

# Statement of Accounts

2023/24

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This document includes detailed financial information we are required to publish. Some of this information is presented in table and graph format and for these reasons, screen readers may not work effectively on all pages.

If you need help understanding this document, please call us on 01732 227000.

## Narrative Report

This Narrative Report seeks to clarify the relationship between the Council's financial statements and other financial information the Council reports externally.

It is the purpose of this report to explain the financial facts and performance of the Council. It follows approved accounting standards and where technical or complex language is required a glossary of key terms can be found at the end of this publication.

### 1. Introduction

The Statement of Accounts sets out the Council's financial performance for the year and its financial position at the year ended 31 March 2024. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements have been prepared in line with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and the Service Reporting Code of Practice 2023/24.

The Core Statements are:

The **Comprehensive Income and Expenditure Statement** – this records all of the Council's income and expenditure for the year. This expenditure represents a combination of:

- services and activities that the Council is required to carry out by law (statutory duties) such as street cleaning, planning, and building control; and
- expenditure focused on local priorities and needs.

The **Movement in Reserves Statement** is a summary of the changes to the Council's reserves over the course of the year. Reserves are divided into "usable", which can be invested in capital projects or service improvements, and "unusable" which must be set aside for specific purposes.

The **Balance Sheet** is a "snapshot" of the Council's assets, liabilities, cash balances and reserves at the year-end date.

The **Cash Flow Statement** shows the reason for changes in the Council's cash balances during the year, and whether that change is due to operating activities, new investment, or financing activities (such as repayment of borrowing and other long-term liabilities).

The Supplementary Financial Statements are:

The **Annual Governance Statement** which sets out the governance structures of the Council and its key internal controls.

The **Collection Fund** summarises the collection of council tax and business rates, and the redistribution of a proportion of that money to other public authorities and central government.

The **Pension Fund Account** reports the contributions received, payments to pensioners and the value of net assets invested in the Local Government Pension Scheme on behalf of Council employees.

The Notes to these financial statements provide more detail about the Council's accounting policies and individual transactions.

## **2. Introduction to Sevenoaks District and the Council**

Sevenoaks District is one of 12 districts within the county of Kent. It has several borders including with Greater London, Surrey and East Sussex as well as other Kent districts, including Tonbridge and Malling and Tunbridge Wells. Collectively these three districts are referred to as "West Kent".

The district is 142 square miles in area and mainly rural in character, with a population of around 121,000 residents, over 47,000 households. 93% of the district is designated Green Belt and 60% AONB.

There are four main towns: Edenbridge, Swanley, Sevenoaks and Westerham with 2 further main settlements in New Ash Green and Otford and nearly 30 other villages and hamlets. The M25, M20 and M26 motorways cross the district.

### **Council Plan**

The Council Plan, adopted by Council in 2019 following the District Council elections, continued to guide the Council during 2023/2024. It has a promise to place the wellbeing of our residents and businesses at the heart of everything we do.

The outcomes that the Council is seeking to achieve are set out against its five themes:

- Environment,
- Economy,
- Housing,
- Health.
- Community safety.

This is underpinned by three pillars: excellence (the highest quality services), value for money (the highest quality at the best price) and innovation.

Delivery of the Council Plans promises is structured through relevant strategies and action plans: our Local Plan, the Community Plan, Community Safety Action Plan, Economic Development Strategy, Housing Strategy, Town Centre Strategy, Climate Change Strategy and Movement Strategy.

As well as having a good relationship with our local Chambers of Commerce, we have established our own Business Board. Business owners and managers from a range of sectors attend the Board and provide their views on business priorities for the district. These in turn inform our plans for economic development and growth.

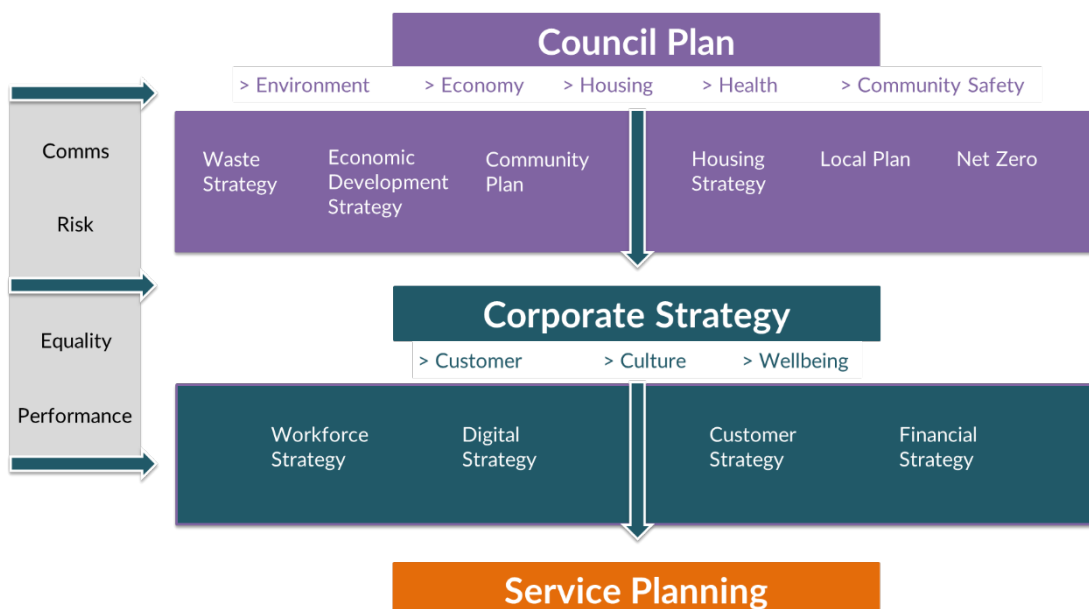
## Corporate Strategy

Our Corporate Strategy sets out how we will work as an organisation to deliver the promises set out in the Council Plan and associated strategies and plans. It ensures clarity about how the efforts that people make every day at work contribute to achieving the Council promises.

The strategy includes our vision for 'brilliant people, exceptional services, thriving communities' and sets three priorities with a clear focus on what we need to do to be successful: Customer, Culture & Wellbeing. It is supported by a number of related strategies, these relate to Customer, Digital, Financial and Workforce.

How we work as a team of officers is critical to the success of the organisation; to help us achieve our aims, the Corporate Strategy seeks to unite us all behind the same priorities and approach.

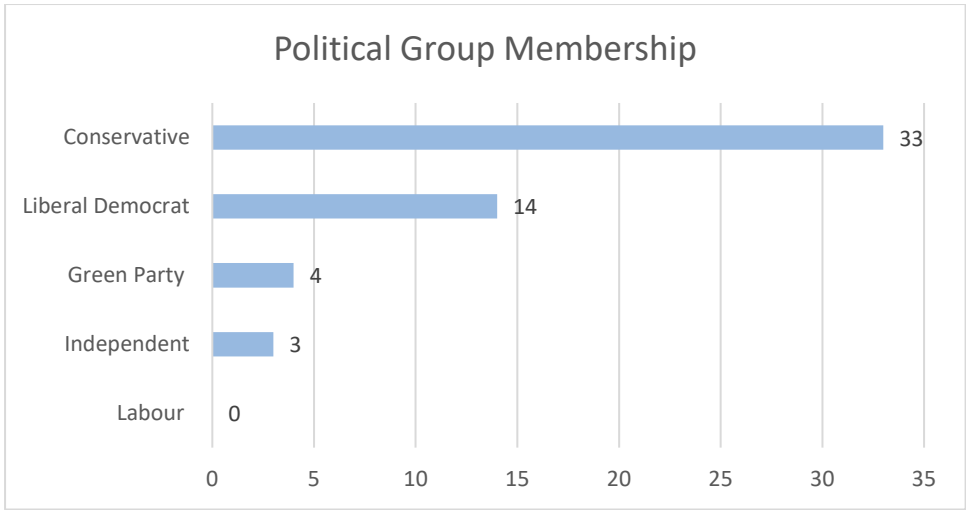
### Council Planning Framework



The Council has adopted a Leader and Cabinet style of governance. The Cabinet during 2023/24 consisted of six Members, each with portfolio responsibility for an area: People & Places; Cleaner & Greener; Finance & Investment; Housing & Health; Development & Conservation; Improvement & Innovation. Cabinet responsibilities are clearly defined.

These committees perform an advisory function and make recommendations to Cabinet, which meet monthly. There are two statutory committees outside of the advisory system: Development Control and Licensing. Scrutiny Committee and the Audit Committee also sit independently from the Cabinet system. Scrutiny Committee regularly designates its own Member Working Groups for in-depth scrutiny exercises and the Audit Committee forms its own working group annually to examine the Statement of Accounts.

Following the local elections held in May 2023, during the financial year 2023/24, our 54 District Councillors were members of political groups as shown in the chart below.





## Chief Finance Officer's Statement

We began the financial year 2023/24 with the UK still experiencing relatively high inflation, with interest rates kept high as part of a strategy to contain this. Both of these maintained pressure on households and on our budgets.

This was reflected in the ONS report on public opinion and trends bulletin on the most commonly reported important issues facing the UK: the cost of living (92%, mainly related to the cost of food and energy), the NHS (87%), the economy (77%), and climate change and the environment (61%).

At the end of the financial year these were broadly the same and have been since October 2022: the cost of living (89%), the NHS (88%), and the economy (70%); Climate change and the environment (60%), and housing (64%) also featured: the proportion of adults reporting housing as an important issue has increased since October 2022, from 53%.

All of these have put pressure on our services and meant in year savings needed to be identified in order to continue to report a balanced 10-year budget. The inflationary pressures were felt by our staff and the pay award for 2023/2024 resulted in the council having to identify an additional £600k to meet this.

Local Elections were held in England in May including Sevenoaks. These saw an increase in the number of new Councillors elected to serve the district for the first time, across a wider range of political parties. Although one party retains overall control, there has been a period of adjustment as the impact of these new voices are felt on Council decisions.

In May the World Health Organisation announced that it no longer considered Covid-19 to be a global health emergency but rather a global health threat which we continue to live with.

Combined with the impact of moving to hybrid working practices, we have continued to plan for and deliver the right services and high streets to serve our communities, including our weekly waste and recycling collection.

We opened the Swanley Business Hub - Meeting Point - on the High Street. The ground floor work hub provides 250 square metres of space for the next generation of Swanley businesses, supporting new jobs, new ways of working and the local economy. The work hub will encourage business collaboration with access to facilities on a 'gym'-style membership basis. The development is located in the heart of Swanley town centre with 17 high-quality one- and two-bedroom flats.

Our commitment to the Council and its assets achieving net zero by 2030 is one which we have recently reviewed in light of further information on costs and technology needed for this. Our new Climate Change Strategy recognises the reality of this, while still committing us to do all we can with our available resources to reduce our carbon emissions. The council's emissions account for less than 1% of those across the district as a whole, so our focus will be changing to working with partners and stakeholders on how we can address this.

We are proud to be Investors in People Platinum. The Standard is a global business improvement tool designed to advance an organisation's performance through its employees. It helps organisations to improve performance and realise objectives through the management and development of their people. Our first accreditation was Gold; the Platinum award was introduced in 2015; we were one of the first organisations globally to achieve this award. We have now retained it twice; firstly in 2019, and for the second time in January 2023, scoring high quality across all nine elements of the assessment criteria.

The ethos of continuous improvement is at the core of liP; improvement and innovation is a constant factor in how we work, alongside our “no blame” culture and ensuring the customer ‘is anyone who isn’t me’. This message is embedded through our organisational behaviours, the appraisal system which rewards the desired behaviours, and our internal communications with staff.

Like all other councils, we have continued to support the Government’s Homes for Ukraine in response to the Ukrainian Conflict and have had one of the highest numbers of applications and arrivals in Kent. Several of the initial 6-month placements have ended within this financial year and we face a challenge to provide secure homes for Ukrainian families in the district.

Our own experience has shown us that our financial management is also underpinned by a willingness to take decisions early. This prevents costs continuing to build that could or should have been reduced earlier, therefore reducing overall savings targets. This is something we adopted successfully at the start of journey to self-sufficiency and one we are unafraid to repeat when required in order to that we continue to be able to deliver a balanced budget.

Our budget for this year was decided and set before the end of 2023 to allow decisions to be implemented from April 2024, generating full-year savings. Setting our budget in the normal way, at February Council, would have meant this would have been unachievable.

We remain cautious about financial prospects in future years. A General Election took place in July 2024, the long-term pandemic impact will continue, inflation rates are hopefully continuing to fall, but prices are still significantly higher than this time last year. This will all have a significant bearing on our finances and threaten our ability to generate income from the investment of reserves commercially and have implications for our regeneration programme. KCC expressed an interest to Government in a Combined County devolution deal but still has to make significant savings which could impact our residents and raise concerns that some of these may result in costs being “shunted” down to districts and boroughs.

I would like to record my thanks to Members, the Finance team and the many others across the Council that have worked hard to make decisions in light of the financial pressures the Council faces and have ensured that services are delivered, and money is managed in line with the budgets that were set. We remain in a stronger position than many other councils due to our firm foundations.

In the coming year we look forward to supporting the Council to make further progress in delivering its capital programme, and to meet the challenges that will be ahead for the sector given the on-going cost of living and energy prices. We aim to provide advice on the most

effective way to fund our investments and to continue to provide advice and skills to the Council's trading company, Quercus 7 and the affordable housing company, Quercus Housing.

Adrian Rowbotham  
Deputy Chief Executive and Chief Officer Finance & Trading

#### 4. Council performance:

Council performance against key indicators for 2023/24 shows that despite delivering against challenging financial targets, and an increase in pressure on all services, the council performed well.

Performance information is collated by a central Policy and Performance team on a monthly basis. The data is held in the Pentana software system, which also allows for data calculations and comparisons to be drawn. Outside of the performance and productivity data, progress against action plans and objectives that arise from our strategies and plans is kept under frequent review and is reported to Members as appropriate.

Although there is no longer a national performance framework for District Councils, the last assessment ranked the Council as performing in the top 2% of all Districts, and in the final Use of Resources Assessment the Council was one of only two shire districts nationally to achieve the top score, this assessment requiring Councils to demonstrate good performance and positive outcomes for their community whilst delivering efficiencies and value for money.

The Council Plan contains five themes, with our key promises to the district and performance examples against them listed below:

##### Environment

Through a robust Local Plan, protect our high-quality natural environment, including the Green Belt, Areas of Outstanding Natural Beauty and biodiversity that form our unique character.

Take action to reduce waste and maintain our weekly rubbish and recycling collection.

The Council continued to provide a weekly collection of all rubbish and recycling to every household in the district throughout the year, which means over 15,000 successful dual waste and recycling collections every single day.

During 2023/24, many Sevenoaks residents continued to work from home either full time or in a hybrid fashion. This is one of the reasons rates of waste and recycling continued to be higher than previous years.

The Council introduced new waste collection rounds in October 2022, the first change in over 10 years to modernise the service and to take into account the new homes built in the district, which means that all waste is now collected on that collection day. The new waste collections rounds have now been in place for a full year and have contributed to a reduction in the use of diesel fuel and therefore to the Council's carbon emissions for the fleet, contributing to our climate change ambitions and actions.

Our processing of major planning applications within the target time for this period was 100%, our highest ever and comfortably exceeding the target of 80%. Processing of minor applications was 94.4%, well above our target of 80%. Other applications and those from

householders stood at 96.7%, above their target of 90%.

All of these exceed data from the previous year and across each category, we achieved our highest ever set of performance stats.

Developments continue to be built in accordance with the adopted policy in the Core Strategy and Allocations and Development Management Plan. The emerging Local Plan also includes policies to conserve and enhance the natural environment, including biodiversity net gain and new developments. Relevant Evidence Base documents also provide development guidance, and include the Green Belt Assessment, Area of Outstanding Natural Beauty Management Plans and Kent Biodiversity Strategy”.

### Economy

Support new and existing businesses through our “Team Around the Business” approach, excellent customer service and supporting local employers to promote mental and physical wellbeing at work.

As well as having a good relationship with our local Chambers of Commerce, we have established our own Business Board, where business owners and managers from a range of sectors provide their views on priorities for the district. These in turn inform our plans for economic development and growth. Meeting Point in Swanley (our new co-working centre) provides a focal point for delivery of all our business support activity and demonstrates practical support for businesses through the facilities and training on offer.

The number of active businesses within the district has increased year on year from a baseline of 6,365 in 2010 to 6,980 in 2022, the latest date for which data is available. 5,950 of these are micro businesses employing 9 people or less, which form a significant contribution to the local economy. Our Economic Development Strategy provides sets out how we will continue to support the growth of our local economy with key focus areas of Business and Enterprise, Rural and Visitor economy, Town Centres and Skills and Employment.

£1.5m was secured from the UK Shared Prosperity Fund and Rural England Prosperity Fund. These have allowed us to run a number of grant schemes, business support programmes and events as well as support for our Town Centres and programmes around employability and skills development; our “green business grants”, have supported local businesses to adopt more climate friendly actions such as installing solar panels.

### Housing

Deliver our Housing, Homelessness and Rough Sleeper Strategy for Sevenoaks District, providing a choice of accommodation to meet the needs of residents including affordable housing and homes for older people.

Quercus Housing has delivered 42 new affordable homes for rent in the Sevenoaks District with a further 10 homes due for delivery in 2024. Our partner Registered Providers delivered 16 new affordable homes for rent during 2023-2024. We have been successful in encouraging a further 3 Registered Providers to become preferred partners, one of which will shortly deliver 14 new affordable homes for rent and shared ownership. Through successful negotiation during the planning process and engagement with our affordable housing preferred partners 59 new affordable homes are to be delivered during 2024-2025 with 24 homes anticipated for delivery in Quarter 1 (April to June 2024).

Sevenoaks has one of the largest Gypsy and Traveller communities in Kent. We have refurbished 3 pitches at the council-owned Gypsy and Traveller site at Hever Road in Edenbridge. The pitches were allocated to eligible applicants in November 2023, and we are now working on the refurbishment of a further 3 pitches which will be available for eligible applicants this summer.

The Housing Advice team have prevented 267 cases of homelessness. The HERO Service (Housing, Energy and Retraining Options) supports residents in the private rented sector and owner occupiers. We have progressed 114 grants through the Better Care Fund which helps vulnerable people to remain at home and live as independently as possible for longer.

Following the successful bid for HUG2 (Home Upgrade Grant) funding, 39 households are currently being assessed for eligibility whilst 6 households are awaiting installation and completion and a further 7 are awaiting an initial survey. This is in addition to a successful Household Support Fund to assist eligible households with the replacement and/or repair of boiler systems.

### Community Safety

Protect our residents by making sure that all of our policies, partnerships and teams are working together to safeguard people and communities.

100% of all the actions in the Sevenoaks District Community Safety Strategy & Action Plan were delivered during the year; this is higher than the previous year 2022/23.

The Sevenoaks District Community Plan started a new 10-year plan, introduced in April 2022 and with 95% of all actions delivered during the year.

### Health

Deliver first class wellbeing services, supporting residents to make healthy choices, and linking them to our core services such as leisure and housing.

We adopted a new Health & Wellbeing Partnership Action Plan in April 2023 – at the end of March we were 88% on target to deliver the outcomes.

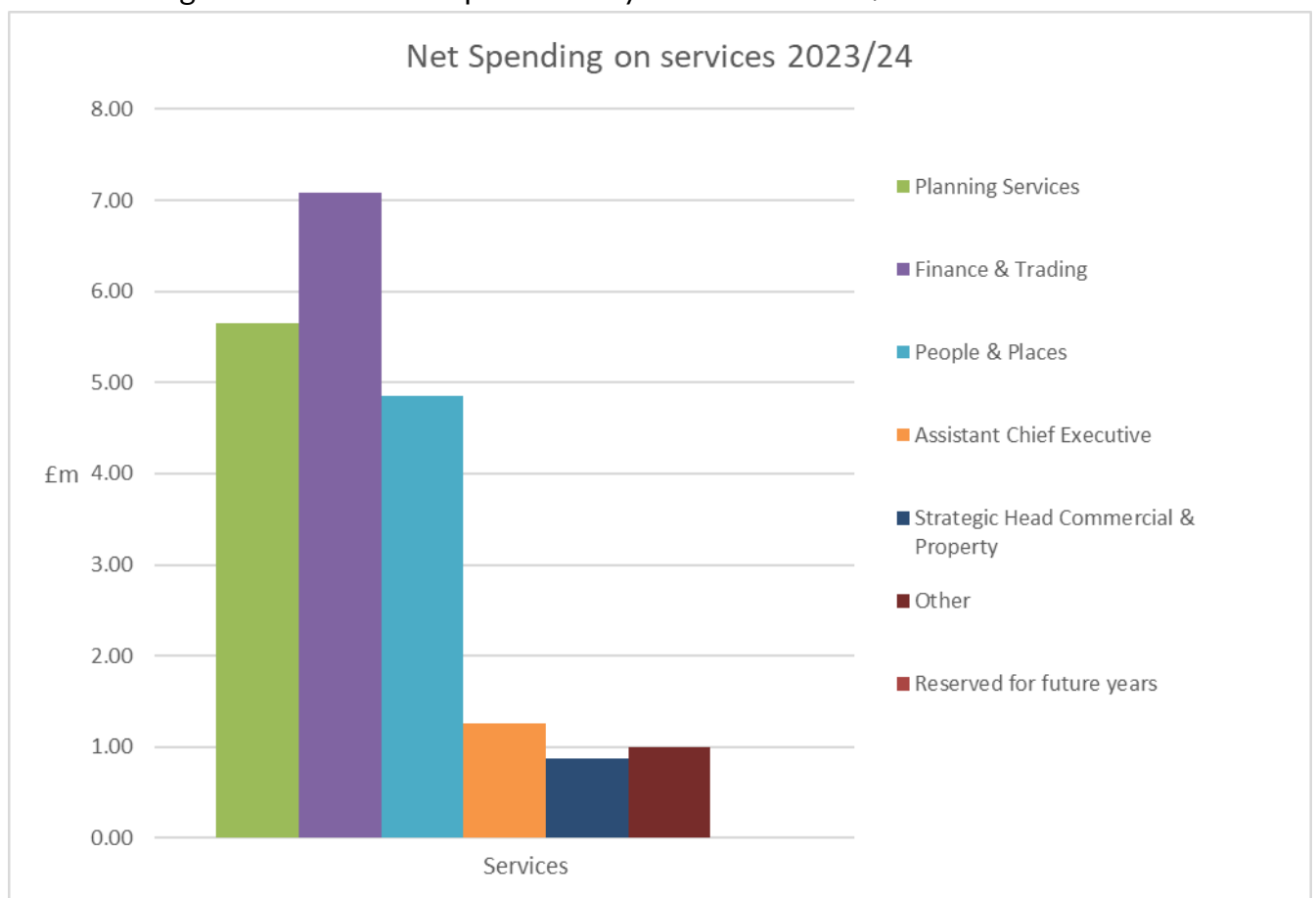
## To provide value for money

In 2023/24 the Council collected 98.03% of Council Tax within the year, and 97.3% of the business rates due within the year. The council raised additional income through its Property Investment Strategy which contributed in excess of £1.6m to fund the budget. A further £290,000 was raised through other investments.

As always we will continue to take great pride in the level of service we provide to our customers and aim to provide high quality and accurate budget monitoring reports and financial statements that meet the needs of all that use them.

## **5. Chart 1: Spending services**

The following chart shows our expenditure by service for 2023/24.



## Corporate Risk

The Council's strategic risk management arrangements are co-ordinated by the Internal Audit team and are within the responsibilities of the Audit Committee.

The Strategic Risk Register is kept under regular review by the identified risk owners, who are formally met with each quarter to review the status of risks they hold responsibility for.

Collectively, the Strategic Management Team receive reports on the strategic risk register and are able to identify any new to emerging risks or to ask further questions of risk owners with regard to their assessment and mitigation of the risk faced.

Further detail on the actions we took to mitigate risk in the reporting period can be found in the full Strategic Risk Register on our website.

### Strategic Risk Profile

Risks are assessed based on impact and likelihood to gain an overall view of the significance of the risk's threat to the achievement of objectives. These are multiplied to give an overall score which is used to inform our response to the risk. The table below summaries the net score (after controls have been applied) for each risk including changes since the last update and a comparison with the target score.

The most recent update to the Register is from March 2024; since the previous quarterly update one risk score has been reduced to medium and is now within its target score. There were no increases in risk scores since the last quarter.

Ref	Risk Title	June 2023 Score	September 2023 Score	December 2023 Score	March 2024 Score	Target Score	Net risk within target risk?
SR01	Finance	15 High	15 High	15 High	10 Medium	10 Medium	Yes
SR02	Asset management & maintenance	8 Medium	8 Medium	8 Medium	8 Medium	6 Low	No
SR03	Knowledge, capacity & culture	8 Medium	8 Medium	8 Medium	8 Medium	8 Medium	Yes
SR04	Technology	6 Low	6 Low	6 Low	6 Low	6 Low	Yes
SR05	Information & data management	9 Medium	9 Medium	9 Medium	9 Medium	6 Low	No
SR06	Legal compliance, governance & ethics	6 Low	6 Low	6 Low	6 Low	6 Low	Yes
SR07	Capacity of community partners	6 Low	6 Low	6 Low	6 Low	6 Low	Yes
SR08	Health & Safety (incl. Staff Wellbeing)	9 Medium	9 Medium	9 Medium	9 Medium	6 Low	No
SR09	Emergency planning & severe weather events	9 Medium	9 Medium	9 Medium	9 Medium	9 Medium	Yes
SR10	Safeguarding	4 Low	4 Low	4 Low	4 Low	4 Low	Yes
SR11	Temporary Accommodation	9 Medium	9 Medium	9 Medium	9 Medium	9 Medium	Yes
SR12	Capital Projects	12 Medium	12 Medium	12 Medium	12 Medium	8 Medium	No
SR13	Climate Change	9 Medium	9 Medium	9 Medium	9 Medium	6 Low	No
SR14	Cost of Living Pressures	6 Low	6 Low	6 Low	6 Low	6 Low	Yes

There are actions in place to move net risk to within target risk.



## 6. Operating Environment

The operating environment for local government has been challenging during 2023/24 and will continue to be so for the years to come. We continue to feel the impact on our finances from Covid, the long-term effects from leaving the European Union have yet to be fully realised, and the urgent issue of the cost of living, inflation rates and energy prices will continue to provide us, our residents, and businesses with a highly challenging environment. It is well known that many councils are experiencing severe financial challenges.

In addition to this, new legislation such as the Environment Act require implementation at local level and it remains to be seen if these new burdens will be fully funded; the pressures on preventing homelessness and providing affordable housing in a district which is 93% Green Belt, and where the average house price is over £700k become more urgent. We are also seeing an increase in the number of Ukrainian families becoming homeless when their host is no longer able to accommodate them.

Climate change adaptation and mitigation will move even further up the agenda at all levels of government. Like many councils, although there is no statutory requirement for us to address this, as place leaders we wish to do so; however, having commissioned costed decarbonisation plans, the lack of resources and suitability of technology means we are being honest with Members and residents about the chance of achieving our previously stated aim to be Net Zero by 2030. Our commitment to do all we can to reduce our emissions with the resources available still stands; these account for less than 0.5% of the district's emissions, so our focus will be changing.

We stated our ambition to be financially self-sufficient in 2011. We were motivated to do this as we believed austerity would continue for some time, and we no longer believed that it was sensible to plan for a future where local government receives funding for its services directly from the government.

Secondly, we wanted to protect the range and quality of services we deliver across our District. Being self-sufficient means that over time we may have greater financial resources at our disposal than we would have had from government funding, and we can reinvest that money in our services.

Freedom from government grant could at some point in the future enable the Council and the local government sector as a whole to lobby for increased freedom from central government control and an ability to provide truly localised services.

Since April 2018 Sevenoaks District Council has received no revenue support grant from the Government. For context, in 2009/10 the Council received £6.3m in revenue support grant. This demonstrates the extent of the financial challenge the Council has faced to balance its budget, seeking savings, and growing its own income to ensure that the scale of grant cuts it has faced have not had a detrimental effect on the services provided to local residents and businesses.

The Council's financial strategy continues to aim for long-term financial health and continues to work towards increasing financial sustainability. It has been successful through the use of a number of actions including:

- implementing efficiency initiatives.
- significantly reducing the back-office function.
- improving value for money.
- maximising external income.
- the movement of resources away from low priority services.
- an emphasis on statutory rather than non-statutory services.

Over this period the Council has focused on delivering high quality services based on Members' priorities and consultation with residents and stakeholders. In order to maintain a viable Council that continues to deliver on its main priorities and the services it provides to its residents, the Council continues to adopt a Financial Strategy that embraces the following principles:

- Remain financially self-sufficient.
- Be clear about the Council's future financial prospects, with a ten-year budget as an integral part.
- Ensure a strategic approach is taken to the management of the Council's finances, Council Tax, and budget setting.
- Make effective use of reserves and capital receipts.
  - Manage our money carefully, monitor monthly and constantly strive for better value from our spending.

Our Financial Prospects report, which starts our Annual Budget setting process, provides all of the current context about the Council's financial position and its saving requirement for the coming year. This includes our most recent 10-year budget.

In comparison to many other local authorities of a similar size, the Council's financial health is relatively strong. However, this is only achieved with a continual focus on effective budget management and an ongoing delivery of savings and income levels. The 10-year budget framework, and our budget stabilisation reserve provides us with the flexibility to take decisions over the long-term and avoid short-term, knee jerk decision making.

### Revenue

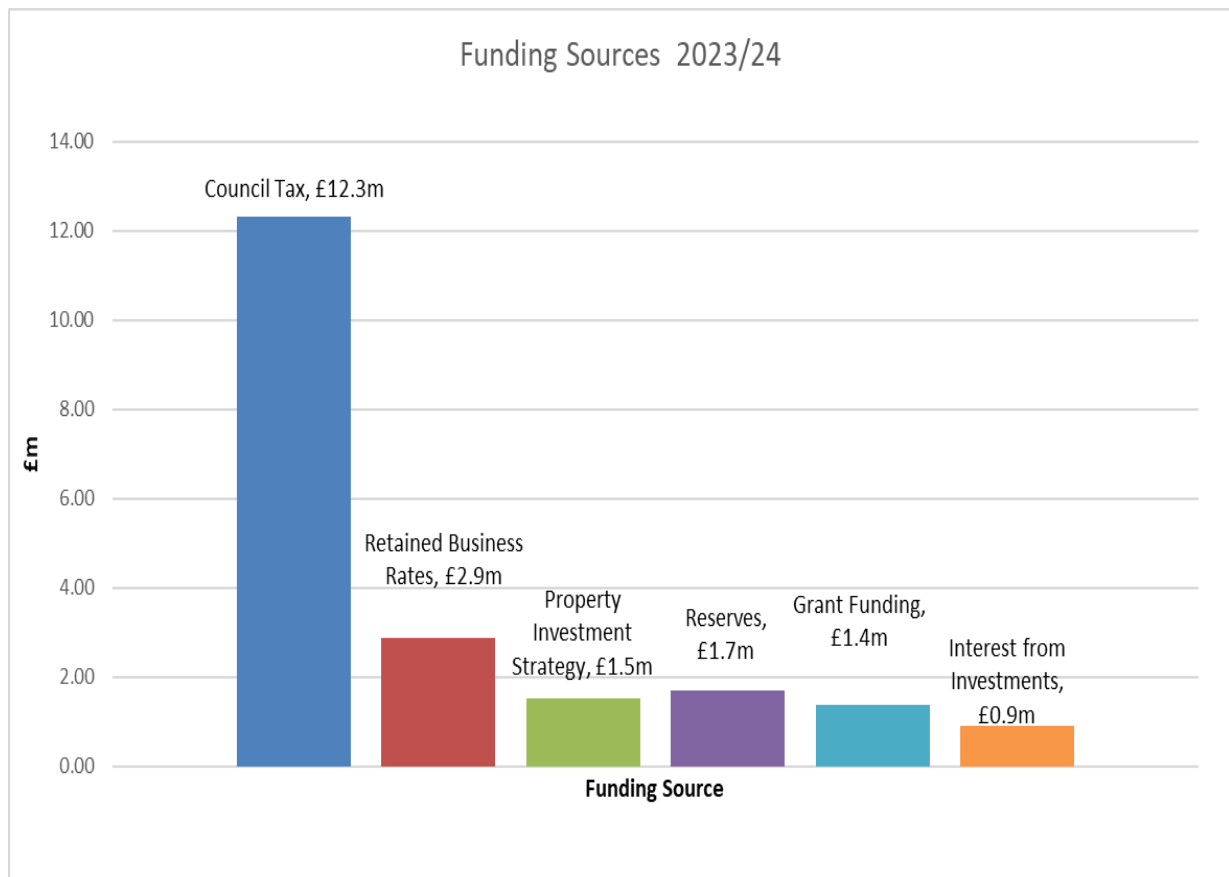
All budget papers were reviewed by appropriate committees and Cabinet in October and January prior to full Council. Sevenoaks District Council set its budget for 2023/24 at a meeting of the Council on 21 February 2023. Overall, the Council's net revenue budget of £18.5m for 2023/2024 was above the previous year of £17.3m.

The final outturn position for 2023/24 is £291,000 unfavourable variance (2022/23 an

unfavourable variance of £104,000); as approved by Council, this balance was funded by the use of £165,000 additional grant funding and therefore £126,000 will be funded from the Budget Stabilisation Reserve. There were no material events after the reporting period.

The adoption of the 10-year budget over recent years has resulted in a much more stable budget position than had previously been achieved. The aim of the ten-year budget is to meet the primary financial objective of reducing reliance on reserves, whilst enabling the Council to invest in priority services.

**Chart 2:** The chart below illustrates where the Council received the money it spends.



## Capital and assets.

**Table 1:** The table below shows the net capital budget over the period of 2023-2026 by service area.

### Capital Programme 2023-26

Portfolio / Scheme	Funding Source	2023/24	2024/25	2025/26	Total expected spend for project
People & Places		£000	£000	£000	£000
White Oak Leisure Centre	Capital Receipts & External funding, External borrowing	298	-	-	22,267
White Oak Leisure centre - Orchards Academy	Capital Receipts	-	-	-	130
White Oak Residential	Capital Receipts and Grant	8,000	6,189	900	20,189
Burlington Mews	Capital Receipts	8	8	-	16
27-37 Swanley High street (meeting Point)	Capital Receipts & External funding	614	-	-	6,114
Bevan Place	Mixed	14,022	10,229	510	27,306
Farmstead Drive	Capital Receipts and Grant	2,500	2,000	409	7,609
Affordable Housing (Quercus Housing)	External Borrowing	1,500	1,500	1,500	5,550
Combined Feasibility Pot	Mixed	1,450	150	-	1,871
Stangrove Estate	Mixed	1,948	56	-	4,313
Finance and Trading					
Mill Pond	Capital Receipts	60	-	-	60
Bradbourne Lakes	Capital Receipts	60	-	-	60
Vehicle Replacement Programme	Vehicle Replace Reserve	582	582	582	2,328
Disabled Facility Grant	External funding	1,128	1,128	1,128	4,512
<b>TOTAL</b>		<b>32,170</b>	<b>21,842</b>	<b>5,029</b>	<b>102,325</b>

**Table 2:** The Council’s capital programme is fully funded from the funding sources available to it. These are set out in the table below.

		2023/24	2024/25	2025/26
		Budget	Budget	Budget
<b>Funding Sources</b>		£000	£000	£000
Capital Receipts		188	1,000	24,473
Vehicle Renewal Reserve		582	582	582
Better Care Fund (KCC)		1,128	1,128	1,128
Internal Borrowing use / (repaid)		8,000	5,403	(23,573)
Mixed funding depending on scheme funding		4,250	0	0
External Borrowing	-Long term	18,022	13,729	2,419
<b>Total Funding</b>		<b>32,170</b>	<b>21,842</b>	<b>5,029</b>

### Borrowing & Investments

During the 2023/24 year the Council internally borrowed £3.1m to fund a number of projects such as the Farmstead development, Stangrove Estate Development and the White Oak Leisure Centre

The Council’s existing investments within Sevenoaks include office accommodation at Pembroke Road, Suffolk Way, an 80-bedroom hotel and within Swanley include Swanley petrol filling station, retail accommodation at 96 The High Street, are all tenanted and the rents received are assisting to maintain the Council’s financial self-sufficiency in response to the removal of government grant contributions to the Council.

The annual income yields for completed schemes range from 5.9% to 9.6% and provided an income in excess of £1.62m for 2023/24, and £1.4m for 2022/23.

The Government and CIPFA are continuing to implement ways to limit Council’s ability to make commercial property investments. This is currently limiting and may stop the council’s ability to borrow for investments made purely for yield which is what our Property Investment Strategy has been set up to do.

To enable other capital schemes to progress, the Property Investment Strategy was removed from the current capital programme as agreed by Council on 16 November 2021. Therefore, currently no further investments within the strategy are able to take place.

The Bevan Place Capital program table has slipped from the original program as the scheme is reviewed to ensure best use of the site and the White Oak Residential Scheme was delayed allowing adjustments to the scheme relating to planning requirements.

### Cash flow.

The Cash Flow Statement shows the changes in cash and cash equivalents during the reporting period.

At the 31 March 2024 the Council held £1.3m in cash and cash equivalents.

At the 31 March 2023 the Council held £3m in cash and cash equivalents.

The decrease is attributable to timing of investments at the year end.

### Contingencies

The Council's significant provision relates to Business Rates valuation appeals. Following Business Rates localisation, introduced in 2013, the Council has to set aside a provision for any future successful ratepayer appeals against rateable valuations.

<b>Business rates - valuation appeals provision</b>	<b>£2.5m at 31 March 2024</b>	<b>£1.7m at 31 March 2023</b>
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### Pensions

The Council participates in the Local Government Pension Scheme, administered by Kent County Council. This is a funded defined benefit final salary scheme, meaning that the council and employees pay contributions into a fund, calculated at a level intended to balance the pension fund's liabilities with investment assets.

The Council has net defined pension liabilities of £10.2m compared to £14.4m at 31 March 2023 in the Balance Sheet. This reflects the value of pension liabilities which the Council is required to pay in the future as they fall due, offset by the value of assets invested in the pension fund.

The Council's pension fund has to be revalued every three years to set future contribution rates. The last valuation was in November 2022 and reported a funding deficit of £8.78m at 31 March 2022.

# STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

## The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Deputy Chief Executive and Chief Officer - Finance & Trading;
- manage its affairs to secure economic, efficient, and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

## The Deputy Chief Executive and Chief Officer - Finance & Trading's Responsibilities

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

In preparing this Statement of Accounts, the Deputy Chief Executive and Chief Officer - Finance & Trading has:

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

The Deputy Chief Executive and Chief Officer - Finance & Trading has also:

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

## The Deputy Chief Executive and Chief Officer - Finance & Trading Certificate

The Accounts present a true and fair view of the financial position as at 31 March 2024 and its income and expenditure for the year ended on that date.

**ADRIAN ROWBOTHAM**

Deputy Chief Executive and Chief Officer - Finance & Trading

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

### Comprehensive Income and Expenditure Statement

Unaudited SDC 2022/23			Unaudited Group 2022/23		Note	SDC 2023/24			Group 2023/24	
Gross Exp. £'000	Gross Income £'000	Net Exp £'000	Net Exp £'000	Gross Exp £'000		Gross Income £'000	Net Exp £'000	Net Exp £'000		
7,523	(3,962)	3,561	3,572		People & Places	10,430	(6,418)	4,012	2,228	
21,388	(19,734)	1,654	1,667		Customer & Resources	20,651	(19,511)	1,140	1,153	
2,556	(72)	2,484	2,484		Assistant Chief Executive	2,773	(186)	2,587	2,587	
1,489	(523)	966	991		Strategic Property	2,105	(756)	1,349	1,387	
20,768	(13,706)	7,062	6,530		Finance & Trading	20,171	(13,953)	6,218	5,617	
8,297	(3,301)	4,996	4,996		Planning & Regulatory	10,318	(3,421)	6,897	6,897	
<b>62,021</b>	<b>(41,298)</b>	<b>20,723</b>	<b>20,239</b>	<b>24</b>	<b>Net Cost of Services</b>	<b>66,448</b>	<b>(44,245)</b>	<b>22,203</b>	<b>19,868</b>	
		(1,111)	(1,111)		Loss/(Gain) on Disposal of non current assets		(684)	(684)		
		4,977	4,977		Parish Council Precepts		5,231	5,231		
		-	-		Appropriations from Capital Finance		246	246		
		<u>3,866</u>	<u>3,866</u>		<b>Other Operating Expenditure</b>		<u>4,793</u>	<u>4,793</u>		
		127	(230)		Movement in Fair Value Investment Property		(457)	(551)		
		-	-		Loss on Disposal of Investment Property		-	-		
		(1,555)	(1,555)	<b>11</b>	Investment Property Income		(1,847)	(1,847)		
		258	258		Interest Payable and similar charges		376	376		
		1,836	1,836	<b>34</b>	Net interest on the net defined benefit liability		590	590		
		(587)	(306)		Interest and Investment Income		(1,014)	(640)		
		<u>79</u>	<u>3</u>		<b>Financing and Investment Income and Expenditure</b>		<u>(2,352)</u>	<u>(2,072)</u>		
		(1,117)	(1,117)	<b>28</b>	Capital Grants and Contributions		(1,318)	(1,318)		
		(16,241)	(16,241)		Council Tax		(17,537)	(17,537)		
		(5,175)	(5,175)	<b>28</b>	Business Rates		(3,085)	(3,085)		
		(1,898)	(1,898)	<b>28</b>	Non Service Related Government Grants		(1,482)	(1,482)		
		<u>(24,432)</u>	<u>(24,432)</u>		<b>Taxation and Non Specific Grant Income</b>		<u>(23,422)</u>	<u>(23,422)</u>		
		236	(324)		<b>(Surplus) or Deficit on the Provision of Services</b>		1,222	(833)		
		-	130		Taxation relating to subsidiaries		-	70		
		(8,278)	(8,278)	<b>20</b>	(Surplus) or Deficit on the revaluation of property, plant & equipment assets		(17,252)	(17,252)		
		(62,180)	(62,180)	<b>34</b>	Remeasurement of the net defined benefit liability		(3,339)	(3,339)		
		<u>(70,458)</u>	<u>(70,458)</u>		<b>Other Comprehensive Income and Expenditure</b>		<u>(20,591)</u>	<u>(20,521)</u>		
		<u>(70,222)</u>	<u>(70,782)</u>		<b>Total Comprehensive Income and Expenditure</b>		<u>(19,370)</u>	<u>(21,354)</u>		



## 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 authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable' reserves. The Movement in Reserves 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 line shows the statutory General Fund Balance movements in the year following those adjustments.

The CIPFA Code of Local Authority Accounting in 2023/24 requires the total General Fund Balance be presented. In the past it was recommended that Earmarked General Fund Reserves be separately presented.

### Movement in Reserve Statement

Financial Year 2022/23 Unaudited									
Notes	General Fund Balance	Earmark'd Reserves Balance	Total General Fund Balance	Capital Grants Unapplied	Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves	Group
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2022	(1,700)	(23,467)	(25,167)	(3,542)	(6,739)	(35,452)	31,020	(4,430)	(10,815) *
Movement in reserves during 2022/23									-
(Surplus) or deficit on the provision of services	237	-	237	-	-	237	-	237	(194)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	(70,411)	(70,411)	(70,411)
Total Comprehensive Income and Expenditure	237	-	237	-	-	237	(70,411)	(70,174)	(70,605)
Adjustments between accounting basis & funding basis under regulations (note 8)	2,528	-	2,528	(1,117)	4,677	6,089	(6,260)	(171)	(171)
Net (Increase)/ Decrease before Transfers to Earmarked reserves	2,765	-	2,764	(1,117)	4,677	6,326	(76,671)	(70,345)	(70,776)
Other transfers to/(from) Earmarked Reserves	(2,864)	2,864	-	-	-	-	-	-	-
Total transfers to/(from) Earmarked Reserves (Note 9)	(2,864)	2,864	-	-	-	-	-	-	-
(Increase)/ Decrease in 2022/23	(100)	2,864	2,765	(1,117)	4,677	6,326	(76,671)	(70,345)	(70,776)
Balance at 31 March 2023	(1,800)	(20,603)	(22,402)	(4,659)	(2,062)	(29,126)	(45,650)	(74,775)	(81,591)

\* Restated

## Movement in statement of reserves (cont)

Financial Year 2023/24									
Notes	General Fund Balance	Earmark'd Reserves Balance	Total General Fund Balance	Capital Grants Unapplied	Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves	Group
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2023	(1,800)	(20,603)	(22,403)	(4,659)	(2,062)	(29,126)	(45,650)	(74,775)	(81,591) *
Movement in reserves during 2023/24									
(Surplus) or deficit on the provision of services	1,222	-	1,222	-	-	1,222	-	1,222	(833)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	(20,591)	(20,591)	(20,521)
Total Comprehensive Income and Expenditure	1,222	-	1,222	-	-	1,222	(20,591)	(19,369)	(21,354)
Adjustments between accounting basis & funding basis under regulations (note 8)	(823)	-	(823)	969	45	191	(191)	-	-
Net (Increase)/ Decrease before Transfers to Earmarked reserves	399	-	399	969	45	1,413	(20,800)	(19,384)	(21,320)
Other transfers to/from Earmarked Reserves	(399)	399	-	-	-	-	-	-	-
Total transfers (to)/from Earmarked Reserves (Note 9)	(399)	399	-	-	-	-	-	-	-
(Increase)/ Decrease in 2023/24	-	399	399	969	45	1,413	(20,800)	(19,384)	(21,320)
Balance at 31 March 2024	(1,800)	(20,204)	(22,004)	(3,690)	(2,017)	(27,710)	(66,450)	(94,159)	(102,911)

\*restated

## BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority.

Restated 31/03/22 £'000	Unaudited* 31/03/23 £'000	Unaudited* 31/03/23 £'000	SDC Note		31/03/24 £'000	31/03/24 £'000
Group	SDC	Group		Long Term Assets	SDC	Group
52,336	66,717	66,717	10	Property, Plant and Equipment	79,771	79,771
1,761	1,026	1,026	10	Surplus Assets	1,026	1,026
46,799	33,263	50,482	11	Investment Property	32,148	54,085
50	9,041	5,050	12	Long Term Investments	9,041	5,050
686	6,147	224	14	Long Term Debtors	8,711	188
<b>101,631</b>	<b>116,194</b>	<b>123,499</b>		<b>Total Long Term Assets</b>	<b>130,697</b>	<b>140,119</b>
				Current Assets		
8,010	-	-	12	Short Term Investments	-	-
174	26	26	16	Assets held for sale	26	26
8,411	3,075	3,299	15	Cash and Cash Equivalents	1,285	1,835
82	195	195	13	Inventories	5,756	5,756
4,554	5,273	5,114	14	Short Term Debtors	6,066	5,258
833	1,036	1,036	14	Payments in Advance	881	881
<b>22,064</b>	<b>9,605</b>	<b>9,670</b>		<b>Total Current Assets</b>	<b>14,014</b>	<b>13,756</b>
				Current Liabilities		
(8,897)	(6,171)	(6,171)	17	Receipts in Advance	(2,309)	(2,309)
(1,305)	(1,212)	(1,212)	28	Revenue Grants Receipts in Advance	(446)	(446)
(567)	(2,075)	(2,075)	39	Short Term Borrowing	(5,713)	(5,713)
-	-	-	31	Short Term Lease Liability	(372)	(372)
(11,711)	(9,989)	(10,320)	17	Short Term Creditors	(8,042)	(8,200)
(4,173)	(2,016)	(2,016)	18	Short Term Provisions	(2,660)	(2,660)
<b>(26,653)</b>	<b>(21,463)</b>	<b>(21,794)</b>		<b>Total Current Liabilities</b>	<b>(19,542)</b>	<b>(19,700)</b>
<b>(4,589)</b>	<b>(11,858)</b>	<b>(12,124)</b>		<b>Net Current Assets</b>	<b>(5,528)</b>	<b>(5,943)</b>
				Long Term Liabilities		
(12,640)	(12,159)	(12,159)	39	Long Term Borrowing	(14,269)	(14,269)
-	-	-	31	Long Term Lease Liability	(1,093)	(1,093)
(367)	(256)	(477)	18	Long Term Provisions	(256)	(511)
(72,671)	(14,396)	(14,396)	34	Net Pensions Liability	(10,205)	(10,205)
(550)	(2,751)	(2,751)	28	Capital Grants Receipts in Adv.	(5,187)	(5,187)
<b>(86,228)</b>	<b>(29,562)</b>	<b>(29,782)</b>		<b>Total Long Term Liabilities</b>	<b>(31,010)</b>	<b>(31,265)</b>
<b>10,815</b>	<b>74,774</b>	<b>81,592</b>		<b>Total Net Assets/(Liabilities)</b>	<b>94,159</b>	<b>102,911</b>

## BALANCE SHEET (cont)

Restated 31/03/22 £'000	Unaudited 31/03/23 £'000	Unaudited 31/03/23 £'000	SDC Note		31/03/24 £'000	31/03/24 £'000
				<b>Usable Reserves</b>		
(6,740)	(2,062)	(2,062)	MIRS	Usable Capital Receipts Reserve	(2,016)	(2,016)
(23,467)	(20,603)	(20,603)	9	Earmarked Reserves	(20,204)	(20,204)
(6,387)		(6,817)		Profit and Loss Reserve		(8,752)
(3,542)	(4,659)	(4,659)	MIRS	Capital Grants Unapplied	(3,690)	(3,690)
(1,700)	(1,800)	(1,800)	MIRS	General Fund	(1,800)	(1,800)
<b>(41,836)</b>	<b>(29,124)</b>	<b>(35,941)</b>		Subtotal Usable Reserves	<b>(27,710)</b>	<b>(36,462)</b>
				<b>Unusable Reserves</b>		
(22,832)	(29,038)	(29,038)	20	Capital Adjustment Account	(29,722)	(29,722)
(22,297)	(30,371)	(30,371)	20	Revaluation Reserve	(47,466)	(47,466)
327	268	268	20	Accumulated Absences Act.	203	203
3,279	(790)	(790)	20	Collection Fund Adj. Account	425	425
72,671	14,396	14,396	20 & 34	Pensions Reserve	10,205	10,205
(127)	(114)	(114)	20	Deferred Capital Receipts	(94)	(94)
-		-		Share Capital		-
<b>31,021</b>	<b>(45,649)</b>	<b>(45,649)</b>		Subtotal Unusable Reserves	<b>(66,450)</b>	<b>(66,449)</b>
				<b>Total Reserves</b>	<b>(94,159)</b>	<b>(102,911)</b>
<b>(10,815)</b>	<b>(74,774)</b>	<b>(81,592)</b>				
	*Restated					

These financial statements replace the unaudited financial statements confirmed by Adrian Rowbotham Deputy Chief Executive and Chief Officer - Finance & Trading and were authorised for issue on 18 February 2025.

Adrian Rowbotham  
Deputy Chief Executive and Chief Officer - Finance & Trading  
18 February 2025

## COUNCIL APPROVAL

The Audit Committee at its meeting on 18 February 2025, approved the Statement of Accounts for the year end 31 March 2024 in accordance with the Accounts and Audit (England) Regulations 2015.

Councillor Cole  
Chairman of the Audit Committee  
18 February 2025

## THE CASH FLOW STATEMENT

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

Unaudited SDC 2022/23 £'000	Unaudited Group 2022/23 £'000	Note		SDC 2023/24 £'000	Group 2023/24 £'000
236	(194)		Net (surplus) or deficit on the provision of services	1,222	(762)
(2,340)	(1,254)	21	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	(9,318)	(12,335)
4,108	4,108	21	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	3,987	3,987
2,005	2,660		Net cash flows from operating activities	(4,109)	(9,111)
4,766	4,777	22	Investing Activities	4,834	9,507
(2,329)	(2,329)	23	Financing Activities	1,066	1,066
4,441	5,108		Net (increase) or decrease in cash and cash equivalents	1,790	1,462
(7,516)	(8,406)		Cash and cash equivalents at the beginning of the reporting period	(3,075)	(3,298)
(3,075)	(3,298)	15	Cash and Cash Equivalents at the end of the reporting period	(1,285)	(1,836)

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Note 1. 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 services.

#### Expenditure and Funding Analysis

Unaudited 2022/23			2023/24		
Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comp- rehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comp- rehensive Income and Expenditure Statement
£000	£000	£000	£000	£000	£000
2,017	1,544	3,561	2,982	1,030	4,012
4,013	(2,359)	1,654	3,933	(2,792)	1,140
6,752	311	7,062	7,475	(1,257)	6,218
2,103	2,893	4,996	2,640	4,259	6,897
1,675	809	2,484	1,957	630	2,587
1,657	(691)	966	1,798	(449)	1,349
18,217	2,507	20,723	20,785	1,421	22,203
(15,453)	(5,034)	(20,487)	(20,386)	(595)	(20,981)
2,764	(2,527)	236	399	826	1,222
(25,167)			(22,403)		
2,764			399		
(22,403)			(22,004)		

### Note 2. Accounting Policies

#### 2.1 General Principles

The Statement of Accounts summarises the Authority's transactions for the 2023/24 financial year and its position at the year end of 31 March 2024. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and the Service Reporting Code

of Practice 2023/24, supported by International Financial Reporting Standards (IFRS).

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

Going Concern.

- Local authorities that can only be discontinued under statutory prescription shall prepare their financial statements on a going concern basis of accounting.

## **2.2 Accruals of Income and Expenditure**

The revenue accounts of the Council are maintained on an accruals basis in accordance with the Code of Practice. That is, sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year.

Exceptions to this are payments of regular quarterly accounts (e.g. telephones, electricity) and Penalty Charge Notice income. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts. Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income 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. This policy applies to contractual debt as well as to statutory debt for Council Tax, Non-Domestic Rates, and overpayments of Housing Benefit.

## **2.3 Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. The officer responsible for Treasury Management has categorised items on the balance sheet as cash equivalents on this basis.

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

## **2.4 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and

conditions on the Authority'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.

## **2.5 Charges to Revenue for Non-Current Assets**

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

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service, where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off;
- any subsequent reversal of such losses;
- the annual amortisation of intangible fixed assets attributable to the service;
- any revenue costs which are met from capital resources as Revenue Expenditure Financed from Capital under Statute (REFCUS – see 2.19 below)

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation, and they are therefore reversed through appropriations from the Capital Adjustment Account to the General Fund. However, the Council is required to make an annual contribution from revenue resources to the Capital Adjustment Account to reduce its overall borrowing requirement. This is termed the Minimum Revenue Provision (MRP).

## **2.6 Council Tax and Non-domestic Rates**

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

### **Accounting for Council Tax and NDR**

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

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

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.



## **2.7 Provisions Contingent Assets and Liabilities**

### **Provisions**

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the authority has an obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

### **Contingent Liabilities**

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

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

### **Contingent Assets**

A contingent asset is a possible asset that arises from a past event and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council. Typically, a contingent asset is related to a legal action by the Council, whose outcome is uncertain when the balance sheet is compiled.

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

## **2.8 Employee Benefits**

### **Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave) 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 Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the authority to terminate an

officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

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

### **Post-employment Benefits**

International Accounting Standard 19 became effective from the accounting period starting after 1 January 2013. This standard relates to Pensions and details of the impact of this are recorded in Note 34.

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

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

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

The liabilities are valued using a discount rate being the annualised yield. This started at 20 years on the Merrill Lynch AA-rated corporate bond yield curve which was chosen to meet the requirements of IAS19 and with consideration of the Employer's liabilities and is reduced annually as detailed in Note 34.

The assets of the Kent County Council Pension Fund attributable to the Authority 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.

A revised IAS19 statement applied for company accounting periods beginning on or after 1 January 2013 and the main changes that arose from that standard are:

The expected return on assets has been replaced by a net interest cost comprising interest income on the assets and interest expense on the liabilities, which are both calculated with reference to the discount rate.

Some labelling changes to the Profit and Loss change e.g. Service costs now include what were previously described as 'Current Service Costs' plus the 'Past Service cost' plus 'Curtailments' plus 'Settlements'. Administration expenses are now accounted for within the Profit and Loss charge, where previously they were a deduction to the actual and expected return on assets.

The change in the net pensions liability is analysed into components of service cost:

- 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 service for which the employees worked.

- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. Past service costs include the cost of curtailments, which are normally linked to an event giving rise to a post employment benefit. Past service costs are debited to the Non-Distributed Costs line in the Comprehensive Income and Expenditure Statement
- Net interest on the defined liability – the change to the net pension liability that arises from the passage of time during the year. This is charged to the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement.
- Contributions by scheme participants, which increase plan liabilities, but correspondingly increase plan assets, and are therefore not reflected in the Comprehensive Income and Expenditure Statement
- Remeasurements – changes in the present value of the net pensions liability, resulting from:
  - the return on plan assets, excluding the amounts included in net interest.
  - experience adjustments (the differences between the previous actuarial assumptions and what has actually occurred).
  - the effects of changes in actuarial assumptions
- Benefits paid, which reduce plan assets, but correspondingly reduce its liabilities, and are therefore not reflected in the Comprehensive Income and Expenditure Statement
- Contributions paid to the Kent County Council Pension Fund – the employer's contributions to the pension fund for the financial year, chargeable to the General Fund, but not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are 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 are earned by employees.

### **Discretionary Benefits**

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

### **2.9 Events After the Reporting Period**

Events after the reporting period 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.

## **2.10 Financial Instruments**

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. This includes trade creditors and loans.

Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

### **Financial Assets**

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

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

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

### **Financial Assets Measured at Amortised Cost**

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

### **Financial assets measured at fair value through other comprehensive income.**

Financial assets that are measured at FVOCI are recognised on the balance sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in other comprehensive income.

### **Financial Assets Measured at Fair Value through Profit or Loss**

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

## **Fair Value Measurements of Financial Assets**

Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

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

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

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.

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.

## **Expected Credit Loss Model**

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

### **2.11 Government Grants and Contributions**

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

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

Amounts recognised as due to the 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 liabilities. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Grants and contributions towards specific services for revenue purposes are credited against the appropriate line in the Cost of Services, but if grants and contributions are not related to specific services they are credited as Taxation and Non-Specific Grant Expenditure and Income, along with all grants and contributions receivable towards investment in non-current assets. As these capital grants and contributions are not properly credited to the General Fund, an equivalent appropriation is made from the General Fund into the Capital Grants Unapplied Reserve, which is set aside for the financing of capital investment. When it has been applied for financing it is transferred to the Capital Adjustment Account.

### **2.12 Community Infrastructure Levy**

The authority has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the authority) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to

fund a number of infrastructure projects to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions as set out in 2.11. CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges may be used to fund revenue expenditure.

### **2.13 Inventories**

Stocks are valued at cost. This is a departure from the requirements of the Code which require inventories to be shown at cost or net realisable value if lower; the effect of the different treatment is immaterial.

### **2.14 Investment Property**

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

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

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

### **2.15 Leases**

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

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 Authority as Lessee: Finance Leases**

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

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant, or equipment – applied to write down the lease liability, and

- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

### **The Authority as Lessor: Finance Leases**

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

Lease rentals receivable are apportioned between:

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

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

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

### **Operating Leases**

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

## 2.16 Overheads and Support Services

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

## 2.17 Property, Plant and Equipment

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

### Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. A de-minimis level of £15,000 has been applied.

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

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the taxation and non-specific grant income and expenditure line of the Comprehensive Income and Expenditure Statement unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the donated assets account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance to the capital adjustment account in the Movement in Reserves Statement.

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

- infrastructure, community assets and assets under construction - depreciated historical cost
- surplus assets - the current value measurement base is fair value, estimated at the highest and best use from a market participant's perspective.
- all other assets - current value determined as the amount that would be paid for the asset in its existing use (existing use value - EUV).

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

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. [Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.



Where decreases in value are identified, they are accounted for in the following ways:

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

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

### **Impairment**

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

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

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

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

### **Depreciation**

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

Depreciation is calculated on the following basis:

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

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

### **Disposals and Non-current Assets Held for Sale**

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

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

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the government. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the authority's underlying need to borrow. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

## **2.18 Reserves**

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

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

## **2.19 Revenue Expenditure Funded from Capital under Statute (REFCUS)**

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

## **2.20 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 (HMRC). VAT receivable is excluded from income.

## **2.21 Heritage Assets**

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in

accordance with the Council's accounting policies for Property, Plant and Equipment as set out in 2.17. At present the Council has no material heritage assets.

## **2.22 Fair Value Measurement of non-financial assets**

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

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

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

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in an 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 within Level 1 that are observable for the asset or liability, either directly or indirectly.
- level 3 - unobservable inputs for the asset or liability.

## **2.23 Group Accounts**

Group Accounts are prepared in accordance with IFRS 10 (consolidated financial statements) and IFRS 12 (disclosure of interest in other entities), where it is considered that the Council has a material interest in subsidiaries.

Where applicable the following principles will be followed:

### **Basis of Consolidation**

Group Accounts will be prepared on the basis of a full consolidation of the financial transactions and balances of the Council and a relevant subsidiary. Any gains and losses arising from a subsidiary will be fully reflected in the Comprehensive Income and Expenditure Statement, Balance Sheet, Movement in Reserves Statement and Cashflow Statement within the Group column.

### **Accounting Policies**

Group Accounts will be prepared using consistent accounting policies where possible; where there are conflicting policies with IFRS requirements, then the requirements of the Code of practice for Local Authority accounting will be adopted for consolidation purposes.

Where Intra-group charges occur, they will be removed during consolidation of the accounts.

The decision to group account is determined by Qualitative and Quantitative materiality, therefore when considering whether to group, not only the values are relevant, the interest to all stakeholders is also taken into account.

## 2.24 Interests in companies and other entities

Where the authority has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and require it to prepare group accounts. In the authority's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard which has been issued but is yet to be adopted by the 2023/24 Code. The Code also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements are specified, this would result in an impact on disclosures spanning two financial years. Accounting changes that are introduced by the 2024/25 code are:

- IFRS 16 leases, this will be applicable to those authorities who have decided to voluntarily implement the standard, which the Council has decided not to implement at this stage.
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1) issued in January 2020 • Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) issued in September 2022
- Non-current Liabilities with Covenants (Amendments to IAS 1) issued in October 2022
- International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12) issued in May 2023
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) issued in May 2023 None of the above standards, when adopted, are expected to have a material impact on the Council's financial statements.

There are no new standards that have been issued but not yet adopted which, when adopted, are expected to have a material impact on the Council's financial statements.

The implementation of IFRS 16 Leases has been deferred by another year. This means the effective date for implementation is now 1 April 2024, which would impact the statements in 2024/25.

## Note 4. Critical Judgements in Applying Accounting Policies

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

### 4.1 Other Judgements

- Preparation of Group accounts as detailed in 2.23 and Note 40.
- Construction of Properties for re-sale. This is where properties are built and sold with the sole purpose of providing financing for capital schemes. Under ISA 550 where it is the intention of the Council to obtain economic benefit within one period from the sale of property (capital use) rather than over a period of time from rental (operational use) the code required these assets to be treated as inventory. Therefore, when determining whether the construction of assets should be treated as capital or operational the Council must account for them based on final intended use. In funding this type of capital scheme, a statutory provisions for Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2012 (SI 2012/265). Regulation 7b of SI 2012/265 has been applied meaning that expenditure is deemed to be capital under statute and the related receipts from the disposals are capital receipts.

## Note 5. Prior Period Adjustment

The statements and related disclosure notes below have been adjusted to allow for corrections in disclosure requirements relating to Section 106 and grant payments from the Council to Quercus Housing. When compiling group accounts it is necessary to eliminate inter company transactions and where Section 106 was previously treated as a grant to fund capital expenditure these adjustments had not been fully removed from the group balance sheet and therefore only impact the group accounts. This also affected the balance brought forward on the Movement in Reserves Statement which changed from (£4.4m) to (£10.8m).

Additional Balance sheet headings have been added to provide greater clarity. This has resulted in prior year reclassification between headings within the balance sheet. These are shown below.

Reclassifications between headings	Restated	Previous	Restated	Previous
	31/03/2022	31/03/2022	31/03/2023	31/03/2023
	£'000	£'000	£'000	£'000
Receipts in Advance	(8,897)	(10,202)	(6,171)	(7,383)
Revenue Grants Receipts in Advance	(1,305)	-	(1,212)	-
Short Term Borrowing	(567)	-	(2,075)	-
Short Term Creditors	(11,711)	(12,277)	(10,320)	(12,395)

Prior Year Restatements	Restated	Previous	Restated	Previous
	31/03/2022	31/03/2022	31/03/2023	31/03/2023
	£'000	£'000	£'000	£'000
Capital Grants Receipts in Adv.	(550)	(6,726)	-	-
Long Term Borrowing	-	-	(12,159)	(18,335)
Short Term Debtors	-	-	5,114	5,691
Short Term Provision	-	-	(2,016)	(4,224)
Earmarked Reserves	-	-	(20,603)	(21,181)
Profit and Loss Reserve	(6,387)	(211)	(6,817)	(641)
Collection Fund Adjustment Account	-	-	(790)	1,417

Following external expert advice the NNDR appeals provision was revised to more accurately reflect the level of outstanding appeals. This resulted in a change in the appeals provision of £2.208m and in Short Term Provisions and the Collection Fund Adjustment Account which also resulted change in Short Term Debtors relating to preceptors of £0.577m which impacted Earmarked Reserves. These changes should have been reflected in the 2022/23 accounts published in December 2024 and are now reflected in the 2023/23 comparative figures.

## Note 6. 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 financial year and the date when the Statement of Accounts is authorised for issue. There are potentially two types of events:

- If they provide evidence of conditions that existed at the end of the reporting period, the Statement of Accounts is amended to reflect these events.
- If they are indicative of conditions that arose after the reporting period, the Statement of Accounts is not amended. If, however, an event would have a material effect, a disclosure is made in the notes to the accounts, outlining the event and its estimated financial effect.

Any event taking place after the accounts are authorised for issue is not reflected in the Statement of Accounts.

There have been no material events after the balance sheet date.

## Note 7. Notes to the Expenditure and Funding Analysis

### Adjustments between Funding and Accounting Basis

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

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts 2022/23	Adjustments for Capital	Net change for the Pensions adjustments	Other Statutory Adjustments	Other Differences	Total
	£'000s	£'000s	£'000s	£'000s	£'000s
People & Places	94	416	-	1,034	1,544
Customer & Resources	100	454	-	(2,913)	(2,359)
Finance & Trading	521	(205)	-	(5)	311
Planning & Regulatory	57	878	-	1,958	2,893
Assistant Chief Executive	-	339	-	470	809
Strategic Property	9	187	-	(887)	(691)
Net Cost of Services	781	2,069	-	(343)	2,507
Other Income and Expenditure from the Expenditure and Funding Analysis	(3,076)	1,836	(4,128)	343	(5,025)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the Provision of Services	(2,295)	3,905	(4,128)	-	(2,518)

## Adjustments between Funding and Accounting Basis (cont)

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts 2023/24	Adjustments for Capital £'000s	Net change for the Pensions adjustments £'000s	Other Statutory Adjustments £'000s	Other Differences £'000s	Total £'000s
People & Places	503	(9)	-	536	1,030
Customer & Resources	100	(12)	-	(2,880)	(2,792)
Finance & Trading	1,133	(1,381)	-	(1,009)	(1,257)
Planning & Regulatory	2,288	(24)	-	1,995	4,259
Assistant Chief Executive	-	(9)	-	639	630
Strategic Property	776	(5)	-	(1,220)	(449)
<b>Net Cost of Services</b>	<b>4,800</b>	<b>(1,440)</b>	<b>-</b>	<b>(1,939)</b>	<b>1,421</b>
<b>Other Income and Expenditure from the Expenditure and Funding Analysis</b>	<b>(6,077)</b>	<b>-</b>	<b>3,542</b>	<b>1,939</b>	<b>(596)</b>
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the Provision of Services</b>	<b>(1,277)</b>	<b>(1,440)</b>	<b>3,542</b>	<b>-</b>	<b>825</b>

## Note 8. Adjustments Between Accounting Basis and Funding Basis Under Regulations

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

### General Fund Balance

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

### Capital Receipts Reserve

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

### Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards

capital projects for which the Council has met the conditions that would otherwise require repayment of the monies, but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

### Adjustments Between Accounting Basis and Funding Regulations

Adjustments between Accounting Basis and Funding Basis under Regulations 2022/23	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
<b>Adjustments primarily involving the Capital Adjustment Account</b>				
Reversal of items debited or credited to the Comprehensive Income and Expenditure statement:				
Charges for depreciation and impairment of non-current assets	(668)	-	-	668
Revaluation gain on Property, Plant and Equipment	(23)	-	-	23
Movements in the market value of Investment Properties	(127)	-	-	127
Disposal of Inventory recognised as Capital Under Statute	2,628	-	58	(2,686)
Capital grants and contributions applied	-	-	-	-
<b>Non Specific Capital Grants</b>	<b>(2,205)</b>	-	-	2,205
Revenue expenditure funded from capital under statute	-	-	-	-
Amount of non-current assets written off on disposal or sale as part of the (gain) /loss on disposal to Comprehensive Income and Expenditure Statement	(882)	-	-	882
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure statement:</b>				
Transfer of non current asset sale proceeds from revenue to the Capital Receipts Reserve	2,109	(2,109)	-	-
Capital expenditure charged against the General Fund Balance	26	-	-	(26)
Statutory provision for the repayment of debt	325	-	-	(325)
Capital Grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,175	-	(1,175)	-
Mitigation of operating lease as lessee reclassified as finance lease upon transition to IFRS	(12)	-	-	12



## Adjustments Between Accounting Basis and Funding Regulations (cont)

Adjustments between Accounting Basis and Funding Basis under Regulations 2022/23 (continued)	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Use of the Capital Receipts Reserve to finance new capital expenditure	-	6,787	-	( 6,787)
<b>Adjustments primarily involving the Pensions Reserve</b>	-	-	-	
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	( 8,107)	-	-	8,107
Employer's pensions contributions and direct payments to pensioners payable in the year	4,202	-	-	( 4,202)
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b>	-	-	-	
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	145	-	-	( 145)
Amount by which Business Rate income credited to the Comprehensive Income and Expenditure Statement is different from Business Rate income calculated for the year in accordance with statutory requirements	3,924	-	-	( 3,924)
<b>Adjustments primarily involving the Accumulated Absences Account</b>		0	0	
<b>Total Adjustments</b>	2,576	4,678	( 1,117)	( 6,138)

## Adjustments Between Accounting Basis and Funding Regulations (cont)

Adjustments between Accounting Basis and Funding Basis under Regulations 2023/24	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
<b>Adjustments primarily involving the Capital Adjustment Account</b>				
Reversal of items debited or credited to the Comprehensive Income and Expenditure statement:				
Charges for depreciation and impairment of non-current assets	(1,436)	-	-	1,436
Revaluation gain on Property, Plant and Equipment	(334)	-	-	334
Movements in the market value of Investment Properties	457	-	-	(457)
Disposal of Inventory recognised as Capital Under Statute	-	-	-	-
Capital grants and contributions applied	6,229	-	-	(6,229)
Repayment of internal borrowing	4,219	(4,087)	-	(133)
<b>Non Specific Capital Grants</b>				
Revenue expenditure funded from capital under statute	(6,117)	-	-	6,117
Amount of non-current assets written off on disposal or sale as part of the (gain) /loss on disposal to Comprehensive Income and Expenditure Statement	(799)	4,087	-	(3,288)
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements.	-	-	-	-
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure statement:</b>				
Transfer of non current asset sale proceeds from revenue to the Capital Receipts Reserve	1,483	(1,483)	-	-
Capital expenditure charged against the General Fund Balance	1,199	-	-	(1,199)
Statutory provision for the repayment of debt	672	-	-	(672)
Capital Grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,318	-	(1,318)	-
Application of grants to Capital Financing	(2,287)	-	2,287	-
Mitigation of operating lease as lessee reclassified as finance lease upon transition to IFRS	(20)	-	-	20

## Adjustments Between Accounting Basis and Funding Regulations (cont)

Adjustments between Accounting Basis and Funding Basis under Regulations 2023/24 (continued)	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Use of the Capital Receipts Reserve to finance new capital expenditure	-	1,282	-	(1,282)
Disposal of Inventory (Capital Under Statute)	(4,846)	-	-	4,846
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(246)	246	-	-
Adjustments primarily involving the Pensions Reserve	-	-	-	-
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(3,449)	-	-	3,449
Employer's pensions contributions and direct payments to pensioners payable in the year	4,301	-	-	(4,301)
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	(140)	-	-	140
Amount by which Business Rate income credited to the Comprehensive Income and Expenditure Statement is different from Business Rate income calculated for the year in accordance with statutory requirements	(1,074)	-	-	1,074
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	65	-	-	(65)
<b>Total Adjustments</b>	<b>(805)</b>	<b>45</b>	<b>969</b>	<b>(209)</b>

## Note 9. Transfers To/From Usable Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2022/23 and 2023/24.

	Balance at 31/03/22 £'000	Transfers Out 2022/23 £'000	Transfers In 2022/23 £'000	Balance at 31/03/23 £'000	Transfers Out 2023/24 £'000	Transfers In 2023/24 £'000	Balance at 31/03/24 £'000
<b>Useable Reserves</b>							
Budget Stabilisation	(7,932)	2,177	(2,832)	(8,587)	1,914	(610)	(7,283)
Financial Plan	(3,356)	405	(938)	(3,889)	405	(312)	(3,796)
Business Rates Retention	(4,280)	6,198	(2,274)	(356)	-	(1,075)	(1,431)
Carry Forward Items	(1,356)	320	(278)	(1,314)	250	(227)	(1,290)
Vehicle Renewal	(919)	26	(501)	(1,394)	1,162	(845)	(1,078)
IT Asset Maintenance	(440)	8	(166)	(598)	100	(82)	(579)
Homelessness Prevention	(536)	561	(566)	(541)	278	(314)	(577)
Housing and Commercial Growth Fund	(566)	-	-	(566)	-	-	(566)
Property Investment Strategy Maintenance	(310)	-	(1)	(311)	31	(265)	(545)
Asset Maintenance	(500)	-	-	(500)	-	-	(500)
Pension Fund	(359)	20	-	(339)	10	(9)	(338)
Action and Development	(296)	-	-	(296)	-	-	(296)
Vehicle Insurance	(266)	-	(12)	(278)	35	-	(243)
People and Places	(166)	20	(1)	(147)	33	(113)	(226)
Development Services Reserve	(52)	52	(35)	(35)	78	(214)	(170)
Net Zero	(108)	-	(26)	(134)	28	(52)	(158)
Community Infrastructure Levy Administration	(152)	-	-	(152)	-	-	(152)
Capital Financing	(328)	492	(164)	-	-	(148)	(148)
On Street Parking Reserve	-	-	(38)	(38)	38	(127)	(127)
Local Plan	(285)	274	(283)	(294)	290	(122)	(126)
Re-organisation	-	167	(331)	(164)	63	-	(101)
Other	(1,259)	770	(181)	(670)	384	(185)	(471)
	(23,467)	11,490	(8,627)	(20,604)	5,099	(4,700)	(20,204)
<b>General Fund</b>	(1,700)	-	(100)	(1,800)	-	-	(1,800)
<b>Total</b>	(25,167)	11,490	(8,727)	(22,404)	5,099	(4,700)	(22,004)
<b>Net Movement</b>			2,763			399	

The purpose of these usable reserves is shown below:

- Budget Stabilisation - To support decisions required to continue to produce a balanced budget in future years in spite of expected funding reductions.
- Financial Plan – Funds that support the 10-year budget strategy.
- Vehicle Renewal - Funding for future commercial vehicle replacements.

- Carry Forward Items - For specific items agreed by Cabinet.
- Asset Maintenance – To fund emergency asset maintenance works.
- Housing and Commercial Growth Fund – To fund projects as part of the West Kent Partnership within the district.
- Homelessness - To assist in the delivery of the Homelessness Reduction Act
- Pension Fund - To contribute towards any future downturns in the pension fund following actuarial.
- Business Rates Retention– To manage the volatility in yearly cash flows in the Collection Fund caused by the complexities in the Business Rates Retention Scheme.
- Property Investment Strategy Maintenance – To fund future maintenance and void periods.
- Action and Development - To fund ad hoc expenditure e.g. resulting from an emergency.
- IT Asset Maintenance – To fund future IT asset maintenance costs.
- Vehicle Insurance - Provides own damage cover on the Council’s commercial vehicle fleet.
- People and Places - To fund ongoing and future projects.
- Planning & Regulatory Services - To fund ongoing and future projects.
- Net Zero. The Council aims to be carbon neutral by 2030 and this reserve will be used to fund expenditure to achieve that target.
- Community Infrastructure Levy Administration - To be spent on the administration of the levy.
- Capital Financing – To fund capital projects.
- On street Parking – To comply with the requirements of the Traffic Management Act 2004 and our on-street parking agency agreement with Kent County Council
- Local Plan - To help support the Local Plan
- Re-organisation - To fund actions taken to achieve ongoing budget savings.
- Other - Other small reserves set aside.

## Note 10. Property, Plant and Equipment

### Movements on Balances

Unaudited	Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant & Equipment £'000
Movements in 2022/23						
Cost or Valuation						
At 1 April 2022	28,144	5,718	211	1,760	22,864	58,696
Additions	193	26			6,622	6,841
Revaluation increases/ (decreases) recognised in:						
- Revaluation Reserve	8,208					8,208
- Surplus or Deficit						-
Derecognition – Disposals		( 63)		( 734)		( 797)
Derecognition – Other						-
Reclassifications in PPE	21,406				( 21,406)	-
Reclassifications other						-
At 31 March 2023	57,951	5,681	211	1,026	8,080	72,948
Accumulated Depreciation and Impairment						
At 1 April 2022	( 398)	( 4,194)	-	-	-	( 4,593)
Depreciation Charge	( 193)	( 476)				( 669)
Depreciation written out to the						-
- Revaluation Reserve						-
- Surplus or Deficit on the provision of services						-
Derecognition – Disposals		63				63
Derecognition - Other						-
Reclassifications	1				( 1)	-
At 31 March 2023	( 590)	( 4,607)	-	-	( 1)	( 5,199)
Net Book Value						
As at 31 March 2023	57,361	1,073	211	1,026	8,079	67,743

	Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant & Equipment £'000
<b>Movements in 2023/24: Cost or Valuation</b>						
At 1 April 2023	57,951	5,681	211	1,026	8,080	72,948
Additions	832	2,627			633	4,092
Revaluation increases/ (decreases) recognised in:						
- Revaluation Reserve	17,252					17,252
- Surplus or Deficit	( 334)					( 334)
Derecognition – Disposals		-				-
Derecognition – Other						-
Reclassifications in PPE						-
Reclassifications to/from inventory	943				( 7,465)	( 6,522)
At 31 March 2024	76,644	8,308	211	1,026	1,248	87,436
<b>Accumulated Depreciation and Impairment</b>						
At 1 April 2023	( 590)	( 4,607)	-	-		( 5,199)
Depreciation Charge	( 662)	( 774)				( 1,436)
Depreciation written out to the						-
- Revaluation Reserve						-
- Surplus or Deficit on the provision of services						-
Derecognition – Disposals		-				-
Derecognition - Other						-
Reclassifications						-
At 31 March 2024	( 1,252)	( 5,381)	-	-	-	( 6,635)
Net Book Value						
As at 31 March 2024	75,392	2,926	211	1,026	1,248	80,795

### Capital Commitments

At 31 March 2024, the capital commitments outstanding on capital contracts were approximately £10.7m.

## Surplus Assets

Details of the authority's Surplus Assets and information about the fair value hierarchy.

	31st March 2023 £'000	31st March 2024 £'000
<b>Surplus Assets</b>		
Quoted Prices in active market for identical assets (Level 1)	-	-
Other significant observable inputs (Level 2)	1,026	1,026
Significant un-observable inputs (Level 3)	-	-
Fair Value	<u>1,026</u>	<u>1,026</u>

The following significant observable inputs were used to determine the level 2 fair value for Surplus Assets.

The fair value for the properties (at market rates) has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy. Appropriate adjustments have been made to account for planning risk and associated uncertainties where planning permission does not already exist for the highest and best use.

The fair value of the authority's Surplus Assets is measured annually. All valuations are carried out by external valuers in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The valuers work closely with finance officers reporting directly to the Deputy Chief Executive and Chief Officer - Finance & Trading on a regular basis regarding all valuation matters.



## Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value or current value (for EUV assets) is revalued at least every five years. Each class of asset is valued at the same time.

The freehold and leasehold properties which comprise the Authority's property portfolio have been valued as at 31st March 2024, by external independent valuers, Wilks, Head and Eve, Chartered Surveyors.

Plant and machinery that forms part of a building is included in the valuation.

Properties regarded by the Authority as operational were valued on the basis of Existing Use Value or where this could not be assessed because there was no market for the subject asset, the depreciated replacement cost. Useful economic lives for these properties are generally 35 years.

Properties regarded by the Authority as investment properties have been valued on the basis of market value, again with useful economic lives of generally 35 years.

Vehicles, plant, and equipment in the balance sheet relate to the Council's commercial vehicle fleet, computer equipment, fitness equipment in the leisure centres, air quality monitoring equipment, CCTV equipment and playground equipment. Most equipment is depreciated over 5 years, with larger commercial vehicles over 7 years or, exceptionally, 10 years.

All assets are revalued over a 5-year rolling programme where appropriate.

Year of Valuation	Assets within the following classifications may have been revalued in year
2023/24	Investment Properties, Car parks, Property Plant & Equipment, Offices, Depots and some Leisure facilities
2022/23	Investment Properties, Car parks, Amenity Land, Property Plant & Equipment, some Leisure facilities
2021/22	Investment Properties, Car parks, Property Plant & Equipment
2020/21	Investment Properties and Car parks, Amenity Land, Community Offices and Surplus Operational Assets
2019/20	Investment Properties, Car parks, Amenity Land, Community Offices and Surplus Operational Assets

The following statement shows the progress on the Council's rolling programme for the revaluation of Property, Plant and Equipment:

	Land & Buildings £'000	Vehicles, Plant & Equip- ment £'000	Comm- unity Assets £'000	Assets Under Con- struction £'000	Surplus Assets £'000	TOTAL £'000
Carried at historical cost:	2,636	8,308	211	1,248	-	<b>12,403</b>
Valued at current value in:						
2023/24	65,281	-	-	-	-	<b>65,281</b>
2022/23	-	-	-	-	-	-
2021/22	-	-	-	-	-	-
2020/21	6,416	-	-	-	1,026	<b>7,442</b>
2019/20	-	-	-	-	-	-
Total	<u>74,333</u>	<u>8,308</u>	<u>211</u>	<u>1,248</u>	<u>1,026</u>	<b><u>85,126</u></b>

## Note 11. Investment Properties

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

	Unaudited	
	2022/23 £'000	2023/24 £'000
Rental income from investment property	(2,084)	(2,325)
Direct operating expenses from investment property	529	496
Net income from Investment Properties	<u>(1,555)</u>	<u>(1,829)</u>

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

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

	Unaudited	
	2022/23	2023/24
	£'000	£'000
Balance at start of the year	29,948	33,263
Purchases	3,442	-
Reclassifications	-	(774)
Disposals	-	(798)
Net Gains/ (losses) from fair value adjustment	(127)	457
	<u>33,263</u>	<u>32,148</u>

Details of the authority's Investment Properties and information about the fair value hierarchy at 31 March 2024 are as follows:

	Unaudited	
	31st March 2023	31st March 2024
	£'000	£'000
<b>Investment Property</b>		
Quoted Prices in active market for identical assets (Level 1)		
Other significant observable inputs (Level 2)	33,262	32,148
Significant un-observable inputs (Level 3)		
Total Fair Value	<u>33,263</u>	<u>32,148</u>

The observable inputs used for the fair value calculation for Investment properties are the same as previously stated for Surplus Assets.

Properties are subject to leases with varying review dates.

The fair value of the authority's Investment Properties is measured annually. All valuations are carried out by external valuers in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The valuers work closely with finance officers reporting directly to the Chief Officer – Finance & Trading on a regular basis regarding all valuation matters.

## Note 12. Financial Instruments

### Balance Sheet disclosures

The following categories of financial instrument are carried in the Balance Sheet:

#### Categories of Financial Assets

	Long Term				Short Term			
	Investments		Debtors		Investments		Debtors	
	Unaudited		Unaudited		Unaudited		Unaudited	
	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
FVPL	5,050	5,050						
Amortised cost			6,045	8,641	-	-	2,475	2,217
Total Financial Assets	<u>5,050</u>	<u>5,050</u>	<u>6,045</u>	<u>8,641</u>	<u>-</u>	<u>-</u>	<u>2,475</u>	<u>2,217</u>
Non-Financial Assets			100,658	113,015			4,505	10,512
Total			<u>115,744</u>	<u>126,706</u>			<u>6,980</u>	<u>12,729</u>

#### Categories of Financial Liabilities

	Long Term				Short Term			
	Borrowings		Creditors		Borrowings		Creditors	
	Unaudited		Unaudited		Unaudited		Unaudited	
	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amortised cost	(12,159)	(14,269)	-	-	(2,075)	(5,713)	(9,989)	(8,043)
Total Financial Liabilities	<u>(12,159)</u>	<u>(14,269)</u>	<u>-</u>	<u>-</u>	<u>(2,075)</u>	<u>(5,713)</u>	<u>(1,954)</u>	<u>(8,043)</u>
Non-Financial Liabilities			(17,403)	(16,741)			(17,434)	(5,786)
Total			<u>(29,562)</u>	<u>(31,010)</u>			<u>(21,463)</u>	<u>(19,542)</u>

Investments in equity instruments designated at fair value through other comprehensive income.

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

	Unaudited 2022/23		2023/24	
	Surplus or Deficit on the Provision of Services £'000	Other Comprehen sive Income and Expenditure £'000	Surplus or Deficit on the Provision of Services £'000	Other Comprehen sive Income and Expenditure £'000
<b>Interest and Expense Recognised</b>				
<b>Interest revenue</b>				
financial assets measured at Amortise	(587)		(1,015)	
financial assets measured at FVOCI - other				
<b>Total interest revenue</b>	<b>(587)</b>	<b>-</b>	<b>(1,015)</b>	<b>-</b>
<b>Interest expense</b>	<b>286</b>		<b>403</b>	

## Fair Value

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

	Input level in fair value hierarchy	Valuation technique	Unaudited As at 31/3/23 £'000	As at 31/3/24 £'000
<b>FVPL</b>				
UK Municipal Bond Agency	Level 3	Cost	50	50
Multi Asset Income Funds	Level 1	Market	4,648	5,048

Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For both non-PWLB loan payable and the loan from the PWLB new loan rate has been applied to provide the fair value.
- For loans receivable 24 months Investment market rates have been used to provide fair values.
- No early repayment or impairment is recognised.
- Where an instrument has a maturity of less than 12 months (investments) or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount.

The fair values calculated for financial assets and financial liabilities that are not measured at fair value are disclosed below.

	Input level in fair value hierarchy	Unaudited 31/3/23		31/3/24	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
		£'000	£'000	£'000	£'000
<b>Financial liabilities</b>					
PWLB Borrowings	Level 2	(13,896)	(10,012)	(11,915)	(9,321)
Other Local Authorities Borrowings	Level 2	(338)	(452)	(3,039)	(3,124)
Short term creditors	Level 2	(1,954)	(1,954)	(7,520)	(7,520)
<b>Financial Assets</b>					
Financial Institutions (banks)	Level 2	-	-	-	-
Building Societies	Level 2	-	-	-	-
Other Local Authorities	Level 2	-	-	-	-
Money Market Funds	Level 2	2,159	2,159	659	659
Long term debtors	Level 2	6,045	8,353	8,641	8,292
Short term debtors	Level 2	2,475	2,475	2,217	2,217

The fair value of liabilities is lower than the carrying amount because the Council's portfolio of loans includes fixed rates loans where the interest rate payable is lower than the rates available for similar loans in the market at the balance sheet date. This shows a notional future gain (based on economic conditions at 31 March 2024) arising from a commitment to pay interest to lenders below current market rates.

The fair value of the PWLB loan £10.012m measures the economic effect of terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loan under the agreement with the PWLB, against what would be paid if the loan was at the current PWLB new loan rate.

The fair value of assets is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the rates available for investments the Council would be allowed to make in accordance with the Council's Investment Policy at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2024) arising from a commitment to receive interest from borrowers below current Investment market rates.

### Disclosure of nature and extent of risks arising from financial instruments

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

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

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services.

Risk management is carried out by treasury management officers under policies approved by the Council in the annual treasury management strategy. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

### **Credit Risk**

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

The Council uses the creditworthiness service provided by its treasury management consultant, Link Asset Services. This service uses a sophisticated modelling approach that combines credit ratings from the above-mentioned rating agencies as the core element with other subjective overlays. In addition, the Council has the following policies:

- Maximum investment period of two years.
- Lending to Building Societies restricted to those Societies having assets in excess of £3bn with a maximum investment period of 1 year if the Society does not satisfy the creditworthiness modelling approach.
- No more than £7m per counterparty. For Building Societies, the limit is £5m where the Society satisfies the creditworthiness modelling approach, or £3m if it doesn't.

Investments are limited to 25% of the total fund to any single institution or institutions within a group of companies.

Total investments in any one country outside of the UK, is limited to 15% of the total fund. Investment in non-UK banks is subject to prior approval by Committee.

The Strategy also permits investment with other local authorities and the UK Government's Debt Management Office for periods up to 2 years and six months respectively. Money Market Funds and Enhanced Money Market Funds are also utilised with a combined maximum deposit of £5m per provider. Multi Asset Income Funds are also used for long term investment with a maximum of £5m invested.

The full investment strategy for 2023/24 was approved by Council on 21 February 2023. There were no breaches of the Council's counterparty criteria during the reporting period.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £0.7m at 31 March 2024 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 institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of recoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2024 that this was likely to crystallise.

The Council calculates impairment losses to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on basis of 12-month expected losses. Only lifetime losses are recognised for trade receivables held by the authority.

The changes in loss allowances for the trade receivables during the year are shown in the table below:

	Lifetime ECL - simplified approach £'000	Total £'000
Opening Balance as at 01/04/22	(45)	(45)
Trade debtors: individual assessment	-	-
Trade debtors: collective assessment	9	9
Amounts written-off	4	4
Balance as at 31/03/23	(32)	(46)
Trade debtors: individual assessment	-	-
Trade debtors: collective assessment	(32)	(32)
Amounts written-off	17	17
Balance as at 31/03/24	(47)	(47)

### Liquidity Risk

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

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

### Refinancing and Maturity Risk

The Council maintains a substantial investment portfolio and a relatively small amount of debt. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer-term financial liabilities and longer-term financial assets. As the Council has only a small amount of debt and does not lend for periods in excess of two years, this risk is not considered significant.

### Market Risk

#### Interest Rate Risk

Upwards or downwards movements in interest rates may have a complex impact on the Council. For



instance, a rise in variable and fixed interest rates would have the following effects:

Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;

Borrowings at fixed rates – the fair value of the borrowing will fall (but no impact on revenue balances).

Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and

Investments at fixed rates – the fair value of the assets will fall (but no impact on revenue balances).

The treasury management team has an active strategy for assessing interest risk exposure that feeds into the setting of the annual budget.

### Price Risk

The Council does not invest in equity shares or marketable bonds for trading purposes and is not, therefore, exposed to losses arising from movements in prices.

### Foreign Exchange Risk

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

## Note 13. Inventories

This refers to stocks of salt and fuel held at the Dunbrik depot and wood stocks at Farningham Woods. Properties constructed for resale relates to residential properties that are built for the purposes of resale in order to fund capital schemes. Further details can be found in Note 4.1.

	Property constructed for resale		Other Inventory		Total	
	Unaudited	Unaudited	Property constructed for resale	Other Inventory	Total	Total
	2022/23	2022/23	2023/24	2023/24	Unaudited 2022/23	Unaudited 2023/24
	£'000	£'000	£'000	£'000	£'000	£'000
Balance outstanding at start of the year	18	64	148	48	82	196
Purchases	130	277	3,721	362	412	4,083
Reclassified to Inventory	-	-	7,621	-	-	7,621
Reclassified to other	-	-	(935)	-	-	(935)
Disposals	-	-	(4,846)	-	-	(4,846)
Recognised as an expense in the year	-	(293)	-	(362)	(299)	(362)
Balance outstanding at end of the year	148	48	5,709	48	196	5,757

## Note 14. Debtors

### Short Term Debtors

Unaudited		
31/03/23		31/03/24
£'000		£'000
1,390	Central Government Bodies	1,163
1,326	Other Local Authorities	1,087
513	Council Tax Payers	657
1,056	Non Domestic Rate	1,799
2,472	Other entities and individuals	2,241
<u>6,758</u>	Total	<u>6,947</u>

### Long Term Debtors

Unaudited		
31/03/23		31/03/24
£'000		£'000
5,923	Loans to Subsidiary Companies	8,523
224	Registered charges and Car Loans	188
<u>6,147</u>	Total	<u>8,711</u>

The carrying amount is also deemed to be the fair value (being the amount that the market is willing to exchange assets).

## Note 15. Cash and Cash Equivalents

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

	Unaudited	
	31/03/23	31/03/24
	£'000	£'000
Cash held by the Authority	1	0
Bank current accounts	891	637
Short-term deposits with:		
Money Market Funds	2,183	647
Total Cash and Cash Equivalents	<u>3,075</u>	<u>1,285</u>

## Note 16. Assets Held for Sale

	Unaudited	
	2022/23	2023/24
	£'000	£'000
Balance at start of the year	175	26
Purchases	-	-
Disposals	(149)	-
Net Gains/ (losses) from fair value adjustment	-	-
Assets newly classified as held for sale	-	-
Reclassifications Other	-	-
	<u>26</u>	<u>26</u>

Details of the authority's Assets Held for Sale and information about the fair value hierarchy at 31 March 2024 are as follows:

	Carrying Value	Fair Value	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	£'000	£'000	£'000	£'000	£'000
Assets held for Sale 2023/24	26	26	-	26	-
Assets held for Sale 2022/23	26	26	-	26	-
Assets held for Sale 2021/22	175	175	-	175	-
Assets held for Sale 2020/21	162	266	-	266	-
Assets held for Sale 2019/20	187	1,163	-	1,163	-

The following significant observable inputs were used to determine the level 2 fair value for Assets Held for Sale.

The fair value for the properties (at market rates) has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy. Appropriate adjustments have been made to account for planning risk and associated uncertainties where planning permission does not already exist for the highest and best use.

The fair value of the authority's Assets Held for Sale is measured annually. All valuations are carried out by external valuers in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The valuers work closely with finance officers reporting directly to the Deputy Chief Executive and Chief Officer – Finance & Trading on a regular basis regarding all valuation matters.

## Note 17. Creditors and Receipts in Advance

### Short Term Creditors

Unaudited 31/03/23 £'000		31/03/24 £'000	
( 1,039)	Central Government Bodies	( 363)	
( 808)	Other Local Authorities	( 950)	
( 1,308)	Council Tax Payers	( 40)	
( 6,262)	Non Domestic Rate	( 5,148)	
( 1,146)	Other entities and individuals	( 1,542)	
<u>( 10,562)</u>	Total	<u>( 8,043)</u>	

### Short Term Receipts in Advance

Unaudited 31/03/23 £'000		31/03/24 £'000	
( 4,047)	Central Government Bodies	( 397)	
( 801)	Other Local Authorities	( 5)	
( 304)	Council Tax Payers	( 331)	
( 484)	Non Domestic Rate	( 306)	
( 535)	Other entities and individuals	( 1,269)	
<u>( 6,171)</u>	Total	<u>( 2,309)</u>	

## Note 18. Provisions

The following provisions have been made by the Council:

The carrying amount is also deemed to be the fair value (being the amount that the market is willing to settle liabilities).

	Long Term MMI £'000	Short Term Accumulated Absences £'000	NDR Appeals £'000	Total Short Term £'000
Balance at 31 March 2023	257	268	1,748	2,016
Additional Provisions made during year	-	-	5,933	5,933
Amounts Used during the year	-	( 65)	( 5,225)	( 5,290)
Amounts reversed as not required	-	-	-	-
Balance at 31 March 2024	<u>257</u>	<u>203</u>	<u>2,456</u>	<u>2,659</u>

Municipal Mutual Insurance Limited (MMI) – MMI was the main local authority insurer for many years up until 1992 when the company failed and went into “run off”. A Scheme of Arrangement was approved in

1994 with the aim of meeting all claims and achieving a solvent run-off. For a number of years, the Administration and Creditors Committee reported that a solvent run-off was likely to be achieved and sought to sell the business to another insurer to bring the arrangement to a conclusion. The settlement of claim is dependant a court ruling as such is dependent on a future even as such due to the uncertainty regarding the MMI figures in the Financial Statements reflects the best estimate for this provision. The Accumulated Absences Provision is the opposite of the Accumulated Absences Account included in Unusable Reserves. This absorbs the difference 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 2024.

NDR Appeals – Business ratepayers can make an appeal against the rateable value attributed to their property by the Valuation Office. Changes brought about by the new Business Rates Retention scheme mean that the Council has to provide for its share of the costs arising from successful appeals.

## Note 19. Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and note 8.

## Note 20. Unusable Reserves

	Unaudited 31/03/23 £'000	Movement in Year £'000	31/03/24 £'000
Capital Adjustment Account	(29,038)	(684)	(29,722)
Revaluation Reserve	(30,371)	(17,095)	(47,466)
Accumulated Absences Account	268	(65)	203
Collection Fund Adjustment Account	(790)	1,215	425
Pensions Reserve	14,396	(4,191)	10,205
Deferred Capital Receipts Reserve	(114)	21	(93)
<b>Total Unusable Reserves</b>	<b>(45,649)</b>	<b>(20,800)</b>	<b>(66,449)</b>

### Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 8 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

## Capital Adjustment Account

Unaudited		
2022/23		2023/24
£'000		£'000
(22,832)	Balance at 1 April	(29,038)
-	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	-
669	Charges for depreciation and impairment of non current assets	1,436
(151)	Revaluation Losses on Property, Plant and Equipment	334
2,205	Revenue expenditure funded from capital under statute	6,117
-	Disposal of Inventory recognised as Capital Under Statute	-
-	Deferred Capital Receipts movement	-
882	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	5,645
<u>3,605</u>		<u>13,532</u>
-	Adjusting Amounts written out of the Revaluation Reserve	(158)
<u>3,605</u>	Net Written out amount of the cost of non current assets consumed in the year	<u>13,374</u>
	<b>Capital Financing applied in the year:</b>	
(6,787)	Use of the Capital Receipts Reserve to finance new capital expenditure	(1,282)
	Repayment of Internal borrowing from disposal in inventory	(4,087)
(129)	Repayment of Internal borrowing from revenue	(133)
(1,709)	Capital Grants and contributions credited to the Comprehensive Income and expenditure statement that have been applied to capital financing	(5,280)
-	Non-specific capital grant	-
(485)	Application of Grants to capital financing from the Capital Grants Unapplied Account	(949)
(518)	Capital Expenditure charged against the General Fund	(1,199)
(325)	Statutory provision for the repayment of debt	(672)
<u>(9,953)</u>		<u>(13,602)</u>
143	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement	(457)
<u>(29,038)</u>	Balance at 31 March	<u>(29,722)</u>

## Revaluation Reserve

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

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

- disposed of and the gains are realised.

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

Unaudited 2022/23			2023/24	
£'000	£'000		£'000	£'000
	(22,298)	Balance at 1 April		(30,371)
(8,216)		Upward Revaluation of Assets	(17,306)	
-		Downward Revaluation of Assets and impairment losses not charged to Surplus Deficit on the Provision of Services	53	
(8,216)	(8,216)	Surplus/(Deficit) on revaluation of non- current assets not posted to the Surplus or Deficit on Provision of Services	(17,253)	(17,253)
	143	Difference between fair value depreciation and historical cost depreciation		158
	-	Accumulated gains on assets sold or scrapped		-
	(30,371)	<b>Balance at 31 March</b>		<b>(47,466)</b>

#### 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.

Unaudited 2022/23			2023/24
£'000			£'000
327		Balance at 1 April	268
-		Settlement or cancellation of accrual made at the end of previous year	-
(59)		Amounts accrued at the current year end	(65)
-		Expenditure Statement on an accruals basis is different from remuneration	-
268		<b>Balance at 31 March</b>	<b>203</b>

#### 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 and non-domestic rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

Unaudited		2023/24
2022/23		£'000
£'000		£'000
3,279	Balance at 1 April	(790)
	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	1,215
(4,069)		
(790)	Balance at 31 March	425

### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority 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 shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Unaudited		2023/24
2022/23		£'000
£'000		£'000
72,671	Balance at 1 April	14,396
(62,180)	Actuarial Gains/(Losses) on pensions assets and liabilities	(3,339)
	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	3,449
8,107		
(4,202)	Employer's pensions contributions and direct payments to pensioners payable in the year	(4,301)
14,396	Balance at 31 March	10,205

### Deferred Capital Receipts Reserve

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



Unaudited 2022/23 £'000		2023/24 £'000
(127)	Balance at 1 April	(114)
13	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure statement	21
-	Transfer to the Capital receipts reserve upon receipt of cash	-
(114)	Balance at 31 March	(93)

## Note 21. Cash Flow Statement – Operating Activities

Adjustments to net surplus or deficit on the provision of services for non-cash movements:

Unaudited 2022/23 £'000		2023/24 £'000
(668)	Depreciation	(1,436)
(150)	Impairment and downward valuations	123
-	Amortisation	-
59	Increase/(Decrease) in impairment provision for bad debts	(141)
3,694	(Increase)/Decrease in creditors	686
(1,591)	Increase/(Decrease) in debtors / payments in advance	653
114	Increase/(Decrease) in stock	5,561
(3,905)	Pension liability	852
(867)	Carrying amount of non-current assets sold	(799)
974	Other non-cash items charged to the net surplus or deficit on the provision of services	(14,817)
(2,340)	<b>Net cashflows from operating activities</b>	<b>(9,318)</b>

Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:

Unaudited 2022/23 £'000		2023/24 £'000
-	Purchase of short-term and long-term investments	-
1,884	Proceeds from short-term and long-term investments	2,485
2,224	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,502
4,108		3,987

The cash flows for operating activities include the following items:

Unaudited 2022/23 £'000		2023/24 £'000
( 587)	Interest received	( 1,047)
258	Interest paid	376

#### Note 22. Cash Flow Statement – Investing Activities

Unaudited 2022/23 £'000		2023/24 £'000
10,283	Purchase of property, plant & equipment, investment property and intangible assets	3,642
6,500	Purchase of short term and long term investments	4,918
-	Other payments for investing activities	-
( 2,135)	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	( 1,262)
( 8,339)	Proceeds from sale of short-term and long-term investments	( 638)
( 1,543)	Other receipts from investing activities	( 1,826)
<u>4,766</u>	<b>Net Cash Flow from Investing activities</b>	<u>4,834</u>

#### Note 23. Cash Flow Statement – Financing Activities

Unaudited 2022/23 £'000		2023/24 £'000
( 1,500)	Cash receipts of short and long term borrowing	( 927)
-	Other receipts from financing activities	( 17)
( 13)	Cash receipts for finance leases	( 20)
( 816)	Other payments for financing activities	<u>2,030</u>
<u>( 2,329)</u>	<b>Net Cash Flow from Financing activities</b>	<u>1,066</u>

## Note 24. Segmental Reporting and Reconciliation to Subjective Analysis

The Council is required to present information on reportable segments. Reporting segments are to be based on an authority's internal management reporting arrangements. The segments are based on Chief Officer responsibilities.

### Note 24.a Subjective Reporting by Chief Officer segments.

	People & Places £'000	Customer & Resources £'000	Assistant Chief Executive £'000	Strategic Property £'000	Finance & Trading £'000	Planning & Regulatory Services £'000	Total £'000
<b>Chief Officer Income and Expenditure 2022/23 Unaudited</b>							
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Service Income	(1,876)	(902)	(69)	(310)	(7,024)	(3,214)	(13,395)
Grants	(468)	(18,823)	-	-	(175)	379	(19,087)
<b>Total Income</b>	<b>(2,344)</b>	<b>(19,725)</b>	<b>(69)</b>	<b>(310)</b>	<b>(7,199)</b>	<b>(2,835)</b>	<b>(32,482)</b>
Employee Expenses	1,719	2,871	1,353	962	6,018	3,663	16,586
Other Service Expenses	2,506	20,867	392	1,006	7,933	1,274	33,978
<b>Total Expenditure</b>	<b>4,225</b>	<b>23,738</b>	<b>1,745</b>	<b>1,968</b>	<b>13,951</b>	<b>4,937</b>	<b>50,564</b>
<b>Net Expenditure</b>	<b>1,881</b>	<b>4,013</b>	<b>1,676</b>	<b>1,658</b>	<b>6,752</b>	<b>2,102</b>	<b>18,082</b>
<b>Chief Officer Income and Expenditure 2023/24</b>							
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Service Income	(4,118)	549	(604)	(183)	(7,289)	(3,137)	(14,782)
Grants	823	(19,892)	145	-	(103)	246	(18,781)
<b>Total Income</b>	<b>(3,295)</b>	<b>(19,343)</b>	<b>(459)</b>	<b>(183)</b>	<b>(7,392)</b>	<b>(2,891)</b>	<b>(33,563)</b>
Employee Expenses	1,791	2,933	1,015	1,446	6,308	3,928	17,421
Other Service Expenses	4,012	20,914	1,242	693	8,463	1,601	36,925
<b>Total Expenditure</b>	<b>5,803</b>	<b>23,847</b>	<b>2,257</b>	<b>2,139</b>	<b>14,771</b>	<b>5,529</b>	<b>54,346</b>
<b>Net Expenditure</b>	<b>2,508</b>	<b>4,504</b>	<b>1,798</b>	<b>1,956</b>	<b>7,379</b>	<b>2,638</b>	<b>20,785</b>

Reporting is made to Chief Officers and Members on the above segmental basis.

### Note 24.b Reconciliation of Chief Officer Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

The reconciliation shows how the figures in the analysis of income and expenditure related to the amounts included in the Comprehensive Income and Expenditure Statement.

Unaudited 2022/23 £'000		2023/24 £'000
18,217	Net Expenditure in Chief Officer Analysis	20,785
2,507	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	1,421
-	Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement.	-
<u>20,724</u>	Cost of Services in Comprehensive Income and Expenditure Statement	<u>22,206</u>

## Note 24.c Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of Chief Officer income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

Unaudited Reconciliation to Subjective Analysis 2022/23	Chief Officer Analysis £'000	Amounts not reported to manage- ment £'000	Amounts not included in I&E £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, Charges & Other Service Inc.	( 13,396)	( 6,712)	-	( 20,108)	-	( 20,108)
Interest Income	-	-	-	-	( 587)	( 587)
Investment Income	-	-	-	-	( 1,555)	( 1,555)
Disposal of Items of Property Plant & Equipment	-	-	-	-	-	-
Income from Council Tax and NDR	-	-	-	-	( 16,180)	( 16,180)
Movement on Fair Value of Investment Property	-	-	-	-	127	127
Government Grants and Contributions	( 19,087)	-	-	( 19,087)	( 5,055)	( 24,142)
Capital Grants and Contributions	-	( 2,103)	-	( 2,103)	( 1,117)	( 3,220)
<b>Total Income</b>	<b>( 32,483)</b>	<b>( 8,815)</b>	<b>-</b>	<b>( 41,298)</b>	<b>( 24,367)</b>	<b>( 65,665)</b>
Employee Expenses	16,586	2,084	-	18,670	1,836	20,506
Other Service Expenses	33,977	8,305	-	42,282	-	42,282
Depreciation, amortisation and Impairment	-	654	-	654	-	654
Interest Payments & similar payments	-	( 34)	-	( 34)	258	224
Precepts & Levies	-	-	-	-	4,977	4,977
Appropriations from Capital Reserve	-	-	-	-	-	-
Gain or loss on disposal of non current assets	-	-	-	-	( 1,111)	( 1,111)
Capital Grants and Contributions	-	-	-	-	-	-
<b>Total Expenditure</b>	<b>50,563</b>	<b>11,009</b>	<b>-</b>	<b>61,572</b>	<b>5,960</b>	<b>67,532</b>
services	18,080	2,194	-	20,274	( 18,407)	1,869

## Reconciliation to Subjective Analysis (Cont).

Reconciliation to Subjective Analysis 2023/24	Chief Officer Analysis £'000	Amounts not reported to manage- ment £'000	Amounts not included in I&E £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, Charges & Other Service Inc.	( 14,782)	( 6,860)	-	( 21,642)	-	( 21,642)
Interest Income	-	-	-	-	( 1,014)	( 1,014)
Investment Income	-	-	-	-	( 1,847)	( 1,847)
Disposal of Items of Property Plant & Equipment	-	-	-	-	( 684)	( 684)
Income from Council Tax and NDR	-	-	-	-	( 20,733)	( 20,733)
Movement on Fair Value of Investment Property	-	-	-	-	( 457)	( 457)
Government Grants and Contributions	( 18,780)	-	-	( 18,780)	( 1,371)	( 20,151)
Capital Grants and Contributions		( 3,822)		( 3,822)	( 1,318)	( 5,140)
<b>Total Income</b>	<b>( 33,562)</b>	<b>( 10,682)</b>	<b>-</b>	<b>( 44,244)</b>	<b>( 27,425)</b>	<b>( 71,669)</b>
Employee Expenses	17,421	( 1,429)	-	15,992	590	16,582
Other Service Expenses	36,925	12,125	-	49,050	-	49,050
Depreciation, amortisation and Impairment	-	1,439	-	1,439	-	1,439
Interest Payments & similar payments	-	( 34)	-	( 34)	376	342
Precepts & Levies	-	-	-	-	5,231	5,231
Appropriations from Capital Reserve	-	-	-	-	246	246
Gain or loss on disposal of non current assets	-	-	-	-	-	-
Capital Grants and Contributions	-	-	-	-	-	-
<b>Total Expenditure</b>	<b>54,346</b>	<b>12,101</b>	<b>-</b>	<b>66,447</b>	<b>6,443</b>	<b>72,890</b>
(Surplus) or deficit on the provision of services	20,784	1,419	-	22,203	( 20,982)	1,223

## Note 24.d Expenditure and Income analysed by nature.

Unaudited		
2022/23	Expenditure and Income analysed by nature	2023/24
£'000		£'000
	<b>Expenditure</b>	
20,506	Employee Benefit Expenses	16,582
42,282	Other Service Expenses	49,050
654	Depreciation, amortisation and impairment	1,439
-	Loss on Disposal of non current assets	-
224	Interest payments	342
4,977	Precepts and levies	5,231
-	Appropriations from Capital Reserve	246
<u>68,643</u>	<b>Total Expenditure</b>	<u>72,890</u>
	<b>Income</b>	
(20,108)	Fees and Charges and other service income	(21,642)
(16,180)	Income from Council Tax and Business Rates	(20,733)
(24,142)	Government Grants and contributions	(20,151)
(2,142)	Interest and Investment income	(2,861)
(1,111)	Gain on disposal of non current assets	(684)
127	Movement on Fair Value of Investment Property	(457)
(3,220)	Capital Grants and Contributions	(5,140)
<u>(66,776)</u>	<b>Total Income</b>	<u>(71,669)</u>
<u>1,869</u>	<b>Net Service cost/income</b>	<u>1,223</u>

## Note 24.e Segmental Income and Expenditure

Income and expenditure on a segmental basis							
Unaudited 2022/23	People & Places	Customer & Resources	Assistant Chief Executive	Strategic Property	Finance & Trading	Planning & Regulatory Services	Total
<b>Expenditure</b>							
Employee Benefit Expenses	1,861	3,196	1,479	1,042	6,957	4,135	<b>18,670</b>
Other Service Expenses	5,402	18,059	1,024	417	13,317	4,062	<b>42,281</b>
Depreciation, amortisation & impairment	185	100	-	9	360	-	<b>654</b>
Interest payments	-	-	-	-	(34)	-	<b>(34)</b>
Total Segmental Expenditure	<u>7,448</u>	<u>21,355</u>	<u>2,503</u>	<u>1,468</u>	<u>20,600</u>	<u>8,197</u>	<b>61,571</b>
<b>Income</b>							
Fees and Charges and other service income	(1,856)	(911)	(72)	(523)	(13,531)	(3,214)	<b>(20,107)</b>
Benefits and other Gov. grants	(2,105)	(18,823)	-	-	(175)	(87)	<b>(21,190)</b>
Total Segmental Income	<u>(3,961)</u>	<u>(19,734)</u>	<u>(72)</u>	<u>(523)</u>	<u>(13,706)</u>	<u>(3,301)</u>	<b>(41,297)</b>
Net Segmental Expenditure	3,487	1,621	2,431	945	6,894	4,896	<b>20,274</b>
Reconciliation to CIES							
Other Income and Expenditure not segmentally reported							<b>(18,406)</b>
Net Service Expenditure							<b>1,868</b>

## Note 24.e Segmental Income and Expenditure (cont)

Income and expenditure on a segmental basis							
2023/24	People & Places	Customer & Resources	Assistant Chief Executive	Strategic Property	Finance & Trading	Planning & Regulatory Services	Total
<b>Expenditure</b>							
Employee Benefit Expenses	1,657	2,949	1,364	935	5,321	3,768	15,994
Other Service Expenses	8,150	17,602	1,409	1,152	14,186	6,550	49,049
Depreciation, amortisation & impairment	623	100	-	18	699	-	1,440
Interest payments	-	-	-	-	(34)	-	(34)
<b>Total Segmental Expenditure</b>	<b>10,430</b>	<b>20,651</b>	<b>2,773</b>	<b>2,105</b>	<b>20,173</b>	<b>10,318</b>	<b>66,450</b>
<b>Income</b>							
Fees and Charges and other service income	(4,094)	381	(186)	(756)	(13,850)	(3,137)	(21,642)
Benefits and other Gov. grants	(2,324)	(19,892)	-	-	(103)	(284)	(22,603)
<b>Total Segmental Income</b>	<b>(6,418)</b>	<b>(19,511)</b>	<b>(186)</b>	<b>(756)</b>	<b>(13,953)</b>	<b>(3,421)</b>	<b>(44,245)</b>
<b>Net Segmental Expenditure</b>	<b>4,012</b>	<b>1,140</b>	<b>2,587</b>	<b>1,349</b>	<b>6,220</b>	<b>6,897</b>	<b>22,205</b>
Reconciliation to CIES							
Other Income and Expenditure not segmentally reported							(20,982)
Net Service Expenditure							<u>1,223</u>

## Note 25. Members' Allowances

The authority paid the following amounts to Members of the Council during the year:

Unaudited		
2022/23		2023/24
£'000		£'000
438	Allowances	458
4	Expenses	5
<u>442</u>	<b>Total</b>	<u>463</u>



## Note 26. Officers' Remuneration

The remuneration paid to the Authority's senior employees, being the Head of Paid Service and those officers reporting directly to him, was as follows.

Unaudited 2022/23	Salary £	Bonuses £	Com- pensation Loss of employment £	Pension £	Other Emol- uments £	Total £
Chief Executive - Pav Ramewal	166,315	4,002	-	31,849	-	<b>202,167</b>
Deputy Chief Executive and Chief Officer Finance & Trading	113,370	2,561	-	21,679	-	<b>137,611</b>
Deputy Chief Executive and Chief Officer Customer & Resources	113,370	2,561	-	21,679	230	<b>137,841</b>
Deputy Chief Executive and Chief Officer People & Places	113,370	2,561	-	21,679	-	<b>137,611</b>
Deputy Chief Executive and Chief Officer Planning & Regulatory Services	113,370	2,561	-	21,679	-	<b>137,611</b>
Assistant Chief Executive Transformation and Strategy	97,364	2,161	-	18,611	370	<b>118,506</b>
Strategic Head of Property & Commerical Economic Development and Property	105,776	1,971	-	20,149	-	<b>127,896</b>
Head of Legal & Democratic Services	86,244	1,774	-	16,459	-	<b>104,477</b>

2023/24	Salary £	Bonuses £	Com- pen- sation Loss of employment £	Pension £	Other Emol- uments £	Total £
Chief Executive - Pav Ramewal	172,164	4,142	-	36,672	8,116	<b>221,093</b>
Deputy Chief Executive and Chief Officer Finance & Trading	117,384	2,651	-	24,967	-	<b>145,002</b>
Deputy Chief Executive and Chief Officer Customer & Resources	117,384	2,651	-	24,967	399	<b>145,401</b>
Deputy Chief Executive and Chief Officer People & Places	117,384	2,651	-	24,967	-	<b>145,002</b>
Deputy Chief Executive and Chief Officer Planning & Regulatory Services	117,384	2,651	-	24,967	-	<b>145,002</b>
Assistant Chief Executive Transformation and Strategy	101,144	2,245	-	21,505	399	<b>125,293</b>
Strategic Head of Property & Commerical Economic Development and Property	108,984	2,048	-	23,095	-	<b>134,127</b>
Head of Legal & Democratic Services	89,590	1,843	-	19,018	-	<b>110,451</b>

The Chief Executive receives other payments for being the Deputy Returning Officer at elections.

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

Remuneration Bands		
Unaudited Number of Employees		Number of Employees
2022/23		2023/24
13	50,000 - 55,000	<b>8</b>
8	55,001 - 60,000	<b>9</b>
5	60,001 - 65,000	<b>8</b>
2	65,001 - 70,000	<b>1</b>
1	70,001 - 75,000	<b>1</b>
1	75,001 - 80,000	<b>3</b>
-	80,001 - 85,000	-
3	85,001 - 90,000	<b>1</b>
-	90,001 - 95,000	<b>1</b>
-	95,001 - 100,000	-
-	100,001 - 105,000	-

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	Unaudited		Unaudited		Unaudited		Unaudited	
	22/23	23/24	22/23	23/24	22/23	23/24	22/23 £'000	23/24 £'000
£0 - £20,000	1	1	10	7	11	8	51	44
£20,001 - £40,000	1	2	-	-	1	2	25	49
£40,001 - £60,000	1	-	-	-	1	-	40	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
Over £100k	-	-	-	-	-	-	-	-
<b>Total</b>	<b>3</b>	<b>3</b>	<b>10</b>	<b>7</b>	<b>13</b>	<b>10</b>	<b>116</b>	<b>93</b>

## Note 27. External Audit Fees

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

Unaudited 2022/23 £'000		2023/24 £'000
	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor	152
-	Fees Payable to external auditors in respect of statutory inspections	-
	Fees payable to external auditors for the certification of grant claims and returns	36
-	Fees payable in respect of other services provided by external auditors during the year	-
	Other - Prior Year Charges	39
<u>80</u>	Total	<u>226</u>

## Note 28. Grant income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure statement:

Unaudited 2022/23 £'000		2023/24 £'000
	<b>Credited to Taxation and Non Specific Grant Income</b>	
(3,015)	S31 Small Business Rate Reduction (DLUHC)	(2,357)
(810)	New Homes Bonus (DLUHC)	(184)
(4,717)	Community Infrastructure Levy	(1,318)
(75)	S31 Council Tax Family Annexes (DLUHC)	-
(295)	Energy Rebate (Discretionary)	(103)
(4,157)	Energy Rebate (Non Discretionary)	(27)
(215)	Energy Bills Support Scheme	(56)
(12)	Alternative Fuels Payment	(50)
<u>(13,295)</u>	<b>Total</b>	<u>(4,095)</u>
	<b>Credited to Services</b>	
(18,458)	Benefit Subsidy (DWP)	(18,107)
	Funding Guarantee	(908)
(49)	Ex Offenders Grant (AFEO)	(4)
-	Better Care Fund (was Disabled Facilities Grant) (KCC)	-
	Council Tax Admin	(158)
(14)	Council Tax Hardship Fund (MHCLG)	(131)
(334)	Housing Benefit Administration (DWP)	(371)
-	Flexible Homelessness (DLUHC)	-
(427)	Housing Support (KCC/Other LA)	(353)
(165)	New Burdens	(122)
(95)	Contain Outbreak Managemnet (KCC)	(9)
(989)	Homelessness (MHCLG/KCC)	(1,448)
(122)	Choosing Health PCT (KCC)	(128)
-	Sports England	(132)
(105)	Lower Tier Services Grant	-
(159)	Services Grant	(93)
(0)	Net Zero	(92)
(30)	Communities against Drugs (KCC/PCC)	(40)
(34)	Domestic Abuse Grant	(38)
(150)	Cyber Support Grant BEIS)	-
(45)	Home Upgrade Fund (BEIS)	(64)
(162)	Other	(403)
<u>(21,339)</u>	<b>Total</b>	<u>(22,602)</u>

## Breakdown of Business Rates Grants

Unaudited		
2022/23		2023/24
£'000		£'000
	<b>Business Rates</b>	
141	NNDR Safety Net/Levy	1,228
(123)	NNDR Pool Growth	(91)
(2,038)	NNDR Net (Surplus)/Deficit	100
<u>(2,019)</u>	Total	<u>1,237</u>

The authority receives 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 giver if conditions are not met. The balances at year-end are as follows:

Unaudited		
2022/23		2023/24
£'000		£'000
	<b>Capital Grants Receipts in Advance</b>	
(328)	Better Care Fund (KCC)	(598)
(338)	Home Upgrade Grant £403k -(BEIS)	(65)
(22)	UK Shared Prosperity Fund	(7)
(841)	Local Authority Housing Fund	(1,855)
-	KCC Local Authority Housing Fund	(1,397)
(1,215)	Brownfield Land Release Fund	(1,215)
-	Rural England Prosperity Fund	(42)
(8)	Regional Housing Pot (KCC/MHCLG)	(8)
<u>(2,751)</u>	Total	<u>(5,187)</u>

Unaudited		
2022/23		2023/24
£'000		£'000
	<b>Revenue Grants Receipts in Advance</b>	
(1,212)	Section 106 receipts	(446)
<u>(1,212)</u>	Total	<u>(446)</u>

## Note 29. Related Party Transactions

The Authority 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 Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants, and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in note 24 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2024 are shown in note 28.

### Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2023/24 is shown in note 25. Returns were obtained from Members in respect of the 2023/24 financial year requesting details of any transactions that had taken place between them or close family members and the Council. For all the organisations listed in the table below the relationship to the organisation was that the member was in a position of general control or management.

Related party disclosure forms were sent to all members and chief officers who had served during the year and all forms were completed and returned.

Table 1: Income and Expenditure

Unaudited						
2022/23			Organisation	2023/24		
Paid to (Supplier)	Received From (Customer)	Balance at 31/03/23		Paid to (Supplier)	Received From (Customer)	Balance at 31/03/24
£'000	£'000	£'000	£'000	£'000	£'000	£'000
4	0	2	POS Enterprises Ltd	4	0	0
7	0	0	Farningham Parish Council	0	0	0
1	0	0	Kent Fire & Rescue	1	0	0
45	0	0	Stag Community Arts Centre	17	5	0
188	14	0	Swanley Town Council	201	13	0
82	6	6	Sencio Community Leisure	0	0	0
201	83	0	Sevenoaks Town Council	0	0	0
3	0	0	Sevenoaks District Arts Council	3	0	0
0	0	0	Sevenoaks Christian Counselling Service	2	0	0
31	6	0	Hartley Parish Council	1	8	0
93	0	0	Citizens Advice North & West Kent	0	0	0
0	0	0	Kent Police & Crime Commissioner	4	68	0
0	0	0	West Heath School	0	2	0
0	0	0	Swanley & District Food Bank	4	0	0

The Register of Members' Interests is open to public inspection.

### **Senior Officers**

Senior officers of the Council have control over the day-to-day management of the authority. The Chief Executive and Chief Officers are required to declare any related party transactions. Three officers are Directors of Quercus 7 Limited and Quercus Housing Limited, and the Monitoring Officer is the Company Secretary. There have been no material transactions with any entity that is a related party through senior officer individuals for 2023/24 or 2022/23 other than Quercus 7 and Quercus Housing.

### **Kent County Council pension fund**

See note 34.

### **Quercus 7 Limited**

Council on 31 March 2015 authorised the incorporation of a company and this was incorporated on 31 December 2015 (Quercus7 Limited Number 09933195). Three Chief Officers were appointed as Directors and there are two Non-Executive Directors. The trading activities of the company are overseen by the Cabinet. The Articles of Association state that there can only be one shareholder and is defined as all the Members of SDC. The liability of the Council is limited to the nominal of its share capital.

The Company will enable the Council to operate property development on a commercial basis as well as allowing the Council to invest in residential property to be leased.

During the year the company were given credit facilities for business expenses totalling £34,995. Quercus 7 Limited. Secured long term borrowing remained at £5.92m.

### **Quercus Housing Limited**

Council on 21 November 2017 authorised the incorporation of a company and this was incorporated on 13 April 2018 (Quercus Housing Limited Number 11307980). Three Chief Officers were appointed as Directors and there are two Non-Executive Directors. The trading activities of the company are overseen by the Cabinet. The company is limited by guarantee.

Sevenoaks District Council has ultimate control over the activities of the Company and the Company's operational matters. The Company will enable the Council to operate develop affordable housing using Section 106 receipts. The Company has no commercial properties.

During the year the company were given credit facilities for business expenses totalling £244,530. Also secured long-term borrowing of £2.6m was provided.

The table below sets of the transactions between the Council and Subsidiaries and the balances held by the Subsidiary at year end.



Transaction and balances	Quercus 7		Quercus Housing	
	Unaudited 2022/23 £'000	2023/24 £'000	Unaudited 2022/23 £'000	2023/24 £'000
Transactions during the year				
Expenses	-	38	-	67
Income	-	-	-	-
	-	-	-	-
Balances held at year end	-	-	-	-
Fixed Assets	10,723	10,791	6,496	11,145
Debtors	28	31	18	38
Creditors	35	39	305	241
Group Undertakings	-	-	-	-
Loans	5,923	5,923	-	2,600
Share Capital	3,991	3,991	-	-
S106 and grant funding	-	-	6,176	8,574
	20,701	20,776	12,996	22,599

### Note 30. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the authority that has yet to be financed. The Capital Financing Requirement is analysed in the second part of this note.

Unaudited 2022/23 £'000		2023/24 £'000
<b>(48,657)</b>	<b>Opening Capital Financing Requirement</b>	<b>( 51,334)</b>
	Capital Investment:	
6,841	Property Plant and Equipment	2,019
130	Inventory	3,721
3,442	Investment Properties	-
-	Long term debtors relating to capital	2,600
2,205	Revenue Expenditure Funded from Capital under Statute	6,117
-	Investments	-
<b>12,618</b>		<b>14,457</b>
	<b>Sources of Finance:</b>	
(6,787)	Capital Receipts	( 1,282)
(2,194)	Government Grants and other contributions	( 6,229)
(505)	Sums set aside from revenue	( 1,199)
(130)	Repayment of Internal Borrowing	( 4,219)
<b>(9,616)</b>		<b>( 12,929)</b>
<b>325</b>	MRP for the year	<b>672</b>
<b>( 51,334)</b>	Closing Capital Financing Requirement	<b>( 52,190)</b>

## Note 31 Leases

### Leases Authority as Lessee

In 2014/15 the Council entered into an operating lease for land adjacent to 66 London Road Sevenoaks (the 'Top Car Park'). This lease is for 15 years.

In 2018/19 the Council entered into an operating lease for bottled water for Argyle Road. The lease is for 3 years.

Payments under operating leases for the car park and vending equipment during the year amounted to £53,757 (£53,160 in 2022/23).

Unaudited 31/03/23 £'000		31/03/24 £'000
	Minimum Lease Payments	
53	Not later than one year	62
222	Later than one year and not later than five years	184
-	Later than five years	-
<b>276</b>	<b>Total</b>	<b>246</b>

Unaudited			
31/03/23			31/03/24
£'000	Minimum Lease Payments		£'000
276	Minimum Lease payments		246
-	Contingent Rents		-
-	Sublease Payments Receivable		-
<u>276</u>	Total		<u>246</u>

There were no contingent rents payable for the period.

### Authority as Lessor

The Council operate a number of properties where it is the Lessor. The future income receivable under non-cancellable leases is detailed below.

Unaudited			
31/03/23			31/03/24
£'000			£'000
1,212	Not later than one year		1,613
3,177	Later than one year and not later than five years		4,446
5,562	Later than five years		5,139
<u>9,951</u>			<u>11,198</u>

The lease payments receivable do not include rents that are contingent on events taking place after the leases were entered into such as adjustments following rent reviews.

The Council also owns various smaller leases including estate shops and some leisure establishments. The future rentals are not listed here as they are not considered to be material.

### Finance Leases Authority as Lessee

In 2023/24 the Council entered into a finance lease for waste collection vehicles with direct services. These leases are for 3 years with an option to buy.

Payments under finance leases the year amounted to £359,000 (£0 in 2022/23).

These assets are recognised within Property, Plant and Equipment on the Balance sheet.

The minimum lease payments are payable over the following periods.

Unaudited			
31/03/23			31/03/24
£'000			£'000
-	Not later than one year		391
-	Later than one year and not later than five years		1,254
-	Later than five years		-
<u>-</u>			<u>1,646</u>

## Finance Lease Liability

Unaudited		
31/03/23		31/03/24
£'000		£'000
	Finance Lease Liabilities	
-	- Current (Not later than one year)	372
-	- Non-current (Later than one year)	1,093
-	Finance Costs Payable in Future Years	180
-	Minimum Lease Payments	1,646

There were no contingent rents payable for the period.

## Authority as Lessor

The Authority has classified one lease it has granted, as a finance lease. This is due to the length of the lease agreement in relation to the asset's useful life at the inception of the lease, and the value of lease payments to asset value. The Authority recognises a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Authority in future years while the debtor remains outstanding. The gross investment is made up of the following amounts.

Unaudited		
31/03/23		31/03/24
£'000		£'000
129	Net Investment in the lease	111
38	Unearned Finance Income	17
31	Estimated Residual value	31
<b>198</b>	<b>Gross Investment In the Lease</b>	<b>159</b>

Unaudited		
31/03/23		31/03/24
£'000		£'000
<b>The gross investment in the lease will be received over the following periods.</b>		
36	Not later than one year	35
162	Later than one year and not later than 5 years	124
-	Later than 5 years	-
<b>198</b>	<b>Total</b>	<b>159</b>
<b>The minimum lease payments will be received over the following periods.</b>		
7	Not later than one year	7
16	Later than one year and not later than 5 years	23
-	Later than 5 years	-
<b>23</b>	<b>Total</b>	<b>30</b>

No contingent rents were received in the period.

## Note 32. Impairment Losses

The physical obsolescence is considered by the professional valuer in the valuation of the assets and investment property and that is reflected in the accounting entries. During 2023/24 there were no specific impairment events that affected the Council's property assets.

## Note 33. Termination Benefits

The Authority terminated the contracts of 10 employees in 2023/24, incurring costs of £93,003 (£115,740 in 2021/22) – see note 26 for the number of exit packages and total cost per band.

## Note 34. Defined Benefit Pension Schemes

### Participation in Pension Schemes

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

### Characteristics of the Defined Benefit Scheme

The Authority participates in the Local Government Pension Scheme, administered by Kent County Council. This is a funded career average (CARE) 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.

Participation in a defined benefit pension scheme means that the Authority is exposed to a number of risks, statutory changes to the scheme, change to inflation, bond yields and the performance of the equity investments held by the scheme.

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

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

### **Pension related judgements**

The figures represented with these Financial Statements reflect the judgements and their impact on the Pension Fund and accordingly the effect on Sevenoaks District Council.

McCloud / Sargeant

The "Sargeant Pension Judgement," also often referred to as the "McCloud/Sargeant Judgement," is a 2018 Court of Appeal ruling that found the transitional protection arrangements within the Firefighters' Pension Scheme (where "Sargeant" represents a claimant) to be discriminatory against younger members, essentially stating that the protection offered to older members in the scheme constituted unlawful age discrimination; this ruling applied to other public sector pension schemes as well, including the Judges' Pension Scheme (represented by "McCloud") and impacted how pension reforms were implemented in 2015 across various public sector scheme. The government has implemented changes to public sector pensions to remedy this discrimination

### **Transactions relating to Post Employment Benefits**

The Authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on cash payable in the year, so the real cost of post-employment benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure statement and the General Fund balance via the Movement in Reserves Statement during the year:

Unaudited 2022/23 £'000		2023/24 £'000
	<b>Comprehensive Income and Expenditure Statement</b>	
	Cost of Services	
	Service cost comprising:	
6,198	Current Service cost	2,750
-	Past Service costs	-
1,909	Net Interest Expense (includes administration expense)	699
8,107	Total post-employment benefits charged to the Surplus or Deficit on the Provision of Services	3,449
	Other post employment charged to the Comprehensive Income and Expenditure Statement	
	Remeasurement of the net defined liability comprising:	
1,549	Return on plan assets (excluding the amount included in the net interest expense)	1,255
(413)	Other actuarial (gains)/losses on assets	-
(5,311)	Actuarial (gains) and losses arising on change in demographic assumptions	(1,907)
(74,010)	Actuarial (gains) and losses arising on changes in financial assumptions	(3,047)
16,005	Experience Loss	360
(62,180)	Total post employment benefits charged to the Comprehensive Income and Expenditure statement	(3,339)
	<b>Movement in Reserves Statement</b>	
	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefit in accordance with the Accounting Code of Practice	
8,107	Actual Amount charged against the General Fund balance for pensions in the year	3,449
4,202	Employers contributions payable to the scheme	4,301

#### Pension Assets and Liabilities recognised in the balance Sheet.

Unaudited 2022/23 £'000		2023/24 £'000
	<b>Present value of the Defined Obligations</b>	
(133,903)	Present value of Funded Liabilities	(133,613)
(1,301)	Present Value of Unfunded Liabilities	(1,173)
(135,204)	Total Defined Benefit Obligation	(134,786)
120,808	Fair Value of plan assets (at bid value)	124,581
(14,396)		(10,205)

## Reconciliation of movements in the fair value of scheme assets

Unaudited 2022/23 £'000		2023/24 £'000
119,312	Opening fair value of scheme assets	120,808
3,097	Interest on assets	5,783
(1,549)	Return on assets less interest	(1,255)
413	Other actuarial gains/(losses)	-
(73)	Administration expense	(109)
4,202	Contributions from employer	4,301
956	Contributions from scheme participants	961
(5,550)	Estimated benefits paid plus unfunded net of transfers in	(5,908)
<u>120,808</u>	Closing Value of scheme assets	<u>124,581</u>

## Reconciliation of the movements in defined benefit obligation

Unaudited 2022/23 £'000		2023/24 £'000
191,983	Opening Defined Benefit Obligation	135,204
6,198	Current Service Cost	2,750
4,933	Interest Cost	6,373
(74,010)	Change in Financial Assumptions	(3,047)
(5,311)	Change in Demographic assumptions	(1,907)
16,005	Experience loss/(gain) on defined benefit obligation	360
(5,400)	Estimated benefits paid net of transfers in	(5,751)
-	Past service costs including curtailments	-
956	Contributions by scheme participants	961
(150)	Unfunded pension payments	(157)
<u>135,204</u>	Closing Defined Benefit Obligation	<u>134,786</u>

## Scheme Assets

The scheme's assets consist of the following categories, by proportion of the total assets held:

31/03/23 %		31/03/24 %
64	Equity investments	58
1	Gilts	7
13	Bonds	14
10	Property	9
2	Cash	2
7	Absolute Return Fund	5
3	Infrastructure	5
<u>100</u>	Total	<u>100</u>

## Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Kent County Council Fund liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 31 March 2024.



The principal assumptions used by the actuary have been:

Unaudited		
2022/23		2023/24
	Mortality Assumptions:	
	Longevity at 65 for current pensioners	
21.1	Men	20.8
23.5	Women	23.3
	Longevity at 65 for future pensioners	
22.3	Men	22.0
25.0	Women	24.7
	Financial Assumptions	
2.95%	Rate of Inflation (CPI)	2.90%
3.95%	Rate of increase in salaries	3.90%
2.95%	Rate of increase in pensions	2.90%
4.80%	Rate for discounting scheme liabilities	4.90%
50.00%	Take-up of option to convert annual pension into retirement lump sum	50.00%

Barnett Waddingham estimate the duration of SDC's Employers liabilities at 16 years and the Rate of Inflation (RPI) was 3.25%.

### Return on Assets

The return on the Fund (on a bid value basis) for the year to 31 March 2024 is calculated to be 3.76% based on the Fund asset statements and Fund cashflows. The Employer's share of the assets of the Fund is approximately 1.53%

### Sensitivity Analysis

The estimation of the defined Benefit Obligation is sensitive to actuarial assumptions. The financial impact on the Defined Benefit Obligation in the scheme to variances in those assumptions are given in the following table. These assumptions are based on the present value of the total obligation of £135m.

	Increase of 0.5% £'000	Decrease of 0.5% £'000
Adjustment to discount rate		
Present value of total obligation	125,281	145,549
Projected Service Cost	2,182	3,037
Adjustment to long term salary increase		
Present value of total obligation	135,562	134,040
Projected Service Cost	2,583	2,566
Adjustment to pensions increases and deferred revaluation		
Present value of total obligation	144,939	125,809
Projected Service Cost	3,050	2,169
	Increase 1	Decrease 1
Adjustment to mortality age rating assumptions	year	year
Present value of total obligation	140,522	129,313
Projected Service Cost	2,675	2,477

#### Projected Pension Expense for the year to 31 March 2025

	2023/24 Projection £'000
Service Cost	2,575
Net interest on the defined liability	395
Administration expense	108
Total	<u>3,078</u>
Employer Contributions	4,194

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

The Authority participates in the Local Government Pension Scheme, administered by Kent County Council. This is a funded defined benefit career average 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.

## Note 35. Contingent Liabilities

Virgin Media Ltd

Sevenoaks District Council is aware of the 'Virgin Media Ltd v NTL Pension Trustees II Ltd (and others)' case and considers that there is potential for the outcome of this case to have an impact on for the Council. The case affects defined benefit schemes that provided contracted-out benefits before 6 April 2016 based on meeting the reference scheme test. Where scheme rules were amended, potentially impacting benefits accrued from 6 April 1997 to 5 April 2016, schemes needed the actuary to confirm

that the reference scheme test was still being met by providing written confirmation under Section 37 of the Pension Schemes Act 1993. In the Virgin Media case the judge ruled that alterations to the scheme rules were void and ineffective because of the absence of written actuarial confirmation required under Section 37 of the Pension Schemes Act 1993. The case was taken to The Court of Appeal in June 2024 and the original ruling was upheld.

As a result, there may be a further liability to Sevenoaks District Council's share of the Kent Pension Fund for benefits that were reduced by previous amendments, if those amendments prove invalid (i.e. were made without obtaining s37 confirmation). The Government Actuary's Department is currently undertaking a review to confirm whether such changes occurred in Local Government Pension Schemes. At this point it is not possible to estimate the potential impact, if any, on Sevenoaks District Council's Accounts.

### **Note 36. Contingent Assets**

There are no contingent assets identified in the year.

### **Note 37. Heritage Assets**

Under the CIPFA code of practise where an authority has information on the cost or value of a heritage asset, the authority shall recognise the asset in accordance with Section 4.1 of the Code.

Where this information is not available, and cannot be obtained at a cost that is commensurate with the benefits to users of the financial statements, the assets will not be recognised in the Balance Sheet. Disclosure shall be made in respect of heritage assets not recognised in the Balance Sheet in accordance with Section 4.10.4 of the Code.

Otford Palace

The site of Archbishop's Palace in Otford, Kent, dates back to 821 AD but it was in 1515 AD that Archbishop Warham built one of the largest palaces in England, comparable in size to Hampton Court. In the 17th Century, the buildings fell into disrepair and now all that remains is part of the North Range - the North West corner tower, part of the Northern Gatehouse and connecting wall

Therefore following the requirement set out above the Council does not have information on cost or valuation and as such Otford Palace is not recognised with the Financial Statements.

### **Note 38. Highway Infrastructure Assets (Transport Infrastructure Assets Code)**

The Council owns two roads and some footpaths; however, these components do not form a network of Highways Infrastructure Assets and have therefore not been recognised in the balance sheet as Highways assets.

### **Note 39. Borrowing**

The information below sets out the Council's borrowing. Short term borrowing shows the amount to be repaid with the next financial year whereas the Long term borrowing is due over 1 year.

#### Short Term Borrowing

Unaudited			
31/03/23		31/03/24	
£'000		£'000	
( 574)	Central Government Bodies	( 580)	
( 4)	Other Local Authorities	( 106)	
<u>( 577)</u>	Total	<u>( 685)</u>	

#### Long Term Borrowing

Unaudited			
31/03/23		31/03/24	
£'000		£'000	
( 11,820)	Central Government Bodies	( 11,334)	
( 338)	Other Local Authorities	( 2,933)	
<u>( 12,064)</u>	Total	<u>( 14,267)</u>	

## Note 40. Group Accounts

These notes should be read in conjunction with the explanatory notes to the Council's single entity accounts.

The following notes are intended to add context to the Group columns in the primary statements.

Further information on the Group can be found the Related Party Note 29

### Investment Property for the Group

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

	Unaudited	
	2022/23	2023/24
	£'000	£'000
Rental income from investment property	( 2,816)	( 3,185)
Direct operating expenses from investment property	638	675
Net income from Investment Properties	<u>( 1,555)</u>	<u>( 2,510)</u>

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

	Unaudited	
	2022/23	2023/24
	£'000	£'000
Balance at start of the year	46,799	50,482
Purchases	3,453	4,623
Reclassifications	-	(774)
Disposals	-	(798)
Net Gains/ (losses) from fair value adjustment	231	551
	<u>50,483</u>	<u>54,084</u>

	Unaudited	
	31st March 2023	31st March 2024
	£'000	£'000
<b>Investment Property</b>		
Quoted Prices in active market for identical assets (Level 1)		
Other significant observable inputs (Level 2)	50,483	54,084
Significant un-observable inputs (Level 3)		
Total Fair Value	<u>50,483</u>	<u>54,084</u>

The observable inputs used for the fair value calculation for Investment properties are the same as previously stated for Surplus Assets.

Properties are subject to leases with varying review dates.

The fair value of the authority's Investment Properties is measured annually. All valuations are carried out by external valuers in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The valuers work closely with finance officers reporting directly to the Chief Officer – Finance & Trading on a regular basis regarding all valuation matters.

## **THE COLLECTION FUND**

### **INCOME AND EXPENDITURE ACCOUNT**

This statement represents the transactions of the Collection Fund, a statutory fund separate from the General Fund of the Council. The Collection Fund accounts independently for income and expenditure relating to Council Tax and Non-Domestic Rates on behalf of Central Government, precepting authorities and the Council's own General Fund. The costs of administering collection are accounted for in the General Fund and the Collection Fund balance sheet is incorporated into the Council's consolidated balance sheet.

Unaudited 2022/23			2023/24				
Council Tax £000	NDR £000	Total £000		Note	Council Tax £000	NDR £000	Total £000
<b>Income</b>							
109,133	-	109,133	Billed to Council Tax Payers	1	115,220	-	115,220
-	30,029	30,029	Income from Business Ratepayers	2	-	35,500	35,500
1,723	-	1,723	Reduction in Bad Debts Provision		1,183	-	1,183
-	5,246	5,246	Reduction in Provision for Appeals		-	1,964	1,964
-	7,437	7,437	Transitional Protection		-	4,343	4,343
-	129	129	Reimbursement of previous year's estimated Collection Fund deficit	3	-	250	250
<b>110,856</b>	<b>42,841</b>	<b>153,697</b>			<b>116,403</b>	<b>42,057</b>	<b>158,460</b>
<b>Expenditure</b>							
Precepts & Demands:							
75,274	2,936	78,210	Kent County Council		79,765	3,631	83,396
11,753	-	11,753	Police & Crime Commissioner for Kent		12,641	-	12,641
4,242	326	4,568	Kent & Medway Fire & Rescue Authority		4,539	403	4,942
11,841	13,048	24,889	Sevenoaks District Council		12,306	16,137	28,443
4,977	-	4,977	Town & Parish Councils		5,231	-	5,231
Business Rates:							
-	16,310	16,310	Payments to Government		-	20,171	20,171
-	165	165	Cost of Collection Allowance		-	168	168
-	-	-	Transitional Protection		-	-	-
Bad and Doubtful Debts:							
1,195	167	1,362	Provision for Non Payment		687	391	1,078
-	-	-	Provision for Appeals		-	425	425
472	79	551	Write Offs		752	107	859
170	-	170	Contribution towards previous year's estimated Collection Fund surplus	3	1,388	-	1,388
<b>109,924</b>	<b>33,031</b>	<b>142,955</b>			<b>117,309</b>	<b>41,433</b>	<b>158,742</b>
<b>932</b>	<b>9,810</b>	<b>10,742</b>	(DEFICIT)/SURPLUS FOR YEAR	3	<b>(906)</b>	<b>624</b>	<b>(282)</b>
COLLECTION FUND BALANCE							
391	(8,349)	(7,958)	Balance at beginning of year		1,323	1,461	2,784
932	9,810	10,742	(Deficit)/Surplus for year		(906)	624	(282)
<b>1,323</b>	<b>1,461</b>	<b>2,784</b>	<b>BALANCE AT END OF YEAR</b>	4	<b>417</b>	<b>2,085</b>	<b>2,502</b>

## Note 1 Council Tax

Council tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands estimating 1 April 1991 values for this specific purpose. A different ratio is applied to a small number of properties in band A that have been adapted for use by a disabled person. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Kent County Council, the Police and Crime Commissioner for Kent, Kent & Medway Fire and Rescue Authority and the District Council for the forthcoming year and dividing this by the tax base (i.e. the number of chargeable dwellings in each valuation band, adjusted for dwellings

where discounts apply, converted to an equivalent number of band D dwellings). This gives rise to the basic amount of council tax for a band D property. Taxes for other bands are derived by applying the ratio in the following table to the band D tax.

Band	2022/23 Unaudited			2023/24		
	Estimated no. of taxable properties	Ratio	Band D equivalent dwellings	Estimated no. of taxable properties	Ratio	Band D equivalent dwellings
A*	5.41	5/9ths	3.00	5.90	5/9ths	3.30
A	1,044.26	6/9ths	696.30	1,070.85	6/9ths	714.20
B	2,067.69	7/9ths	1,608.30	2,140.75	7/9ths	1,665.20
C	8,743.83	8/9ths	7,772.20	8,745.51	8/9ths	7,773.70
D	10,208.12	9/9ths	10,208.40	10,225.16	9/9ths	10,225.30
E	6,874.81	11/9ths	8,402.50	6,903.96	11/9ths	8,438.20
F	5,637.99	13/9ths	8,143.70	5,635.50	13/9ths	8,140.40
G	7,430.69	15/9ths	12,384.70	7,465.84	15/9ths	12,443.40
H	1,433.32	18/9ths	2,866.70	1,447.19	18/9ths	2,894.40
	<u>43,446.12</u>		<u>52,085.80</u>	<u>43,640.66</u>		<u>52,298.10</u>
Contributions in lieu for Crown property			1.40			6.00
			<u>52,087.20</u>			<u>52,304.10</u>
Collection rate adjustment			98.90%			99.40%
<b>Council Tax Base</b>			<u><b>51,514.27</b></u>			<u><b>51,990.30</b></u>

The tax base for 2023/24 was approved by Council on 21 February 2023 as follows:

A\* - Concessionary rate for adapted homes

The tax rate for a band D property in 2023/24 was £2,101.38, excluding Town and Parish Council taxes (2022/23 = £2,001.60).

	Unaudited	
	2022/23	2023/24
	£	£
Kent County Council	1,461.24	1,534.23
Police & Crime Commissioner for Kent	228.15	243.15
Kent & Medway Fire & Rescue Authority	82.35	87.30
Sevenoaks District Council	229.86	236.70
	<u>2,001.60</u>	<u>2,101.38</u>
Town & Parish Councils (Average)	96.61	100.61
<b>TOTAL (including an average town &amp; parish rate)</b>	<u><b>2,098.21</b></u>	<u><b>2,201.99</b></u>

## Note 2 Non-Domestic Rates (NDR)

In 2013/14, the administration of NDR changed following the introduction of a business rates retention scheme which aims to give Councils a greater incentive to grow businesses but also increases the



financial risk.

due to volatility and non-collection of rates. Instead of paying NDR to the central pool, local authorities retain a proportion of the total collectable rates due. When the scheme was introduced, Central Government set a baseline level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to Central Government are used to finance the top ups to those authorities who do not achieve their targeted baseline funding.

This Council joined with all of the other councils in Kent, including Kent County Council and Medway Council, in a successful bid to take part in a government pilot for 100% business rates retention in 2018/19. For 2019/20, this ceased, and the Council reverted to the 50% business rates retention scheme. It remained as a shadow member of the Kent Business Rates Pool, receiving growth benefits as if it had been part of the Pool.

Non-domestic rates are calculated on a national basis. For 2023/24, the Government specified a “rate poundage” of 51.2p (2022/23: 51.2p) for large businesses or 49.9p (2022/23: 49.9p) for small businesses and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount.

The NDR income after relief and provisions of £35,500,350 for 2023/24 (2022/23: £30,029,079) was based on the total rateable value for the Council’s area, which at 31 March 2024 was £109,471,1199 (31 March 2023: £109,206,912).

### **Note 3 Contributions to Collection Fund surpluses and deficits.**

In January each year the Council must estimate the amount of the surplus or deficit expected to arise on the Collection Fund for the coming 31 March in respect of council tax and NDR. The estimated surplus or deficit is then shared between Kent County Council, the Police and Crime Commissioner for Kent, Kent & Medway Fire & Rescue Authority, Central Government, and the District Council as appropriate.

In January 2024, the estimated balance at 31 March 2024 in respect of council tax transactions was a surplus of £83,595. This surplus is to be shared between Kent County Council, the Police and Crime Commissioner for Kent, Kent & Medway Fire & Rescue Authority and the District Council in proportion to their precepts on the Collection Fund in 2023/24 and taken into account by the respective authorities in the calculation of their council taxes for 2023/24. The actual position at 31 March 2024 was a surplus of £417,031.

The actual surplus of £417,031 at 31 March 2024 in respect of council tax and the actual surplus of £2,085,967 in respect of NDR will be taken into account when estimating the surplus or deficit for 2024/25.

### **Note 4 Allocation of arrears, prepayments, and other balances.**

Each of the bodies share of the arrears, pre-payments/refunds, and other balances for both council tax and NDR is shown in the table below.

		KCC	PCC	KMFRA	Gov't	SDC	Total
		£000	£000	£000	£000	£000	£000
Unaudited							
2022/23	<b>Council Tax:</b>						
	Arrears	4,565	724	171	-	1,004	6,463
	Provision for Bad Debts	(2,056)	(326)	(77)	-	(452)	(2,910)
	Prepayments & Refunds	(2,254)	(357)	(84)	-	(496)	(3,191)
	Cash	665	103	43	-	150	961
	(Surplus)/Deficit	(921)	(144)	(52)	-	(206)	(1,323)
	<b>NDR:</b>						
	Arrears	347	-	39	1,931	1,544	3,861
	Provision for Bad Debts	(139)	-	(15)	(772)	(617)	(1,543)
	Provision for Appeals	(393)	-	(44)	(2,185)	(1,748)	(4,370)
	Prepayments & Refunds	(248)	-	(28)	(1,376)	(1,101)	(2,751)
	Cash	564	-	63	3,132	1,337	5,096
	(Surplus)/Deficit	(132)	-	(15)	(731)	(584)	(1,461)
<b>Total</b>	-	-	-	-	-	-	
2023/24	<b>Council Tax:</b>						
	Arrears	4,599	696	257	-	1,034	6,585
	Provision for Bad Debts	(1,685)	(255)	(94)	-	(379)	(2,414)
	Prepayments & Refunds	(2,469)	(374)	(138)	-	(555)	(3,536)
	Cash	(153)	(24)	(7)	-	(34)	(219)
	(Surplus)/Deficit	(291)	(44)	(17)	-	(66)	(417)
	<b>NDR:</b>						
	Arrears	457	-	51	2,536	2,029	5,072
	Provision for Bad Debts	(174)	-	(19)	(967)	(774)	(1,935)
	Provision for Appeals	(255)	-	(28)	(1,416)	(1,133)	(2,832)
	Prepayments & Refunds	(139)	-	(15)	(775)	(620)	(1,549)
	Cash	300	-	33	1,664	1,332	3,329
	(Surplus)/Deficit	(188)	-	(21)	(1,043)	(834)	(2,086)
<b>Total</b>	-	-	-	-	-	-	

## GLOSSARY OF TERMS

Most terms are explained within the “Explanatory Foreword” and “Statement of Accounting Policies” sections of the accounts.

**Accounting Period.** The period of time covered by the accounts, normally 12 months starting on 1st April for Local Authority accounts.

**Accrual.** Item relating to, and accounted for in, one accounting period but actually paid in another.

**Actual.** The final amount of expenditure or income which is recorded in the Council’s accounts.

**Agency and Contracted Services.** Services purchased from another public body or external organisation and subject to a contract. Includes the services provided by Direct Services.

**Assets Held for Sale.** Where there is reasonable certainty that an item of property, plant or equipment is likely to be disposed of via a sale in the next twelve months.

Bexley. London Borough of Bexley.

**Budget.** A statement of the Council’s plans for net revenue and capital expenditure over a specified period of time.

**Budget Requirement.** Broadly the authority’s estimated net revenue expenditure after allowing for movement in reserves and the addition of parish precepts, to be met from revenue support grant, retained non-domestic rates and council tax income.

**Business Rate Retention Scheme.** A scheme introduced in April 2013 under which billing authorities are able to retain a proportion of the business rates they collect.

**Capital Expenditure.** The acquisition, construction, enhancement, or replacement of tangible fixed assets (i.e. land, buildings, structures etc.), the acquisition of investments and the making of grants, advances, or other financial assistance towards expenditure by other persons on tangible fixed assets or investments.

**Capital Financing Requirement.** The difference between Capital Expenditure and the resources available to finance such expenditure from grants/contributions, capital receipts or revenue funds. This indicates the fundamental requirement to borrow.

**Capital Programme.** The capital projects the Council proposes to undertake over a set period of time.

**Capital Receipts.** Money obtained on the sale of a capital asset.

CO. Cabinet Office

**COVID-19.** A pandemic that started in 2020/21.

**Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (The Code)** This specifies the principles and practices of accounting required to prepare a Statement of Accounts which represents a ‘true and fair view’ of the financial position and transactions of the Council.

**CIPFA.** Chartered Institute of Public Finance and Accountancy.

**Collection Fund.** The fund into which council tax and non-domestic rates are paid, and from which we meet demands by preceptors and central government.

**Contingent Liabilities.** Contingent liabilities are either:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the organisation’s control, or

(b) a present obligation that arises from past events but is not recognised because:

it is not probable that a transfer of economic benefits will be required to settle the obligation, or

(ii) the amount of the obligation cannot be measured with sufficient reliability.

**Corporate and Democratic Core.** Costs involved in corporate policy making, representing local interests (including civic ceremonials), support to elected bodies and duties arising from public accountability.

**Cost Centre.** An individual unit to which items of income or expenditure are charged for managerial or control purposes.

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

**Council Tax Base.** The measure of the taxable capacity of an area. It represents the estimated full year equivalent number of chargeable dwellings in an area, expressed as the equivalent number of band D dwellings, after allowing for disabled reduction (relief) and discounts, adjusted for an allowance for non-collection.

**Creditors.** People or organisations from whom we have received goods or services and as a consequence owe money.

**Current Liabilities.** Those amounts which will become payable or could be called upon within the next accounting period e.g. creditors and cash overdrawn.

**Debtors.** People or organisations who owe money to the Council.

**Deferred Capital Receipts.** Capital Receipts which will accrue in the future, such as mortgage repayments.

**Depreciation.** A charge to a revenue account to reflect the reduction in the useful economic life of a fixed asset.

**DfT.** Department for Transport.

**DWP.** Department for Work and Pensions.

**ECL.** Expected credit loss. Credit loss in relation to a financial instrument is a cash shortfall measured by the difference between the net present value of all contractual cash flows that are due to an authority in accordance with the contract for the instrument and the net present value of all the cash flows that the authority expects to receive, discounted at the original effective interest rate.

**Employee Costs.** This includes the full costs of employees including salaries, employer's contributions to national insurance and superannuation, and the costs of leased cars.

**ERDF.** European Regional Development Fund.

**Events after the Reporting Period.** The occurrence of a material event between the balance sheet date and the date the accounts are authorised for issue, which might have a bearing on the financial results of the organisation. In such cases the event should be reflected in the Statement of Accounts as a note or amendment.

**FIAC.** Finance & Investment Advisory Committee.

**Fees and Charges.** In addition to income from council taxpayers, business ratepayers and the government, local authorities charge for some services, e.g. local land charge searches and car parking.

**FVCOI.** Fair value through other comprehensive income, a class of Financial Assets.

**FVPL.** Fair value through profit or loss, a class of Financial Instruments.

**General Fund.** The main revenue fund of the Council from which payments are made to provide services and into which receipts are paid, including the District Council's share of council tax and non-domestic rates income.

**Government Grants.** Payments by government towards either the revenue or capital cost of local authority services. These may be either in respect of particular services called specific grants, e.g. housing benefits, or in aid of local services generally, e.g. revenue support grant.

**Group Accounts.** A consolidation of the activities of subsidiaries controlled by the holding company and shown as part of the group's total activities.

**Heritage Assets.** Heritage assets are tangible assets with historical, artistic, scientific, technological,

geophysical, or environmental qualities held and maintained principally for their contribution to knowledge and culture.

**Impairment.** A downward revaluation of an asset

**KCC.** Kent County Council.

**KMFRA.** Kent and Medway Fire and Rescue Authority.

**LASAAC.** Local Authority (Scotland) Accounts Advisory Committee An organisation that jointly with CIPFA forms the Local Authority Code Board. This board is responsible for preparing, maintaining, developing, and issuing the Code of Practice on Local Authority Accounting for the United Kingdom.

**Leasing.** A method of financing the acquisition of equipment, vehicles etc. The items concerned do not belong to the user (or lessee) but are the property of the lessor to whom the lessee pays an annual rental for a specific period of time.

**MBC.** Maidstone Borough Council.

**MHCLG.** Ministry of Housing, Communities and Local Government (formerly DCLG)

**MRP.** Minimum Revenue Provision.

**Non-Domestic Rate (NDR).** Non-domestic rates are levied on business properties based on the rateable value of the property multiplied by a rate in the pound set nationally by the Government. Local authorities retain a proportion of the total collectable rates.

**PCC.** Police and Crime Commissioner.

**Prior year adjustments.** Material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal corrections or adjustments of accounting estimates made in prior years.

**PCT.** Primary Care Trust

**Precept.** The demand on the collection fund by one authority (e.g. Kent County Council) which is collected from the council taxpayer by another (e.g. Sevenoaks). Precepts on Sevenoaks are also made by the Police and Crime Commissioner for Kent, Kent & Medway Fire & Rescue Authority, plus Town and Parish Councils in the District.

**Premises Expenses.** Includes expenditure on repairs, buildings, grounds and plant maintenance, energy, rents, rates, water services and cleaning of council buildings.

**Provisions.** Funds to provide for liabilities or losses which are known obligations but are uncertain as to amounts or dates.

**Recharges.** The transfer of costs from one account to another.

**REFCUS (Revenue Expenditure Funded from Capital Under Statute).** Expenditure which legislation classifies as capital, but which does not result in the creation of a fixed asset belonging to the authority. An example is where the Council pays a grant to a private householder for adaptations required by a person with disabilities; the work done is capital in nature, but the resultant asset does not appear on the Council's balance sheet because it belongs to the private householder. These were previously defined as deferred charges.

**Related Party Transactions.** 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.

**Reserves.** The general capital and revenue balances of the Council. There are two types of reserves which might be described as either available or not available to finance expenditure. Revenue reserves which result from monies being set aside, surpluses or delayed expenditure can be spent or earmarked at the discretion of the Council. The usable capital receipts reserve is also available to the extent allowed for by statute. However, other capital reserves are not available to meet expenditure, e.g. the reserves brought about by the capital accounting requirements namely the capital adjustment account and the revaluation reserve.

**Revenue Expenditure.** Expenditure to meet the continuing cost of services including wages and salaries, purchase of materials and financing charges on capital expenditure.

**Revenue Support Grant (RSG).** The general Government grant to some local authorities. It can be payable to local authorities in support of expenditure in their area.

**Revised Estimates.** The approved estimates for the current year as amended e.g. by supplementary estimates and virement.

**SMT.** Strategic Management Team

**SDC or Sevenoaks.** Sevenoaks District Council

**Specific Grant.** Government grant for specific purposes. The Authority does not have the power to apply such grants for other purposes.

**Supplies and Services.** Includes expenditure on equipment and materials.

**Support Services.** The charges made by central functions for the services they provide to other departments. These are services which support the provision of services to the public, other support services and the corporate and democratic core. This includes the provision of accommodation, IT, administrative items purchased centrally, (e.g. telephones, stationery, and bank charges), central professional services (Human Resources, Legal and Property, and Finance support) and the cost of providing some centrally provided services e.g. post distribution and contact centre.

**Transfer Payments.** Payments to other bodies where no goods or services are received in return e.g. Housing Benefit grants.

**TMBC.** Tonbridge and Malling Borough Council.

**TWBC.** Tunbridge Wells Borough Council.

**Valuation Bands.** To calculate the relative value of dwellings for council tax purposes each dwelling is placed on a valuation list in one of eight bands ranging from A to H. Within a local area, the Council tax will vary between the different bands according to proportions laid down by law. The bands are based on property values as at April 1991.

Band	Value	Proportion
A*	Up to £40,000	5/9
A	Up to £40,000	6/9
B	Over £40,000 and up to £52,000	7/9
C	Over £52,000 and up to £68,000	8/9
D	Over £68,000 and up to £88,000	9/9
E	Over £88,000 and up to £120,000	11/9
F	Over £120,000 and up to £160,000	13/9
G	Over £160,000 and up to £320,000	15/9
H	Over £320,000	18/9

**Virement.** A transfer of budget provision from one budget to another.

# ANNUAL GOVERNANCE STATEMENT 2023/24

## 1. Background

1.1 Further to the Accounts and Audit (England) Regulations 2015, the Council is required to produce an Annual Governance Statement (to be published with its financial statements) which sets out its arrangements for delivering good governance within the framework of sound internal controls.

1.2 The Annual Governance Statement (AGS) is a corporate document involving a variety of people charged with developing and delivering good governance including:

- the Leader of the Council and the Chief Executive (Head of Paid Service) as signatories.
- Chief Officers, Heads of Service and relevant managers assigned with the ownership of risks and the delivery of services.
- the Chief Officer – Finance and Trading who is responsible for the administration of the Council's financial affairs under Section 151 of the Local Government Act 1972.
- the Monitoring Officer in meeting statutory responsibilities of ensuring the legality of Council business.
- the Council's Internal Audit function, in particular the Annual Audit Opinion.
- Members (for example, through the committees such as the Governance, Audit, Scrutiny and Advisory Committees).
- Others, responsible for providing assurance, in particular Grant Thornton, in their role as the Council's External Auditor.

1.3 Thus the AGS is owned by all Senior Officers and Members of the Council, because governance itself relies on all Officers and Members. A shared approach was taken in compiling the AGS with the objective of engaging all managers integrally involved in the delivery of services covering the whole authority within the process and also encouraging a high degree of reflection and corporate learning. This increases the statement's significance and encourages managers to objectively assess their responsibilities.

1.4 The system of corporate governance highlighted in the AGS, together with the system of internal control, is reviewed continually throughout the year as part of routine governance and managerial processes; examples being the authority's performance management and risk management frameworks.

1.5 Although corporately owned, the AGS requires internal control assessments and assurance statements from individual Heads of Service and relevant managers, Chief Officers, the Internal Audit Manager, the Head of Paid Service, the Monitoring Officer and the Section 151 Officer, all of which are obtained as part of this process.

## **2. Scope of Responsibility**

2.1 Sevenoaks District Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law, proper standards, good governance and that public money is safeguarded from waste, extravagance or misappropriation. The Council seeks to ensure that its expenditure and activities are transparent and properly accounted for. Under the Local Government Act 1999 the Council has a duty to make proper arrangements to secure continuous improvement in the way in which it carries out its functions, having regard to ensuring economy, efficiency, effectiveness and fairness in the exercise of its responsibilities. In discharging this overall responsibility, to ensure its business is conducted in accordance with the law, proper standards and delivering continuous improvements. Sevenoaks District Council is also responsible for ensuring that there is a system of corporate governance which facilitates the effective and principled exercise of the Council's functions, and which includes arrangements for the effective management of risk. The Council seeks to conduct these responsibilities within the framework of high quality service provision to enhance and facilitate community wellbeing and engagement.

2.2 The roles of the Chief Executive (as Head of Paid Service), the Section 151 Officer and the Monitoring Officer are defined within Part 13 of the Council's Constitution. The Executive Role of Members is defined within Part 4 of the Council's Constitution.

2.3 Officers and Members are expected to conduct themselves in a proper manner in accordance with the Constitution and both are expected to declare interests that may impact on the objectivity of the Council's decision making process. These interests are held on a register and are reviewed on a regular basis by the Monitoring Officer.

2.4 Sevenoaks District Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA / SOLACE Framework Delivering Good Governance in Local Government. This statement explains how Sevenoaks District Council has implemented both the code and the requirements of the Accounts and Audit (England) Regulations 2015 in relation to the publication of an Annual Governance Statement. This was last adopted by the Audit Committee on 4 July 2023.



### **3. The Purpose of the Governance Framework**

3.1 The governance framework comprises the systems and processes, culture and values, by which the Council informs, directs, manages and monitors its operations, and its activities through which it accounts to, engages with and empowers the community. It enables the authority to evaluate the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

3.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives 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 risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and to assess the impact should they be realised, and to manage them efficiently, effectively and economically. It also seeks to maximise available opportunities in achieving good value for money and delivering objectives and priorities.

3.3 The governance framework has been in place at Sevenoaks District Council for the year ended 31 March 2024 and up to the date of approval of this document.

### **4. The Governance Framework**

4.1 The following represent the key elements of the Council's governance framework:

- The Council's vision and promises are set out in its Council Plan which was approved by Council on 14 November 2023. The Council Plan sets out the actions that the Council has committed to undertake to deliver on its promises.
- The Council Plan promises are subject to considerable Member review and challenge by Cabinet, or the appropriate Advisory/Scrutiny Committee and ultimately by the full Council. The governance arrangements put in place on 23 May 2023 operated well during the year. The arrangements continue to include an Audit Committee, whose terms of reference are consistent with CIPFA standards. The promises and priorities within the Council Plan are also cascaded to individuals within the Council through Service Plans and individual action plans via the staff appraisal process.
- Policy and decision-making is facilitated through reports from officers to Cabinet and Council. Each Cabinet Member has responsibility for a specific portfolio and will take decisions on matters relevant to that portfolio. Each portfolio also has an Advisory Committee, which will consider officer reports in advance of them being considered by Cabinet and provide their recommendations on the policy direction or decision making of the Cabinet or Council. The Scrutiny Committee has the opportunity to 'call-in' the decisions of Cabinet and to recommend changes to decisions or policies.
- The Council's Constitution specifies the roles and responsibilities of Members and Officers and the financial and procedural rules for the efficient and effective discharge of the Council's business.

- Implementation of established policies, procedures, laws and regulations and good practice is achieved through:

**a) Internal Audit**

The Council's Internal Audit service is provided in partnership with Dartford Borough Council.

During 2023/24, the Internal Audit Team worked to deliver the annual audit plan approved by the Audit Committee in March 2023. The service has provided regular updates to Members on the outcomes of audit work, progress on implemented audit actions, and also updates regarding progress against our Quality Assurance and Improvement Plan.

Internal audit has issued two limited assurance audit report in the 2023/24 audit plan to date. These were for Contract Management and Procurement. Though progress has been made towards implementation, there are three high priority actions outstanding in relation to the contract management audit and two in relation to the procurement one.

Individual audit reports continue to be issued and distributed to relevant Chief Officers, with copies to the Chief Executive and Section 151 Officer.

A full independent external quality assessment was completed in 2020/21.

The outcomes, along with actions, were reported to the Audit Committee. These outcomes from the External Quality Assessment were used to create an audit strategy and action plan.

The Audit Committee, as those charged with governance, will provide continued oversight and direction as required. As such, the operation of the service will also be monitored by the Strategic Management Team, and the Section 151 Officer.

**b) External Audit**

The external audit service is provided by Grant Thornton. The External Auditor's reports are sent to management and Members (via the Audit Committee). Recommendations and comments are considered and discussed with timely actions taken to address agreed recommendations.

In the value for money assessment for 2021/22, no significant weaknesses in arrangements were identified. The audit of the financial statements for 2021/22 and 2022/23 have not been completed as a decision by Government is awaited regarding the national backlog in local authority audits. The opinion on the 2020/21 financial statements is that they gave a true and fair view.

**c) Financial Management**

The Section 151 Officer is required to give Members an opinion on the robustness of the budget estimates and the adequacy of reserves. Assurance on these factors is included in the Annual Budget Report to Council.

A robust budgetary control system is in place and regular monitoring reports are produced for the Strategic Management Team, Heads of Service and relevant managers, Cabinet and the Finance and Investment Advisory Committee. The Finance Team conduct monthly client liaison meetings with responsible budget holders.

#### **d) Performance Management**

Monitoring of progress towards the achievement of the Council's promises and objectives is undertaken through the Council's performance management system. Performance is monitored regularly and enhanced with commentaries from Heads of Service and Managers where performance is behind target. Strategic information is regularly reported to the Strategic Management Team, Cabinet, Scrutiny Committee and Advisory Committees.

#### **e) Arrangements for Partnerships**

The Council enhances value for money in service delivery through innovative and cost-effective partnership working but will also end partnerships that no longer provide value for money or meet policy objectives. The Council engages in extensive discussion and planning to develop efficient working arrangements while protecting quality of services. Decisions to enter into partnership working are supported by a detailed business case and cost-benefit analysis, and are subject to scrutiny and approval by Members. The Council has partnerships in place for the delivery of services including Licensing, Revenues and Benefits and Internal Audit.

#### **f) Arrangements for Council Owned Companies**

Governance arrangements for the Council owned companies were agreed by Council as part of the set up process. Those arrangements have continued to be followed during the year.

The Companies accounts are separately audited, and the Council produces group accounts which incorporate the companies.

#### **g) Risk Management**

The Council's Risk Management Strategy was updated and approved by the Audit Committee on 1 February 2024.

Strategic risks are aligned to the Council's promises and objectives and are actively monitored and updated throughout the year. In 2023/24 the operational risk management framework was updated and refreshed with new operational risk registers developed across the Council.

#### **h) Relationships and Ethics**

Good co-operative relationships exist between the Council and its external auditors and inspectors, and between officers and Members. Relationships between officers and Members are guided by a protocol embedded in the Council's Constitution. The Council has clear Codes of Conduct for Members and Officers embedded within its Constitution, underpinned by a culture of integrity and ethical behaviour. Member conduct is scrutinised by the Standards Committee.

#### **i) Service Delivery by Trained and Experienced People**

The Council has a robust recruitment policy and relevant procedures in place. The Council holds Platinum status in the Investors in People (IiP) scheme, re-conferred by an external inspection regime in February 2023. The Council was the first local authority nationally to achieve this standard. Staff appraisals take place annually and are aligned to the values, behaviours and objectives of the Council. Training and development plans are part of the appraisal process and are used to identify any training needs over the year. As part of the

ongoing commitment to develop and nurture staff the Council continued to design, deliver and develop bespoke training courses over the year through the 'Sevenoaks Learning Hub' which is available to all staff and consists of a variety of courses.

#### **j) Monitoring Officer**

The Council's Monitoring Officer oversees compliance with laws and statutory obligations. The Monitoring Officer reports to the Council's Standards Committee.

#### **k) Counter Fraud and Corruption**

The Council has a Counter Fraud and Corruption Strategy and a Whistle Blowing Policy. The Council also has a Counter Fraud Team and a 'fraud hotline', available to both staff and members of the public, which allows individuals to report anonymously any suspected cases of fraud and corruption. As part of fraud risk management, all staff and Members are required to complete annual declarations of interests. The risks of fraud and corruption are assessed within the strategic risk register and appropriate measures put in place to mitigate these risks. There were no disclosures or internal investigations during the year.

The Counter Fraud and Corruption Strategy and Whistle Blowing Policy were both updated and then reviewed by the Audit Committee on 5 October 2023.

### **5. Role of the Section 151 Officer**

5.1 Section 151 of the Local Government Act 1972 requires that the Council appoint an individual officer to be responsible and accountable for the administration of its financial affairs. The Scheme of Delegation held within Part 13 of Sevenoaks District Council's Constitution assigned this responsibility to the Deputy Chief Executive and Chief Officer - Finance and Trading during 2023/24.

5.2 CIPFA has issued a Statement on the Role of the Chief Financial Officer in Local Government. This details the governance arrangements and delegated responsibilities considered necessary to facilitate the role of the Section 151 Officer. The Council has considered this Statement, and believes that, during the financial year 2022/23, it has complied fully with the governance requirements of the Statement. The Council's Financial Procedure Rules, codified within Appendices D and E of the Constitution ensure that all the appropriate responsibilities are delegated and reserved to the Section 151 Officer as the Statement recommends.

### **6. Review of Effectiveness**

6.1 Sevenoaks District Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review is informed by the outcome of the work of the Council's internal audit service during the year and by Chief Officers who have responsibility for the development and maintenance of the internal control environment. It also considers comments made by the external auditors and other external review agencies and inspectorates.

6.2 The External Auditor in their last value for money assessment for 2021/22, concluded that no significant weaknesses in arrangements were identified.

6.3 Internal audit reports are available to the Audit Committee upon request, and the outcomes of audit work are reported regularly. Each year the Committee receive the Annual

Internal Audit Report, which includes the Annual Opinion on the Council’s governance, risk management and control arrangements. The opinion for 2023/24 is that they are managed effectively with reasonable assurance.

6.4 The Head of Paid Service and Section 151 Officer and the Monitoring Officer periodically review the Constitution, procedures for internal financial control and application of the relevant Codes of Conduct.

6.5 There was one potential governance issue raised in last year’s AGS process regarding Sencio Community Leisure ceasing to trade. It was also recognised that operational risk management arrangements were due to be reviewed. Details are included in **Table 1 below**. Actions have been completed to address both of these issues.

6.6 In reviewing the Senior Manager returns to support the Annual Governance Statement, the Audit Manager highlighted potential gaps in relation to assurance mapping and also the identification, assessment and response to fraud risk. As a result, actions have been raised in **Table 2 below**.

Certification

Signed:

Signed:

Dr. Pav Ramewal  
Chief Executive

Cllr Roddy Hogarth  
Leader of the Council

Date:

Date:

**Issues Identified**

**Table 1: Significant Governance Issues raised in the previous (2022/23) AGS.**

Identified from	Issue	Description	Responsible Officer(s)
Sencio Community Leisure ceasing to trade	Potential governance issues linked to Sencio Community Leisure ceasing to trade.	Council on 04/04/23 resolved that: an investigation by its Internal Auditors, be agreed to: report lessons to the Council to inform the Council’s contractual relationship and	Audit Manager

<b>Identified from</b>	<b>Issue</b>	<b>Description</b>	<b>Responsible Officer(s)</b>
		governance with a future long term provider.	
Audit Manager	Operational risk management arrangements are due to be reviewed.	Review of Operational risk management arrangements.	Audit Manager

**Table 2: Governance Issues raised in the current (2023/24) AGS.**

<b>Identified from</b>	<b>Issue</b>	<b>Description</b>	<b>Responsible Officer(s)</b>
Audit Manager	Fraud Risk assessments need refreshing	Identification, assessment and mitigation of fraud risk to be documented.	Senior Managers – Coordinated by Audit Manager
Audit Manager	Assurance mapping	Document the Council’s sources of assurance.	Senior Managers – Coordinated by Audit Manager

# Independent auditor's report to the members of Sevenoaks District Council

## Report on the audit of the financial statements

### Disclaimer of opinion

We were engaged to audit the financial statements of Sevenoaks District Council (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2024, which comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the 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 2023/24.

We do not express an opinion on the accompanying financial statements of the Authority or the group. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

### Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2024 by 28 February 2025 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements

We have been unable to obtain sufficient appropriate audit evidence by the backstop date to conclude that the Authority's and group's financial statements for the year ended 31 March 2024 as a whole are free from material misstatement. We were also unable to obtain sufficient appropriate evidence over the corresponding figures or whether there was any consequential effect on the Authority and group Comprehensive Income and Expenditure Statement for the year ended 31 March 2024 for the same reason.

We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be both material and pervasive. We have therefore issued a disclaimer of opinion on the financial statements. This enables the Authority to comply with the requirement in the Regulations that they publish audited financial statements for the year ended 31 March 2024 by the backstop date.

In addition, the Authority has prepared group accounts that consolidate the financial information of its subsidiary undertakings. The Authority is required to prepare group accounts in accordance with section 9.1.1.8 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 ('the Code'). The Comprehensive Income and Expenditure Statement does not include line items that present gross expenditure and gross income of the group as required by section 3.4.2.39(a) of the Code and therefore in our opinion the group accounts are not presented in accordance with the requirements of the Code. Had we not disclaimed our audit opinion, this matter would have required a modification to the opinion, and led to a qualified opinion being issued.

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

Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, 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.

### **Opinion on other matters required by the Code of Audit Practice**

The Deputy Chief Executive and Chief Officer - Finance & Trading is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Authority's and group's financial statements and our auditor's report thereon. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether 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, whether 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 issue a report 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 make 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 make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

### **Responsibilities of the Authority and the Deputy Chief Executive and Chief Officer - Finance & Trading**

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 Deputy Chief Executive and Chief Officer - Finance & Trading. The Deputy Chief Executive and Chief Officer - Finance & Trading 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 2023/24, for being satisfied that they give a true and fair view, and for such internal control as the Deputy Chief Executive and Chief Officer - Finance & Trading determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Deputy Chief Executive and Chief Officer - Finance & Trading is responsible for assessing the Authority's and the group'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 they have been informed by the relevant national body of the intention to dissolve the Authority and the group without the transfer of its services to another public sector entity.

### **Auditor's responsibilities for the audit of the financial statements**

Our responsibility is to conduct an audit of the Authority's and the group's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on those financial statements.



We are independent of the Authority and group 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.

### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The audit was defective in its ability to detect irregularities, including fraud, on the basis that we were unable to obtain sufficient appropriate audit evidence due to the matter described in the basis for disclaimer of opinion section of our report.

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

### **Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

We have nothing to report in respect of the above matter except:

- On the 18 February 2025 we identified a significant weakness in the Authority's arrangements for governance. The Council's internal audit service has experienced ongoing delays in planned coverage since year ended 31 March 2023, attributed to several vacancies within the internal audit team despite active recruitment efforts. This prolonged shortfall in delivering original audit plans and resourcing challenges poses significant weakness in the Council arrangements.

We therefore issued the following key recommendations:

- The Council needs to place an urgent and significant focus on taking action to address the resourcing issues within the internal audit service to satisfy itself that there is adequate capacity to fulfil planned internal audit activity to a sufficient level that an internal audit opinion can be provided for 2024/25.
- The Council should undertake a full evaluation of its current internal audit service to ensure that arrangements are optimal in the medium to long term.
- On the 18 February 2025 we identified a second significant weakness in the Authority's arrangements for governance. Suspected irregularities were identified by the Council within a specific area of Council expenditure. Upon discovery, the Council took appropriate actions and directed its internal audit service to investigate, which finalised recommendations for Council to enhance its control environment. However, the Council have not fully implemented these recommendations within a timely period during the year ended 31 March 2024. Additionally, it has been identified that officers of the Council have not received the required formal training for counter fraud awareness. We have therefore concluded that there is a significant weakness in arrangements.

We therefore issued the following key recommendations:

- The Council should prioritise the implementation of all recommendations from the internal audit services. Evidence of their implementation should be provided to internal audit, and a report should be submitted to the appropriate governance function.

- The Council should secure external specialist resource to provide a further assessment into the control environment (assessed by Internal Audit) to identify whether they are adequate, and to provide assurance of the control environment to members.
- The Council's should embed and strengthen a fraud prevention culture within the organisation by a programme of officer training.

### **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.

### **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 undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

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

We cannot formally conclude the audit and issue an audit certificate for Sevenoaks District Council for the year ended 31 March 2024 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary in relation to consolidation returns, including Whole of Government Accounts (WGA), and the National Audit Office has concluded their work in respect WGA for the year ended 31 March 2024. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2024.

### **Use of our report**

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 85 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.

*Parris Williams*

Parris Williams, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

27 February 2025