

Draft Statement of Accounts

for the
year ended
31 March 2017



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A. Narrative Report

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Narrative Report

Introduction from the Chief Finance Officer – Phil Watts

I'm proud to present Medway Council's annual Statement of Accounts for the year ending 31 March 2017. This Statement provides information so that members of the public, including electors and residents, Council Members, partners and other interested parties can:

- understand the overarching financial position of the council;
- have confidence that the public money with which the council has been entrusted has been used and accounted for in an appropriate manner;
- be assured that the financial position of the council is sound and secure.

The Statement is accompanied by a Narrative Report that is designed to provide context and enable interested parties to understand Medway the place, how the council operates and its strategic direction, how we are performing and how we ensure the economical, efficient and effective use of the resources available to us. The Narrative Report also provides explanations of each of the core financial statements, their purpose and the relationship between them.

The Statement has been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting 2016/17.

We continue to operate in very challenging financial times, but our strong financial governance arrangements including robust monitoring and management of resources during the year have enabled us to balance and deliver on our 2016/17 budget and deliver a balanced budget for 2017/18. The core financial statements demonstrate that the financial standing of the council continues to be robust.

Medway the place

Covering an area of 192km² (74m²) and situated in Kent in the south-east of England, Medway is made up of five urban centres; the towns of Chatham, Gillingham, Rochester, Strood and Rainham, and an extensive rural area that accounts for 80% of the total land area of Medway including the Hoo Peninsula and the area of Cuxton and Halling to the west of the M2. Medway is only 30 miles from London and 40 miles from the Channel ports and Eurotunnel and the area has excellent public transport links, with the high-speed train from London St. Pancras International Station taking just 35 minutes to reach Medway.

The area is steeped in history and rich in military and maritime heritage including Rochester's magnificent Norman Castle, Rochester Cathedral and a multitude of historic houses and museums, the Historic Dockyard Chatham and Royal Engineers Museum which offer an insight into the area's military and maritime past. The river Medway continues to support an immensely diverse eco-system, providing the perfect habitat for thousands of breeding and wintering birds. Medway includes parts of the North Kent Marshes, an environmentally significant wetlands region with several Sites of Special Scientific Interest (SSSIs). Other similar areas of conservation include Ranscombe Farm on chalk grassland and woodland between Strood and Cuxton, with rare woodland flowers and orchids. Along the river there is a fascinating array of yacht clubs, marinas and boatyards offering a wide range of mooring facilities. Medway also boasts the breath-taking landscapes and spectacular wildlife of the North Kent Marshes, excellent walking and cycling trails at Capstone and Riverside country parks and the 18-mile circular Heron Trail cycle route that passes through the RSPB nature reserves on the Hoo Peninsula.

As at June 2015 Medway had an estimated population of 276,492 with annual population growth of +0.9% per year placing it just outside the top third of Local Authority areas in England for annual population growth. Relocating to Medway is popular with families, particularly those from South East London with over 1,000 children under five years of age having moved to Medway from within England in 2016/17. Medway currently has a larger working age

population at 64% than nationally (63%), a larger younger person's population (20%) and a smaller elderly population (15%).

It is estimated that population of Medway will increase by one fifth to around 330,000 by 2035, a growth rate of +19.5%; this is significantly above the projected growth rate for England overall (+14%), and the South East (+16%). The largest growth in the Medway population is people aged 65 and over, with this age group increasing by 61%; by 2035 over one fifth (21%) of Medway's population will be aged 65 and over, up from 15% in 2014.

Medway's population is increasingly diverse; while 85.5% of the population are white British, since 2001 the proportion of residents from Black and Minority Ethnic backgrounds has increased from 5.4% in 2001 to 10.4% in 2011. The increase in ethnic diversity is greater for younger age groups.

In 2014 Medway's economy was worth just under £4.7bn, up on the 2013 level (+£122m) by 2.7%. While this has fluctuated annually, since 2006 Medway's economy has had an average annual growth rate of +2.7%, lower than the national average growth of +3.2%. Factors such as 'out-commuting' and less higher-value business activity contribute to Medway's relatively lower Gross Value Added level. In 2014 Gross Value Added per head for Medway of £17,038 stood at 69.2% of the UK level (£24,616); despite Medway's continued growth in the 'per head' indices, this is down from a 2012 peak of 70.7% due to larger national growth. At £17,038 per head, Medway stands lowest in the South East, after East Kent area at £17,152 and East Sussex County at £17,321.

In 2014 Employee earnings in Medway remain below the national (£520) and regional (£541) levels but are significantly higher than the level for Kent (£490). While the gap between earnings in Medway and Great Britain has been widening in recent years, with a relatively large increase in Medway (+3%), the gap between Medway and national earnings has narrowed for the first time. Medway also saw a larger increase in earnings than Kent and the South East. In Kent, Dover saw the largest increase in earnings in 2014, up by 6%, then Canterbury and Maidstone (+5%), while Gravesham saw the largest decrease – down by 3%.

Medway resident weekly earnings at £549 continue to stand above the national (£521) and the Kent (£542) levels but remain below the South East level (£567). Resident earnings are higher than work-place earnings in Medway, an indication of significant out-commuting, as residents travel outside Medway for higher paid jobs.

In 2015 there were 7,485 businesses in Medway. This is a 9% increase on the 2014 level - the largest increase in the past five years and higher than growth seen nationally (+8.2%) and regionally (+7.0%). Construction is Medway's largest sector accounting for just under a fifth of businesses, and represents a larger proportion of business compared the South East (13%) and United Kingdom (12%). Most business in Medway are small to medium sized enterprises with 57% of business having an annual turnover between £50,000 and £249,000 in Medway.

The number of jobs in Medway increased in 2014 to 86,200, continuing the upward trend in jobs since 2011. The private sector accounts for just under 80% of employment (68,500) with 17,700 employed in the public sector compared to 85% in the South East. Full-time jobs account for 65% (54,500) of employee jobs compared to 68% nationally.

The latest ONS Annual Population Survey (Jan 2016 – Dec 2016) showed the economic activity rate in Medway at 80%. This rate was above the same figure for Great Britain (77.8%) for the same period, but lower than the South East rate (81%). The employment rate for men aged from 16 to 64 was 86.6%, while the corresponding employment rate for women was 73.3%. The estimated unemployment rate for the period January 2016 to December 2016 was 6%; significantly higher than those for the South East (4.0%) and Great Britain (4.8%).

Medway Council

Medway Council is a unitary authority, providing all local government services for a quarter of a million people. We looked after education, environment, social care, housing, planning, business and much more, everything from frontline services such as rubbish collection and

events like the Dickens Festival to work that goes on behind the scenes to ensure services in Medway run smoothly and cost effectively.

The community is represented by 55 elected Members, working on behalf of the 22 wards throughout Medway. The leadership of the Council is provided by the Conservative Group with the political composition of the council as follows:

Political Party	Number of Councillors
Conservative	38
Labour	15
UK Independence Party	2
Total funding and expenditure	55

The council appointed Councillor Alan Jarrett as Leader for a four-year term at the Annual Council meeting on 27 May 2015. The council has adopted the Leader and Cabinet model as its political management structure. The Leader appointed Councillor Howard Doe as Deputy Leader and eight other Members to form a Cabinet.

The council's decision making arrangements are set out within the Constitution. The Cabinet is responsible for implementing the council's budget and policies as well as forming partnerships with other key organisations. The Full Council is responsible for setting the budget, considering recommendations from the Cabinet and making some decisions such as changes to the constitution. Other decisions, such as those about planning applications, are made by Committees. The Leader and Cabinet are held to account by Overview and Scrutiny Committees which are made up of councillors from all the political groups represented on the council. The Mayor chairs Full Council meetings and has a traditional ceremonial role.

Supporting the Elected Members is an organisational structure led by the council's Corporate Management Team.

The Corporate Management Team is led by the Chief Executive, Neil Davies, also the Head of Paid Service. The council is organised into three Directorates:

- Children and Adults, led by Ian Sutherland – Director, supported by:
 - Ann Domenev – Deputy Director of Children and Adults,
 - Helen Jones – Assistant Director of Partnership Commissioning, and,
 - Linda Jackson – Assistant Director of Adult Social Care.
- Regeneration, Culture, Environment & Transformation, led by Richard Hicks – Director, supported by:
 - Tomasz Kozlowski – Assistant Director of Physical & Cultural Regeneration,
 - Ruth Du Dieu – Assistant Director of Frontline Services, and,
 - Stephanie Goad – Assistant Director for Transformation.
- Business Support, directly led by Neil Davies – Chief Executive, supported by:
 - Perry Holmes – Chief Legal Officer,
 - Carrie McKenzie – Chief People Officer,
 - Phil Watts – Chief Finance Officer, and,
 - James Williams – Director of Public Health.

As at 31 March 2017, Medway Council employed a total of 4,610 staff (3,718FTE) comprising 2,312 directly employed staff (2,033FTE) and a further 2,298 schools staff (1685FTE), excluding temporary and agency staff.

Our strategic direction

The Council Plan 2016/17 to 2020/21 is our business plan; it sets out how we will ensure we provide the best possible services for our residents.

Our priorities, chosen by your elected members, direct the services we provide. They are:

- Medway: A place to be proud of
- Supporting Medway's people to realise their potential
- Maximising regeneration and economic growth.

These priorities are where the council will be concentrating its resources and seeking to work in partnership with other agencies as the delivery of these priorities cannot be achieved by the council alone. Success in these three core areas will lead to wider benefits for Medway residents.

Our priorities and ways of working will help steer staff and elected members to successful outcomes for the benefit of every Medway resident. That's why we want to concentrate on three core areas which in turn will help us achieve outcomes, guide us in the right direction and ensure that we are accountable.

The areas which will be the basis for our ways of working at the council are:

Giving value for money

The council is committed to an ongoing aim to deliver efficient and effective services for residents across Medway.

Digital services so good that everyone who can use them prefer to do so

We want to provide access to services digitally (e.g. through computers, phones and tablets) to meet the lifestyles and customer service expectations for our residents, whilst also delivering greater efficiencies and value for money.

Working in partnership where this benefits our residents

We recognise we cannot achieve our vision for Medway on our own. We will continue to work with partners to deliver the services that matter most to the community. By applying these ways of working we will aspire to deliver services that meet public expectations and manage our available resources effectively.

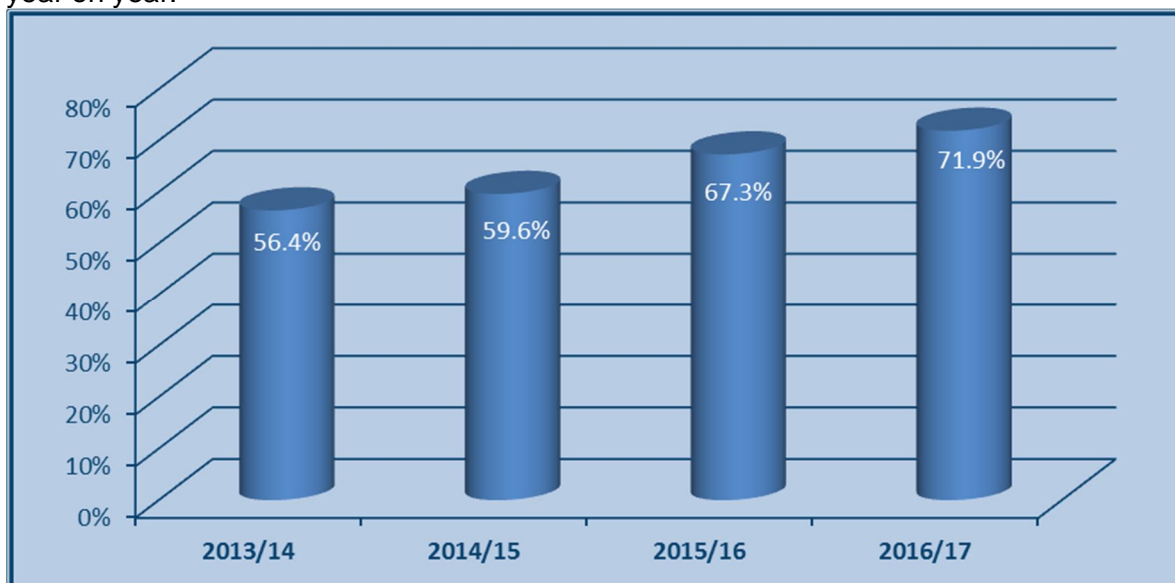
Our performance

Our Council Plan defines the 32 key measures of success we use to ensure we deliver the priorities we have committed to. We believe that success in these areas will lead to a better quality of life across Medway.

Final performance outturns were available for 30 of these 32 measures at the time this Narrative Report was prepared, however indications are that the other two will be on target. Therefore the following show performance against target:

- 71.9% (23 out of 32) were on target,
- 28.0% (9 out of 32) were below target,
- 55.2% (16 out of 29) have improved over the long term.

The long term performance for overall percentage of measures on target continues to improve year on year:



Further details of the council's performance during 2016/17 can be found at www.medway.gov.uk in the Performance Monitoring reports presented to Cabinet.

Financial review of 2016-17

General Fund

The revenue account known as the General Fund relates to the day-to-day operational cost of providing the council's services.

In February 2016 the council set its Budget Requirement for 2016/17 at £323m, largely financed by £43m of retained Business Rates, £174m of Government Grants, £103m of Council Tax income and use of £3m of working balances held by the council. To support the budget, the council agreed an increase of 5% in the level of Council Tax from that charged in 2015/16. This resulted in a Band D Council Tax of £1,234.89, an equivalent increase of less than 92p per week. Changes to grants in particular as schools become academies reduced the budget to £309m during the year.

How the Authority's Budget has Changed			
		Budget 2015/16	
		£'000	£'000
Budget requirement 2015/16		319,357	
Changes in function and funding		124	
Adjusted Base Budget			319,481
Inflation		547	
Other cost pressures		3,459	
Service pressures		6,253	
Efficiency and other savings		(20,621)	
			(10,362)
Budget Requirement 2016/17			309,119
Financed By:			
National Non-Domestic Rates (NNDR) Redistribution		43,035	
Revenue Support Grant (RSG)		28,374	
Other Specific Grant		131,897	
Council Tax		102,799	
Reserves		3,014	
Total			309,119

Summary of the Local Government Finance Settlement 2016/17

	Final	Final	Change	
	2015/16	2016/17		
	£'000	£'000	£'000	%
NNDR Redistribution	45,866	43,035	(2,831)	(6.2%)
Revenue Support Grant	38,784	28,374	(10,410)	(26.8%)
Total	84,650	71,409	(13,241)	(15.6%)

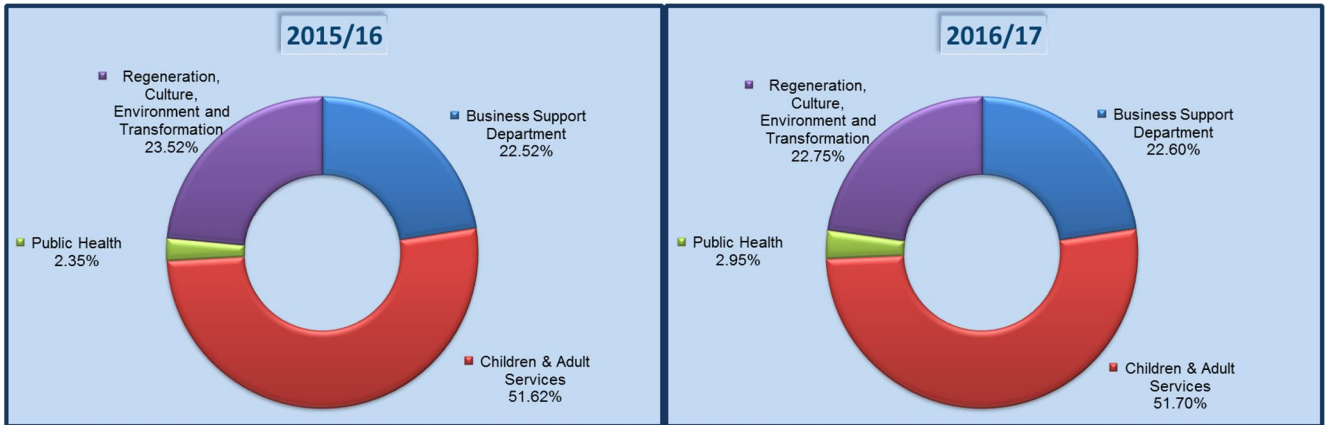
The tables above show that 2016/17 was a financially difficult year with a 15.6% cut in Local Government Finance Settlement against the comparable figure for 2015/16. This pressure will continue into 2017/18 where funding has been reduced by a further 8.8%. This pressure was exacerbated by a reduction in the business rates share as a result of providing for an influx of appeals against the 2010 ratings list. During the year, the Council regularly reviewed its performance against its Budget Requirement, with these reports available publicly from the Council website. The final outturn position for the year is shown in the table below, together with how this expenditure was financed.

Directorate	Expenditure	Income	Net	Budget	Variation
	£'000	£'000	£'000	£'000	£'000
Business Support Department	130,588	(123,858)	6,730	7,904	(1,174)
Children & Adult Services	298,746	(63,865)	234,881	232,850	2,031
Regeneration, Culture, Environment and Transformation	131,428	(54,119)	77,309	78,809	(1,500)
Public Health	17,031	(1,813)	15,218	15,136	82
Sub-total Services	577,793	(243,655)	334,139	334,700	(562)
Amounts included within management accounts but excluded from services within statutory accounts:					
Medway Norse	0	(290)	(290)	(263)	(27)
Digitalisation Savings	0	0	0	(388)	388
Investment Properties	0	(368)	(368)	(413)	45
Sub-total excluded from services within Statutory accounts	0	(658)	(658)	(1,064)	406
Sub-total Services reported within management accounts	577,793	(244,312)	333,481	333,636	(155)
Levies	1,221	0	1,221	1,039	183
Depreciation Credit	0	(35,174)	(35,174)	(35,174)	(0)
Interest & Financing	9,219	0	9,219	9,618	(398)
Total Net Expenditure	588,234	(279,486)	308,748	309,118	(371)
Funding:-					
Contribution from Reserves	0	(3,015)	(3,015)	(3,015)	0
Revenue Support Grant	0	(28,374)	(28,374)	(28,374)	(0)
Non-Domestic Rates Retention	0	(43,035)	(43,035)	(43,035)	0
Council Tax	0	(102,799)	(102,799)	(102,799)	(0)
Dedicated Schools Grant	0	(98,397)	(98,397)	(98,397)	(0)
Other School Grants	0	(5,542)	(5,542)	(5,542)	0
Specific Grants	0	(137)	(137)	(186)	49
Education Support Grant	0	(1,918)	(1,918)	(2,124)	206
New Homes Bonus	0	(7,632)	(7,632)	(7,531)	(101)
Public Health Grant	0	(18,118)	(18,118)	(18,118)	(0)
Total Funding	0	(305,951)	(305,951)	(306,104)	154
Total Funding and Expenditure Variance			2,796	3,014	(217)

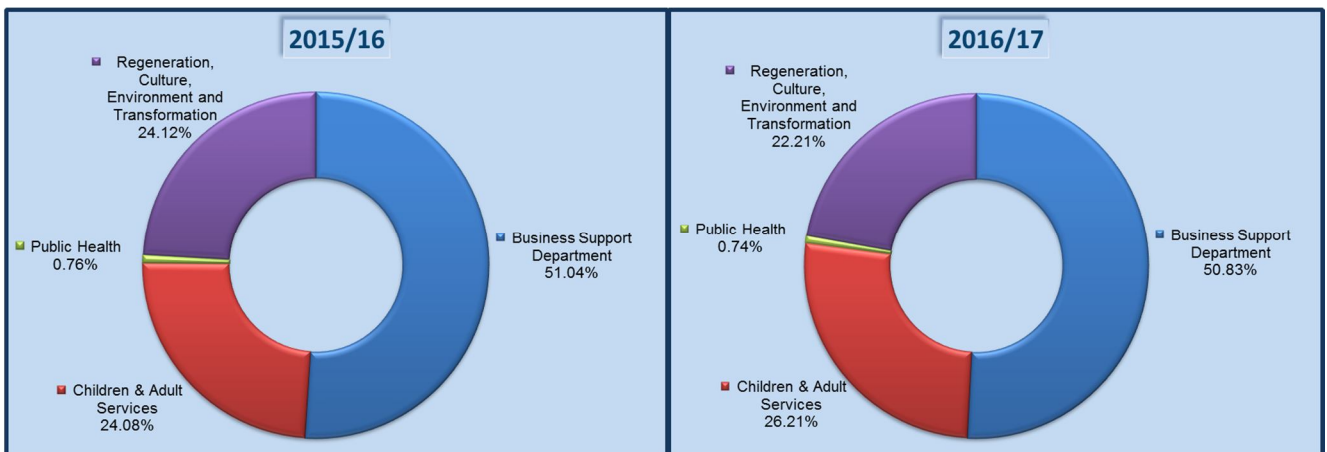
Full details, including notes on individual variances within directorates can be found within the Outturn Report that will be considered at Audit Committee on 29 June 2017.

The charts below detail the information in graphical form:

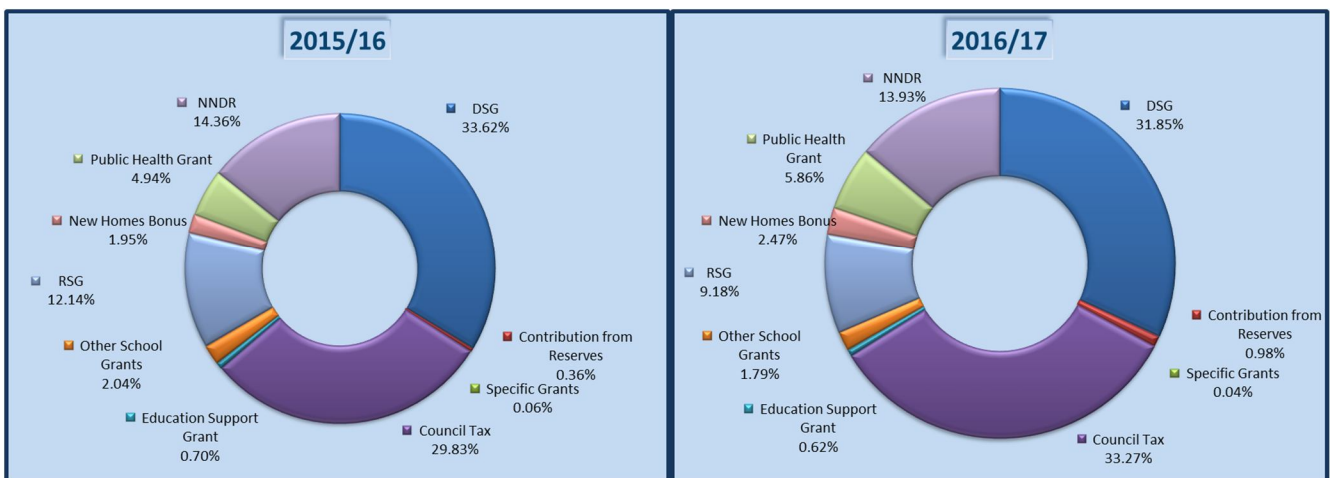
Gross expenditure



Gross income



Funding of the budget :



Housing Revenue Account

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

Budget Requirement:	Budget	Actual Spend	Variance
	£'000	£'000	£'000
Housing Revenue Account	(808)	(801)	7
Total Funding and Expenditure Variance	(808)	(801)	7

Capital Expenditure

Capital Expenditure relates to expenditure to acquire, construct, enhance or replace tangible non-current assets such as land, buildings or major pieces of equipment that will be used to provide services over a number of years in the form of a capital programme to achieve the council's strategic objectives and priorities.

In 2016/17 the council spent £40.074m on general fund capital schemes. Of this, £20.645m on the creation of new fixed assets or enhancement of existing assets used in the provision of services in the Medway area. Major schemes completed included the provision of new classrooms, improvements to school infrastructure and highways improvements. The remainder of general fund capital expenditure is split between capital assets under construction of £9.867m and £9.562m relating to "Revenue Expenditure Funded from Capital under Statute" (formerly 'deferred charges' - see Note 1 Accounting Policies page 49).

For the Housing Revenue Account, expenditure was £7.656m and included the completion of the Centenary Gardens development as well as an ongoing programme of improvements to the Council's housing stock.

The final capital outturn position for the year is shown in the table below, together with how this expenditure was financed:

Capital Budget 2016/17	Approved Programme	Forecast Spend	Outturn	Variation to Forecast	Slippage to
	2016/17+ £'000	2016/17 £'000	2016/17 £'000	2016/17 £'000	2017/18+ £'000
Directorate					
Business Support	3,203	2,543	2,220	(323)	983
Children and Adult Services	33,027	19,506	17,496	(2,010)	15,531
Regeneration, Culture, Environment and Transformation	61,356	22,884	20,310	(2,574)	41,046
Public Health	0	0	0	0	0
Member Priorities	301	253	48	(205)	253
Housing Revenue Account	14,709	8,025	7,656	(369)	7,053
Total	112,596	53,211	47,730	(5,481)	64,866

Funding source	£'000
Borrowing (supported capital expenditure and unsupported)	7,609
Government Grants and Other Contributions	23,882
Major Repairs and Other Contributions	3,052
Capital Receipts	3,944
Developer Contributions	4,124
Revenue and Reserves	5,119
Total	47,730

The capital programme for 2016/17 and beyond reflects the major investment priorities of the Council which include a significant schools programme to deliver additional primary school and Special Educational Needs (SEN) places, Information and Communications Technology (ICT) investment to deliver the digital transformation agenda and a significant regeneration programme in which transport infrastructure features.

Treasury Management Performance

Total investments managed in-house as at 31 March 2017 stood at £37.5million (2015/16, £21.3m). During 2016/17 the council operated a prudent investment strategy with investment priorities being security first, liquidity second and then return. Funds are invested in loans to other UK local authorities, CCLA Property Fund and bank deposits.

The Council also had £171.4m long-term borrowing as at 31 March 2017 (31 March 2016, £171.5m), primarily in the form of PWLB and market loans. In addition short term borrowing stood at £36.2m at 31 March 2017 (£9.2m at 31 March 2016). The increase in short term borrowing of £27m was due to the need to replace cash from grants and contributions received in previous years which has now been used to fund capital expenditure.

The council achieved an average rate of return of 1.303% on its internally managed cash flow investments (including cash equivalents) for the year.

The Level of Working Balances and Reserves

The council's working balances stood at £8.618m as at 31 March 2017 (£7.817m at 31 March 2016)..

The council also holds earmarked reserves, kept for specific types of expenditure in the future. The total amount of earmarked reserves held as at 31 March 2017 is £16.939m (£31.515m at 31st March 2016).

Commentary on the financial statements

Annual Governance Statement

The Authority is required to carry out an annual review of the effectiveness of the system of internal control and to include a report accompanying the Statement of Accounts. This Statement explains how the Authority has complied with the 'CIPFA/SOLACE Delivering Good Governance' Framework during the year and up to the date of the approval for publication of the Statement of Accounts.

Statement of Accounts

The Statement of Accounts includes the financial statements of the Authority, the Statement of responsibilities to prepare the Statement of Accounts and the independent auditor's opinion on the financial statements.

Statement of responsibilities

This Statement sets out the responsibilities of the Authority and the Chief Finance Officer in respect of the proper administration of the financial affairs of the Authority and for the preparation of the Statement of Accounts. The Chief Finance Officer has to certify that the accounts present a 'true and fair' view of the financial position of the Authority as at 31 March 2017 and its income and expenditure for the year.

Independent auditor's report

The independent auditor is required to publish an opinion on the financial statements as to whether they give a true and fair view of the financial position and the expenditure and income of the Authority for the year in question. The Auditor also has a responsibility to satisfy himself/herself that the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources by review and examination of the Authority's corporate performance management and financial management arrangements against criteria specified.

Core Financial statements and notes

The financial statements comprise the core financial statements of the Authority (Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet and Cash Flow Statement), the notes to the core financial statements (the accounting policies and supplementary information), and supplementary information required by proper practices (Housing Revenue Account Income and Expenditure Statement, Movement on Housing Revenue Account Statement and Collection Fund).

The core statements are set out on pages 18 to 24 and are presented as follows:

Comprehensive Income and Expenditure Statement

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

Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation 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) and unusable reserves i.e. those that the Authority 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 are sold; and reserves that hold timing differences shown in the 'adjustments between accounting basis and funding basis under regulations' line. The total comprehensive income and expenditure line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund balance and Housing Revenue Account for Council Tax setting and dwelling rent setting purposes. The net increase / decrease before transfers to earmarked reserves line shows the statutory General Fund balance and Housing Revenue Account balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

Balance Sheet

The Balance Sheet shows the value as at the end of the accounting period of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority.

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The Statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

Notes to the principal financial statements

The notes to the principal financial statements present information about the basis of preparation of the financial statements and the specific accounting policies used, disclose additional information required by the Code that is not presented elsewhere in the financial statements, and provide information that is not presented elsewhere in the financial statements, but is relevant to an understanding of any of them. These notes are set out on pages 25 to 116.

The supplementary financial statements are set out on pages 117 to 129 and are presented as follows:

Collection Fund

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

Housing Revenue Account (HRA) Income and Expenditure Statement

The HRA Income and Expenditure Statement shows the accounting 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 regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

Movement on the Housing Revenue Account Statement

This statement shows how the HRA Income and Expenditure Account surplus or deficit for the year reconciles to the movement on the Housing Revenue Account Balance for the year end.

Other information

A glossary of terms has been included in this document to explain some of the technical accounting language used to assist the reader and is set out on pages 130 to 138.

Principal risks & uncertainties

The council has a long-established process in place to identify the principal risks that may influence or impact on the delivery of services. The risk management process requires judgements to be made on the likelihood and impact of a potential risk and enables us to develop and implement appropriate controls to manage or mitigate these risks to reduce the impact. We maintain a Corporate Risk Register which is updated at least annually and reviewed during the year by officers and the Cabinet.

B. Statement of Responsibilities

The Authority's Responsibilities

The Authority is required to:

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

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

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

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

The Chief Finance Officer has also:

- kept proper accounting records which were up to date.
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate of the Chief Finance Officer

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

Phil Watts
Chief Finance Officer

June 2017

C. Independent Auditor's Report to the Members of Medway Council



To be added



D. Core Financial Statements

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Comprehensive Income and Expenditure Statement

2015/2016			Service	Notes	2016/17		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000			Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
8,401	(5,246)	3,155	Business Support Department		11,862	(5,578)	6,284
313,224	(172,200)	141,024	Children's and Adults		301,628	(162,743)	138,885
10,396	(14,701)	(4,305)	Local authority housing (HRA)		9,901	(14,602)	(4,701)
(20,450)	0	(20,450)	Local authority housing (HRA) – reversal of impairments		(12,178)	0	(12,178)
17,905	(20,166)	(2,261)	Public Health		17,375	(19,916)	(2,541)
244,033	(148,900)	95,133	Regeneration, Culture, Environment and Transformation		227,690	(141,423)	86,267
573,509	(361,213)	212,296	Cost of Services		556,277	(344,262)	212,015
47,205	0	47,205	Other operating expenditure	9	21,674	0	21,674
20,345	(4,731)	15,614	Financing and investment income and expenditure	10	17,458	(5,003)	12,455
0	(201,865)	(201,865)	Taxation and non-specific grant income and expenditure	11	0	(203,955)	(203,955)
641,059	(567,809)	73,250	(Surplus) or Deficit on Provision of Services		595,409	(553,220)	42,189
Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services							
(32,170)			(Surplus)/Deficit on revaluation of Property, Plant and Equipment assets	36			(10,944)
8,720			Impairment losses on non-current assets charged to the Revaluation Reserve				2,450
(40,447)			Re-measurement of net defined pension liability	37			38,167
(63,897)							29,674
Items that may be reclassified to the (Surplus) or Deficit on the Provision of Services							
177			(Surplus)/Deficit on revaluation of available for sale financial assets	36			44
177							44
(63,720)			Other Comprehensive Income and Expenditure				29,718
9,530			Total Comprehensive Income and Expenditure				71,907

Movement in Reserves Statement

A summary of the purpose of each reserve is as follows:

General Fund Balance – This is the ‘working balance’ of the Authority and acts as a contingency to fund unforeseen eventualities.

Housing Revenue Account – This contains any surplus or deficit arising from the provision of Authority housing by the Authority and earmarked Housing Revenue Account reserves. It can only be used for local authority housing provision.

Earmarked General Fund Reserves - These are reserves created to fund specific revenue or capital expenditure relating to the General Fund.

Earmarked HRA Reserves - These are reserves created to fund specific revenue or capital expenditure relating to the Housing Revenue Account.

Capital Receipts Reserve – Proceeds from the sale of Authority assets are paid into this reserve which can be used to finance capital expenditure or repay debt.

Major Repairs Reserve –This reserve receives a transfer from the Capital Financing Account equivalent to the total depreciation charged to the Housing Revenue Account and can only be used to fund major Housing Revenue Account repairs.

Capital Grants Unapplied – This reserve contains Government grants and other contributions which are held to finance future capital expenditure.

Unusable Reserves – The major reserves included in this category are the Revaluation Reserve, Pension Reserve and Capital Adjustment Account. Their purpose is of a technical accounting nature and cannot be used to support the services of the Authority. They are explained in more detail in note 36.

Movement in Reserves Statement for the years Ending 31 March 2016 and 31 March 2017

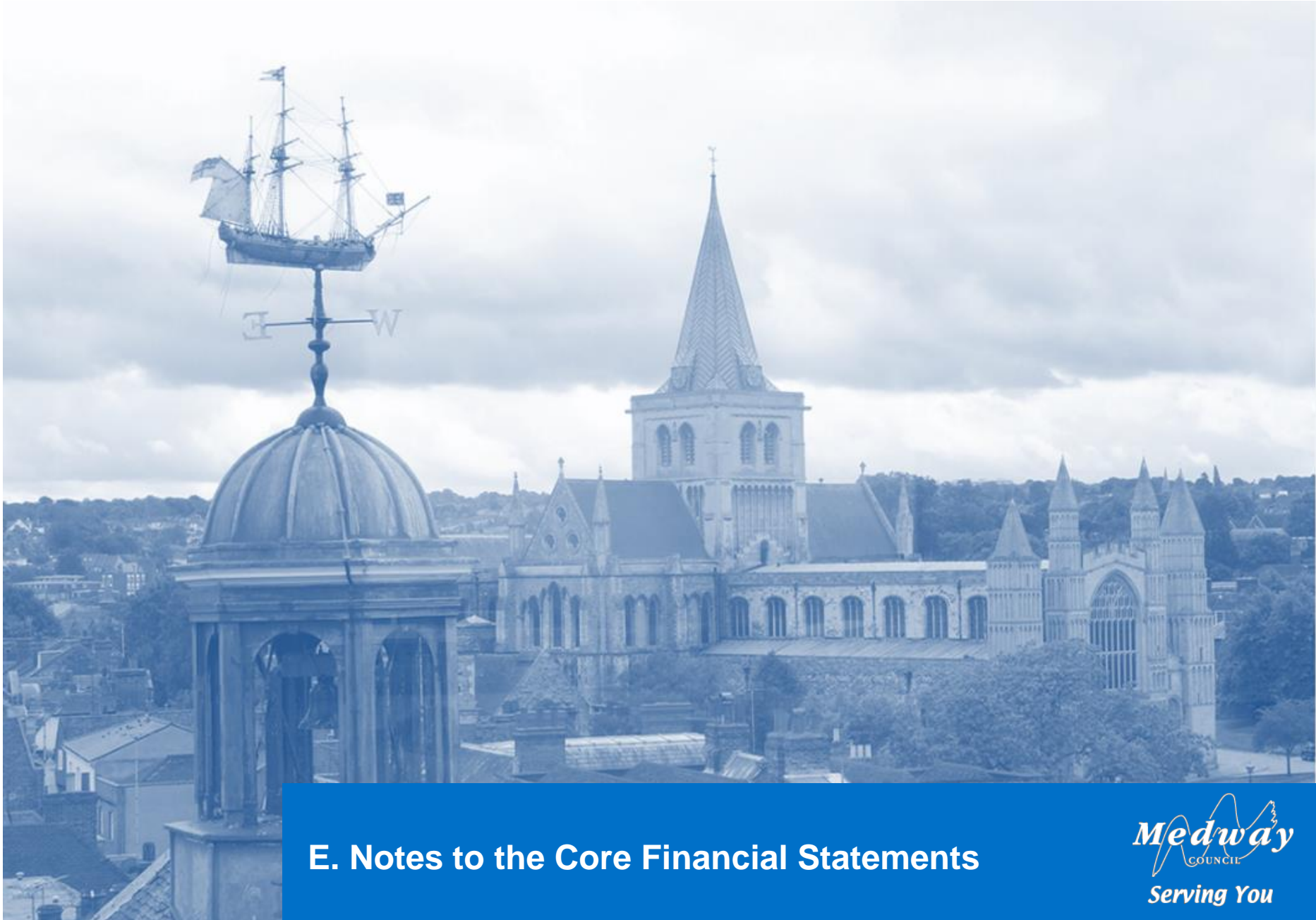
	Notes	Revenue Reserves				Capital Reserves			Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		General Fund Balance	Housing Revenue Account	Earmarked General Fund Reserves	Earmarked Housing Revenue Account Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied			
		£000s	£000s	£000s	£000s	£000s	£000s	£000s			
2015/16 Restated for new format											
Balance at 1 April 2015		5,000	2,234	34,551	6	2,014	669	16,082	60,556	256,480	317,036
Movement in reserves during 2015/16											
Total Comprehensive Expenditure and Income		(95,813)	22,563	0	0	0	0	0	(73,250)	63,720	(9,530)
Adjustments between accounting & funding basis under regulations	20	92,772	(21,981)	0	0	(1,489)	(669)	(6,742)	61,890	(61,890)	0
Movements in Earmarked Reserves	21	3,041	0	(3,041)	0	0	0	0	0	0	0
Increase/(Decrease) in 2015/16		0	581	(3,041)	0	(1,489)	(669)	(6,742)	(11,360)	1,830	(9,530)
Balance at 31 March 2016 carried forward		5,000	2,817	31,509	6	525	0	9,340	49,196	258,310	307,506
	Notes	Revenue Reserves				Capital Reserves			Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		General Fund Balance	Housing Revenue Account	Earmarked General Fund Reserves	Earmarked Housing Revenue Account Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied			
		£000s	£000s	£000s	£000s	£000s	£000s	£000s			
2016/17											
Balance at 1 April 2016		5,000	2,817	31,509	6	525	0	9,340	49,196	258,310	307,506
Movement in reserves during 2016/17											
Total Comprehensive Expenditure and Income		(57,104)	14,916	0	0	0	0	0	(42,188)	(29,718)	(71,906)
Adjustments between accounting & funding basis under regulations	20	42,534	(14,115)	0	0	(117)	0	(3,576)	24,727	(24,727)	0
Movements in Earmarked Reserves	21	14,570	0	(14,570)	0	0	0	0	0	0	0
Increase/(Decrease) in 2016/17		0	801	(14,570)	0	(117)	0	(3,576)	(17,461)	(54,445)	(71,906)
Balance at 31 March 2017 carried forward		5,000	3,618	16,939	6	408	0	5,764	31,734	203,866	235,600

Balance Sheet

31 March 2016 £'000	Balance Sheet Summary	Notes	31 March 2017 £'000
733,859	Property Plant and Equipment	22	724,860
15,850	Heritage Assets	23	16,670
6,819	Investment Properties	25	9,644
1,264	Intangible Assets		1,236
22,556	Long Term Investments	26	22,513
158	Long Term Debtors	26	153
780,507	Long Term Assets		775,076
350	Assets Held for Sale		0
116	Inventories		101
38,299	Short Term Debtors	30	39,189
0	Cash and Cash Equivalents	31	5,034
38,764	Current Assets		44,325
(1,250)	Cash and Cash Equivalents	31	0
(9,271)	Short Term Borrowing	26	(36,286)
(36,123)	Short Term Creditors	32	(37,022)
(3,827)	Provisions	33	(2,422)
(50,471)	Current Liabilities		(75,730)
(37,158)	Long Term Creditors	26	(35,991)
(4,888)	Provisions	33	(5,775)
(171,526)	Long Term Borrowing	26	(171,398)
(240,283)	Other Long Term Liabilities	29,37	(290,362)
(7,440)	Grants Receipts in Advance - Capital	18	(4,545)
(461,294)	Long Term Liabilities		(508,071)
307,506	Net Assets		235,600
49,196	Usable Reserves	35	31,734
258,310	Unusable Reserves	36	203,866
307,506	Total Reserves		235,600

Cash Flow Statement

2015/16 £'000		Notes	2016/17 £'000
73,250	Net (Surplus) or deficit on the provision of services		42,189
(93,788)	Adjustments to net Surplus or deficit on the provision of service for non-cash movements		(60,011)
12,963	Adjustments for items included in the net surplus or deficit on the provision of service that are investing or financing activities		4,070
(7,576)	Net cash flows from Operating Activities	38	(13,752)
23,695	<u>Investing Activities</u>	39	34,047
(6,070)	<u>Financing Activities</u>	40	(26,579)
10,049	Net (increase) or decrease in cash and cash equivalents		(6,284)
8,799	Cash and cash equivalents at the beginning of the reporting period		(1,250)
(1,250)	Cash and cash equivalents at the end of the reporting period	31	5,034



E. Notes to the Core Financial Statements

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E1. Statement of Accounting Policies



1. Accounting Policies

General Principles

The financial statements summarises the Authority's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. The Accounts and Audit Regulations 2015 requires the Authority to prepare an annual Statement of Accounts in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, supported by International Financial Reporting Standards (IFRS) [and statutory guidance issued under section 12 of the 2003 Act].

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

Qualitative Characteristics of Financial Statements

Relevance

The accounts have been prepared with the objective of providing information about the Council's financial performance and position that is useful for assessing the stewardship of public funds and for making financial decisions.

Materiality

The concept of materiality has been utilised in preparing the accounts so that insignificant items and fluctuations under an acceptable level of tolerance are permitted provided that in aggregate they would not affect the interpretation of the accounts.

Faithful Representation

The financial information in the accounts is a faithful representation of the economic performance of the Council as they have been prepared to reflect the reality or substance of the transaction, are free from deliberate or systematic bias, are free from material error and contain all the information necessary to aid understanding.

Comparability

In addition to complying with the Code the accounts also comply with the Service Reporting Code of Practice (SeRCOP). This code establishes proper practice in relation to consistent financial reporting below statement of accounts level and aids comparability with other local authorities.

Verifiability

Different knowledgeable and independent observers will be able to reach the same conclusion from the information presented in the accounts.

Timeliness

The information provided in the accounts is available to decision makers in time to be capable of influencing their decisions.

Understandability

These accounts are based on accounting concepts and terminology which require reasonable knowledge of accounting and local Government. Every effort has been made to use plain language and where technical terms are unavoidable they have been explained in the glossary contained within the accounts.

Underlying Assumptions

Accruals Basis

The financial statements, other than the cash flow, are prepared on an accruals basis. Income and expenditure is recognised in the accounts in the period in which it is earned or incurred not as the cash is received or paid.

Going Concern

The accounts have been prepared on the assumption that the Council will continue in existence for the foreseeable future.

Primacy of Legislation Requirements

In accordance with the Code, where an accounting treatment is prescribed by law then it has been applied, even if it contradicts accounting standards. The following are examples of legislative accounting requirements have been applied when compiling these accounts:

- Capital receipts from the disposal of property, plant and equipment are treated in accordance with the provisions of the Local Government Act 2003.
- The Local Government Act 2003 requires the Council to set aside a minimum revenue provision.
- The Housing Revenue Account is compiled following proper practice as defined by the Local Government and Housing Act 1989 and section 21 of the 2003 Act.

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. However, it is the Authority's policy not to accrue for amounts less than £500 unless it is considered significant to the service. There are particular areas where accruals are considered:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- 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 for them 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 the income that might not be collected.

.Exceptions to this are payments of:

- Regular quarterly accounts (e.g. telephones, electricity, ICT contracts for software and hardware)
- Penalty Charge Notice income
- Employee expenses and overtime allowances.

These have been consistently applied each year and therefore do not have a material effect on the year's accounts.

Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in 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 Authority's cash management.

All other investments which are not held for the purpose of meeting short-term cash needs and are not readily convertible into known amounts of cash are classified as investments.

Period Adjustments, Changes in Accounting Policy 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 will be accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

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

Charges to Revenue for Non-Current Assets

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

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

The Authority is not required to raise Council Tax to fund depreciation, revaluation or impairment losses. 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 by the Authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses are therefore replaced by the contribution in the General Fund Balance (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

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 service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination benefits

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

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

Post-employment benefits

Employees of the Authority are members of three separate pension schemes.

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The NHS Pension Scheme, administered by EA Finance NHS Pensions
- The Local Government Pensions Scheme, administered by Kent County Council

These schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

However, the arrangements for the teachers' and NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The schemes are therefore accounted for as if they were defined contribution schemes and no liability for future payments of benefits is recognised in the Balance Sheet. The Children and Adults Directorate line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year. The Public Health Directorate line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the NHS Pension Scheme in the year.

The Local Government Pension Scheme

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

- The liabilities of the Kent pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- Liabilities are discounted to their fair value at current prices, using a discount rate of 2.8%

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

- Service cost comprising:
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
 - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of the Business Support Department
 - net interest on the net defined benefit liability/asset, i.e. net interest expense for the authority – the change during the period in the net defined liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability/asset during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
 - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- contributions paid to the Kent pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements but since 6 January 2007 has ceased to award additional service in the event of early retirement on other than ill-health grounds. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Events after the Reporting Period

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

Financial Instruments

Financial Liabilities

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

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio 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 Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that

was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

The Authority's financial assets (investments) are classified into:

- Loans and Receivables - assets that have fixed or determinable payments but which 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

Loans and Receivables

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

The Authority has made a small number of loans to eligible employees, e.g. for the purchase of motor vehicles and charitable organisations at less than market rates (soft loans). The value of these loans has been considered to be immaterial and the calculation of the present value of interest foregone, required by the Code, has not been undertaken.

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

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

Available-for-Sale Assets

Available-for-Sale Assets are recognised on the balance sheet when the Authority 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 Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the Instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

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

- 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 authority 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 on 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 Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, 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 that payments due under the contract will not be made (fixed or determinable payments) 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 Comprehensive Income and Expenditure Statement. 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 flow 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 derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale reserve.

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

Foreign Currency Translation

Where the authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.]

Government Grants and Contributions

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

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

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

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

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

Heritage Assets

Heritage Assets are held purely for increasing the knowledge, understanding and appreciation of the Authority's history and local area and are recognised by using the latest insurance valuation, which shall be subject to a rolling review, phased over annual tranches. Valuations should also provide value for money for taxpayers with regards to the information provided within the financial statements verses the cost of obtaining the data.

By their nature, the useful life cannot be measured and therefore they will not be subject to annual depreciation charges. Where assets are being recognised for the first time, the initial valuation shall be recognised as a gain in the balance sheet and an increase in the Authority's revaluation reserve. Subsequent revaluations shall follow the same guidelines as set out within Property, Plant and Equipment.

It is not foreseen that there will be many disposals of heritage assets, but should this occur, the same guidelines as set out within Property, Plant and Equipment shall apply.

The Authority's collections of heritage assets are accounted for as follows:

Buildings

The buildings included are Rochester Castle, Temple Manor, Eastgate House, Brook Pumping Station and various clocks and war memorials. They are not used to provide services and therefore are considered non-operational. With the exception of Rochester Castle, they were revalued during 2012/13. Unfortunately despite an extensive search, the Authority was unable to engage a valuer with relevant knowledge to provide a valuation for Rochester Castle, so the valuation remains that of an historic insurance valuation at the present time.

Furniture

The Authority holds many items of furniture ranging from clocks, chairs, chaise lounges, and various types of chests and writing cabinets dating from the 17th, 18th and 19th centuries. Some of these items are on display whilst others are held in storage.

Silver/Gold Collections

There are currently various different pieces held within this collection including items of civic regalia, iron age coins and other miscellaneous items from the 17th, 18th and 19th centuries and are held within the Balance Sheet. These items were revalued by industry experts during 2013/14 as part of the rolling programme of revaluations.

Art Collection

The collection consists of items including various paintings, marble busts and engravings dating from the 17th, 18th and 19th centuries. Part of this category was revalued during 2016/17 by industry experts as part of the rolling programme of revaluations.

Other

The Authority holds many items within this category including collections of medals, various coins and trading tokens, pianos, cameras, costumes and jewellery dating from the Bronze Age to the 20th century. Many can be found on display whilst a few are held in storage. The insurance valuations will be reviewed by industry experts as part of the rolling programme of valuations.

Heritage Assets – General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment – see policy relating to Property, plant and equipment in this summary of significant accounting policies.

The Authority will occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the Authority's general provisions relating to the disposal of property, plant and equipment.

Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority and is above the de-minimis level of £25,000.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant Directorate line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant Directorate line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Interests in Companies and Other Entities

The Authority has no material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities that require it to prepare group accounts. In the Authority's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

Long-Term Contracts

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.

Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Authority as a joint operator recognises:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its revenue from the sale of its share of the output arising from the joint operation
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly

Leases

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

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

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

The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Authority as Lessor

Operating Leases

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

Overheads and Support Services

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

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, generally above the de-minimis level of £25,000 on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided

that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- council dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- school buildings – current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value
- surplus assets – the current value measurement base 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 (existing use value – EUV).

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a Directorate.

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 Directorate line(s) in the Comprehensive Income and Expenditure Statement.

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

Componentisation

Componentisation was introduced under the IFRS-based Code of Practice to allow significant parts of an asset with different values and useful lives to be accounted for separately (recognition, depreciation and derecognition), therefore providing the most accurate way of accounting for the overall asset.

All assets, other than investment properties, have a land and building/depreciable split where appropriate. After assessing the materiality of the various items of Property, Plant and Equipment, it was decided that assets with a Gross Book Value in excess of £2.5m and the following asset types would be further componentised upon the date of their next scheduled revaluation:

- Schools – rolling programme starting from 2011/12
- Leisure centres with swimming pools – rolling programme starting from 2012/13
- Medway Park – componentised from 2010/11
- Crematorium – componentised from 2011/12
- Other assets with a GBV in excess of £2.5m – componentised from 2016/17

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following basis:

- council dwellings and other buildings – straight-line allocation over the outstanding life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – straight-line allocation over the projected life of the asset
- infrastructure – straight-line allocation over the outstanding life of the asset.

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

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

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

Recognition of Schools' Non-current Assets

Maintained schools' non-current assets should be recognised in the local authority financial statements in accordance with the requirements of chapter four of the Code (Non-current

Assets). The area likely to be of most concern is the land and buildings from which schools operate.

If a school obtains academy status, then all responsibilities transfer to the Academy. The only exception to this will be where the school was previously a maintained school where the Authority had a form of control over the future ability to provide a school, whereby the responsibility for the non-current assets will be transferred to the Academy by way of a long-term lease, and therefore, the present value of that lease relating to the freehold will be all that remains within the Authority's Balance Sheet.

Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Carbon Reduction Commitment Scheme

The Authority is required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme. This scheme is currently in its second phase, which ends on 31 March 2019. The authority is required to purchase allowances, either prospectively or retrospectively, and surrender them on the basis of emissions, i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Authority is recognised and reported in the costs of the authority's Directorates and is apportioned to them on the basis of energy consumption.

Non Domestic Rate (NDR) Appeals Provision

Local Authorities retain an element of all NDR collected and in Medway's case we retain 49% of collected NDR. With this responsibility we also suffer the loss of income from successful appeals against the rateable value of non-domestic property which include appeals submitted to the Valuation Office (VOA) prior to the introduction of this new regime. In order to mitigate against future losses of income from these appeals the Authority has created a provision to offset the cost of back-dated refunds as the appeals are settled. The provision has been calculated as an estimate of potential cost against each individual appeal case and the cost is

adjusted to take account of the probability of success. The value of this Provision is being spread to impact upon revenue over a 5 year period.

A new rating list came into effect on 1 April 2017 and appeals filed after that date are based on the new list and cannot be backdated. The provision in respect of new appeals will be based on the likelihood of success and the resultant increase or decrease in the provision charged or credited to the Income and Expenditure Account.

Contingent Liabilities

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

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

Contingent Assets

A contingent asset arises when an event has taken place that gives the Authority a possible asset that may or may not be confirmed depending on the outcome of a future event not wholly within the control of the Authority.

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

Reserves

Usable Earmarked Reserves

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

Unusable Reserves

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement and employee benefits and do not represent usable resources for the Authority. These reserves are explained in the notes to the principal financial statements.

Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

Schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the Group Accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances of the authority.

VAT

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

Fair Value Measurement

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

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

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

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

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

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

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2 – inputs other than quoted prices 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. Accounting Standards that have been issued but have not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 has introduced several changes in accounting policies which will be required from 1 April 2017.

- Amendment to the reporting of pension fund scheme transaction costs
- Amendment to the reporting of investment concentration (see paragraph 6.5.5.1 (m) of the 2017/18 Code)

The Code requires implementation from 1 April 2017 and there is therefore no impact on the 2016/17 Statement of Accounts.

It is not possible to estimate whether any of the above are anticipated to have a material impact upon the financial statements for future years.

3. Critical Judgements in applying Accounting Policies

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

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

- The Authority recognises the land and buildings used by schools in line with the provisions of the Code of Practice. It states that property used by local authority maintained schools should be recognised in accordance with the asset recognition tests relevant to the arrangements that prevail for the property. The Authority recognises the schools land and buildings on its Balance Sheet where it directly owns the assets, the school or school Governing Body own the assets or rights to use the assets have been transferred from another entity. Where the land and building assets used by the school are owned by an entity other than the Authority, school or school Governing Body then it is not included on the Authority's Balance Sheet. The Authority has completed a school by school assessment across the different types of schools it controls within Medway. Judgements have been made to determine the arrangements in place and the accounting treatment of the land and building assets. Voluntary aided schools the legal ownership of the land and buildings rests with the relevant Dioceses. The Diocese has granted a licence to the school to use the land and buildings. Under this licence arrangement, the rights of use of the land and buildings have not transferred to the school and thus are not included on the Authority's Balance Sheet. Academies are not considered to be maintained schools in the Authority's control. Thus the land and building assets are not owned by the Authority and not included on the Authority's Balance Sheet.

4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

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

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

Item	Uncertainties	Effect if actual results differ from assumptions
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. Public sector consultants Barnett Waddingham are engaged to provide the Authority with expert advice about the assumptions to be applied.	The effect of changes in assumptions on discount rate, long term salary increases, pension increase and deferred revaluation and mortality rates would be as detailed within the sensitivity analysis table within Note 37 to the financial statements.



E2. Notes Supporting both the Comprehensive Income and Expenditure and the Movement in Reserves Statement



5. Expenditure and Funding Analysis

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

2015/16			Directorate	2016/17		
Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000		Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
6,260	3,105	3,155	Business Support Department	6,592	308	6,284
130,244	(10,780)	141,024	Children's and Adults	126,184	(12,701)	138,885
62,332	(32,801)	95,133	Regeneration, Community, Environment and Transformation	56,275	(29,992)	86,267
(3,328)	(1,067)	(2,261)	Public Health	(2,644)	(103)	(2,541)
(2,774)	21,981	(24,755)	Housing Revenue Account	(3,445)	13,434	(16,879)
192,734	(19,562)	212,296	Net Cost of Services	182,961	(29,054)	212,015
(190,274)	(51,229)	(139,046)	Other operating income and expenditure	(169,193)	633	(169,826)
2,460	(70,791)	73,250	(Surplus) or Deficit	13,768	(28,421)	42,189
(41,791)			Opening General Fund and HRA Balance	(39,331)		
2,460			Less Deficit on General Fund and HRA Balance in Year	13,768		
(39,331)			Closing General Fund and HRA Balance *	(25,563)		

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

6. Note to Expenditure and Funding Analysis

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

Adjustments between Funding and Accounting Basis 2016/17				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note a) £'000	Net change for the Pensions Adjustments (Note b) £'000	Other Differences (Note c) £'000	Total Adjustments £'000
Business Support Department	(1,351)	1,701	(42)	308
Children's and Adults	(10,025)	(3,096)	419	(12,701)
Regeneration, Community, Environment and Transformation	(28,153)	(1,794)	(45)	(29,992)
Public Health	0	(101)	(1)	(102)
Housing Revenue Account	13,663	(213)	(15)	13,435
Net Cost of Services	(25,866)	(3,503)	316	(29,053)
Other income and expenditure from the Expenditure and Funding Analysis	1,963	(8,608)	7,278	633
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(23,902)	(12,111)	7,594	(28,420)

2015/16				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note a) £'000	Net change for the Pensions Adjustments (Note b) £'000	Other Differences (Note c) £'000	Total Adjustments £'000
Business Support Department	(3,182)	6,189	97	3,105
Children's and Adults	(7,103)	(3,664)	(12)	(10,780)
Regeneration, Community, Environment and Transformation	(31,058)	(2,101)	358	(32,801)
Public Health	0	(1,073)	7	(1,067)
Housing Revenue Account	22,143	(152)	(10)	21,981
Net Cost of Services	(19,200)	(801)	439	(19,562)
Other income and expenditure from the Expenditure and Funding Analysis	(41,619)	(8,619)	(991)	(51,229)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(60,819)	(9,420)	(551)	(70,791)

Adjustments for Capital Purposes

- a) Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:
- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
 - Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
 - Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

- b) Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:
- ,, For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
 - For Financing and investment income and expenditure -- the net interest on the defined benefit liability is charged to the CIES.

Other Differences

- c) Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:
- ,, For **Services** this represents Amount by which officer remuneration charged to the comprehensive I&E account on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.
 - ,, For **Financing and investment income and expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
 - ,, The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

7. Segmental Income

Income received on a segmental basis is analysed below:

	2015/16 Income from Services £'000	2016/17 Income from Services £'000
Business Support Department	(4,826)	(4,620)
Children's and Adults	(15,751)	(16,852)
Regeneration, Community, Environment and Transformation	(28,536)	(28,107)
Public Health	(11)	(2)
Housing Revenue Account	(14,648)	(14,555)
Total income analysed on a segmental basis	(63,772)	(64,136)

8. Expenditure and Income Analysed by Nature

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

	2015/16 £'000	2016/17 £'000
Expenditure/Income		
Expenditure		
Employee benefits expenses	160,190	150,333
Other services expenses	389,330	395,358
Support service recharges	0	0
Depreciation, amortisation and impairment	32,437	28,278
Interest payments	11,609	11,600
Precepts and levies	1,489	1,637
Payments to Housing Capital Receipts Pool	269	225
Gain on the disposal of assets	45,447	19,813
Pension Adjustment	287	267
Total expenditure	641,059	607,510
Income		
Fees, charges and other service income	(85,854)	(92,363)
Interest and investment income	(4,523)	(4,773)
Income from council tax and non-domestic rates	(144,438)	(148,419)
Government grants and contributions	(332,994)	(319,767)
Total income	(567,809)	(565,321)
Surplus or Deficit on the Provision of Services	73,250	42,189



E3. Notes Supporting the Comprehensive Income and Expenditure Statement

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9. Other Operating Expenditure

	2015/16 £'000	2016/17 £'000
Parish Council Precepts	366	383
Levies	1,123	1,254
Payment to the Government Housing Capital receipts Pool	269	225
Gains/losses on disposal of non-current assets	45,447	19,813
Total	47,205	21,674

10. Financing and Investment Income and Expenditure

	2015/16 £'000	2016/17 £'000
Interest payable and similar charges	11,475	11,434
Net interest on the net defined benefit liability (asset)	8,619	8,608
Interest receivable and similar income	(3,305)	(3,423)
Income and expenditure in relation to investment properties and changes in their fair value	(339)	(3,192)
Other investment income	(836)	(972)
Total	15,614	12,455

11. Taxation and Non-Specific Grant income and expenditure

	2015/16 £000s	2016/17 £000s
Council tax income	(96,629)	(102,305)
Non-domestic rates income and expenditure	(47,808)	(46,114)
Non-ringfenced government grants	(47,553)	(38,094)
Capital grants and contributions	(9,874)	(17,443)
Total	(201,865)	(203,955)

Shown in the table above are significant movements between 2015/16 and 2016/17 relating to Non-domestic rates income and expenditure and Non-ring fenced government grants. This movement directly reflects the continued reduction in Central Government Support to Local Government arising from austerity measures and the movement towards non-domestic rates retention by Local Authorities.

12. Pooled Budgets

Better Care Fund (BCF)

The Council operated a Better Care Fund of £18.473m with Medway Clinical Commissioning Group under a s.75 arrangement throughout 2016/17. The arrangements for each scheme within the Better Care Fund have been reviewed to determine the appropriate accounting treatment by the Council and Medway CCG. Control of the commissioning arrangements has been key to determining the nature of each scheme within the fund.

This substance of the arrangement, however, is not one of a pooled budget. Individual members continue to contract with individual providers without reference to other members and continue to use their own resources of funding. In substance these are neither joint operations nor lead commissioner transactions and not a vehicle for joint commissioning. The conclusion has been reached as both parties have retained the financial risks associated with each of the schemes as existed before the fund was set up.

The Council and Medway CCG will continue to work towards greater integration and joint commissioning of services in future years and the accounting of the Better Care Fund will be reviewed each year.

Better Care Fund (BCF)	2015/16		2016/17	
	£'000	£'000	£'000	£'000
Funding provided through the s75 agreement:				
Medway Council	1,479		1,800	
Medway CCG	16,154		16,673	
		17,633		18,473
Expenditure met from the s75 agreement:				
Medway Council	1,479		1,800	
Medway CCG	16,154		16,673	
		17,633		18,473
Net surplus/(deficit) arising on the pooled budget during the year		0		0

13. Members' Allowances

The Authority paid the following amounts to members of the Council during the year:

	2015/16 £000	2016/17 £000
Basic Allowance	467	466
Special Responsibility Allowance	251	266
Expenses	4	3
	722	735
National Insurance	40	42
Total	762	777

Medway Council is comprised of 55 Members. In 2016/17, 57 Members were entitled to claim allowances. This includes 2 Councillors whose term of office ended 2016/17 and 55 current Councillors.

Full details can be found on the Council's website from the link:

<http://www.medway.gov.uk/thecouncilanddemocracy/councillorsanddecisions/allowancesandexpenses.aspx>

14. Officers' Remuneration

The remuneration paid to the Authority's senior employees during 2016/17 is as follows:

Post	Salaries, Fees and Allowances £	Expenses £	Total Excluding Pension Contribution £	Pension Contribution £	Total £
Chief Executive (Neil Davies)	156,901	318	157,219	27,286	184,505
Director of Children & Adult Services - left 24.07.16	41,162	0	41,162	7,134	48,296
Director of Children & Adult Services - appointed 18.07.16	78,585	4	78,589	13,489	92,078
Director of Regeneration, Community, Environment & Transformation	115,614	0	115,614	19,891	135,505
Director of Public Health	167,667	701	168,368	0	168,368
Chief People Officer	80,062	0	80,062	12,802	92,864
Assistant Director Communications, Performance & Partnerships	93,411	0	93,411	15,866	109,277
Chief Finance Officer	91,617	26	91,643	14,543	106,186
Deputy Director - Children & Adult Services - left 17.07.16	28,007	1,559	29,566	4,878	34,444
Assistant Director - Legal & Corporate Services	89,782	5,275	95,057	15,593	110,650
Assistant Director - Physical and Cultural Regeneration - left 31.07.16	29,099	15	29,114	5,288	34,402
Assistant Director - Physical and Cultural Regeneration - appointed 13.03.16	72,026	0	72,026	12,511	84,537
Assistant Director - Front Line Services - left 06.07.16	24,290	0	24,290	4,222	28,512
Assistant Director - Front Line Services - appointed 28.11.16	26,371	0	26,371	4,540	30,911
Assistant Director - Partnership Commissioning	83,942	0	83,942	14,010	97,952

The criteria used for Senior Officers are those that are in a position to influence the strategic direction of the Authority. On this basis, the officers are those that attend Corporate Management Team. The number of officers required to attend was expanded during 2016/17 to include assistant directors.

Comparative figures for 2015/16 are as follows:

Post	Salaries, Fees and Allowances	Expenses Allowances	Total Excluding Pension Contribution	Pension Contribution	Total
	£		£	£	
Chief Executive (Neil Davies)	155,967	0	155,967	27,124	183,091
Director of Children & Adult Services	129,612	79	129,691	22,460	152,151
Director of Regeneration, Community & Culture - left 21.06.2015	29,603	0	29,603	5,134	34,737
Director of Regeneration, Community & Culture - appointed 22.6.2015	88,020	0	88,020	15,132	103,152
Director of Public Health - left 29.2.16	133,809	1,958	135,767	16,380	152,147
Director of Public Health - appointed 1.3.2016	13,904	0	13,904	1,988	15,892
Deputy Director Customer Contact, Leisure, Democracy & Governance - left 21.6.2015	22,285	0	22,285	3,891	26,176
Assistant Director Communications, Performance & Partnerships	93,380	15	93,395	15,772	109,167
Chief Finance Officer	90,731	22	90,753	14,852	105,605
Deputy Director - Children & Adult Services	93,802	0	93,802	16,334	110,136
Assistant Director Legal & Corporate Services	84,977	0	84,977	14,719	99,696

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

Remuneration Band	Number of Employees			
	Schools		Non-Schools	
	2015/16	2016/17	2015/16	2016/17
£50,000 to £54,999	16	25	31	27
£55,000 to £59,999	18	14	14	19
£60,000 to £64,999	13	14	20	18
£65,000 to £69,999	7	6	12	12
£70,000 to £74,999	5	3	3	2
£75,000 to £79,999	4	3	2	1
£80,000 to £84,999	1	2	1	0
£85,000 to £89,999	2	0	0	1
£90,000 to £95,999	1	1	2	0
£95,000 to £99,999	0	0	1	0
£100,000 to £104,999	1	0	0	1
£105,000 to £109,999	0	0	1	0
£110,000 to £114,999	0	1	0	0
£115,000 to £119,999	0	0	0	0
£120,000 to £124,999	1	1	0	0
£125,000 to £129,999	0	0	0	0
£130,000 to £149,999	0	0	0	0
£150,000 to £154,999	0	1	0	0
Total	69	71	87	81

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 package cost band (including special payments)	Number of compulsory redundancies	Number of other departures agreed			Total number of exit packages by cost band			Total cost of exit packages in each band £		
	2016/17	2016/17			2016/17			2016/17		
	Total	Schools	Non-School	Total	Schools	Non-School	Total	Schools	Non-School	Total
£0 - £20,000	58	3	17	20	22	56	78	82,963	382,702	465,665
£20,001 - £40,000	9	0	6	6	0	15	15	0	403,158	403,158
£40,001 - £60,000	3	0	1	1	0	4	4	0	187,737	187,737
£60,001 - £80,000	0	0	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0	0	0	0	0
£150,001 - £200,000	0	0	0	0	0	0	0	0	0	0
Total	70	3	24	27	22	75	97	82,963	973,597	1,056,560

The total cost of £1.057m in the table above for exit packages has been charged to the Authority's Comprehensive Income and Expenditure Statement in the current year.

Exit package cost band (including special payments)	Number of compulsory redundancies	Number of other departures agreed			Total number of exit packages by cost band			Total cost of exit packages in each band £		
	2015/16	2015/16			2015/16			2015/16		
	Total	Schools	Non-School	Total	Schools	Non-School	Total	Schools	Non-School	Total
£0 - £20,000	13	16	47	63	16	60	76	70,875	360,314	431,189
£20,001 - £40,000	1	1	4	5	1	5	6	25,000	136,786	161,786
£40,001 - £60,000	0	0	3	3	0	3	3	0	141,621	141,621
£60,001 - £80,000	0	0	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0	0	0	0	0
£150,001 - £200,000	0	0	0	0	0	0	0	0	0	0
Total	14	17	54	71	17	68	85	95,875	638,721	734,596

The total cost of £0.735m in the table above for exit packages was charged to the Authority's Comprehensive Income and Expenditure Statement in during 2015/16.

15. Termination Benefits

During the year the Council terminated the contracts of a number of employees across a range of services. The Council incurred liabilities of £1,056,560 (2015/16 £734,596) in respect of redundancy, payment in lieu of notice and added years pension costs - see "note 14" for the number of exit packages and total cost per band.

16. External Audit Costs

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

	2015/16 £'000	2016/17 £'000
Fees payable to BDO with regard to external audit services carried out by the appointed auditor for the year	142	142
Fees payable to BDO for the certification of grant claims and returns for the year	10	9
Fees payable in respect of other services provided by BDO during the year	7	7
Total	160	159

17. Dedicated Schools Grant

The council's expenditure on schools is funded primarily by grant monies provided by the Education Funding Agency, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2015. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

During 2016/17 the Council incurred an underspend of £0.073m on DSG funded services. After taking account of the surplus of £0.301m brought forward from 2015/16, £0.132m was carried forward to 2017/18.

Details of the deployment of DSG receivable for 2016/17 are as follows:

	Central Expenditure £'000	Individual Schools Budget £'000	Total £'000
Final DSG for 2016/17 before Academy recoupment			214,294
Less: Academy figure recouped for 2016/17			(115,897)
Total DSG after Academy recoupment for 2016/17			98,397
Plus: Brought forward from 2015/16			301
Less: Carry forward agreed in advance			(205)
Agreed initial budgeted distribution in 2016/17	5,256	93,237	98,493
In year adjustments	0	0	0
Final budget distribution in 2016/17	5,256	93,237	98,493
Less: Actual central expenditure	(5,016)		(5,016)
Less: Actual Individual Schools Budget deployed to schools		(93,550)	(93,550)
Plus: Local authority contribution for 2016/17	0	0	0
Carry forward to 2017/18	240	(313)	(73)
Less: Agreed transfer to capital earmarked reserves.			0
Add: Carry forward to 2017/18 agreed in advance			205
Total Carry forward to 2017/18	240	(313)	132

18. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016-17.

	2015/16 £'000	2016/17 £'000
Credited to Taxation and Non Specific Grant Income		
<u>Department for Communities and Local Government</u>		
- Formula Grant / Revenue Support Grant	38,784	28,374
- Inshore Fisheries Conservation Authorities Grant	32	32
- New Homes Bonus	6,226	7,632
<u>Department for Education</u>		
- Education Support Grant	2,326	1,918
<u>Department for Environment, Food and Rural Affairs</u>		
- Lead Local Flood Authorities Grant	51	1
<u>Department of Health</u>		
- Healthwatch Grant	134	136
Recognition of Capital Grants and Contributions	9,874	17,443
Total	57,427	55,537
Credited to Services		
<u>Cabinet Office</u>		
- Cabinet	319	1,024
<u>Department for Culture, Media & Sport</u>		
- DCMS Other	247	188
<u>Department for Education</u>		
- Dedicated Schools Grant	107,359	98,397
- Pupil Premium Grant	5,906	4,938
- Education Funding Agency	0	16
- Sixth Form Grant	616	604
- Student Loans Company	0	57
- DFE Other *	6,076	6,605
<u>Department of Health</u>		
- Public Health Grant	15,762	18,118
- DoH Other	1,358	53
<u>Department for Communities and Local Government</u>		
- Tax Collection & Benefit Administration	283	284
- Housing Benefit Administration	1,282	1,059
- Benefit Subsidy	100,667	98,453
- DCLG Other	7,993	2,190
<u>Department for Environment, Food and Rural Affairs</u>		
- DEFRA Other	76	2
<u>Department of Transport</u>		
- DoT Other	234	222
<u>Department for Work & Pensions</u>		
- DWP Other	126	224
<u>Home Office</u>		
- HO Other	74	107
<u>Ministry of Justice</u>		
- Contributions from the Youth Justice Board	525	407
- MoJ Other	109	109
<u>Department for Business, Innovation & Skills</u>		
- Skills Funding Agency	1,848	1,691
Other Miscellaneous Grants	996	923
Contributions from NHS Partners	17,439	19,192
Contributions from Other Local Authorities	1,154	1,563
Miscellaneous Contributions	486	817
Recognition of Capital Grants and Contributions	4,632	6,987
Total	275,566	264,230

The Authority has received a number of grants, contributions or donations that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the giver. The balances at the year-end are as follows:

Long-Term Liabilities	31 March 2016 £'000	31 March 2017 £'000
Capital Grants Receipts in Advance (Capital Grants)		
Applicable Section Agreements	7,440	4,545
Total	7,440	4,545

19. Interests in Companies and Other Entities

Local Authorities must consider all their interests in entities and prepare a full set of group financial statements where they have material interests in subsidiaries, associates or joint ventures. Before group accounts can be produced the following actions need to be carried out:

- Determine whether the Authority has any form of interest in an entity
- Assess the nature of the relationship between the Authority and the entity
- Determine the grounds of materiality whether group accounts should be prepared

Having considered the accounting requirements and the Authority's involvement with all companies and organisations, Group Accounts have not been prepared.

Medway Norse Limited

Medway Norse Limited provides a package of services including Corporate Cleaning, Building Maintenance, Security Services, Window Cleaning, Printing Services and Catering.

The Board of Medway Norse Ltd. consists of five directors. Two directors are appointed by Medway Council. Under a Service agreement Medway Council receives a discount on the cost of services supplied to the Authority equivalent to 50% of the operating profit of the Company.

Under IFRS 11 the relationship between Medway Council and Medway Norse Ltd is a joint venture. We have, therefore, included under cost of services, the costs charged by Medway Norse net of rebate in the Income and Expenditure Account and have included the investment at cost plus post acquisition reserves in the Balance Sheet.

Medway Norse Transport

Medway Norse Transport provides transport services to the Council. The Authority's relationship with Medway Norse Transport is identical to that with Medway Norse Ltd.

The Authority owns 20% of the share capital of Medway Transport. Under a Service Agreement Medway Council receives a discount on the cost of services supplied to the Authority equal to 50% of the operating profit of the Company.

Under IFRS 11 the relationship between Medway Council and Medway Norse Transport is a joint venture. We have, therefore, included under cost of services, the costs charged by Medway Norse Transport net of rebate in the Income and Expenditure Account and have included the investment at cost plus post acquisition reserves in the Balance Sheet.

Medway Commercial Group (MCG)

Medway Commercial Group Limited is a company wholly owned by Medway Council. Group accounts have not been prepared because MCG is not material to the accounts of Medway Council.

MGG operates the Council's control centre, CCTV, Telecare, Telehealth, out of hours and other personal alarm monitoring.



E4. Notes Supporting the Movement in Reserves Statement



20. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments made to the comprehensive income and expenditure recognised by the Authority in accordance with proper accounting practice to the resources that are specified by statute as being available to the Authority to meet future revenue and capital expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

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

Housing Revenue Account Balance

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

Major Repairs Reserve

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

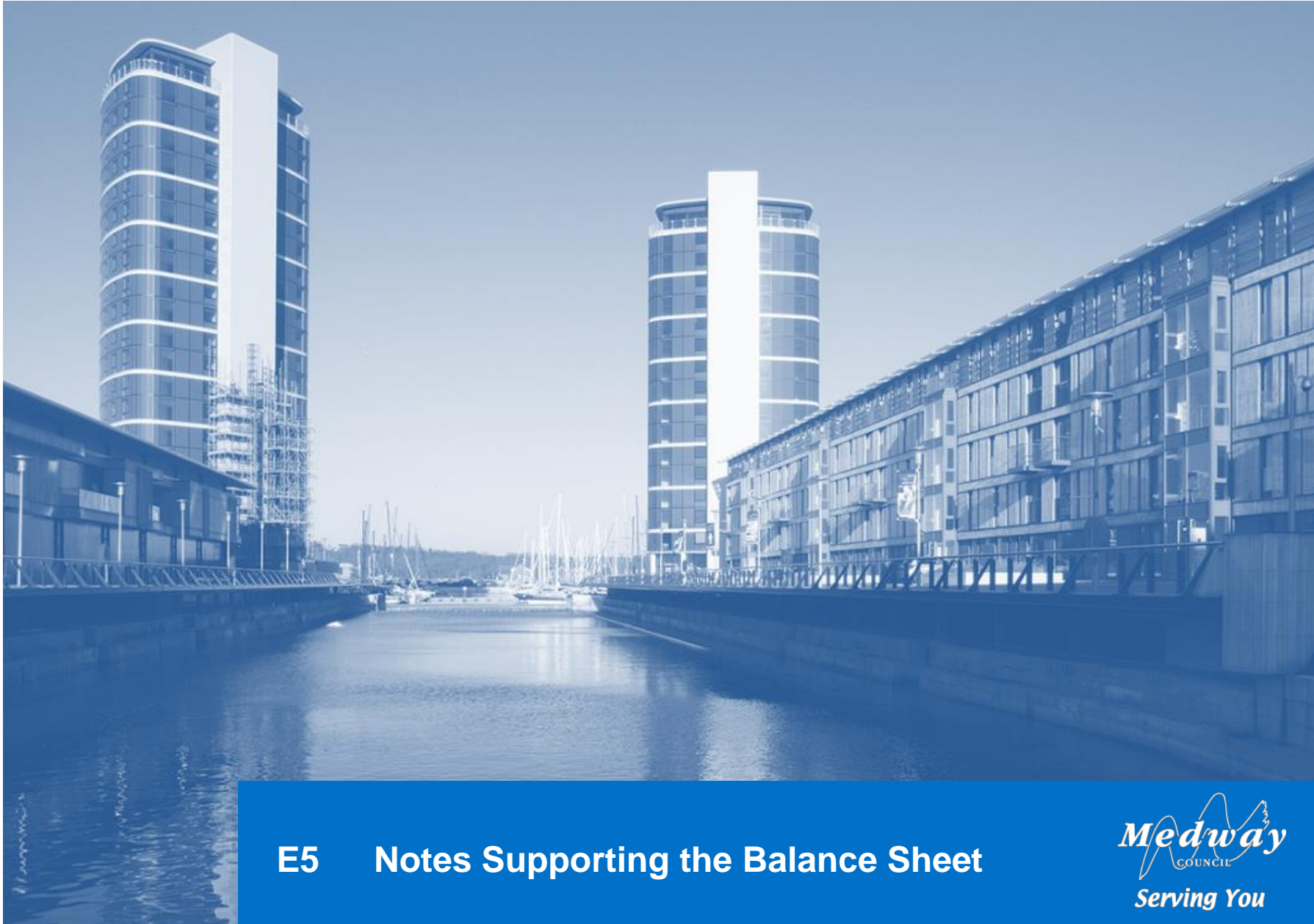
Adjustments for 2016/17	Usable Reserves				
	General Fund Balance	Housing Revenue Account Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
	£000s	£000s	£000s	£000s	£000s
ADJUSTMENTS TO THE REVENUE RESEOURCES					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
Pensions costs (transferred to (or from) the Pensions Reserve)	11,898	213			
Financial instruments (transferred to the Financial Instruments Adjustments Account)	(221)	12			
Council tax and NDR (transfers to or from Collection Fund)	(4,232)				
Holiday pay (transferred to the Accumulated Absences Reserve)	(331)	3			
Equal pay settlements (transferred to the Unequal Pay/Back Pay Account)					
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to the movement from capital grants unapplied to revenue grants					
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	45,707	(8,073)	0	0	1,007
Total Adjustments To Revenue Resources	52,820	(7,844)	0	0	1,007
ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES:					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(2,370)	(1,683)	4,052		
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)					
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	225		(225)		
Posting of HRA resources from revenue to the Major Repairs Reserve		(3,052)		3,052	
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(4,558)				
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(3,583)	(1,536)			
Total Adjustments between Revenue and Capital Resources	(10,286)	(6,270)	3,827	3,052	0
ADJUSTMENTS TO CAPITAL RESOURCES					
Use of the Capital Receipts Reserve to finance capital expenditure			(3,944)		
Use of the Major Repairs Reserve to finance capital expenditure				(3,052)	
Application of capital grants to finance capital expenditure					(4,583)
Cash payments in relation to deferred capital receipts					
Total Adjustments To Capital Resources	0	0	(3,944)	(3,052)	(4,583)
Total Adjustments 2016/17	42,534	(14,115)	(117)	0	(3,576)

2015/16 Comparative Figures	Usable Reserves				
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
	£000s	£000s	£000s	£000s	£000s
ADJUSTMENTS TO THE REVENUE RESEOURCES					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
Pensions costs (transferred to (or from) the Pensions Reserve)	9,268	152	0	0	0
Financial instruments (transferred to the Financial Instruments Adjustments Account)	(196)	12	0	0	0
Council tax and NDR (transfers to or from Collection Fund)	816		0	0	0
Holiday pay (transferred to the Accumulated Absences Reserve)	(108)	(2)	0	0	0
Equal pay settlements (transferred to the Unequal Pay/Back Pay Account)	0	0	0	0	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to the movement from capital grants unapplied to revenue grants	4,343	0	0	0	(4,343)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	87,164	(16,538)	0	0	1,921
Total Adjustments To Revenue Resources	101,286	(16,376)	0	0	(2,422)
ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES:					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(2,328)	(758)	3,086	0	0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	0	0	0	0	0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	269	0	(269)	0	0
Posting of HRA resources from revenue to the Major Repairs Reserve	0	(3,480)	0	3,480	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(4,424)	0	0	0	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(2,030)	(1,368)	0	0	0
Total Adjustments between Revenue and Capital Resources	(8,514)	(5,605)	2,817	3,480	0
ADJUSTMENTS TO CAPITAL RESEOURCES					
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	(4,307)	0	0
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	(4,150)	0
Application of capital grants to finance capital expenditure	0	0	0	0	(4,319)
Cash payments in relation to deferred capital receipts	0	0	0	0	0
Total Adjustments To Capital Resources	0	0	(4,307)	(4,150)	(4,319)
Total Adjustments 2015/16	92,772	(21,981)	(1,489)	(669)	(6,742)

21. Movements in Earmarked Reserves

This note sets out the amounts set aside from the General fund and Housing Revenue Account balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and Housing Revenue Account expenditure in 2016/17.

	Balance 1 April 2015 £'000	Transfers out 2015/201 6 £'000	Transfers in 2015/201 6 £'000	Balance 31 March 2016 £'000	Transfers out 2016/17 £'000	Transfers in 2016/17 £'000	Balance 31 March 2017 £'000
General Fund							
Balances held by schools under a scheme of delegation	(6,277)	2,278	(1,403)	(5,402)	3,098	(905)	(3,209)
School Rev Contributions To Capital	(409)	748	(1,036)	(696)	(302)	774	(224)
Revenue Contributions To Capital C&A	(2,264)	68	0	(2,196)	(320)	2,488	(28)
Revenue Contributions To Capital RCC	0	494	(621)	(127)	0	121	(6)
Development Plan Reserve	(300)	52	(85)	(333)	(80)	20	(393)
Provision For Local Election	(605)	391	0	(214)	0	44	(170)
Bereavement Services Reserves	(192)	1	0	(190)	0	165	(25)
Community Hubs Reserve	(1,066)	201	0	(864)	0	426	(438)
Reserve Fund Computer Development	(106)	0	0	(106)	(167)	0	(273)
DSG Reserve	(1,845)	1,545	0	(300)	(1,136)	1,304	(132)
Economic Development Loans Fund	(156)	8	0	(149)	0	4	(145)
Directorate Carry Forwards	(8,705)	6,339	(2,791)	(5,157)	(581)	3,084	(2,654)
Collection Fund Holding Account	0	0	(3,771)	(3,771)	(1,335)	3,364	(1,741)
Invest To Save	(148)	0	0	(148)	0	0	(148)
Severance Payments Reserve	(967)	1,363	(1,532)	(1,137)	0	1,138	1
South Medway Development Res	(4,851)	1,009	0	(3,842)	0	600	(3,243)
Transformation Reserve	(320)	268	0	(52)	0	0	(52)
Salix Repayments	(73)	91	(121)	(103)	(98)	151	(50)
HEE Public Health Grant	0	146	(1,214)	(1,069)	0	432	(637)
Other Earmarked Reserves	(122)	50	(61)	(134)	246	(726)	(615)
General Reserve	(2,968)	289	(124)	(2,804)	(218)	3,015	(8)
Insurance Fund	(3,174)	461	0	(2,713)	0	(34)	(2,747)
Total Earmarked General Fund Reserves	(34,551)	15,801	(12,759)	(31,509)	(893)	15,463	(16,939)
Housing Revenue Account							
HRA IT Reserve	(6)	0	0	(6)	(1,536)	1,536	(6)
Total Earmarked Housing Revenue Account Reserves	(6)	(6)	(6)	(6)	(6)	(6)	(6)
Total Earmarked Reserves	(34,557)	15,795	(12,765)	(31,515)	(898)	15,457	(16,945)



E5 Notes Supporting the Balance Sheet



22. Property, Plant and Equipment

The Authority categorises its operational property, plant and equipment into a number of sub categories, namely council dwellings, other land and buildings, vehicles, plant, and equipment, infrastructure assets and community assets. There are two categories of non-operational property, plant and equipment, namely assets under construction and surplus assets. The table on the following page shows the gross carrying amount and the accumulated depreciation at the beginning and end of the reporting period and summarises the movement in current value over the year for each sub category of property, plant and equipment:

Movements on Balances 2016/17	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 April 2016	133,688	461,539	14,343	307,593	7,746	0	10,328	935,236
Additions	7,462	7,672	769	10,157	0	0	9,867	35,927
Revaluation increases/(decreases) recognised in the Revaluation Reserve	405	3,527	(256)	0	0	0	0	3,676
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	9,470	(7,673)	0	0	0	0	0	1,797
Derecognition – disposals	(1,024)	(25,234)	(90)	0	(3)	0	0	(26,351)
Other movements in cost or valuation	2,552	4,097	0		19	0	(6,668)	0
As at 31 March 2017	152,553	443,928	14,766	317,750	7,762	0	13,527	950,285
Accumulated Depreciation and Impairment								
As at 1 April 2016	0	(30,117)	(5,755)	(165,493)	(11)	0	0	(201,377)
Depreciation Charge	(2,793)	(17,775)	(2,063)	(15,375)	0	0	0	(38,006)
Depreciation written out to the Revaluation Reserve	0	5,432	365	0	0	0	0	5,797
Depreciation written out to the Surplus/Deficit on the Provision of Services	2,772	2,554	0	0	0	0	0	5,326
Derecognition – disposals	21	2,779	35	0	0	0	0	2,835
As at 31 March 2017	0	(37,127)	(7,418)	(180,868)	(11)	0	0	(225,425)
Net Book Value								
At 31 March 2017	152,553	406,800	7,348	136,882	7,751	0	13,527	724,860
At 31 March 2016	133,688	431,421	8,588	142,100	7,735	0	10,328	733,859

Movements on Balances 2015/16	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 April 2015	112,223	512,245	14,861	295,295	7,912	150	732	943,419
Additions	4,129	5,230	555	12,258	40	0	10,297	32,509
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	15,278	0	0	(16)	0	0	15,262
Revaluation increases/(decreases) recognised in the Deficit on the Provision of Services	17,151	(18,410)	0	0	102	0	0	(1,157)
Derecognition – disposals	(443)	(53,203)	(644)	(1)	(30)	0	0	(54,320)
Derecognition - other	0	0	(477)	0	0	0	0	(477)
Other movements in cost or valuation	628	399	47	40	(262)	(150)	(702)	0
As at 31 March 2016	133,688	461,539	14,343	307,593	7,746	0	10,328	935,237
Accumulated Depreciation and Impairment								
As at 1 April 2015	0	(32,698)	(4,686)	(147,811)	(12)	0	0	(185,207)
Depreciation Charge	(3,243)	(19,134)	(2,048)	(17,683)	0	0	0	(42,109)
Depreciation written out to the Revaluation Reserve	0	7,961	0	1	0	0	0	7,962
Depreciation written out to the Deficit on the Provision of Services	3,231	7,974	0	0	0	0	0	11,205
Impairment losses/(reversals) recognised in the Deficit on the Provision of Services	0	2	0	0	0	0	0	2
Derecognition – disposals	12	5,777	548	0	0	0	0	6,337
Derecognition - other	0	0	432	0	0	0	0	432
Other movements in depreciation and impairment	0	(0)	(1)	0	1	0	0	(0)
At 31 March 2016	0	(30,117)	(5,755)	(165,493)	(11)	0	0	(201,377)
Net Book Value								
At 31 March 2016	133,688	431,421	8,588	142,100	7,735	0	10,328	733,860
At 31 March 2015	112,223	479,547	10,175	147,484	7,900	150	732	758,212

Depreciation

The following useful economic lives have been used in the computation of depreciation:

- council dwellings – 15 to 70 years
- other land and buildings – 5 to 99 years
- vehicles, plant, furniture & equipment – 5 to 30 years
- infrastructure – 10 to 35 years

Capital Commitments

As at 31 March 2017 there were no significant contractual commitments (in excess of £4 million).

Effects of Changes in Estimates

In 2016/17 the Council made no material changes to its accounting estimates for Property, Plant and Equipment.

Revaluations

The Authority carries out a rolling programme which ensures that all relevant Property, Plant and Equipment required to be measured at current value is revalued at least every five years. All valuations are carried out in accordance with the methodologies and bases for estimation set out in the Professional Standards of the Royal Institution of Chartered Surveyors by RICS Registered Valuers. All property and land revaluations were undertaken by RICS qualified valuers employed by the Authority. If the revaluation of a specific asset results in a material change in value, an exercise is undertaken to establish whether the change is specific to that asset or could affect the whole asset class. If the material change cannot be identified as specific to that asset, then a review of the whole of that class, e.g. "Car Parks", will be undertaken to ensure that the current value of that asset class held within the balance sheet at the end of the reporting period is not materially misstated.

The significant assumptions applied in estimating the current values of property, plant and equipment are:

- All assets are assumed to have good title, with no unusual or onerous restrictions, encumbrances or outgoing.
- Significant plant and machinery included in each EUV valuation and componentised, where necessary in accordance with the authority's accounting policies.
- That the property is connected and has a right to use mains services and that sewers, main services and roads giving access to it have been adopted;
- That there are no deleterious or hazardous materials or existing or potential environmental factors that would affect the valuation.
- No contaminative or potentially contaminative uses, underground mining, or other engineering works have ever been carried out that would adversely affect the valuation.
- Unless forming a significant proportion of the overall value, plant and machinery has been included within the valuation.
- All valuations assume each property would be disposed of separately.

The following table shows the progress of the Authority's rolling programme for the revaluation of property, plant and equipment:

Rolling Programme for the Revaluation of Property, Plant & Equipment							
	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community assets	Surplus Assets	Assets Under Construction
	£000	£000	£000	£000	£000	£000	£000
Valued at historical cost	0	5,811	14,657	317,484	7,612	0	13,527
Valued at current value during the year ending:							
31 March 2017	152,611	107,748	109	0	0	0	0
31 March 2016	4	103,375	0	0	150	0	0
31 March 2015	0	137,592	0	266	0	0	0
31 March 2014	0	31,923	0	0	0	0	0
31 March 2013	0	47,577	0	0	0	0	0
31 March 2012	0	148	0	0	0	0	0
31 March 2011	0	180	0	0	0	0	0
Capital expenditure on assets not revalued since the capital expenditure was incurred	0	8,081	0	34,860	316	0	0
Total	152,615	442,435	14,766	352,610	8,078	0	13,527

Removal of Schools Transferring to Academies

Schools with a value of £21.28m (2015/16 £15.67m) have achieved academy status between 01 April 2016 and 31 March 2017 and therefore have been removed from the balance sheet for the 2016/17 financial statements. In addition, there are likely to be existing schools with a value of £29.94m (2015/16 £19.2m) that will achieve academy status between 01 April 2017 and 31 March 2018. Two newly built academies with a value of £52m are expected to be derecognised from the balance sheet during 2016/17.

23. Heritage Assets

Reconciliation of the Carrying Value of Heritage Assets Held by the Authority

	Buildings	Furniture	Silver / Gold Collections	Art Collection	Other	Total Assets
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation						
1 April 2015	10,452	269	1,163	1,038	2,458	15,380
Additions	244	0	0	0	0	244
Revaluations	(32)	0	156	29	74	226
31 March 2016	10,664	269	1,318	1,066	2,532	15,850
Cost or Valuation						
1 April 2016	10,664	269	1,318	1,066	2,532	15,850
Additions	1,689					1,689
Revaluations	(1,362)	0	0	493	0	(869)
31 March 2017	10,991	269	1,318	1,559	2,532	16,670

Heritage Buildings

Those buildings which have been classified to Heritage are:

- Rochester Castle
- Temple Manor
- Eastgate House
- Brook Pumping Station
- Various clocks and war memorials

Rochester Castle and Temple Manor are both in the freehold ownership of Medway Council and in the care and guardianship of English Heritage. Medway Council manage the day to day care of these properties.

Eastgate House has ceased to be a museum but is a historical building being used to promote the public's enjoyment, and advance their knowledge, of the property.

Brook Pumping Station does house a museum which is run by a team of volunteers with occasional entry permitted by prior appointment. The buildings and contents are used to promote the public's enjoyment, and advance their knowledge of, the property.

Furniture, Silver/Gold Collections, Art Collection and Other Historical Interest Items

A collection of 28 paintings held at the Guildhall Museum was revalued in December 2016 as a continuation of a rolling programme of revaluations that take place over a rolling programme for non-building assets. The valuation was undertaken by Culvertons on an insurance basis in accordance Authority policy. The majority of the Authority's heritage assets are held at the Guildhall Museum. There are also a number of items held at Eastgate House.

Silver and Gold Collections include a collection of Anglo Saxon silver coins and a collection of Iron Age Gold Coins.

Art Collections include a collection of Roman-British pottery and a water-colour by Charles Spencelayh 'Polly, not forgotten'.

Other historical interest items include:

- Civic Regalia
- The Horton Collection of Victoriana
- Collection Romano – British Pottery
- Collection of personal relics of Charles Dickens
- Rochester Riverside Eye Interactive
- Models and showcases held at various sites
- Pounder Cannons at Gun Wharf

24. Heritage Assets: Further Information on the buildings and collections

Policy on acquiring Heritage Assets for its Museum Service

Medway Council's policy is to continue to acquire objects for permanent collections in order to provide a full range of services and fulfil its responsibilities to both the residents of the area administered by Medway Council and the wider audience of visitors and researchers. The Authority has as part of its services an accredited museum which acts as a long-term guardian of collections that are in the public domain.

The Authority recognises its responsibility, in acquiring additions to the collections, to ensure the care of collections, documentation arrangements and use of collections will meet the requirements of the Accreditation Standard. It will take into account limitations on collecting imposed by such factors as inadequate staffing, storage facilities and care of collections arrangements and abides by a number ethical codes.

It is estimated that approximately 35% of the total collections are on permanent display. This is a much higher percentage than for most museums. The 'reserve' collection comprises a number of important themed collections that are already, and will in future, be actively used to underpin the temporary exhibitions programme and educational work, as well as collections that are primarily of research interest to the public and the academic community. Some of these specialised academic collections are by their very nature not appropriate for public display but help to enhance the museum's reputation as a valuable resource for individuals and academic institutions conducting high-level research in the disciplines of geology, archaeology and natural history. Reserve archaeological collections are particularly well used by the academic community.

Preservation of Heritage Assets

Medway Council is committed to securing higher grade storage facilities for its heritage assets. The upgraded storage facilities were made available for use during the latter part of 2013 which means that the Authority is in a position to house medium-size archaeological excavation archives in environmental conditions that meet the national standard. However, Medway Council recognises that the long-term storage of future archaeological site archives is a County-wide problem on a massive scale that may require a County-wide solution (including the possible creation of a centralised staffed storage facility to house archaeological site archives from the historic county of Kent).

Management of Heritage Assets

Medway Council holds/intends to acquire archives, including photographs and printed ephemera, and will be guided by the Code of Practice on Archives for Museums and Galleries in the United Kingdom (3rd ed., 2002) in terms of managing such items.

Disposals of Heritage Assets

Medway Council will ensure that the disposal process is carried out openly and with transparency.

By definition, heritage assets have a long-term purpose and the Authority holds collections in trust for society in relation to its stated objectives. Medway Council therefore accepts the principle that sound curatorial reasons for disposal must be established before consideration is given to the disposal of any items in the museum's collection.

No museum objects are to be disposed of for any of the following:

- Primarily for financial reasons, except in exceptional circumstances
- On an ad-hoc basis
- Without considering expert advice
- If doing so would adversely affect the reputation of museums
- If doing so would not be in the long-term interest
- If doing so would remove the item from the public domain, unless in exceptional circumstances.

The Guildhall museum service is a fully accredited service and abides by strict regulations of the policies held with the museums association body

The Authority will confirm that it is legally free to dispose of an item and agreements on disposal made with donors will be taken into account.

When disposal of a heritage asset is being considered, the Authority will establish if it was acquired with the aid of an external funding organisation. In such cases, any conditions attached to the original grant will be followed. This may include repayment of the original grant and a proportion of the proceeds if the item is disposed of by sale.”

25. Investment Properties

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

Investment properties	2015/16 £'000	2016/17 £'000
Rental income from investment property	369	368
Direct operating expenses arising from investment property	0	0
Net gain/(loss)	369	368

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

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

Investment Properties	31 March 2016 £'000	31 March 2017 £'000
Balance at start of year	6,450	6,819
Additions		
• Subsequent expenditure	400	0
Net gains/(loss) from fair value adjustments	(31)	2,825
Balance at end of year	6,819	9,644

Fair Value Hierarchy

All the Council's investment properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes (See Note 15 in the Statement of Accounting Policies for an explanation of the fair value levels).

Valuation Techniques Used to Determine Level 2 Fair Values for Investment Property

The fair value of investment property has been measured using a market approach, which takes into account prices for similar assets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants and data and market knowledge gained in managing the Council's Investment Asset portfolio has also been used. As a result properties have been categorised as level 2 on the fair value hierarchy.

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

Highest and Best Use

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

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 internally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The authority's valuation experts work closely with finance officers reporting directly to the chief financial officer on a regular basis regarding all valuation matters.

26. Financial Instruments

The following categories of financial instrument are carried in the balance sheet:

Categories of Financial Instruments	Long-term		Current	
	31 March 2016 £'000	31 March 2017 £'000	31 March 2016 £'000	31 March 2017 £'000
Investments				
Loans and Receivables	19,733	19,734	0	4,513
Available for sale financial assets	2,823	2,779	0	0
Total Investments	22,556	22,513	0	4,513
Debtors				
Loans and Receivables	158	153	20,554	35,314
Total Debtors	158	153	20,554	35,314
Borrowings				
Financial liabilities at amortised cost	(171,526)	(171,398)	(9,271)	(36,286)
Total Borrowings	(171,526)	(171,398)	(9,271)	(36,286)
Creditors				
Financial liabilities at amortised cost	(37,158)	(35,991)	(28,932)	(25,414)
Total Creditors	(37,158)	(35,991)	(28,932)	(25,414)

Financial Instruments held for less than 3 months are classified as Cash and Cash Equivalents. Please see "note 30".

Income, Expenses, gains and Losses

	2015/16					2016/17				
	Financial Liabilities measured at amortised cost £'000	Financial Assets: Loans and receivables £'000	Financial Assets: Available for sale £'000	Assets and Liabilities at Fair Value through Profit and Loss £'000	Total £'000	Financial Liabilities measured at amortised cost £'000	Financial Assets: Loans and receivables £'000	Financial Assets: Available for sale £'000	Assets and Liabilities at Fair Value through Profit and Loss £'000	Total £'000
Interest expense	(11,475)	0	0	0	(11,475)	(11,446)	0	0	0	(11,446)
Total expense in Surplus or Deficit on the Provision of Services	(11,475)	0	0	0	(11,475)	(11,446)	0	0	0	(11,446)
Interest income	0	3,181	0	0	3,181	0	(3,133)			(3,133)
Total income in Surplus or Deficit on the Provision of Services	0	3,181	0	0	3,181	0	(3,133)	0	0	(3,133)
Net gain/(loss) for the year	(11,475)	3,181	0	0	(8,294)	(11,446)	(3,133)	0	0	(14,579)

Fair Value of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB and other loans payable, new borrowing rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

Financial Liabilities	31 March 2016		31 March 2017	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial liabilities	209,729	283,559	233,098	310,454
Long-term Creditors	37,158	37,158	35,991	35,991

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

Financial Assets	31 March 2016		31 March 2017	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Loans and receivables	30,554	50,791	55,048	55,475
Long-term debtors	22,714	22,714	153	153

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

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

Fair Value Hierarchy and Valuation Techniques

The fair value of the CCLA Property fund investment (classified as available for sale) has been measured using Level 1 inputs i.e. unadjusted quoted prices in active markets for identical shares.

The fair value of other financial assets and liabilities disclosed above are measured using Level 2 inputs i.e. inputs other than quoted prices that are observable for the financial asset or liability.

The fair values can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments using the following assumptions:

Interest Rates on 31 March 2017 for equivalent loans

- Fixed term deposits 0.69896% to 1.23333%

Discount rates for borrowing

- LOBO 1.95% to 2.2%
- Market Debt 0.21% to 0.47%
- PWLB maturity 3.44% to 5%
- PWLB annuity 0.93%

Other assumptions

- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount approximates fair value
- the fair value of trade and other receivables is the invoiced amount net of and bad debt provision

There has been no change in valuation technique and no transfers between levels of the fair value hierarchy in the year.

27. Nature and Extent of Risks Arising from Financial Instruments

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

- credit risk – the possibility that other parties might fail to pay amounts due to the Authority
- liquidity risk – the possibility that the authority might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates and stock market movements.

The Authority follows the requirements of the Local Government Act 2003 and CIPFA's Code of Practice on Treasury Management. The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved annually by Medway Council in its Treasury Management Strategy. Medway 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 Authority's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with Fitch, Moody's and Standard and Poors Credit Rating Services. The Annual

Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

Counterparties continue to be monitored using the creditworthiness service provided by Capita. This service uses a sophisticated modelling approach with credit ratings from all three ratings agencies forming the core element. It also uses the following as overlays: credit watches and credit outlooks from credit rating agencies; CDS spreads to give early warning of likely changes in credit ratings; sovereign ratings to select counterparties from only the most creditworthy countries.

Officers monitor all credit ratings, market data and other intelligence continuously. The maximum amount for investments by the in-house team is £20 million per counterparty, £25 million for counterparties with a Capita duration of 12 months or above. The Authority also considers country limits and will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch Ratings. The country limit is reinforced by the application of a financial limit to investment such that a maximum of £40 million may be invested in any one country save for the United Kingdom with no limit.

The full investment strategy for 2016/17 was approved by full Council on 25/02/16 and the 2017/18 strategy was approved on 23/02/17. Both are available on the Authority's website.

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

The authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £x cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the authority's deposits, but there was no evidence at the 31 March 2017 that this was likely to crystallise. Deposit protection arrangements will limit any losses that might arise to [details].

The following analysis summarises the Authority's maximum exposure to credit risk on other financial assets, based on experience of default and uncollected debts over previous financial years.

	Amount at 31 March 2017	Historical experience of default	Estimated maximum exposure to default and uncollectability
	£'000	%	£'000
Deposits with banks and financial institutions*	22,040	0.00	0
Customers	13,905	18.07	2,513
Total	35,945		2,513

* This is made up of the following:	Amount at 31 March 2017
	£'000
Barclays	4
Lloyds	2,302
Other Local Authorities	19,734
Total	22,040

The Authority does not generally allow credit for customers, such that £9.732 million of the £13.905 million balance is past its due date for payment. The past amount can be analysed by age as follows:

	31 March 2016 £'000	31 March 2017 £'000
Less than three months	1,619	1,708
Three to six months	1,609	1,372
Six months to one year	1,636	1,438
More than one year	5,189	5,214
	10,053	9,732

The Authority provision for bad debts stood at £2.512m at 31 March 2017 (£2.184m at 31 March 2016). The provision is calculated by applying percentages to agreed categories of debt taking account of the age of the debt.

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

Liquidity risk

The Authority manages its liquidity position through the risk management procedures above as well as through a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Authority has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Authority sets limits on the proportion of its fixed rate borrowing during specified periods in its Treasury Strategy. These limits ensure that the Authority is not required to repay or refinance a significant proportion of its debt at one time. The structure of fixed rate borrowing as stated in the strategy and the maturity analysis of financial liabilities is as follows:

	Lower Limit %	Upper Limit %	Actual 31 March 2016 %	Actual 31 March 2017 %
Under 12 Months	0	50	0.00	0.00
12 months and within 24 months	0	50	0.00	0.00
24 months and within 5 years	0	50	4.31	4.31
5 years and within 10 years	0	50	4.62	4.62
10 years and above	0	100	91.07	91.07

Included within liabilities with maturity in over 10 years are £101.8m of LOBOs (Lender Option Borrower Option) loans. The LOBOs have maturity dates between 2033 and 2068 but the Authority could be required to make early repayment at the lender's option.

The maturity analysis of financial liabilities is as follows:

	31 March 2016	31 March 2017
	£'000	£'000
Not later than one year	10,000	10,125
Between one and two years	10,274	9,994
Between two and five years	31,929	36,024
More than five years	447,553	430,293
Total Principal and Interest	499,756	486,436

The table below shows the same portfolio but analysed on the basis of repayment at the first possible call date:

	Lower Limit	Upper Limit	Actual 31 March 2017
	%	%	%
Under 12 Months	0	50	34.68
12 months and within 24 months	0	50	12.32
24 months and within 5 years	0	50	20.02
5 years and within 10 years	0	50	4.62
10 years and above	0	100	28.35

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

Market risk

The Authority's borrowings and investments could be affected by changes in interest rates, prices or foreign exchange rates.

Interest rate risk

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

- Borrowings at variable rates – the interest expense charged to the Income and Expenditure account will rise
- Borrowings at fixed rates – the fair value of the borrowings will fall (no impact on revenue balances)
- Investments at variable rates – the interest income credited to the Income and Expenditure account will rise
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances)

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. 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

and affect the General Fund balance, subject to influences from Government grants (i.e. HRA). Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The Authority has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Authority'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. Current Authority policy is to not exceed a maximum of 40% of borrowings in variable rate loans.

The Authority has a mixture of standard fixed rate borrowings and LOBO (lender option borrower option) loans. The LOBO loans were taken out between 2003 and 2008 with maturity periods of between 35 and 60 years. The interest rates payable on these loans could be changed at specified dates during the life of the loan at the lender's option. The specified dates vary from loan to loan but occur at intervals of between six months and five years from the initial advance according to the individual loan contract. If a lender chose to vary the interest payable then the Authority would have the option to repay the loan without penalty. In practice the lender would only exercise their option if market rates were to increase above the current rate.

The Authority's long-term and current borrowing can be analysed as follows:

Borrowing Analysis	Fixed or Variable Rate	Borrowing as at 31 March 2017 £'000
Long-Term Borrowing:		
PWLB Loans (Principal)	Fixed	60,524
LOBO Loans (Principal)	Variable	101,800
Other Loans and Accounting Adjustments	Fixed	9,074
Total Long-Term Borrowing		171,398
Short-Term Borrowing:		
Other Local Authorities		36,198
Other Short-Term Borrowing and Accrued Interest		88
Total Short-Term Borrowing		36,286

Other loans and accounting adjustments (£9.074m) includes an accounting adjustment of £1.664m in respect of LOBO loans. This technical accounting adjustment represents the cash benefit obtained by paying lower interest payments over a specified initial period on some of the LOBO loans. The adjustment is shown in the balance sheet as an addition to the value borrowed but is reduced by way of a credit to the income and expenditure account each year over the full term of the relevant loans. The adjustment has been included above as being at fixed rates because the value will not be affected even if the LOBO lenders exercise their option to change the rates of interest on the underlying loans.

During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Authority's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget, this strategy is then used to monitor against the budget throughout the year. This allows for any adverse changes to be accommodated. The analysis will also advise if new borrowing is taken out whether it is fixed or variable.

According to this assessment strategy, as at 31 March 2017, if 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 borrowing	171
Increase in interest receivable on variable rate investments	343
Increase in government grant receivable for financing costs	0
Impact on Surplus or Deficit on the Provision of Services	514
Share of overall impact credited to HRA	
Decrease in fair value of fixed rate investment assets	(311)
Impact on Other Comprehensive Income and Expenditure	0
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	53,991

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price Risk

The Authority does not generally invest in equity shares or marketable bonds. It does however has stock a local authority property vehicle at a value of £2.823m (2015/16 £2.823m). The Authority has no exposure to losses arising from movements in the prices of the HM Treasury Stock.

The Stocks are classified as "available for sale" meaning that movement in price will impact on gains and losses in Other Comprehensive Income and Expenditure for 2016/17.

Foreign Exchange Risk

The Authority has cash denominated in Euro currency so is exposed to exchange rate risk and potential loss of value on the cash held. The balances held in Euro currency are kept to a minimum.

28. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it.

	2015/16 £'000	2016/17 £'000
Capital Investment		
Property Plant and Equipment	32,509	35,928
Heritage Assets	244	1,689
Investment Properties	400	0
Intangible Assets	725	500
Revenue Expenditure Funded from Capital under Statute	8,217	9,613
	42,096	47,730
Sources of Finance		
Capital receipts	(4,307)	(3,944)
Government grants and other contributions	(21,248)	(28,006)
Sums set aside from revenue	(7,547)	(8,170)
Borrowing	(8,994)	(7,609)
Closing Capital Financing Requirement	(42,096)	(47,730)

29. Leases

Authority as Lessee

Finance Leases

The Authority holds the Luton Library building under a finance lease. The asset is carried as Property Plant and Equipment in the balance sheet at the following net amounts:

	31 March 2016 £'000	31 March 2017 £'000
Other Land & Buildings	422	414

The Authority is committed to making payments under the lease of £1 per annum.

The Authority has a small number of finance leases for the acquiring of Plant and Equipment, however, these are all below the Authority's approved de-minimis level of £25,000 and have therefore been recognised within the accounts as operating leases.

The Authority has finance lease arrangements through "embedded leases". Embedded leases are where assets, although not owned by the Authority, are used primarily by the Authority for service delivery. Embedded leases are contained within our Waste and Highways contracts. Where we have not been able to ascertain the value and useful life of the assets, estimates have been used. Assets are recognised in the Balance Sheet at the net depreciated value and offset by a deferred liability.

The assets held through embedded leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31 March 2016 £'000	31 March 2017 £'000
Vehicles, Plant & Equipment	497	298

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the assets acquired and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2016 £'000	31 March 2017 £'000
Finance lease liabilities (net present value of minimum lease payments):		
• current	240	57
• non-current	0	0
Finance costs payable in future years	55	6
Minimum Lease Payments	295	63

The minimum lease payments will be payable over the following periods

	Minimum Lease Payments		Finance Lease Payments	
	31 March 2016 £'000	31 March 2017 £'000	31 March 2016 £'000	31 March 2017 £'000
Not later than one year	295	63	240	57
Later than one year and not later than five years	0	0	0	0
	295	63	240	57

Operating Leases

The Authority has made use of leases to acquire property, vehicles, and equipment. The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2016 £'000	31 March 2017 £'000
Not later than one year	1,023	966
Later than one year and not later than five years	1,864	2,161
Later than five years	3,310	4,163
Total	6,197	7,290

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to leases was:

	2015/16 £'000	2016/17 £'000
Minimum Lease Payments	1,094	1,023
Sublease Payments Receivable	(6)	(36)
	1,088	987

Authority as Lessor

Operating Leases

The Authority leases out property under operating leases for the provision of the following services:

- Community services such as sports facilities, community centres and tourism;
- Economic development to provide suitable affordable accommodation form local businesses;

The future minimum lease payments receivable are:

	31 March 2016 £'000	31 March 2017 £'000
Not later than one year	1,183	828
Later than one year and not later than five years	2,365	2,238
Later than five years	9,807	9,650
Total	13,355	12,716

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2016/17; £0.370m contingent rents were receivable by the Authority (2015/16; £0.370m).

30. Debtors

The Council's debtors (net of the provision for bad and doubtful debts) are as follows:

	31 March 2016 £'000	31 March 2017 £'000
Central government bodies	9,338	9,527
Other Local Authorities	1,932	2,437
NHS bodies	1,778	1,825
Public corporations and trading funds	0	0
Bodies external to general government	25,251	25,400
Total Debtors	38,299	39,189

31. Cash and Cash Equivalents

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

	31 March 2016 £'000	31 March 2017 £'000
Cash held by the Authority	25	24
Bank current accounts	17,523	12,652
Bank Overdraft	(20,422)	(9,948)
Short-term deposits with financial institutions	1,624	2,306
Total Cash & Cash Equivalents	(1,250)	5,034

32. Creditors

	31 March 2016 £'000	31 March 2017 £'000
Central government bodies	6,947	(8,583)
Other Local Authorities	2,916	(5,666)
NHS bodies	237	(970)
Public corporations and trading funds	65	0
Bodies external to general government	25,958	(21,803)
Total Creditors	36,123	(37,022)

33. Provisions

	Short Term			
	Insurance Provision £000s	NDR Appeals Provision £000s	Other Provisions £000s	Total £000s
Balance as at 31 March 2016	0	3,277	550	3,826
Additional Provisions Made	0	5,092	0	5,092
Amounts Used	0	0	(110)	(110)
Unused Amounts Reversed	0	(6,167)	(219)	(6,386)
Unwinding of Discounting	0	0	0	0
Balance as at 31 March 2017	0	2,202	221	2,422

	Long Term			
	Insurance Provision £000s	NDR Appeals Provision £000s	Other Provisions £000s	Total £000s
Balance as at 31 March 2016	1,806	2,649	433	4,887
Additional Provisions Made	3,783	1,076	42	4,901
Amounts Used	(1,674)	0	0	(1,674)
Unused Amounts Reversed	(2,326)	0	(14)	(2,340)
Unwinding of Discounting	0	0	0	0
Balance as at 31 March 2017	1,589	3,725	461	5,775

The other short term provisions relate to the Carbon Reduction Commitment scheme.

The NDR appeals provision represents the sum set aside for unsettled claims to the Valuation Office Agency for rateable value reductions.

The Insurance Provision represents the sum set aside for unsettled, known claims as at 31 March 2017 in line with IAS 37. The majority of the unsettled claims are for public liability.

34. Pension Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the authority are members of the Teachers' Pension Scheme, administered [by Capita Teachers' Pensions on behalf of the Department for Education (DfE)]. The Scheme provides teachers with specified benefits upon their retirement, and the authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is a multi-employer defined benefit scheme. The scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years.

In 2016/17, the Authority paid £4,910m to Teachers Pensions in respect of teachers retirement benefits, representing 16.48% of pensionable pay. The figures for 2015/16 were £5.335m representing 14.1% of pensionable pay up to 31 August 2015 and 16.48% of pensionable pay from 1 September to 31 March. There were no contributions remaining payable at year end. The reduction in the level of contributions is predominantly due to the number of schools that have converted to Academy status, on or since 1 April 2016. The contributions due to be paid in the next financial year are estimated to be £4.496m.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in "Note 36".

The Authority is not liable to the scheme for any other entities' obligations to the plan.

35. Usable Reserves (As per the Movement in Reserves Statement)

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement.

36. Unusable Reserves

	31 March 2016 £'000	31 March 2017 £'000
Revaluation Reserve	132,104	128,850
Available for Sale Financial Instruments Reserve	(177)	(221)
Capital Adjustment Account	372,866	367,228
Financial Instruments Adjustment Account	699	909
Pensions Reserve	(239,786)	(290,064)
Collection Fund Adjustment Account	(4,984)	(752)
Accumulated Absences Account	(2,411)	(2,084)
Total Unusable Reserves	258,311	203,866

Revaluation Reserve

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

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

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

	2015/16	2016/17	
	£'000	£'000	£'000
Balance as at 1 April	115,748		132,104
Upward revaluation of assets	32,170	10,944	
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(8,720)	(2,450)	
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	23,450		8,493
Difference between fair value depreciation and historical cost depreciation	(2,367)	(5,077)	
Accumulated gains on assets sold or scrapped	(4,727)	(6,670)	
Amount written off to the Capital Adjustment Account	(7,094)		(11,747)
Balance as at 31 March	132,104		128,850

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost, or
- disposed of and the gains are realised.

	2015/16	2016/17	
	£'000	£'000	£'000
Balance as at 1 April	0		(177)
Upward revaluation of assets	0	0	
Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	(177)	(44)	
	(177)		(44)
Balance as at 31 March	(177)		(221)

Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

"Note 20" provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2015/16		2016/17	
	£'000	£'000	£'000	£'000
Balance as at 1 April		417,721		372,866
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	(42,109)		(38,006)	
• Revaluation losses on Property, Plant and Equipment	10,051		7,123	
• Amortisation of Intangible Assets	(637)		(527)	
• Revenue Expenditure funded from Capital Under Statute	(8,217)		(9,613)	
• Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(48,533)		(23,865)	
Adjusting amounts written out of the Revaluation Reserve	7,094	(89,445)	11,747	(64,889)
Other adjustments	0		0	
Net written out amount of the cost of non-current assets consumed in the year		7,095		11,747
Capital financing applied in the year:				
• Use of Capital Receipts Reserve to finance new capital expenditure	4,307		3,944	
• Use of the Major Repairs Reserve to finance new capital expenditure	4,149		3,052	
• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	16,929		23,423	
• Application of grants to capital financing from the Capital Grants Unapplied Account	4,319		4,583	
• Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	4,424		4,558	
• Capital expenditure charged against the General Fund and HRA balances	3,398		5,119	
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		37,526		44,679
		(31)		2,825
Balance as at 31 March		372,866		367,228

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Authority uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2016 will be charged to the General Fund over the next 33 years.

	2015/16	2016/17	
	£'000	£'000	£'000
Balance as at 1 April	515		699
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	184	210	
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	184		210
Balance as at 31 March	699		909

Pensions Reserve

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

	2015/16	2016/17
	£'000	£'000
Balance as at 1 April	(270,813)	(239,786)
Remeasurements of the net defined benefit liability/(asset)	40,447	(38,167)
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	(22,851)	(25,163)
Employer's pensions contributions and direct payments to pensioners payable in the year	13,431	13,052
Balance as at 31 March	(239,786)	(290,064)

Collection Fund Adjustment Account

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

	2015/16 £'000	2016/17 £'000
Balance as at 1 April	(4,168)	(4,984)
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	(816)	4,232
Balance as at 31 March	(4,984)	(752)

The balance of £752m shown above consists of the following component parts:

	2016/17 £'000
Medway Council Tax Surplus	(1,284)
Medway Non-Domestic Rate Deficit	2,036
Balance as at 31 March	752

Accumulated Absences Account

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

	2015/16	2016/17	
	£'000		£'000
Balance as at 1 April	(2,521)		(2,411)
Settlement or cancellation of accrual made at the end of the preceding year	2,521	2,411	
Amounts accrued at the end of the current year	(2,411)	(2,084)	
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	110		327
Balance as at 31 March	(2,411)		(2,084)

37. Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Authority participates in the Local Government Pension Scheme (LGPS).

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 and currently provides benefits based on career average revalued salary and length of service at retirement.

The Administering Authority for the Fund is Kent County Council. The Pension Fund Committee oversees the management of the Fund whilst the day to day fund administration is undertaken by a team within the administering authority. Where appropriate some functions are delegated to the Fund's professional advisers.

As Administering Authority to the Fund, Kent County Council, after consultation with the Fund Actuary and other relevant parties, is responsible for the preparation and maintenance of the Funding Strategy Statement and the Statement of Investment Principles. These should be amended when appropriate based on the Fund's performance and funding.

Contributions are set every 3 years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2019 and set contributions for the period from 1 April 2020 to 31 March 2023. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions. On the Employer's withdrawal from the plan, a cessation valuation will be carried out in accordance with Regulation 64 of the LGPS Regulations 2013 which will determine the termination contribution due by the Employer, on a set of assumptions deemed appropriate by the Fund Actuary.

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

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

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

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

Transactions Relating to Post-Employment Benefits

The Authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund [and Housing Revenue Account] via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	2015/16 £'000	2016/17 £'000
Comprehensive Income and Expenditure Statement		
Cost of Services	13,945	16,288
Service cost comprising:		
• Current service costs		
• Past service costs		
• (gain)/loss from settlements		
Financing and Investment Income and Expenditure		
Net Interest expense	8,619	8,608
Administration expenses	287	267
Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of services	22,851	25,163
Remeasurement of the net defined benefit liability comprising:		
• Return on plan assets in excess of interest	9,282	(71,463)
• Actuarial gains and losses arising on changes in demographic assumptions	0	(10,781)
• Actuarial gains and losses arising on changes in financial assumptions	(49,829)	150,676
• Experience gain / (loss) on defined benefit obligation	100	(27,366)
• Other (if applicable)	0	(2,899)
Total Remeasurements Recognised in Other Comprehensive Income	(40,447)	38,167
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	(17,596)	63,330
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	22,851	25,163
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to scheme	13,431	13,052

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government Pension Scheme	
	31 March 2016 £'000	31 March 2017 £'000
Present value of the defined benefit obligation	(650,237)	(785,933)
Fair value of plan assets	417,023	502,641
Present value of unfunded obligation	(6,572)	(6,772)
Net liability arising from defined benefit obligation	(239,786)	(290,064)

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

	Local Government Pension Scheme	
	31 March 2016 £'000	31 March 2017 £'000
Opening fair value of scheme assets	416,454	417,023
Expected return on scheme assets		
Interest income	13,690	15,365
Remeasurement gain/(loss):		
• The return on plan assets, excluding the amount included in the net interest expense	(9,282)	71,463
• Other (if applicable)	0	
Actuarial gains and losses		2,899
Administration expenses	(287)	(267)
Contributions from employer including unfunded	13,431	13,052
Contributions from employees into the scheme	4,377	4,162
Estimated Benefits paid	(17,194)	(18,735)
Settlement prices received/ (paid)	(4,166)	(2,321)
Closing fair value of scheme assets	417,023	502,641

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	Funded Liabilities: Local Government Pension Scheme	
	2015/16 £'000	2016/17 £'000
Opening balance at 1 April	687,267	656,809
Current service cost	21,193	18,054
Interest cost	22,309	23,973
Contributions from scheme participants	4,377	4,162
Remeasurement gains/(losses):		
• Actuarial gains and losses arising on changes in demographic assumptions	0	(10,781)
• Actuarial gains and losses arising on changes in financial assumptions	(49,829)	150,676
• Experience (loss)/gain on defined benefit obligation	100	(27,366)
Past service cost		
Losses/(gains) on curtailment (where relevant)		
Liabilities extinguished on settlements	(11,448)	(4,580)
Liabilities assumed on entity combinations		
Benefits paid		
Estimated benefits paid net of transfers in	(16,677)	(18,230)
Past service cost, including curtailments	34	493
Unfunded pension payments	(517)	(505)
Closing balance at 31 March	656,809	792,705

Local Government Pension Scheme assets comprised:

	Period Ended 31 March 2016				Period Ended 31 March 2017			
	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	Percentage of total asset %	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	Percentage of total asset %
Equities	268,498		268,498	64.30%	341,664		341,664	68.10%
Fixed Interest Government Securities	3,694		3,694	1.00%	3,749		3,749	0.70%
Corporate Bonds	45,789		45,789	11.00%	48,966		48,966	9.70%
Property		60,578	60,578	14.50%		62,636	62,636	12.50%
Others:						2,010		0.40%
Cash		10,737	10,737	2.60%		12,842	12,842	2.10%
Private Equity		5,011	5,011	1.20%		7,540	7,540	1.50%
Infrastructure		4,593	4,593	1.10%		5,529	5,529	1.10%
Absolute Return Portfolio		18,123	18,123	4.30%	19,715		19,715	3.90%
Total assets	317,981	99,042	417,023	100.00%	414,094	90,557	502,641	100.00%

The funds Actuaries have estimated the bid values where necessary. The final asset allocation of the Fund assets as at 31 March 2017 is likely to be different from that shown due to estimation techniques.

Basis for Estimating Assets and Liabilities

The principal assumptions used by the actuary have been:

To assess the value of the Employer's liabilities at 31 March 2017, the actuary has rolled forward the value of the Employer's liabilities calculated for the funding valuation as at 31 March 2013 using financial assumptions that comply with IAS19.

The full actuarial valuation involved projecting future cash flows to be paid from the Fund and placing a value on them. These cash flows include pensions currently being paid to members of the Scheme as well as pensions (and lump sums) that may be payable in future to members of the Scheme or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

It is not possible to assess the accuracy of the estimated liability as at 31 March 2017 without completing a full valuation. However, the actuary is satisfied that the approach of rolling forward the previous valuation data to 31 March 2017 should not introduce any material distortions in the results provided that the actual experience of the Employer and the Fund has been broadly in line with the underlying assumption, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information we have received there appears to be no evidence that this approach is inappropriate.

To calculate the asset share the actuary has rolled forward the assets allocated to the Employer at 31 March 2013 allowing for investment returns (estimated where necessary), contributions paid into, and estimated benefits paid from, the Fund by and in respect of the Employer and our Employees.

The service cost for the year ending 31 March 2017 is calculated using an estimate of the average total pensionable payroll during the year.

Demographic, Statistical and Financial Assumptions - The actuary has adopted a set of demographic assumptions that are consistent with those used for the funding valuation as at 31 March 2013. The post retirement mortality tables adopted are the S1PA tables. These base tables are then projected using the CMI 2012 Model, allowing for a long term rate of improvement of 1.5% per annum.

The assumed life expectations from age 65:

Life Expectancy from age 65 (years)	Local Government Pension Scheme	
	31 March 2016	31 March 2017
Mortality assumptions:		
Longevity at 65 for current pensioners		
• Men	22.9	23.0
• Women	25.3	25.0
Longevity at 65 for future pensioners		
• Men	25.2	25.1
• Women	27.7	27.4

Further assumptions are:

- Members will exchange half of their commutable pension for cash at retirement

- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age;
- No members will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits.

The Financial assumptions used for the purposes of the IAS19 calculations are as follows:

	Local Government Pension Scheme	
	31 March 2016	31 March 2017
Rate of inflation CPI	2.40%	2.70%
Rate of inflation RPI	3.30%	3.60%
Rate of increase in salaries	4.20%	4.20%
Rate of increase in pensions	2.40%	2.70%
Rate for discounting scheme liabilities	3.70%	2.80%

These assumptions are set with the reference to market conditions at 31 March 2017.

The actuary's estimate of the duration of the Employer's liabilities is 19 years.

The discount rate is the annualised yield at the 19 year point on the Merrill Lynch AA rated corporate bond curve which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the Employer's liabilities. This is consistent with the approach used at the last accounting date.

The RPI increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England, specifically the 19 year point on the Bank of England market implied inflation curve. The RPI assumption is therefore 3.6% p.a. This is consistent with the approach used at the last accounting date.

As future pension increases are expected to be based on the Consumer price Index (CPI) rather than RPI, we have made a further assumption about CPI which is that it will be 0.9% p.a. below RPI i.e. 2.7% p.a. We believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods and recent independent forecasts. This is consistent with the approach used at the last accounting date.

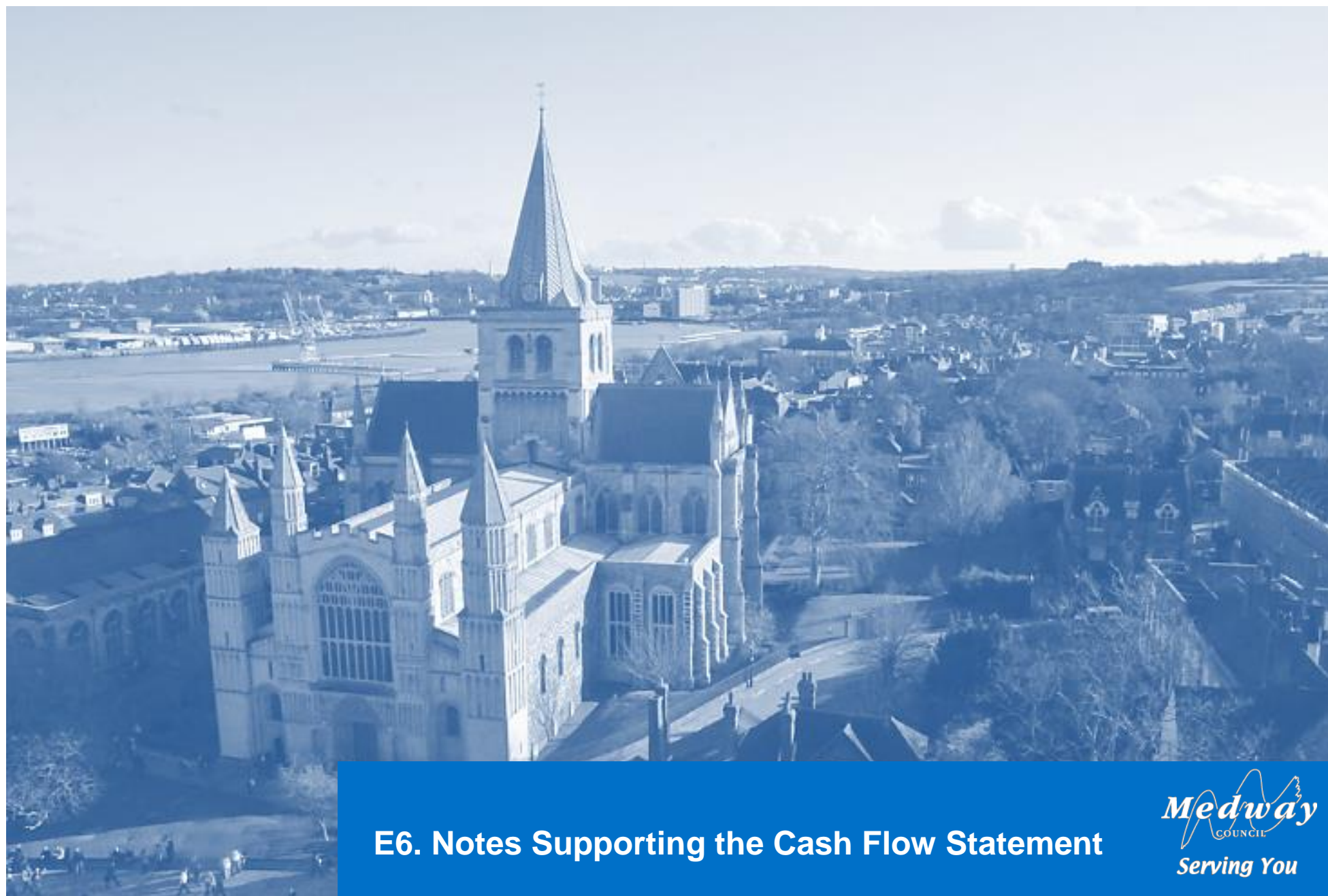
Salaries are then assumed to increase at 1.5% p.a. above CPI in addition to promotional scale. However we have allowed for a short-term overlay from 31 March 2016 to 31 March 2020 for salaries to rise in line with CPI. This has been updated from last year to be consistent with the 2016 valuation of the Fund.

Sensitivity Analysis				
		£000's	£000's	£000's
Adjustment to discount rate		0.10%	0.00%	(0.10%)
	Present Value of Total obligation	777,761	792,705	807,952
	Projected Service Cost	24,797	25,412	26,043
Adjustment to long term salary increase		0.10%	0.00%	(0.10%)
	Present Value of Total obligation	794,495	792,705	790,931
	Projected Service Cost	25,412	25,412	25,412
Adjustment to pension increases and deferred revaluation		0.10%	0.00%	(0.10%)
	Present Value of Total obligation	806,162	792,705	779,507
	Projected Service Cost	26,046	25,412	24,796
Adjustment to mortality age rating assumption		+ 1 Year	None	-1 Year
	Present Value of Total obligation	822,389	792,705	764,127
	Projected Service Cost	26,223	25,412	24,627

Impact on the Authority's Cash Flow

The Authority anticipates that it will pay £11,934,000 expected contributions to the scheme in 2017/18.

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



E6. Notes Supporting the Cash Flow Statement



38. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	2015/16 £'000	2016/17 £'000
Interest received	(575)	(403)
Interest paid	8,940	7,590
Dividends received	0	(449)

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

	2015/16 £'000	2016/17 £'000
Depreciation	(42,745)	(38,533)
Impairment and downward revaluations	9,843	7,123
(Increase) / decrease in creditors	1,260	3,162
Increase / (decrease) in debtors/Impairment for Bad Debts	(5,592)	886
Increase / (decrease) in inventories	(62)	(13)
Movement in pension liability	(9,420)	(12,111)
Contributions (to)/from Provisions	1,505	518
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(48,577)	(23,867)
Other non-cash items charged to the net surplus or deficit on the provision of services	0	2,825
	(93,788)	(60,010)

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

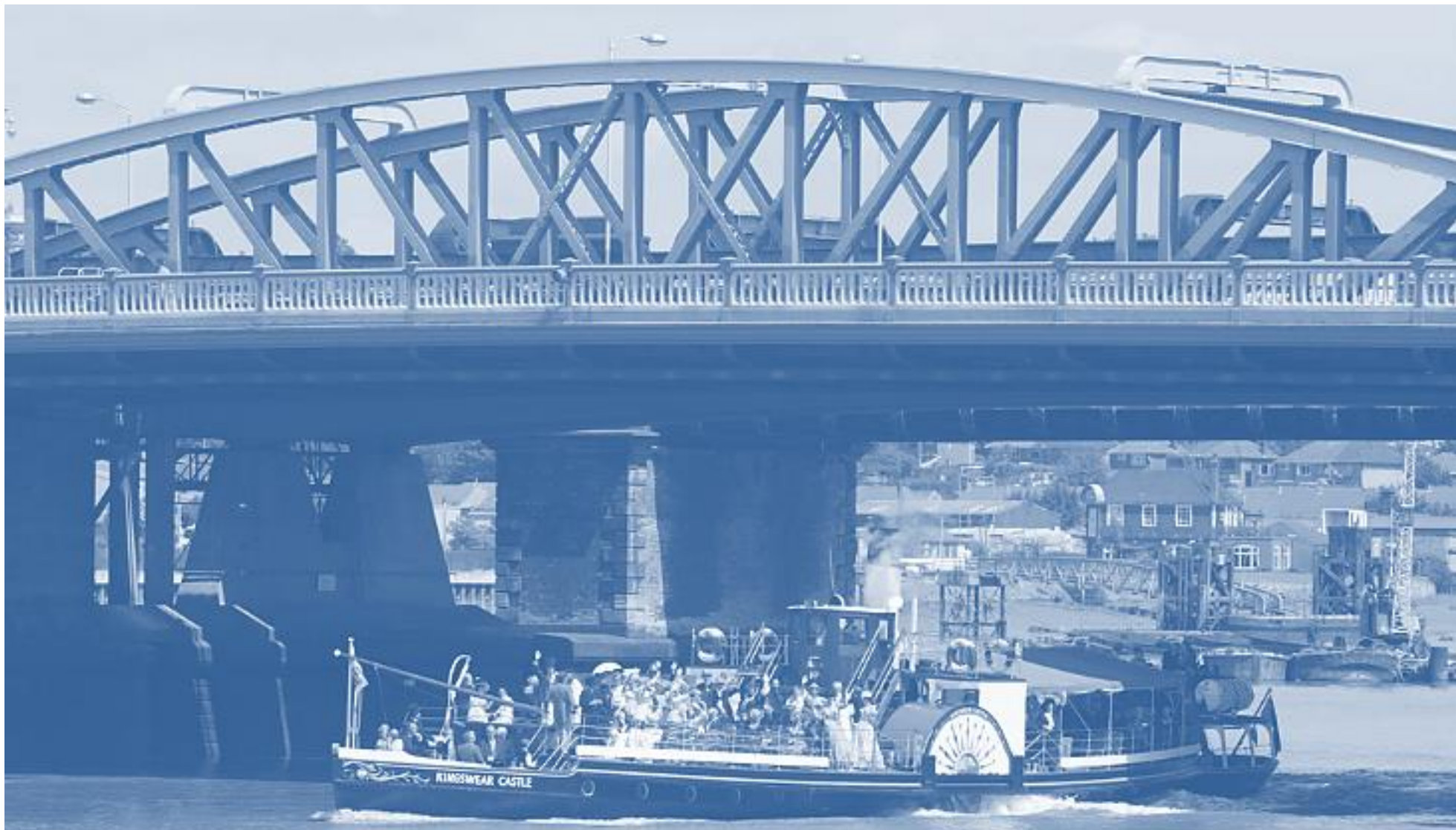
	2015/16 £'000	2016/17 £'000
Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	3	0
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	3,086	4,052
Any other items for which the cash effects are investing or financing cash flows	9,874	18
	12,963	4,070

39. Cash Flow – Investing Activities

	2015/16 £'000	2016/17 £'000
Purchase of property, plant and equipment, investment property and intangible assets	33,658	38,116
Purchase of short-term and long-term investments	3,000	0
Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(3,086)	(4,052)
Proceeds from short-term and long-term investments	(3)	0
Other receipts from investing activities	(9,874)	(17)
Net cash flows from investing activities	23,695	34,047

40. Cash Flow – Financing Activities

	2015/16 £'000	2016/17 £'000
Cash receipts of short- and long-term borrowing	(6,922)	(27,015)
Other receipts from financing activities	0	0
Cash payments for the reduction of outstanding liabilities relating to finance leases	764	308
Repayments of short- and long-term borrowing	88	128
Other payments for financing activities	0	0
Net cash flows from financing activities	(6,070)	(26,579)



E7. Other Notes

41. Related Parties

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

Central Government

Central government has significant influence over the general operations of the authority – it is responsible for providing the statutory framework, within which the authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in "Note 8". Grant receipts outstanding at 31 March 2017 are shown in "Note 18".

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2016/17 is shown in "Note 13".

The Authority holds a statutory register of members' declarations covering employment, sponsorship, property and land holdings, contracts with the Authority etc. Members and senior officers declare any pecuniary interest in committee items prior to their debate. The Authority also holds a Register of Interest relating to members and senior officers. These registers are open to inspection by members of the public.

All members agree to the terms of the National Code of Local Government Conduct and the Authority has introduced a Code of Conduct agreeing guidelines for good working practice between members and officers.

Two Members of the Council are Trust Members of Chatham Historic Dockyard Trust. During the year the Council paid £0.089m (£0.114m in 2015/16) to the organisation and the Trust paid the Council £0.001m (£0.026 in 2015/16). At 31 March 2017 the Council was owed £0 by the Trust (31 March 2016 £0).

Four Members of the Council form part of the governing body of the Lower Medway Internal Drainage Board. During the year the Council paid £0.171m (£0,2015/16) to the organisation. At 31 March 2017 the Council owed £0 to the Trust (2015/16 £0).

Sunlight Development Trust– is a community owned organisation that works with partners across all Sectors. Its overriding aim is to improve health, inequality and well being. One member is Chair of the Trustees. The Authority made payments to the Trust amounting to £0.0524m during 2016/17 (2015/16 £0.0868m).

One Member of the Council is a non-executive director of Medway Community Healthcare. During the year the Council received £0.072m (£0.959m 2015/16) from Medway Community Healthcare and paid £9.383 (£4.362m,2015/16) in respect of various services. At 31 March 2017 the Council was owed £0.0561m (31 March 2016 £0.040m) and owed £0 to the Trust (2015/16 £0).

Three Members of the Council are Trust Members of Chatham Maritime Trust. During the year the Council paid £0.073m (£0 in 2015/16) to the organisation and the Trust paid the Council £0.001m (£0 in 2015/16). At 31 March 2017 the Council was owed £0 by the Trust (31 March 2016 £0) and owed £0 to the Trust (2015/16 £0).

The Action for Borstal Community Project was set up in 1995 recognising a need for services to support young families. One Member of the Council is a Director/Trustee of this organisation. During the year the Council paid £0.077m (£0 in 2015/16) to the organisation. At 31 March 2017 the Council owed £0 to the Project (31 March 2016 £0).

Officers

One senior officer is a Council member of The University of Kent Governing Body. The total value of payments made by the University to the Council was £0.0458m in 2015/16 (£0.0418m in 2015/16). Payments from the Council to the University from the Council totalled £0.0368m in 2016/17 (£0.009m in 2015/16). At 31 March 2017 the Council was owed £0.002m (31 March 2016 £0.001m).

One senior officer is a Council member of Mid Kent College Governing Body. The Council made payments of £0.177m to the college in 2016/17 (£0.407m in 2015/16). The total value of transactions to the Council from the College was £0.003m (£0.003m in 2015/16). At 31 March 2017 the Council owed £0 to the College (31 March 2016 £0) and the College owed the Council £0.001m (31 March 2016: £0.001m).

Other Public Bodies (subject to common control by Central Government)

The Authority operates a number of joint funding initiatives with Medway Clinical Commissioning Group as detailed in "Note 12".

The Authority receives grant income from various government departments as detailed in "Note 18".

Entities controlled or significantly influenced by the Authority

The Authority has a 20% equity share in Medway Norse Limited. The company provides corporate cleaning, building maintenance, security services, window cleaning, printing services and catering to the Authority.

The Authority also has a 20% equity share in Medway Norse Transport. The company provides transport services to the Authority.

The Companies supply services to the Authority which is included in the cost of services.

Medway Council appoints 2 directors to the Boards of Medway Norse and Medway Norse Transport. The Council made payments of £11.098m to Medway Norse/Medway Norse Transport in 2016/17 (£11.487m 2015/16). The total value of transactions to the Council from these companies was £0.315m in 2016/17 (£0.102m 2015/16). At 31 March 2017 the Council was owed £0.235m (31 March 2016: £0.029m) and owed £0.176m (31 March 2016: £0.135m).

42. Contingent Liabilities

At 31 March 2017, the Authority had no significant contingent liabilities..

The Council has £101.8m of Lender Option Borrower Option loans (LOBOs), taken out between 2003 and 2008 with terms of 30 to 60 years. Information on the Council's borrowings, including LOBO loans, is included in "Note 25". A number of local authorities, including this Council, have received objections from local electors as to the lawfulness of local authorities obtaining borrowings through LOBO loans. Whilst the LOBO loans held by this Council have not currently been found to be unlawful, there is on-going analysis of LOBOs generally by councils affected, their auditor and specialist lawyers. The law in relation to this matter is complex and there is uncertainty as to what the consequences could be should a local authority have obtained borrowing through a LOBO that was found to be unlawful. In the event of a LOBO loan being found to be unlawful, restitutionary remedies may result in the outstanding balances on these loans having to be repaid in full to the lender and may result in additional costs resulting from losses incurred by the lender.

43. Contingent Assets

There were no known material contingent assets as at 31 March 2017.

44. Non-adjusting event post reporting period

There have been no events between 31 March 2017 and the issuing of this Statement of Accounts which have a significant bearing on the financial results year or the financial position presented in the Balance Sheet.



F. Supplementary Financial Statements

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The Collection Fund Statement

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

Collection Fund surpluses declared by the billing authority in relation to Council Tax are apportioned to the relevant precepting bodies in the subsequent financial year. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year. For Medway, the Council Tax precepting bodies are The Police and Crime Commissioner for Kent and The Kent Fire and Rescue Service.

The scheme allows the Authority to retain a proportion of the total NDR received. The Medway share is 49% with the remainder paid to precepting bodies. For Medway precepting bodies this is Central Government 50%, Kent Fire and Rescue Service 1%.

NDR surpluses or deficits declared by the billing authority in relation to the Collection Fund are apportioned to the relevant precepting bodies in the subsequent financial year in their respective proportions.

Year Ended 31 March 2016		Collection Fund Notes	Year Ended		
			31 March 2017		
Total			Business Rates	Council Tax	Total
£'000			£'000	£'000	£'000
	Amounts required by statute to be credited to the Collection Fund				
(115,026)	Council Tax	1		(121,920)	(121,920)
(88,855)	Non-Domestic Rates	2	(92,659)		(92,659)
(203,881)	Total Amount required by statute to be credited to the Collection Fund		(92,659)	(121,920)	(214,579)
	Amounts required by statute to be debited to the Collection Fund				
	<u>Precepts and demands from major preceptors and the authority</u>				
140,239	- Medway Council		44,802	101,166	145,968
11,803	- Police and Crime Commissioner for Kent (PCCK)			12,417	12,417
6,578	- Kent Fire and Rescue Service (KFRS)		914	5,876	6,790
	Payment with respect to central share (including allowable deductions) of the non-domestic rating income to be paid to central government by billing authorities				
	<u>Business rates:</u>				
45,540	- payment to Central Government		45,716		45,716
284	- costs of collection		284		284
35	- transitional protection		823		823
	<u>Impairment of debts/appeals</u>				
0	- write-offs of uncollectable amounts	3			0
2,264	- allowance for impairment		1,035	1,050	2,085
(4,095)	- Increase/Decrease in Provision for appeals				0
2,397	Transfer of Collection Fund surplus/(deficit)		(8,838)	1,000	(7,838)
205,045	Total Amount required by statute to be debited to the Collection Fund		84,736	121,509	206,245
9,810	Opening fund balance		12,078	(1,104)	10,974
10,974	Closing Fund Balance		4,155	(1,515)	2,640
1,164	Movement on fund balance		(7,923)	(411)	(8,334)
	Allocation of Closing Deficit/(Surplus)				
4,984	Medway Council		2,036	(1,284)	752
(115)	Police and Crime Commissioner for Kent		0	(157)	(157)
66	Kent Fire and Rescue Service		42	(74)	(32)
6,039	Central Government		2,077		2,077
10,974			4,155	(1,515)	2,640

Notes to the Collection Fund Account

1. Council Tax

Council Tax derives from charges raised according to the value of residual properties, which have been classified in 9 valuation bands (A-H) for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Council and major preceptors for the forthcoming year and dividing this by the Council Tax base (i.e. the equivalent numbers of Band D dwellings).

The Council Tax Base for 2016/17 was 81,613.55 (80,212.79 in 2015/16). The tax base for 2016/17 was approved by the Portfolio Holder for Finance on 27 January 2016 and was calculated as follows:

Band	Chargeable Dwellings	Ratio 9ths	Band D Equivalent Gross	Exemptions & Discounts	Band D Equivalent Net
A	11,199	6/9	7,511	1,407	6,103.68
B	37,992	7/9	29,678	3,502	26,176.82
C	33,287	8/9	29,819	2,748	27,070.64
D	17,265	1	17,329	1,462	15,866.74
E	8,584	11/9	10,747	837	9,909.66
F	3,768	13/9	5,353	247	5,105.89
G	1,354	15/9	2,255	106	2,149.08
H	64	18/9	132	59	72.80
Total	113,513		102,824	10,368	92,455.31
Council Tax Support					(9,164.58)
Sub Total					83,290.73
Allowance for Non Collection (2.4%)					(1,998.97)
Sub Total					81,291.76
Crown Contribution					321.79
Tax Base for the Calculation of Council Tax 2016/17					81,613.55
Tax Base for the Calculation of Council Tax 2015/16					80,212.79

2. Income from Business Rates

The Council collects Non-Domestic Rates for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government. In previous financial years the total amount due, less certain allowances, was paid to a central pool administered by Central Government, which, in turn, paid to Local Authorities their share of the pool, such shares being based on a standard amount per head of the local adult population.

In 2013/14, the administration of NDR changed following the introduction of a business rates retention scheme which aims to give authorities a greater incentive to grow businesses but also increases the financial risk due to volatility and non-collection of rates. Instead of paying NDR to the central pool, local authorities retain a proportion of the total collectable rates due. In the case of Medway the local share is 49%, Central Government 50% and Kent Fire and Rescue service 1%.

The business rates shares payable for 2016/17 were estimated before the start of the financial year as £45.7m to Central Government, £0.9m to KFRS and £44.8m to Medway Council. These sums have been paid in 2016/17 and charged to the collection fund in that year.

The total income from business rate payers collected in 2016/17 was £92.7m (£88.8m 2015/16).

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by VOA and hence business rates outstanding as at 31 March 2017. As such, authorities are required to make provision for these amounts. Appeals are charged and provided for in proportion of the precepting shares. There was no change in provision credited to the collection fund for 2016/17 (£4.0m charged for 2015/16).

For 2016/17, the total non-domestic rateable value at the year-end is £221.8m (£218.3m in 2015/16). The national multipliers for 2016/17 were 48.4p for qualifying Small Business, and the standard multiplier being 49.7p for all other businesses (48.0p and 49.3p respectively in 2015/16).

3. Council Tax/NDR Bad Debt Provision and NDR provision for valuation appeals

The Collection Fund account provides for bad debts on arrears of Council Tax on the basis of prior years' experience and current years collection rates.

2015/16 £000s			2016/17 £000s	
Collection Fund	Medway Share		Collection Fund	Medway Share
2,680	2,255	Balance at 1 April	2,759	2,336
(716)	(715)	Write-offs during year	(931)	(786)
795	796	Contributions to provisions during year	1,050	895
79	81	Net Increase/decrease in Provisions	119	109
2,759	2,336	Balance at 31 March	2,878	2,445

The Collection Fund account also provides for bad debts on Non-domestic rates arrears.

2015/16 £000s			2016/17 £000s	
Collection Fund	Medway Share		Collection Fund	Medway Share
2,181	1,069	Balance at 1 April	2,813	1,378
(837)	(410)	Write-offs during year	(924)	(452)
1,469	719	Contributions to provisions during year	1,035	507
632	309	Net Increase/decrease in Provisions	111	55
2,813	1,378	Balance at 31 March	2,924	1,433

The Collection Fund account also provides for provision for appeals against the rateable valuation set by the Valuation Office Agency (VOA) not settled as at 31 March 2017. This is the fourth year of the provision.

2015/16 £000s			2016/17 £000s	
Collection Fund	Medway Share		Collection Fund	Medway Share
16,187	7,932	Balance at 1 April	12,092	5,925
(4,095)	(2,007)	Contributions to provisions during year	0	0
(4,095)	(2,007)	Net Increase/(decrease) in Provisions	0	0
12,092	5,925	Balance at 31 March	12,092	5,925

Housing Revenue Account

Explanatory Foreword

The Housing Revenue Account (HRA) is a record of revenue expenditure and income relating to the Authority's housing stock. Its primary purpose is to ensure that expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants. Consequently, the HRA is a statutory account, ring fenced from the rest of the General Fund, so that rents cannot be subsidised from council tax (or vice versa).

The ring fence is controlled by Schedule 4 to the Local Government and Housing Act 1989, which specifies the debits and credits to be made to the HRA and excludes any other postings. The Schedule has been supplemented by an Item 8 determination issued for 2012-2013 and subsequent years.

Authorities are required by section 74(1) of the 1989 Act to keep the HRA in accordance with proper practices. Proper practices are defined in section 21(2) of the Local Government Act 2003 as those accounting practices which:

- the Authority is required to follow by virtue of any enactment (statutory proper practices) – the principal statutory proper practices are determined by the 1989 Act, the 1993 Act, the Audit Commission Act 1998, the Accounts and Audit (England) Regulations 2015, the HRA (Accounting Practices) Directions 2011 and the Item 8 Determination
- are contained in a code of practice which is identified for this purpose by regulations made by the Secretary of State (non-statutory proper practices) – the most relevant to the HRA are the Code and SeRCOP.

Section 21(3) of the 2003 Act also requires that, in the event of any conflict between statutory and non-statutory practices, only those defined by statute are to be regarded as proper practices. This is particularly important in the context of capital charges and receipts, where calculation of the amounts to be credited or debited to the HRA is determined by the Secretary of State. However, problems can also arise with apparently less complex transactions such as the recharging of support services and administrative expenses.

Paralleling the treatment for the council's wider operations, the transactions relating to the HRA have been separated into two statements:

- the HRA Income and Expenditure Statement
- the Movement on the HRA Statement

HRA Income and Expenditure Statement

This Statement analyses in more detail the income and expenditure on HRA services included in the whole Authority Surplus or Deficit on the Provision of Services. It also 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. The Authority charges rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

2015/16 £'000		HRA Notes	2016/17 £'000
	Expenditure		
2,861	Repairs & maintenance		2,967
3,653	Supervision and management		3,478
176	Rents, rates, taxes and other charges		149
(16,970)	Depreciation and impairment of non-current assets	4,8	(9,126)
2	Revenue Expenditure Funded from Capital Under Statute	5	51
75	Debt management costs		75
50	Movement in the allowance for bad debts	7	30
(10,153)	Total Expenditure		(2,377)
	Income		
(13,136)	Dwelling rents		(13,036)
(166)	Non-dwelling rents		(175)
(1,320)	Charges for services and facilities		(1,298)
(19)	Contributions towards expenditure		(41)
(59)	Reimbursement of Costs		(52)
(14,701)	Total Income		(14,601)
	Net Cost of Housing Revenue Account Services as included in the whole authority Comprehensive Income and Expenditure Statement		(16,978)
99	HRA services share of Corporate and Democratic Core		99
(120)	HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services		(32)
(24,876)	Net Expenditure/(Income) for Housing Revenue Account Services		(16,911)
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
(327)	(Gain) or loss on sale of HRA non-current assets		(680)
2,522	Interest payable and similar charges	*	2,552
(25)	Interest and investment income		(32)
143	Net interest on the net defined benefit liability (asset)		155
(22,563)	Deficit/(Surplus) for the year on Housing Revenue Account Services		(14,916)

* As a result of the withdrawal of HRA subsidy and the introduction of self-financing, the HRA now makes a debt repayment and pays additional interest on the additional debt burden of £19.144m.

Movement on the Housing Revenue Account Statement

This Statement shows the how the HRA Income and Expenditure Account surplus or deficit for the year reconciles to the movement on the Housing Revenue Account balance for the year end.

2015/16 £'000		2016/17 £'000
(2,235)	Balance on the HRA at the end of the previous reporting period	(2,817)
(22,563)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	(14,916)
21,981	Adjustments between accounting basis and funding basis under statute	14,115
(582)	Net (increase) or decrease before transfers to or from reserves	(801)
0	Transfers to or (from) Earmarked HRA reserves	0
0	Transfers to or (from) GF reserves	0
(582)	(Increase) or decrease in year on the HRA	(801)
(2,817)	Balance on the HRA at the end of the current reporting period	(3,618)

Notes to the Housing Revenue Account

1. Adjustments Between Accounting Basis and Funding Basis Under Statute

2015/16 £'000		2015/16 £'000
ADJUSTMENTS PRIMARILY AFFECTING THE CAPITAL ADJUSTMENT ACCOUNT:		
(3,480)	Charges for depreciation and impairment of non-current assets	(3,052)
20,450	Revaluation movements on Property, Plant and Equipment	12,178
(2)	Revenue Expenditure Funded from Capital Under Statute	(51)
(431)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,003)
INSERTION OF ITEMS NOT DEBITED OR CREDITED TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT:		
1,368	Capital Expenditure charged Against HRA Balances	1,536
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL RECEIPTS RESERVE:		
758	Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,683
ADJUSTMENTS PRIMARILY INVOLVING THE MAJOR REPAIRS RESERVE:		
3,480	Reversal of Major Repairs Allowance credited to HRA	3,052
ADJUSTMENTS PRIMARILY INVOLVING THE FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT:		
(12)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(12)
ADJUSTMENTS PRIMARILY INVOLVING THE PENSIONS RESERVE:		
(375)	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(448)
223	Employer's pension contributions and direct payments to pensioners payable in the year	235
ADJUSTMENTS PRIMARILY INVOLVING THE ACCUMULATED ABSENCES ACCOUNT:		
2	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	(3)
21,981	TOTAL ADJUSTMENTS	14,115

2. HRA Movements in Earmarked Reserves

In 2016/17, £0.882m (£0.450m in 2015/16) was transferred from the available 1 for 1 Capital Receipts towards the remaining allowable allowance and the 30% 2016/17 eligible expenditure for the new build programme. The current new build programme has now been competed, however due to not having sufficient funds in 1 for 1 Capital Receipts reserves, remaining allowable allowance of £0.272m will be drawn down from the future 1 for 1 Capital Receipts. The following table shows an analysis of the amounts held in the HRA earmarked reserves and the amounts set aside in year and the amounts posted back from earmarked reserves to meet the expenditure in 2016/17:

	Balance 1 April 2015 £'000	Transfers in 2015/16 £'000	Transfers out 2015/16 £'000	Balance 31 March 2016 £'000	Transfers in 2016/17 £'000	Transfers out 2016/17 £'000	Balance 31 March 2017 £'000
Housing Revenue Account							
HRA IT Reserve	(6)	0	0	(6)	0	0	(6)
Revenue Contribution to Capital	0	(1,350)	1,350	0	(1,536)	1,536	0
Major Repair Reserve	(669)	(4,291)	4,960	(0)	(3,052)	3,052	(0)
HRA Capital Receipts (1 for 1)	(190)	(260)	450	(0)	(882)	882	(0)
Total	(865)	(5,901)	6,760	(6)	(5,470)	5,470	(6)

3. Housing Revenue Account Stock

a. Rentable Dwelling Stock

The Council managed 3,026 rentable dwellings as at 31 March 2017. The movement in stock is analysed as follows:

Stock Type	01 April 2016	Adjustments	Additions	Disposals	31 March 2017
Houses	1,289	0	1	(15)	1,275
Flats	1,256	1	0	(4)	1,253
Maisonettes	215	0	0	0	215
Bungalows	251	0	32	0	283
Total	3,011	1	33	(19)	3,026

b. Non-Rentable Dwelling Stock

The Council owned 1 non rentable dwelling (a flat) as at 31 March 2017.

c. Non-Dwelling Stock

The Council owned 875 non dwellings as at 31 March 2017. The movement in stock is analysed as follows:

Stock Type	01 April 2016	Adjustments	Additions	Disposals	31 March 2017
Garages	408	0	0	0	408
Garages with water	182	0	0	0	182
Carports	78	0	0	0	78
Carspaces	180	0	0	0	180
Underground carspaces	26	0	0	0	26
Commercial Property	1	0	0	0	1
Total	875	0	0	0	875

4. HRA Non-Current Assets

In accordance with Government guidelines, dwellings have been valued at their 'existing use with vacant possession' based upon beacon values and then reduced to reflect 'existing use for social housing'. This value is included within the Balance Sheet. The vacant possession value at 1 April 2016 was £401.6m. The 'discounted' existing use value reflects the economic cost to government of providing council housing at less than market rents.

	Dwellings	Other Land and Buildings	Assets Under Construction	Total
	£'000	£'000	£'000	£'000
Cost or Valuation 1 April 2016	133,688	3,730	2,552	139,970
Assets Under Construction brought into use	2,552	0	(2,552)	0
Additions	7,462	143	0	7,605
Donations	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	405	195	0	600
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	9,470	(64)	0	9,406
Derecognition – disposals	(1,024)	0	0	(1,024)
As at 31 March 2017	152,553	4,004	0	156,557
Depreciation as at 1 April 2016	0	0	0	0
Depreciation charge	(2,793)	(259)	0	(3,052)
Depreciation written out to the Revaluation Reserve	0	257	0	257
Depreciation written out to the Surplus//Deficit on the Provision of Services	2,772	0	0	2,772
Derecognition – disposals	21	0	0	21
As at 31 March 2017	0	(2)	0	(2)

Net Book Value				
As at 31 March 2016	133,688	3,730	2,552	139,970
As at 31 March 2017	152,553	4,002	0	156,555

5. Analysis of HRA Capital Expenditure and Funding

	2015/16	2016/17
	£'000	£'000
<u>Operational Assets</u>		
Dwellings	4,129	7,474
Other Land and Buildings	101	132
Asset under Construction	2,552	0
Revenue Expenditure Funded from Capital under Statute	2	51
Total	6,784	7,656
<u>Funded by:</u>		
Major Repairs Reserve	4,150	3,052
Transfer from 1 for 1 Capital Receipts Reserves	450	882
Prudential Borrowing for New House Build Programme	834	2,186
Revenue contributions from the HRA	1,350	1,536
Total Funding	6,784	7,656

The Revenue Expenditure Funded from Capital under Statute relates to:

	2015/16 £'000	2016/17 £'000
Expenditure type:		
New Build Programme-Pre Construction Expenditure	2	4
Non HRA Properties/Leaseholders Expenditure	0	47
Total	2	51

6. Summary of HRA Capital Receipts

	2015/16 £'000	2016/17 £'000
Receipts from the sale of land	(5)	(2)
Receipts from disposals of houses through the Right To Buy scheme	(767)	(1,697)
Total Capital Receipts	(772)	(1,699)

7. Tenants' Arrears

Tenants' Arrears at 3 April 2017 were analysed as follows:

Type of Debt	2015/16 £'000	2016/17 £'000
General Stock	217	163
Garages	0	0
Former Tenancies – General Stock	263	280
Former Tenancies - Garages	0	1
Housing Benefit Overpayments – General Stock	0	
Court Costs – General Stock	29	38
Former Tenancy Arrears of Current Tenants – General	50	45
Rechargeable Repairs	72	74
Total Arrears	631	601
Percentage of Gross Rents (HRA)	4.78%	4.48%

The following provision has been made against possible non-collection of Housing Revenue Account debt:

	2015/16 £'000	2016/17 £'000
Opening Balance	582	530
Additional Provision made during year	50	30
Add Credit write-offs	2	2
Less amounts written off	(104)	(53)
Closing Balance	530	509

8. Depreciation and Amortisation Charges

The HRA is charged with depreciation to reflect the consumption of HRA assets over their useful life. The method of calculation of depreciation relating to council dwellings is based on straight line depreciation, consistent with the other classes of non-current assets held by the authority.

In 2016/17 the depreciation charged on HRA assets was £3.05m (£3.48m 2015/16). The following table shows the depreciation charged on HRA assets:

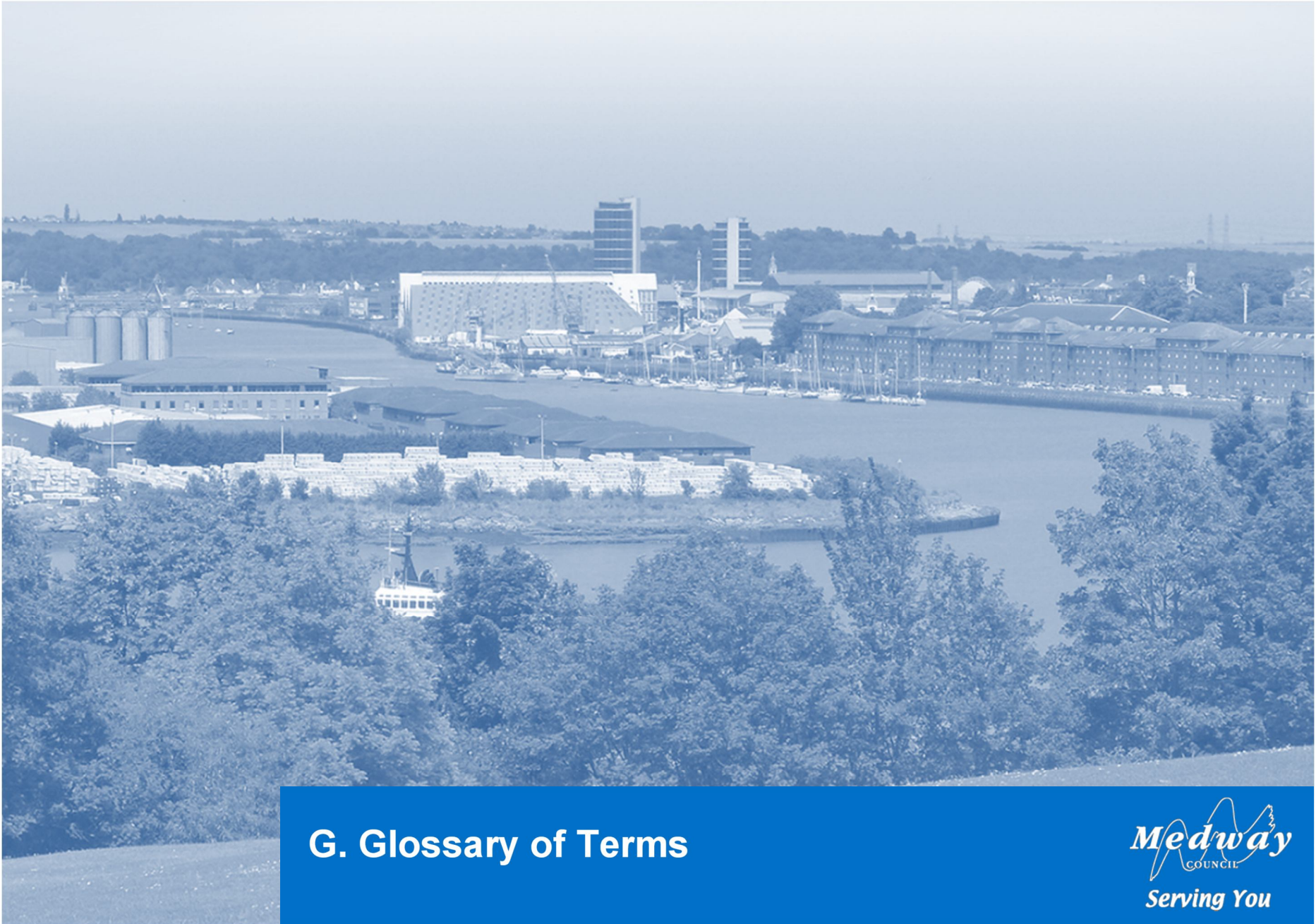
	2015/16 £'000	2016/17 £'000
Property, Plant and Equipment		
Council Dwellings	3,243	2,793
Other Land and Buildings	237	259
Total Depreciation and Amortisation	3,480	3,052

9. Item 8 Credit and Item 8 Debit (General) Determination

The capital asset charges accounting adjustment, calculated in accordance with the Item 8 credit and Item 8 debit (general) determination for 2016/17 was a credit of £6.5m (2015/16 credit of £14.4m).

The following table shows the breakdown of this adjustment:

Type of Debt	2015/16 £'000	2016/17 £'000
Capital Asset Charges		
Revaluation and Impairment (Gain) / Losses	(20,450)	(12,178)
Revenue Expenditure Funded from Capital Under Statute	2	51
Depreciation Charge in Respect of Council Dwellings	3,243	2,793
Other Depreciation Charges	237	259
Debt Repayment	811	811
Total Capital Asset Charges	(16,157)	(8,264)
Actual Interest Charged on HRA Debt	1,711	1,741
Capital Asset Charges Accounting Adjustment	(14,446)	(6,523)



G. Glossary of Terms



ACCRUAL

A sum included in the final accounts attributable to the year but for which payment has yet to be made or income received. Accruals are made for revenue and capital expenditure and income.

ACTUARIAL GAINS & LOSSES

These are changes in the actuary's assessment of the value of future pension fund requirement. Changes result from actual events not matching previous actuarial assumptions or from a change in assumptions on which the valuation is based.

AGENCY

The provision of services by one local authority, on behalf of and reimbursed by, the responsible local authority or central government.

APPOINTED AUDITORS

BDO (LLP) is Medway Council's appointed Auditor.

ASSET

An item having a value, measurable in monetary terms. Assets can be defined as current or non-current. A current asset can be readily converted into cash (for example stocks or a short term debtor). A long-term asset is expected to yield economic benefits to the authority for more than one year (for example a building or a long-term investment).

AUDIT OF ACCOUNTS

An independent examination of the Authority's financial affairs.

AUTHORISED LIMIT

The maximum amount of external debt the Authority can owe to external lenders under the Local Government Act 2003

BUDGET

The spending plans of the Authority over a specific period of time – generally the financial year, 1 April to 31 March.

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 additions to those assets under statutory provisions.

CAPITAL EXPENDITURE

Expenditure to acquire or enhance long-term assets.

CAPITAL FINANCING

The raising of money to pay for capital expenditure. There are various methods of financing capital expenditure, including borrowing, leasing, using capital receipts, grants/contributions from third parties, or directly from revenue budgets.

CAPITAL PROGRAMME

The capital schemes the Authority intends to carry out over a specified period of time.

CAPITAL RECEIPT

The proceeds from the disposal of land or other long-term assets.

CHARTERED INSTITUTE OF PUBLIC FINANCE & ACCOUNTANCY (CIPFA)

The professional accountancy body specialising in the public sector.

CHURCHES, CHARITIES AND LOCAL AUTHORITIES (CCLA)

The Authority holds units in a property fund, managed by this organisation.

COLLECTION FUND

A separate fund for the collection and distribution of amounts due in respect of Council Tax and Non-Domestic Rates (NDR).

COMMUNITY ASSETS

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

CONSISTENCY

The concept that ensures the accounting treatment of like items within an accounting period and from one period to the next one is the same.

CONSTRUCTION CONTRACT

A construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use. Construction contracts include contracts for the rendering of services which are directly related to the construction of an asset (for example those for the services of project managers and architects), contracts for the destruction or restoration of assets, and the restoration of the environment following the demolition of assets.

CONTINGENT ASSET

A possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the authority.

CONTINGENT LIABILITY

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the authority, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

CREDITOR

Amounts owed by the Authority for works done, goods received or services rendered before the end of the accounting period but for which payments had not been made by the end of that period.

CURRENT SERVICE COST

The increase in the present value of a defined benefit obligation resulting from employee service in the current period.

DEBTOR

Amounts due to the Authority for works done, goods received or services rendered before the end of accounting period but for which payments had not been received by the end of that period.

DEFINED BENEFIT SCHEME

A pension scheme under which members pension benefits are calculated independently of contributions payable.

DEFINED CONTRIBUTION SCHEME

A pension scheme under which contributions into the scheme are set but the pension benefits payable are related to the performance of investments made by the fund.

DEPRECIABLE AMOUNT

Depreciable amount is the cost of an asset, or other amount substituted for cost, less residual value.

DEPRECIATION

Is the systematic allocation of the depreciable amount of an asset over its useful life.

DERECOGNITION

This is the process of removing financial assets or liabilities from the Balance Sheet once performance under the contract is complete or the contract is terminated.

DISCOUNTS

Discounts represent the outstanding discount received on the premature repayment of Public Works Loan Board loans. In line with the requirements of the Code, gains arising from the repurchase or early settlement of borrowing have been written back to revenue. However, where the repurchase or borrowing was coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect when viewed as a whole, gains have been recognised over the life of the replacement loan.

EARMARKED RESERVES

These are reserves held to meet specific, known or predicted future expenditure.

EXCEPTIONAL ITEMS

Significant items of income or expenditure on ordinary activities of the Authority but which due to their size or incidence are disclosed separately to give a fair presentation of the accounts.

EXTERNAL AUDIT

The independent examination of the activities and accounts of Local Authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Authority has made proper arrangements to secure value for money in its use of resources.

EMPLOYEE EXPENDITURE

The salaries and wages of employees together with national insurance, superannuation and all other pay-related allowances. Training expenses and professional fees are also included.

EXPENDITURE

This is amounts paid by the Authority for goods received or services rendered of either a capital or revenue nature. This does not necessarily involve a cash payment since expenditure is deemed to have been incurred once the goods or services have been received even if payment has not been made.

FAIR VALUE

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.

FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex such as derivatives and embedded derivatives.

FINANCE LEASE

Is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

GENERAL FUND

The main revenue fund of the Authority including all services financed by local taxation and government grants.

GOVERNMENT GRANTS

Grants made by the government towards either revenue or capital expenditure to support the cost of the provision of local Authority's services. These grants may be specifically towards the cost of particular schemes or to support the general revenue spending of the Authority (Revenue Support Grant).

GROUP ACCOUNTS

Group Accounts consolidate the financial results of the Authority, any of its subsidiaries and/or associates. The Authority is not required to produce these or group accounts for the 2016/17 Statement of Accounts, due to materiality.

HERITAGE ASSET

A tangible asset with historic, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

HOUSING BENEFITS

This is an allowance to persons on low income (or none) to meet, in whole or part, their rent. Benefit is allowed or paid by Local Authorities but Central Government refunds part of the cost of the benefits and of the running costs of the services to Local Authorities. Benefits paid to the Authority's own tenants are known as rent rebate and that paid to private tenants as rent allowance.

HOUSING REVENUE ACCOUNT (HRA)

Local Authorities are required to maintain a separate account - the Housing Revenue Account - which sets out the expenditure and income arising from the provision of Council housing. Other services are charged to the General Fund.

IMPAIRMENT

A reduction in the value of a non-current asset below its value brought forward in the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a non-current asset's market value and evidence of obsolescence or physical damage to the asset.

INCOME

These are amounts due to the Authority for goods supplied or services rendered of either a capital or a revenue nature. This does not necessarily involve a cash payment. Income is deemed to have been earned once the goods or services have been supplied even if the payment has not been received (in which case the recipient is a debtor to the Authority).

INFRASTRUCTURE ASSETS

Non-current assets which generally cannot be sold and from which benefit can be obtained only by continued use of the asset created. Examples of such assets are highways, footpaths, bridges and water and drainage facilities.

INTANGIBLE ASSETS

These are non-current assets that do not have physical substance but are identifiable and controlled by the Authority. Examples include software, licenses and patents.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Defined Accounting Standards that must be applied by all reporting entities to all financial statements in order to provide a true and fair view of the entity's financial position, and a standardised method of comparison with financial statements of the other entities.

INVESTMENT PROPERTIES

Properties (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both, rather than for either the use in the production or supply of goods/services/administrative purposes, or sale in the ordinary course of operations.

JOINT VENTURE

This is an entity in which the reporting Authority has an interest on a longer term basis and is jointly controlled by the reporting Authority and one or more other entities under a contractual or other binding arrangement.

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.

LEASING COSTS

This is rental paid for the use of an asset for a specific period of time. Two forms of lease exist: finance leases and operating leases.

LENDER OPTION BORROWER OPTION (LOBO)

A LOBO is a type of loan instrument. The borrower borrows a principal sum for the duration of the loan period (typically 20 to 50 years), initially at a fixed interest rate. Periodically (typically every six months to 3 years), the lender has the ability to alter the interest rate. Should the lender exercise this option, the borrower then has the option to continue with the instrument at the new rate or alternatively to terminate the agreement and pay back the principal sum with no other penalty.

LIABILITIES

These are amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

LONG TERM DEBTORS

Amounts due to Medway Council where payment is to be made over a time period of time in excess of one year.

MATERIALITY

An item would be considered material to the financial statements if, through its omission or non-disclosure, the financial statements would no longer show a true and fair view.

MEDIUM TERM FINANCIAL STRATEGY (MTFS)

A financial planning document setting out future years financial forecasts for the Authority. It considers local and national policy influences and their impact on the general fund revenue budget, capital programme and HRA. In Medway it usually covers a four year timeframe.

MINIMUM REVENUE PROVISION (MRP)

MRP is the minimum amount which must be charged to an Authority's revenue account each year and set aside as provision for credit liabilities, as required by the Local Government and Housing Act 1989.

NON-CURRENT ASSETS

Assets that yield benefits to the Authority and the services it provides for a period of more than one year. Examples include land, buildings and vehicles.

NON-DOMESTIC RATE (NDR or BUSINESS RATES)

NDR is the levy on business property, based on a national rate in the pound applied to the 'rateable value' of the property. The Government determines a national rate poundage each year which is applicable to all Local Authorities. The income derived from business rates is distributed between preceptors (Medway, Kent Fire and Rescue Service and Central Government) based upon a pre-determined allocation percentage.

NET BOOK VALUE (NBV)

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

NET DEBT

Net debt is the Authority's borrowings less cash and treasury investments.

NET OPERATING EXPENDITURE

This compares all expenditure minus all income, other than the precept and transfers from reserves.

NON-OPERATIONAL ASSETS

Non-current assets held by the Authority, but not directly occupied or used in the delivery of services. Examples are investment properties, or assets that are surplus to requirements, pending sale or redevelopment.

NET REALISABLE VALUE (NRV)

NRV is the open market value of the asset in its existing use (or open market value in the case of non-operational assets) less the expenses to be incurred in realising the asset.

OPERATING LEASE

Is a lease other than a finance lease.

OPERATIONAL ASSETS

Non-current assets held by the Authority and directly occupied or used in the delivery of its services.

PAST SERVICE COST

The change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction or withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction by the authority in the number of employees covered by a plan), and any gain or loss on settlement.

PRECEPT

The amount levied by various Authorities that is collected by the Authority on their behalf. The precepting Authorities in Medway are the Police and Crime Commissioner for Kent (PCCK) and the Kent Fire and Rescue Service (KFRS)

PREMIUMS

These are discounts that have arisen following the early redemption of long term debt, which are written down over the lifetime of replacement loans where applicable.

PRIOR PERIOD ADJUSTMENTS

These are material adjustments which are applicable to an earlier period arising from changes in accounting policies or for the correction of fundamental errors.

PROPERTY, PLANT AND EQUIPMENT

Tangible non-current assets (i.e. assets with physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period.

PROVISION

An amount set aside for liabilities or losses which are certain to arise, but which due to their nature cannot be quantified with certainty.

PRUDENTIAL BORROWING

Borrowing for which no financial support is provided by Central Government. The borrowing costs are to be met from revenue budgets.

PUBLIC WORKS LOAN BOARD (PWLB)

A central government agency that provides loans for one year and above to local authorities at interest rates only slightly higher than those at which the government itself can borrow.

RATEABLE VALUE

The annual assumed rental value of a property that is used for Non Domestic Rate purposes.

RELATED PARTIES

Related parties are Central Government, other Local Authorities, precepting and levying bodies, subsidiary and associated companies, Elected Members, all senior officers from Assistant Director and above and the Pension Fund. For individuals identified as related parties, the following are also presumed to be related parties:-

- members of the close family, or the same household; and
- partnerships, companies, trusts or other entities in which the individual, or member of their close family or the same household, has a controlling interest.

RELATED PARTY TRANSACTIONS

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a price is charged. The principal issue is the degree of control or influence by one party over the other. For transactions not disclosed elsewhere in these accounts, a related party with the Authority is either a cabinet member or senior officer of the Authority.

REPORTING STANDARDS

The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice prescribes the accounting treatment and disclosures for all normal transactions of a Local Authority. The Code is based on International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Financial Reporting Standards (FRS), International Financial Reporting Interpretations Committee (IFRIC) and UK Generally Accepted Accounting Practice (GAAP).

RESERVES

Amounts set aside for general contingencies, to provide working balances or earmarked to specific future expenditure. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Authority. Some capital reserves such as the revaluation reserve cannot be used to meet current expenditure.

REVALUATION RESERVE

The Reserve records the accumulated gains on the fixed assets held by the Authority arising from increases in value as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).

REVENUE EXPENDITURE

The day-to-day expenses of providing services.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provision but that does not result in the creation of a non-current asset, the cost of which has been charged as expenditure to the Comprehensive Income and Expenditure Statement (CIES).

REVENUE SUPPORT GRANT

The main non-ringfenced grant from Central Government to the Authority to support revenue budgets.

TREASURY MANAGEMENT

The process of controlling the Authority's cash flow, borrowing and lending activities.

TREASURY MANAGEMENT STRATEGY

A strategy prepared with regard to legislative and CIPFA requirements setting out the framework for treasury management activity for the Authority.