

Contents	Page
Narrative	3
Statement of Responsibilities for Statement of Accounts	14
Accounting Statements	
- Comprehensive Income and Expenditure Statement	15
- Movement in Reserves Statement	17
- Balance Sheet	19
- Cash Flow Statement	20
- Notes to the Accounting Statements	21
Pension Fund Accounts	124
Independent Auditor's Report	152
Annual Governance Statement	158
Glossary of Terms	168

Notes to the Accounting Statements index

Note	Name	Page
1a	Expenditure and Funding Analysis	21
1b	Basis for preparation/General	23
2	Accounting Policies	23
3	Accounting Standards that have been issued but have not yet been adopted	25
4	Critical Judgements in applying Accounting Policies	26
5	Assumptions Made about the Future and other Major Sources of Estimation Uncertainty	27
6	Officers Remuneration	28
7	Members Allowances	38
8	Deposits in Icelandic Banks	38
9	Material Items of Income and Expense	38
10	Note to the Expenditure and Funding Analysis	39
11	Expenditure and Income Analysed by Nature	42
12	Adjustments between accounting basis and funding basis under regulations	43
13	Other Operating Expenditure	47
14	Financing and investment income and expenditure	47
15	Taxation and non-specific grant income	47
16	Grant Income	48
17	Property, Plant and Equipment	49
18	Investment Property	64
19	Capital Expenditure and Financing	69
20	PFI and Similar Contracts	70
21	Heritage Assets	76
22	Leases	79
23	Usable Reserves	81
24	Unusable Reserves	82
25	Earmarked Reserves	90
26	Provisions	95
27	Debtors	96
28	Creditors	97
29	Cash and Cash Equivalents	97
30	Cash Flow - Operating Activities	98
31	Cash Flow - Investing Activities	99
32	Cash Flow - Financing Activities	99
33	Trading Operations	100
34	Audit Costs	101
35	Dedicated Schools Grant	101
36	Related Party Transactions	102
37	Pension Costs	103
38	Financial Instruments	109
39	Nature and Extent of Risks Arising from Financial Instruments	117
40	Contingent Liabilities	120
41	Subsidiary Undertakings	121
42	Events after the Balance Sheet Date	123
43	Other Notes	123

The purpose of this Statement of Accounts (Accounts) is to give electors, those subject to locally levied taxes and charges, Members of the Council, employees, and other interested parties clear information on the financial performance for the year 2017-18 and the overall financial position of the Council.

The format of the Statement of Accounts is governed by The Code of Practice on Local Authority Accounting in the United Kingdom (the Code). To make the document as useful as possible to its audience and make more meaningful comparisons between authorities, the Code requires:

- all Statements of Accounts to reflect a consistent presentation;
- interpretation and explanation of the Statement of Accounts to be provided; and
- the Statement of Accounts and supporting notes to be written in plain English.

The Statement of Accounts comprises various sections and statements, which are briefly explained below:

- Narrative - this provides information on the format of this Statement of Accounts as well as a review of the financial position of the Council for the financial year 2017-18.
- The Statement of Responsibilities - this details the responsibilities of the Council and the Corporate Director of Finance concerning the Council's financial affairs and the actual Statement of Accounts.
- The main Accounting Statements, comprise:
 - ~ The Comprehensive Income and Expenditure Statement (CIES) - this provides a high level analysis of the Council's spending. It brings together all the functions of the Council and summarises all of the resources that the Council has generated, consumed and set aside in providing services during the year. (See pages 15 and 16)
 - ~ The Movement in Reserves Statement (MIRS) - this statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves', which are held either for statutory purposes or to comply with proper accounting practice. (See pages 17 and 18)
 - ~ The Balance Sheet - this statement shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets/liabilities of the Council (assets less liabilities) are matched by the reserves held by the Council. (See page 19)
 - ~ The Cash Flow Statement - this summarises the changes in cash and cash equivalents of the Council during the reporting period. (See page 20)
- The Expenditure and Funding Analysis - this note brings together the Council's performance reported on the basis of expenditure measured under proper accounting practices with statutorily defined charges to the General Fund presented on the basis of how the Council is structured for decision making purposes. (See pages 21 to 22)
- Accounting Policies - notes relating to specific accounting statement lines as identified in the main statements of the accounts include the corresponding accounting policy. Note 2 - General Accounting Policies details the policies where there are not accompanying notes.
- The Notes to the Accounting Statements provide supporting and explanatory information and are fundamentally important in the presentation of a true and fair view. (See pages 21 to 123)
- The Pension Fund Accounts - the Kent County Council Superannuation Fund (Kent Pension Fund) is administered by the Council, however, the Pension Fund has to be completely separate from the Council's own finances. (See pages 124 to 151)
- The Independent Auditor's Report to the Council - this is provided by the external auditors, Grant Thornton UK LLP, following the completion of the annual audit. (See pages 152 to 157)
- The Annual Governance Statement - the Council is required to carry out an annual review of the effectiveness of the systems of internal control and to include a status report with the Statement of Accounts. The Statement explains how the Council has complied with the Code of Corporate Governance during 2017-18. (See pages 158 to 167)
- The accounting arrangements of any large organisation such as Kent County Council are complex, as is local government finance. The Accounts are presented as simply as possible, however it is still a very technical document. A glossary of terms is provided on pages 168 and 169 to make the Statement of Accounts more understandable for the reader.

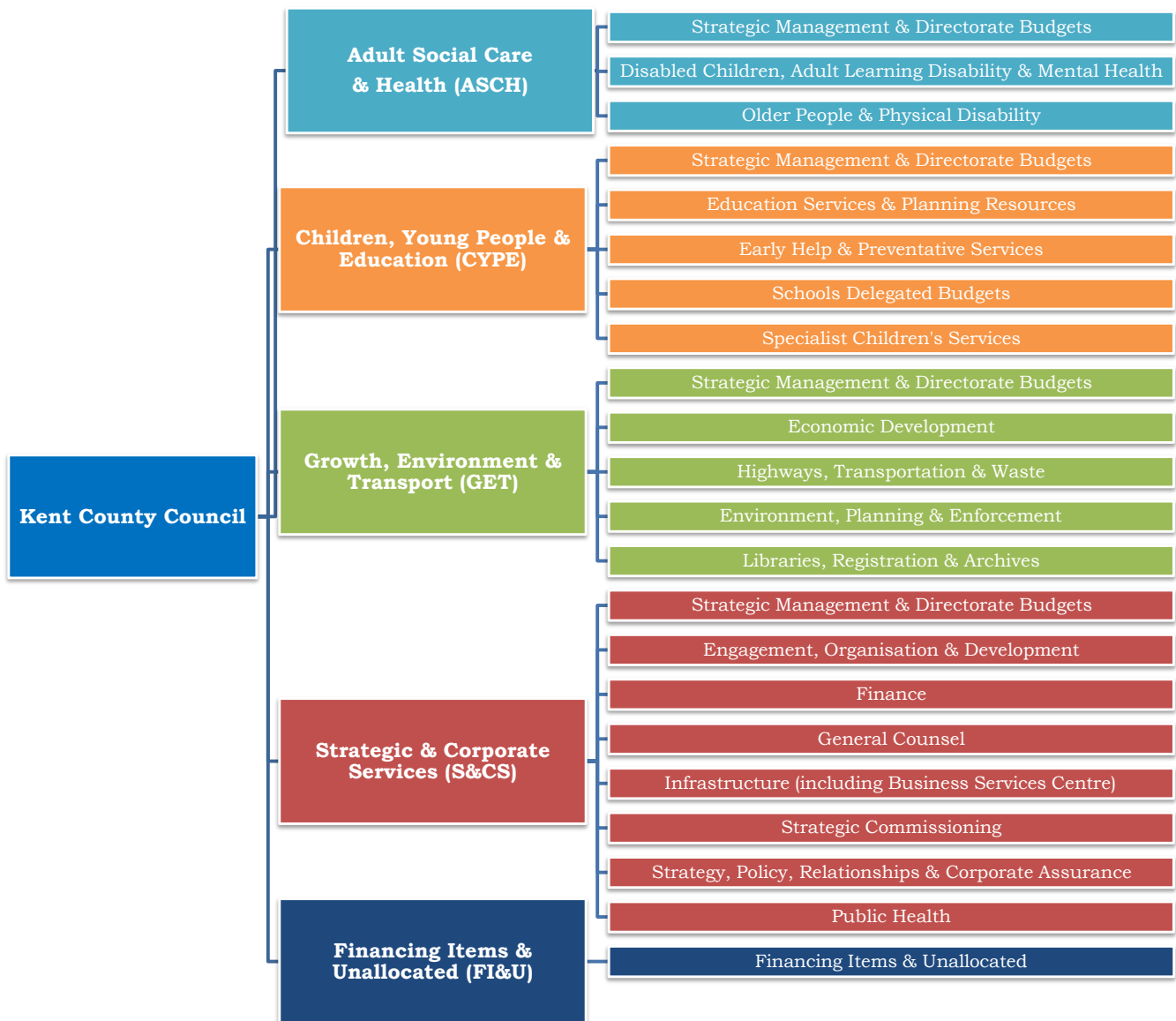
Changes to financial reporting requirements and accounting policies

The Code of Practice is based on International Financial Reporting Standards (IFRS), and has been developed by the CIPFA/LASAAC Code Board under the oversight of the Financial Reporting Advisory Board. These Statement of Accounts for 2017-18 are prepared on an IFRS basis.

There are no significant changes to accounting practice to report for 2017-18.

Organisational Overview

Kent County Council (KCC) operates under the legislation set out in the Local Government Act and provides statutory and discretionary services. KCC is organised on a directorate and divisional basis as set out below:



Strategic and Corporate Plans

Our strategic and corporate plans are set out in 'Increasing Opportunities: Kent County Council's Strategic Statement', which can be found on our website kent.gov.uk

Our focus is on improving lives by ensuring every pound spent in Kent is delivering better outcomes for Kent's residents, communities, and businesses.

Narrative

KCC is committed to achieving its vision through three strategic outcomes which provide a simple and effective focus for everything we do that is recognised by members, staff, our partners, and the wider public. The three strategic outcomes are:

- Children and young people in Kent get the best start in life
- Kent communities feel the benefits of economic growth by being in-work, healthy, and enjoying a good quality of life
- Older and vulnerable residents are safe and supported with choices to live independently.

Our strategic outcomes are underpinned by a series of 'supporting outcomes', which drive a number of cross-cutting strategic business plan priorities for delivery.

Financial Report

Setting the Revenue Budget for 2017-18 - the budget strategy

The Council has had a tremendous financial track record and has delivered a small net surplus on its revenue budget in each of the last 17 years up to 2016-17. This is built on robust budget setting and medium term financial planning, combined with a rigorous budget management regime. Together these were designed to ensure the budget reflected the Council's core strategic objectives but at the same time builds in financial prudence and resilience.

In recent years and for the foreseeable future, KCC has faced an enormous and unprecedented financial challenge. These challenges arise from a combination of rising spending demands, reductions in central government funding and freezes/limits on raising council tax. Combined, these have required the Council to make annual savings in the region of £80m to £90m since 2010.

The government has confirmed that departmental spending plans for the next 3 years will remain unchanged from the 2015 Autumn Spending Review. For local government this relates to 'flat cash' between 2015-16 and 2019-20 from the Department of Communities and Local Government. Broadly this means that we will have the same amount to spend in cash terms in 2019-20 as we had in 2015-16. This represents a substantial real terms reduction as we will have no additional money to pay for the rising demand for services, rising cost of delivering services due to inflation and other market factors, or additional demands that are imposed by legislation or local service priorities. Flat cash does not take into account any changes in grants from other government departments.

Within flat cash, there is a decline for 2017-18, followed by increases in 2018-19 and 2019-20. The flat cash scenario includes spending which is funded by council tax, business rates, and general government grants. Within the scenario the government has reduced its contribution through central grants and have expected local authorities to increase council tax in line with inflation and the social care levy, and the business rates in line with inflation.

In setting the 2017-18 budget, KCC forecast that the overall settlement would be slightly better than flat cash. This is partly due to the additional one-off funding received for social care and the phased introduction of iBCF, along with the increased tax base in 2016-17.

The revenue budget relates to the day to day spending on services provided by the Council. The budget strategy has been based on identifying the scale of the budget challenge, i.e. the amounts needed to cover the impact of rising spending demand and rising cost combined with the impact of reductions in central government funding.

To offset this challenge the budget solution was based on identifying the amount that could be raised through council tax and the local share of business rates, combined with savings that needed to be made from reducing cost/generating income/use of reserves. The 2017-18 revenue equation is shown below:

	£m	£m
Spending demands	98.6	76.7
Net Government Funding reductions	20.4	42.3
TOTAL	119.0	119.0

Risk Strategy

Please refer to the Annual Governance Statement on pages 158 to 167 for details of the Council's governance arrangements.

As an organisation concerned with service provision and the social and economic development of the county it has been essential that the risks to achieve our objectives have been managed efficiently and effectively.

Risk management has been at the heart of our good management practice and corporate governance arrangements. Our risk management arrangements have been proactive and enabled decisions to be based on properly assessed risks that have balanced risk and reward, ensuring that the right actions have been taken at the right time.

Additional spending demands and ongoing public sector austerity measures means that the Council has continued to face serious financial and operational challenges. It has meant that KCC has been exposed to significant and increased levels of risk in its operating environment, with less resources to manage those risks. It has been required to accept or tolerate greater levels of risk to conduct our business and we have sought to be innovative and transform to protect the quality of our services for service users and residents of Kent.

As the Council has continued to move towards a Strategic Commissioning Authority we have had to review our governance arrangements, including the risk management framework, which has evolved as the Authority has continued to evolve. This has required a greater focus on all elements of the risk framework - our culture, behaviours and values as well as processes and procedures.

Our revenue and capital Medium Term Financial Plan (MTFP) covered a three year period and is updated annually. The budget is presented in a summary format by Directorate, Service Analysis level and Manager Analysis level including delegations to directors. Work developing the revenue and capital MTFP for 2017-18 began during Summer 2016. The budget setting process involved the Corporate Management Team (CMT) and Cabinet. The final budget was approved at County Council in February 2017.

Revenue Strategy

The overall revenue strategy was based on the following key elements:

- Funding estimate - Government Grants, Council Tax, and Business Rates
- Spending demands
- Savings and income requirements
- Consultation and engagement.

Funding Estimate

Our 2017-18 revenue budget income came from these principal sources:

- From Government - Revenue Support Grant, Business Rate Top-up, Business Rate Compensation Grant, New Homes Bonus, Transitional Grant, Additional Adult Social Care Allocation and specific and other grants
- From Residents - Council Tax
- From Business - Local share of Business Rates
- From Goods and Services - receipts from service users.

Narrative

The funding estimate for 2017-18 was £933m, an increase of £21.9m from the 2016-17 budget, details of the funding estimate including 2016-17 budget, for comparator purposes, are detailed in the table below:

	2016-17 Budget £'000	2017-18 Estimate £'000	Movement £'000
Council Tax			
Tax Base (incl previous year tax increase)	560,771	585,232	24,461
Assumed annual increase	11,205	11,891	686
Social Care Levy	11,205	23,403	12,198
Collection Fund Balance	11,203	12,494	1,291
Local Share of Business Rates			
Business Rates	51,413	50,600	-813
Business Rates Collection Fund (deficit)	-2,136	-140	1,996
Un-ring fenced grants			
Revenue Support Grant	111,425	66,476	-44,949
Transitional Grant	5,682	5,685	3
Business Rate Top-Up	123,963	128,864	4,901
Business Rate Compensation Grant	3,342	3,342	0
New Homes Bonus	9,306	7,805	-1,501
Additional Adult Social Care Allocation		26,091	26,091
Social Care Support Grant		6,192	6,192
Education Services Grant	12,375	3,372	-9,003
Other Grants	1,296	1,670	374
Total	911,050	932,977	21,927

- Business rates were recalculated to take into account the 2017 revaluation and revised NNDR multiplier. We have been compensated by an additional un-ringfenced grant.
- Council Tax - the final tax base from district councils showed a 2.32% increase over 2016-17. Initial analysis showed that the larger than expected increase was due to a combination of more households being included on the valuation list and fewer discounts being applied.
- Residents will have seen an increase in the County Council's element of the council tax for 2017-18 of 1.99% and an additional 2% for the Social Care Precept Levy.

Spending Demands

Forecasts for spending demands were based upon a combination of in year monitoring of budgets, and estimates for the impact of anticipated changes over the forthcoming year. The impact of needing to replace one-off actions from reserves and underspends, agreed as part of setting the 2016-17 budget, were also shown as additional spending demand.

The final budget showed £98.6m of additional spending demands in 2017-18, the breakdown of spending demands is as follows:

- £23.8m as a result of pay and price rises
- £28.7m arising from government and legislation decisions
- £15.4m arising from additional demand and demographic changes
- £10.7m to replace one-off savings in the previous year
- £11.3m for Service Strategies and Improvements
- £8.7m for Net budget realignments from previous years.

Narrative

Savings and Income

Over the past few years the Council has had to make unprecedented levels of savings to offset the impact of reduced Government funding and meeting the cost of additional spending demands. This trend has continued throughout the current MTFP and beyond. The final MTFP identified the need for £73.3m of savings and income in 2017-18, the main savings and income generation are as follows:

- £8.4m income generation including an increase in Social Care Charges in line with benefits uplift and an increase in trading income from schools, academies and revised Treasury Management Strategy
- £29.4m from efficiency savings
- £14.4m from Transformation Savings
- £21.1m from Financial and Policy savings.

Revenue Budget and Outturn

In February 2017 the Council approved a net revenue budget for 2017-18 of £932.977m. In addition £3.771m of 2016-17 underspending was rolled forward and added to the budget. During the year, there were some adjustments to our funding levels, totalling an additional £1.911m, largely one-off, which were also added to the budget. The final outturn position for the year against the revised budget is set out in the table below together with the sources of income from which the Council's net revenue expenditure was financed.

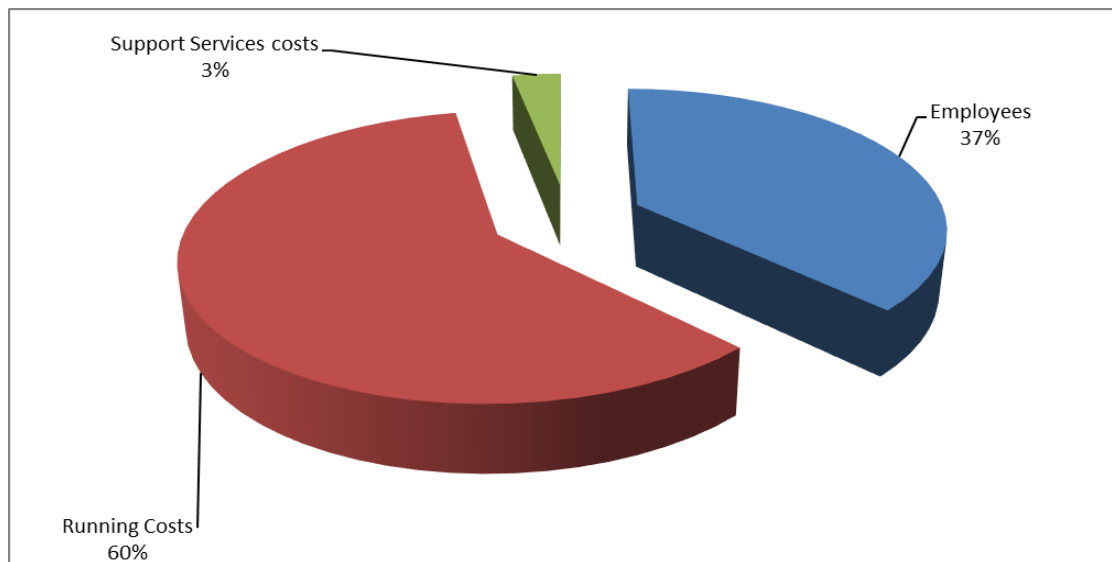
DIRECTORATE	Budget £000's	Outturn £000's	Variance £000's
Children, Young People & Education			
- Education & Young People	42,064	41,707	-357
- Specialist Children's Services	112,940	116,948	4,008
- Asylum	550	1,739	1,189
Adult Social Care & Health			
- Disabled Children's Services	20,754	21,649	895
- Adult Social Care	386,764	385,635	-1,129
Growth, Environment & Transport	166,459	164,846	-1,613
Strategic & Corporate Services	75,242	74,784	-458
Public Health		-32	-32
Financing Items	133,886	126,743	-7,143
	938,659	934,019	-4,640
Delegated Schools Budgets		8,325	8,325
	938,659	942,344	3,685
FUNDED BY:			
Reserves (2016-17 revenue budget underspend)	-3,771	-3,771	0
Formula Grant	-66,476	-66,476	0
Council Tax	-633,021	-633,021	0
Retained Business Rates incl retained levy	-50,914	-51,721	-807
Business Rate Top Up	-128,864	-128,864	0
Business Rate Compensation Grant	-4,759	-4,759	0
New Homes Bonus Grant & Adjustment Grants	-7,804	-7,804	0
Transitional Grant	-5,685	-5,685	0
Improved Better Care Fund	-301	-301	0
Social Care Support Grant	-6,192	-6,192	0
Adult Social Care Allocation	-26,091	-26,091	0
Education Services Grant	-3,298	-3,298	0
Local Services Support Grant	-1,483	-1,483	0
Total Funding	-938,659	-939,466	-807
NET OUTTURN POSITION	0	2,878	2,878

Narrative

The net underspending within the directorates is £5.447m, being £4.640m and £0.807m funding variance (excluding £8.325m delegated schools overspend) of which £4.922m has been carried forward and will be added to the 2018-19 budget to support the rescheduling of projects. After taking into consideration the roll forwards this leaves an underlying underspend of £0.525m and this will be used to fund County Council and Cabinet decisions affecting the 2018-19 and future year's budgets.

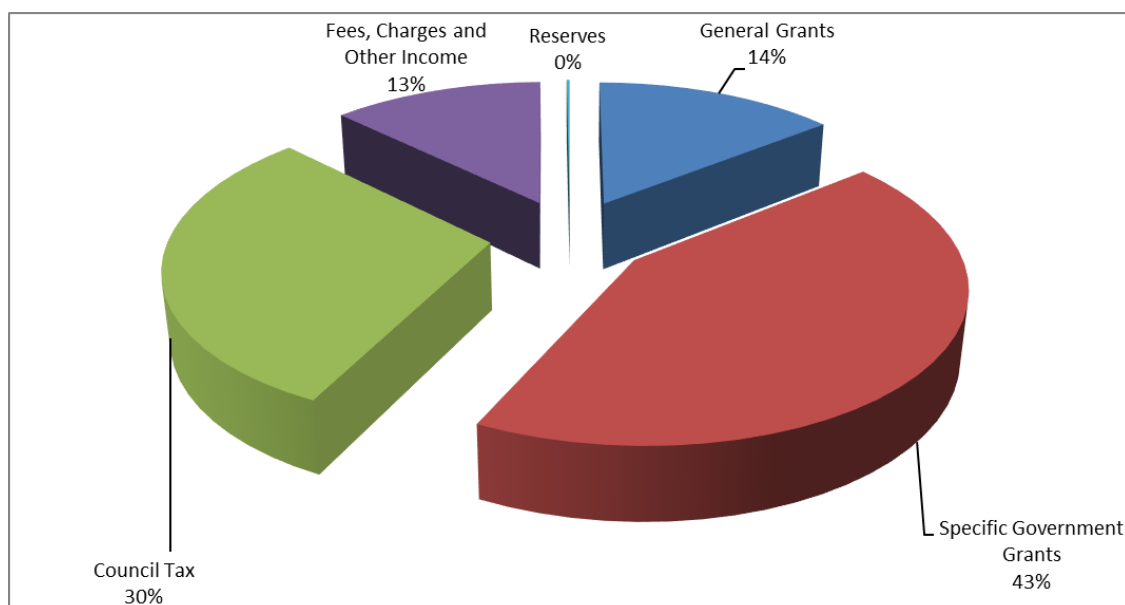
The charts below present a breakdown of the figures shown in the table above:

What the money is spent on



Employees costs account for 37% (34% in 2016-17) of the Council's expenditure. Running costs including cost of premises, transport, supplies and services, and third party payments account for 60% (64% in 2016-17) of the expenditure.

Where the money came from



43% of our income came from Specific Government Grants which includes the Dedicated Schools Grant (42% in 2016-17), 30% of our income came from residents through council tax (28% in 2016-17), 14% of our income came from general grants, including business rates (15% in 2016-17), and 13% of our income came from users of our services (15% in 2016-17)

Schools

In total, schools' reserves have increased by £1.144m. This amount is made up of a drawdown of £1.193m for local authority schools converting to academies, a reduction in the value of schools' deficit balances of £2.095m and an increase in schools' surplus balances of £0.242m.

In addition, there was a £10.325m net overspend on the Central DSG Reserve made up of £5.977m overspend on High Needs budgets, £3.838m write off of Pent Valley deficit, £1.035m relating to pupil growth and other net underspends of £0.525m.

Schools reserves, including the Central DSG reserve, have therefore reduced by £8.325m in 2017-18 (£1.144m schools reserves, £0.854m apprenticeship levy, less £10.325m Central DSG). However, £10m has been transferred to the Central DSG Reserve from the PFI Equalisation earmarked reserve (with a repayment plan in place to repay the reserve), resulting in a net increase of £1.675m in schools reserves as reflected in Note 23 on page 81. Schools now have £32.170m of revenue reserves and there is a deficit balance of £2.155m in the Central DSG Reserve.

Earmarked Reserves

The financial statements set out the detail and level of the Council's earmarked reserves. Earmarked reserves are an essential tool that allows the Council to manage risk exposure and smooth the impact of major costs. The requirement for financial reserves is acknowledged in statute. Sections 31A, 32, 42A and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement, and regard to LAAP 99: Local Authority Reserves and Balances.

Revenue earmarked reserves are £162.176m and Note 25 on pages 90 to 94 provides an explanation of the purpose of each significant reserve along with the balance held at 31 March 2018. The general reserve position at 31 March 2018 is £37.213m, which is unchanged from the position as at 31 March 2017.

At 31 March 2018 the Council has usable capital reserves of £85.958m as shown on page 81.

Certain reserves are held to manage the accounting processes for such items as capital assets, collection fund and retirement benefits and these are unusable reserves of the Council. The Council also has a number of provisions set aside to meet known liabilities. The main provisions are for insurance claims and redundancies. Provisions held at 31 March 2018 totalled £28.124m, see Note 26 on pages 95 to 96.

The level of the County Council General Fund is consistent with the overall financial environment and the key financial risks faced by the Council. A thorough review of the reserves was carried out during the 2017-18 budget setting process. Our Corporate Director of Finance, who is responsible for setting the level of reserves, has deemed the level to be 'adequate' given the level of risk that we face.

Capital

Capital expenditure is defined as expenditure on purchase, improvement, or enhancement of assets, the benefit of which impacts for longer than the year in which the expenditure is incurred. Capital expenditure is funded from a variety of sources including: grants, capital receipts, borrowing, external contributions including developer contributions, and revenue contributions. Capital expenditure for the year was £198.257m. The expenditure analysed by portfolio was:

	Revised Budget £'000s	Outturn £'000s	Variance £'000s
PORTFOLIO			
Children, Young People & Education	117,482	81,145	-36,337
Adult Social Care & Health*	11,791	4,439	-7,352
Growth, Environment & Transport	130,655	88,263	-42,392
Strategic & Corporate Services	22,040	14,402	-7,638
	281,968	188,249	-93,719
Devolved Capital to Schools	11,495	10,008	-1,487
TOTAL	293,463	198,257	-95,206

* Includes £2.376m capitalised transformation costs

Expenditure excluding that incurred by schools under devolved arrangements was £93.719m less than cash limits. Of this, £89.011m reflected re-phasing of capital expenditure plans across all services and £4.708m was due to real variations on a small number of projects. Unspent capital resources will be carried forward into 2018-19 and beyond in order to accommodate the revised profiles of capital expenditure.

Capital expenditure incurred directly by schools in 2017-18 was £10.008m.

Details of the financing of capital expenditure are on pages 69 and 70.

Insurance Fund

IAS 37 Provisions, Contingent Liabilities and Contingent Assets requires that full provision should be made for all known insurance claims.

Based on current estimates of the amount and timing of fund liabilities, the insurance provision at 31 March 2018 is established at a level sufficient to meet all known insurance claims where the likely cost can be estimated and there is reasonable certainty of payment. It is therefore in accordance with the requirements of IAS 37. Details can be found on page 95.

Pension Fund

Local Authorities are required to comply with the disclosure requirements of IAS 19 - Employee Benefits. Under IAS 19, the Council is required to reflect in the primary statements of the Accounts, the assets and liabilities of the Pension Fund attributable to the Council and the cost of pensions. IAS 19 is based upon the principle that the Council should account for retirement benefits when it is committed to give them even though the cash payments may be many years into the future. This commitment is accounted for in the year that an employee earns the right to receive a pension in the future. These disclosures are reflected in the Comprehensive Income and Expenditure Account, the Balance Sheet and the Movement in Reserves Statement.

IAS 19

The 2017-18 IAS 19 report shows that the Kent County Council Pension Fund now has a deficit of £1,428m. This is a decrease in the deficit of £108m in year.

Current Borrowing & Capital Resources

All of the borrowing disclosed in the balance sheet relates to the financing of capital expenditure incurred in 2017-18, earlier years and for future years. The balance currently stands at £955m (short- and long-term) as shown on the balance sheet on page 19. Future capital expenditure will be financed from revenue contributions, sale of surplus fixed assets, capital grants and contributions, borrowing, and relevant funds within earmarked reserves.

East Kent Opportunities

East Kent Opportunities (EKO) is a 'Jointly Controlled Operation' and in 2017-18 the transactions and balances of EKO relating to KCC have been incorporated into the financial statements and notes of the Council's Statement of Accounts.

2018-19 onwards

Local authorities in the United Kingdom will continue to keep their Accounts in accordance with 'proper practices'. CIPFA/LASAAC continue to consider future changes to IFRS for Local Government, as it reinforces the drive to improve financial reporting and enhance accountability for public money.

The Council's 2018-20 MTFP was approved by County Council on 20 February 2018. The MTFP highlighted that it is an immense challenge setting the Council's budget within the fiscal climate of the ongoing squeeze on public spending. The overall spending context is based on the outcome of the 2015 Autumn Spending Review which is amended by subsequent updates in local government finance settlements and Budget statements in the intervening years. The Spending Review set out a flat cash plan for revenue spending between 2015-16 and 2019-20, meaning that local government as a whole sector would have the same amount to spend in real terms in 2019-20 as it had in 2015-16. There are no detailed Government spending plans beyond 2019-20 and therefore KCC's revenue spending in the MTFP only includes 2018-19 and provisional figures for 2019-20.

This flat cash represents a substantial real terms reduction as local government has no additional money to pay for rising demand for services, rising cost of delivering services due to inflation and other market factors, or additional demands imposed by legislation or local service priorities. Flat cash does not take into account any changes in grants from other local government departments such as Department for Education and Department for Transport.

KCC is pleased that the Government accepted the Kent and Medway bid to pilot 100% business rate retention in 2018-19. Our bid was very innovative, working with 12 district councils, Medway Council and Kent & Medway Fire and Rescue Authority, and shows the benefit of very good collaborative working and recognising the wider needs of the whole geographical area rather than the needs of individual authorities. The pilot will enable the 15 authorities to keep all of the proceeds from business rate growth in the Kent and Medway area to support further economic development and enhance the financial sustainability of all the councils in the area over the next few years in advance of the much needed reforms to local government funding.

The Council not only faces a challenging revenue budget but also has many challenges in relation to the Capital programme. The biggest challenge being the pressing need to provide additional school places to meet the rapidly growing demand, particularly in the secondary sector. Loan funding has been made available in 2018-19 for school places as there is no other alternative but government must continue to be pushed to find a solution which means there are enough school places in Kent.

There is also a pressing need to provide additional capital funding to maintain other Council buildings, and the local road network, if these are not to deteriorate to such an extent to become unusable. There is a capital need to improve the availability of extra care housing.

The budget for 2018-19 includes a 5% Council Tax increase. This includes 2.99% for the increase permitted without holding a referendum, plus a further 2% for the social care levy.

Our council tax increase, which will see KCC's share for a band C property increase from £1,047.87 in 2017-18 to £1,100.16 in 2018-19 is seen as justifiable in the current financial circumstances, and will enable us to provide vital social care, preventative, and community services. Although the Council would have liked to keep increases lower, these are in line with the government's spending plans.

The Council's Stewardship, Responsibilities and Financial Management Policies

The Council is responsible for handling a significant amount of public money. The Council's Financial Regulations must comply with the Constitution and set the control framework for five key areas of activity:

- Financial Planning
- Financial Management
- Risk Management and Control of Resources
- Systems and Procedures
- External Arrangements.

The Council needs to ensure that it has sound financial management and procedures in place and that they are adhered to. The Financial Regulations are reviewed annually to reflect changes in structures and working practices; and to ensure our regulations reflect current best practice and strengthen areas where there were known gaps. The regulations provide clarity about the accountability of the following:

- Cabinet
- Members
- the Monitoring Officer
- the Chief Finance Officer (Corporate Director of Finance)
- Corporate Directors.

Further information about the Accounts can be obtained from Emma Feakins, Chief Accountant.

Telephone (03000) 416082 or E-Mail emma.feakins@kent.gov.uk.

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Corporate Director of Finance;
- to manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets; and
- to approve the Statement of Accounts.

I confirm that these Accounts were approved by the Governance and Audit Committee at its meeting on 25 July 2018 on behalf of Kent County Council and have been re-signed as authorisation to issue.

Councillor Nick Chard
Chairman of the Governance and Audit Committee

The Corporate Director of Finance's Responsibilities

The Corporate Director of Finance is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Council Accounting in the United Kingdom (the Code), and is required to give a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2018.

In preparing this Statement of Accounts the Corporate Director of Finance has:

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

The Corporate Director of Finance has also:

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

I confirm that these accounts give a true and fair view of the financial position of the Council at the reporting date and its income and expenditure for the year ended 31 March 2018.

Certificate of the Corporate Director of Finance



Cath Head
Interim Corporate Director of Finance, Head of Finance Operations
13 July 2018

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure 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 statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

		Year ended 31 March 2018		
		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Service				
Children, Young People & Education				
- Education & Young People		999,754	879,569	120,185
- Specialist Children's Services		130,054	6,166	123,888
- Asylum Seekers		23,298	21,559	1,739
Adult Social Care & Health				
- Disabled Children's Services		24,399	1,610	22,789
- Adult Social Services		516,025	135,385	380,640
Growth, Environment & Transport		305,343	42,984	262,359
Strategic & Corporate Services (excluding Public Health)		140,778	30,507	110,271
Public Health		76,975	76,531	444
Financing Items & Unallocated		5,637	2,500	3,137
Cost of Services		2,222,263	1,196,811	1,025,452
Other operating Expenditure	13			42,912
Net Surplus on trading accounts	33			-4,754
Financing and Investment Inc and Exp	14			94,418
Taxation and Non Specific Grant Income	15			-1,020,520
(Surplus) or deficit on Provision of Services				137,508
(Surplus)/deficit arising on revaluation of non current assets			*	-148,008
Remeasurement of the net defined benefit liability			*	-208,528
(Surplus)/deficit on revaluation of available for sale financial assets			*	1,068
Other Comprehensive Income and Expenditure				-355,468
Total Comprehensive Income and Expenditure				-217,960

Comprehensive Income and Expenditure Statement

	Notes	Restated		
		Year ended 31 March 2017		
		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Service				
Children, Young People & Education				
- Education & Young People		1,033,961	880,779	153,182
- Specialist Children's Services		122,039	7,105	114,934
- Asylum Seekers		33,506	31,986	1,520
Adult Social Care & Health				
- Disabled Children's Services		22,430	1,700	20,730
- Adult Social Services		484,908	122,360	362,548
Growth, Environment & Transport		304,146	49,186	254,960
Strategic & Corporate Services (excluding Public Health)		131,076	26,569	104,507
Public Health		75,856	77,426	-1,570
Financing Items & Unallocated		4,742	493	4,249
Cost of Services		2,212,664	1,197,604	1,015,060
Other operating Expenditure	13			65,351
Net Surplus on trading accounts	33			-4,494
Financing and Investment Inc and Exp	14			81,641
Taxation and Non Specific Grant Income	15			-1,048,215
(Surplus) or deficit on Provision of Services				109,343
(Surplus)/deficit arising on revaluation of non current assets		*		-91,924
Remeasurement of the net defined benefit liability		*		264,345
(Surplus)/deficit on revaluation of available for sale financial assets		*		313
Other Comprehensive Income and Expenditure				172,734
Total Comprehensive Income and Expenditure				282,077

The Comprehensive Income and Expenditure Statement (CIES) for 2016-17 has been restated due to organisational changes within the Council. There has been no impact on the Total Comprehensive Income and Expenditure amount reported last year.

Movement in Reserves Statement

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the Authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	Year ended 31 March 2017				
	General Fund Balance	Earmarked GF Reserves	Total GF incl. Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied
	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2016	-36,404	-212,263	-248,667	-23,529	-51,327
Movement in reserves during 2016-17					
Total Comprehensive Expenditure & Income	109,343		109,343		
Adjustments between accounting basis & funding basis under regulations - Note 12	-88,869		-88,869	2,654	-13,869
Net increase/Decrease before Transfers to Earmarked Reserves	20,474	0	20,474	2,654	-13,869
Transfers to/from Earmarked Reserves (total of *s on Note 23)	-20,741	20,741	0		
Increase/Decrease (movement) in Year	-267	20,741	20,474	2,654	-13,869
	Year ended 31 March 2018				
	General Fund Balance	Earmarked GF Reserves	Total GF incl. Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied
	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2017 carried forward	-36,671	-191,522	-228,193	-20,875	-65,196
Movement in reserves during 2017-18					
Total Comprehensive Expenditure & Income	137,508		137,508		
Adjustments between accounting basis & funding basis under regulations - Note 12	-138,632		-138,632	-7,645	7,758
Net increase/Decrease before Transfers to Earmarked Reserves	-1,124	0	-1,124	-7,645	7,758
Transfers to/from Earmarked Reserves (total of *s on Note 23)	892	-892	0		
Increase/Decrease (movement) in Year	-232	-892	-1,124	-7,645	7,758
Balance at 31 March 2018 carried forward	-36,903	-192,414	-229,317	-28,520	-57,438

Movement in Reserves Statement

	Year ended 31 March 2017		
	Total Usable Reserves	Unusable reserves	Total Council Reserves
	£'000	£'000	£'000
Balance at 31 March 2016	-323,523	78,341	-245,182
Movement in Reserves during 2016-17			
Total Comprehensive Expenditure and Income	109,343	172,734	282,077
Adjustments between accounting basis & funding basis under regulations	-100,084	100,084	0
Net increase/Decrease before Transfers to Earmarked Reserves	9,259	272,818	282,077
Transfers to/from Earmarked Reserves (total of *s on Note 23)	0		0
Increase/Decrease (movement) in Year	9,259	272,818	282,077
	Year ended 31 March 2018		
	Total Usable Reserves	Unusable reserves	Total Council Reserves
	£'000	£'000	£'000
Balance at 31 March 2017 carried forward	-314,264	351,159	36,895
Movement in reserves during 2017-18			
Total Comprehensive Expenditure & Income	137,508	-355,468	-217,960
Adjustments between accounting basis & funding basis under regulations	-138,519	138,519	0
Net increase/Decrease before Transfers to Earmarked Reserves	-1,011	-216,949	-217,960
Transfers to/from Earmarked Reserves (total of *s on Note 23)	0		0
Increase/Decrease (movement) in Year	-1,011	-216,949	-217,960
Balance at 31 March 2018 carried forward	-315,275	134,210	-181,065

Balance Sheet

The County Fund Balance Sheet shows the financial position of Kent County Council as a whole at the end of the year. Balances on all accounts are brought together and items that reflect internal transactions are eliminated.

		31 March 2018		31 March 17
	Notes	£'000	£'000	£'000
Property Plant & Equipment	17	2,524,215		2,444,492
Heritage Assets	21	7,942		7,779
Investment Property	18	40,445		47,212
Intangible assets		3,619		4,294
Long-term investments	39	217,708		176,763
Long-term debtors	27	68,242		83,883
Total long-term assets			2,862,171	2,764,423
Inventories		4,657		3,957
Assets held for sale (<1yr)		2,997		1,713
Short-term debtors	27	200,210		183,607
Short-term investments	39	17,452		72,483
Cash and Cash equivalents	29	71,689		47,787
Total current assets			297,005	309,547
Temporary borrowing	39	-64,716		-104,952
Short-term Lease Liability	39	-6,141		-5,982
Short-term provisions	26	-17,289		-18,955
Creditors	28	-243,317		-245,817
Total Current liabilities			-331,463	-375,706
Creditors due after one year	28	-43		-35
Provisions	26	-10,835		-11,520
Long-term borrowing	39	-889,995		-873,440
Other Long-Term Liabilities	38/39	-1,691,102		-1,806,526
Capital Grants Receipts in Advance	16	-54,673		-43,638
Long-Term Liabilities			-2,646,648	-2,735,159
Net Assets/(Liabilities)			181,065	-36,895
Usable Reserves	23	-315,275		-314,264
Unusable Reserve	24	134,210		351,159
Total Reserves			-181,065	36,895

Cash Flow Statement

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

	Notes	2017-2018 £'000	2016-2017 £'000
Net (Surplus) or deficit on the provision of services		137,508	109,343
Adjustments to net surplus or deficit on the provision of services for non cash movements	30	-357,211	-359,092
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	30	140,867	191,682
Net cash flows from operating activities		-78,836	-58,067
Investing Activities	31	28,646	44,928
Financing Activities	32	26,288	16,821
Net increase(-) or decrease in cash and cash equivalents		-23,902	3,682
Cash and cash equivalents at the beginning of the reporting period		47,787	51,469
Cash and cash equivalents at the end of the reporting period	29	71,689	47,787

Note 1a - 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/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

	Year ended 31 March 2018				
	As reported to Management	Adjustments to arrive at the net amount chargeable to the General Fund Balance	Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehen- sive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000
Children, Young People & Education					
- Education & Young People	41,707	11,698	53,405	66,780	120,185
- Specialist Children's Services	116,948	437	117,385	6,503	123,888
- Asylum Seekers	1,739		1,739		1,739
Adult Social Care & Health					
- Disabled Children's Services	21,649		21,649	1,140	22,789
- Adult Social Services	385,635	-16,814	368,821	11,819	380,640
Growth, Environment & Transport	164,846	3,163	168,009	94,350	262,359
Strategic & Corporate Services	74,784	11,869	86,653	23,618	110,271
Public Health	-32	206	174	270	444
Financing Items & Unallocated	126,743	-123,609	3,134	3	3,137
Delegated Schools Budget	8,325	-8,325			0
Cost of Services	942,344	-121,375	820,969	204,483	1,025,452
Other Income and Expenditure	-939,466	117,372	-822,094	-65,850	-887,944
Surplus or Deficit	2,878	-4,003	-1,125	138,633	137,508
Opening General Fund Balance			-228,193		
Less/Plus Surplus or (Deficit) on General Fund in Year			-1,125		
Closing General Fund Balance at 31 March 2018			-229,318		

Note 10a on pages 39 to 42 provides a explanation of the main adjustments to the Net Expenditure Chargeable to the General Fund to arrive at the amounts in the Comprehensive Income and Expenditure Statement.

Note 1a - Expenditure and Funding Analysis

	Restated Year ended 31 March 2017				
	As reported to Management	Adjustments to arrive at the net amount chargeable to the General Fund Balance	Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehen- sive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000
Children, Young People & Education					
- Education & Young People	47,930	29,363	77,293	75,889	153,182
- Specialist Children's Services	111,354	1,527	112,881	2,053	114,934
- Asylum Seekers	1,516		1,516	4	1,520
Adult Social Care & Health					
- Disabled Children's Services	20,423		20,423	307	20,730
- Adult Social Services	353,773	-448	353,325	9,223	362,548
Growth, Environment & Transport	165,846	810	166,656	88,304	254,960
Strategic & Corporate Services	79,457	6,276	85,733	18,774	104,507
Public Health	0	-1,652	-1,652	82	-1,570
Financing Items & Unallocated	137,062	-132,814	4,248	1	4,249
Delegated Schools Budget	23,645	-23,645			0
Net Cost of Services	941,006	-120,583	820,423	194,637	1,015,060
Other Income and Expenditure	-921,133	121,184	-799,949	-105,768	-905,717
Surplus or Deficit	19,873	601	20,474	88,869	109,343
Opening General Fund Balance			-248,667		
Less/Plus Surplus or (Deficit) on General Fund in Year			20,474		
Closing General Fund Balance at 31 March 2017			-228,193		

Note 1b. Basis for Preparation/General

The notes to the financial statements on the following pages are in order of significance, primarily based on aiding an understanding of the key drivers of the financial position of the Council, whilst maintaining the grouping of notes between the income and expenditure statement and the balance sheet where appropriate.

The notes relating to specific financial statement lines include the corresponding accounting policy. As a result there is not a separate principal accounting policies note but note 2 details general accounting policies or those where there are not accompanying notes.

Details of the order of the notes can be found in the index on page 2 of the financial statements.

Note 2. General Accounting Policies (where there is no accompanying note)

General

The Council is required to prepare a Statement of Accounts by the Accounts and Audit Regulations 2015 in accordance with proper accounting practices. The Accounts of Kent County Council have been compiled in accordance with the Code of Practice on Local Council Accounting in the UK 2017-18 supported by International Financial Reporting Standards. These accounts are prepared in accordance with the historical cost convention, modified for the valuation of certain categories of non-current assets and financial instruments. They are also prepared on a going concern basis.

Accruals of Income and Expenditure

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

- Revenue from 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 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.

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

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

Note 2 - Accounting Policies

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

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

Accounting for Schools

The accounting policies for Schools are in line with the Council's and therefore are compiled on an accruals basis. Schools balances are consolidated into the Council's accounts, with income and expenditure being attributed to the appropriate service line in the Comprehensive Income and Expenditure Statement and assets and liabilities included on the Balance Sheet. The Schools Reserve is held in a separate reserve and is located within Usable Reserves.

Non-current assets for maintained schools are included on the balance sheet where they are owned or controlled by the Authority or the school governing body. Each school is considered on an individual basis taking into account ownership rights and, where relevant, the circumstances under which the school is using the asset.

Intangible Assets

Assets that do not result in the creation of a tangible asset (which is an asset that has physical substance), but are identifiable and are controlled by the Council, e.g. software licences, are classified as intangible assets. This expenditure is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant service revenue account over the life of the asset. For software licences this is normally between 3 to 5 years.

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

Fair Value

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

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

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

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

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

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the 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.

Valuation techniques for levels 2 and 3 include market approach, cost approach and income approach.

Note 2 - Accounting Policies & Note 3 - Accounting Standards that have been issued but have not yet been adopted

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 Council 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 Council 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 assets, including its share of any assets held jointly
- its expenses, including its share of any expenses incurred jointly.

Accounting for Value Added Tax (VAT)

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

Inventories

Stock is valued at the lower of cost or net realisable value. Spending on consumable items is accounted for in the year of purchase.

Carbon Reduction Commitment Allowances

The Authority is participating in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. The allowances are purchased in advance and any unused allowances at the end of the financial year are treated as a payment in advance.

Note 3. Accounting Standards that have been issued but have not yet been adopted

For 2017-18 there are the following new accounting standards:

IFRS 9 - Financial Instruments is replacing IAS 39 - Financial Instruments: Recognition and Measurement. The new standard will impact on the classification of financial instruments and the subsequent treatment of fair value changes and impairment.

Upon transition to IFRS 9 on 1 April 2018, and in accordance with paragraphs 5.7.5 and 7.2.8(b) of IFRS 9, Kent County Council makes an irrevocable election to present in other comprehensive income changes, in the fair values of the following equity instruments:

Equity Instrument	Purchase cost £'000	Fair value at 31.03.2018 £'000	Balance in AFS Reserve £'000
CCLA Local Authorities Property Fund	35,000	36,165	-1,165
Schroder Income Maximiser Fund	20,000	19,452	548
Fidelity Multi Asset Income Fund	25,000	24,674	326
Pyrford Global Total Return (Sterling) Fund	5,000	4,889	111
M & G Global Dividend Fund	10,000	9,749	251
Threadneedle Global Equity Fund Z Income	10,000	9,408	592

Note 3 - Accounting Standards that have been issued but have not yet been adopted and Note 4 - Critical Judgements in applying Accounting Policies

Equity Instrument	Purchase cost	Fair value at 31.03.2018	Balance in AFS Reserve
	£'000	£'000	£'000
Threadneedle UK Equity Income Fund Z Income	10,000	9,206	794
Discovery Park Technology Fund	4,612	4,623	-11
Kent Life Science Fund	1,100	1,100	0
Unquoted/quoted Equity in Small Companies	5,636	5,866	-230

These investments are eligible for the election because they meet the definition of equity instruments in paragraph 11 of IAS 32 and are neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies. They are not considered puttable instruments because the Council does not have a contractual right to put the instrument back to the issuer for cash.

IFRS 15 - Revenue from Contracts with Customers which sets out the requirements for recognising revenue that apply to contracts with customers. This is not expected to have a significant impact for the Council.

Note 4. Critical Judgements in applying Accounting Policies

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council will make a provision where a future event is uncertain but where there is a legal or constructive obligation.
- The Council has a policy to revalue its land and buildings at least every 4 years and undertakes an annual review to ensure that the carrying amount of assets not revalued in year is not materially different to their current value at the balance sheet date. Due to continued significant increases in construction costs during 2017-18, which could have had a material impact on asset values, we have revalued more assets than were due as part of our rolling programme of asset valuations. £210m worth of assets in the balance sheet have not been revalued in 2017-18. Due to the value, nature and prior valuation date of these assets we are confident that the value of these assets is not materially different to their current value at the balance sheet date.
- Six schools on the balance sheet as at 31 March 2018 are due to convert to academy status between 1 June 2018 and 1 September 2018. The net book value of these assets as at 31 March 2017 is £37.6m.
- The wholly owned subsidiaries and jointly controlled entities are reviewed on an annual basis as to whether group accounts are required. Based on the level of profits for these entities and that the majority of the transactions are between the Council and the subsidiaries, the Council has judged that Group Accounts are not required.

The Council has the following wholly-owned subsidiaries:

Company Name	Investment
	£m
Kent Commercial Services	4
Invicta Law Limited	2
	<hr/>
	6

These investments will be recorded as financial assets at cost.

Note 5 - Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

Note 5. Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

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

The items in the Council's Balance Sheet at 31 March 2018 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
Property, Plant and Equipment	<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.</p> <p>Under component accounting the Authority has applied a de minimus threshold for each category of asset that is revalued in the current year. In 2017-18 the following de minimus thresholds were applied:</p> <p>Primary Schools: £2m Secondary Schools: £8m Special Schools: £2m Families & Social Care establishments: £2m Highways & Waste Depots: £2m County Offices: £2m Libraries: £2m Youth & Community Centres: £2m</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £4.51m for every year that useful lives had to be reduced. Over a period of 3 years (before the next valuation takes place) this could result in an error of £13.54m - this is not material.</p> <p>If all assets had been componentised the difference between depreciation under componentisation and non componentisation is £6.8m. Over 3 years this would give a difference of £20.4m - this is not material.</p>
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.</p>	<p>The decrease in pension deficit during the year has arisen principally due to the technical decrease in the valuation of the liabilities. Accounting standard IAS19 requires the liabilities to be valued using assumptions based on gilt and corporate bonds yields. The yield in excess of expected inflation from corporate bonds decreased from -0.9% to -1.0% during the year due to a decrease in corporate bond yields. Asset performance being more than expected over the year has led to an decrease in pension deficit. During 2017-18, the Council's actuaries advised that the net pensions liability had increased by £186m attributable to the updating of financial assumptions.</p>

Note 5 and Note 6

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Leases	For a number of leases identified by schools and directorates we have had to make assumptions on the fair value of the assets. This has been obtained by identifying the current costs of similar assets.	As the total depreciated value of leases is only £623k the effect of the estimation is not material.
Fair Value measurements	<p>Surplus and Investment Properties cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), so their fair value is measured using income or market approach valuation techniques. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible unobservable inputs, which require judgement, are used to establish fair values. The significant unobservable inputs used in the fair value measurement include assumptions regarding passing rents and yields, estimated sale values, revenue streams and discount rates.</p> <p>Information about valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in notes 17, 18 and 38 below.</p>	Significant changes in any of the unobservable inputs would result in a significant lower or higher fair value measurement for those assets held at fair value.

Note 6. Officers Remuneration

Accounting Policy

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 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 Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is charged to Service lines within the Comprehensive Income and Expenditure Statement, but is 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 Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to Service lines in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises the cost for restructuring.

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

Post Employment Benefits

The Council participates in two different pension schemes. Both schemes provide members with defined benefits (retirement lump sums and pensions), related to pay and service. The schemes are as follows:

- Teachers and former NHS Staff

The Council contributes to the Teachers' Pension Scheme and the NHS Pension Scheme at rates set by the schemes actuary and advised by the Schemes Administrator. The schemes pay benefits on the basis of pre-retirement salaries of teaching staff and former NHS staff. While the schemes are of the Defined Benefit type, they are accounted for as Defined Contribution Schemes and no liability for future payments of benefits is recognised in the Balance Sheet.

- Other employees

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

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

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

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

Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement
- net interest on the net defined benefit liability (asset), i.e. the net interest expense for the Council - the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in 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 (assets) during the period as a result of contribution and benefit payments.

Remeasurement comprising:

- net return on plan assets – excluding amounts included in net interest on the defined benefit liability (asset) - charged to the Pension 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

Note 6 - Officers Remuneration

– contributions paid to the Kent Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (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.

Summary of employees receiving remuneration of £50,000 or more during the period 1 April 2017 to 31 March 2018

Regulations require the Council to disclose remuneration for all employees earning over £50,000 plus additional disclosures for those senior officers reporting directly to the Head of Paid Service and those earning over £150,000.

This note shows the number of employees whose total remuneration in the financial year 2017-18, was £50,000 or more.

Remuneration includes:

a) all sums paid to or receivable by an employee including non-taxable termination payments, redundancy payments and pay in lieu of notice. This includes all payments, regardless of whether or not they were due in the year e.g. advance payment of salary in lieu of notice

b) expense allowances chargeable to tax i.e. the profit element of car allowances; and

c) the money value of benefits such as leased cars and health insurance

d) but excludes Employer's Pension contributions.

Remuneration (£)	Total number of employees			
	Non-Schools 31 March 2018	Schools 31 March 2018	Non-Schools 31 March 2017	Schools 31 March 2017
50,000 - 54,999	186	153	184	192
55,000 - 59,999	120	97	122	134
60,000 - 64,999	51	74	50	119
65,000 - 69,999	53	31	42	64
70,000 - 74,999	22	28	28	39
75,000 - 79,999	19	11	7	18
80,000 - 84,999	12	9	12	18
85,000 - 89,999	11	6	6	12
90,000 - 94,999	5	4	9	4

Note 6 - Officers Remuneration

Remuneration	Total number of employees			
	Non-Schools	Schools	Non-Schools	Schools
(£)	31 March 2018	31 March 2018	31 March 2017	31 March 2017
95,000 - 99,999	9	2	9	8
100,000 - 104,999	3	2		4
105,000 - 109,999	0	1	3	4
110,000 - 114,999	7	0	5	1
115,000 - 119,999	1	2	1	4
120,000 - 124,999	2		1	1
125,000 - 129,999	0		1	
130,000 - 134,999	1		1	
135,000 - 139,999	1		1	
140,000 - 144,999	2		2	
145,000 - 149,999				
150,000 - 154,999	2		1	1
155,000 - 159,999	1		1	
160,000 - 164,999	1			
165,000 - 169,999				
170,000 - 174,999			1	
175,000 - 179,999				1
180,000 - 184,999				
185,000 - 189,999	1		1	
190,000 - 194,999				
195,000 - 199,999				
200,000 - 204,999	1		1	
260,000 - 264,999	1			
Total	512	420	489	624

The number of employees shown against the above remuneration band will not tie-up with the information on the following pages. This is because the table above refers to remuneration which includes items a-c as per the note on the previous page, whereas the following table relates purely to salary entitlement in the year and requires the employer's pension contribution to be disclosed but only for senior officers. The Code defines senior officers as those whose annual salary is £150,000 or more, or those whose salary is above £50,000 and holds a chief officer position. The following tables are set out in the format prescribed in the CIPFA Code, issued by The Chartered Institute of Public Finance and Accountancy.

The remuneration paid to the Authority's senior employees for 2017-18 is as follows:

Post Holder	Notes	Salary (Including Fees & Allowances) £	Bonuses £	Allowances £	* Compensation for loss of Office e.g. Redundancy Payment £	Total Remun- eration excl pension Contributions £	Employer Pension Contributions £	Total Remun- eration incl pension Contributions £	
Corporate Director Strategic & Corporate Services - David Cockburn		199,000				4,054	203,054	42,641	245,696
Corporate Director Adult Social Care & Health - Anu Singh	1	92,083					92,083	19,338	111,421
Corporate Director Children, Young People & Education - Matt Dunkley CBE	2	65,444					65,444	13,743	79,188
Corporate Director Growth, Environment & Transport - Barbara Cooper		151,889					151,889	31,897	183,785
Corporate Director Finance - Andy Wood		140,864		7,500		5,578	153,942	32,328	186,270

The remuneration paid to the Authority's senior employees for 2017-18 is as follows:

Post Holder	Notes	Salary (Including Fees & Allowances) £	Bonuses £	Allowances £	* Compensation for loss of Office e.g. Redundancy Payment £	Other £	Total Remun- eration excl pension Contributions £	Employer Pension Contributions £	Total Remun- eration incl pension Contributions £
Corporate Director Engagement, Organisation Design & Development - Amanda Beer		140,864				1,957	142,821	29,992	172,814
General Counsel - Ben Watts		113,670				738	114,408	24,026	138,434
Director Public Health - Andrew Scott-Clark		110,015					110,015	15,820	125,835
Corporate Director Adult Social Care & Health - Andrew Ireland	3	144,750			111,041	5,850	261,641	31,626	293,267
Corporate Director Children, Young People & Education - Patrick Leeson	4	126,633		5,409	30,388		162,430	27,729	190,159

* This includes all contractual entitlements.

Notes

The remuneration paid to the Authority's senior employees for 2017-18 is as follows:

- 1 Mrs Singh has been Corporate Director Adult Social Care & Health since 28 August 2017. The annualised salary for this post is £157,857.
- 2 Mr Dunkley has been Corporate Director Children, Young People & Education since 27 November 2017. The annualised salary for this post is £196,333.
- 3 Mr Ireland left the post of Corporate Director Adult Social Care & Health on 31 December 2017. The annualised salary for this post was £193,000.
- 4 Mr Leeson left the post of Corporate Director Children, Young People & Education on 31 December 2017. The annualised salary for this post was £168,844.

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

Post Holder	Notes	Salary (Including Fees & Allowances) £	Bonuses £	Allowances £	Compensation for loss of Office e.g. Redundancy Payment £	Other £	Total Remun- eration excl pension Contributions £	Employer Pension Contributions £	Total Remun- eration incl pension Contributions £
Corporate Director Business Strategy & Support - David Cockburn		193,385				7,660	201,045	42,219	243,264
Corporate Director Families & Social Care - Andrew Ireland		189,381					189,381	39,770	229,151
Corporate Director Education Learning & Skills - Patrick Leeson		160,804		7,212		2,707	170,723	35,852	206,575
Director of Governance & Law - Geoff Wild	1	37,821				2,347	40,168	7,815	47,983
Corporate Director Growth, Environment & Transport - Barbara Cooper		143,236					143,236	30,079	173,315

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

Post Holder	Notes	Salary (Including Fees & Allowances) £	Bonuses £	Allowances £	Compensation for loss of Office e.g. Redundancy Payment £	Other £	Total Remun- eration excl pension Contributions £	Employer Pension Contributions £	Total Remun- eration incl pension Contributions £
Corporate Director Finance - Andy Wood		139,469				5,523	144,992	30,448	175,440
Corporate Director Human Resources - Amanda Beer		136,020					136,020	28,564	164,584
Director Public Health - Andrew Scott-Clark		108,070					108,070		108,070
General Counsel - Ben Watts	2	70,995					70,995	14,909	85,904

1 Mr Wild left the post of Director of Governance and Law on 30 June 2016. The annualised salary for this post was £146,292.

2 Mr Watts has been General Counsel since 1 July 2016. The annualised salary for this post is £96,649.

* This includes all contractual entitlements.

Note 6 - Officers Remuneration

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below. Of the total redundancies made, 41% of those are compulsory redundancies. We do not have the detail across bands £0 - £20,000, £20,001 - £40,000, and £40,001 - £80,000 and have applied this percentage equally to each of these bands. The total cost in 2017-18 of £2.6m includes schools and commitments in 2018-19.

(a) Exit package cost band (inc special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages by cost band [(b) + (c)]		(e) Total cost of exit packages in each band	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17 £	2017/18 £
80,001 - 120,000	21	1	7	1	28	2	848,757	195,941
40,001 - 80,000		2		3		5		308,967
20,001 - 40,000		17		25		42		1,082,476
0 - 20,000	183	47	64	67	247	114	1,464,645	1,026,115
Total	204	67	71	96	275	163	2,313,402	2,613,499

Note 7 - Members Allowances, Note 8 - Deposits in Icelandic Banks and Note 9 - Material Items of Income and Expenditure

Note 7. Members Allowances

The Council paid the following amounts to members of the Council during the year.

	2017-18 £'000	2016-17 £'000
Allowances	1,828	1,629
Expenses	113	121
Total	1,941	1,750

In 2017-18 the cost of the County Cars was £27k (£35.7k in 2016-17).

Note 8. Deposits in Icelandic banks

Early in October 2008, the Icelandic banks Landsbanki and Glitnir collapsed and the Landsbanki's UK subsidiaries Heritable went into administration. The Council had £50.35m deposited across these 3 institutions, with varying maturity dates and interest rates. Of the £50.35m, £1.3m was deposited on behalf of the Kent & Medway Fire Authority and £16m on behalf of the Pension Fund.

All the Icelandic banks deposits have been repaid with the exceptions of £300,000 relating to Heritable Bank where the final dividend is delayed due to litigation involving a property development.

During 2017-18 the Council sold the Icelandic Kroner held in Escrow accounts receiving £4.6m. The foreign exchange rate loss of £0.6m is reflected in the Comprehensive Income and Expenditure Statement within Financing and Investment Income and Expenditure.

Note 9. Material Items of Income and Expense

Accounting Policy

Exceptional Items

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

Material Items of Income and Expense

The net loss on disposal of non-current assets of £41.7m includes a loss of £30m which relates to schools transferring to academy status, at nil value, as instructed by the Secretary of State for Education.

Note 10a - Note to the Expenditure and Funding Analysis

Note 10a. Note to the Expenditure and Funding Analysis

This note provides a reconciliation of the main adjustments to the Net Expenditure Chargeable to the General Fund to arrive at the amounts in the Comprehensive Income and Expenditure Statement.

2017-18	Drawdown to/from Reserves	Investment Income reported at Directorate Level	Strategic & Corporate Services Recharges	Realignment of Financing Items for Accounting Purposes	Adjustments for Trading Activities
	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)
	£'000	£'000	£'000	£'000	£'000
Children, Young People & Education					
- Education & Young People	8,951	2,425	116	206	
- Specialist Children's Services	350		87		
- Asylum Seekers					
Adult Social Care & Health					
- Disabled Children's Services					
- Adult Social Services	-16,922		108		
Growth, Environment & Transport	2,369	114	560		120
Strategic & Corporate Services	11,672	1,091	-871		-23
Public Health	206				
Financing Items & Unallocated	-5,597	7,184		-125,197	
Delegated Schools Budget	-8,325				
Net Cost of Services	-7,296	10,814	0	-124,991	97
Other income and expenditure from the Expenditure and Funding Analysis	3,771	-10,814		124,991	-576
Total	-3,525	0	0	0	-479

2017-18	Total to arrive at amount charged to the General Fund	Adjustments for Capital Purposes (Note 2)	Net change for the Pensions Adjustments (Note 3)	Other Differences (Note 4)	Total Adjustment between Funding and Accounting Basis
	£'000	£'000	£'000	£'000	£'000
Children, Young People & Education					
- Education & Young People	11,698	37,901	30,159	-1,280	66,780
- Specialist Children's Services	437	810	5,717	-24	6,503
- Asylum Seekers	0				0
Adult Social Care & Health					
- Disabled Children's Services	0		1,140		1,140
- Adult Social Services	-16,814	2,678	10,247	-1,106	11,819
Growth, Environment & Transport	3,163	87,022	6,505	823	94,350
Strategic & Corporate Services	11,869	10,639	11,426	1,553	23,618
Public Health	206	1	269		270
Financing Items & Unallocated	-123,610		3		3
Delegated Schools Budget	-8,325				0
Net Cost of Services	-121,376	139,051	65,466	-34	204,483
Other income and expenditure from the Expenditure and Funding Analysis	117,372	-104,064	35,258	2,956	-65,850
Total	-4,004	34,987	100,724	2,922	138,633

Note 10a - Note to the Expenditure and Funding Analysis

2016-17 - Restated	Drawdown to/from Reserves (Note 1)	Investment Income reported at Directorate Level (Note 1)	Strategic & Corporate Services Recharges (Note 1)	Realignment of Financing Items for Accounting Purposes (Note 1)	Adjustments for Trading Activities (Note 1)
	£'000	£'000	£'000	£'000	£'000
Education and Young People					
- Education & Young People	26,030	2,422	445	466	
- Specialist Children's Services	1,459		68		
- Asylum Seekers					
Adult Social Care & Health					
- Disabled Children's Services					
- Adult Services	-601		153		
Growth, Environment and Transport	-1,521	116	2,078		137
Strategic and Corporate Services	7,919	1,101	-2,744		
Public Health	-1,652				
Financing Items	-16,358	7,213		-123,669	
Delegated Schools Budgets	-23,645				
Net Cost of Services	-8,369	10,852	0	-123,203	137
Other income and expenditure from the Expenditure and Funding Analysis	7,611	-10,852		123,203	1,222
Total	-758	0	0	0	1,359

2016-17 - Restated	Total to arrive at amount charged to the General Fund £'000	Adjustments for Capital Purposes (Note 2) £'000	Net change for the Pensions Adjustments (Note 3) £'000	Other Differences (Note 4) £'000	Total Adjustment between Funding and Accounting Basis £'000
Education and Young People					
- Education & Young People	29,363	66,389	9,891	-391	75,889
- Specialist Children's Services	1,527	283	1,832	-62	2,053
- Asylum Seekers	0		4		4
Adult Social Care & Health					
- Disabled Children's Services	0		307		307
- Adult Services	-448	5,326	3,993	-96	9,223
Growth, Environment and Transport	810	85,174	2,246	884	88,304
Strategic and Corporate Services	6,276	13,491	4,623	660	18,774
Public Health	-1,652		82		82
Financing Items	-132,814		1		1
Delegated Schools Budgets	-23,645				0
Net Cost of Services	-120,583	170,663	22,979	995	194,637
Other income and expenditure from the Expenditure and Funding Analysis	121,184	-133,163	34,473	-7,078	-105,768
Total	601	37,500	57,452	-6,083	88,869

Note 10a - Note to the Expenditure and Funding Analysis

1. Adjustments to arrive at amount charged to the General Fund

Drawdown to and from Reserves – for management reporting purposes the Council includes drawdowns to and from reserves, this needs reversing to arrive at amount chargeable to the General Fund.

Investment Income and realignment of Financing Items for Accounting Purposes – the Council also includes investment income in its directorate reporting and within Financing Items are such items as interest payable, Minimum Revenue Provision (MRP) and bank fees, however this is reported in the financial statements below the cost of services line and the table above shows these items being reallocated.

Strategic & Corporate Recharges – for management reporting purposes the Council records Members Grants to Strategic and Corporate Services, however for accounting purposes this is reallocated across the other directorates.

Trading Activities – for management reporting purposes the Council includes the contribution received from its trading activities, however this needs adjusting to reflect the surplus or deficit of the trading activities. The Council also is required to consolidate a joint operation into its accounts.

2. Adjustments for Capital Purposes

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.

3. Net Change for the Pensions Adjustments

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 Comprehensive Income and Expenditure Statement.

4. Other Differences

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 the following:

i) The finance costs charged to the Comprehensive Income and Expenditure Statement that are different from the finance chargeable in the year in accordance with statutory requirements.

Note 10a - Note to the Expenditure and Funding Analysis, Note 10b - Segmental Income and Note 11 - Expenditure and Income Analysed by Nature

ii) The officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis that is different from the remuneration charged in the year in accordance with statutory requirements.

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.

Note 10b. Segmental Income

Income from Sales, Fees and Charges, including Internal Recharges, are analysed on a segmental basis below:

	2017-18	Restated
	£000's	2016-17
		£000's
Children, Young People & Education		
- Education & Young People	-82,910	-75,630
- Specialist Children's Services	-8,657	-12,871
- Asylum Seekers		-1
Adult Social Care & Health		
- Disabled Children's Services	-2,126	-676
- Adult Social Services	-71,753	-70,204
Growth, Environment & Transport	-33,307	-31,908
Strategic & Corporate Services (excluding Public Health)	-48,066	-59,526
Public Health	-130	-190
Financing Items & Unallocated	-180	-200
Total Income analysed on a segmental basis	-247,129	-251,206

Note 11. Expenditure and Income Analysed by Nature

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

	2017-18	2016-17
	£000's	£000's
Expenditure/Income		
Expenditure		
Employee benefits expenses	850,156	834,145
Other services expenses	1,517,142	1,519,963
Support service recharges	62,797	75,646
Depreciation, amortisation, impairment	139,196	163,229
Interest payments including interest on Defined Liability of the Pension Fund	109,353	113,316
Precepts and levies	762	753
Gain on the disposal of assets	41,716	64,563
Total expenditure	2,721,122	2,771,615
Income		
Fees, charges and other service income	-533,114	-548,259
Interest and investment income	-10,518	-24,511
Income from council tax and non-domestic rates	-680,214	-648,931
Government grants and contributions	-1,359,768	-1,440,571
Total income	-2,583,614	-2,662,272
Surplus or Deficit on the Provision of Services	137,508	109,343

Note 12 - Adjustments between accounting basis & funding basis under regulations

Note 12. Adjustments between accounting basis and funding basis under regulations

31 March 2018	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable reserves
	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	-152,929			152,929
Revaluation gains on Property Plant and Equipment and Assets held for Sale	15,998			-15,998
Movements in the fair value of Investment Properties	-6,250			6,250
Amortisation of intangible assets	-2,264			2,264
Capital Grants and contributions applied	95,281			-95,281
Income in relation to donated assets				
In year revenue expenditure funded from capital under statute	-56,629			56,629
Prior year revenue expenditure funded from capital under statute	151			-151
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	-53,325			53,325
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	63,219			-63,219
Capital expenditure charged against the General Fund	16,322			-16,322
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	33,801		-33,801	0
Application of grants to capital financing transferred to the Capital Adjustment Account			41,558	-41,558
Cessation of recyclable grant repaid to accountable body	-146	146		0
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	11,565	-11,565		0

Note 12 - Adjustments between accounting basis & funding basis under regulations

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable reserves
	£'000	£'000	£'000	£'000
Transfer of cash sale proceeds from disposal of investment property credited to the Comprehensive Income and Expenditure Statement	175	-175		0
Use of the Capital Receipts Reserve to finance new capital expenditure		22,151		-22,151
Loan repayments	45	-18,202		18,157
Movement in Donated Asset Account				0
Adjustment primarily involving the Financial Instruments Adjustment Account:				
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	967			-967
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-171,887			171,887
Employer's pensions contributions and direct payments to pensioners payable in the year	71,164			-71,164
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	-4,528			4,528
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	638			-638
Total Adjustments	-138,632	-7,645	7,757	138,520

Note 12 - Adjustments between accounting basis & funding basis under regulations

Note 12. Adjustments between accounting basis and funding basis under regulations

31 March 2017	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable reserves
	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non current assets	-144,436			144,436
Revaluation losses on Property Plant and Equipment and Assets held for Sale	-16,385			16,385
Movements in the fair value of Investment Properties	-2,692			2,692
Amortisation of intangible assets	-2,407			2,407
Capital Grants and contributions applied	121,925			-121,925
Income in relation to donated assets	7,152			-7,152
In year revenue expenditure funded from capital under statute	-58,946			58,946
Prior year revenue expenditure funded from capital under statute	-7,375			7,375
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	-74,152			74,152
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	62,032			-62,032
Capital expenditure charged against the General Fund	15,400			-15,400
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	44,205		-44,205	0
Application of grants to capital financing transferred to the Capital Adjustment Account			30,336	-30,336
Cessation of recyclable grant repaid to accountable body	-219	219		
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	9,569	-9,569		0

Note 12 - Adjustments between accounting basis & funding basis under regulations

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable reserves
	£'000	£'000	£'000	£'000
Transfer of cash sale proceeds from disposal of investment property credited to the Comprehensive Income and Expenditure Statement	8,422	-8,422		0
Use of the Capital Receipts Reserve to finance new capital expenditure		31,592		-31,592
Loan repayments	20	-11,166		11,146
Movement in Donated Asset Account	388			-388
Adjustment primarily involving the Financial Instruments Adjustment Account:				
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	1,902			-1,902
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-128,183			128,183
Employer's pensions contributions and direct payments to pensioners payable in the year	70,731			-70,731
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	4,342			-4,342
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-162			162
Total Adjustments	-88,869	2,654	-13,869	100,084

Note 13. Other Operating Expenditure

	2017-18	2016-17
	£000's	£000's
Levies	762	753
Gains/Losses on the disposal of non-current assets	41,716	64,563
Assets held for Sale - revaluation movements	434	35
	42,912	65,351

Note 14. Financing and investment income and expenditure

	2017-18	2016-17
	£000's	£000's
Interest payable and similar charges	69,336	71,410
Net interest on the net defined benefit liability	40,371	42,225
(Gain)/loss from settlements	-6,318	-9,044
Pensions - Administration expenses	1,205	1,292
Interest receivable and similar income	-11,900	-14,408
Income and expenditure in relation to investment properties and changes in their fair value	4,969	-6,344
Other investment income	-3,245	-3,490
	94,418	81,641

Note 15. Taxation and non specific grant income
Collection Fund Accounting Policy

To reflect that billing authorities act as agents for major preceptors in collecting their share of Council Tax and Non-Domestic Rating income, transactions and balances will be allocated between billing authorities and major preceptors. Thus, the risks and rewards that the amount of Council Tax and Non-Domestic Rates collected could vary from that predicted will be shared proportionately by the billing authorities and major preceptors.

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 shall be taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

Revenue relating to such things as Council Tax and Non-Domestic Rates, are measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

A debtor/creditor position between billing authorities and major preceptors is required to be recognised for the cash collected by the billing Council from Council Tax and Non-Domestic Rates debtors that belongs proportionately to the billing Council and the major preceptors. This is because the net cash paid to each major preceptor in the year will not be its share of cash collected from Council Taxpayers and Non-Domestic Ratepayers. The effect of any bad debts written off or movement in the impairment provision are also shared proportionately.

Part of the arrangement for the retention of business rates is that authorities will assume the liability for refunding ratepayers that have successfully appealed against the rateable value of their property. At the end of 31 March 2018 the Council's estimated share of these liabilities is £6.2m.

Note 15 - Taxation and non specific grant income and Note 16 - Grant Income

	2017-18 £000's	2016-17 £000's
Income from Council Tax	-629,040	-595,939
Non-domestic rates income and expenditure	-51,174	-52,992
Non-ringfenced government grants	-250,953	-268,964
Capital Grants and Contributions	-89,353	-130,320
	-1,020,520	-1,048,215

KCC's share of surplus on the Council Tax has decreased by £4m (2016-17 surplus increased by £1.5m). For 2017-18 the Business Rate Collection Fund deficit increased by £0.5m (2016-17 deficit decreased by £2.8m). See the Collection Fund Adjustment Account detailed in Note 24.

Note 16. Grant Income

Accounting Policy

Government Grants and Contributions

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

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

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

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

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017-18:

	2017-18 £'000	2016-17 £'000
Credited to Taxation and Non-Specific Grant Income		
Council Tax	-629,040	-595,939
Business Rates	-51,174	-52,992
Revenue Support Grant	-195,340	-235,388
Local Services Support Grant	-1,483	-1,393
Other Grants	-41,566	-18,719
New Homes Bonus Grant	-7,805	-9,306
Business Rate Compensation Grant	-4,759	-4,158
Capital Government Grants and Contributions	-89,353	-130,320
Total	-1,020,520	-1,048,215

Note 16 - Grant Income and Note 17 - Property, Plant and Equipment

Credited to Services

Dedicated Schools Grant	-663,774	-664,000
Education Funding Agency	-71,720	-77,883
Other DFES Grants	-43,326	-42,068
Department of Health Grants	-71,099	-72,481
Asylum	-20,839	-31,814
Other	-71,769	-77,474
Total	-942,527	-965,720

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

	2017-18	2016-17
	£'000	£'000
Capital Grants Receipts in Advance		
Department for Education	-1,593	
Other Grants	-13,062	-13,843
Other Contributions	-40,018	-29,795
Total	-54,673	-43,638

Note 17. Property, Plant and Equipment

Accounting Policy

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.

All expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment above our de minimus of £10k (£2k in schools) is capitalised on an accruals basis. In this context, enhancement means work that has substantially increased the value or use of the assets. Work that has not been completed by the end of the year is carried forward as "assets under construction".

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.

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- surplus assets – fair value based on 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
- 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 current 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 have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Note 17 - Property, Plant and Equipment

The Council has a policy in place to revalue its assets on a rolling programme basis. All assets will be revalued at least every four years. Assets will also be revalued following significant works occurring on that asset or some event that may impact on the value of that asset, such as a significant downturn in economic conditions. Revaluation gains are written to the Revaluation Reserve, after reversing any revaluation losses on that asset previously posted to the Comprehensive Income and Expenditure Statement. Revaluation losses will be written off against any balance on the Revaluation Reserve for that asset or to the Comprehensive Income and Expenditure Statement where no revaluation gain exists in the reserve for that asset. These amounts are then written out through the Movement in Reserves Statement so that there is no impact on Council Tax.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired.

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

- writing down the balance on the Revaluation Reserve for that asset up to the accumulated gains
- writing down the relevant service line in the Comprehensive Income and Expenditure Statement where there is no balance or insufficient balance on the Revaluation Reserve.

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 calculated on a straight-line basis over each asset's useful economic life and is charged to the relevant service revenue account in the year following completion of the asset.

The periods over which assets are depreciated are as follows:

Land	- nil
Buildings	- useful life as determined by the valuer
Vehicles, plant and equipment	- 3-25 years
Roads & other highways infrastructure	- 20 years
Community assets	- nil
Assets under construction	- nil
Investment properties, Assets Held for Sale	- nil
Heritage Assets	- nil

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Property will be split into five components:

Land
Structure
Mechanical and Electrical
Fixtures and Furnishings
Temporary Buildings.

These components are a significant value of the asset as a whole and have significantly different useful lives.

In determining the extent to which we apply componentisation we have taken into consideration the material impact of not componentising assets within individual asset classes below a certain threshold. More detail on this can be found under the estimation techniques note on page 27.

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.

Note 17 - Property, Plant and Equipment

Disposals and Non-Current Assets Held for Sale

Assets are generally defined as 'held for sale' if their carrying amount is going to be recovered principally through a sale transaction rather than through continued use. This excludes from consideration any assets that are going to be abandoned or scrapped at the end of their useful lives. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value, less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

Gains and Losses on Disposal of Non Current Assets

When an asset is disposed of or decommissioned, the difference between the capital receipt from the sale and the carrying amount of the asset in the Balance Sheet, after identified costs have been removed, 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. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account. The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Schools transferring to academy status within the financial year are derecognised. On transfer the full carrying value is derecognised as an asset disposal for nil consideration. The net loss on disposal of non-current assets of £41.7m includes a loss of £30m which relates to schools transferring to academy status.

Capital receipts

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then normally only be used for new capital investment. There are certain circumstances that allow revenue expenditure to be funded from capital receipts, for example the revenue costs associated with transformation. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement. Conditional receipts are not included in these figures until it is prudent to do so.

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 fixed 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 fixed assets attributable to the service.

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

Note 17 - Property, Plant and Equipment

Note 17. Property, Plant & Equipment

Movement on balances - Movements in 2017-2018

	Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Roads and other Highways Infrastructure £'000	Community Assets £'000	Assets under Construction £'000	Surplus Assets £'000	Total £'000	PFI Assets included in Property, Plant and Equipment £'000
Cost or Valuation at 1 April 2017	1,648,841	91,491	1,632,308	10,041	107,251	55,852	3,545,784	318,633
Additions	89,713	6,612	77,400	29	27,408		201,162	2,963
Donations							0	
Revaluation increases / (decreases) recognised in the Revaluation Reserve	84,372					4,744	89,116	29,910
Revaluation increase / (decreases) recognised in the Surplus / Deficit on the Provision of Services	2,845					-1,728	1,117	1,223
Derecognition - Disposals	-41,810	-2,407			-33	-11,121	-55,371	

Property, Plant & Equipment - Movements in 2017-2018

	Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Roads and other Highways Infrastructure £'000	Community Assets £'000	Assets under Construction £'000	Surplus Assets £'000	Total £'000	PFI Assets included in Property, Plant and Equipment £'000
Cost or Valuation								
Derecognition - Other	-391						-391	
Assets reclassified (to) / from Held for Sale	-1,551					-725	-2,276	
Other Movements in cost or valuation*	-6,722	294			-80,569	8,125	-78,872	
At 31 March 2018	1,775,297	95,990	1,709,708	10,070	54,057	55,147	3,700,269	352,729

* This line shows a movement of -£78,873k which includes -£80,569k which relates to amounts removed from the AUC balance following our annual review of AUC and completed capital works.

Property, Plant & Equipment - Movements in 2017-2018

	Land and Buildings £'000	Vehicles, Plant and Equipment £,000	Roads and other Highways Infrastructure £'000	Community Assets £'000	Assets under Construction £'000	Surplus Assets £'000	Total £'000	PFI Assets included in Property, Plant and Equipment £'000
Accumulated Depreciation and Impairment at 1 April 2017	-34,706	-71,749	-994,104	0	0	-733	-1,101,292	-8,278
Depreciation Charge	-63,560	-5,788	-81,615			-1,111	-152,074	-9,851
Depreciation written out to the Revaluation Reserve	58,099					630	58,729	15,663
Depreciation written out to the Surplus / Deficit on the Provision of Services	14,504					811	15,315	1,999
Impairment (losses) / reversals recognised in the Revaluation Reserve							0	
Impairment (losses) / reversals recognised in the Surplus / Deficit on the Provision of Services	-548	-11			-296		-855	

Property, Plant & Equipment - Movements in 2017-2018

	Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Roads and other Highways Infrastructure £'000	Community Assets £'000	Assets under Construction £'000	Surplus Assets £'000	Total £'000	PFI Assets included in Property, Plant and Equipment £'000
Accumulated Depreciation and Impairment								
Derecognition - Disposals	646	2,370				142	3,158	
Derecognition - Other							0	
Other movements in Depreciation and Impairment	893	11	-1		296	-234	965	
At 31 March 2018	-24,672	-75,167	-1,075,720	0	0	-495	-1,176,054	-467
Net Book Value At 31 March 2018	1,750,625	20,823	633,988	10,070	54,057	54,652	2,524,215	352,262
At 31 March 2017	1,614,135	19,742	638,204	10,041	107,251	55,119	2,444,492	310,354

Note 17 - Property, Plant and Equipment

Note 17. Property, Plant & Equipment

Movement on balances - Movements in 2016-2017

	Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Roads and other Highways Infrastructure £'000	Community Assets £'000	Assets under Construction £'000	Surplus Assets £'000	Total £'000	PFI Assets included in Property, Plant and Equipment £'000
Cost or Valuation at 1 April 2016	1,590,175	89,210	1,580,400	9,864	89,275	38,910	3,397,834	278,170
Additions	115,504	6,172	51,908		77,440	3,886	254,910	37,637
Donations						610	610	
Revaluation increases / (decreases) recognised in the Revaluation Reserve	39,016					11,119	50,135	9,348
Revaluation increase / (decreases) recognised in the Surplus / Deficit on the Provision of Services	-26,058					-2,877	-28,935	-10,518
Derecognition - Disposals	-64,837	-3,890			-5,679	-5,270	-79,676	

Property, Plant & Equipment - Comparative Movements in 2016-2017

	Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Roads and other Highways Infrastructure £'000	Community Assets £'000	Assets under Construction £'000	Surplus Assets £'000	Total £'000	PFI Assets included in Property, Plant and Equipment £'000
Cost or Valuation								
Derecognition - Other							0	
Assets reclassified (to) / from Held for Sale	-371					-870	-1,241	
Other Movements in cost or valuation*	-4,588	-1		177	-53,785	10,344	-47,853	3,996
At 31 March 2017	1,648,841	91,491	1,632,308	10,041	107,251	55,852	3,545,784	318,633

* This line shows a movement of -£47,853k which includes -£53,785k which relates to amounts removed from the AUC balance following our annual review of AUC and completed capital works.

Property, Plant & Equipment - Comparative Movements in 2016-2017

	Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Roads and other Highways Infrastructure £'000	Community Assets £'000	Assets under Construction £'000	Surplus Assets £'000	Total £'000	PFI Assets included in Property, Plant and Equipment £'000
Accumulated Depreciation and Impairment								
at 1 April 2016	-32,158	-70,038	-915,084	0	0	-8	-1,017,288	-8,420
Depreciation Charge	-58,531	-5,371	-79,020			-1,177	-144,099	-8,010
Depreciation written out to the Revaluation Reserve	41,361					313	41,674	5,723
Depreciation written out to the Surplus / Deficit on the Provision of Services	12,355					229	12,584	2,428
Impairment (losses) / reversals recognised in the Revaluation Reserve							0	
Impairment (losses) / reversals recognised in the Surplus / Deficit on the Provision of Services	-128				-209		-337	

Property, Plant & Equipment - Comparative Movements in 2016-2017

	Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Roads and other Highways Infrastructure £'000	Community Assets £'000	Assets under Construction £'000	Surplus Assets £'000	Total £'000	PFI Assets included in Property, Plant and Equipment £'000
Accumulated Depreciation and Impairment								
Derecognition - Disposals	2,177	3,661					5,838	
Derecognition - Other							0	
Other movements in Depreciation and Impairment	218	-1			209	-90	336	
At 31 March 2017	-34,706	-71,749	-994,104	0	0	-733	-1,101,292	-8,279
Net Book Value								
At 31 March 2017	1,614,135	19,742	638,204	10,041	107,251	55,119	2,444,492	310,354
At 31 March 2016	1,558,017	19,172	665,316	9,864	89,275	38,902	2,380,546	269,750

Note 17 - Property, Plant and Equipment

Valuations of Property, Plant and Equipment carried at current value

The following statement shows the progress of Kent County Council's rolling programme for the revaluation of Property, Plant and Equipment. The valuations as at 31 March 2018 were carried out by Montagu Evans, overseen by Gary Howes MRICS. The basis for valuation is set out in the statement of accounting policies, and further explained below.

	<u>£'000</u>
Valued at current value as at:	
1 April 2012	350,976
Restated 1 April 2013	905,326
31 March 2015	1,304,025
31 March 2016	1,288,023
31 March 2017	1,269,486
31 March 2018	1,592,249

Basis of valuation

All valuations of land and buildings were carried out in accordance with the Statements of Asset Valuation Practice and Guidance Notes of The Royal Institution of Chartered Surveyors. In 2017-18 all land and buildings which have not had a valuation within the last four years have been valued. All schools, libraries, and social care assets have been revalued.

The following methods/assumptions have been applied in estimating the current values:

- Existing Use Value where the property is not specialised and is owner occupied, for example county offices;
- Depreciated Replacement Cost where no market exists for a property, which may be rarely sold or it is a specialised asset, for example schools;
- Fair value for surplus assets.

We have considered and analysed the assets which have not been revalued in 2017-18 and are confident that the carrying amount of these assets as at 31 March 2018 is not materially different to their current value as at 31 March 2018.

The sources of information and assumptions made in producing the various valuations are set out in a valuation certificate and report.

Note 17 - Property, Plant and Equipment

Surplus Assets Fair Value Hierarchy

Details of the Authority's surplus assets and information about the fair value hierarchy as at 31 March 2018 (excluding in year additions) are as follows:

<i>Recurring fair value measurements using:</i>	Level 2 inputs £000's	Level 3 inputs £000's	Fair value as at 31 March 2018 £000's	Level 2 Valuation Technique	Level 3 Valuation Technique
Residential developments	5,600	29,302	34,902	Market approach	Market approach
Residential institutions	3,275		3,275	Market approach	
Residential dwellings		1,567	1,567		Market approach
Non-residential institutions		5,621	5,621		Income approach
Assembly & Leisure		474	474		Income approach
Industrial development/commercial development/amenity land/educational land/woodland		8,813	8,813		Market approach
	8,875	45,777	54,652		

NB The Council does not have any Level 1 valuations

Details of the Authority's surplus assets and information about the fair value hierarchy as at 31 March 2017 (excluding in year additions) are as follows:

Presentation restated					
<i>Recurring fair value measurements using:</i>	Level 2 inputs £000's	Level 3 inputs £000's	Fair value as at 31 March 2017 £000's	Level 2 Valuation Technique	Level 3 Valuation Technique
Residential developments	10,715	22,160	32,875	Market approach	Market approach
Residential dwellings		2,346	2,346		Market approach
Non-residential institutions		5,955	5,955		Income approach
Industrial development/commercial development/amenity land/educational land/woodland		10,056	10,056		Market approach
	10,715	40,517	51,232		

NB The Council does not have any Level 1 valuations

Note 17 - Property, Plant and Equipment

Reconciliation of Fair Value Measurements (using Significant Unobservable Inputs) Categorised within Level 3 of the Fair Value Hierarchy

The movements during the year of level 3 surplus assets held at fair value, are analysed below:

	2017-18 £000's	2016-17 £000's
Opening balance	40,517	31,478
Transfers into Level 3	14,257	8,274
Transfers out of Level 3	-2,132	-4,145
Additions from prior year	929	0
Donations		129
Derecognition	-4,894	-3,175
Total gains or (losses) for the period included in the Surplus or Deficit on the Provision of Services resulting from changes in the fair value	-918	-2,648
Total gains or (losses) for the period included in Other Comprehensive Income and Expenditure resulting from changes in the fair value	-993	11,432
Depreciation charge	-989	-828
Closing balance	45,777	40,517

£0.9m of losses arising from changes in the fair value of surplus assets have been recognised in the Surplus or Deficit on the Provision of Services within the 'Strategic & Corporate Services' line and £1.0m of losses were recognised in Other Comprehensive Income and Expenditure within the '(Surplus)/deficit arising on revaluation of non current assets' line .

Quantitative Information about Fair Value Measurement of Surplus Assets using Significant Unobservable Inputs - Level 3

	Fair Value as at 31/03/18 £000's	Unobservable input	Quantitative Information	Sensitivity
Residential Developments	29,302	1) Estimated revenue streams 2) Estimated construction costs 3) Estimated profit margins	1) £54,000 - £675,000 per unit 2) £90.00 - £152.00 per square foot 3) 20%	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Residential Dwellings	1,567	1) Estimated sales value 2) Discount rate (lifelong tenancy & conversion costs/planning risk)	1) £150,000 - £450,000 per unit 2) 40% & 25%	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Non-residential institutions	5,621	1) Estimated rent 2) Estimated yield	1) £4.00 - £15.00 per square foot 2) 5% - 12%	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Assembly & Leisure	474	1) Estimated rent 2) Estimated yield	1) £4.00 2) 10.5%	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Industrial development/commercial development/amenity land/educational land/woodland	8,813	Estimated land value	£11,000 - £1,475,000 per hectare	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Total	45,777			

Valuation Process for Surplus Assets

The fair value of the Council's surplus assets is measured at least every four years in line with our revaluation policy for Property, Plant and Equipment. All valuations are carried out by appointed external valuers in accordance with the professional standards of the Royal Institution of Chartered Surveyors and reviewed internally by finance officers.

Highest & Best Use of Surplus Assets

In estimating the fair value of the Council's surplus assets, the highest and best use of 14 of the 77 assets is their current use. Of the remaining 63 assets, 57 are vacant, 5 have alternative uses as a result of existing lease arrangements and 1 is held for highways expansion.

Contractual Liabilities

We have no contractual commitments to make payments over £10m in future years.

Note 18 - Investment Property**Accounting Policy**

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

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

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

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:

	2017-18	2016-17
	£000's	£000's
Rental income from Investment Property	1,106	613
Direct operating expenses arising from Investment Property	-534	-434
Net gain/(loss)	572	179

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

Note 18 - Investment Property

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

	2017-18 £000's	2016-17 £000's
Balance at start of the year	47,212	48,649
Additions:		
• Purchases		494
• Construction		
• Subsequent expenditure		
Disposals	-19	-8,765
Net gains/losses from fair value adjustments	-6,230	6,205
Transfers:		
• to/from Inventories		
• to/from Property, Plant & Equipment	-520	629
Other Changes	2	
Balance at end of the year	40,445	47,212

Fair Value Hierarchy

Details of the Authority's investment properties and information about the fair value hierarchy as at 31 March 2018 (excluding in year additions) are as follows:

<i>Recurring fair value measurements using:</i>	Level 2 inputs £000's	Level 3 inputs £000's	Fair value as at 31 March 2018 £000's	Level 2 Valuation Technique	Level 3 Valuation Technique
Residential developments	11,178	4,570	15,748	Market approach	Market approach
Offices	7,874		7,874	Income approach	
Industrial development/commercial development/amenity land/educational land	1,329	458	1,787	Market approach	Market approach
Residential dwellings		2,370	2,370		Market approach
Non-residential institutions	3,953	3,839	7,792	Income approach	Income approach
Key Worker Accommodation		1,140	1,140		Market approach
Ransom Strip	1,000		1,000	Market approach	
Golf Course	365		365	Income approach	
Agricultural Land		15	15		Income approach
Industrial units	2,354		2,354	Income approach	
	28,053	12,392	40,445		

Note 18 - Investment Property

Details of the Authority's investment properties and information about the fair value hierarchy as at 31 March 2017 (excluding in year additions) are as follows:

<i>Recurring fair value measurements using:</i>	Level 2 inputs £000's	Level 3 inputs £000's	Fair value as at 31 March 2017 £000's	Level 2 Valuation Technique	Level 3 Valuation Technique
Residential developments	16,251	5,428	21,679	<i>Market approach</i>	<i>Market approach</i>
Offices	8,441		8,441	<i>Income approach</i>	
Industrial development/commercial development/amenity land	2,270	3,186	5,456	<i>Market approach</i>	<i>Market approach</i>
Residential dwellings		2,658	2,658		<i>Market approach</i>
Non-residential institutions		6,456	6,456		<i>Income approach</i>
Age related assisted living			0		
Key Worker Accommodation		1,140	1,140		<i>Market approach</i>
Ransom Strip	1,000		1,000	<i>Market approach</i>	
Golf Course	330		330	<i>Income approach</i>	
Commercial Property	-938		-938	<i>Income approach</i>	
Agricultural Land		15	15		<i>Income approach</i>
	27,354	18,883	46,237		

NB The council does not have any Level 1 valuations

Reconciliation of Fair Value Measurements (using Significant Unobservable Inputs) Categorised within Level 3 of the Fair Value Hierarchy

The movements during the year of level 3 investment property held at fair value, are analysed below:

	2017-18 £000's	2016-17 £000's
Opening balance	18,883	10,964
Transfers into Level 3	703	148
Transfers out of Level 3	-6,636	
Additions from prior year	494	2,852
Disposals	-19	
Total gains or (losses) for the period included in the Surplus or Deficit on the Provision of Services resulting from changes in the fair value	-1,035	4,919
Other changes	2	
Closing balance	12,392	18,883

£1.0m of losses arising from changes in the fair value of the investment property have been recognised in the 'Surplus or Deficit on the Provision of Services - Financing and Investment Income and Expenditure' line.

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

	Fair Value as at 31/03/18 £000's	Unobservable input			Quantitative Information		Sensitivity
		1) Estimated revenue streams	2) Estimated construction costs	3) Estimated profit margins	1) £67,000 - £575,000 per unit	2) £95.00 - £141.68 per square foot	
Residential Developments	4,570						Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Industrial development/commercial development/amenity land	458	Estimated land value			£20,000 - £2,100,000 per hectare		Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Residential Dwellings	2,370	1) Estimated sales value 2) Discount rate (access issues and lifelong tenancy)			1) £108,000 - £300,000 per unit 2) 25% and 40%		Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Non-residential institutions	3,839	1) Estimated rent (ground only) 2) Estimated rent 2) Estimated yield			1) £0.13 to £0.52 per square foot 2) £4.25 - £16.00 per square foot 3) 5% - 10%		Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Key Worker Accommodation	1,140	Estimated sales value			£38,000 per unit		Significant changes in unobservable inputs could result in a significantly lower or higher fair value

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

	Fair Value as at 31/03/18 £000's	Unobservable input	Quantitative Information	Sensitivity
Agricultural Land	15	1) Limited rental growth 2) Estimated yield	1) N/A 2) 5%	Due to the low fair value of this category a significant change in unobservable inputs would not result in a significantly lower or higher fair value
Total	12,392			

Valuation Process for Investment Properties

The fair value of the Council's investment property is measured annually at each reporting date. All valuations are carried out by appointed external valuers in accordance with the professional standards of the Royal Institution of Chartered Surveyors and reviewed internally by finance officers.

Highest & Best Use of Investment Properties

In estimating the fair value of the Council's investment properties, the highest and best use of 48 of the 59 properties is their current use. Of the remaining 11 properties, 7 are held for capital appreciation as investments, 1 is vacant and 3 have alternative uses as a result of existing lease arrangements.

Note 19. Capital Expenditure and Financing**Accounting Policy****Government Grants and Contributions**

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.

Revenue expenditure funded from capital under statute

Revenue expenditure funded from capital under statute represents expenditure which may be properly capitalised, but does not result in the creation of a non-current asset. The expenditure has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Capital expenditure on assets that do not belong to the council such as Academy schools are charged here and are written out in the year. These charges are reversed out to the Capital Adjustment Account through the Movement in Reserves Statement to mitigate any impact on council tax.

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 and PFI/PP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

Note 19 - Capital Expenditure and Financing and Note 20 - PFI and Similar Contracts

	2017-18 £000's	2016-17 £000's
Opening Capital financing requirement	1,362,392	1,348,259
Capital investment		
Property, Plant and Equipment	124,406	208,868
Revenue expenditure funded from capital under statute	56,629	58,946
Long-Term Debtors	14,404	3,449
Other	2,902	4,156
	1,560,733	1,623,678
Sources of finance		
Capital receipts	-22,151	-31,592
Government grants and other contributions	-136,546	-152,261
Direct revenue contributions	-16,323	-15,401
(MRP/loans fund principal)	-63,219	-62,032
	1,322,494	1,362,392
Closing Capital Financing Requirement		
Movement	-39,898	14,133
	2017-18 £000's	2016-17 £000's
Explanation of movements in year		
Increase in underlying need to borrow (supported by Government financial assistance)	0	0
Increase in underlying need to borrow (unsupported by Government financial assistance)	-39,898	-19,902
Assets acquired under PFI contracts	0	34,035
Increase/(decrease) in Capital Financing Requirement	-39,898	14,133

Note 20. PFI and Similar Contracts

Accounting Policy

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

Note 20. PFI and Similar Contracts

The original recognition of these assets is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets, written down by any capital contributions.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator
- lifecycle replacement costs - recognised as additions to Property, Plant and Equipment.

Value of PFI assets at each balance sheet date and analysis of movement in those values

Value of assets

	6 schools	Swanscombe Schools	Westview/ Westbrook	Better Homes, Active Lives	3 BSF Schools	Excellent Homes for All	TOTAL £'000
As at 31 March 2017	128,474	3,877	9,421	81,613	46,174	40,586	310,145
Additions	1,457	65	425	561	408	47	2,963
Transfers in							0
Revaluations	11,063	243	130	1,600	2,058	33,701	48,795
Depreciation	-4,448	-138	-429	-2,323	-1,429	-1,074	-9,841
As at 31 March 2018	136,546	4,047	9,547	81,451	47,211	73,260	352,062

Value of liabilities resulting from PFI at each balance sheet date and analysis of movement in those values

Finance Lease Liability

	6 schools	Swanscombe Schools	Westview/ Westbrook	Better Homes, Active Lives	3 BSF Schools	Excellent Homes for All	TOTAL £'000
As at 31 March 2017	68,267	8,313	12,453	52,898	57,567	36,779	236,277
Additions							0
Liability repaid	-1,592	-198	-360	-1,053	-1,530	-1,114	-5,847
As at 31 March 2018	66,675	8,115	12,093	51,845	56,037	35,665	230,430

The original recognition of these fixed assets is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets. For the 6 Schools PFI, the liability was written down by an initial capital contribution of £4.541m. For the Better Homes, Active Lives PFI the liability was written down by an initial capital contribution of £0.65m.

Note 20 - PFI and Similar Contracts

Details of payments to be made under PFI contracts

6 schools

	Repayment of liability	Interest	Service Charges	Lifecycle costs	TOTAL
					£'000
Within 1 year	1,774	5,846	3,364	1,355	12,339
Within 2-5 years	8,903	21,701	14,318	5,597	50,520
Within 6-10 years	13,694	22,549	20,006	11,264	67,513
Within 11-15 years	22,140	15,343	22,635	10,278	70,396
Within 16-20 years	20,162	3,794	14,985	3,647	42,588

RPIx is used as the basis for indexation in the 6 schools PFI contract. RPIx has been assumed to be at 2.5% per annum for the duration of the remainder of this PFI contract.

Swanscombe Schools

	Repayment of liability	Interest	Service Charges	Lifecycle costs	TOTAL
					£'000
Within 1 year	370	1,191	745	386	2,692
Within 2-5 years	2,245	4,097	3,200	1,440	10,983
Within 6-10 years	5,496	2,495	4,014	1,221	13,226

RPIx is used as the basis for indexation in the Swanscombe Schools PFI contract. RPIx has been assumed to be at 2.5% per annum for the duration of the remainder of this PFI contract.

Westview/Westbrook

	Repayment of liability	Interest	Service Charges	Lifecycle costs	TOTAL
					£'000
Within 1 year	156	934	1,618	813	3,522
Within 2-5 years	1,615	3,560	6,946	2,051	14,171
Within 6-10 years	2,770	3,654	9,865	2,997	19,285
Within 11-15 years	5,151	2,203	11,381	1,370	20,105
Within 16-20 years	2,403	186	0	0	2,589

The RPIx and Average Weekly Earnings (AWE) indices are both used as bases for indexation in the Westview/Westbrook PFI Contract. RPIx has been assumed to be at 2.5% per annum for the duration of the remainder of this PFI contract and AWE has been assumed to be 2% higher than this at 4.5% over the same period.

Better Homes, Active Lives

	Repayment of liability	Interest	Service Charges	Lifecycle costs	TOTAL
					£'000
Within 1 year	1,026	3,682	0	663	5,371
Within 2-5 years	5,488	13,854	0	2,142	21,484
Within 6-10 years	9,342	14,933	0	2,580	26,855
Within 11-15 years	12,924	11,001	0	2,930	26,855
Within 16-20 years	19,723	5,646	0	1,487	26,855
Within 21-25 years	3,343	237	0	0	3,581

No indexation is applied to the Better Homes, Active Lives PFI contract.

Note 20 - PFI and Similar Contracts

3 BSF Schools

	Repayment of liability	Interest	Service Charges	Lifecycle costs	TOTAL
					£'000
Within 1 year	1,525	5,207	2,136	551	9,419
Within 2-5 years	7,611	19,267	9,090	2,425	38,393
Within 6-10 years	11,276	19,801	12,701	7,438	51,216
Within 11-15 years	17,648	13,748	14,370	7,703	53,469
Within 16-20 years	17,975	3,583	7,292	1,888	30,738

RPIx is used as the basis for indexation in the BSF Wave 3 PFI contract. RPIx has been assumed to be at 2.5% per annum for the duration of the remainder of this PFI contract.

Excellent Homes for All

	Repayment of liability	Interest	Service Charges	Lifecycle costs	TOTAL
					£'000
Within 1 year	1,147	1,624	1,097	64	3,931
Within 2-5 years	5,027	5,959	4,387	350	15,724
Within 6-10 years	6,407	6,142	5,484	1,622	19,655
Within 11-15 years	7,241	4,656	5,484	2,274	19,655
Within 16-20 years	8,745	2,861	5,484	2,566	19,655
Within 21-25 years	7,098	700	6,015	1,253	15,066

No indexation is applied to the Excellent Homes for All PFI contract.

TOTAL for all PFI Contracts

	Repayment of liability	Interest	Service Charges	Lifecycle costs	TOTAL
					£'000
Within 1 year - short term	5,998	18,484	8,959	3,834	37,275
Within 2-5 years	30,890	68,438	37,941	14,006	151,275
Within 6-10 years	48,985	69,573	52,069	27,122	197,750
Within 11-15 years	65,104	46,951	53,869	24,556	190,480
Within 16-20 years	69,008	16,070	27,760	9,587	122,425
Within 21-25 years	10,441	938	6,015	1,253	18,647
Total	230,426	220,455	186,613	80,359	717,853

Swan Valley and Craylands, 6 Group Schools, and 3 BSF Schools

On 24 May 2001, the Council contracted with New Schools (Swanscombe) Ltd to provide Swan Valley Secondary School and Craylands Primary School under a Private Finance Initiative (PFI). The schools opened in October 2002. Under the PFI contract the Council pays an agreed charge for the services provided by the PFI contractor. The unitary charge commenced in October 2002, PFI credits were received from April 2003 and were backdated to October 2002. This charge is included in the Council's revenue budget and outturn figures. At the time the contract was signed the total estimated contract payments were £65.5m over the 25 year (termination end of September 2027) contract period. In September 2013 Swan Valley Community School converted into Ebbsfleet Academy.

Note 20 - PFI and Similar Contracts

On 7 October 2005, the Council contracted with Kent Education Partnership to provide 6 new secondary schools (Hugh Christie Technology College, Holmesdale Technology College (now Holmesdale School), The North School, Ellington School for Girls, The Mallings School and Aylesford School - Sports College) under a Private Finance Initiative (PFI). The development of these schools straddled both the 2006-07 and 2007-08 financial years. Three of these schools opened part of their new buildings during the 2006-07 financial year (Hugh Christie, Holmesdale and The North). The other three schools opened their new buildings during 2007-08 (Ellington School for Girls, The Mallings and Aylesford). From September 2009 Ellington School for Girls merged with Hereson Boys School to become Ellington and Hereson School, which is also a Trust. The school has now been renamed the Royal Harbour Academy.

The unitary charge commenced in November 2006, PFI credits commenced in June 2007 and were backdated to November 2006. This charge is included in the Council's revenue budget and outturn figures. At the time the contract was signed the total estimated contract payments were £373.9 million over the 28 year contract period.

On 24 October 2008, the Council contracted with Kent PFI Company 1 Ltd to provide 3 new secondary schools in Gravesend (St John's Catholic School, Thamesview School and Northfleet Technology College) under a Private Finance Initiative (PFI) which formed part of the Building Schools for the Future programme. All three schools opened their new buildings during the 2010-11 financial year. The unitary charge commenced in July 2010 upon the opening of the three schools, PFI credits commenced in March 2011 and were backdated to July 2010. This charge is included in the Council's revenue budget and outturn figures. At the time the contract was signed the total estimated contract payments were £250.8 million over the 25 year contract period.

Central Government provides a grant to support the PFI schemes. This Revenue Support Grant is based on a formula related to the Capital Expenditure in the scheme: this is called the notional credit approval, and amounts to £11.62m of credits for Swan Valley and Craylands, £80.75m for the 6 schools and £98.94m for the 3 schools. This approval triggers the payment of a Revenue Support Grant over the life of the schemes of 25 years (Swan Valley and Craylands), 28 years (6 schools), and 25 years (3 schools). This grant amounts to just under £23m (Swan Valley and Craylands), just over £177m (6 schools) and just over £193m (3 schools).

Westbrook and Westview

In 2017-18 the Council made payments of £4.1m to Integrated Care Services (ICS) for the maintenance and operation of Westbrook and Westview recuperative care facilities. The Council is committed to making payments of £4.2m for 2018-19 under this PFI contract. The actual amount paid will depend on the performance of ICS in delivering the services under the contract which will run until April 2033.

Gravesham Place

The NHS are the accountable body for this PFI arrangement and in accordance with accounting procedures this is not included on KCC's balance sheet. However in 2018-19 the Council is committed to making payments estimated at £2.93m per year under a contract with Land Securities Group Plc for the maintenance and facilities management, including laundry and catering, of Gravesham Place integrated care centre. The actual amount is subject to an annual inflationary uplift, and is also dependent on the performance of Land Securities in delivering the services under the contract (£2.82m was paid in 2017-18). The contract will run until April 2036.

Better Homes, Active Lives PFI

In October 2007 the Council signed a PFI contract with Kent Community Partnership Ltd (a wholly owned subsidiary of Housing 21) to provide 340 units of accommodation of which 275 units are Extra Care accommodation, 58 units for people with learning difficulties, and 7 units for people with mental health problems. The contract for the provision of services will last until 2038-39. In 2017-18 the Council made payments of £5.4m to the contractor, and is committed to paying the same amount next year, although this will depend on the performance of Kent Community Partnership delivering the services under the contract.

Note 20 - PFI and Similar Contracts

Excellent Homes for All PFI

In June 2014 the Council signed a PFI contract with Galliford Try PLC who will provide 238 units of specialist accommodation on seven sites across Kent. There will be 218 units of Extra Care accommodation, 9 units for people with mental health problems and 11 move-on apartments. Galliford Try has partnered with West Kent Housing Association to help manage the facilities. In October 2017 Galliford Try sold their 50% equity holding to PPDI Assetco Ltd (a company owned by Dalmore Capital) giving them 100% ownership. In 2017-18, being the first year of full payment, the Council made unitary charge payments of £3.9m to the contractor and is committed to paying the same amount each year, although this will depend on the performance of the Kent EHFA Projectco Limited delivering the services under the contract. The contract runs until 2040-41.

Note 21 - Heritage Assets

Note 21. Heritage Assets

Accounting Policy

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

Heritage assets above our de minimus of £10k are recognised in the balance sheet wherever possible at valuation or cost. In most cases, insurance valuations are used. However, the unique nature of many heritage assets makes valuation complex and so where values cannot be obtained, either due to the nature of the assets or the prohibitive cost of obtaining a valuation, they are not recognised in the balance sheet but comprehensive descriptive disclosures are included in the statement of accounts.

An impairment review of heritage assets is carried out where there is physical deterioration of a heritage asset.

	Historic Buildings £000s	Artwork - Paintings & Sculptures £000s	Archives £000s	Historical & Archaeo- logical Artefacts £000s	Civic Regalia £000s	Total Heritage Assets £000s
<u>Cost or Valuation</u>						
At 1 April 2016	1,213	3,722	2,573	138	17	7,663
Additions						
Donations						
Disposals						
Revaluations Increases / (Decreases) recognised in the Revaluation Reserve		60	56			116
Revaluations Increases / (Decreases) recognised in the Surplus / Deficit on the Provision of Services						
At 31 March 2017	1,213	3,782	2,629	138	17	7,779
<u>Cost or Valuation</u>						
At 1 April 2017	1,213	3,782	2,629	138	17	7,779
Additions						
Donations						
Disposals						
Revaluations Increases / (Decreases) recognised in the Revaluation Reserve		57	55	50	1	163
Revaluations Increases / (Decreases) recognised in the Surplus / Deficit on the Provision of Services						
At 31 March 2018	1,213	3,839	2,684	188	18	7,942

Note 21 - Heritage Assets

Historic Environment & Monuments

Eight windmills are included in the balance sheet at a value of £1.102m, which represents spend on these assets. These are either Grade I or II listed buildings and are located across Kent. KCC first took windmills into our care in the 1950s when, with the millers gone, there was no one else to protect these landmark buildings. We now own eight, ranging from Post Mills of Chillenden and Stocks at Wittersham to the magnificent Smock Mill at Cranbrook – the tallest in England.

Kent County Council works with local groups to actively preserve the future of the windmills and to support their repair and, where records exist, restoration. We also encourage improvements to the buildings and sites, to encourage greater public access and greater use of the windmills as an educational resource.

Thurnham Castle, located within White Horse Wood Country Park is a late 11th/early 12th century motte and bailey castle with gatehouse and curtain walls in flint and traces of an oval or polygonal shell keep, built on a steep spur of the North Downs. Above ground remains consist of some surviving sections of walling and earthworks of the main castle mound. This is valued at £111k in the balance sheet which represents spend on the asset. Situated within Shorne Woods Country Park is the site of the medieval manor house **Randall Manor**. The site now consists of below ground archaeological remains, along with earthworks relating to associated fish ponds and field systems.

Hildenborough war memorial consists of a cross shaft with a carved relief of a crucifixion scene. It stands on a plinth on a stepped dais. The inscription to the dead of the First World War is on the front face of the plinth below the cross with names on the side faces and additional names of the fallen on the risers of the steps.

The former World War II Air Raid Wardens' post stands in a fenced and partly walled enclosure at the side of the steps down from Folkestone Road to the approach to Dover Priory railway station. It is a small flat-roofed concrete structure with all apertures boarded up.

Martello Tower No. 5 situated at Folkestone Grammar School is a Scheduled Monument, one of a chain of forts that protected the south coast from the threat of invasion in the Napoleonic period. It stands within the grounds of the school, immediately west of the buildings.

The **church of St Martin-le-Grand and remains of the Dover Classis Britannica fort** are incorporated and displayed at the Dover Discovery Centre, which houses Dover Library. It was formerly the White Cliffs Experience. The Roman remains relate to the 2nd century fort that occupied the site and the area to the southwest. The church of St Martin-le-Grand was an early foundation that developed through the medieval period. At the time of the Reformation it fell into disuse and buildings were constructed in and around the church. The remains of the church are exposed in the land between the centre and the museum to the northeast.

A grade II listed **Statue of Queen Victoria** is situated outside of the Adult Education Centre, Gravesend.

Artwork

Included in the balance sheet, at insurance valuations, are the following collections:

The Master collection of 16th-19th century prints and drawings, valued at £1,570k, on loan to Folkestone Town Council and held at Folkestone Town Council Museum.

Kent Visual Arts Loan Service, a collection of c.1500 pieces of original artwork currently held in storage at Sessions House, valued at £620k.

The Antony Gormley Boulders Sculpture, the sculptors' first professional commission, valued at £730k. The sculpture is a single piece, in that the two parts are inextricably linked. The hollow bronze piece is a facsimile of the granite stone. The work represents the "old and the new" sitting side by side in harmony and is located at the Kent History and Library Centre.

Contemporary collection of c. 200 artworks (6 out of 7 collections) in storage in Sessions House, valued at £284k.

KCC Sessions House collection, valued at £71k.

Glass Screen by Chris Ofili valued at £417k. Translucent glazed screen lit from below, by Chris Ofili (2003), welcoming you to Folkestone Library.

Kent History Tree & Leaves valued at £147k. The "History Tree" at the Kent History and Library Centre was installed in September 2013, created by Anne Schwegmann-Fielding in collaboration with Michael Condron. It is an 8 metre stainless steel tree, adorning the front of the building, with translucent mosaic at its base and 17 steel and mosaic leaves changing from green to red blowing along the pillars.

Note 21 - Heritage Assets

Archive Collections

Kent County Council looks after its own records and those of its predecessor authorities. In addition it collects and makes accessible other historic records under the terms of the 1962 Public Records Act and the 1972 Local Government Act. These records include those of public bodies such as courts, health trusts and coroners, of district councils and of individuals and organisation in the county. There are about 12kms of records, dating back to 699AD, and they are stored in BS5454 conditions at the Kent History Centre in Maidstone. Approximately 25% of the records are owned by KCC, the values of which are included in the balance sheet as follows (valuations are insurance valuations unless otherwise specified):

General archive collections - £736k

Knatchbull/Brabourne Manuscripts. £1,425k. Family and estate papers relating to the Knatchbull/Brabourne family comprising of accounts, correspondence, legal papers, and manorial records.

Rare Books collection, valued at £209k based on an informal estimate given by an antiquarian book dealer.

Amherst Family Papers £314k based on a valuation obtained before they were bought via a Heritage Lottery Fund bid.

The **Kent Historic Environment Record** is primarily a digital database (including GIS display) of Kent's archaeological sites, find spots, historic buildings and historic gardens. It also includes paper records of archaeological, historic building and historic landscape reports. The County aerial photograph series is now located in the Kent History centre.

Archaeological & Historical Artefacts

Kent County Council has accepted ownership of the majority of the **HS1 archaeological archives** as owner of last resort to prevent the collections from being broken up or disposed of. The collections comprise approximately 70 cubic metres of boxes containing archaeological artefacts including pottery, bone, stone, metalwork, and worked flint. They are generally of little financial value. The collections are currently housed half at Kent Commercial Services, Aylesford, half in a store at Dover Eastern Docks, a small number of items in Invicta House, Maidstone and waterlogged wood in Chatham Historic Dockyard. During 2014-15 in order to keep the HS1 archive together in one ownership KCC has also acquired the finds from the Anglo-Saxon cemetery excavations at Saltwood Tunnel which have been declared as treasure under the Treasure Act 1996 and valued at £37.5k. The finds are currently stored within the Art Store at Kent County Council.

KCC owns approximately 4,000 objects of social history, archaeological and geological, prints, and drawings and other material housed at **Sevenoaks Kaleidoscope Museum**. A marble **roman bust & portrait**, found at Lullingstone Villa, dating back to 2nd Century AD are valued at £60k and £40k respectively. These are currently on long term loan from Sevenoaks Museum to the British Museum. The museum holds a **painting by John Downton** and a **18th/19th soldier's quilt** recently valued at £50k by an industry expert.

There is a collection of around 100 artefacts kept at **Ramsgate Library**, remnants of a fire at the library in 2004, including prize cups, watches, signs & plaques, pots, printing plates, weights and measures.

Folkestone library museum collection includes around 10,000 artefacts and archival material relating to the history of Folkestone. It includes around 500 artworks housed at Folkestone library, one at Sandgate Library, and up to 10 at Sessions House. The museum includes archaeology, social, military, and civil history and includes collections in store and on display in the History Resource Centre. This has been moved permanently to Folkestone Town Council (FTC) and will be insured by FTC but will remain in KCC ownership until the gifting requirements are met.

KCC owns **Scientific Calibration Equipment** dating back to the 1800s in the display cases.

Civic Regalia

KCC's silver collection is valued at £18k. This includes The Chairman's Plate, The Silver Salver, The Silver Gilt Cup, and The 500 Squadron Silver collection.

Note 22. Leases

Accounting Policy

Leasing

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

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

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

The Council 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 Council 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)
- contingent rents, the difference between the rent paid in year and the original amount agreed in the contract (e.g. following a rent review) also debited to Financing and Investment Income and Expenditure 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 Council at the end of the lease period).

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

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment.

The Council as Lessor

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. 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 on the same basis as rental income.

Note 22 - Leases

The Council as Lessee

Operating Leases

Following a review on the materiality of lease values we found that only operating leases where the Council is the lessee were deemed to be material. The values are represented in the tables below.

The Council has acquired property, motor vehicles, and office equipment by entering into operating leases.

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

	31 Mar 2018	31 Mar 2017
	£'000	£'000
Not later than one year	4,659	4,757
Later than one year and not later than five years	11,207	12,488
Later than five years	15,272	17,146
	31,138	34,391

KCC sub-lets some properties held as operating leases. In most cases the amount charged to the tenants for sub-leases is nil. For those where we do charge, the future minimum sub-lease payments expected to be received by the Authority is £15.5m over the remaining life of the 25 year lease.

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

	31 Mar 2018	31 Mar 2017
	£'000	£'000
Minimum lease payments	5,039	5,691
Contingent rents	245	205
Sublease payments receivable	-757	-757
	4,527	5,139

Note 23 - Usable Reserves

Note 23. Usable Reserves

Accounting Policy

The Council holds general fund reserves as a consequence of income exceeding expenditure, budgeted contributions to reserves or where money has been earmarked for a specific purpose. These reserves are set at a level appropriate to the size of the budget and the level of assessed risk.

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council.

Reserve	Balance 1 April 2017 £'000	Net Movement in year £'000	Balance 31 March 2018 £'000	Purpose of Reserve
Usable Capital Receipts	-20,875	-7,645	-28,520	Proceeds of fixed assets and loan repayments available to meet future Capital Expenditure
General Fund - KCC	-37,213		-37,213	Resources available to meet future unforeseen events
General Fund - Commercial Services	542	-232	310	
Capital Grants unapplied	-65,196	7,758	-57,438	See note below
Earmarked Reserves*	-163,182	1,006	-162,176	See Note 25
Schools Reserve*	-28,340	-1,675	-30,015	See over page
Surplus on Trading Accounts*		-223	-223	Commercial Services and Oakwood House
Total	-314,264	-1,011	-315,275	

Capital grants unapplied of £57.4m as at 31 March 2018 includes the schools capital reserves deficit of £7k. This has reduced from the £695k held by schools as at 31 March 2017. The remainder reflects Government grants and contributions received in year for projects in progress.

Note 23 - Usable Reserves and Note 24 - Unusable Reserves

School Reserves

At 31 March 2018 funds held in school revenue reserves stood at £30,015k. These reserves are detailed in the table below.

	Balance at 1 April 2017 £'000	Movement £'000	Balance at 31 Mar 2018 £'000
School delegated revenue budget reserves - committed	-3,925	-4,437	-8,362
School delegated revenue budget reserves - uncommitted	-26,089	3,250	-22,839
Unallocated Schools budget	1,830	325	2,155
Community Focused Extended School Reserves	-156	42	-114
Apprenticeship Levy		-855	-855
	-28,340	-1,675	-30,015

Note 24. Unusable Reserves

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice.

Reserve	Balance 1 April 2017 £'000	Net Movement in year £'000	Balance 31 March 2018 £'000	Purpose of Reserve
Revaluation Reserve	-569,721	-110,335	-680,056	Store of gains on revaluation of fixed assets
Capital Adjustment Account	-632,055	-2,799	-634,854	Store of capital resources set aside for past expenditure
Financial Instruments Adjustment Account	17,305	-1,917	15,388	Movements in fair value of assets and premiums
Collection Fund Adjustment Account	-18,943	4,528	-14,415	Movement between the I & E and amount required by regulation to be credited to the General Fund
Pensions Reserves				
- KCC	1,534,099	-107,743	1,426,356	Balancing account to allow inclusion of Pensions
- DSO	1,801	-62	1,739	Liability in Balance Sheet
Available for Sale Financial Instruments	1,870	2,018	3,888	
Accumulated Absences Account	10,388	-869	9,519	This absorbs the differences on the General Fund from accruing for untaken annual leave

Note 24 - Unusable Reserves

Reserve	Balance 1 April 2017 £'000	Net Movement in year £'000	Balance 31 March 2018 £'000	Purpose of Reserve
Post Employment Account	6,414	231	6,645	This absorbs the differences on the General Fund from accruing for redundancy and retirement costs agreed but not due until future years
Total	351,158	-216,948	134,210	

Revaluation Reserve

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

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

	2017-18 £'000	2016-17 £'000
Balance as at 1st April	-569,721	-516,113
Upward revaluation of assets	-178,534	-115,429
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	30,526	23,505
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	-148,008	-91,924
Difference between fair value depreciation and historical cost depreciation	20,413	19,020
Accumulated gains on assets sold or scrapped	17,260	19,296
Amount written off to the Capital Adjustment Account	37,673	38,316
Balance at 31 March	-680,056	-569,721

Note 24 - Unusable Reserves

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 Council 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 Council.

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

	2017-18	2016-17
	£'000	£'000
Balance at 1 April	-632,055	-642,451
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	152,929	144,436
- Revaluation losses on Property, Plant and Equipment and Assets Held for Sale	-15,998	16,385
- Income in relation to donated assets		-7,152
- Amortisation of intangible assets	2,264	2,407
- Revenue expenditure funded from capital under statute	56,478	66,321
- 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	53,325	74,152
	248,998	296,549
Adjusting amounts written out of the Revaluation Reserve	-37,673	-38,317
Net written out amount of the cost of non-current assets consumed in the year	-420,730	-384,219
Capital financing applied in the year:		
- Use of the Capital Receipts Reserve to finance new capital expenditure	-22,151	-31,592

Note 24 - Unusable Reserves

	2017-18	2016-17
	£'000	£'000
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	-95,281	-121,925
- Application of grants to capital financing from the Capital Grants Unapplied Account	-41,558	-30,336
- Statutory provision for the financing of capital investment charged against the General Fund	-63,219	-62,032
- Capital expenditure charged against the General Fund	-16,322	-15,401
	-238,531	-261,286
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	6,250	2,692
Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		-388
Write down of long-term debtors	18,157	11,146
Balance at 31 March	-634,854	-632,055

Note 24 - Unusable Reserves

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 Council 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 Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed.

	2017-18	2016-17
	£'000	£'000
Balance at 1 April	17,305	20,157
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement		
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	-950	-950
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	-950	-950
	-967	-1,902
Balance at 31 March	15,388	17,305

Note 24 - Unusable Reserves

Pensions Reserve

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

	2017-18	2016-17
	£'000	£'000
Balance at 1 April	1,535,900	1,214,103
Remeasurement of the net defined liability/(asset)	-208,528	264,345
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	171,887	128,183
Employer's pensions contributions and direct payments to pensioners payable in the year	-71,164	-70,731
Balance at 31 March	1,428,095	1,535,900

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2017-18	2016-17
	£'000	£'000
Balance at 1 April	-18,943	-14,601
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	4,528	-4,342
Balance at 31 March	-14,415	-18,943

Note 24 - Unusable Reserves

Accumulated Absences Account

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

	2017-18	2016-17
	£'000	£'000
Balance at 1 April	10,388	10,022
Settlement or cancellation of accrual made at the end of the preceding year	-10,388	-10,022
Amounts accrued at the end of the current year	9,519	10,388
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	-869	366
Balance at 31 March	9,519	10,388

Post Employment Account

The Post Employment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for early retirement and redundancy payments that are agreed in year but are due in future years. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2017-18	2016-17
	£'000	£'000
Balance at 1 April	6,414	6,618
Settlement or cancellation of accrual made at the end of the preceding year	-2,992	-2,837
Amounts accrued at the end of the current year	3,223	2,633
Amount by which post employment costs are charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from costs chargeable in the year in accordance with statutory requirements	231	-204
Balance at 31 March	6,645	6,414

Note 24 - Unusable Reserves

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council 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
- disposed of and the gains are realised

	2017-18	2016-17
	£'000	£'000
Balance at 1 April	1,870	608
Upward revaluation of investments	-2,601	-390
Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Service	4,619	1,652
	<hr/> 2,018	<hr/> 1,262
Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income		
Balance at 31 March	<hr/> 3,888	<hr/> 1,870

Note 25. Earmarked Reserves

A thorough review of our Reserves was carried out as part of the 2017-18 budget setting process. A similar process was undertaken as part of the 2018-19 budget setting process and as a result a further draw down of reserves is planned for 2018-19. Our Corporate Director of Finance, who is responsible for setting the level of Reserves, has deemed the level to be 'adequate' given the level of risk that we face.

The following describes each of the Earmarked Reserve accounts where the balance is in excess of £0.5m either on 31 March 2017 or 31 March 2018, the sum of which are shown in the tables on pages 93 and 94.

Vehicles, plant and equipment (VPE)

This is a reserve for the replacement and acquisition of vehicles, plant and equipment.

Special funds

These are reserves held primarily to facilitate the implementation of economic development and tourism initiatives and policy and regeneration expenditure.

Kings Hill development smoothing reserve

Comprises the County Council share of distribution from proceeds of the Kings Hill development received in accordance with the terms of the Development Agreement. These distributions can vary considerably from year to year so this reserve is used to smooth the impact on the revenue budget over the medium term.

Swanscombe School PFI equalisation reserve

This has been established to equalise, over time, the budget impact of unitary charge payments for the Swanscombe School PFI scheme. The reserve will comprise of contributions from the Education revenue budget and a proportion of grant funding received from the UK Government.

Six Schools PFI Reserve

This has been established to equalise, over time, the budget impact of the unitary charge payments for the 6 schools PFI scheme. The reserve comprises of contributions from the Education revenue budget, contributions from schools and a proportion of grant funding received from the UK Government.

Three Schools PFI Reserve

This has been established to equalise, over time, the budget impact of the unitary charge payments for the 3 schools PFI scheme. The reserve comprises of contributions from the Education revenue budget, contributions from schools and a proportion of grant funding received from the UK Government.

Excellent Homes for All PFI equalisation reserve

This has been established to equalise, over time, the budget impact of unitary charge payments, Section 31 pooled budget contributions and government grant funding for the Excellent Homes for All PFI scheme.

Westview and Westbrook PFI equalisation reserve

This has been established to equalise, over time, the budget impact of unitary charge payments, Section 31 pooled budget contributions and government grant funding for the Westview and Westbrook PFI scheme.

Better Homes, Active Lives PFI equalisation reserve

This has been established to equalise, over time, the budget impact of unitary charge payments, contract management costs and government grant funding for the Better Homes, Active Lives scheme.

Note 25 - Earmarked Reserves

Responding to Government Deficit Reduction Reserve

This reserve is to support further transformation of services in order for the Council to be able to set future budgets that reflect continuing demand for services within reducing government funding levels.

Corporate Reserve for Social Care funding issues

This reserve is to cover the several new and ongoing issues within Social Care, including; Better Care Fund, Care Act, transforming care, and Deprivation of Liberty Safeguards, where we are at risk that funding levels are insufficient.

Payments Reserve

This reserve provides funding for a proportion of unreceipted orders between KCC and suppliers and potential future iProc obligations relating to previous years. The need for and level of the reserve will be reviewed each year.

Council Tax Equalisation Reserve

The reserve will be called upon each year to smooth the impact of the Council Tax increases plus any amounts needed to pay for agreements with individual district councils regarding the impact of Council Tax Support claimants.

Public Health reserve

As set out in the Local Authority Circular issued for the Public Health grant, any unused funds at the end of the financial year have been placed into a reserve and are to be used to meet eligible public health spend in future years.

External Funding Pump Priming reserve

This reserve is to provide a pump priming facility for externally funded projects whilst the new project bids are being prepared and to assist in providing match funding for partnership projects.

Rolling budget reserve

This reserve represents the roll forward of funds to cover re-scheduling of revenue expenditure from previous years.

Emergency Conditions reserve

This reserve is to cover the cost of emergencies which cannot be accommodated within normal revenue allocations, such as the costs associated with severe weather conditions.

Safety Camera Partnership reserve

This reserve is funding from Kent Police and Medway Council for use by the Kent & Medway Safety Camera Partnership and is to fund the digitalisation of speed cameras.

Elections reserve

This reserve is to cover the costs of the County Council elections, which occur every 4 years, and by-elections. A contribution is made to the reserve each year in order to even the impact upon the council tax.

Dilapidations reserve

This reserve is to provide for the potential dilapidation costs that the Council faces when existing leases for office accommodation cease.

Modernisation of the Council (formerly Workforce Reduction) reserve

This reserve is to provide for the redundancy and other costs relating to modernising the services of the Council and for potential staffing reductions required to achieve budget savings.

IT Asset Maintenance reserve

This reserve will contribute to the funding of the IT refresh programme which will give the Council ongoing and sustainable capacity to replace ageing technology.

Note 25 - Earmarked Reserves

Earmarked Reserve to support future year's budget

The approved medium term plan for 2018-20 includes support from central reserves from the residual underspending in 2016-17 and from a review of reserve balances. These funds have been transferred to the reserve to be drawdown over the medium term in line with the approved budget proposals.

Prudential Equalisation Reserve

A reserve to smooth the impact on the revenue budget over the medium term of prudential borrowing costs i.e. the costs of borrowing to support the capital programme, which are not supported by Government grant.

Dedicated Schools Grant (Central Expenditure) Reserve

This reserve holds any unspent Dedicated Schools Grant for central expenditure, which in accordance with the DFE grant regulations must be carried forward for use in future years and spent in accordance with school financial regulations.

Turner Contemporary Investment Reserve

This reserve has been created from the settlement from the original Turner Contemporary gallery design and will be supplemented at the end of each year by the interest earned from its investment as part of KCC balances. It is used to part fund the annual contribution to the Turner Contemporary trust under the grant agreement dated 30th March 2010.

Kent Lane Rental Scheme Reserve

This is a scheme, approved by the Department of Transport, where companies, such as utility companies, pay to rent lanes on the most critical/busiest roads of our network, whilst they undertake works. The Council will retain revenues obtained from operating the scheme to meet the costs incurred in operating the scheme, with any surplus revenue used for initiatives associated with the objectives of the scheme. A board, including representatives from each utility area and from Kent County Council, oversee the administration of the surplus revenues in this reserve.

Public Inquiries Reserve

This reserve is required to smooth the fluctuations in costs incurred in major strategic developments and defence of the County Council's position at a public inquiry, either at an appeal against a County Council's enforcement decision or in response to a strategic decision determined by a Local Planning Authority.

PIF Property Reserve

PIF is a capital (only) fund available to fund property investments. A number of income generating properties were purchased through PIF to provide revenue funding to cover any necessary revenue costs associated with the purchase/sale and holding costs of the investment properties. This revenue income is held within a reserve to be drawn down, as required, to cover costs that cannot be capitalised.

Bus Services Operator Grant

This reserve relates to grant funding received from the Department for Transport and to be used to fund bus companies.

Insurance Reserve

This is a reserve for the potential cost of insurance claims in excess of the amount provided for in the insurance fund provision.

Other

These mainly comprise various reserves held in respect of initiatives commenced in previous years for which remaining planned financial provision will be utilised in 2018-19 or future years as initiatives are completed. All balances on these reserves are below £0.5m.

Note 25 - Earmarked Reserves

	Balance at 1 April 2017	Movement	Balance at 31 Mar 2018
	£'000	£'000	£'000
Other Earmarked Reserves			
VPE reserve	-14,527	-1,726	-16,253
Special funds	-688	130	-558
Kings Hill development smoothing reserve	-3,016	509	-2,507
Swanscombe School PFI equalisation reserve	-1,001	17	-984
Six schools PFI	-776	462	-314
Three schools PFI	-9,914	7,978	-1,936
Excellent Homes for All PFI	-2,542	94	-2,448
Westview/Westbrook PFI equalisation reserve	-3,455	-225	-3,680
Better Homes Active Lives PFI equalisation reserve	-3,216	-100	-3,316
Responding to Government Deficit Reduction reserve	-7,670	-1,330	-9,000
Corporate Reserve for Social Care Funding Issues	-7,552		-7,552
Payments reserve	-3,594	-341	-3,935
Council Tax Equalisation reserve	-11,539	901	-10,638
Public Health reserve	-3,825	191	-3,634
External Funding Pump Priming reserve	-513	31	-482
Rolling budget reserve	-11,627	-19,425	-31,052
Emergency Conditions reserve	-1,983	1,144	-839
Safety Camera Partnership reserve	-1,199	448	-751
Elections reserve	-1,593	1,437	-156
Dilapidations reserve	-3,318	15	-3,303
Modernisation of the Council (formerly Workforce Reduction) reserve	-11,158	578	-10,580
IT Asset Maintenance reserve	-6,648	4,053	-2,595
Earmarked reserve to support future year's budget	-12,881	6,199	-6,682
Prudential Equalisation reserve	-9,744	150	-9,594
Turner Contemporary Investment reserve	-958	200	-758
Kent Lane Rental Scheme reserve	-2,054	359	-1,695
Public Inquiries reserve	-527	43	-484
PIF Property Reserve		-668	-668
Bus Services Operator Grant	-242	-329	-571
Other	-3,760	234	-3,526
Total	-141,520	1,029	-140,491
Insurance Reserve			
KCC	-13,448		-13,448
	-154,968	1,029	-153,939
Commercial Services Earmarked Reserves	-3,233		-3,233
EKO	-4,981		-4,981
Royal Mail Sorting Office		-23	-23
Total Earmarked Reserves	-163,182	1,006	-162,176

Note 25 - Earmarked Reserves

	Balance at 1 April 2016	Movement	Balance at 31 Mar 2017
	£'000	£'000	£'000
Other Earmarked Reserves			
VPE reserve	-12,928	-1,599	-14,527
Special funds	-565	-123	-688
Kings Hill development smoothing reserve	-5,016	2,000	-3,016
Swanscombe School PFI equalisation reserve	-815	-186	-1,001
Six schools PFI	-599	-177	-776
Three schools PFI	-8,663	-1,251	-9,914
Excellent Homes for All PFI	-1,048	-1,494	-2,542
Westview/Westbrook PFI equalisation reserve	-3,160	-295	-3,455
Better Homes Active Lives PFI equalisation reserve	-3,114	-102	-3,216
Responding to Government Deficit Reduction reserve	-8,590	920	-7,670
Corporate Reserve for Social Care Funding Issues	-5,552	-2,000	-7,552
Payments reserve	-3,980	386	-3,594
Council Tax Equalisation reserve	-11,955	416	-11,539
Public Health reserve	-1,988	-1,837	-3,825
Environmental initiatives reserve	-595	317	-278
External Funding Pump Priming reserve	-505	-8	-513
Rolling budget reserve	-15,585	3,958	-11,627
Emergency Conditions reserve	-1,983		-1,983
Safety Camera Partnership reserve	-1,156	-43	-1,199
Elections reserve	-1,101	-492	-1,593
Dilapidations reserve	-3,738	420	-3,318
Modernisation of the Council (formerly Workforce Reduction) reserve	-10,565	-593	-11,158
IT Asset Maintenance reserve	-7,684	1,036	-6,648
Earmarked reserve to support future year's budget	-10,855	-2,026	-12,881
Prudential Equalisation reserve	-8,840	-904	-9,744
Dedicated Schools Grant - Central Expenditure	-8,550	8,550	0
Turner Contemporary Investment reserve	-1,156	198	-958
Kent Lane Rental Scheme reserve	-1,462	-592	-2,054
Public Inquiries reserve	-551	24	-527
Other	-2,859	-865	-3,724
Total	-145,158	3,638	-141,520
Insurance Reserve			
KCC	-10,905	-2,543	-13,448
	-156,063	1,095	-154,968
Commercial Services Earmarked Reserves	-4,279	1,046	-3,233
EKO	-4,981		-4,981
Total Earmarked Reserves	-165,323	2,141	-163,182

Note 26 - Provisions

Note 26. Provisions

Accounting Policy

It is the policy of Kent County Council to make provisions in the Accounts where there is a legal or constructive obligation to make a payment but the amount or timing of the payment is uncertain. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. The most significant provision made is for insurance claims. In addition, provision is made for outstanding income where there is doubt as to whether it will be realised.

The Council has made a provision for insurance claims. The Council's insurance arrangements involve both internal and external cover. For internal cover an Insurance fund has been established to provide cover for property, combined liability and motor insurance claims. The fund comprises a Provision for all claims notified to the Council at 31 March each year and a Reserve for claims not yet reported but likely to have been incurred.

The Post Employment Provision covers the costs of early retirements, redundancy costs, and any other post employment costs for ex-employees/employees who have confirmed leaving dates.

The Accumulated Absences Provision is required to cover the costs of annual leave entitlements carried over to the following financial year. If an employee were to leave, they would be entitled to payment for this untaken leave.

	Insurance	Post Employment	Accumulat- ed Absences	Other Provisions	Total
	£'000	£'000	£'000	£'000	£'000
Short Term					
Balance at 1 April 2017	-3,699	-3,855	-10,388	-1,013	-18,955
Additional Provisions made in 2017-18	-2,720	-3,215	-6,252	-707	-12,894
Amounts used in 2017-18	2,837	3,753	7,122	481	14,193
Unused amounts reversed in 2017-18		39		328	367
Balance at 31 March 2018	-3,582	-3,278	-9,518	-911	-17,289
Long Term					
Balance at 1 April 2017	-8,024	-3,422		-74	-11,520
Additional/Reduction in Provisions made in 2017-18				-77	-77
Amounts used in 2017-18	1,086	-324			762
Unused amounts reversed in 2017-18					0
Balance at 31 March 2018	-6,938	-3,746	0	-151	-10,835
Total Provisions at 31 March 2018	-10,520	-7,024	-9,518	-1,062	-28,124

Note 26 - Provisions and Note 27 - Debtors

Insurance

Included within the insurance provision is £600k for the Municipal Mutual Insurance (MMI) provision.

Post Employment

The provision relates to early retirements and redundancies, and are individually insignificant.

Accumulated Absences

The provision relates to annual leave entitlement carried forward at 31 March 2018. It will not be discharged until a cash settlement is made or an employee takes their settlement, or the liability has ceased.

Other Provisions

All other provisions are individually insignificant.

Note 27 - Amounts owed to the Council by debtors

	At 31 March 2018 £000's	At 31 March 2017 £000's
Long-Term debtors:		
Medway Council (transferred debtor)	35,492	36,971
Public bodies	92	383
Other	32,658	46,529
	68,242	83,883
Other debtors:		
Government Departments	22,408	26,877
Other Local Authorities	5,279	3,079
NHS Bodies	646	504
General debtors	150,523	134,122
Payments in advance	19,019	19,025
EKO	2,335	
	200,210	183,607

Capital short term debtors amounting to £11.1m are included in the Accounts at 31 March 2018 (£4.7m in 2016-17). These relate to grants and external funding towards capital expenditure incurred in 2017-18 which had not been received by 31 March 2018 along with loan repayments funded from capital falling due in 2018-19.

Note 28 - Creditors and Note 29 - Cash and Cash Equivalents

Note 28. Amounts owed by the Council to creditors

	At 31 March 2018 £000's	At 31 March 2017 £000's
Central government bodies	12,856	12,935
Other local authorities	2,190	2,526
NHS bodies	214	3,727
General creditors	198,599	202,180
Receipts in advance	27,082	21,382
Deferred income	783	1,488
Kent and Essex Inshore Fisheries & Conservation Authority	1,572	882
EKO	20	697
	243,317	245,817
Creditors due after 1 year	43	35

Capital creditors amounting to £11.4m are included in the Accounts at 31 March 2018 (£24m in 2016-17).

Note 29. Cash and Cash Equivalents

Accounting Policy

Cash is represented by cash in hand/overdraft and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. They comprise call and business accounts.

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

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

	At 31 March 2018 £000's	At 31 March 2017 £000's
Bank current accounts	-8,131	429
Call accounts (same day access funds)	79,820	47,358
Total Cash and Cash Equivalents	71,689	47,787

Notes 30 Operating Activities

Note 30. Cash Flow - Operating Activities

The cash flows for operating activities include the following items:

	2017-18	2016-17
	£'000	£'000
Interest received	-16,438	-13,973
Interest paid	69,448	71,556
Employee Costs	785,650	815,453
Income from Council Tax	-680,214	-648,453
Government Grants	-1,200,500	-1,278,163

	2017-18 £'000	2016-17 £'000
The Surplus or Deficit on the Provision of Services has been adjusted for the following non-cash movements		
Movement in pension liability	-100,723	-57,452
Carrying amount of non-current assets sold	-53,325	-74,153
Amortisation of fixed assets	-2,264	-2,407
Depreciation of fixed assets	-152,929	-144,436
Impairment and downward valuations	15,998	-16,385
Increase/(decrease) debtors	12,723	14,692
(Increase)/decrease creditors	-9,381	-20,186
Increase/(decrease) stock	700	-1,278
Movement on investment properties	-6,250	-2,692
REFCUS	-56,478	-66,321
Other non-cash items charged to the net surplus/deficit on the Provision of Services	-5,282	11,526
	-357,211	-359,092

The Surplus or Deficit on the Provision of Services has been adjusted for the following items that are investing and financing activities

Proceeds from the sale of property plant and equipment, investment property, and intangible assets	11,785	18,012
Capital grants applied	129,082	173,670
	140,867	191,682

Notes 31 and 32 - Cash Flow - Investing and Financing Activities

Note 31. Cash Flow Statement - Investing Activities

	2017-18	2016-17
	£'000	£'000
Purchase of property, plant and equipment, investment property, and intangible assets	210,679	242,204
Purchase of short-term and long-term investments	740,356	300,612
Other payments for investing activities		
Proceeds from the sale of property, plant and equipment, investment property, and intangible assets	-11,740	-17,991
Proceeds from short-term and long-term investments	-754,698	-312,105
Other receipts from investing activities	-155,951	-167,792
Net cash flows	28,646	44,928

Note 32. Cash Flow Statement - Financing Activities

	2017-18	2016-17
	£'000	£'000
Cash receipts of short- and long-term borrowing	-41,279	-23,111
Relating to finance leases and on-balance sheet PFI contracts	3,384	2,744
Repayments of short- and long-term borrowing	64,183	37,188
Net cash flows from financing activities	26,288	16,821

Note 33 - Trading Operations

Note 33. Trading Operations

The results of the various trading operations for 2017-18 are shown below prior to transfers to and from reserves.

Business unit/activity	Turnover	Expenditure	Surplus/ Deficit(-) 2017-18	Surplus/ Deficit(-) 2016-17
	£'000	£'000	£'000	£'000
Kent County Supplies and Furniture Provision of educational and office supplies (from warehouse stock and by direct delivery) and furniture assembly	49,843	46,859	2,984	3,184
Brokerage Services Procurement and distribution of Services, including Laser energy buying group, community equipment service, and the specification and control of transport for CYPE, E&E and ASCH	233,115	231,389	1,726	1,171
Transport Services Provision of lease cars, minibuses, ambulances and lorries, plus vehicle maintenance and repairs. Provider of bus services, including school transport	1,076	1,032	44	139
Total surplus	284,034	279,280	4,754	4,494

The trading surplus excludes the wholly owned subsidiaries. Information on these can be found in Note 41 on page 121.

Note 34 - Audit Costs and Note 35 - Dedicated Schools Grant

Note 34. Audit Costs

In 2017-18 the following fees were paid relating to external audit and inspection :

	2017-18	2016-17
	£'000	£'000
Fees payable to Grant Thornton UK LLP for external audit services carried out by the appointed auditor	156	156
Fees payable in respect of other services provided by the appointed auditor	14	93
	170	249

Note 35. Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, 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 (England) Regulations 2017. The Schools Budget includes elements for a range of educational services provided on a Council-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2017-18 are as follows:

	Central Expenditure	Individual Schools Budget	Total
	£'000	£'000	£'000
Final DSG for 2017-18 before Academy recoupment			1,129,047
Academy figure recouped for 2017-18			-465,231
Total DSG after Academy recoupment for 2017-18			663,816
Brought forward from 2016-17			-1,830
Carry Forward to 2018-19 agreed in advance			<u>0</u>
Agreed initial budget distribution in 2017-18	114,363	547,622	661,986
In-year adjustments	-5,837	1,317	-4,520
Final budgeted distribution in 2017-18	108,526	548,939	657,466
Less actual central expenditure	120,681		
Less Actual ISB deployed to schools		548,939	
Plus Local Council contribution for 2017-18	10,000		<u>10,000</u>
Carry Forward to 2018-19	-2,155	0	-2,155

Note 36. Related Party Transactions

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

Central Government

Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills). Grants received from government departments are set out in Note 11 on expenditure and income analysed by nature.

Other Public Bodies (subject to common control by central government)

The Council has pooled budget arrangements for the provision of a range of services including drug and alcohol related services, registered nursing care contribution in care homes, and integrated care centres providing nursing, respite and recuperative care to Older People.

Payments of Employers' Pension Contributions were made to the Pension Fund in respect of members of the Local Government Pension Scheme and to the Teachers Pension Agency in respect of teachers. The amounts of these payments are detailed in notes to the Consolidated Income and Expenditure Statement, Note 37 on pages 103 to 109 of these Accounts.

As administrator of the Kent Pension Fund, KCC has direct control of the Fund. Transactions between KCC Pension Fund and the Council in respect of income for pensions admin, investment monitoring and other services amounted to £3.022m and cash held by the Pension Fund on behalf of KCC is £3.094m.

Payments to other local authorities and health bodies, excluding precepts, totalled £74.7m.

Receipts from other local authorities and health bodies totalled £64.3m.

Entities Controlled or Significantly Influenced by the Council:

Details of Kent County Council's subsidiary companies are provided in Note 41.

Kent County Trading Ltd is the holding company of Commercial Services Trading Ltd (CST) and Commercial Services Kent Ltd (CSK). KCC holds £4m shares in the company.

Kent County Trading Limited declared a dividend of £0.5m (2016-17 £1.3m) to KCC.

Kent Top Temps Limited declared a dividend of £nil (2016-17 £1.3m) to Kent County Trading Limited.

CS Trading sales to KCC amounted to £2.6m (2016-17 £3.5m). CS Trading made purchases from KCC amounting to £2.6m (2016-17 £2.4m). KCC indirectly holds £4.0m of its share capital.

CS Kent sales to KCC amounted to £35.7m (2016-17 £47.8m). CS Kent made purchases from KCC amounting to £0.6m (2016-17 £1.0m). CS Kent declared a dividend of £0.5m (2016-17 £nil) to Kent County Trading Limited.

GEN² sales to KCC amounted to £8.074m. GEN² made purchases from KCC amounting to £0.460m. GEN² made combined purchases from the subsidiary trading companies belonging to Kent County Trading Ltd (wholly owned by KCC) of £0.450m (including £0.400m of payments for agency staff).

Invicta Law sales to KCC amounted to £6.7m. Invicta Law made purchases from KCC amounting to £0.4m. Invicta Law also made purchases from Commercial Services Kent Ltd, a subsidiary trading company belonging to Kent County Trading Ltd (wholly owned by KCC), of £0.1m.

A loan of £0.429m was made to East Kent Opportunities LLP in 2010-11. This was repaid in full in 2017-18.

Note 36 - Related Party Transactions and Note 37 - Pension Costs

Kent County Council also has an interest in the following companies:

Active companies with less than 50% control

Payments made in 17-18
£

Kent Tourism Alliance Ltd became Visit Kent Ltd from 21.3.08	288,000
Locate in Kent Ltd (as amended on 05.05.2000)	1,016,070
Trading Stds South East Ltd	19,210
Goetec Ltd (Dissolved 30.01.2018)	1,494
Kent PFI Holdings Company 1 Ltd	10,263,796
TRICS Consortium Ltd	3,250
Aylesham & District Community Workshop Trust	13,539
Ancon Technologies Limited	102,820
Coomtech Ltd	120,000
Quvium Limited	440

Active companies with greater than 50% control

Produced in Kent (PINK) Ltd	90,450
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Note 37. Pension Costs

Note 37a - Pension Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme is technically a defined benefit scheme. However, 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. The Authority is not able to identify its share of underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purpose of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2017-18 Kent County Council paid £36.6m (£39.5m in 2016-17), to the Teachers Pension Agency in respect of teachers' pension costs, which represented 16.5% (16.5% in 2016-17) of teachers' pensionable pay. In addition, Kent County Council is responsible for all pension payments relating to added years benefits it has awarded, together with the related increases. In 2017-18 these amounted to £4.9m (£5m in 2016-17), representing 2.2% (2.1% in 2016-17) of pensionable pay.

Public Health staff employed by the Authority are members of the NHS Pension Scheme. The Scheme is an unfunded, defined benefit scheme that covers NHS employers and is a multi-employer defined benefit scheme. The Authority is not able to identify the underlying scheme assets and liabilities for the staff transferred. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

Note 37 - Pensions Costs

In 2017-18 Kent County Council paid £0.14m (£0.18m in 2016-17), to the NHS Pension Scheme in respect of public health pension costs, which represented 14.4% (14.3% in 2016-17) of employees pensionable pay.

Note 37b. Defined Benefit Pension Scheme

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 (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Authority participates in one post-employment scheme:

- The Local Government Pension Scheme, administered locally by Kent County Council – this is a funded defined benefit career average revalued earnings scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets

- Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due

- The Kent County Council Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Kent County Council Superannuation Fund Committee, a committee of Kent County Council. Policy is determined in accordance with the Pensions Fund Regulations. The investment managers of the fund are appointed by the committee and consist of the Director of Finance of Kent County Council and external Investment Fund managers (for details of investment fund managers see note 15 of the Pension Fund Accounts)

- The principal risks to the Authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (ie large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

The costs of retirement benefits are recognised in the Net Cost of Services when they are earned by employees, rather than when they are paid as pensions. However, the charge we are required to make against the Council Tax is based on the cash payable in the year, so the real cost is reversed out through the Movement in Reserves Statement.

Under the requirements of IAS19, the Council is required to show the movement in the net pensions deficit for the year. This can be analysed as follows:

		Local Government Pension Scheme	
		2017-18	2016-17
		£000's	£000's
Comprehensive Income and Expenditure Statement			
Cost of Services:			
• Current service cost		-131,683	-89,968
• Past service costs		-4,946	-3,742
Financing and Investment Income and Expenditure			
• Net interest expenses		-40,371	-42,225
• (Gain)/loss from settlements		6,318	9,044
• Administration expenses		-1,205	-1,292
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services		-171,887	-128,183

Note 37 - Pensions Costs

	2017-18	2016-17
	£000's	£000's
Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement		
• Return on plan assets (excluding the amount included in the net interest expenses)	18,122	365,645
• Actuarial gains and losses arising on changes in demographic assumptions		61,324
• Actuarial gains and losses arising on changes in financial assumptions	185,791	-805,710
• Other	4,615	114,396
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	208,528	-264,345
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	171,887	128,183
Actual amount charged against the General Fund Balance for pensions in the year:		
• Employers' contributions payable to scheme	-71,164	-70,731

Other Employees

Other employees of the County Council may participate in the Kent County Council Pension Fund, part of the Local Government Pension Scheme, a defined benefit statutory scheme.

In 2017-18 Kent County Council paid an employer's contribution of £71.2m (£70.8m in 2016-17) into the Pension Fund, representing 21% (20% in 2016-17) of pensionable pay. The employer's contribution rate is determined by the Fund's actuary based on triennial actuarial valuations, and for 2017-18 was based on the review carried out as at 31 March 2017. Under Pension Fund Regulations the rates are set to meet 100% of the overall liabilities of the Fund.

Pension Assets and Liabilities in the Balance Sheet

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

	Local Government Pension Scheme £'000	
	2017-18	2016-17
Present value of the defined benefit obligation	3,873,977	3,910,447
Fair value of plan assets	-2,505,233	-2,438,225
Sub total	1,368,744	1,472,222
Other movements in the liability/(asset)	59,351	63,678
Net liability arising from defined benefit obligation	1,428,095	1,535,900

Note 37 - Pensions Costs

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

Local Government Pension Scheme £'000

	2017-18	2016-17
Opening fair value of scheme assets	2,438,225	2,016,782
Interest income	65,603	72,325
Remeasurement gains/(losses)		
• Return on plan assets (excluding the amount included in the net interest expenses)	18,122	347,655
• Other		17,990
Contributions from employer	75,779	75,346
Contributions from employees into the scheme	22,704	22,581
Benefits paid	-108,207	-107,308
Other	-6,993	-7,146
Closing fair value of scheme assets	2,505,233	2,438,225

The actual return on scheme assets in the year was £83,725k (2016-17: £419,980k)

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

Liabilities: Local Government Pension Scheme

£'000

	2017-18	2016-17
Opening balance at 1 April	3,974,125	3,230,885
Current service cost	131,683	89,968
Interest cost	105,974	114,550
Contribution from scheme participants	22,704	22,581
Remeasurement gains/(losses):		
• Actuarial gains and losses arising on changes in demographic assumptions		-61,324
• Actuarial gains and losses arising on changes in financial assumptions	-185,791	805,710
• Other	-4,615	-114,396
Past service costs	4,946	3,742
Benefits paid	-103,592	-102,693
Liabilities extinguished on settlements	-12,106	-14,898
Closing balance at 31 March	3,933,328	3,974,125

Note 37 - Pensions Costs

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets	Fair value of scheme assets
	2017-18	2016-17
	£'000	£'000
Cash and cash equivalents	83,239	62,478
Equity instruments: <i>By industry type</i>		
• Consumer	227,044	247,275
• Manufacturing	210,646	208,821
• Energy and utilities	69,054	68,039
• Financial institutions	195,719	204,385
• Health and care	97,955	100,432
• Information technology	113,405	100,862
• Telecommunication services	24,372	30,032
• Real Estate	7,312	2,810
• Miscellaneous/Unclassified	20,264	17,272
Sub-total equity	965,771	979,928
Bonds: <i>By sector</i>		
• Financial services	2,394	2,481
• Miscellaneous/Unclassified	149,070	147,478
Sub-total bonds	151,464	149,959
Property: <i>By type</i>		
• Retail	104,957	108,023
• Offices	49,267	50,145
• Industrial	54,712	45,837
Sub-total property	208,936	204,005
Private equity:		
• UK	9,559	6,777
• Overseas	28,466	30,566
Sub-total private equity	38,025	37,343
Other investment funds:		
• Infrastructure	16,067	25,712
• Property	106,056	99,831
• Equity Pooled Funds	651,880	677,769
• Corporate Fixed Interest Pooled Funds	107,226	105,752
Sub-total other investment funds	881,229	909,064
Derivatives		
Forward currency contracts	-222	-188
Target Return Portfolio	176,791	95,636
Total assets	2,505,233	2,438,225

Note 37 - Pensions Costs

The decrease in pension deficit during the year has arisen principally due to the technical increase in the valuation of the liabilities. International Accounting standard IAS19 requires the liabilities to be valued using assumptions based on gilt and corporate bonds yields. The yield in excess of expected inflation (which in turn is based on gilt yields) from corporate bonds decreased from -0.9% to -1.0% during the year in part due to the impact of quantitative easing and other technical factors on bond and gilt markets. Had these markets remained at their 2017 levels then the pensions deficit would have been £185,791,000 more at £1,613,886,000.

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

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2018 is £67,962k, this is in line with the revised IAS19 Standard.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels, etc. The County Council Fund liability has been assessed by Barnett Waddingham.

The principal assumptions used by the actuary have been:

Local Government Pension Scheme		
	2017-18	2016-17
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	23.1	23 years
Women	25.2	25 years
Longevity at 65 for future pensioners:		
Men	25.3	25.1 years
Women	27.5	27.4 years
Rate of inflation	3.3%	3.6%
Rate of increase in Consumer Price Index	2.3%	2.7%
Rate of increase in salaries	3.6%	4.0%
Rate of increase in pensions	2.3%	2.7%
Rate for discounting scheme liabilities	2.6%	2.7%
Take-up option to convert annual pension into retirement lump sum	50%	50%

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

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in Assumption	Decrease in Assumption
	£'000	£'000
Adjustment to discount rate (increase or decrease by 0.1%)	3,862,652	4,005,369
Adjustment to long-term salary increase (increase or decrease by 0.1%)	3,939,522	3,927,173
Adjustment to pension increase and deferred revaluation (increase or decrease by 0.1%)	3,999,282	3,868,567
Adjustment to mortality age rate assumption (increase or decrease in 1 year)	4,082,740	3,789,556

Highways ex Direct Works DLO Pension Fund

The Balance Sheet includes £1.7m to reflect the unfunded liability of the Highways (ex Direct Works DLO) Pensions Fund as calculated by the actuary in March 2018 in accordance with IAS19.

Commercial Services, GEN² Property Ltd, and Invicta Law Ltd

The Balance Sheet includes the assets and liabilities for Commercial Services, GEN² Property Ltd, and Invicta Law Ltd, which are wholly-owned subsidiaries of KCC. Both entities have closed resolution body status which allows them to treat the pension as a defined contribution pension scheme with the Council keeping the assets and liabilities on its Balance Sheet.

Note 38. Financial Instruments

Accounting Policy

Financial liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and 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 Council 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 in 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 Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the 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

Financial assets are held under the following three classifications:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale financial assets – assets that have a quoted market price
- unquoted equity investments held at cost because it is impracticable to determine fair value

Loans and Receivables

Loans and receivables are initially measured at fair value and carried 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 Council 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.

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

Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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 service 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 Financial Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

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 in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale 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.

Note 38 - Financial Instruments

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 flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the 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).

Financial Instruments

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

Financial Liabilities

The Council's financial liabilities held during the year are measured at amortised cost and comprised of:

- long-term loans from the Public Works Loan Board and commercial lenders
- short-term loans from other local authorities
- overdraft with NatWest Bank
- finance leases on land and buildings
- Private Finance Initiative contracts detailed in Note 20
- trade payables for goods and services received.

Financial Assets

The financial assets held by the Council during the year are held under the following three classifications.

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

- cash
- bank current and deposit accounts
- fixed term deposits with the DMO
- fixed term deposits with banks and building societies
- impaired investments in Icelandic banks
- loans to other local authorities
- trade receivables for goods and services delivered.

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

- money market funds
- certificates of deposit issued by banks and building societies
- treasury bills and gilts issued by the UK Government
- covered bonds issued by financial institutions and backed by a pool of assets
- bonds issued by large companies
- pooled equity, bond, and property investment funds.

Unquoted equity investments relating to KCC wholly owned companies are held at cost.

Note 38 - Financial Instruments

Financial Instruments - Balances

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

	Long Term		Short Term	
	31 Mar 2018	31 Mar 2017	31 Mar 2018	31 Mar 2017
	£000's	£000's	£000's	£000's
Investments				
Loans and receivables			17,452	72,483
Available-for-sale financial assets	205,525	161,566		
Unquoted equity investment at cost	6,317	15,197		
Unquoted/quoted equity investment at fair value	5,866			
Total investments	217,708	176,763	17,452	72,483
Debtors				
Loans and receivables	68,242	83,883		
Financial assets carried at contract amounts			176,984	156,761
Total included in Debtors	68,242	83,883	176,984	156,761
Cash and Cash Equivalents				
Cash equivalents available for sale			79,820	47,358
Cash and Bank Accounts			-8,131	429
Total Cash and Cash Equivalents	0	0	71,689	47,787
Borrowings				
Financial liabilities at amortised cost	889,995	873,440	64,716	104,952
Total Borrowing	889,995	873,440	64,716	104,952
Other Liabilities				
PFI and Finance Lease Liabilities	227,515	233,655	6,141	5,982
Total other long-term liabilities	227,515	233,655	6,141	5,982
Creditors				
Financial liabilities carried at contract amounts	43	35	215,965	224,164
Total Creditors	43	35	215,965	224,164

Unquoted Equity Instruments Measured at Cost

The Council has shareholdings in Commercial Services Trading Ltd, GEN2 Ltd, Invicta Law LLP and Business Services Centre Ltd (representing 100% of the companies' capital). The shares are carried at cost of £6.3m. The Council has no current intention to dispose of the shareholdings.

Note 38 - Financial Instruments

Financial Instruments Gains / Losses

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

	2017-18			2016-17
	Financial Liabilities Liabilities measured at amortised cost £000's	Financial Assets Loans and receivables £000's	Total £000's	Financial Liabilities Liabilities measured at amortised cost £000's
Interest expense - Debt	-47,136		-47,136	-50,438
Losses on derecognition	-950		-950	-950
Impairment losses				
	-48,086	0	-48,086	-51,388
Interest expense - Finance leases	-20,781		-20,781	-19,610
Interest expense - PFI	-115		-115	-93
Interest payable and similar charges	-68,982	0	-68,982	-71,091

	2017-18			2016-17
	Financial Liabilities Liabilities measured at amortised cost £000's	Financial Assets Loans and receivables £000's	Total £000's	Financial Assets Loans and receivables £000's
Interest income		6,688	6,688	7,198
Reduction in Impairment losses				
Interest and investment income	0	6,688	6,688	7,198
Available-for-sale investments - Losses on revaluation		2,018	2,018	1,262
Amounts recycled to I&E Account after impairment				
Loss arising on revaluation of financial assets	0	2,018	2,018	1,262
Net gain/(loss) for the year	-68,982	8,706	-60,276	-62,631

Fair Value of Financial Assets

Some of the Council's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

Note 38 - Financial Instruments

Financial assets measured at fair value

Recurring fair value measurements	Input Level in fair value hierarchy	Valuation technique used to measure fair value	As at 31 Mar 2018 £'000	As at 31 Mar 2017 £'000
Available for sale:				
Money market funds	Level 1	Unadjusted quoted prices in active markets for identical shares	79,844	47,358
Bond, equity, and property funds	Level 1	Unadjusted quoted prices in active markets for identical shares	133,915	66,047
Covered bonds	Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly	64,767	94,418
Equity Funds	Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly	5,723	
Unquoted Equity	Level 3	Company net assets multiplied by the percentage share capital owned	5,544	
			289,793	207,823

Reconciliation of Fair Value Measurements (using significant Unobservable Inputs) Categorised within Level 3 of the Fair Value Hierarchy

The movements during the year of level 3 Unquoted Equity held at fair value, are analysed below:

	2017-18 £'000
Opening balance	0
Transfers into Level 3	5,334
Transfers out of Level 3	
Additions	500
Donations	
Derecognition	-520
Total gains or (loss) for the period included in Other Comprehensive Income and Expenditure resulting from changes in the fair value	230
Closing Balance	5,544

£0.2m of gains were recognised in Other Comprehensive Income and Expenditure within the '(Surplus)/deficit on revaluation of available for sale financial assets' line.

Note 38 - Financial Instruments

The Fair Values of Financial Assets and Financial Liabilities that are not Measured at Fair Value (but for which Fair Value Disclosures are Required)

Except for the financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets held by the Authority are classified as loans and receivables and long-term debtors and creditors and are carried in the Balance Sheet at amortised cost. The fair values calculated are as follows:

Financial Liabilities	31 March 2018		31 March 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Financial liabilities held at amortised cost				
PWLB loans	479,904	621,423	512,363	686,510
Long-term LOBO and Market Loans	474,808	737,551	446,294	737,899
Other long-term loans			19,424	19,424
PFI and finance lease liabilities	233,656	293,930	239,637	297,316
Total	1,188,368	1,652,904	1,217,718	1,741,149

The fair value of borrowings is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2018) arising from a commitment to pay interest to lenders above current market rates.

Financial Assets	31 March 2018		31 March 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Loans and receivables				
- short-term investments	97,271	97,271	72,484	72,483
- cash and cash equivalents	-8,131	-8,131	22	22
Long-term debtors	67,557	63,600	83,883	85,385
Total	156,697	152,740	156,389	157,890

The fair value of long-term debtors is lower than the carrying amount due to the expected interest rates used to amortise soft loans being lower than the current interest rates.

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

Note 38 - Financial Instruments

Fair value hierarchy for financial assets and financial liabilities that are not measured at fair value

31 March 2018				
	Quoted prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant un- observable inputs (Level 3) £'000	Total £'000
<i>Recurring fair value measurements using:</i>				
Financial Liabilities				
Financial liabilities held at amortised cost:				
• Long-term PWLB loans		621,423		621,423
• Long-term LOBO and Market Loans		737,551		737,551
PFI and finance lease liabilities			293,930	293,930
Total	0	1,358,974	293,930	1,652,904
Financial Assets				
Loans and receivables:				
• Soft loans to third parties			28,786	28,786
Total	0	0	28,786	28,786
31 March 2017				
	Quoted prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant un- observable inputs (Level 3) £'000	Total £'000
<i>Recurring fair value measurements using:</i>				
Financial Liabilities				
Financial liabilities held at amortised cost:				
• Long-term PWLB loans		686,510		686,510
• Long-term LOBO and Market Loans		737,899		737,899
PFI and finance lease liabilities			297,316	297,316
Total	0	1,424,409	297,316	1,721,725
Financial Assets				
Loans and receivables:				
• Soft loans to third parties			28,827	28,827
Total	0	0	28,827	28,827

Note 38 - Financial Instruments and Note 39 - Nature and Extent of Risks Arising from Financial Instruments

The fair value for financial liabilities and financial assets included in Level 2 and Level 3 in the table above have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2018 using the following methods and assumptions:

- PWLB loans have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans
- LOBO loans have been increased by the value of the embedded options. Lender's options to increase the interest rates of the loans have been valued according to the proprietary model for Bermudan cancellable swaps. Borrower's options have been valued at zero on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate
- PFI and finance lease liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements)
- Soft loans have been valued by discounting the contractual payments at the market rate of interest for a similar loan

The fair value for financial liabilities and financial assets that are not measured at fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

Financial Assets	Financial Liabilities
• no early repayment or impairment is recognised	• no early repayment or impairment is recognised
• estimated ranges of interest rates at 31 March 2018 based on new lending rates for equivalent loans at that date	• estimated ranges of interest rates at 31 March 2018 based on new lending rates for equivalent loans at that date
• the fair value of short-term financial assets including trade receivables is assumed to approximate to the carrying amount. For trade receivables this equates to the invoiced or billed amount	• The fair value of short-term financial liabilities including trade payables is assumed to approximate to the carrying amount

Note 39. Nature and Extent of Risks Arising from Financial Instruments

The Council has adopted CIPFA's Revised Code of Practice on Treasury Management and complies with The Revised Prudential Code of Capital Finance for Local Authorities (both updated in November 2011).

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

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the CLG Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Strategy, together with its Treasury Management Practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measurables as interest rates and stock market movements.

Credit Risk: Investments

The Council manages credit risk by ensuring that investments are placed with the organisations of high quality as set out in the Treasury Management Strategy.

Note 39 - Nature and Extent of Risks Arising from Financial Instruments

The criteria for the selection of counterparties are:

- Publicised credit ratings for institutions (excluding the DMO)
- Other financial information e.g. Credit Default Swaps, share price, corporate developments, news, articles, market sentiment, momentum
- Country exposure e.g. Sovereign support mechanisms, GDP, net debt as a percentage of GDP
- Exposure to other parts of the same banking group
- Reputational issues
- Minimum long-term credit rating of A-

Limits are placed on the amount of money that can be invested with a single counterparty. For 2017-18 these limits were: DMO £450m, UK banks and building societies £35m with a group limit of £40m, Australian, Canadian, Netherlands, Swedish, Danish, Singaporean and USA banks £20m with a country limit of £40m. The maximum duration for any new deposit was thirteen months.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £400m 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 Council's deposits, but there was no evidence at the 31 March 2018 that this was likely to crystallise.

The credit quality of £64.5m of the Council's holdings of covered bonds is enhanced by collateral held in the form of residential mortgages. The collateral significantly reduces the likelihood of the Council suffering a credit loss on these investments.

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

Credit Rating	31 Mar 2018	31 Mar 2017
	£000's	£000's
AAA	144,353	140,745
AA-	3,050	
A	5,000	68,600
A-		
Unrated Pooled Funds/Equity/Other Local Authorities	154,658	81,244
Total Investments	307,061	290,589

All deposits outstanding as at 31 March 2018 met the Council's credit rating criteria on 31 March 2018.

The above analysis excludes the estimated carrying value after impairment of the Council's Icelandic Bank investment of £367k.

Credit Risk: Receivables

The Council does not generally allow credit for its debtors, as such £1.716m of the £3.711m balance is one month past its due date for payment. The past due amount can be analysed by age as follows:

	31 Mar 2018	31 Mar 2017
	£000's	£000's
One to three months	568	386
Three to six months	480	607
Six months to one year	790	786
More than one year	156	83
	1,995	1,862

The Council initiates a legal charge on property where, for instance, clients require the assistance of social services but cannot afford to pay immediately. The total collateral at 31 March 2018 was £21m.

Note 39 - Nature and Extent of Risks Arising from Financial Instruments

Liquidity risk

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and at higher rates from banks. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. The Council also has to manage the risk that it will not be exposed to replenishing a significant proportion of its borrowing at a time of unfavourable interest rates. The Council would only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

The maturity analysis of the principal sums borrowed is as follows:

Time to maturity	31 Mar 2018	31 Mar 2017
Years	£000's	£000's
Not over 1	24,152	33,874
Over 1 but not over 2	19,848	22,716
Over 2 but not over 5	68,441	64,067
Over 5 but not over 10	82,491	99,447
Over 10 but not over 20	106,972	88,676
Over 20 but not over 30	178,893	184,921
Over 30 but not over 40	140,700	140,700
Over 40	171,000	171,100
Uncertain date *	150,000	160,000
Total	942,497	965,501

* The Council has £150m of "Lender's option, borrower's option" (LOBO) loans where the lender has the option to propose an increase in the rate payable; the Council will then have the option to accept the new rate or repay the loan without penalty. Due to current low interest rates, in the unlikely event that the lender exercises its option, the Council is likely to repay these loans. The maturity date is therefore uncertain.

Market risk

Interest Rate Risk: The Council is exposed to risks arising from movements in interest rates. Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense will rise
- borrowings at fixed rates – the fair value of the liabilities will fall
- investments at variable rates – the interest income credited will rise
- investments at fixed rates – the fair value of the assets will fall.

Investments classed as "loans and receivables" and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on Comprehensive Income and Expenditure. However, changes in interest payable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments classed as "available for sale" will be reflected in Other Comprehensive Income and Expenditure. The Treasury Management Strategy aims to mitigate these risks by setting an upper limit of 40% on external debt that can be subject to variable interest rates. At 31 March 2018, 96% of the debt portfolio was held in fixed rate instruments, and 4% in variable rate instruments (LOBO loans within option periods).

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

	£000's
Increase in interest payable on variable rate borrowings	7,000
Increase in interest receivable on variable rate investments	-1,803
Increase in government grant receivable for financing costs	
Impact on Provision of Services (surplus)	5,197
Decrease in fair value of fixed rate investment assets	506
Impact on Other Comprehensive Income and Expenditure	506
Decrease in fair value of fixed rate borrowings / liabilities*	200,354

Note 39 - Nature and Extent of Risks Arising from Financial Instruments and Note 40 - Contingent Liabilities

*No impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

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

Investments are also subject to movements in interest rates. The Council's policy of holding variable rate and short-term fixed rate investments increases the exposure to interest rate movements. This risk has to be balanced against actions taken to mitigate credit risk.

Price Risk: The market prices of the Council's bond investments are governed by prevailing interest rates and the market risk associated with these instruments is managed alongside interest rate risk.

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property investments of £36.2m. A 5% fall in commercial property prices would result in a £1.82m charge to Other Comprehensive Income & Expenditure – this would have no impact on the General Fund until the investment was sold.

Foreign Exchange Risk: the Council has no foreign currency investments and therefore is not exposed to the risk of adverse movements in exchange rates.

Note 40. Contingent Liabilities

Accounting Policy

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts. They are factored into the consideration of an adequate level of reserves.

Employment

There are six claims relating to discrimination and breach of contract in employment. Of these, three are unfair dismissal and discrimination cases, two are compensation, cases and one is a breach of contract case. Although the governing bodies of schools are the legal employer of teaching staff, by operation of the Education (Modification of Enactments Relating to Employment) (England) Order 2003, where an award of damages is made by an Employment Tribunal, in most cases Kent County Council will be liable to pay the award. Employment tribunals can in discrimination cases award unlimited damages to a successful claimant. Based on available information on these cases, the total amount in damages being sought by the claimants exceeds £163k and an additional amount of approximately £200k for those not officially pleaded. However, on a number of these claims the prospects for successfully defending these cases are assessed to be good. It is extremely rare for employment tribunals to award all of the damages that are claimed.

Childcare

All care proceedings are subject to the Public Law Outline (PLO) regime and all are subject to a court fee structure. KCC Legal services are currently advising on 264 live cases where proceedings have actually been issued. The costs to KCC of taking these proceedings are in excess of £10k each.

Litigation

There are five such cases of which legal costs are expected to exceed £50k in total.

Asylum, Ordinary Residence & Judicial review cases

There are seven judicial review cases of age assessment and for all of these cases the costs are likely to exceed £10k. There are three Ordinary Residence claims which if successful would be in excess of £10k. There are four judicial review cases and for all of these cases the costs are likely to exceed £10k.

Court of Protection

There are matters of Court of Protection in relation to persons who are deemed to lack mental capacity within the meaning of the Mental Health Act 2005. There is a wide discretion for the Court in such litigation and individual costs may exceed £10k.

Gypsy and Traveller

There are two claims relating to possession of a pitch and one relating to the removal of trespassers on land owned by KCC. The legal costs are expected to exceed £10k each.

Note 41. Subsidiary Undertakings

Accounting Policy

Interests in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of wholly owned subsidiaries and jointly controlled entities. An assessment of the transactions between the Council and the subsidiaries and the jointly controlled entities is conducted each year. The majority of the transactions (largely with Commercial Services Kent) are between the Council and the subsidiary which would mean if preparing group accounts the transactions between the two parties would be eliminated. As there would be no major impact on our accounts we are not preparing group accounts. The investment in these subsidiaries are held at cost.

Subsidiary Undertakings

Kent Top Temps Limited (KTT) is a subsidiary of Kent County Trading Limited, wholly owned by Kent County Council (KCC). It commenced trading on 4 April 2005. KTT was a recruitment business that focused on the supply of both temporary and permanent placements to KCC, other public sector bodies and the private sector. KTT had specialist desks for the supply of temporary labour to the following sectors; administration, care, supply teachers, nursery staff, drivers and industrial, catering, interpreters and translation, and professionals. The permanent appointment desk operated via the name of Connect2Staff. On 1 April 2013, the recruitment business ceased trading in KTT and transferred its operations to two other associated subsidiaries within the group. KTT also operated buses for contract and private hire trading as Kent Top Travel. This operation was closed in October 2013 and the Company has subsequently ceased trading.

In 2016-17 its net assets were £0.0m and in 2017-18 its net assets are £0.0m

Commercial Services Trading Limited (CS Trading) is a subsidiary of Kent County Trading Limited, wholly owned by Kent County Council. CS Trading commenced trading in September 2007 as InsideOut, undertaking building repair and maintenance contracts within both the public and private sectors. In April 2013 this business was re-branded, and now operates business units trading with the public and private sector. Activities include a recruitment business focused on the supply of both temporary and permanent placements operating under the name of Connect2Staff; Landscape services providing a full range of grounds and sports field management, maintenance and hard landscaping, tree works, and pest control; Fleet services offering fleet management services, self-drive hire, vehicle inspections, and vehicle sourcing; Vehicle Maintenance services including MOTs, servicing, accident repair, body shop work, and vehicle restoration; and the Lumina brand, which offers a brokerage service to small private businesses.

Note 41 - Subsidiary Note

CS Trading had a turnover in 2017-18 of £17.3m (2016-17 £20.7m) with a net loss of £0.4m before tax (2016-17 profit of £0.03m). In 2016-17 its net assets were £5.3m and in 2017-18 its net assets are £5.0m. An unsecured loan and unsecured line of credit has been provided by KCC to CS Trading during the year on which interest is charged at commercial rates and the balance outstanding at 31 March 2018 was £3.4m.

Commercial Services Kent Limited (CS Kent) is a subsidiary of Kent County Trading Limited, wholly owned by Kent County Council. It commenced trading on 7 April 2010. From 1 April 2013, the Company resumed trading as a Teckal company providing services to KCC. Business operations previously carried out by KTT, CS Trading and Kent County Council Commercial Services, were transferred into the business. This included a recruitment business that focused on the supply of both temporary and permanent placements to KCC operating under the brand name of Connect2Kent. This covers specialist desks for the supply of temporary labour to the following sectors; administration, care, supply teachers, nursery staff, drivers and industrial, catering, interpreters and translation, and professionals. CS Kent also provides waste management services to KCC across a couple of municipal waste collection and transfer centres in Kent, fleet, and print and design services for both KCC and some other public sector bodies.

CS Kent had a turnover in 2017-18 of £41.3m (2016-17 £51.2m) with a net profit of £0.7m before tax (2016-17 £1.1m). In 2016-17 its net assets were £1.5m and in 2017-18 its net assets are £1.6m. An unsecured loan and unsecured line of credit has been provided by KCC to CS Kent during the year on which interest is charged at commercial rates and the balance outstanding at 31 March 2018 was £1.5m.

Kent County Council (KCC) and Thanet District Council (TDC) wished to bring forward the economic development and regeneration of the sites known as Eurokent and Manston Park. A Member Agreement was signed on 22 August 2008 and a joint arrangement vehicle was set up, the East Kent Opportunities LLP (EKOLLP), which was incorporated on 4 March 2008. KCC and TDC have 50:50 ownership, control and economic participation in the joint arrangement. KCC and TDC contributed 38 acres of land each to EKOLLP. The land was valued for stamp duty land tax (SDLT) at £5.5m (KCC contribution) and £4.5m (TDC contribution).

The powers used are the 'well-being powers' provided to local authorities in Part 1 of the Local Government Act 2000. In 2017-18, in the draft, unaudited EKOLLP accounts, the net assets of the joint operation are £8.2m with an operating loss before members remuneration and profit shares available for discretionary division among members of £0.24m.

GEN² Property Limited is a property and project management consultancy, wholly owned by Kent County Council (KCC). It commenced trading on 3 May 2016. The Company trades as a Teckal company, predominantly providing services to KCC. GEN² manages KCC's property estate on its behalf and receives a management fee for this work. The Company also provides project management (and where appropriate, employer's agent and quantity surveying services) of KCC's capital building work, along with any other ad hoc property work KCC may require. GEN² also offers services to other public sector bodies in London and the South East including other Local Authorities, the Health sector, schools, and blue light services.

GEN² had a turnover in 2017-18 of £8.236m (2016-17 £7.788m) with a net profit of £0.939m before tax (2016-17 £1.093m).

Invicta Law Ltd is a law firm, wholly owned by Kent County Council (KCC). It commenced trading on 1 June 2017. The Company trades as a professional law firm, predominantly providing services to KCC. Invicta Law carries out most of KCC's law work and bills on a time spent or fixed fee basis for this work undertaken.

Invicta Law also offers services to other public sector clients in London and the South East including other Local Authorities, schools, and blue light services along with SME private sector businesses.

Invicta Law had a turnover in 2017-18 of £7.0m (2016-17 Nil) with a net loss of £0.5m before tax (2016-17 loss £0.5m).

Collectively these subsidiaries do not have a material impact on the Kent County Council's accounts and therefore it is not necessary to produce group accounts in 2017-18. This situation is reviewed on an annual basis.

Copies of the accounts can be acquired through Companies House with none being qualified.

Note 42. Events after the Balance Sheet Date

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

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

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

There have been no events since 31 March 2018, up to the date when these accounts were authorised, that require any adjustment to these accounts.

Note 43. Other Notes**Pension Fund**

Once credited to the Pension Fund, monies may only be used to provide for the statutory determined pension and other payments attributable to staff covered by the Fund. The assets and liabilities of the Pension Fund are shown separately from those of Kent County Council, although the legal position is that they are all in the ownership of Kent County Council as the administering Council. Any actuarial surplus or deficit is apportioned to the constituent member bodies of the Fund. Details of the Fund are disclosed in the Pension Fund Accounts found on pages 124-151.

Pension Fund Accounts

The following financial statements are taken from the Kent County Council Superannuation Fund's Annual Report and Accounts 2018 which are also available from the Fund's website at www.kentpensionfund.co.uk.

Fund Account for the year ended 31 March

	Notes	2017-18 £000's	2016-17 £000's
Dealings with members, employers and others directly involved in the Fund			
Contributions	7	232,037	228,285
Transfers in from other pension funds	8	11,262	10,566
		243,299	238,851
Benefits	9	-220,876	-214,895
Payments to and on account of leavers	10	-11,497	-8,054
		-232,373	-222,949
Net additions from dealings with Members		10,926	15,902
Management Expenses	11	-23,285	-22,738
Net additions/withdrawals including fund management expenses		-12,359	-6,836
Returns on Investments			
Investment Income	12	121,717	111,574
Taxes on Income		-4,929	-4,044
Profits and losses on disposal of investments and changes in the market value of investments	15a	159,242	866,941
Net Return on Investments		276,030	974,471
Net increase in the Net Assets Available for benefits during the year		263,671	967,635

Net Assets Statement as at 31 March

	Notes	2018 £000's	2017 £000's
Investment Assets		5,807,787	5,554,683
Investment Liabilities		-16,857	-12,905
Net Investment Assets	15	5,790,930	5,541,778
Current Assets	24	56,409	37,755
Current Liabilities	25	-18,493	-14,358
Net Assets available to fund benefits at the period end		5,828,846	5,565,175

1. Description of the Fund

General

The Kent County Council Superannuation Fund (Kent Pension Fund) is part of the Local Government Pension Scheme (LGPS) and is administered by Kent County Council (KCC) for the purpose of providing pensions and other benefits for the pensionable employees of KCC, Medway Council, the district and borough councils in Kent and a number of other employers within the county area. The Pension Fund is a reporting entity and KCC as the Administering Authority is required to include the Fund's accounts as a note in its Report and Accounts. Teachers, police officers and firefighters are not included as they come within other national pension schemes. The LGPS is a contributory defined benefit pension scheme.

The Scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme Regulations 2013 (as amended)
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendments) Regulations 2014 (as amended)
- the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016

The Fund is overseen by the Kent County Council Superannuation Fund Committee (the Scheme manager). The Local Pension Board which was established in 2015 assists the Scheme manager to ensure the effective and efficient governance and administration of the Scheme.

Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join or remain in the Scheme or to make personal arrangements outside the Scheme. Employers in the Fund include Scheduled Bodies which are Local Authorities and similar entities whose staff are automatically entitled to be members of the Scheme; and Admitted Bodies which participate in the Fund by virtue of an admission agreement made between the Authority and the relevant body. Admitted bodies include voluntary, charitable and similar entities or private contractors undertaking a local authority function following a specific business transfer to the private sector.

There are 321 employers actively participating in the Fund and the profile of members is as detailed below:

	Contributors		Pensioners		Deferred pensioners	
	31Mar 2018	31Mar 2017	31Mar 2018	31Mar 2017	31Mar 2018	31Mar 2017
Kent County Council	23,142	22,797	20,865	20,362	22,357	22,595
Other Employers	29,633	28,037	18,948	18,286	20,019	19,757
Total	52,775	50,834	39,813	38,648	42,376	42,352

Funding

The 2016 triennial valuation certified a common contribution rate of 20.9% of pensionable pay to be paid by each employer participating in the Kent Pension Fund. In addition to this, each employer has to pay an individual adjustment to reflect its own particular circumstances and funding position within the Fund. Details of each employer's contribution rate are contained in the Statement to the Rates and Adjustment Certificate in the triennial valuation report. These rates came into effect from 1 April 2017.

Pension Fund Accounts

Benefits

Pension benefits under the LGPS are based on the following:

	Service pre April 2008	Membership from 1 April 2008 to 31 March 2014	Membership from 1 April 2014
Pension	1/80 x final pensionable salary	1/60 x final pensionable salary	1/49 (or 1/98 if opted for 50/50 section) x career average revalued salary
Lump sum	Automatic lump sum of 3/80 x final pensionable salary. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

There is a range of other benefits provided under the Scheme including early retirement, ill health pensions and death benefits. For more details, please refer to the Kent Pension Fund website: www.kentpensionfund.co.uk

2. Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2017-18 financial year and its position at 31 March 2018.

The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 which is based upon International Financial Reporting Standards, as amended for the UK public sector. The accounts are prepared on a going concern basis.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS)19 basis is disclosed at note 23 of these accounts.

3. Summary of Significant Accounting Policies

Fund Account - revenue recognition

a) Contribution income

Normal contributions, both from the members and from the employers, are accounted for on an accruals basis at the percentage rate recommended by the fund actuary in the payroll period to which they relate. Employers Deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged. Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in 'transfers in'. Bulk transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

c) Investment income

Dividends, interest, and stock lending income on securities have been accounted for on an accruals basis and where appropriate from the date quoted as ex-dividend (XD). Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year. A large number of the Fund's investments are held in income accumulating funds that do not distribute income. The accumulated income on such investments is reflected in the unit market price at the end of the year and is included in the realised and unrealised gains and losses during the year. Property related income mainly comprises of rental income which is recognised when it becomes due.

Fund Account - expense items

d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the year end. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

e) Taxation

The Fund has been accepted by the HM Revenue and Customs as a registered pension scheme in accordance with paragraph 1(1) of Schedule 36 to the Finance Act 2004 and, as such, qualifies for exemption from tax on interest received and from capital gains tax on proceeds of investments sold. Tax is therefore only applicable to dividend income from equity investments. Income arising from overseas investments is subject to deduction of withholding tax unless exemption is permitted by and obtained from the country of origin. Investment income is shown net of non-recoverable tax, and any recoverable tax at the end of the year is included in accrued investment income.

By virtue of Kent County Council being the administering authority, VAT input tax is recoverable on all Fund activities including investment and property expenses.

f) Investment management, administrative, governance and oversight expenses

All expenses are accounted for on an accruals basis. Costs relating to Kent County Council staff involved in the administration, governance and oversight of the Fund, and overheads are incurred by the County Council and recharged to the Fund at the end of the year. Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

Net Assets Statement

g) Financial and non financial assets

Financial assets are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. Any purchase or sale of securities is recognised upon trade and any unsettled transactions at the year-end are recorded as amounts receivable for sales and amounts payable for purchases. From the trade date any gains or losses arising from changes in the fair value of the asset are recognised by the Fund. The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 and IFRS 9. For the purposes of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

The values of investments as shown in the Net Assets Statement have been determined as follows:

- Quoted investments are stated at market value based on the closing bid price quoted on the relevant stock exchange on the final day of the accounting period.
- Fixed interest securities are recorded at net market value based on their current yields
- Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager
- Investments in private equity funds and unquoted listed partnerships are valued based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers. The valuation standards followed by the managers are in accordance with the industry guidelines and the constituent management agreements. Such investments may not always be valued based on year end valuation as information may not be available, and therefore will be valued based on the latest valuation provided by the managers adjusted for cash movements to the year end.
- Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, the change in market value also includes income which is reinvested in the fund.
- The Freehold and Leasehold properties were valued at open market prices in accordance with the valuation standards laid down by the Royal Institution of Chartered Surveyors. The last valuation was undertaken by Colliers International, as at 31 December 2017. The valuer's opinion of market value and existing use value was primarily derived using comparable recent market transactions on arm's length terms. The results of the valuation have then been indexed in line with the Investment Property Databank Monthly Index movement to 31 March 2018.
- Debtors / receivables being short duration receivables with no stated interest rate are measured at original invoice amount.

h) Derivatives

The Fund uses derivative instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes. At the reporting date the Fund only held forward currency contracts. The future value of the forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract. Under the European Market Infrastructure Regulations the Fund's forward currency contracts are required to be covered by margin cash. These amounts are included in cash or cash equivalents held by the Fund and reflected in a corresponding margin cash liability under investment liabilities.

i) Foreign currency transactions

Assets and liabilities in foreign currency are translated into sterling at spot market exchange rates ruling at the year-end. All foreign currency transactions including income are translated into sterling at spot market exchange rates ruling at the transaction date. All realised currency exchange gains or losses are included in change in market value of assets.

j) Cash and cash equivalents

Cash comprises cash at bank and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value. Cash and cash equivalents managed by fund managers and cash equivalents managed by Kent County Council are included in investments. All other cash is included in Current Assets.

k) Financial Liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the Net Assets Statement on the date the fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

l) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed every three years by the scheme actuary and the methodology used is in line with accepted guidelines and in accordance with IAS 19. To assess the value of the Fund's liabilities as at 31 March 2018 the actuary has rolled forward the value of the Fund's liabilities calculated for the funding valuation as at 31 March 2016. As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 23).

m) Contingent Assets and Liabilities and Contractual Commitments

A contingent asset/liability arises where an event has taken place that gives the Fund a possible right/obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Fund. Contingent assets/liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an inflow/outflow of resources will be required or the amount of the right/obligation cannot be measured reliably. Contingent assets/liabilities are not recognised in the balance sheet but disclosed in a note to the accounts.

n) Pooling Expenses

The Fund is part of ACCESS, a group of 11 LGPS Administering Authorities who, as part of a Government initiative, have agreed to pool their investments to achieve cost and scale benefits. Pooling costs included in the Fund's accounts reflect the Fund's proportion of the cost of setting up the governance arrangements of the Pool and the initial costs of establishing an Authorised Contractual Scheme (ACS) to hold the pooled assets. Currently these are initial project costs and are expected to be replaced and supplemented by ongoing governance costs once the investments are migrated into the ACS.

o) Stock Lending

The Fund has a conservative programme of stock lending operated by its custodian. The programme lends directly held global equities and bonds to approved borrowers against a collateral of Government and Supranational fixed interest securities of developed countries, which is marked to market on a daily basis. Securities on loan are included at market value in net assets on the basis that they will be returned to the Fund at the end of the loan term. Net income from securities lending received from the custodian is shown as income from investments in the Fund Account.

4. Critical judgements in applying accounting policy

Pension fund liability

The net pension fund liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note 22

These actuarial revaluations are used to set future contribution rates and underpin the fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return

5. Assumptions made about future and other major sources of estimation uncertainty

Item	Uncertainties	Effect if actual results differ from assumption
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £168m. A 0.1% increase in assumed earning inflation would increase the value of liabilities by approx. £16m, and a one year increase to the life expectancy assumptions would increase the liability by approx. £339m.
Private Equity	Valuation of unquoted private equity including infrastructure investments is highly subjective and inherently based on forward looking estimates and judgements involving many factors. They are valued by the investment managers using guidelines set out in the British Venture Capital Association.	The total private equity including infrastructure investments on the financial statements are £129m. There is a risk that this investment may be under-or-over stated in the accounts. Potential change in valuation due to change in these factors is estimated in Note 20.
Freehold and Leasehold Property and Pooled Property Funds	Valuation techniques are used to determine the fair values of directly held property and pooled property funds. Where possible these valuation techniques are based on observable data, but where this is not possible management uses the best available data. Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property	The effect of variations in the factors supporting the valuation would be an increase or decrease in the value of directly held property of £48m on a fair value of £484m.

Notes to the Pension Fund Account

6. Events after the Balance Sheet date

There have been no events since 31 March 2018, up to the date when these accounts were authorised, that require any adjustment to these accounts.

7. Contributions Receivable

	2017-18 £000's	2016-17 £000's
By Category		
Employers	179,165	176,603
Members	52,872	51,682
	232,037	228,285
By authority		
Kent County Council	92,591	91,649
Scheduled Bodies	126,629	122,789
Admitted Bodies	12,817	13,847
	232,037	228,285
By type		
Employees - normal contributions	52,872	51,682
Employers - normal contributions	123,336	109,564
Employers - deficit recovery contributions	50,546	61,226
Employers - augmentation contributions	5,283	5,813
	232,037	228,285

8. Transfers in from other pension funds

	2017-18 £000's	2016-17 £000's
Individual	11,262	10,566
Group	0	0
	11,262	10,566

9. Benefits Payable

	2017-18 £000's	2016-17 £000's
By Category		
Pensions	184,721	176,065
Retirement Commutation and lump sum benefits	32,003	34,194
Death benefits	4,152	4,636
	220,876	214,895
By authority		
Kent County Council	103,583	101,829
Scheduled Bodies	104,529	101,253
Admitted Bodies	12,764	11,813
	220,876	214,895

Notes to the Pension Fund Account

10. Payments to and on account of leavers

	2017-18 £000's	2016-17 £000's
Group transfers	0	0
Individual transfers	10,269	6,568
Payments for members joining state scheme	73	273
Refunds of contributions	1,155	1,213
Total	11,497	8,054

11. Management Expenses

	Notes	2017-18 £000's	2016-17 £000's
Administration costs		2,667	2,752
Governance and oversight costs		369	378
Investment management expenses	14	20,140	19,485
Audit Fees		31	31
Pooling Expenses		78	92
Total		23,285	22,738

12. Summary of Income from Investments

	Notes	2017-18		2016-17	
		£000's	%	£000's	%
Bonds		15,235	12.5	15,694	14.1
Equities		61,986	50.9	57,164	51.2
Pooled Investments		11,878	9.7	10,351	9.3
Private Equity / Infrastructure		7,444	6.1	5,976	5.4
Property	13	17,107	14.1	13,549	12.1
Pooled Property Investments		6,273	5.2	7,480	6.7
Cash and cash equivalents		630	0.5	315	0.3
Stock Lending		1,164	1.0	1,045	0.9
Total		121,717	100.0	111,574	100.0

13. Property Income and Expenditure

	2017-18 £000's	2016-17 £000's
Rental Income from Investment Properties	21,419	20,995
Direct Operating Expenses	-4,312	-7,446
Net operating income from Property	17,107	13,549

14. Investment Management Expenses

	2017-18 £000's	2016-17 £000's
Investment Managers Fees	18,573	18,170
Transaction Costs	1,491	1,232
Custody fees	76	83
Total	20,140	19,485

The management fees disclosed above include all investment management fees directly incurred by the fund including those charged on pooled fund investments.

In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the Pension Fund.

15. Investments

	Market Value as at 31 March 18 £000's	Market Value as at 31 March 17 £000's
Investment Assets		
Bonds	353,090	339,752
Equities	2,224,616	2,192,637
Pooled Investments	2,195,389	2,030,342
Private Equity/Infrastructure	128,895	137,717
Property	484,241	468,827
Pooled Property Investments	247,201	230,129
Derivative contracts		
- Forward Currency contracts	5,593	2,905
Investment Cash and cash equivalents	148,514	121,323
Investment Income due	17,995	16,948
Amounts receivable for sales	2,253	14,103
Total Investment Assets	5,807,787	5,554,683
Investment Liabilities		
Amounts payable for purchases	-8,864	-12,905
Margin cash liability	-7,993	0
Total Investment Liabilities	-16,857	-12,905
Net Investment Assets	5,790,930	5,541,778

Notes to the Pension Fund Account

15a. Reconciliation of movements in investments and derivatives

	Market Value as at 31 March 17 £000's	Purchases at Cost £000's	Sales Proceeds £000's	Change in Market Value £000's	Market Value as at 31 March 18 £000's
Bonds	339,752	96,357	-51,109	-31,910	353,090
Equities	2,192,637	462,950	-569,918	138,947	2,224,616
Pooled Investments	2,030,342	822,973	-615,671	-42,255	2,195,389
Private Equity/Infrastructure	137,717	13,891	-33,963	11,250	128,895
Property	468,827	0	-19,728	35,142	484,241
Pooled Property Investments	230,129	14,236	-16,157	18,993	247,201
	5,399,404	1,410,407	-1,306,546	130,167	5,633,432
Derivative contracts					
- Forward Currency contracts	2,905	7,540,507	-7,567,732	29,913	5,593
	5,402,309	8,950,914	-8,874,278	160,080	5,639,025
Other Investment balances					
- Investment Cash and cash equivalents	121,323			-838	148,514
- Amounts receivable for sales	14,103				2,253
- Amounts payable for purchases	-12,905				-8,864
- Margin cash liability	0				-7,993
- Investment Income due	16,948				17,995
Net Investment Assets	5,541,778			159,242	5,790,930

	Market Value as at 31 March 16 £000's	Purchases at Cost £000's	Sales Proceeds £000's	Change in Market Value £000's	Market Value as at 31 March 17 £000's
Bonds	310,896	51,750	-75,882	52,988	339,752
Equities	1,732,669	335,891	-312,898	436,975	2,192,637
Pooled Investments	1,664,750	67,233	-67,189	365,548	2,030,342
Private Equity/Infrastructure	114,699	17,732	-12,677	17,963	137,717
Property	438,105	314	0	30,408	468,827
Pooled Property Investments	226,697	0	-269	3,701	230,129
	4,487,816	472,920	-468,915	907,583	5,399,404
Derivative contracts					
- Forward Currency contracts	7,607	7,149,625	-7,112,846	-41,481	2,905
	4,495,423	7,622,545	-7,581,761	866,102	5,402,309
Other Investment balances					
- Investment Cash and cash equivalents	70,117			839	121,323
- Amounts receivable for sales	4,214				14,103
- Amounts payable for purchases	-5,300				-12,905
- Margin cash liability	0				0
- Investment Income due	12,702				16,948
Net Investment Assets	4,577,156			866,941	5,541,778

16. Analysis of Investments

	Market Value as at 31 March 18 £'000's	Market Value as at 31 March 17 £'000's
Bonds		
UK		
Corporate Quoted	24,213	17,301
Overseas		
Public Sector Quoted	42,724	40,223
Corporate Quoted	286,153	282,228
	353,090	339,752
Equities		
UK		
Quoted	957,184	957,638
Overseas		
Quoted	1,267,432	1,234,999
	2,224,616	2,192,637
Pooled Funds		
UK		
Fixed Income Unit Trusts	246,993	241,654
Unit Trusts	617,014	651,716
Overseas		
Unit Trusts	1,331,382	1,136,972
	2,195,389	2,030,342
Property	484,241	468,827
Property Unit Trusts	247,201	230,129
Private Equity Funds/Infrastructure	128,895	137,717
	860,337	836,673
Derivatives	5,593	2,905
Cash and cash equivalents	148,514	121,323
Investment income due	17,995	16,948
Amounts receivable for sales	2,253	14,103
	174,355	155,279
Total Investment Assets	5,807,787	5,554,683
Investment Liabilities		
Amounts payable for purchases	-8,864	-12,905
Margin cash liability	-7,993	0
Total Investment Liabilities	-16,857	-12,905
NET INVESTMENT ASSETS	5,790,930	5,541,778

16a. Analysis of Derivative Contracts
Objectives and policy for holding derivatives

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the Fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the Fund and the investment manager.

Open forward currency contracts

In order to maintain appropriate diversification and to take advantage of overseas investment returns, a significant portion of the Fund's fixed income portfolio managed by Goldman Sachs Asset Management is invested in overseas securities. To reduce the volatility associated with fluctuating currency rates, the investment manager fully hedges the overseas, excluding emerging markets, exposure of the portfolio. This is approximately 75% of the portfolio managed by Goldman Sachs.

Settlement	Currency bought	Local value 000's	Currency sold	Local value 000's	Asset value £000's	Liability value £000's
Up to one month	CHF	1,000	GBP	742	2	
Up to one month	USD	203,803	GBP	145,012	258	
Up to one month	USD	203,803	GBP	144,983	287	
Up to one month	EUR	17,106	GBP	14,973	26	
Up to one month	USD	508	GBP	359	3	
Up to one month	USD	392	GBP	278	1	
Up to one month	USD	777	GBP	552	2	
Up to one month	USD	2,102	GBP	1,497	1	
Up to one month	USD	2,226	GBP	1,606		-19
Up to one month	USD	1,890	GBP	1,360		-13
Up to one month	USD	958	GBP	690		-7
Up to one month	GBP	359	USD	508		-3
Up to one month	GBP	689	USD	975		-6
Up to one month	GBP	745	CHF	1,000	0	
Up to one month	GBP	1,433	USD	2,033		-16
Up to one month	GBP	386	USD	539	2	
Up to one month	GBP	1,198	USD	1,674	5	
Up to one month	GBP	500	USD	696	4	
Up to one month	GBP	1,363	USD	1,886	19	
Up to one month	GBP	1,358	USD	1,886	14	
Up to one month	GBP	630	USD	875	6	
One to Six months	GBP	1,015	USD	1,398	18	
One to Six months	GBP	15,201	EUR	17,128	183	
One to Six months	GBP	146,901	USD	202,275	2,719	
One to Six months	GBP	146,859	USD	202,275	2,677	
One to Six months	GBP	144,811	USD	203,803		-287
One to Six months	GBP	144,843	USD	203,803		-255
One to Six months	GBP	743	CHF	1,000		-2
One to Six months	GBP	14,984	EUR	17,106		-26
					6,227	-634
Net forward currency contracts at 31 March 2018						5,593

Notes to the Pension Fund Account

Prior year comparative

Open forward currency contracts at 31 March 2017

Net forward currency contracts at 31 March 2017

2,973	-68
	2,905

16b. Property Holdings

Opening Balance

Additions

Disposals

Net increase in market value

Closing Balance

Year ending 31 March 18 £000's	Year ending 31 March 17 £000's
468,827	438,105
0	314
-19,728	0
35,142	30,408
484,241	468,827

There are no restrictions on the realisability of the property or the remittance of income or proceeds on disposal and the Fund is not under any contractual obligation to purchase, construct or develop these properties. As at 31 March 2018, the Fund had exchanged contracts for the purchase of a property at Trafford Park Manchester, which was completed on 3 April 2018 at a purchase price of £11.5m.

The future minimum lease payments receivable by the Fund are as follows:

Within one year

Between one and five years

Later than five years

Year ending 31 March 18 £000's	Year ending 31 March 17 £000's
19,928	20,547
58,943	63,622
65,086	88,650
143,957	172,819

17. Investments analysed by Fund Manager

	Market Value as at 31 March 2018		Market Value as at 31 March 2017	
	£000's	%	£000's	%
Baillie Gifford	1,169,875	20.1	1,201,818	21.7
DTZ	539,450	9.3	520,265	9.4
Fidelity	121,047	2.1	109,577	2.0
Goldman Sachs	368,217	6.4	354,877	6.4
HarbourVest	67,867	1.1	65,469	1.2
Impax	44,550	0.8	42,993	0.8
Kames	52,615	0.9	60,596	1.1
M&G	338,730	5.9	330,157	6.0
Partners Group	38,173	0.7	57,191	1.0
BMO (Pyrford)	409,629	7.1	218,498	3.9
Sarasin	230,105	4.0	215,589	3.9
Schroders	1,423,802	24.6	1,408,560	25.4
State Street	0	0.0	589,586	10.6
UBS	602,911	10.4	0	0.0
YFM	22,855	0.4	15,056	0.3
Kent County Council Investment Team	86,799	1.5	34,939	0.6
Woodford	274,305	4.7	316,607	5.7
	5,790,930	100	5,541,778	100

Notes to the Pension Fund Account

All the external fund managers above are registered in the United Kingdom. During the year the Fund's passive equity investments with State Street were transferred to UBS as part of the ACCESS Pooling project. £200m was also transferred from Baillie Gifford to Pyrford.

17a. Single investments exceeding 5% of net assets available for benefits

31 March 2018

Investments

	£000's	% of net asset
UBS Life UK Equity Tracker Fund	315,980	5.4
M&G Global Dividend Fund	315,095	5.4
BMO Investments Ireland (Plc) Global Total Return Fund	409,629	7.0

31 March 2017

Investments

	£000's	% of net asset
MPF UK Equity Index Sub-Fund	311,495	5.6
CF Woodford Equity Income Fund	316,607	5.7
M&G Global Dividend Fund	316,673	5.7
Schroder GAV Unit Trust	280,716	5.0

18. Stock Lending

The Custodians undertake a conservative programme of stock lending to approved UK counterparties against non-cash collateral mainly comprising of Sovereigns and Treasury Bonds.

The amount of securities on loan at year end, analysed by asset class and a description of the collateral is set out in the table below.

31 March 2018

Loan Type	Market Value £000's	Collateral Value £000's	Collateral type
Equities	214,815	226,963	Treasury Notes and other Government debt
Bonds	18,042	19,062	Treasury Notes and other Government debt
	232,857	246,025	

31 March 2017

Loan Type	Market Value £000's	Collateral Value £000's	Collateral type
Equities	156,014	165,118	Treasury Notes and other Government debt
Bonds	12,460	13,187	Treasury Notes and other Government debt
	168,474	178,305	

Notes to the Pension Fund Account

19. Financial Instruments

19a. Classification of Financial Instruments

The following table analyses the carrying amounts of financial assets and liabilities by category and Net Assets Statement heading.

	31 March 2018			31 March 2017		
	Designated as fair value through profit and loss £000's	Loans and receivables £000's	Financial liabilities at amortised cost £000's	Designated as fair value through profit and loss £000's	Loans and receivables £000's	Financial liabilities at amortised cost £000's
Financial Assets						
Bonds	353,090			339,752		
Equities	2,224,616			2,192,637		
Pooled Investments	2,195,389			2,030,342		
Property Pooled Investments	247,201			230,129		
Private Equity/Infrastructure	128,895			137,717		
Derivative contracts	5,593			2,905		
Cash & Cash equivalents		176,232			132,102	
Other Investment Balances		20,248			31,051	
Debtors/ Receivables		28,692			26,975	
	5,154,784	225,172	0	4,933,482	190,128	0
Financial Liabilities						
Other Investment balances			-16,857			-12,905
Creditors			-18,493			-14,358
	0	0	-35,350	0	0	-27,263
Total	5,154,784	225,172	-35,350	4,933,482	190,128	-27,263

19b. Net Gains and Losses on Financial Instruments

	31 March 18 £000's	31 March 17 £000's
Financial assets		
Fair value through profit and loss	124,938	835,694
Loans and Receivables	(838)	839
Total	124,100	836,533

Notes to the Pension Fund Account

20. Valuation of assets and liabilities carried at Fair Value

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuation provided
Quoted Equities	1	Bid Market price on last day of accounting period	Not required	Not required
Quoted Bonds	1	Market value on last day of accounting period	Not required	Not required
Quoted Pooled Investments	1	Net Asset Value/Bid prices on last day of accounting period	Net Asset Values	Not required
Unquoted Pooled Investments	2	Net Asset Value/Bid prices on last day of accounting period	Net Asset Values	Not required
Private Equity and Infrastructure Funds	3	Fair values as per International Private equity and venture capital guidelines (2012)	valuation of underlying investment/assets/companies/EBITDA multiples	Estimation techniques used in valuations, changes in market conditions, industry specific conditions
Property	2	Independent valuation by Colliers using RICS valuation standards	Market values of similar properties, existing lease terms estimated rental growth, estimated vacancies	Not required
Forward exchange contracts	2	Market forward exchange rates on the last day of accounting period	Wide range of deals executed in the currency markets, exchange rate risk	Not required

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the Fund has determined that the valuation methods described above, are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2018.

	Assessed valuation range (+/-)	Value as at 31 March 2018 £000's	Value on increase £000's	Value on decrease £000's
Private Equity	20%	90,722	108,866	75,602
Infrastructure	20%	38,173	45,808	31,811

	Assessed valuation range (+/-)	Value as at 31 March 2017 £000's	Value on increase £000's	Value on decrease £000's
Private Equity	20%	80,526	96,630	64,420
Infrastructure	20%	57,191	68,629	47,659

Notes to the Pension Fund Account

20a. Fair Value Hierarchy

Level 1

Assets and Liabilities at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Investments include quoted equities, quoted fixed interest securities, quoted index linked securities and quoted unit trusts.

Level 2

Assets and Liabilities at Level 2 are those where quoted market prices are not available or where valuation techniques are used to determine fair value. These techniques use inputs that are based significantly on observable market data. Investments include Derivatives, Direct Property Investments and Property Unit Trusts.

Level 3

Assets and Liabilities at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data and are valued using various valuation techniques that require significant judgement in determining appropriate assumptions. They include private equity and infrastructure investments the values of which are based on valuations provided by the General Partners to the funds in which the Pension Fund has invested. Assurances over the valuation are gained from the independent audit of the accounts.

These valuations are prepared by the fund managers in accordance with generally accepted accounting principles and the requirements of the law where these companies are incorporated. Valuations are usually undertaken periodically by the fund managers, who provide a detailed breakdown of the valuations of underlying assets as well as a reconciliation of movements in fair values. Cash flow adjustments are used to roll forward the valuations where the latest valuation information is not available at the time of reporting.

The following table provides an analysis of the assets and liabilities of the Pension Fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

	Quoted market price Level 1 £000's	Using observable inputs Level 2 £000's	With significant unobservable inputs Level 3 £000's	Total £000's
Values at 31 March 2018				
Assets				
Financial assets at fair value through profit and loss	4,773,095	252,794	128,895	5,154,784
Non- Financial assets at fair value through profit and loss	0	484,241	0	484,241
Financial liabilities at fair value through profit and loss	0	0	0	0
Net Investment Assets	4,773,095	737,035	128,895	5,639,025

Notes to the Pension Fund Account

	Quoted market price Level 1 £000's	Using observable inputs Level 2 £000's	With significant unobservable inputs Level 3 £000's	Total £000's
Values at 31 March 2017				
Assets				
Financial assets at fair value through profit and loss	4,562,731	233,034	137,717	4,933,482
Non- Financial assets at fair value through profit and loss	0	468,827	0	468,827
Financial liabilities at fair value through profit and loss	0	0	0	0
Net Investment Assets	4,562,731	701,861	137,717	5,402,309
				£000's
Market Value 1 April 2017				137,717
Transfers into level 3				0
Transfers out of level 3				0
Purchases during the year				13,891
Sales during the year				-33,963
Unrealised gains/ losses				4,407
Realised gains/losses				6,843
Market Value 31 March 2018				128,895

21. Nature and extent of Risks Arising From Financial Instruments

Risk and risk management

The Fund's primary long-term risk is that the value of its assets will fall short that of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Council manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Superannuation Fund Committee. Risk management policies are established to identify and analyse the risks faced by the Council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk. In general, excessive volatility in market risk is managed through diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risks, the Council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market. The Fund is exposed to security and derivative price risks. This arises from investments held by the Fund for which the future price is uncertain. All security investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The possible loss from shares sold short is unlimited. The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments and their activity is monitored by the Council to ensure it is within limits specified in the Fund Investment Strategy.

Notes to the Pension Fund Account

Other price risk - sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's investment advisors, the Council has determined that the following movements in market price risk are reasonably possible for the 2018-19 reporting period.

Asset Type	Potential Market Movements (+/-)
UK Equities	4.96%
Overseas Equities	13.60%
Global Pooled Equities inc UK	9.71%
Bonds	2.88%
Property	11.03%
Infrastructure	19.91%
Private Equity	18.71%

The potential price changes disclosed above are based on predicted volatilities calculated based on our experience of market returns of our investments over a period of 3 years. The analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same. Had the market price of the Fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits would have been as follows (the prior year comparator is shown below):

Asset Type	Value as at 31 March 18 £000's	Percentage change %	Value on increase £000's	Value on decrease £000's
Cash and cash equivalents	176,232	0.00	176,232	176,232
Investment portfolio assets:				
UK Equities	957,184	4.96	1,004,660	911,951
Overseas Equities	1,267,432	13.60	1,439,803	1,115,697
Global Pooled Equities inc UK	1,948,396	9.71	2,137,585	1,775,951
Bonds incl Bond Funds	600,083	2.88	617,365	583,284
Property Pooled Funds	247,201	11.03	274,467	222,643
Private Equity	90,722	18.71	107,696	76,423
Infrastructure Funds	38,173	19.91	45,773	31,835
Net derivative assets	5,593	0.00	5,593	5,593
Investment income due	17,995	0.00	17,995	17,995
Amounts receivable for sales	2,253	0.00	2,253	2,253
Amounts payable for purchases	-8,864	0.00	-8,864	-8,864
Margin Cash Liability	-7,993	0.00	-7,993	-7,993
Total	5,334,407		5,812,565	4,903,000

Notes to the Pension Fund Account

Asset Type	Value as at 31 March 17 £000's	Percentage change %	Value on increase £000's	Value on decrease £000's
Cash and cash equivalents	132,102	0.00	132,102	132,102
Investment portfolio assets:				
UK Equities	957,638	4.96	1,005,137	912,384
Overseas Equities	1,234,999	13.60	1,402,959	1,087,147
Global Pooled Equities inc UK	1,788,688	9.71	1,962,370	1,630,378
Bonds incl Bond Funds	581,407	2.88	598,152	565,131
Property Pooled Funds	230,129	11.03	255,512	207,267
Private Equity	80,525	18.71	95,591	67,833
Infrastructure Funds	57,191	19.91	68,578	47,695
Net derivative assets	2,905	0.00	2,905	2,905
Investment income due	16,948	0.00	16,948	16,948
Amounts receivable for sales	14,103	0.00	14,103	14,103
Amounts payable for purchases	-12,905	0.00	-12,905	-12,905
Margin Cash Liability	0		0	0
Total	5,083,730		5,541,452	4,670,988

Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's interest rate risk is routinely monitored by the Council and its investment advisors in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks. The Fund's direct exposures to interest rate movements as at 31 March 2018 and 31 March 2017 are set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Asset Type	31 March 18 £000	31 March 17 £000
Cash and cash equivalents	149,724	121,323
Cash Balances	26,508	10,779
Bonds		
- Directly held securities	353,090	339,752
- Pooled Funds	246,992	241,654
Total	776,314	713,508

Interest rate risk - sensitivity analysis

The Council recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. A one percent movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy. The Fund's investment advisor has advised that long-term average rates are expected to move less than one percent from one year to the next and experience suggests that such movements are likely. The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- one percent change in interest rates:

Notes to the Pension Fund Account

Asset Type	Carrying amount as at 31 March 18	Change in year in the net assets available to pay benefits	
		+1%	-1%
	£000's	£000's	£000's
Cash and cash equivalents	149,724	1,497	-1,497
Cash Balances	26,508	265	-265
Bonds			
- Directly held securities	353,090	-3,351	3,351
- Pooled Funds	246,992	-2,470	2,470
Total change in assets available	776,314	-4,059	4,059

Asset Type	Carrying amount as at 31 March 17	Change in year in the net assets available to pay benefits	
		+1%	-1%
	£000's	£000's	£000's
Cash and cash equivalents	121,323	1,213	-1,213
Cash Balances	10,779	108	-108
Bonds			
- Directly held securities	339,752	-3,398	3,398
- Pooled Funds	241,654	-2,417	2,417
Total change in assets available	713,508	-4,494	4,494

Changes to both the fair value of assets and the income received from investments impact on the net assets available to pay benefits. The analysis demonstrates that a 100 bps increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value and vice versa. Changes in interest rates do not impact on the value of cash/cash equivalent balances but they will affect interest income received on those balances.

Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Through their investment managers, the Fund holds both monetary and non-monetary assets denominated in currencies other than GBP, the functional currency of the Fund. Most of these assets are not hedged for currency risk. The Fund is exposed to currency risk on these financial instruments. However, a large part (£286m) of the assets managed by Goldman Sachs Asset Management held in non GBP currencies is hedged for currency risk through forward currency contracts. The Fund's currency rate risk is routinely monitored by the Council and its investment advisors in accordance with the Fund's risk management strategy, including monitoring the range of exposure to current fluctuations. The following table summarises the Fund's currency exposure excluding the hedged investments as at 31 March 2018 and 2017:

Currency exposure - asset type	Asset value as at 31 March 18	Asset value as at 31 March 17
	£000's	£000's
Overseas Equities	1,267,432	1,234,999
Overseas Pooled Funds	1,331,382	1,136,971
Overseas Bonds	42,724	40,223
Overseas Private Equity, Infrastructure and Property funds	107,041	125,388
Non GBP Cash	38,240	14,125
Total overseas assets	2,786,819	2,551,706

Notes to the Pension Fund Account

Currency risk - sensitivity analysis

Following analysis of historical data and expected currency movement during the financial year, in consultation with the fund's investment advisors, the Council has determined that the following movements in the values of financial assets denominated in foreign currency are reasonably possible for the 2018-19 reporting period. This analysis assumes that all other variables, in particular interest rates, remain constant. A relevant strengthening/weakening of the pound against various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

	Asset value as at 31 March 18	Change to net assets available to pay benefits +9.0%	Change to net assets available to pay benefits -9.0%
	£000's	£000's	£000's
Overseas Equities	1,267,432	1,381,501	1,162,782
Overseas Pooled Funds	1,331,382	1,451,206	1,221,451
Overseas Bonds	42,724	46,569	39,196
Overseas Private Equity, Infrastructure and Property funds	107,041	116,675	98,203
Non GBP Cash	38,240	41,682	35,083
Total change in assets available	2,786,819	3,037,633	2,556,715

	Asset value as at 31 March 17	Change to net assets available to pay benefits +9.0%	Change to net assets available to pay benefits -9.0%
	£000's	£000's	£000's
Overseas Equities	1,234,999	1,346,149	1,133,026
Overseas Pooled Funds	1,136,971	1,239,298	1,043,093
Overseas Bonds	40,223	43,843	36,902
Overseas Private Equity, Infrastructure and Property funds	125,388	136,673	115,035
Non GBP Cash	14,125	15,396	12,959
Total change in assets available	2,551,706	2,781,359	2,341,015

b) Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment of a receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties. Derivative contracts are also covered by margins which provide collateral against risk of default by the counterparties.

Notes to the Pension Fund Account

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's credit criteria. The Council has also set limits as to the maximum amount that may be placed with any one financial institution. The Fund's cash was held with the following institutions:

	Rating	Balance as at 31 March 18 £000's	Balance as at 31 March 17 £000's
Money Market Funds			
Northern Trust Sterling Fund	AAAm	40,386	75,918
SSGA Liquidity Fund	AAAm	6,497	28
Blackrock USD Government Liquidity Fund	AAAm	6,519	3,302
Aberdeen Sterling Liquidity Fund	AAAm	39	6,870
Goldman Sachs Liquid Reserve Government Fund	AAAm	15,085	8,187
Aviva Investors Sterling Liquidity Fund	AAAm	8,184	6,931
Deutsche Managed Sterling Fund	AAAm	8,210	33
HSBC Global Liquidity Fund	AAAm	85	4,943
LGIM Liquidity Fund	AAAm	7,447	9,795
Insight Sterling Liquidity Fund	AAAm	7,414	95
		99,866	116,102
Cash Plus Funds			
Royal London Cash Plus Fund	AAAf	14,996	0
Payden Sterling Reserve Fund	AAAf	14,941	0
Aberdeen Ultra Short Duration Sterling Fund	AAAf	10,017	0
		39,954	0
Bank Deposit Accounts			
HSBC BIBCA	AA-	2,435	2,435
NatWest SIBA	BBB+	12	508
		2,447	2,943
Bank Current Accounts			
NatWest Current Account	BBB+	91	87
NatWest Current Account - Euro	BBB+	26,416	8,893
NatWest Current Account - USD	BBB+	1	1,800
Northern Trust - Current Accounts	AA-	5,695	178
Barclays - DTZ client monies account	A	1,762	2,099
		33,965	13,057
Total		176,232	132,102

c) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the Fund has adequate cash resources to meet its commitments. The Council has immediate access to the Fund's money market fund and current account holdings.

Management prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund investment strategy. All financial liabilities at 31 March 2018 are due within one year.

Refinancing risk

The key risk is that the Council will be bound to replenish a significant proportion of its Pension Fund financial instruments at a time of unfavourable interest rates. The Council does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

22. Funding Arrangements

In line with Local Government Pension Scheme (Administration) Regulations 2013 (as amended), the Fund is required to obtain an actuary's funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2016.

The key elements of the funding policy are:

- To ensure the long-term solvency of the Fund and ensure that sufficient funds are available to meet all the benefits as they fall due for payment
- To ensure employer contribution rates are as stable as possible
- To minimise the long term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
- To reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so

At the 2016 valuation a maximum deficit recovery period of 17 years (2013- 20 years) is used for all employers. Shorter recovery periods have been used where affordable. This will provide a buffer for future adverse experience and reduce the interest cost paid by employers. For Transferee Admission Bodies the deficit recovery period is set equal to the future working life of current employees or the remaining contract period, whichever is the shorter.

In the 2016 triennial valuation, the smoothed value of the Fund's assets at the valuation date was £4,556m and the liabilities were £5,103m. The assets therefore, represented 89% (2013 - 83%) of the Fund's accrued liabilities, allowing for future pay increases.

The contribution rate for the average employer, including payments to target full funding has increased from 20% to 20.9% of pensionable salaries in 2017-18 and to 21% in 2018-19 and 2019-20. The funding level as a percentage has increased (due to good investment returns and employer contributions) although this has been partly offset by the changes in the financial assumptions used to calculate the liabilities.

The actuarial valuation has been undertaken on the projected unit method. At individual employer level the projected unit funding method has been used where there is an expectation that new employees will be admitted to the Fund. The attained age method has been used for employers who do not allow new entrants. These methods assess the costs of benefits accruing to existing members during the remaining working lifetime, allowing for future salary increases. The resulting contribution rate is adjusted to allow for any differences in the value of accrued liabilities and the market value of assets.

The 2016 actuarial assumptions were as follows:

Valuation of Assets:	assets have been valued at a 6 month smoothed market rate
Rate of return on investments (discount rate)	5.4% p.a.
Rate of general pay increases: Long term	3.9% p.a.
Short Term	CPI for period 31 March 2016 to 31 March 2020
Rate of increases to pensions payment (in excess of guaranteed minimum pension):	2.4% p.a.

23. Actuarial Present Value of Promised Retirement Benefits

In addition to the triennial funding valuation, every year the fund's actuary undertakes a valuation of the Fund's liabilities on an IAS 19 basis, using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year.

Notes to the Pension Fund Account

Actuarial present value of promised retirement benefits

	31 March 18	31 March 17
	£000's	£000's
Present value of promised retirement benefits	-9,029.1	-9,062.3
Fair value of scheme assets at bid value	5,828.8	5,565.2
Net liability	-3,200.3	-3,497.1

The Fund accounts do not take account of liabilities to pay pensions and other benefits in the future. Based on the latest valuation, the fair value of net assets of the Fund represents 64.6% of the actuarial valuation of the promised retirement benefits. Future liabilities will be funded from future contributions from employers.

The liability above being calculated on an IAS 19 basis and differs from the results of the 2016 triennial funding valuation because IAS 19 stipulates a discount rate rather than a rate which reflects a market rate.

Assumptions used: % p.a.

Salary increase rate 3.8%

Inflation/Pensions increase rate 2.3%

Discount rate 2.6%

24. Current Assets

	31 March 18	31 March 17
	£000's	£000's
Debtors		
- Contributions due - Employees	4,040	3,816
- Contributions due - Employers	12,592	11,974
- Sundry debtors	12,060	9,982
Total External Debtors	28,692	25,772
Amounts due from Kent County Council	0	1,203
Cash	27,717	10,780
	56,409	37,755
Analysis of External Debtors		
Other Local Authorities	24,911	22,437
Other Entities and individuals	3,781	3,335
	28,692	25,772

25. Current Liabilities

	31 March 18	31 March 17
	£000's	£000's
Creditors		
- Benefits Payable	11,320	7,018
- Sundry Creditors	4,079	3,406
Total External Creditors	15,399	10,424
Owing to Kent County Council	3,094	3,934
Total	18,493	14,358
Analysis of External Creditors		
Other Local Authorities	10,934	5,790
Other Entities and individuals	4,465	4,634
Total	15,399	10,424

Notes to the Pension Fund Account

26. Additional Voluntary Contributions

Scheme members have the option to make additional voluntary contributions to enhance their pension benefits. In accordance with regulation 4(2)(b) of the LGPS (Management and Investment of Funds) Regulations 2009, these AVC contributions are not included within the Pension Fund Accounts. These contributions are paid to the AVC provider directly by the employer and are invested separately from the Pension Fund, with either Equitable Life Assurance Company, Prudential Assurance Company or Standard Life Assurance Company. These amounts are included within the disclosure note figures below.

	Prudential		Standard Life		Equitable Life	
	2017-18 £000's	2016-17 £000's	2017-18 £000's	2016-17 £000's	2017-18 £000's	2016-17 £000's
Value at 1 April	7,591	6,371	2,373	2,049	614	628
Value at 31 March	8,480	7,591	2,087	2,373	534	614
Contributions paid	1,641	1,438	124	166	1	6

27. Related Party Transactions

The Kent Pension Fund is required to disclose material transactions with related parties, not disclosed elsewhere, in a note to the financial statements. During the year each member of the Kent County Council Superannuation Fund Committee is required to declare their interests at each meeting. None of the members of the Committee or senior officers undertook any material transactions with the Kent Pension Fund.

Kent County Council is the largest single employer of members of the Pension Fund and during the year contributed:

A list of all contributing employers and amount of contributions received is included in the Fund's annual report available on the pension fund website

Charges from Kent County Council to the Kent Pension Fund in respect of pension administration, governance arrangements, investment monitoring, legal and other services.

Year end balance due to Kent County Council arising out of transactions between Kent County Council and the Pension Fund

	2017-18 £000's	2016-17 £000's
	71,592	70,822
	3,022	2,940
	-3,094	-2,731

Key management personnel

The employees of Kent County Council who held key positions in the financial management of the Kent Pension Fund

Total remuneration payable to key management personnel is set out below:

	31 March 18 £000's	31 March 17 £000's
Salary	141	139
Allowances	8	
Other	5	6
Employer's pension contributions	32	30
Total	186	175

28. Contingent Liabilities and Contractual Commitments

Outstanding capital commitments (investments) as at 31 March 2018 totalled £89.3m (31 March 2017: £102.3m)

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in private equity and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over the life of each fund. The amount includes a commitment on the purchase of a property which was settled in April 2018.

29. Contingent Assets

37 admitted body employers in the Kent Pension Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Fund and payment will only be triggered in the event of employer default.

Opinion

We have audited the financial statements of Kent County Council (the 'Authority') for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and related notes including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017-18.

In our opinion the financial statements:

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

Basis for opinion

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

Who we are reporting to

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

Conclusions relating to going concern

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

- the Interim Corporate Director of Finance and Head of Finance Operations use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Interim Corporate Director of Finance and Head of Finance Operations has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Opinion on other matters

The Interim Corporate Director of Finance and Head of Finance Operations is responsible for the other information. The other information comprises the information included in the Statement of Accounts set out on pages 3 to 13 and 158 to 167, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Independent Auditor's Report to the Members of Kent County Council

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

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of the Authority, the Interim Corporate Director of Finance and Head of Finance Operations and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 14, 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 Interim Corporate Director of Finance and Head of Finance Operations. The Interim Corporate Director of Finance and Head of Finance Operations is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017-18, which give a true and fair view, and for such internal control as the Interim Corporate Director of Finance and Head of Finance Operations determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Report to the Members of Kent County Council

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

The Governance and Audit Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

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

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

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

Conclusion

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

Responsibilities of the Authority

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

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

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

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

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

Independent Auditor's Report to the Members of Kent County Council

Report on other legal and regulatory requirements - Certificate

We cannot formally conclude the audit and issue an audit certificate for the year ended 31 March 2018 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until:

- (a) we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2018; and
- (b) we have completed our consideration of an objection brought to our attention by a local authority elector under Section 27 of the Local Audit and Accountability Act 2014.

We are satisfied that these matters do not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Paul Dossett

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

Grant Thornton UK LLP

30 Finsbury Square

London

EC2A 1AG

25 July 2018

Opinion on the pension fund financial statements

We have audited the pension fund financial statements of Kent County Council (the 'Authority') for the year ended 31 March 2018 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017-18.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2018 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017-18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

Who we are reporting to

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation

- the Corporate Director of Finance's use of the going concern basis of accounting in the preparation of the pension fund financial statements is not appropriate; or
- the Corporate Director of Finance has not disclosed in the pension fund financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the pension fund financial statements are authorised for issue.

Other information

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

In connection with our audit of the pension fund financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the pension fund financial statements or our knowledge of the pension fund of the Authority obtained in the course of our work or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the pension fund financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the pension fund financial statements the other information published together with the pension fund financial statements in the Statement of Accounts, for the financial year for which the pension fund financial statements are prepared is consistent with the pension fund financial statements.

Independent Auditor's Report to the Members of Kent County Council

Matters on which we are required to report by exception

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

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

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

Responsibilities of the Authority, the Corporate Director of Finance and Those Charged with Governance for the financial statements

As explained more fully in the Statement of 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 Corporate Director of Finance. The Corporate Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017-18, which give a true and fair view, and for such internal control as the Corporate Director of Finance determines is necessary to enable the preparation of pension fund financial statements that are free from material misstatement, whether due to fraud or error.

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

The Governance and Audit Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

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

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

Paul Dossett

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

Grant Thornton UK LLP

30 Finsbury Square

London

EC2A 1AG

25 July 2018

Scope of Responsibility

Kent County Council is responsible for ensuring that its business is conducted in accordance with the law, recognised standards of good practice, and that public money is safeguarded and properly accounted for. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to economy, efficiency and effectiveness.

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

The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE framework guidance: Delivering Good Governance in Local Government. The Annual Governance Statement (AGS) explains how the Council has complied with the Code during the past year and also meets the requirements of regulation 4(3) of the Accounts and Audit Regulations 2011 in relation to the publication of a statement of internal control.

Governance is about how the Council ensures it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest, and accountable manner. It comprises the systems and processes, cultures and values by which the Council is directed and controlled. The Council has responsibility for conducting an annual review of the effectiveness of its governance framework, including the system of internal control.

All Corporate Directors have a range of duties to ensure that their directorates are run efficiently, effectively, and with proper risk management and governance arrangements, including a sound system of control. As part of the AGS process, each Corporate Director is specifically required to confirm that this system is in place. They are also required to review internal controls to ensure they are adequate and effective, taking into account the following:

- (i) Outcomes from risk assessment and evaluation
- (ii) Self-assessment of key service areas within the directorate
- (iii) Internal audit reports and results of follow ups regarding implementation of recommendations
- (iv) Outcomes from reviews of services by other bodies, including Inspectorates, external auditors, etc.
- (v) Linkage between business planning and the management of risk.

Separate submissions are provided by the Statutory Officers (the Head of Paid Service, the Monitoring Officer, the Section 151 Officer, Director of Adult Social Services, and Director of Children's Services) in respect of issues that they are aware of for the Council as a whole. Corporate Directors put in place an action plan for each issue detailed in their AGS submission as soon as that issue is identified.

Their action plans must include:

- (i) an accountable officer
- (ii) a specific timescale
- (iii) the detailed action to be taken
- (iv) updates on progress throughout the year.

In addition, the General Counsel completed the annual review of the Code of Corporate Governance during 2017-18. The Code of Corporate Governance is included at Appendix 10 of the Constitution. The outcome of this review will result in changes that will be proposed to the Constitution and will be brought before Members for decision at the County Council meeting in July 2018.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes for the direction and control of the Council and its activities through which it accounts to, engages with, and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

Annual Governance Statement

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims, and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to achievement of Kent County Council's policies, aims, and objectives, to evaluate the likelihood of those risks being realised, the impact should they be realised, and to manage them efficiently, effectively, and economically.

The governance framework has been in place within Kent County Council for the year ended 31 March 2018 and up to the date of approval of the annual report and accounts.

The Governance Framework

The Council sets out clearly its vision and purpose, with clarity on outcomes for residents. It engages with stakeholders to ensure robust public accountability through the following actions:

The Council's governance environment is consistent with the revised code of corporate governance and the 2016 CIPFA guidance "Delivering Good Governance" framework. As part of the paper that will propose changes to the Council's constitution, Members will be invited to formally adopt the guidance. According to the CIPFA guidance, the annual governance statement should:

- Provide a meaningful but brief communication regarding the review of governance that has taken place including the role of the governance structures involved (such as the Authority, the audit, and other committees)
- Be high level, strategic, and written in an open and readable style
- Focus on outcomes and value for money and relate to the Authority's vision for the area.

Accordingly, we have reduced some of the minutiae and repetition previously provided. Instead, for each principle in the 2016 guidance we have described an overview of some of the Council's relevant governance mechanism and associated sources of assurance:

Principle	Description of Governance Mechanism and Assurances Received
A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	<p>The roles and responsibilities of elected members and officers and the processes to govern the conduct of the Council's business are defined in the Constitution, Contract and Tenders Standing Orders, and Financial Regulations. The Monitoring Officer and Section 151 Officer respectively are responsible for reviewing and updating these as required.</p> <p>Throughout the year, the Monitoring Officer has met with officers, Members and investigated legal issues raised by the public with a view to making amendments to processes and procedures where appropriate.</p> <p>The high ethical values and standards of behaviour expected from elected Members and officers to make sure that public business is conducted with fairness and integrity are defined in Member and Officer Codes of Conduct.</p> <p>The Monitoring Officer is responsible for ensuring compliance with all applicable statutes and regulations and that agreed procedures are followed. Throughout the year, the Monitoring Officer has provided reports, guidance and advice to CMT, Corporate Board and the political committees of the council either directly or through his officers. He also regularly meets with the Leaders of the two main opposition groups to ensure that they can directly raise any concerns about integrity or governance.</p> <p>The Council seeks feedback from the public through its complaints and comments procedures and responds to the outcomes, as appropriate. The County Council's Annual Customer Feedback report, which includes complaints and compliments is submitted to the Governance and Audit Committee in order that they can keep this area under review. The Council's Whistleblowing Policy is available on the intranet.</p>

Annual Governance Statement

Principle	Description of Governance Mechanism and Assurances Received
	<p>The Governance and Audit Committee meets throughout the year and considers audit activity and reports alongside updates, reports, and advice from the Section 151 Officer and Monitoring Officer.</p> <p>The Council also maintains a scrutiny committee with robust oversight in relation to the delivery of decisions and activity by the council.</p>
B. Ensuring openness and comprehensive stakeholder engagement	<p>Council meetings are held in public unless there are good reasons for not doing so on the grounds of confidentiality/ disclosure of exempt information which are provided for in statutory provisions.</p> <p>The Council has invested in the technology and the staffing to facilitate the webcasting of meetings meaning that stakeholders and residents can attend meetings if they wish to or watch them online. An online library of meetings is kept for 6 months meaning that the decision-making process can be considered and reviewed by stakeholders and the public from inception through to final decision and any ultimate scrutiny.</p> <p>Decisions made by Council, the Cabinet, or other Committees are documented and published on the County Council's website, excluding any confidential/exempt information. All decisions are explicit about the criteria, rationale, and factors taken in to consideration by the decision maker(s).</p> <p>The Council seeks community views on a wide range of issues and undertakes regular consultation and engagement with citizens and service users. Social media channels are utilised to support the Authority's engagement with stakeholders. Details of current, planned, and past consultations are available on the Council's website along with information on how the public/stakeholders can put forward their views.</p> <p>The Authority engages with stakeholder through different social media channels.</p>
C. Defining outcomes in terms of sustainable economic, social and environmental benefits	<p>The Strategic Statement for 2015 - 2020 'Increasing Opportunities, Improving Outcomes' sets out in detail KCC's vision for improving lives by ensuring every pound spent in Kent is delivering better outcomes for residents, communities, and businesses, to an aligned timetable within the resources strategy and budget. Strategic outcome 2, 'We want Kent communities to feel the benefits of economic growth by being in-work, healthy and enjoying a good quality of life' sets out how this outcome is measured.</p> <p>The Council also has a range of business plans that are scrutinised and approved before being published. These link to the delivery of statutory and discretionary services by the Council and provide an outcome-based focus for the activity of the Organisation.</p> <p>The performance of the Council against measurable outcome-led targets is assessed through performance monitoring reports that are considered within directorates, by the Corporate Management Team, and subsequently at meetings of relevant Cabinet Committees along with the Cabinet. They can also be called in to the Scrutiny Committee and the Governance and Audit Committee.</p>
D. Determining the interventions necessary to optimise the achievement of the intended outcomes	<p>Decision makers receive objective analysis of a variety of options indicating how intended outcomes could be achieved together alongside the detail of any associated risks.</p> <p>The Council has created a range of informal governance mechanisms to inform decision making and the delivery of effective services. The informal governance groups include the cross party Commissioning Advisory Board and the Strategic Commissioning Board.</p>

Annual Governance Statement

Principle	Description of Governance Mechanism and Assurances Received
	<p>Clear guidance and protocols for decision making and the involvement of legal and financial officers in significant decisions ensures that they are only made after the relevant options and associated risks have been assessed. Rules are also in place and monitored in relation to the signing and sealing of contracts and agreements.</p>
E. Developing the entity's capacity, including the capability of its leadership and the individuals within it	<p>The Corporate Management Team consists of the Head of Paid Service, Corporate Directors for Adult Social Care and Health, Finance, Children's Social Care and Education, Engagement, Organisation Design & Development, Growth, Environment and Transport, the General Counsel, and the Director for Public Health. They are supported through an extended Corporate Management Team of Directors and a Challenger group of heads of service and senior officers.</p> <p>The roles of officers are defined in agreed job profiles. Staff performance is reviewed on an annual basis in accordance with the Total Contribution Process (TCP).</p> <p>The Head of Paid Service is responsible for corporate management and operational responsibility as defined in law and KCC's Constitution. The Head of Paid Service is the County Council's principal advisor directing the management process and officers of the Council to deliver its strategic aims and objectives. The Head of Paid Service provides strategic leadership to the Corporate Management Team, developing dynamic and collaborative relationships within CMT and between Cabinet and Chief Officers as the leadership team, and delivering the strategic vision and whole organisation outcomes for the people of Kent.</p> <p>The Corporate Management Team, supported by the Corporate Director EODD, make decisions on allocating funding for training to respond to organisational priorities and review the outcomes and effectiveness of strategies and development within divisions and across the organisation. In conjunction with Members, they also determine the mandatory training programme for all officers.</p> <p>In recent years, the Organisation implemented the Kent Manager standard to ensure that the Organisation's managers are appropriately trained. In the past year, a new e-learning platform has been launched to support the development of management capacity alongside an increased focus on succession planning for senior and strategic roles.</p> <p>Within the past year, the organisation has also developed a new leadership strategy to meet the needs and expectations of a changing organisation in a rapidly developing and challenging operating environment.</p>
F. Managing risks and performance through robust internal control and strong public financial management	<p>The Council has a risk management strategy and approach with the main priorities of providing robust systems of identification, evaluation, and control of risks which threaten the Council's ability to meet its objectives to deliver services to the public. Risk management is embedded into the Council's activities and decision-making and regular reports are provided from divisional level, directorate level, and cross-organisation with relevant Cabinet Committees and Cabinet receiving regular updates and advice. The Corporate Risk Register is published on the Council's website.</p> <p>The Corporate Director of Finance (the Section 151 Officer) is responsible for the proper administration of all aspects of the Council's financial affairs including ensuring appropriate advice is given to the Council on all financial matters.</p>

Annual Governance Statement

Principle	Description of Governance Mechanism and Assurances Received
	<p>The Council's system of internal financial control is based on a framework of financial regulations, regular management information, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. The Authority has a proactive, holistic approach to tackling fraud, theft, corruption, and crime, as an integral part of protecting public finances, safeguarding assets, and delivering services effectively and sustainably. A Medium Term Financial Plan and associated Risk Register is in place. Revenue and capital budget planning based on corporate priorities are led by the Executive, supported by the Corporate Management Team, and presented for approval by full Council in February each year.</p> <p>Revenue and Capital Budget Monitoring reports are presented to the Cabinet on a regular basis for control purposes, this includes the annual outturn. Members are able to scrutinise any element of budget monitoring through the relevant Cabinet Committee to ensure performance and risks are managed.</p> <p>The financial management has resulted in a balanced budget being delivered for the past 18 years.</p>
G. Implementing good practices in transparency reporting, and audit to deliver effective accountability	<p>The Head of Internal Audit provides an independent and objective annual opinion on the effectiveness of internal control, risk management, and governance. This is carried out by an in-house team in conformance with the Public Sector Internal Audit Standards. The Head of Internal Audit delivers a quarterly progress report to KCC's Governance and Audit Committee setting out the outcome of Internal Audit and Counter Fraud activity.</p> <p>The Council responds to the findings and recommendations of Internal Audit, External Audit, Scrutiny, and Inspection bodies. The Governance and Audit Committee is integral to overseeing independent and objective assurance and monitoring improvements in internal control and governance.</p>

Review of Effectiveness

Every year, a return is submitted for each part of each Directorate (as well as by Statutory Officers) reviewing the effectiveness of its governance framework, including the system of internal control. Attached to each return is the appropriate evidence to support the statements in that return. The returns and their supporting evidence are the background information, in light of which the Corporate Director/Statutory Officer completes their Statement of Assurance.

The Returns cover each directorate's progress on implementing the actions/areas of improvement identified in the 2016-17 AGS. They also detail any new issues that have arisen since 1 April 2017, which have a significant impact on risk management or governance, including details of the sources used to identify such issues. Finally, they provide assurance that Corporate Directors have ensured compliance with the Constitution and Financial Regulations and whether any further actions/areas of improvement are required.

It is for each Corporate Director to decide the level of evidence that provides sufficient assurance that actions/improvements identified in the 2016-17 AGS have been implemented. In respect of all outstanding matters there is confirmation that a detailed action plan is in place, and the name of the responsible officer.

Elected Members have a role in maintaining and reviewing the effectiveness of the governance arrangements. They do this via the Governance and Audit Committee which has within its remit the role of ensuring the adequacy of the risk management and governance framework, and ensuring that these are embedded across the whole Council, that they are adequate for purpose and effectively and efficiently operated without any significant lapses. As part of the remit of the Scrutiny Committee, elected Members are able to review decisions made or action taken in relation to all Council function's or consider matters which affect the area of its residents. As part of this review they can look at governance and risk management aspects and make recommendations or report to the Executive or County Council. During the year Cabinet and the various Cabinet Committees receive and review regular reports relating to the performance of the Council's system of internal control, including the Strategic Risk Register, Revenue and Capital Budget Monitoring, Treasury Management and Core Monitoring (performance and business plans).

Judgement and wording from Internal Audit and Counter Fraud Unit

Internal Audit has concluded, overall, based on the scope and findings of work that it has performed, and taking into account the individual strengths and areas for development identified, that substantial assurance can be given in relation to the County Council's corporate governance, risk management and internal control arrangements.

In relation to internal controls, internal audit has concluded an overall substantial assurance over the control environment within the Council and its Directorate functions. This reflects a pattern of generally robust core support systems, with a number of exemplar areas identified. No incidences of material external or internal fraud or corruption have been detected or reported. Overall standards of internal control as measured by audit assurance levels have been maintained compared to the previous year. Areas for further improvement have also been highlighted; more particularly the need to improve the commissioning and monitoring of certain contracts; ensuring lessons are learnt from the development of arm's length companies, property records are effectively maintained and that procedures and controls are consistently applied across the Council's remote establishments. The Council has been receptive to addressing issues raised by Internal Audit and has achieved a good performance level in implementing agreed actions. This has been independently confirmed from the results of formal follow up work undertaken by the unit.

The Council confirms that its financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010), as set out in the Application Note to Delivering Good Governance in Local Government: Framework.

Significant Governance Issues

A number of areas where key internal controls still needed to be enhanced were identified in last year's statement, the following provides an update on actions taken during the past year.

KCC's directorate and strategic commissioning Approach

The County Council received a report in July 2017 from the Leader and Head of Paid Service setting out an update on the implementation of the new top tier structure agreed at its meeting on 27 January 2017. The report recommended the change of reporting line for the Director of Public Health to the Strategic Commissioner in recognition of the close alignment between the work of the Public Health division and the Commissioning function. The Public Health function now forms part of the Strategic Commissioning division.

To further embed the Authority's strategic commissioning approach a significant restructure of the Strategic Commissioning division commenced in October 2017 and the top tier management structure is now in place. Phase 3 of the Strategic Commissioning restructure is still to be undertaken.

Significant progress has been made towards becoming a Strategic Commissioning Authority and maturing KCC's contract management arrangements. A commissioning toolkit is in place to support commissioning skills, knowledge and good practice and training on procurement and contract management has been delivered for both Members and Officers. Progress in this area was reported as part of KCC's Strategic Statement Annual Report for 2017.

The responsibility for Adult and Children's social care functions are now vested in two separate Corporate Directors in response to the recommendations presented to the County Council.

Financial climate

There has been a continued and increased demand for services and funding considerations continue to present a challenge. Kent County Council must continue to satisfy statutory duties whilst managing demand, managing asset backlogs and delivering the Authority's programme of savings. Action to address pressures has been taken including lobbying the Home Office on the unsustainable financial position regarding asylum seeking children. KCC continues to demonstrate sound financial management and prioritisation of service provision whilst delivering savings required as a result of increased demand, associated costs and reduced funding.

The Authority cannot be complacent on this matter and must continue to carefully plan budgets with the both the local and national funding positions in mind. KCC's financial position continues to be closely monitoring and formally reported to Cabinet and Cabinet Committees.

The Corporate Management Team, managers and staff continue to evidence commitment to meeting the financial challenges that the Authority is presented with.

The Authority continues to lobby Central Government for a fair funding arrangement which recognises the geography of Kent and the scale of the county's population. Lobbying considerations will include funding for Kent's significant infrastructure including the road network.

Traded Services/Alternative Delivery Vehicles

A proposal to establish a new Holding Company model for KCC's wholly owned companies has been endorsed by the Policy & Resources Cabinet Committee. The group structure will facilitate improved inter-company productiveness, opportunities for economies of scale and provide a re-aligned corporate governance framework for co-ordinated external growth. The new model will further strengthen existing governance mechanisms including Shareholder Boards and KCC Non-Executive Director representation on all Company Boards. Shadow Board governance arrangements have also been established for the Business Services Centre to support the proposed transition to an alternative trading model in 2018.

Social Care

Regular inspections

Work is underway to building on the Good Ofsted Inspection in March 2017 of the Social Care and Early Help Service by achieving fuller integration of Children's Services in the new Directorate. Following the Ofsted inspection key areas of improvement have been embedded including the development of a Practice Development Plan. Progress will be monitored and reviewed by the Corporate Director of Children, Young People and Education.

Health integration

The NHS Five Year Forward View: The Next Steps was published in March 2017 and placed a focus from planning to the future design of commissioning and service arrangements. The Authority continues to engage with partner organisations as the STP develops and KCC is represented at both Member and Senior Officer level at the STP Partnership Board. In December 2017 full Council received a report from the Leader, Head of Paid Service and General Counsel setting out KCC's arrangements for Member oversight and decision-making for proposals which may emanate from STP engagement.

Following a review of the Kent Health and Wellbeing Board in 2017, it has been concluded that a joint Health and Wellbeing Board for KCC and Medway Council will be created. This will provide a focus for democratic input into the local care and prevention workstreams of the STP.

The Kent and Medway Sustainability Partnership is monitored as part of the Corporate Risk Register which is reported at committee level.

Resource constraints

The recruitment and retention of staff continues to be a challenge for Adult Social Care and the wider care sector and there is a need to ensure that a suitably qualified and experienced workforce is in place to deliver services. This includes making sure critical roles are filled with staff who have the right skills sets. Workforce plans are in place to enhance recruitment processes and address retention and succession planning. This is an area that will continue to be monitored by the Corporate Director for Adult Social Care and Health.

Security and Emergency Planning

Security continues to be an important area of focus for Kent County Council. The Corporate Management Team have established a Task and Finish Group to look at how KCC's preparedness for and response to emergency situations can be further enhanced, specific regard is being given to any change of security threat level locally or nationally. I was pleased by the way in which the organisation managed the national move to a 'critical' threat level during 2017.

Cyber-attack threats and their implications are monitored as a corporate level risk and controls are in place.

In our respective capacities as Leader of the Council and Head of Paid Service (which in the instance of the Head of Paid Service includes chairing CMT which takes a regular review of risk and mitigations across the Authority as a whole), we have identified particular areas where key internal controls still need to be enhanced. These are as follows:

Financial Climate

General financial position

It is important that all areas of the Authority continue to monitor and find ways to proportionally respond to the increasingly challenging financial position whilst delivering statutory duties and existing savings targets. The Corporate Management Team will continue to retain oversight of the Authority's overall budget setting and management processes. Formal financial monitoring will continue to be reported at Cabinet and Committee levels. It is important that the Authority takes learning from the recent Northamptonshire County Council situation; work on the application of lessons learnt is underway and this will be reported to the Corporate Management Team.

High Needs

A new model of allocating High Needs funding is required so that resources are targeted to the pupils in mainstream schools and colleges with the most complex special educational needs, the model needs to be sustainable within budget constraints. This will be monitored by the Corporate Director for Children, Young People and Education in conjunction with the Finance Team.

The increased demand for Special Educational Needs and Disability statutory assessments also remains a challenge. This will be monitored by the Corporate Director for Children, Young People and Education.

School placements

In recognition of the constraints placed on the Capital Budget there will be challenges associated with new school places. This will be monitored by the Corporate Director for Children, Young People and Education.

Adult Social Care – funding

The sustainability of Adult Social Care funding remains a challenge facing the Authority. Finding a sustainable future funding solution is essential, especially with growing demographic pressures in the County, to enable us to continue to safeguard vulnerable residents, support our workforce, and commission care at fair prices. We are anticipating that the Department of Health and Social Care will seek to address this in the Green paper, which is due to be published in July 2018. We need to be prepared for any policy and funding formula changes outlined in the Green Paper when this is released and any implications these changes may bring.

Staffing, structures and operating models

Section 151 Officer recruitment

The current Section 151 Officer/Corporate Director of Finance will be leaving KCC in financial year 2018-19. Preparations are underway to fill this statutory post and it is important that robust and detailed transitional arrangements are in place to ensure continuity of service and mitigate significant impact. As an interim measure the duties of the S151 Officer/Corporate Director of Finance will be allocated between the Heads of Finance until a permanent post holder is in place. This will be monitored by the Head of Paid Service and the Corporate Director for Engagement, Organisation Design & Development.

Adult Social Care operating model

Adult Social Care continues to modernise and realign services. In 2018-19 it is intended to implement a new operating model with a greater emphasis on promoting and supporting the independence of people with care needs. Changes are also taking place in mental health services with KCC assuming the direct line management responsibilities for the social care staff previously seconded into the Mental Health Trusts (whilst maintaining close partnership working). Close management grip and programme management arrangements are in place to facilitate the organisational realignment. This will be monitored by the Corporate Director of Adult Social Care and Health.

Proposed changes to Top Tier posts in the Children, Young People and Education Directorate

Full County Council and the Personnel Committee have received and endorsed a proposal to make changes to top tier posts in the Children, Young People and Education Directorate. The new proposed roles will complement the Children and Young People's Services Integration Programme which includes the alignment of working practices across the Specialist Children's Services and Early Help and Preventative Services. This will be implemented and monitored by the Corporate Director of Children, Young People and Education.

Post-Brexit border systems and infrastructure arrangements

A new corporate risk has been identified in respect of post-Brexit border and infrastructure considerations. There would be a risk if personnel, procedures, systems, and physical infrastructure necessary to provide sufficient capacity and capability for fast and efficient flow of goods and people through the Dover/Continental Ports and Eurotunnel in accordance post-Brexit requirements are not put in place as required. Controls including regular engagement with senior colleagues in relevant Government Departments on the impacts and implications of Brexit on KCC's regulatory responsibilities relating to Trading Standards and Highways are in place.

Constitution

The process to update the Council's Constitution commenced in January 2017 and has been reported and discussed with Members. Changes to the Constitution were made throughout 2017 but the wholesale rewrite and formal adoption of the new CIPFA/SOLACE code will be presented to the Council meeting in July 2018. Analysis of the code was undertaken by audit and a review by the General Counsel in March 2017 was undertaken to inform changes adopted in 2017/18 and those to follow in 2018/19. This will be actioned by the General Counsel.

Annual Governance Statement

We will, over the coming year, take appropriate action to address all of these matters. We are satisfied that these steps will address the need for improvements that were identified in the effectiveness review and will monitor their implementation and operation as part of our next annual review.

Paul Carter
Leader
On behalf of Kent County Council

David Cockburn
Head of Paid Service

Agency

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

Best Value Accounting

The system of local authority accounting and reporting has been modernised to meet the changed needs of modern local government particularly the duty to secure and demonstrate Best Value in the provision of services. The Service Reporting Code of Practice provides guidance on the content and presentation of costs of service activities.

Budget

A statement defining the Council's policy over a specified period and expressed in financial or other terms.

Capital expenditure

Expenditure on the provision and improvement of permanent assets such as land, buildings, and roads.

Capital receipts

Money obtained on the sale of a capital asset.

Derivatives

A derivative is a contract that derives its value from the performance of an underlying entity. Common derivatives include forwards, futures, options, and swaps.

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.

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. Page 24 of the accounts provides clarification of level 2 and 3 inputs.

Government grants

Part of the cost of local government's services is paid for by central government from its own tax income. These grants are of two main types. Some (specific grants and supplementary grants) are for particular services such as Highways and Transportation. Others are in aid of local services generally.

Intangible Assets

Capital spend on items such as software licences and patents.

Local Authority Accounting Panel

The Local Authority Accounting Panel issues LAAP Bulletins to assist practitioners with the application of the requirements of the Code of Practice on Local Authority Accounting, Service Reporting Code of Practice and the Prudential Code.

Long-term debtors

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

Minimum Revenue Provision

The amount that the Council is required to charge to the revenue account each year to provide for the repayment of debt.

Net operating expenditure

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

Non Delegated

Spend on Education Services which is not delegated to schools.

Precept

The levying of a rate by one authority which is collected by another. Kent County Council precepts upon the district councils collection funds for its income but some bodies, e.g. the Environment Agency, precept upon Kent County Council.

Public Works Loans Board

A government controlled agency that provides a source of borrowing for public authorities.

Related party transaction

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 charge is made.

Revenue expenditure

Expenditure to meet the continuing cost of services including salaries, purchase of materials, and capital financing charges.

Revenue expenditure funded from capital under statute (Refcus)

Refcus includes expenditure that has been treated as capital expenditure but does not lead to the acquisition by the Council of a tangible asset.

Specific grants

See 'government grants'.

Support service costs

The 'overhead' cost to Service Directorates of support services, such as architects, accountants, and solicitors.

Unusable reserves

Those reserves that the Council is not able to utilise to provide a service.

Usable capital receipts

The proportion of the proceeds arising from the sale of fixed assets that can be used to finance capital expenditure.