP) is a statutory partnership and the Council as a statutory partner plays a full and important role in its function / activity. Regular reporting to the Police Crime Commission (PCC) assures all financial spend is appropriately used. The role of partners in the CSP has been extended to oversee key multi–agency sub-groups that deliver activity for the CSP (covering safeguarding and wellbeing (incorporating domestic abuse, radicalisation, health and wellbeing etc.), vulnerability and offending (incorporating gangs, integrated offender management etc.) and clean, green, safe The Overview & Scrutiny Committee has a statutory duty oversee elements of the work of the CSP.

On 16 July 2014, the Cabinet approved the formation of a housing and regeneration company – Oportunitas Limited– to;

- Assist the Council in achieving its priorities for regeneration;
- To deliver more homes; a wider range of housing tenures and rental levels than currently delivered by the Council;
- To provide a delivery vehicle for profitable traded services.

Councillors make up the board of the company. Councillors who are also directors have been given dispensation to speak and vote on matters concerning the company at meetings of the Council / Committees or Cabinet**.** These dispensations will expire on 2 May 2019 which is the date of the next district election.

An initial sum of £4.78m funding was approved by the Council for investment by Oportunitas Limited and, to date, 29 homes and 1 commercial unit have been acquired and are under management. Further investments are in the pipeline. On 28th February 2018 Cabinet approved a further £6,900,000 in to the company for further investment following a strategic review of its operations, impact and potential. A new Business Plan for the period 2018/19 is being considered by Cabinet on 28th March 2018. Current company activities include housing acquisition for rent, along with Grounds Maintenance and handyman expertise offered as traded services through Oportunitas Limited. In line with agreements with the Council as its sole shareholder, regular progress reports are given to Cabinet across all of the company's activities and performance. In April 2016 internal audit undertook a review of the governance arrangements and gave a substantial level of assurance. Notwithstanding awarding the highest level of assurance, twelve recommendations were made and a progress report which was completed in February 2017 found all twelve recommendations had been addressed to their satisfaction. The Board of Oportunitas and the Shareholder were kept informed during the audit and of the findings.

The Council is a member of the Shepway Local Children's Partnership Group (which replaced the Children's Trust Boards) and a member of South Kent Coast Health and Wellbeing Board (SKC HWBB).

The SKC HWBB is a sub-committee of the Kent Health and Wellbeing Board and it is, made up GPs, district and county Councillors, senior local government officers and the voluntary and community sector. The aim of the board is to improve the quality of life, health and wellbeing, including mental wellbeing, for our residents. The board is currently reviewing its remit to address the changes within health around the current Kent and Medway Sustainable Transformation Plan to look at more integrated models of care provision and role of prevention in future health care. The Council is also represented within the new Local Accountable Care Structure set up across the SKC CCG boundary to develop reform of health services.

4. REVIEW OF EFFECTIVENESS

4.1 The Council has responsibility for conducting, at least annually, a review of effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of East Kent Audit Partnership's annual report and also by comments made by the external auditors and other review agencies and inspectorates.

4.2 The main role in maintaining and reviewing effectiveness is through the Audit and Governance Committee, which has responsibility to provide independent assurance on the adequacy of the risk management framework and the associated control environment. The committee provides independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk. It also oversees the financial reporting process and oversees the work of the East Kent Audit Partnership.

4.3 Other key roles are undertaken by:

Council
The Council is responsible for adopting the authority's Constitution, including codes of conduct and approving the budget and policy framework.

Cabinet
The Cabinet is responsible for discharging executive functions in accordance with the policy framework and budget, also for approving the authority's risk management policy statement and strategy, and for reviewing the effectiveness of risk management. It is also responsible for approving the anti – fraud and corruption framework. It receives quarterly performance updates to monitor achievement of key priorities, customer charter standards, performance indicators and spend against the planned budget.

The Overview and Scrutiny Committee
The committee is responsible for reviewing the work and decisions of the Cabinet, and all areas of the Council's work, as well as carrying out specific projects and investigations and considering matters or services provided by an outside organisation that could affect local residents. It can also exercise the power to call – in a decision of the cabinet or a cabinet member.

Audit and Governance Committee
The committee promotes and maintains high standards of conduct by Councillors and co-opted members. It monitors the operation of the Councillors' Code of Conduct, advising, training or arranging to train Councillors and co-opted members on matters

relating to the Code where necessary. It also considers and recommends to Council, when necessary, changes to the financial procedure rules and contract standing orders.

The Head of Paid Service
The 'Head of Paid Service' has a duty to monitor and review the operations of the Constitution to ensure its aims and principles are given full effect. The Authority keeps the appropriateness of the Constitution under review.

Corporate Management Team
One of the purposes of CMT is to deliver the Council's priorities. It receives reports on progress against corporate priorities and any issues which affect the Council. In addition, CMT:

- oversees management of non-executive functions
- reviews overall budgets
- leads organisational development
- addresses staffing matters within the policies of the Council
- co-ordinates the professional and technical advisors of the Council
- advises the Council on corporate direction and initiatives

The Chief Financial Officer
The authority conforms to the governance requirements of the CIPFA Statement on the role of the Chief Financial Officer in Local Government (Good Governance in Local Government: Guidance note for English authorities (2012)). The role of the Chief Financial Officer is a fundamental building block of good corporate governance. The two critical aspects of the role are stewardship and probity in the use of resources; and performance, extracting the most value from the use of those resources.

Head of Internal Audit
The authority conforms to the governance requirements of the CIPFA Statement on the role of the Head of Internal Audit in Local Government (Good Governance in Local Government: Guidance note for English authorities (2012)). The Head of Internal Audit in a public service organisation plays a critical role in delivering the organisation's strategic objectives by: championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments; and giving an objective and evidence based opinion on all aspects of governance, risk management and internal control. In Folkestone & Hythe this role is fulfilled by the head of the East Kent Audit Partnership.

Internal Audit
The Internal Audit function provides independent appraisal with direct access to members. It aims to provide management with a level of assurance on the adequacy of internal controls and of risks to the Council's functions and systems.

The internal audit function for the Council performed by the East Kent Audit Partnership (EKAP), which provides internal audit services to the Councils of Canterbury, Dover and Thanet, as well as to Folkestone & Hythe. As a result of this collaborative approach the partnership is able to be robustly resourced and provides a mechanism for sharing best practice to the East Kent authorities that use its services.

External Audit

The external audit work of the Council is undertaken by Grant Thornton UK LLP. The main duties are governed by section 15 of the Local Government Finance Act 1982, and the Local Audit and Accountability Act 2015 section 4.

The external auditors were appointed to the Council by the Public Sector Audit Appointments Ltd (PSAA). They are required to conduct their audit work to the strictest standards as laid down by the audit code of practice, which ensures that they approach the work with the highest level of objectivity. Their independence is further reinforced by the restrictions put into place on the levels of non-audit work able to be purchased from external auditors. The external auditors provide a further area of assurance, which is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of the Council. They deliver two main pieces of work: they give their opinion on the audit of the Councils financial statement and they look at the Council's arrangements for securing economy, efficiency and effectiveness in the use of its resources (value for money).

Annual assurance statements
Assurance statements assess the adequacy of governance arrangements. Each Head of Service and direct report to a Corporate Director provides assurance statements covering their service area. No significant concerns arose from the assurance statements.

Annual Audit Letter
Each year the Council receives a report from its external auditor on the quality of its financial and management administrative arrangements. This is considered both by Cabinet and the Audit and Governance Committee.

4.4 The Council has, by reports to the Audit and Governance Committee, been advised on the implications of the result of the review of the effectiveness of the governance framework and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

4.5 The overall opinion of the System of Internal Controls in operation throughout 2017/18 based on the work of the East Kent Audit Partnership during 2017/18 will be presented in their annual report to the Audit and Governance Committee in July 2018.

- The internal auditors are independent to the management of the Council and have direct access to the Chair of the Audit and Governance if required. They provide a regular update to the Committee at each of the quarterly meetings, and attend any special meetings that may be convened during the year.

- As at 31 March 2018 the Internal Auditors completed 267 days of review equating to 80% of planned completion. The East Kent Audit Partnership (EKAP) undertake a regular schedule of follow up audits to ensure that management have implemented the action plans arising from each audit. Members can see full details within the Internal Audit Annual Report that will be presented to the Audit and Governance Committee in July 2018.

- The EKAP have met as a team and considered the Public Sector Internal Audit Standards Checklist for compliance. The results of this self-assessment showed that internal audit is currently working towards full compliance and has agreed an action plan to achieve this.

- As part of EKAP's quality monitoring arrangements Members should be aware that following the completion of each audit, a satisfaction questionnaire is completed by the managers of the service that has been audited enabling the officers involved to comment on the conduct and outcome of the audit. This information is used, in part, to inform the self-assessment.

4.6 The 2016/17 Annual Audit Letter from Grant Thornton UK LLP was reported to Cabinet on the 14th December 2017. This gave an unqualified opinion on the Council's financial statements and was satisfied the Council had put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. The auditors were also able to certify the pooling of housing capital receipts return by the due deadline without amendment or qualification, and confirmation that the Housing Benefits Subsidy return was certified by the auditor and submitted to Department of Work and Pensions by the deadline of 30 November 2017.

5. CERTIFICATION

5.1 Grant Thornton UK LLP, as the Council's auditors, is required to certify the claims submitted by the Council.

5.2 For 2016/17, two claims were certified relating to expenditure of £42,161,015. Million. Both claims were submitted and certified by the required deadlines. Neither claim was qualified.

6. SIGNIFICANT GOVERNANCE ISSUES

6.1 Set out in Appendix 2 is the action plan to deal with outstanding governance issues.

6.2 The Council proposes over the coming year to take steps to address the matters shown in the appendix to further enhance our governance arrangements. The Council is satisfied that these steps will address the need for improvements that were identified in the review of effectiveness and will monitor their implementation and operation as part for the next annual review.

Signed

Cllr David Monk
Leader of the Council

Signed

Dr Susan Priest
Head of Paid Service

Date: 31st May 2018

Appendix 1 - Review of the 2017/18 Action Plan for improvement following review of effectiveness of governance arrangements:

		Who	Date	Update
1.	**Annual Review of Corporate Governance:** At the end of the year, the Council will produce its statement on governance, which includes end of year assurance statements by Heads of Service and internal audit's opinion report.	Monitoring Officer	May 2018	Completed
2.	**Governance Arrangements:** Review the Council's governance arrangements once the revised framework and guidance has been published by CIPFA / SOLACE.	Monitoring Officer	March 2018	Completed
3.	**Anti-fraud and corruption:** Keep the anti-fraud policy under review to ensure that it remains relevant and up to date. Approval of the Anti-Money Laundering Policy by Members.	Head of Finance	June 2017	Updated policy approved by Cabinet 11th October 2017 and Audit and Governance 29th November 2017
4.	**New Delivery Models/ Partnerships** Training to be arranged for senior managers and members on good governance arrangements for alternative service delivery models/ partnerships.	Head of Human Resources	March 2018	Throughout the year managers have been involved in workshops with consultants exploring opportunities for a new future operating model for the Council.
5.	**Review Data retention policy and prepare the Council for the introduction of the new General Data Protection Policy** To review the data retention policy for the Council.	Monitoring Officer	July 2018	Completed
6.	**Review of Corporate Risk Policy for the Council.** To review the corporate risk policy for the Council.	Leadership Support	September 2018	Corporate risk will be kept under review throughout the year.

Appendix 2 - Action plan for improvement following review of effectiveness of governance arrangements (2018/19):

		Who	Date
1	**Annual Review of Corporate Governance** At the end of the year, the Council will produce its statement on governance, which includes end of year assurance statements by Heads of Service and internal audit's opinion report	Monitoring Officer	May 2019
2	**Governance Arrangements** Keep under review the Council's governance arrangements	Monitoring Officer	March 2019
3	**Anti-fraud and corruption** Monitor ongoing compulsory training of staff, and review its effectiveness in the latter part of 18/19.	Head of Finance	August 2018
4.	**Transformation Project** Identify the ownership and administration of the project's governance, providing a framework for accountability and responsibilities, ensuring that project decision making is robust, logical and that the project provides value to the organisation.	Head of Transformation	Sept 2018
5	**New Delivery Models/ Partnerships:** During 2018/19 the future operating model of the Council will be further developed through implementation and mobilisation of the Council's transformation. In addition, new commercial opportunities will be explored following the appointment of the new Corporate Director (Commercial Services) in April 2018.	Head of Human Resources	March 2019
6	**Data Retention Policy and General Data Protection Regulation:** Keep under review the Data retention policy and continue work on the implementation of the new General Data Protection Policy.	Monitoring Officer	May 2019
7	**Review of Corporate Risk Policy for the Council:** The adopted policy will be refreshed during the first half of 2018/19, followed by a comprehensive review of the register to ensure it is fit for purpose and aligned to corporate priorities.	Head of Finance & Leadership Support	September 2018
8	**Performance Management Framework:** Redevelopment of the Performance Management Framework.	Policy & Improvement Officer	October 2018

Abbreviations – The following abbreviations are used throughout this report:

CIES – Comprehensive Income and Expenditure Statement
MIRS – Movement in Reserves Statement

Accounts - A generic term for statements setting out details of income and expenditure or assets and liabilities or both in a structured manner. Accounts may be categorised by the type of transactions they record e.g. revenue accounts, capital accounts or by the purpose they serve e.g. management accounts, final accounts, balance sheets.

Actual - The final amount of expenditure or income which is recorded in the council's accounts.

Actuarial Gains and Losses – For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:
(a) events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses); or
(b) the actuarial assumptions have changed.

Assets – resources controlled by the authority as a result of past events and from which future economic benefits or service potential is expected to flow to the authority.

Balance Sheet - A statement of the recorded assets, liabilities and other balances at a specific date at the end of an accounting period.

Budget - A statement of the council's plans for net revenue and capital expenditure over a specified period of time.

Capital Expenditure –Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

Capital Receipts - Proceeds from the sale of fixed assets, repayments of grants or the realisation of certain investments. Capital receipts are available to finance other items of capital expenditure or to repay debt on assets originally financed from loan.

Central Services to the Public – this includes the costs of local tax collection, elections, emergency planning, local land charges and any general grants.

Collection Fund - The fund into which are paid amounts of council tax and non-domestic rates and from which are met demands by county and district councils and payments to the national non-domestic rates pool.

Community Assets - Assets that the council intends to hold in perpetuity that have no determinable finite useful life, and in addition may have restrictions on their disposal, e.g. parks and cemetery land.

Corporate and Democratic Core – Comprises all activities which local authorities engage in because they are elected, multipurpose authorities. It includes the costs of the Head of the Paid Service, costs of treasury management and bank charges and the costs of democratic representation.

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

Current Service Cost (Pensions) – The increase in the present value of a defined scheme's liabilities, expected to arise from employee service in the current period.

Deferred Credits - Income still to be received (or applied in the accounts) where deferred payments (or application) have been allowed. For example the principal outstanding from the sale of council houses (deferred capital receipts).

Depreciation - The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period.

Events after the Balance Sheet date – those events, favourable and unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

Exit Packages – can include compulsory and voluntary redundancy costs, pension contributions in respect of added years, ex gratia payments and other departure costs.

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.

Finance Lease – a lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

General Fund (GF) - The main revenue fund of the council from which are made payments to provide services and into which receipts are paid, including the district council's share of council tax.

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

Housing Revenue Account (HRA) - The statutory account to which are charged the annual revenue costs of providing, maintaining and managing council dwellings financed by rents, grants and other income.

Impairment – A reduction in the value of a fixed asset below its carrying amount on the balance sheet.

Infrastructure Assets - Inalienable assets, expenditure on which is only recoverable by continued use of the asset created, i.e. there is no prospect of sale or alternative use, e.g. coast protection works.

Investment Assets – those assets that are held solely to earn rentals or for capital appreciation or both.

Lease – An agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

Liabilities – present obligations of an authority arising from past events, the settlement of which is expected to result in an outflow from the authority of resources embodying economic benefits or service potential.

Minimum Revenue Provision – A prudent annual provision has to be made for the repayment of debt in accordance with Capital Finance Regulations.

Net Book Value – The amount at which property, plant and equipment are included in the balance sheet i.e. their historical cost or fair value less the cumulative amounts provided for depreciation and impairment.

Net defined liability – also known as the net pension liability.

Net Service Expenditure - Comprises of all expenditure less all income, other than income from council tax and revenue support grant, in respect of a particular service.

Non-Current Asset – Any asset which is not easily convertible to cash, or not expected to become cash within the next year.

Non-Domestic Rates - Businesses contribute to local government expenditure on the basis of a uniform rate, decided by the Government, levied on the rateable value of the business premises.

Non Distributed Costs – Overheads for which no user now benefits and should not be apportioned to services. Costs generally included under this heading are those arising from early retirement payments to the pension fund.

Non-specific Grant Income – grant that cannot be attributed to a specific revenue Service (e.g. New Homes Bonus).

Past Service Cost – The increase in the present value of the pension scheme liabilities, related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Precept - The demand on the collection fund by one authority (e.g. Kent County Council) which is collected from the council tax payer by another (e.g. Folkestone & Hythe District Council). Precepts on Folkestone & Hythe are also made by town and parish councils in the district, which are charged to the General Fund.

Prior Period Adjustments – Those adjustments applicable to prior years arising from the correction of material errors.

Provisions - Amounts set aside for liabilities of uncertain timing or amount that have been incurred.

Public Works Loans Board - A government agency which provides longer term loans to the public sector at interest rates only slightly higher than those at which the government itself can borrow.

Remuneration – all sums paid to or receivable by an employee and sums due by way of expenses allowances and the money value of any other benefits received other than in cash (excludes employer pension contributions).

Reserves - The general capital and revenue balances of the council. There are two types of reserves which might be described as either available or not available to finance expenditure. Revenue reserves which result from monies being set aside or surpluses or delayed expenditure can be spent or earmarked at the discretion of the council (e.g. General Fund and Housing Revenue Account General Reserves). The capital receipts reserve is also available to the extent allowed for by statute. However, other capital reserves are not available to meet expenditure, e.g. the capital adjustment account.

Revenue Expenditure - The day-to-day running costs of services including salaries, running expenses and capital charges